

## THE *PPSA* AND REGISTERED TRADE MARKS: WHEN BUREAUCRATIC SYSTEMS COLLIDE

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### I INTRODUCTION

The *Personal Property Securities Act 2009* (Cth) (*PPSA*) changes fundamentally the law relating to security interests in personal property in Australia. But it does so in ways that are familiar. More precisely, although the *PPSA* sets up a system for regulating security interests that is novel, it is a system that rests on logics that are instantly recognisable. It is a modernist system built around a principle of bureaucratic centralism. Prior legal arrangements were fragmented, costly and created uncertainty around competing claims of secured creditors. The solution was to create a national Personal Property Securities Register ('PPS Register') that will provide a single, *reliable* source of information. If a secured party fails to register, its interest is 'unperfected' and '[a] buyer ... of personal property, for value, takes the personal property free of an unperfected security interest in the property'.<sup>1</sup> The system is thereby designed to allow third parties to take the information recorded on the PPS Register at face value: if no interest has been recorded, the person consulting the Register is freed from the need to conduct further investigation. In this respect the *PPSA* has close parallels with how land registration systems operate: purchasers are entitled to rely on the information recorded on the land register and are hence freed from much of the burden of having to conduct time-consuming and expensive enquiries as to rights that are not recorded on the register.<sup>2</sup> Other parallels are not difficult to find. At times the *PPSA* allows security interests to be enforced against third parties even though they are not recorded on the PPS Register: security interests can also be perfected through possession, such that there is no

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1 *PPSA* s 43(1).

2 There are, of course, important differences both between various forms of land registration and between land registration systems and the registration system set up by the *PPSA*. Our concern, however, is with the broad logics on which registration systems rest and at this level of abstraction there are a number of general similarities to which attention can usefully be drawn.

need, for example, for pawn shops to register an interest in goods that have been pledged to them.<sup>3</sup> In a similar vein, land registration systems also invariably recognise exceptions to the requirement of registration built around the impracticality of requiring registration of, say, short leases or certain types of easement.<sup>4</sup>

If the logics around which the *PPSA* has been constructed are familiar, then so too are the themes that seem set to dominate much of the legal scholarship in this space: is the system going to work efficiently? does the law strike the correct balance between preserving the integrity of the PPS Register and serving the demands of justice in particular cases? is the system set up to cope with fraud? Describing these themes as familiar is not intended to denigrate the significance of these questions: it is clearly important to ask searching questions about whether bureaucratic systems for intervening in the recognition and enforcement of property rights are working efficiently and fairly.<sup>5</sup> Questions of this type are not, however, our primary concern in this article (albeit that we touch on a number of issues of this sort). Rather, we are concerned to explore how the *PPSA* will work when its field of operation intersects with another bureaucratic system that has similar underpinnings. The registered trade mark system, like the other registration systems we have mentioned, is built around a bureaucratic system of information production. It too seeks to provide information that can be relied upon, in this case information as to the signs that have been appropriated for use as trade marks by earlier market entrants.<sup>6</sup> Admittedly, the *PPSA* and Australia's land registration systems are built around a sanction (namely, if you fail to register, your interest is vulnerable in the face of a third party who acquires an interest in the property) whereas the registered trade mark system is built around a reward (namely, you acquire stronger and more readily transferrable rights in a trade mark through registration). However, this should not distract us from the fact that the PPS Register and the Trade Marks Register are both intended to provide a single source of information under the control of a specialised government agency for what are ultimately publicly desirable ends.

In this article we argue that despite or, more accurately, because of their shared underpinnings, there are elements of the new regime for registering security interests over registered trade marks that will operate in an

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3 *PPSA* s 21(2)(b).

4 See, eg, *Real Property Act 1900* (NSW) s 42(1)(d); *Land Title Act 1994* (Qld) s 185(1)(b) (both dealing with short leases); *Real Property Act 1900* (NSW) s 42(1)(a1); *Transfer of Land Act 1958* (Vic) s 42(2)(d) (both dealing with easements). At this point we should perhaps add a further caveat: again, we are not saying that the policy reasons motivating the exclusion of pledges from the *PPSA* regime are directly comparable to the reasons for excluding short leases or easements from the requirement of registration of interests over land. Rather, our concern is to point out the broadly similar thrust of the logics at work, namely, that there are times when we conclude that our desire to produce a register that reflects and records all relevant interests has to give way to other considerations.

5 See Robert Burrell, 'Trade Mark Bureaucracies' in Graeme B Dinwoodie and Mark D Janis (eds), *Trademark Law and Theory: A Handbook of Contemporary Research* (Edward Elgar, 2008) 95; Robert Burrell and Michael Handler, *Australian Trade Mark Law* (Oxford University Press, 2010) (in particular, ch 1).

6 See Burrell, above n 5.

unsatisfactory manner. More specifically, we demonstrate that a desire to maintain a sharp divide between the two systems means the function of both will to some degree be compromised. Some of these problems could be mitigated by creating linkages between the systems, that is, processes whereby information recorded in one system would be automatically reflected and recorded in the other. It might be imagined that such a step would be uncontroversial, particularly since it might be possible to achieve the necessary linkages purely through administrative action, without the need for legislative reform. However, we suggest that, although a seemingly innocuous suggestion, the idea that we should seek to create structural linkages between the two systems is unlikely to find favour with the bureaucracy. A cognate proposal to create links between business names registers and the Trade Marks Register has come to nothing.<sup>7</sup> More generally, the thrust of developments over recent years has been almost entirely in the *opposite* direction. The tendency has been to treat the registered trade mark system as if it were operationally closed and autonomous, with as few couplings to other legal processes and structures as possible. This cuts against a key purpose of having a registered trade mark system, that is, to provide a reliable source of information about the signs traders are using in the market. It seems that the bureaucratic imperative to maintain a closed and autonomous system has won out at the expense of ensuring the integrity of the information provided on the register. To put it another way, the bureaucratic imperative has won out at the expense of the justification for establishing a registered trade mark system in the first place.

The final point should serve to remind us that the bureaucratisation of property rights invariably has implications that go beyond, say, merely having to learn a new set of rules governing priority of interests. This is something that needs to be borne in mind when thinking about how the *PPSA* will operate moving forward. The creation of a new national personal property securities register is an eminently sensible idea. However, the move from a fragmented and incomplete State- and Territory-based system for registering security interests over personal property to a single national system under the control of a dedicated agency will do more than has been acknowledged or, indeed, than is expressly intended. The *PPSA* will also bring with it a new set of institutional arrangements<sup>8</sup> and this will have unlooked-for consequences. It seems inevitable, for example, that the body chosen to administer the PPS Register will become a quite different agency that will come to have a powerful, and very possibly decisive, voice on questions of law reform in the area. It will change in subtle ways how practitioners think about acquiring and maintaining security interests over personal property as they become immersed in the details and idiosyncrasies

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7 See below nn 93–5 and accompanying text.

8 To be clear, we should emphasise that the fact that the PPS Register will be under the overall control of the Insolvency and Trustee Service Australia, an existing Government agency, does not affect any of the points that follow.

of the new system.<sup>9</sup> It may also impact on judicial interpretations of the *PPSA*. Henceforth courts will have to take as one of their starting points not merely the need to do justice on the facts at hand, but also the longer term policy goal of the need to preserve the integrity of the PPS Register.<sup>10</sup>

## II THE *PPSA* AND REGISTERED TRADE MARKS: AN OVERVIEW

To understand the themes raised in the Introduction, it is first necessary to explain how the *PPSA* and the registered trade marks system intersect. This requires some introductory comments about the role of the Trade Marks Register and how security interests in registered trade marks were recorded and dealt with under the *Trade Marks Act 1995* (Cth) ('*TMA*') as it existed before the *PPSA* reforms.

### A Registered Trade Marks and Securities before the *PPSA* Reforms

The Trade Marks Register is designed to provide a source of public information as to the existence and ownership of certain personal property rights.<sup>11</sup> That is, the Register provides details of the trade marks that have satisfied the legal criteria for registration,<sup>12</sup> and of the owners of such marks who have the exclusive right to use them in relation to designated goods and/or services<sup>13</sup> and to deal with them.<sup>14</sup> The Registrar of Trade Marks is accordingly under a legal obligation to include on the Register in respect of each registration information such as a graphical representation of the registered mark, the specification of the goods/services, any special conditions or limitations of use, the date of the registration and the registered owner's details.<sup>15</sup> However, where third parties have acquired a commercial interest in, or have a right in respect of, a registered trade mark it has never been mandatory for such details to be recorded in the Register. This has meant, for example, that a financial institution that has taken security over a registered trade mark – for example, by way of an

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9 For an erudite discussion of the relationship between the functioning of a bureaucratic registration system and professional practices, see Alain Pottage, 'The Originality of Registration' (1995) 15 *Oxford Journal of Legal Studies* 371.

10 In particular, it seems likely that this consideration will weigh much more heavily on judicial attitudes when dealing with a single national system that is designed with precisely this aim in mind than is likely to have been the case when dealing with incomplete and fragmented State- and Territory-based registration systems.

11 Section 21(1) of the *TMA* provides '[a] registered trade mark is personal property'.

12 See *TMA* pts 4–5.

13 *TMA* s 20(1).

14 *TMA* s 22(1).

15 See generally *TMA* s 69 and *Trade Marks Regulations 1995* (Cth) ('*TMR*') reg 7.2 as to the particulars that the Registrar of Trade Marks must enter in the Register on registration.

equitable mortgage, or a fixed or floating charge<sup>16</sup> – has not been obliged to inform the Registrar of Trade Marks of its interest, or have it publicly recorded in the Register. Instead, the *TMA* has set up a voluntary scheme for the recording of claims to such interests, with important consequences flowing from whether or not such information is recorded, which we discuss below. To the extent that any obligations, pre-*PPSA*, were imposed on parties to register their security interests over trade marks, this was done only through a separate regime under the *Corporations Act 2001* (Cth) (*'Corporations Act'*). Corporations were required to lodge with the Australian Securities and Investments Commission notices of 'charges'<sup>17</sup> over personal property, including registered trade marks, which were then entered on the Australian Register of Company Charges.<sup>18</sup> This information was not, however, linked to the Trade Marks Register.

