

## Second Reading

**The Hon. MICHAEL VEITCH** (Parliamentary Secretary) [3.07 p.m.], on behalf of the Hon. John Hatzistergos: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

### Leave granted.

The purpose of the Electronic Transactions Amendment Bill 2010 is to update the *Electronic Transactions Act 2000* and make consequential amendments to related legislation, to reflect internationally recognised legal standards.

This bill aims to increase certainty for international and domestic transactions conducted via an electronic medium, and also encourage the growth of electronic commerce, such as online retailing.

The bill strengthens our existing regime by recognising the use of automated message systems in contract formation and clarifying the rules in relation to:

- invitations to treat,
- the determination of a party's location in an electronic environment,
- the time and place of dispatch and receipt of electronic communications, and
- electronic signatures.

The basis of New South Wales current electronic transactions regime is the 1996 Model Law on Electronic Commerce, which was developed by the UN Commission on International Trade Law.

The Commonwealth, and all other States and Territories, have Electronic Transactions Acts based on this Model Law.

The United Nations Convention on the Use of Electronic Communication in International Contracts, which was adopted by the UN in 2005, updates many of the concepts in the 1996 model law.

These updates are primarily as a result of a better understanding of the use of the internet in electronic transactions in the intervening decade. It is the first United Nations Convention addressing legal issues arising from the digital economy.

As with the 1996 model law, the United Nations Convention's primary aim is to facilitate international trade by enhancing legal certainty and commercial predictability where electronic communications are used in relation to international contracts.

Its purpose is to facilitate international trade by removing possible legal obstacles or uncertainty in the use of electronic communications in the formation or performance of contracts between parties located in different countries.

In 2008, the Standing Committee of Attorneys-General agreed to the development of a public consultation paper on the Australian Government's proposal to accede to the Convention.

The paper discussed the differences between Australia's domestic electronic transactions laws and the United Nations Convention and the amendments that would be required to update Australia's laws to bring them into line with the Convention.

The paper specifically sought comments on whether the Convention rules should also apply to domestic contracts to avoid having different regimes for domestic and international contracts. Nine submissions were received. All submissions were generally supportive of Australia's accession to the United Nations Convention and none addressed the issue of applying the Convention rules to domestic contracts.

Subsequently, in 2009 the Standing Committee Ministers agreed to the drafting of a model bill to implement obligations under the United Nations Convention and, at the May 2010 meeting, Ministers agreed to update their uniform electronic transactions legislation to adopt the model bill within 12 months.

It is proposed that Australia will accede to the Convention when legislation based on the model bill is enacted in each jurisdiction.

I am delighted to inform the House that New South Wales is the first jurisdiction to introduce such legislation.

The amendments contained in this bill do not significantly change New South Wales electronic transactions regime. However, they will ensure that our laws keep pace with developments in this rapidly evolving area of law.

These amendments will enhance cross-border online commerce and increase certainty for international trade by electronic means and thereby encourage further growth of electronic contracting.

Where the bill overlaps with our current regime, the amendments are of an updating or refining nature. The additional rules proposed in the bill clarify traditional rules on contract formation to address the needs of electronic commerce and will provide legal certainty on those matters.

The main changes proposed are:

- new rules that recognise the use of automated message systems,
- a new rule about what is an 'invitation to treat' in the electronic context,
- minor amendments to the electronic signature provisions and other form requirements,
- clarification of the location of parties rules, and
- minor amendments to the default rules for time and place of dispatch and receipt.

A careful assessment has been undertaken to ensure that the effects of the proposed amendments do not unduly disturb settled contract law or domestic practice since the enactment of the Electronic Transactions Act in 2000.

The bill does not purport to vary or create contract law. Rather it includes a range of measures directed at improving the general operation of the current electronic transactions regime.

The United Nations Convention reflects the view that party autonomy is vital in contractual negotiations and nothing in this bill affects the principle that contracting parties should be free to agree on matters affecting the formation and performance of a contract between them.

Although the United Nations Convention is only concerned with international business contracts, the proposed amendments in this bill will also apply to contracts concluded for personal, family or household purposes.

