



Law Council
OF AUSTRALIA

Business Law Section

Ms Sharon Thomas
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Via email: mail.acip@ipaaustralia.gov.au

23 January 2015

Dear Ms Thomas,

ACIP Review of the Designs System Options Paper

I have pleasure in enclosing a submission in response to the ACIP's 'Review of the Designs System Options Paper, December 2014.

The submission has been prepared by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia.

If you wish to discuss any aspect of this submission, in the first instance please contact the Committee Chair, Sue Gilchrist,

Yours sincerely,

John Keeves, Chairman
Business Law Section

Enc.

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1 Introduction

- 1 The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (**IPC**) makes this submission in response to ACIP's 'Review of the Designs System Options Paper, December 2014' (**Options Paper**). In this submission the *Designs Act 2003* (Cth) is referred to as the '2003 Act', unless quoting sections from the IPC's submission on ACIP's 'Review of the Designs Systems: Issues Paper', September 2013, dated 31 October 2013 (**IPC's Issues Paper Submission**), where it is referred to as the '*Designs Act*'.
- 2 The Options Paper seeks submissions on the three options ACIP puts forward for further action in relation to changing Australia's designs regime. The IPC does not support one option to the exclusion of the other two. Rather the IPC supports aspects of all three options as set out below.

2 Option 1 – Fix details in the 2003 Act

2.1 Appendix A

- 3 The IPC supports correcting the specific problems listed in 'Appendix A' of the Options Paper¹ in the manner suggested in Appendix A, subject to the following paragraphs.
- 4 The IPC refers to the comment in relation to the third listed problem that lack of entitlement is not a ground for revocation of a patent since the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth). As noted in the 'Potential fix' column in Appendix A, subsection 138(4) of the *Patents Act 1990* (Cth) preserves the revocation power if the court is satisfied it is just and equitable to order revocation. The IPC supports the power to revoke a registered design on the basis of entitlement being similarly discretionary. The IPC also supports the recommendation to focus on entitlement at the time of the proceedings to revoke the registered design provided that the current registered owner can establish a chain of title back to the entitled person(s).
- 5 The IPC also refers to the comment in relation to the first listed problem in Appendix A to the effect that dotted lines are not allowed in Australia. This appears inconsistent with the following part of D04.5.1 of the Designs Examiners' Manual of Practice and Procedure which provides:

'Dashed v solid lines

¹ See page 64 of the Options Paper, 'Appendix A: Minor Anomalies, Inconsistencies and Errors in the 2003 Act with Proposed Changes'.

A common situation involves some elements of the representations being shown in solid lines, while other elements are in broken (dashed or dotted) lines. Broken lines are frequently used to indicate things such as:

- elements of the product other than those bearing the visual features of the design;
- boundaries (e.g. of a pattern applied to part of a surface);
- stitching;
- perforations;
- hidden elements (typically in perspective views);
- features that establish an environmental context;
- features outside the scope of the design (such as the store dummy in *Review 2 v Redberry Enterprises* referred to above).

Indeed, rarely a drafter might use dashed lines to indicate the visual features of the design, and solid lines to indicate generic features of the design.

In all instances, the examiner needs to interpret the representations in the context of the design as a whole, applying a presumption that differences in the manner of representation of features is for a purpose, and make this assessment in the context of the standard of an informed user.’

- 6 It is important that the position in relation to dotted lines be clarified. However, the IPC sees no reason why the use of clearly visible dotted lines executed in durable and black colour should not be allowed as a means to differentiate between parts of a design.
- 7 In addition to the matters listed under Option One in the Options Paper, in the IPC’s Issues Paper Submission the IPC pointed out that while section 10 of the 2003 Act grants the registered designs owner the exclusive right to authorise others to do any of the other exclusive rights granted by the section, section 71 omits this authorisation right in the list of acts that constitute an infringement. The IPC considers that section 71 should be amended to include the act of authorisation.
- 8 The IPC also reiterates its view, expressed in the IPC’s Issues Paper Submission, that subsection 75(2) of the Act needs to be amended. This subsection in effect provides for an ‘innocent infringer’s defence’. Although describing the situation as a curiosity if not an anomaly, in *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd* [2008] FCA 74, Jessup J held that due to its drafting the subsection can only be relied upon for infringements that take place once the registered design is in fact registered. Thus, it could not be relied on by a defendant in relation to conduct engaged in between the filing date of the application and the date the design was actually registered, even though the defendant could not ascertain from the Register that registration of the design had even been applied for.

2.2 Other Option 1 changes

- 9 The IPC supports the following further Option 1 changes recommended by ACIP, subject to the notes below:
- Changing the terminology for a registered but uncertified design. As the design is a registered design, the IPC would prefer the new name to be ‘uncertified design’ rather than ‘design application’.

- Removing the option of the publication regime from the design process.
- The tentative view that renewal should only be possible for certified designs. Regardless of whether the term for protection is increased or not, the IPC considers that this tentative view should be implemented. The IPC agrees that requiring certification as a condition of renewal goes some way in addressing the disadvantages of not substantively examining applications before registration.
- The ‘statement of newness and distinctiveness’ (**SoND**) should not be made compulsory.
- Allowing amendment of the SoND only up to the point of registration.