The way in which the voluntary scheme under the *TMA* functioned before its amendment as a result of the *PPSA* reforms<sup>19</sup> was that an owner of a registered trade mark and a person claiming an interest in that mark could apply jointly to the Registrar of Trade Marks to have that claim recorded in the Trade Marks Register. Without checking the veracity of the claim, the Registrar was required to enter the particulars of the claim in the Register.<sup>20</sup> Importantly, the *TMA* contained the qualification that the mere record of a person's claim to an interest in a registered mark was not to be taken to be evidence that the person in fact had that interest.<sup>21</sup> Rather, the record was intended to provide a form of public notice as to the potential existence of an interest in the property, with parties whose claims were recorded being afforded certain benefits under the *TMA*. The fact that the scheme was voluntary made it nearly impossible to determine the

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16 See further Jacqueline P Lipton, 'Security Interests in Trade Marks and Associated Business Goodwill' (1999) 10 *Australian Intellectual Property Journal* 157, 162–8 (discussing the types of security that can be taken over trade marks).

17 A 'charge' is defined in s 9 of the *Corporations Act 2001* (Cth) so as to include a mortgage.

18 *Corporations Act 2001* (Cth) ch 2K (before its repeal by the *Personal Property Securities (Corporations and Other Amendments) Act 2010* (Cth)). Failure to register the charge resulted in the company and any relevant officer contravening s 270(2) and the charge being void as against a liquidator or administrator under s 266.

19 That is, before the 'registration commencement time' set out in s 306(2) of the *PPSA*, at which time various consequential amendments to the *TMA* take effect. At the time of writing, it is anticipated that the registration commencement time will be in early 2012: Attorney General's Department, 'About Personal Property Securities' (2011) *Personal Property Securities Register* <<http://www.ppsr.gov.au>>.

<[http://www.ppsr.gov.au/www/ppsrr/WPAttach.nsf/VAP/\(8AB0BDE05570AAD0EF9C283AA8F533E3\)-PPSR+CSE+PPSR+Newsletter+June+2011.pdf/\\$file/PPSR+CSE+PPSR+Newsletter+June+2011.pdf](http://www.ppsr.gov.au/www/ppsrr/WPAttach.nsf/VAP/(8AB0BDE05570AAD0EF9C283AA8F533E3)-PPSR+CSE+PPSR+Newsletter+June+2011.pdf/$file/PPSR+CSE+PPSR+Newsletter+June+2011.pdf)>. See below nn 49–50 and accompanying text for the position under the *TMA* from this time.

20 *TMA* ss 113 (before its repeal and re-enactment by the *Personal Property Securities (Consequential Amendments) Act 2009* (Cth)), 114(1). For applications for the recording of a claim to an interest in a trade mark whose registration was being sought, see *TMA* ss 117 (before its repeal and re-enactment by the *Personal Property Securities (Consequential Amendments) Act 2009* (Cth)), 118, 114(2).

21 *TMA* s 116. For criticism of the model adopted in the *TMA*, see Samuel K Murumba, 'Recordal of Other Interests on the Trade Marks Register' (1993) 21 *Australian Business Law Review* 75 (advocating a system of *registration* for all interests other than trusts, and *noting only* for interests arising from express, implied or constructive trusts).

proportion of securities in respect of which claims were recorded,<sup>22</sup> although it was thought to be relatively rare for parties to take advantage of the scheme, with ignorance of its existence and misconceptions as to its importance being offered as partial explanations.<sup>23</sup>

The most complicated issue in this area of the law, pre-PPSA, was working out when dealings with registered trade marks were in fact subject to security interests, and determining priorities between securities. The *Corporations Act* contained detailed provisions setting out priority rules in relation to charges (whether registered in the Australian Register of Company Charges or not),<sup>24</sup> although it was also stated that these rules did not affect the operation of registered trade mark laws.<sup>25</sup> Thus the key provision in determining the impact of securities on dealings with registered trade marks was section 22 of the *TMA*. Before its amendment as a result of the PPSA reforms, section 22 provided:

- (1) The registered owner of a trade mark may, subject only to any rights appearing in the [Trade Marks] Register to be vested in another person, deal with the trade mark as its absolute owner and give in good faith discharges for any consideration for that dealing.
- (2) This section does not protect a person who deals with the registered owner otherwise than:
  - (a) as a purchaser in good faith for value; and
  - (b) without notice of any fraud on the part of the owner.
- (3) Equities in relation to a registered trade mark may be enforced against the registered owner, except to the prejudice of a purchaser in good faith for value.

The intended effect of section 22(1) was tolerably clear.<sup>26</sup> If a registered owner wished, for example, to assign its mark, and a party's claim to a security over the mark was recorded in the Trade Marks Register, the assignee would have taken the mark subject to that security, if it in fact existed. Conversely, if

22 The problem of quantifying the use of the voluntary system is exacerbated by the fact that there is no easy way of searching the Trade Marks Register for claims to interests in registered marks. However, the authors, through rough and ready means, have identified around 4300 recorded claims, with at least 2500 of these being claims to security interests. When one bears in mind that there are over 500 000 trade marks on the Register, and how common it is for floating charges over all of the assets of a company to be taken, it is probably fair to assume that a significant number of security interests have not been recorded.

23 John V Swinson, 'Uncertainties and Insecurities – Personal Property Security Reform and Its Impact on Intellectual Property' (2006) 66 *Intellectual Property Forum* 12, 15.

24 *Corporations Act 2001* (Cth) ss 280–2 (before their repeal by the *Personal Property Securities (Corporations and Other Amendments) Act 2010* (Cth)).

25 Strictly speaking, s 279(5)(e) of the *Corporations Act 2001* (Cth) (before its repeal by the *Personal Property Securities (Corporations and Other Amendments) Act 2010* (Cth)) stated that the priority provisions of the *Corporations Act* were not to affect the operation of 'the *Trade Marks Act 1955*'. By virtue of s 10(b) of the *Acts Interpretation Act 1901* (Cth), this reference to the repealed trade marks statute also encompassed the *TMA*.

26 There were, however, aspects of its drafting that were problematic. One concerned the role of constructive notice, which we consider below. Prior to 2006, there were other problems with the wording of this section: for discussion, see Michael Pattinson, 'Using Intellectual Property as a Security' (1996) 7 *Australian Intellectual Property Journal* 135, 142; John V Swinson, 'Security Interests in Intellectual Property in Australia' (2002) 14 *Bond Law Review* 86, 113–14.

the secured party's claim was not so recorded, then subject to sections 22(2)–(3) the assignee would not have taken the mark subject to that interest. To use another example, if the registered owner granted a charge over its mark to A, who failed to record its claim in the Register, and later granted a charge to B, then subject to the remainder of section 22, B would have taken priority over A, given that the registered owner was entitled to deal with B as the 'absolute owner' of the mark.<sup>27</sup> Even if A had its claim recorded after the charge to B was granted, A's interest would not have prevailed over B's, and this was true irrespective of whether B had taken the trouble to record its interest.<sup>28</sup> The impact of sections 22(2)–(3), however, was that it was not the case that an assignee would never have acquired property subject to an 'unrecorded' interest, or that a later security interest would always have prevailed over an earlier 'unrecorded' interest in a priority dispute. If, for example, an assignee of a registered mark had actual knowledge of the fact that there was a charge over the property, the assignee would not have been a purchaser 'in good faith' and thus not entitled to the protection afforded by section 22(1), meaning that it would have taken the mark subject to the charge. Perhaps the most difficult question left open by the wording of section 22(2) was whether an assignee who had only *constructive* notice of a security holder's unrecorded interest was no longer a purchaser 'in good faith' and thus disentitled to the protection afforded by section 22. This question was particularly important given the existence of the parallel, mandatory regime for registering charges over trade marks under the *Corporations Act* – would an assignee who failed to check the Australian Register of Company Charges have taken the trade mark subject to a registered charge? While this issue was never resolved by the courts, a strong case could be made that both the wording of section 22(2) and the insular policy underpinning the *TMA* notification scheme meant that constructive notice would not have been sufficient to disentitle an assignee from protection in these circumstances.<sup>29</sup>

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27 This was recognised to be a reversal of the ordinary rules of priority: see Pattinson, above n 26, 139 (considering the similarly worded provisions of the *Patents Act 1990* (Cth)).

28 If, however, B had failed to record its interest in these circumstances it would have been vulnerable if the registered owner had granted a later charge to C, or if the registered owner had subsequently assigned the mark (subject to ss 22(2)–(3)). As a further example of how these rules applied, if the registered owner granted a charge to A and a later charge to B, after which time A and B in turn applied to have their claims to their interests recorded in the Register, following which the owner assigned the mark, the assignee would have taken the mark subject to both A and B's interests (since both claims were recorded in the Register at the time of the assignment), with B having priority over A (because at the time B acquired its interest A's was not recorded).

29 See Burrell and Handler, above n 5, 488 (noting the express reference to 'fraud' in s 22(2)(b) and pointing out that Australian legislatures tend to use different language when seeking to preserve constructive notice: see, eg, *Proceeds of Crime Act 2002* (Cth) s 142; *Pesticides Act 1999* (NSW) s 31). See also Swinson, 'Security Interests in Intellectual Property', above n 26, 97, 99–100 (considering the analogous situation under the *Patents Act 1990* (Cth) and reaching broadly the same conclusion).

## B The Effect of the PPSA Reforms on the Registered Trade Marks System

The PPSA reforms do more than merely set up a new, centralised system of registration of security interests over personal property and abolish a large number of existing registration schemes, such as that for charges under the *Corporations Act*.<sup>30</sup> The reforms will significantly impact upon the registered trade mark system when determining whether dealings with registered marks are subject to security interests. The intention is that everything will now turn on whether such interests have been registered in the new PPS Register. However, as will be seen in Part III, considerable importance will still attach to whether a secured party's claim to its security interest continues to be, or is subsequently, recorded in the Trade Marks Register.