This will ensure commonality of rules between domestic and international contracts using electronic communications, and therefore avoid problems that may arise if there were two different regimes. In the domestic sphere, these proposed provisions will supplement existing law offering protection to consumers who are parties to contracts.

I will now turn to some key elements of the bill.

The bill introduces a new Part 2A into the current Electronics Transactions Act and moves the existing Part 2A to schedule 1. This will ensure that the numbering of our legislation is consistent with other jurisdictions' equivalent legislation once updated in accordance with the national agreement.

Proposed section 14A provides that the new Part 2A is applicable to electronic contracts, where New South Wales contract law applies and where some or all of the parties reside in Australia. The contract may be for business, personal or other purposes.

Today it has become commonplace for consumers to order goods via websites, email messages, online order forms and virtual shopping carts. The bill transposes the accepted notion of 'offer' into an electronic environment.

Therefore, a vendor that advertises its goods or services on the internet or through other open networks should be considered merely to be inviting those who access the site to make offers. Thus, an offer of goods or services through the internet would not *prima facie* constitute a binding offer. This means that a vendor has not relinquished the right to refuse to sell to a customer including, for example, where the trader has already sold all goods.

Proposed section 14B confirms that a proposal to enter into a contract, made by electronic means to the world at large, is to be treated as an invitation to make an offer, unless there is a clear indication by the trader of an intention to be bound.

The purchase of goods through a website is often automated and therefore handled by a computer program, rather than the vendor themselves. This bill recognises this growing practice and inserts a definition of 'automated message system'. The critical element of the definition is that it covers transactions that lack human intervention on either one or both sides of the transaction. Proposed section 14C confirms that the absence of human intervention does not preclude contract formation.

Unlike in face to face transactions, the opportunity to detect or correct a mistake made during an online transaction is limited because of the automated nature of the transaction. A customer making an online purchase may enter the wrong quantity of goods or incorrectly select an item; however, if no confirmation screen exists the customer does not have an opportunity to detect and rectify the mistake.

Proposed section 14D introduces a certain level of protection for consumers if a website does not provide an opportunity for correction, as it enables a person who makes an input error, which has been dealt with by an automated message system, to withdraw the portion of the electronic communication in certain circumstances.

However, the person must notify the other party of the error as soon as possible, and must not have received any

material benefit or value from any goods or services received from the other party.

Section 14D also clearly sets out that the right of withdrawal of a portion of an electronic communication under this section does not, in itself, confer a right to rescind or otherwise terminate a contract.

The bill also amends the current default rules of time and place of dispatch and receipt of electronic communications.

The amendments reflect the Convention's formula, and provide that the time of dispatch of an electronic communication is the time when the electronic communication leaves an information system, and the time of receipt of an electronic communication is the time when the electronic communication becomes capable of being retrieved by the addressee at an electronic address designated by the addressee.

The bill also updates the definition of both 'place of business' and 'transaction', so as to clarify the use of these terms in the context of contract formation and execution across an electronic medium.

The bill proposes minor amendments to the electronic signature provisions and other form requirements. The current regime provides that an electronic signature must be capable of identifying the signatory and indicating the signatory's 'approval' of the information contained in the electronic communication.

However, there are instances where the law requires a signature, but that signature does not have the function of indicating the signing party's 'approval' of the information contained in the electronic communication; for example, notarisation, attestation by commissioner of oaths and witnessing of documents.

Proposed section 9 therefore provides that an electronic signature must be capable of identifying the signatory and indicating the signatory's intention in respect of the information contained in the electronic communication. However, it removes the notion that a 'signature' implies a party's approval of the entire content of the communication to which the signature is attached. The bill also provides legal recognition of electronic signatures irrespective of the technology used.

The Government recognises the need to support business operations in the global economy and the importance of maximising technology to promote international legal and business engagement.

This bill will remove possible legal obstacles and uncertainty, and ensure that New South Wales's e-commerce laws reflect up-to-date internationally recognised legal standards.

This Government is committed to ensuring that New South Wales's laws meet the challenges of existing, new and emerging technology.

I commend the bill to the House.