The PPSA recognises that a registered trade mark and a transferable trade mark licence are both 'personal property' to which the Act applies.<sup>31</sup> Various types of 'security interest' can attach to such collateral.<sup>32</sup> 'Security interest' is given a functional definition in the PPSA as being 'a transaction that, in substance, secures payment or performance of an obligation'.<sup>33</sup> Importantly, this functional definition is intended to move away from the question of who has title to the property: the same rules are to apply irrespective of whether the transaction transfers title to the secured party (as with a chattel mortgage) or merely serves to create some lesser interest (such as by way of a charge).<sup>34</sup> In the case of trade marks the functional definition means that a legal mortgage of a trade mark, whereby a mark is assigned subject to a right of reassignment on redemption of the debt, will unquestionably be regarded as giving rise to a 'security interest' under the PPSA, and indeed the PPSA makes express provision to this effect.<sup>35</sup>

The PPSA provides that, once attached, a security interest is enforceable against a third party, provided there is a written security agreement in place, signed by the grantor, that describes the registered mark/licence or states that the security

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30 See *Personal Property Securities (Corporations and Other Amendments) Act 2010* (Cth) sch 1 item 18. Data from the Australian Register of Company Charges will, however, be migrated to the new PPS Register before the registration commencement time of the PPSA: see PPSA pt 9.4 div 6 and Attorney General's Department (Cth), *What Happens to Existing Security Interest Registers?* (2011) Personal Property Securities Register <[http://www.ppsr.gov.au/www/pps/pps.nsf/Page/About\\_PPS#security](http://www.ppsr.gov.au/www/pps/pps.nsf/Page/About_PPS#security)>. It does not appear that data from the Trade Marks Register will be migrated, most likely because such data does not disclose whether a party in fact has the security interest claimed.

31 PPSA s 10 (definitions of 'personal property', 'licence' and 'intellectual property licence'). Notably, 'intellectual property' is defined to mean the *rights* to do certain acts under various statutes, for example, 'the rights held by a person who is the registered owner of a trade mark that is registered under the *Trade Marks Act 1995*': PPSA s 10 (definition of 'intellectual property' para (c)).

32 See PPSA s 19(2) on attachment.

33 PPSA s 12(1).

34 See PPSA s 12(1) (transaction to be treated as giving rise to a security interest 'without regard to ... the identity of the person who has title to the property'). See also s 12(2)(a)–(c) (making it clear that charges and chattel mortgages are within the definition of 'security interest').

35 PPSA s 12(2)(j), (k). Note, however, that a security interest does not include a licence: s 12(5)(a). For consideration see Robert Patch, Jasmin Boncales and Sandra Henderson-Kelly, 'Personal Property Securities Reform – the Australian Experience' (Paper presented at World Intellectual Property Organization, Information Meeting on Intellectual Property Financing, Geneva, 10 March 2009) 9–10, <[http://ag.gov.au/www/agd/agd.nsf/Page/PersonalPropertySecurityReform\\_PPSDownloads](http://ag.gov.au/www/agd/agd.nsf/Page/PersonalPropertySecurityReform_PPSDownloads)>.

interest is taken in all of the grantor's present and after-acquired property.<sup>36</sup> However, further significant consequences flow from whether or not a 'financing statement' with respect to such an enforceable security interest has been registered in the new PPS Register.<sup>37</sup> Where the collateral is a registered trade mark or a licence over such a mark, this is a relatively straightforward process: as well as setting out details of the grantor and secured party, the financing statement must describe the mark by 'serial number'.<sup>38</sup> This has been defined in regulations to mean the trade mark registration number provided by IP Australia,<sup>39</sup> a decision that will greatly facilitate searches of the PPS Register for such collateral. The financing statement must also provide an 'end time' for the PPS registration, which is to be 'no later than ... the end of the day 7 years after the registration time' but which can be renewed for further seven year periods.<sup>40</sup> Once the PPS registration is effective with respect to the collateral,<sup>41</sup> the security interest becomes 'perfected'.<sup>42</sup>

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36 *PPSA* ss 20(1)–(2). This (and the other matters we describe in the remainder of this paragraph) is the case for security interests arising at or after the registration commencement time: s 310(b). See s 311 on the enforceability of 'transitional security interests' (defined in s 308(a) as those arising before the registration commencement time under a security agreement that continues in force after that time).

37 See *PPSA* s 150 for the application process.

38 It is, however, worth noting that s 105(2) of the *PPSA* provides that in some circumstances a registered description of goods alone is taken to include a description of 'associated' intellectual property rights. This raises the possibility that a perfected security interest over a registered form of associated intellectual property might be hidden from searches of the PPS Register, because the collateral description in the financing statement merely describes the goods in respect of which the associated intellectual property rights subsist. As to some of the problems this may create, see generally Steve Pemberton and Robyn Chatwood, 'Using Your IP to Get Finance? Implications of the Personal Property Securities Act 2009 for IP Lawyers and Their Clients' (2010) 22 *Australian Intellectual Property Law Bulletin* 190, 193. However, the concept of 'associated' intellectual property is unlikely to cause concern in the trade marks context. This is because s 105(2) only applies where separate security interests attach to goods and to a trade mark, in circumstances where the exercise of rights in relation to the goods *necessarily* involves an exercise of the intellectual property rights: s 105(1). This threshold will not be satisfied in the case of trade marks given that the mere sale of goods bearing a mark applied by or with the authority of the owner will not constitute a potentially infringing use. This conclusion follows from the use 'as a trade mark' requirement in s 120 of the *TMA* and also, at least arguably, from s 123(1) of the *TMA*. The latter is a defence that applies to use of a mark that has been applied to goods by, or with the consent of, the trade mark owner (although it must be acknowledged that the relationship between a 'necessary exercise' of an intellectual property right in s 105(1) of the *PPSA* and circumstances where the user has a defence to an action for trade mark infringement is entirely unclear). See further Burrell and Handler, above n 5, 373–9.

39 *PPSA* s 153(1) item 4 and *Personal Property Securities Regulations 2010* (Cth) sch 1 cls 2.2(1)(c)(iii)(E)–(2), (3)(h). Strictly speaking, providing the registration number is mandatory only where the trade mark is designated in the financing statement as 'commercial property'. This should be true in almost all cases: see *PPSA* s 10 (definitions of 'commercial property' and 'consumer property').

40 *PPSA* s 153(1) item 5(b). For the 'registration time', see s 160.

41 *PPSA* s 163. But see ss 164–5 on defects that make a registration ineffective.

Whether or not the security interest has been perfected is critical in determining the position of third parties who acquire the property, and for determining priorities between secured parties. The key provision in looking at the former issue is section 43(1) of the *PPSA*, which states that a buyer of personal property for value will take the property free of an unperfected security interest.<sup>43</sup> Crucially, this is not subject to an exception, even in cases where the buyer has actual knowledge of the existence of the security interest. This creates a very strong incentive to register that even goes beyond, for example, that which applies under the Torrens system for land.<sup>44</sup> Further, section 44(1) provides that where the property is required to be described by serial number, but a search of the PPS Register only by reference to serial number would not disclose the registration (for example, because the financing statement contained an error), then a buyer of such property would also take it free of the security interest.<sup>45</sup> A further, related provision stipulates that if a security interest is granted over a trade mark licence, the trade mark is later transferred, but the licensee continues to hold the licence after the transfer, then the security agreement binds every successor in title to the licensor to the same extent as the security agreement was

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42 *PPSA* ss 21(1)–(2). For a ‘transitional security interest’ (defined above n 36), the situation is more complex. Section 322(1) provides that such an interest is ‘perfected’ from immediately before the registration commencement time. However, s 322(2) states that this interest stops being perfected two years after the registration commencement time, unless one of a number of events occurs. These events include perfection as a result of registration following automatic data migration (see above n 30) or registration following a separate application through the ordinary channels described above. While this appears designed to give a holder of a transitional security interest that has not previously been recorded in a register time to ensure the relevant details are entered on the PPS Register, the secured party’s interest, though technically ‘perfected’, remains highly vulnerable before one of the events in s 322(2) occurs: see below n 43.

43 See also *PPSA* s 52(1), which provides that a buyer, for new value, of the proceeds of personal property takes those proceeds free of a security interest temporarily perfected by the force of s 322 (see above n 42) but not subsequently perfected (subject to limited exceptions in s 52(2)). Where the collateral is a trade mark or trade mark licence, ‘proceeds’ includes the right of a licensor to receive payments under any licence agreement in relation to the collateral: s 31(1)(d). For strong criticism of the impact of s 52, see Allens Arthur Robinson et al, Submission No 7 to Senate Standing Committee on Legal and Constitutional Affairs, Parliament of Australia, *Inquiry into the Personal Property Securities (Corporations and Other Amendments) Bill 2010*, 21 April 2010, 1, 3–4.

44 See, eg, *Real Property Act 1900* (NSW) s 43(1); *Land Title Act 1994* (Qld) s 184(3)(b); *Transfer of Land Act 1958* (Vic) s 43 (each containing exceptions for fraud, which will catch some, but not necessarily all, cases where the buyer has actual knowledge of the unregistered interest).

45 This is subject to limited exceptions in s 44(2). In the *PPSA* as originally enacted, s 44(2)(b) contained an exception to s 44(1) if the buyer had actual knowledge that the sale constituted a breach of the security agreement. This exception was repealed by the *Personal Property Securities (Corporations and Other Amendments) Act 2010* (Cth) sch 2 item 43 on the basis that it set up a ‘complicated and potentially uncertain’ test (Explanatory Memorandum, *Personal Property Securities (Corporations and Other Amendments) Bill 2010* (Cth) 30), a decision that is perhaps surprising in light of s 46 of the *PPSA*, where the ‘actual knowledge’ exception is maintained where the property is sold in the ordinary course of the seller’s business of selling property of that kind.

binding on the licensor.<sup>46</sup> Complex rules govern priorities,<sup>47</sup> but the default position is that a perfected security interest has priority over an unperfected security interest, priority between perfected security interests is governed by the time of perfection, and priority between unperfected security interests is determined by the order of attachment of the security interests.<sup>48</sup>

If the *PPSA* reforms had gone no further than what we have just described, there would have been considerable uncertainty as to how they would have intersected with section 22(1) of the *TMA*, which, as we saw in Part II(A), made the power of a registered owner to deal with its mark as its absolute owner subject only to rights appearing in the Trade Marks Register to be vested in third parties. One option might have been to abolish the recordal scheme under the *TMA*, although this would have been problematic given that the Trade Marks Register is also designed to provide a record of claims to non-security interests, such as trade mark licences, and to ensure that registered owners cannot deal with their marks unencumbered by such interests. Instead, in an attempt to ensure that the centralising impact of the PPS Register was not undermined by the maintenance of the notification scheme under the *TMA*, section 22 of the *TMA* has been amended to add new sub-sections (2A) and (4),<sup>49</sup> such that the section now reads as follows:

- (1) The registered owner of a trade mark may, subject only to any rights appearing in the [Trade Marks] Register to be vested in another person, deal with the trade mark as its absolute owner and give in good faith discharges for any consideration for that dealing.
- (2) This section does not protect a person who deals with the registered owner otherwise than:
  - (a) as a purchaser in good faith for value; and
  - (b) without notice of any fraud on the part of the owner.
- (2A) Despite subsection (1), the recording in the [Trade Marks] Register of a right that is a PPSA security interest does not affect a dealing with a trade mark.
- (3) Equities in relation to a registered trade mark may be enforced against the registered owner, except to the prejudice of a purchaser in good faith for value.
- (4) Subsection (3) does not apply in relation to an equity that is a PPSA security interest.

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46 *PPSA* s 106(1), and see s 313 for application. Section 106(1) is, however, likely to be of little practical importance, since 'it is hard to imagine how a holder of ... intellectual property, who gives a licence to use the intellectual property to a party who then gives a security interest, is bound by the security interest': Allens Arthur Robinson et al, Submission No 30 to Senate Standing Committee on Legal and Constitutional Affairs, Parliament of Australia, *Inquiry into the Personal Property Securities Bill 2008 [Exposure Draft]*, 9 January 2009, 56 (commenting on the near-identical s 127(1) of the Exposure Draft of the Personal Property Securities Bill 2008 (Cth)).

47 See generally *PPSA* pt 2.6.

48 *PPSA* ss 55(2)–(6). See further ss 320, 323 in relation to transitional security interests.

49 Inserted by the *Personal Property Securities (Consequential Amendments) Act 2009* (Cth) sch 2 items 19–20, with effect from the registration commencement time.

‘PPSA security interest’ is defined as a security interest to which the *PPSA* applies, but specifically excludes an interest provided for under a security agreement that was made before the registration commencement time of the *PPSA*.<sup>50</sup> Thus for security interests arising before this time, the two new sub-sections of section 22 of the *TMA* have no effect and the pre-*PPSA* law, discussed in Part II(A), continues to apply. For security interests arising at or after the registration commencement time, the effect of the new sub-sections is that even if a claim to a security interest is recorded in the Trade Marks Register, this will have no effect on the registered owner’s ability to deal with the mark or a third party’s ability to enforce the security interest against the registered owner. Thus, to return to our examples in Part II(A), whether an assignee takes a mark subject to a party’s security interest that arises after the registration commencement time will now depend entirely on whether that interest has been perfected under the *PPSA*. Similarly, where the registered owner has granted multiple securities over its mark after the registration commencement time, priorities as between the secured parties will turn wholly on the operation of the priority provisions in the *PPSA*.

### III WHEN THE SYSTEMS COLLIDE

In the previous Part we saw that, consistent with the centralising logic that underpins the entirety of the *PPSA* regime, questions as to the enforceability of security interests over registered trade marks arising after the registration commencement time, and of priority between competing security interests over registered trade marks, are to be determined solely by reference to the *PPSA*. Yet despite the advent of the *PPSA*, and despite the amendments to the *TMA* discussed in Part II, the voluntary scheme for recording interests in the Trade Marks Register remains in place, largely unchanged.<sup>51</sup> In this Part we suggest that the continuation of this voluntary scheme of recording security interests will to some extent undermine the aims of the *PPSA*. Moreover, if the *PPSA* had been intended to protect purchasers of property completely from claims by secured parties with unperfected security interests, other amendments to the *TMA* would have been needed, most notably in relation to the grounds of rectification of the Trade Marks Register.

More specifically, we argue that the mere presence of the voluntary facility, together with the authority that is generally claimed for the Trade Marks

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50 *TMA* s 6(1) (definition of ‘PPSA security interest’), inserted by the *Personal Property Securities (Corporations and Other Amendments) Act 2010* (Cth) sch 3 item 30 (replacing the definition inserted by the *Personal Property Securities (Consequential Amendments) Act 2009* (Cth) sch 2 item 18, which covered transitional security interests), to commence at the registration commencement time.

51 It is worth noting, however, that from the registration commencement time only the person claiming the right or interest in the registered mark may apply to the Registrar of Trade Marks for the recording of the claim, and the application must also ‘be accompanied by proof to the reasonable satisfaction of the Registrar of the applicant’s entitlement to the claimed interest or right’: *TMA* s 113 (as re-enacted by the *Personal Property Securities (Consequential Amendments) Act 2009* (Cth) sch 2 item 21). See also *TMA* s 117 (as re-enacted by the *Personal Property Securities (Consequential Amendments) Act 2009* (Cth) sch 2 item 22) for applications in respect of trade marks whose registration is being sought.

Register, is likely to mislead some groups into wrongly believing that the Trade Marks Register provides a reliable source of information about security interests. When coupled with complex transitional provisions that may make it difficult to determine when it is safe to rely on the PPS Register, and registration procedures that seem set to run in parallel with one another, there will be significant scope for error and confusion. Over and above problems that flow from informational gaps and misconceptions, we draw attention to the ongoing advantages that recording of a claim to a security interest on the Trade Marks Register will confer on a secured party. Finally, we suggest that where title to a registered mark has been transferred to a secured party it is difficult to see that the *PPSA* will operate as intended. Consequently, in the trade marks context it seems that the aim of moving to a functional approach to security interests, where rights are divorced from the question of who has title to the property, will be frustrated in part.

### A Imperfect Information and Transition Costs

There can be no argument that the advent of the *PPSA* has been the subject of extensive coverage. Government agencies have done their best to ensure public understanding of how the new regime will operate. There has been a long lead time between passage of the Act and its effective date of operation;<sup>52</sup> extensive materials, including accessible information resources for traders and financiers, are readily available online;<sup>53</sup> public seminars have been held throughout the country;<sup>54</sup> and press releases and newsletters have been issued with considerable frequency,<sup>55</sup> such that the issue has been picked up by the mainstream media.<sup>56</sup> The *PPSA* has also attracted a good deal of attention from law firms, who

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52 Section 306(2)(a) of the *PPSA* provides that the 'registration commencement time' could have been as late as 1 February 2012 (that is, 'the first day of the month that is 26 months after the month in which this Act is given the Royal Assent').

53 See, eg, Attorney General's Department (Cth), *Information Resources* (2011) Personal Property Securities Register <[http://www.ppsr.gov.au/www/ppsr/ppsr.nsf/Page/Information\\_Resources](http://www.ppsr.gov.au/www/ppsr/ppsr.nsf/Page/Information_Resources)>.

54 For example, the 'PPS Road Show' run by the Attorney General's Department in May and June 2011 in over 50 locations in metropolitan and regional Australia: Attorney General's Department (Cth), *PPS Road Show 2011* (2011) Personal Property Securities Register <[http://www.ppsr.gov.au/www/ppsr/ppsr.nsf/Page/NewsRoom\\_News\\_PPSRoadShow2011](http://www.ppsr.gov.au/www/ppsr/ppsr.nsf/Page/NewsRoom_News_PPSRoadShow2011)>.

55 See Attorney General's Department (Cth), *Media Releases* (2011) Personal Property Securities Register <[http://www.ppsr.gov.au/www/ppsr/ppsr.nsf/Page/NewsRoom\\_MediaReleases\\_MediaReleases](http://www.ppsr.gov.au/www/ppsr/ppsr.nsf/Page/NewsRoom_MediaReleases_MediaReleases)>; Attorney General's Department (Cth), *Newsletters* (2011) Personal Property Securities Register <[http://www.ppsr.gov.au/www/ppsr/ppsr.nsf/Page/NewsRoom\\_Newsletters\\_Newsletters](http://www.ppsr.gov.au/www/ppsr/ppsr.nsf/Page/NewsRoom_Newsletters_Newsletters)>.

56 See, eg, Debbie Guest, 'Write On: Book Keeps Changing', *The Australian* (Sydney), 28 April 2010, 30; Mark Fenton-Jones, 'Security Threatened', *Australian Financial Review* (Sydney), 28 September 2010, 48; Mark Lawson, 'Streamlined Register to Open New Markets', *Australian Financial Review* (Sydney), 17 February 2011, 3.

themselves have sought to publicise and discuss the effects of the Act through client newsletters, blogs and information sessions.<sup>57</sup>

Despite these efforts, some groups dealing with the registered trade mark system will remain unaware of the new regime set up by the *PPSA*. For such groups there will be considerable scope for confusion as to the role and effect of voluntary registration of a claim to a security interest in the Trade Marks Register. It is possible that some actors will mistakenly assume that recording a claim to a security interest in the Trade Marks Register will provide sufficient protection. In practice, however, this danger will almost certainly be mitigated by the fact that the party taking the security interest will in most cases be a large, well-advised financial institution with systems in place to ensure prompt registration on the PPS Register. The more real risk is probably the converse situation, that is, where a purchaser of a trade mark does not think to look beyond the Trade Marks Register to determine whether the property is encumbered. When weighing this risk, it is important to bear in mind that potential purchasers may be being advised by trade marks attorneys, and the authors can state with some confidence that relatively little has been done to bring the *PPSA* regime to the attention of this profession. It is also important to bear in mind that there is anecdotal evidence to suggest that the voluntary system for recording interests on the Trade Marks Register has long been under-utilised.<sup>58</sup> Consequently, if this is correct, there is the real danger that examination of the Trade Marks Register will not disclose the existence of a security interest. With the advent of the PPS Register, it is conceivable that use of the voluntary recording facility will decline still further.

Developing understanding that the PPS Register is to have primacy in matters relating to security interests over trade marks is unlikely to be assisted by the complex transitional arrangements contained in the *PPSA* and the treatment of these in the *TMA*.<sup>59</sup> As we saw in Part II(B), the new sections 22(2A) and (4) of the *TMA*, which limit the operation of sections 22(1) and (3), do not apply to security interests that were in existence before the registration commencement time of the *PPSA*, that is, to what are defined in the *PPSA* as ‘transitional security interests’.<sup>60</sup> This appears to mean that a record of a claim to a pre-*PPSA* security interest in the Trade Marks Register will be necessary to protect a secured party. If a claim to such a security interest is not recorded, section 22(1) of the *TMA*

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57 See, eg, Ian MacKenzie, ‘Personal Property Securities Law Changes – Implications for Technology Contracting’ on Minter Ellison, *Technology, Media and Telecommunications Blog* (21 February 2011) <<http://tmtblog.minterellison.com/2011/02/personal-property-securities-law.html>>; Patrick Gunning, ‘Crosstown Music Bitten by Partial Assignment of Copyright’ on Mallesons Stephen Jaques, *IP Whiteboard* (14 December 2010) <<http://blogs.mallesons.com/ipwhiteboard/crosstown-music-bitten-by-partial-assignment-of-copyright>>.

58 Swinson, ‘Uncertainties and Insecurities’, above n 23, 15.

59 The complexity of the transitional provisions of the *PPSA* is an issue that has caused concern generally. See, eg, DLA Phillips Fox, Submission No 13 to Senate Standing Committee on Legal and Constitutional Affairs, Parliament of Australia, *Inquiry into the Personal Property Securities Bill 2009*, 31 July 2009, 6 (the transitional provisions are ‘overly complex and difficult to understand’).

60 See above n 50 and accompanying text.

will mean that assignees without actual knowledge of the security interest will take the mark unencumbered. From a casual examination of the *PPSA* it would be tempting to conclude that this requirement only lasts for the duration of the two-year transitional period set out in section 322(2). This is not, however, the case. There is nothing in the *PPSA* to suggest that a ‘transitional security interest’ ever changes into a non-transitional one.<sup>61</sup> This means that even if a secured party subsequently registers its transitional security interest in the PPS Register, the new sub-sections of section 22 of the *TMA* never bite. To be clear, this means that a person who registers a transitional security interest in the PPS Register, but who never has its interest recorded in the Trade Marks Register, will remain vulnerable to a third party protected by section 22(1) of the *TMA*.<sup>62</sup> If the foregoing were not complex enough, it seems that in order for a secured party to be properly protected in relation to its transitional security interest once the two year transitional period has expired, it will also be necessary to register on the PPS Register.<sup>63</sup> As has just been seen, the record of the claim in the Trade Marks Register is necessary to protect against a party falling under section 22(1) of the *TMA*. Registration on the PPS Register is necessary to protect secured parties against persons claiming the benefit of section 43(1) of the *PPSA*.

If the complex transitional provisions mean that it will be many years before the PPS Register provides a ‘one-stop shop’ for those seeking to protect their security interests from third party claimants, there are other issues that will also complicate the relationship between the two registration systems. For instance, it seems surprising and unnecessary that PPS registrations of security interests over registered trade marks can only be of limited duration. As we explained in Part II(B), the PPS registration for security interests over personal property identified by serial number is for a maximum of seven years.<sup>64</sup> This period is entirely divorced from any of the timeframes under the *TMA*, where registration lasts for a renewable period of ten years<sup>65</sup> and where records of claims to security interest have no fixed duration.

The obvious response to the issues we have identified is that no new system is perfect. Some parties will always remain ignorant of the law’s requirements, and any reform as fundamental as the *PPSA* is always going to be accompanied both by complicated transitional provisions and by transitional costs as actors become accustomed to the demands of the new legal regime. It is not difficult to identify other parties that are likely to be caught out by the new system. For example, it seems inevitable that there will be traders that are accustomed to

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61 Rather, the focus is on requiring transitional security interests to be ‘re-perfected’ to gain protection under the *PPSA* beyond the transitional period: *PPSA* s 322(2).

62 To elaborate further, this consequence flows from the fact that the *PPSA* is purely negative in this context. Section 43(1) states that a purchaser is not bound by an unperfected security interest. At no point does the *PPSA* say that a purchaser is bound by a perfected security interest.

63 During the transitional period, s 322(1) of the *PPSA* deems the transitional security interest to be temporarily perfected, meaning that s 43(1) cannot assist a purchaser of the property during this time.

64 See above n 40 and accompanying text. No indication is provided in either of the Explanatory Memoranda to the Personal Property Securities Bill 2009 (Cth) as to why this time period was chosen.

65 *TMA* ss 72(3), 75.

supplying goods in reliance on retention of title clauses who will be unaware that they now need to register their interests in order for them to be perfected. However, it can be argued that there is something special about forms of intellectual property that are built around registration. Intellectual property registers are generally held out as having, and are understood to have, a privileged informational function. That is, they create a particular mindset amongst users who can be forgiven for not appreciating that such registers are not the sole repository of information about the property in question. In this regard, it is noteworthy that some reform bodies have been attracted to the idea that security interests over registered intellectual property rights ought not to be treated like security interests over other forms of personal property, and have taken the view that registration on the specialised intellectual property register, rather than on a general personal property securities register, is to be preferred.<sup>66</sup> This is also an approach that attracted support from some interested parties during the passage of the *PPSA* through Parliament.<sup>67</sup> The logic underpinning this option is straightforward: the specialised register is where some parties will inevitably look to see if the property is encumbered.

Recommendations to treat registered intellectual property apart have proven controversial,<sup>68</sup> and we are not suggesting that Australia should go down this path in relation to securities over registered trade marks. On the contrary, we would emphasise that such an approach would create informational gaps and risks of its own: some parties that become accustomed to dealing with the *PPSA* would very likely be confused by a system that creates a carve-out for registered trade marks. Rather, the point we are trying to make is that tension between the registered trade mark and PPS systems is inevitable, and this is heightened by the

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- 66 United Nations Commission on International Trade Law, *UNCITRAL Legislative Guide on Secured Transactions* (2007) Annex I, Recommendation 38(a)  
<[http://www.uncitral.org/pdf/english/texts/security-ig/e/09-82670\\_Ebook-Guide\\_09-04-10English.pdf](http://www.uncitral.org/pdf/english/texts/security-ig/e/09-82670_Ebook-Guide_09-04-10English.pdf)>  
(‘[t]he law should provide that a security right in a movable asset that is subject to registration in a specialized registry ... may be made effective against third parties by ...[r]egistration in the specialized registry’). See also Law Commission, *Company Security Interests: A Consultative Report*, Consultation Paper No 176 (2004) [2.20], [2.48], [3.293], [3.337]–[3.342]  
<[http://www.justice.gov.uk/lawcommission/docs/cp176\\_Company\\_Security\\_Interests\\_Consultative\\_Report.pdf](http://www.justice.gov.uk/lawcommission/docs/cp176_Company_Security_Interests_Consultative_Report.pdf)> (recommending that security interests over registered intellectual property be excluded from the company charges registration scheme); Law Commission, *Company Security Interests*, Report No 296 (2005) [3.39]–[3.41], [3.233]–[3.235]  
<[http://www.justice.gov.uk/lawcommission/docs/lc296\\_Company\\_Security\\_Interests.pdf](http://www.justice.gov.uk/lawcommission/docs/lc296_Company_Security_Interests.pdf)>  
(acknowledging public concerns about its earlier recommendations and instead suggesting that security interests over intellectual property should remain registrable in both the companies and intellectual property registers, but that the priority rules under the latter register should take precedence over those under the former).
- 67 See Independent Film & Television Alliance, Submission No 25 to Senate Standing Committee on Legal and Constitutional Affairs, Parliament of Australia, *Inquiry into the Personal Property Securities Bill 2009*, 10 August 2009, 10.
- 68 Iwan Davies, ‘Secured Financing of Intellectual Property Assets and the Reform of English Personal Property Security Law’ (2006) 26 *Oxford Journal of Legal Studies* 559, 582 (considering that a carve-out of intellectual property would be ‘antithetical to the purpose of a modern personal property security regime where the focus is to harmonise and streamline transactions involving security over personalty’).

advantages that will continue to flow to secured parties from recording their interests in the Trade Marks Register.

### **B Ongoing Role of Recording Claims in the Trade Marks Register**

Turning to our second broad theme, there are a number of reasons why newly secured parties (ie, those with a new rather than transitional security interest) would want to have their claims recorded in the Trade Marks Register. By so doing, such parties will receive valuable information from the Registrar of Trade Marks in certain circumstances. In particular, under the *TMA*, recording of a security interest entitles the secured party to receive notice from the Registrar before the Registrar takes further action in relation to the mark. Specifically, the Registrar must give such notice before:

- cancelling the registration of a mark on the request of the registered owner;<sup>69</sup>
- entering the particulars of an assignment of a registered mark on the Register and registering the assignee as the new owner of the mark;<sup>70</sup> or
- revoking the registration of a mark.<sup>71</sup>

In the first two cases the Registrar can only act two months after giving the notice.<sup>72</sup> During this time the secured party can object to the Registrar's proposed course of action and would have an opportunity to seek injunctive relief.<sup>73</sup> In the third case the secured party also has the opportunity of being heard before the Registrar<sup>74</sup> and has the right to appeal a decision to revoke the registration to the Federal Court.<sup>75</sup> Since revocation invariably occurs following a third party complaint to the Registrar that a mark has been registered in error, this final provision in effect gives a secured party the right to intervene in trade mark disputes. Something similar can be seen in relation to proceedings before the Registrar to remove a mark from the Register on the grounds of non-use. The Registrar is required to give notice of the removal application to 'to each person who, in the opinion of the Registrar, needs to know that the application has been filed'.<sup>76</sup> The Trade Marks Office has interpreted this to mean that secured parties with claims recorded in the Register are to be given such notice.<sup>77</sup> Again, this gives such parties an opportunity to be heard or intervene in trade mark proceedings.

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69 *TMA* s 84(2).

70 *TMA* s 111.

71 *TMA* s 84A(4).

72 Respectively, *TMR* regs 8.1, 10.5.

73 *TMR* regs 8.1(3)(b), 10.4(1)(b), 10.4(4), 10.5.

74 *TMA* s 84A(5). See, eg, *Larter* [2010] ATMO 103 (7 October 2010).

75 *TMA* s 84D.

76 *TMA* s 95(1); *TMR* reg 9.2(2).

77 IP Australia, *Trade Marks Office Manual of Practice and Procedure* pt 44.3 (last updated December 2008) <[http://www.ipaustralia.gov.au/pdfs/trademarkmanual/trade\\_marks\\_examiners\\_manual.htm](http://www.ipaustralia.gov.au/pdfs/trademarkmanual/trade_marks_examiners_manual.htm)>.

To emphasise, there has been no amendment to the *TMA* to entitle secured parties that have registered their security interests over registered trade marks in the PPS Register to the same benefits as those outlined above. The Registrar of Trade Marks will never be obliged to examine the PPS Register before taking action in relation to a registered mark, and it seems that there are no plans for the Trade Marks Office to take it upon itself to check the PPS Register.

### **C Problems Caused when Title in Property Passes to the Secured Party**

The final issue that needs to be explored in this section relates to whether the *PPSA* will operate as intended where title to a mark has been transferred to a secured party, who appears on the Trade Marks Register as the owner of the mark. To reiterate a point made in Part II(B), the *PPSA* seeks to render the question of who has title to the property irrelevant to the determination of whether an interest is enforceable as against a third party – the *PPSA* looks to the function of the transaction and not to its form. As a consequence, it should, for example, make no difference whether a security interest over a trade mark is secured by way of a legal or an equitable mortgage. In either case, the question of whether the third party is bound should depend solely on whether the interest has been perfected by registration on the PPS Register. However, in cases where the secured party has taken title to the mark, such as by way of a legal mortgage, it is unclear that the *PPSA* can in fact function as intended. More specifically, it can be doubted whether section 43(1) of the *PPSA* can operate so as to allow the purchaser of a registered trade mark claiming through the mortgagor to take it free from the interests of a secured party that has taken title to the mark but has not registered its interest in the PPS Register.

We should acknowledge two points about our analysis of this issue. First, we accept that, in practical terms, it is likely to be rare for a legal mortgage to be granted over a registered trade mark. This is because a financier is unlikely to want to undertake the responsibility, as owner of the mark, for ensuring that the mark remains used under its control to prevent the mark from being vulnerable to removal on the grounds of three years' non-use.<sup>78</sup> Nevertheless, such a dealing with a registered mark remains a possibility (particularly where short-term financing is contemplated, such that the non-use issue would not arise). Secondly, it might seem far-fetched to explore a situation where a purchaser seeks to acquire the trade mark from a party (the mortgagor) whose name would not be on the Trade Marks Register as the owner of the mark. However, given the confusion that abounds as to the various systems governing trade names, it is not too much of a stretch to imagine a business sale agreement that purports to transfer all of the assets of a business (both tangible and intangible) being concluded without the purchaser ever consulting the Trade Marks Register. Moreover, irrespective of the probability of this situation arising, it is in any event worth considering because of what it tells us about the limits of the *PPSA* regime.

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78 We thank one of our referees for this point. See also Lipton, above n 16, 163–4.

In order for an assignment of a registered trade mark to take effect, a record of the assignment must be entered in the Trade Marks Register.<sup>79</sup> It is this requirement that has the capacity to disrupt the operation of the *PPSA*, since it is not clear how a purchaser seeking to claim the benefit of section 43(1) of the *PPSA* in the circumstances described above could cause a change in ownership to be recorded and hence to take effect. Assignees are entitled to apply to the Registrar of Trade Marks for a record of the assignment to be entered in the Register – the current owner does not necessarily have to initiate such a request.<sup>80</sup> However, any application must be accompanied by ‘a document that establishes the title to a trade mark of the assignee’.<sup>81</sup> It is difficult to see how a purchaser of a trade mark claiming through the mortgagor could meet this requirement in a case where the security interest takes the form of a legal mortgage. In such a case title to the mark would vest in the mortgagee, who would not be party to the agreement to transfer ownership. Any documentation evidencing the agreement would thus fail to establish the assignee’s title to the mark and the Trade Marks Office would refuse to transfer ownership.<sup>82</sup> Consequently, in order to secure its claim, the assignee would need to seek the assistance of a court. Most obviously, the assignee might seek rectification of the Register by way of an order of a prescribed court.<sup>83</sup> However, it is doubtful that an application for rectification could succeed.

The most significant hurdle that the assignee would face in seeking an order for rectification would be in demonstrating that any of the grounds on which rectification can be ordered apply. More specifically, although rectification can be ordered on a considerable number of grounds, as set out in sections 85–8 of the *TMA*, most of these grounds would be of no assistance to our hypothetical assignee. Indeed, the only provision that is even arguably relevant is section 85, which allows a prescribed court to make an order for rectification with a view to ‘correcting any error in an entry in the Register’.<sup>84</sup> Details of ownership unquestionably constitute an entry in the Register and hence there can be no doubt that section 85 can be used in some circumstances to force a change in ownership. What is much less clear, however, is whether it can be said that a failure to transfer title to a purchaser of a mark claiming the benefit of section 43(1) of the *PPSA* constitutes an ‘error’ in an entry in the Register that section 85 of the *TMA* can be used to correct. In our view this language is inapt to cover the situation with which we are concerned. It needs to be borne in mind that an order for rectification would be being sought not because of some defect in how the details of ownership were entered in the Register, but rather because the assignee would be seeking the benefit of provisions found in an entirely different Act of

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79 *TMA* s 109(1).

80 *TMA* s 109(1)(b).

81 *TMR* reg 10.1(a).

82 See further IP Australia, above n 77, pt 43.3.2 (‘[t]he proof of title document ... *should be signed and dated at least by the current owner*’ (emphasis in original)).

83 For prescribed courts, see *TMA* s 190.

84 *TMA* s 85(b).

Parliament. To characterise the continued ownership of the mortgagee as being a product of an ‘error’ would be a very significant stretch. That the language of an ‘error in an entry in the Register’ is not to be construed so broadly is reinforced when one turns to look at section 88 of the *TMA*. This provision allows the court to make an order for rectification by, inter alia, ‘amending an entry wrongly made ... on the Register’.<sup>85</sup> The *TMA* is clear that an application to amend an entry wrongly made can only be based on a small number of highly circumscribed grounds, for example, where an entry was made as a result of fraud, false suggestion or misrepresentation.<sup>86</sup> By drawing a distinction between rectification of ‘entries wrongly made’ (tightly regulated by section 88) and rectification of ‘errors in an entry’ (dealt with in general terms by section 85) Parliament must have intended that the latter be read narrowly.<sup>87</sup> Thus, when read in context, we do not believe that section 85 could be of assistance to our hypothetical assignee.

Moreover, even if the above conclusion is incorrect, there are two further barriers to an assignee invoking section 85. First, it should be noted that an application for rectification can only be brought by a person who has the requisite standing – such an application can only be made by an ‘aggrieved person’. In our view it is perfectly possible that a prescribed court might decline to treat an assignee as falling within this category. Admittedly, the High Court recently indicated that this standing requirement in the *TMA* should be interpreted liberally.<sup>88</sup> However, this view was expressed in the context of a dispute between rival traders. In our view a lower court would still be entitled to take a circumspect view of when a would-be purchaser of a mark falls within the rubric of an ‘aggrieved person’. In particular, it would have to be remembered that the assignee’s case for being regarded as ‘aggrieved’ would be undermined either (depending on the facts) by its own failure to consult the Trade Marks Register before taking an assignment or by its deliberate decision to ignore the interests of the mortgagee and to seek to rely on section 43(1) of the *PPSA*. Such a scenario is far removed from the type of case that motivated the High Court to insist that the standing requirement should be interpreted liberally. Second, it might be noted that an order for rectification under section 85 of the *TMA* is always discretionary. Given that an assignee with actual or constructive knowledge of the mortgagee’s interest is unlikely to cut a sympathetic figure, it is perfectly conceivable that a court might refuse to order rectification even if it were otherwise convinced that section 85 might apply.

For the reasons canvassed above, we do not believe that an assignee of a mark over which an unperfected legal mortgage had been granted could obtain an

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85 *TMA* s 88(1)(b).

86 *TMA* s 88(2).

87 See further Burrell and Handler, above n 5, 259–60 on the limited role that s 85(b) ought to play in the *TMA* as a whole in light of the Full Federal Court’s decision in *Woolworths Ltd v BP Plc* (2006) 150 FCR 134.

88 *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590, 597–9 [22]–[30] (French CJ, Gummow, Heydon and Bell JJ), 607 [54] (Crennan J).

amendment to the Trade Marks Register by means of the statutory rectification procedure. As an alternative, therefore, our hypothetical assignee might look to general equitable principles for assistance. The scenario with which we are concerned is somewhat different from the traditional type of case in which transferees have looked to equity for assistance in circumstances where there has been a failure to comply with legal formalities. Nevertheless, it would be possible to develop an argument along the following lines: the effect of section 43(1) of the *PPSA* is that anyone who purchases from a mortgagor a trade mark over which an unperfected security interest has been granted takes the mark free from the mortgagee's interest. As such, the purchaser must be understood to be the absolute beneficial owner of the trade mark who is entitled to perfect its interest by requiring the mortgagee to effect a transfer in favour of the purchaser. There can be no question that in certain circumstances a purchaser of a mark would be entitled to look to equity for assistance. It would have to be the case, for example, that a purchaser of a mark from its legal owner would be entitled to insist that the legal owner complete the formalities necessary to transfer legal title. This could only be done by means of a mandatory injunction – the statutory rectification provisions would not offer the purchaser any assistance in this scenario either. Consequently, general equitable principles might appear to offer considerable promise for our hypothetical assignee. However, to a far greater degree than other potential purchasers, our hypothetical assignee might face significant obstacles in securing equitable relief. The principal problem is that our hypothetical assignee might well not come to equity with clean hands – it is likely that the assignee will be found to have at least constructive notice of the mortgagee's interest, not least because of the recordal of the mortgagee's title in the Trade Marks Register. Moreover, at the very least it is safe to say that in every case there would be a challenge to the assignee's right to seek equitable relief and this will entail an analysis of the assignee's state of mind – precisely the type of enquiry that the *PPSA* was designed to avoid.

#### **IV MAKING THE SYSTEM WORK MORE EFFECTIVELY: OPPORTUNITIES AND OBSTACLES**

In the previous Part we identified a number of areas where the *PPSA* will not work as intended. Some of these problems do not lend themselves to an obvious solution. A degree of confusion as to how the systems interoperate is inevitable and although more could be done, for example, to reach out to trade marks attorneys, there is no simple or immediate solution to problems that flow from a general lack of public understanding. Other problems could be addressed more directly, but only by means of legislative intervention. This is true, for example, of the failure of the new regime to cope as intended with legal mortgages. It is also true of the requirement for double registration in the case of 'transitional security interests'.

To our mind what is most interesting, however, is that in some cases the problems we have identified could be addressed purely through administrative

action. In particular, there would seem to be scope to confer the informational advantages that flow from recording a claim to an interest in the Trade Marks Register on secured parties who have relied on the *PPSA* regime alone. This is most obviously true in the case of proceedings for the removal of a mark from the Register on the grounds of non-use. It will be recalled from Part III(B) that one of the advantages that flows from recording a claim to an interest in the Trade Marks Register is that in the event that removal proceedings for non-use are commenced the party with the recorded interest will be given notice of the application for removal. Significantly, this result flows from the interpretation that the Trade Marks Office has placed on the requirement to give notice ‘to each person who, in the opinion of the Registrar, needs to know that the application has been filed’.<sup>89</sup> What is interesting is that this language unquestionably sets up a broad permissive power and there can be no question that the Trade Marks Office would be within its rights to conduct a search of the PPS Register and to provide notice to secured parties accordingly. Somewhat more controversially, we would also suggest that the other notice requirements in the *TMA* that we discussed in Part III(B) could be read to achieve much the same end. In particular, we do not see any reason why the requirement in the legislation to give notice to parties with a recorded interest (for example, before revoking a registration) should be read as excluding the possibility of providing notice to other parties on a voluntary basis.<sup>90</sup>

More generally, there is no reason why other informational links could not be created between the two systems through purely administrative action. For example, anyone seeking to record a claim to an interest in a mark in the Trade Marks Register could be warned that in the case of a ‘PPSA security interest’ such an interest also needs to be perfected through registration on the PPS Register. Similarly, the PPS Registrar could send the secured party a statement to the effect that it should also consider recording its interest in the Trade Marks Register as this will secure additional benefits in certain circumstances. It might also encourage such secured parties to describe their security interests in the same terms, to ensure maximum consistency between the information on the two Registers. Further, the PPS Registrar might seek to ensure that in fulfilling its obligation under section 156 of the *PPSA* to provide a ‘verification statement’ to a secured party it cross-checks the Trade Marks Register to determine the accuracy of the information provided to it in the financing statement.<sup>91</sup>

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89 *TMA* s 95(1); *TMR* reg 9.2(2).

90 We note the point made by one of our referees that such a change in administrative practice might impose additional costs on the Office and that it would be better if this issue were specifically addressed in legislation. We would, however, argue that these costs would be negligible given the relative ease of searching the PPS Register and given that staff and budget would, in any event, need to be allocated to determining whether notice is required to be given before taking steps to cancel or revoke the registration, etc, and to the implementation of these steps.

91 Section 155(a) of the *PPSA* provides that the ‘verification statement’ need only verify ‘the registration of a financing statement’, which would not prevent the PPS Registrar from taking further, straightforward administrative steps to verify the accuracy of information in the financing statement.

It might reasonably be assumed that any administrative reform that could make the *PPSA* regime work more effectively would be readily adopted. However, it is our prediction that none of the linkages described above will be created. An immediate opportunity to create one linkage was missed when the decision was made not to automatically migrate data from the Trade Marks Register to the PPS Register before the registration commencement time of the *PPSA*. We appreciate that this approach was taken because not all interests recorded in the Trade Marks Register are security interests under the *PPSA*.<sup>92</sup> However, in many cases the nature of the interest is obvious on the face of the Trade Marks Register. In any situations of doubt those responsible for the migration process could have alerted the party claiming the interest that its data was not to be migrated and brought the existence of the transitional arrangements under the *PPSA* to that party's attention.

It is also notable that the Trade Marks Office made no attempt historically to contact parties who had registered a charge over a trade mark on the Australian Register of Company Charges. In a similar vein, and as we noted in the Part I, proposals to create linkages between the registered trade mark system and State and Territory business names registers have been left to gather dust,<sup>93</sup> with this issue not being addressed in current proposals for a new single, national, business names register.<sup>94</sup> This has been despite the fact that there is good evidence to suggest that many small and medium sized enterprises erroneously assume that registration of a business name both gives them positive rights over the name in question and insulates them from a claim for trade mark infringement.<sup>95</sup> Mention might also be made of the resistance the Trade Marks Office has shown to judicial demands that it take a broad range of legal questions into account when determining whether use of a mark 'would be contrary to law' for the purposes of section 42(b) of the *TMA*. The Trade Marks Office has consistently construed the leading Federal Court decision<sup>96</sup> as narrowly as possible, seemingly out of a desire to minimise the need for the Trade Marks Office staff to take cognisance of issues other than those arising through direct application of the *TMA* and *TMR*. The introduction in 2006 of new revocation powers to allow a registered trade

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92 See also Mary Saywell, 'Personal Property Securities – An Intellectual Property Perspective' (2010) 81 *Intellectual Property Forum* 30, 34.

93 Advisory Council on Intellectual Property, *A Review of the Relationship between Trade Marks and Business Names, Company Names and Domain Names* (March 2006). There has been no government response to this report.

94 See the Exposure Draft of the Business Names Registration Bill 2011 (Cth) and, for criticism, see Jessica Roth, 'New Efficiencies from National Business Names Register (But No Relief for Trade Mark Owners)' on Mallesons Stephen Jaques, *IP Whiteboard* (20 April 2011) <<http://blogs.mallesons.com/ipwhiteboard/new-efficiencies-from-national-business-names-register-but-no-relief-for-trade-mark-own>>.

95 Advisory Council on Intellectual Property, above n 93, 1, 27–30. To be clear, these assumptions have the capacity to undermine the operation of the Trade Marks Register as a reliable source of information – parties who have this view will see no need to check the Trade Marks Register before commencing use; nor will they believe that there is any need to explore the possibility of trade mark registration as they believe they are already adequately protected by registration of a business name.

96 Namely, *Advantage Rent-A-Car Inc v Advantage Car Rental Pty Ltd* (2001) 52 IPR 24.

mark to be removed from the Register through purely administrative action appears to have been similarly motivated by a desire to manage and maintain an operationally closed system. Registration ‘errors’ can now be corrected through internal office action (so long as they are discovered within 12 months of the trade mark having been entered on the Register),<sup>97</sup> thereby reducing considerably the Registrar’s reliance on the possibility of bringing rectification proceedings in the Federal Court under part 8 division 2 of the *TMA*.<sup>98</sup> Elements of IP Australia’s current reform agenda also display much the same desire.<sup>99</sup>

Consequently, if history is any guide, the matters we have identified seem very unlikely to be addressed through administrative action. Although seemingly innocuous, the bureaucracy is unlikely to embrace the necessary changes. This may give us cause to reflect on some of the broader implications of the *PPSA* and the bureaucratic model on which it rests.

## V SOME FINAL COMMENTS

Perhaps the most obvious point to make about how the new personal property securities regime will operate, and the one that follows most directly from the points made in Part IV, is that the efficacy of the new regime will be determined in no small part by bureaucratic practice. Whether the system functions as intended will not be determined solely by the fitness for purpose of the governing legislation or the case law that crystallises around it.<sup>100</sup>

Somewhat less obviously, it seems safe to suggest that the bureaucracy will also seek to shape the criteria against which the performance of the new regime is judged. Government agencies now invariably make use of internal audit

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97 *TMA* s 84A (as introduced by the *Intellectual Property Laws Amendment Act 2006* (Cth) sch 1 item 7).

98 Mention might also be made of IP Australia’s involvement in the repeal of s 88(2)(d) of the *TMA* in 2001. This section formerly provided a ground for cancelling the registration of a mark that had been accepted for registration under (the then) s 41(5)(b) on the basis only that it *would* become distinctive post-registration, but where ten years after the filing date the mark had not in fact become distinctive. The Trade Marks Office never publicly indicates whether a mark was accepted/registered only on the basis that it would become distinctive. Thus a party seeking to challenge such a registration under s 88(2)(d) would have needed to have made an FOI request, thus exposing the Office’s internal decision-making to public scrutiny. Following a review conducted by IP Australia in 1998, s 88(2)(d) was repealed, with the Explanatory Memorandum to the Trade Marks and Other Legislation Amendment Bill 2001 (Cth) giving the entirely spurious justification that in cancellation proceedings ‘the court would be obliged to apply stricter criteria than would have been applied by the Registrar’. For criticism, see Sean Brennan, *Bills Digest*, No 172 of 2000–1, 26 June 2001, 9.

99 See Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (Cth) sch 6 item 54 (proposing adding s 50A to the *Patents Act 1990* (Cth) to give the Commissioner of Patents the power to revoke acceptance of a patent).

100 Cf Pottage, above n 9, 401, noting that land registration ‘depends upon a layer of practical discretion which is assumed to be straightforward or which is simply overlooked’.

processes.<sup>101</sup> This inevitably steers agencies to measure their performance against quantifiable outputs: how long it takes to process applications; whether the cost for applicants is rising or falling; the average length of time it takes to respond to ‘customer’ complaints, etc.<sup>102</sup> The resulting statistics will then be published and reported to Ministers and, in this way, perceptions of how an agency is functioning may come to be influenced by self-selected, enumerated targets.<sup>103</sup>

A further audit mechanism that is now widely employed by Government agencies is the user survey, this being an obvious way of demonstrating that a commitment to maintaining ‘customer satisfaction’ is being taken seriously. Such surveys can, of course, only measure the views of those who are already aware of and utilising the system in question. The danger is that we may lose sight of groups that the system was designed to help, but are failing to utilise it for some reason – any ‘dissatisfaction’ that these groups feel will not be reflected in the survey results. If, for example, significant numbers of SMEs fail to register security interests created by retention of title clauses they may find that they are significantly disadvantaged vis-à-vis large financial institutions in the event that a debtor is insolvent. Such an outcome would arguably represent a significant failing of the new regime. The *PPSA* was not intended to transform the respective priorities of suppliers of goods and financial institutions. On the contrary, it contains special provision to allow suppliers of goods to claim ‘super priority’.<sup>104</sup> Any problem with SMEs failing to utilise the new regime would not, however, be captured in either customer surveys or in statistical data relating to registration practices. There is, of course, no shortage of avenues through which any such failing with a bureaucratic regime might be aired – the ability of an agency to set the parameters against which its performance is judged can only ever be partial – but it remains important nonetheless.

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101 This should be seen as part of what has been described as the ‘new public management’ agenda, where government agencies attempt to apply the language and management techniques of the private sector to the delivery of public services. On the adoption and impact of this agenda in the public sector, see generally Spencer Zifcak, *New Managerialism: Administrative Reform in Whitehall and Canberra* (Open University Press, 1994); Eran Vigoda-Gadot (ed), *Public Administration – An Interdisciplinary Critical Analysis* (Marcel Dekker, 2002); and on its adoption by intellectual property offices, see Burrell, above n 5, 120–3; Peter Drahos, *The Global Governance of Knowledge: Patent Offices and their Clients* (Cambridge University Press, 2010) 22–4.

102 The now ubiquitous use of the term ‘customer’ to describe those who access Government services has been one of the products of the new public management agenda, and this language is already being employed in the context of the PPS Register: see, eg, Attorney General’s Department (Cth), *Personal Property Securities Reform* (2011) <<http://www.ag.gov.au/pps>> (making reference to the establishment of a ‘Customer Contact Centre’); Attorney General’s Department (Cth), *PPS Reform Newsletter* (June 2010), Personal Property Securities Register <[http://www.ppsr.gov.au/www/ppsr/RWPAttach.nsf/VAP/\(966BB47E522E848021A38A20280E2386\)~PPS+Newsletter+-+201006+June+2010.pdf/\\$file/PPS+Newsletter+-+201006+June+2010.pdf](http://www.ppsr.gov.au/www/ppsr/RWPAttach.nsf/VAP/(966BB47E522E848021A38A20280E2386)~PPS+Newsletter+-+201006+June+2010.pdf/$file/PPS+Newsletter+-+201006+June+2010.pdf)> (stating that work on building the PPS Register includes an emphasis on ‘customer management’).

103 See Michael Power, *The Audit Society: Rituals of Verification* (Oxford University Press, 2<sup>nd</sup> ed, 1999) 119 (‘[t]he power of auditing is ... to construct concepts of performance in its own image’).

104 See *PPSA* s 62 (dealing with the priority of ‘purchase money security interests’, which include those arising from retention of title arrangements, over other security interests).

The establishment of a centralised agency to administer registration of security interests over personal property will also create a new and potentially powerful player in debates over future legislative reform. It is certainly notable, for instance, that IP Australia has been able to exert considerable influence over the legislative agenda as it relates to intellectual property matters over recent years. The attraction of a new dedicated agency in any field is that it may be able to create the momentum for reform within Government much more quickly than might otherwise be the case. At the same time, however, the reforms that come to be championed will be those that chime with an agency's work practices and an understanding of its role. Proposed reforms that would increase workloads or require a fundamental shift in how an agency operates are likely to face significant opposition. In contrast, reform of issues that have caused operational difficulty will be fast-tracked, possibly at the expense of more fundamental problems that are to be found in parts of the system for which the agency is not directly responsible.<sup>105</sup> This points to what may well prove to be both a coincidental benefit and cost of the introduction of the *PPSA*. Henceforth a new agency will have a stake in ensuring that personal property securities law is working effectively. However, the issues that come to be targeted will be those that appear important when viewed from the governing agency's vantage point. Moreover, and to return to the themes of the previous section, it must be remembered that the ability of any given agency to push its agenda successfully will at some point be limited by its portfolio and the inevitable territorial battles that accompany any attempt by an agency to increase its sphere of competence.

A rather different set of consequences that may flow from a move to a centralised regime for dealing with securities over personal property is that this shift may create subtle changes in attitudes and mindsets. Such a claim can, by its very nature, only ever be highly speculative. Nevertheless, there are a number of points that we believe are worth noting. At the highest level of abstraction, changes in attitudes and mindsets may flow from the fact that the *PPSA* regime represents a significant change in the nature of government intervention in the regulation of securities over personal property. Part of the transformation relates to the tier of government responsible for administering the new regime. Pre-*PPSA* responsibility for personal property securities law was divided between the Commonwealth on the one hand and the States and Territories on the other.

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105 To illustrate what we mean it is notable, for example, that a number of recent reforms of the *TMA* have dealt with problems that might strike an external observer as trivial, but which were causing administrative difficulties for the Trade Marks Office. These reforms have included new definitions of 'working day' (*Trade Marks and Other Legislation Amendment Act 2001* (Cth) sch 1 item 2) and 'month' (*Trade Marks Amendment Act 2006* (Cth) sch 1 item 3) and new provisions to deal with the situation where the Office is closed for business when a party is required to do an act (*Intellectual Property Laws Amendment Act 2006* (Cth) sch 12 item 8) and to allow minor amendments to applications and other documents to be made over the telephone (*Trade Marks Amendment Act 2006* (Cth) sch 1 items 74, 76). In contrast, longstanding problems with, eg, the rectification, primary infringement and secondary liability provisions of the *TMA*, whose interpretation lies solely with the courts and whose operation rarely impacts on the workings of the Office, have remained untouched: on these problems, see Burrell and Handler, above n 5, chs 8, 10, 15.

Henceforth it is the Commonwealth that will have the decisive voice in this area. In this respect the *PPSA* should be viewed alongside other recent legislative reforms, such as the adoption of the Australian Consumer Law, which has come at the expense of State and Territory control over aspects of the consumer protection regime.<sup>106</sup> Both the *PPSA* and the Australian Consumer Law have made an infinitesimally small, but nevertheless still real, contribution to a project of nation building. This project, founded as it is on a program of ‘practical legislation’, is one with which Alfred Deakin would have been perfectly at home.<sup>107</sup>

A rather different aspect of the transformation in the nature of government intervention in the regulation of securities over personal property relates to the fact that the Government will henceforth have a fundamental role in some forms of transaction that were previously regulated almost entirely by the common law. To return to retention of title clauses once again, the *PPSA* will move us from a Hayekian world of judge-made contractual rules and property rights to the ever expanding sphere of regulated contracts. In the case of SMEs it seems likely that the *PPSA* will be seen as imposing yet more ‘red tape’: what could once be done through contract now requires the intermediation of a government agency.<sup>108</sup> In the case of legal practitioners and members of the judiciary attitudes towards security interests are likely to be influenced in more nuanced ways. Changes in the legal framework and institutional structures governing security interests may bring with them changes in understanding. In particular, lawyers and judges may come to internalise the logics of the new bureaucratised model in such a way that their view of what is possible and desirable undergoes a transformation. Most obviously, these groups may come to judge the desirability of any given legal outcome against its likely impact on the effective operation of the *PPSA* as a centralised bureaucratic regime that produces information on which it is possible to rely. If this does occur these groups would, for example, be much less likely to look favourably on an attempt to use equitable doctrines to mitigate some of the ‘harsh’ results that can attach to a failure to perfect a security interest through registration.<sup>109</sup>

In seeking to draw attention to the bureaucratic nature of the new regime we are not arguing that the *PPSA* is undesirable. Nor are we even suggesting that ‘bureaucratisation’ is to be understood as a purely negative consequence that attaches to the introduction of a registration system, but one that needs to be weighed and balanced against potential benefits. Bureaucratisation also offers potential advantages. As has been seen, one such advantage is that a specialised

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106 See generally Alex Bruce, *Consumer Protection Law in Australia* (LexisNexis Butterworths, 2011) ch 1.

107 See generally John La Nauze, *Alfred Deakin* (Melbourne University Press, 1965) 407.

108 This is an issue that seems to have gained little traction in discussions over the desirability of the *PPSA* – governments are quick to express their desire to reduce ‘red tape’ for SMEs, but seem to have difficulty in recognising that SMEs do not have in mind a (generally mythical) category of regulation that serves no worthwhile public end.

109 Implicit in this analysis is the belief that the desire to ensure that the *PPSA* works as intended is likely to weigh much more heavily than similar concerns would have done in the context of the incomplete and logically incoherent patchwork of registration systems that preceded it.

government agency will have an important stake in how a particular area of law is functioning and may be able to respond quickly to emerging problems through its ability to influence the Government's legislative agenda. Further advantages include the fact that a new agency will be able to coordinate public education campaigns and public awareness initiatives. The point we are trying to emphasise is thus more that, for better or for worse, the involvement of a new centralised bureaucratic agency in the administration of property rights is a transformative development that demands ongoing attention from academics and practitioners alike.