The copyright/design overlap

- 10 The IPC also considers the anomalies that have arisen in relation to the copyright/design overlap must be addressed. The level of confusion in this area identified by ACIP compels reform. However, as illustrated below in this submission, the IPC considers the copyright/design overlap and several other issues raised in the Options Paper are inter-related and that this inter-relationship is relevant to formulating solutions to the problems these issues present.
- 11 Two matters in particular need clarification following *Polo/Lauren Co LP v Ziliani Holdings Pty Ltd* [2008] FCAFC 195 – clarification of the status of woven products such as tapestries and carpets and clarification as to when a three-dimensional appearance is sufficient to warrant treatment as shape or configuration rather than two-dimensional pattern or ornament.
- 12 The IPC notes that the problems identified in the previous paragraph would disappear if there was a return to the original definition of corresponding design – that is, as meaning, in relation to an artistic work, a design that when applied to an article results in a reproduction of the artistic work regardless of whether design consists of two-dimensional features of pattern or ornament or three-dimensional features of shape or configuration. The question is whether the benefits in preserving full copyright protection for artistic works industrialised as two-dimensional decorative designs are sufficient to tolerate the uncertainties so far encountered in attempting to define the boundaries of such designs.
- 13 Clearly the more exceptions to the operation of section 77 of the *Copyright Act 1968* (Cth) (**Copyright Act**), the more scope there is for uncertainty and legal confusion. In this regard the IPC queries whether ‘works of artistic craftsmanship’ should retain copyright protection when they are mass produced by machine or a similar industrial process in contrast to when the copies are individually crafted. Limiting the exclusion from the operation of section 77 of the Copyright Act for works of artistic craftsmanship to situations where the copies made and offered for sale are themselves works of artistic craftsmanship is consistent with the

original policy rationale for granting special protection to such artistic works – the small scale of the reproduction and the inability to afford participation in the registration system which artist-craftspeople suffer. The IPC accepts that there may be occasions when reproductions of works of artistic craftsmanship cannot themselves qualify as works of artistic craftsmanship.

- 14 In the IPC’s Issues Paper Submission, the IPC expressed concerns relating to section 18 of the 2003 Act. The IPC reiterates these concerns which in summary are as follows:
- (a) there appears to be no reason why a corresponding design for the purposes of the 2003 Act should not continue to be defined as a design that reproduces an artistic work regardless of whether the design consists of two-dimensional features of pattern or ornament or three-dimensional features of shape or configuration; and
 - (b) the rules set out in section 18 of the 2003 Act and section 77 of the Copyright Act should be consistent with each other and adopt the same structure and language.
- 15 Further detail is contained in the IPC’s Issues Paper Submission.

The eligibility and infringements tests

- 16 The IPC notes that on the basis of the evidence before it ACIP considered that the eligibility threshold should not be changed at this time. The IPC is strongly of the view that section 19 of the 2003 Act requires urgent amendment to remedy the problems the IPC identified in its submission on ACIP’s Designs Issues Paper. For ready reference this part of the IPC’s submission is reproduced below.

‘Question 22: Do you have any other comments?’

(a) *Uncertainty in relation to Enforcement: the test for infringement and validity*

The IPC has concerns regarding the current level of uncertainty that exists in relation to the *Designs Act* in an enforcement context. This issue does not appear to be addressed in the Issues Paper, although there is a reference on page 11 to concerns regarding potentially high costs of enforcement in relation to innovation patents, and that similar concerns may exist in relation to designs. It is the IPC’s position that the level of uncertainty that currently exists in relation to the provisions of the *Designs Act* which relate to validity and infringement are resulting in increased costs of enforcement and may be dissuading design owners from commencing enforcement actions. If design owners are not prepared to enforce registered designs, this reduces the value of the registration, and the designs system as a whole.

Infringement – sections 19 and 71

In particular, under the *Designs Act*, a design is infringed if a product embodies a design that is identical to, or substantially similar in overall

impression to, the registered design (section 71(1)). Whether an allegedly infringing design is substantially similar in overall impression to the registered design is to be assessed in accordance with section 19 (section 71(3)). Section 19 lists 6 factors which must be applied as part of the assessment. However, the *Designs Act* provides no guidance as to how, as a practical matter, a person or Court is to take into account and weigh and balance each of these factors, while continuing to have regard to the overall impression. Further, there is no clear guidance as to the meaning of some of the enumerated factors, such as “the state of development of the prior art base for the design” (s19(2)(a)), and “the freedom of the creator of the design to innovate” (s19(2)(d)). As such, there is a significant lack of clarity in relation to the meaning and application of section 19. This uncertainty has an effect on the efficient conduct and resolution of proceedings, which in turn results in increased costs of proceedings.

Further, section 19(4) provides that in applying the factors listed in section 19(1)-(3), the person or court must apply “the standard of the informed user”, being “a person who is familiar with the product, or similar products, to which the design relates” (section 19(4)). However, parties are continuing to experience difficulties in applying this section and identifying who may be the appropriate ‘informed user’, including what level and nature of familiarity with the product or similar products is required, and whether this still requires evidence from a professional design expert. This is made more difficult as a result of differing approaches by the Federal Court (compare, for example, Kenny J in *Review 2 Pty Ltd v Redberry Enterprises Pty Ltd* (2008) 79 IPR 214 and Yates J in *Multisteps Pty Ltd v Source and Sell Pty Ltd* [2013] FCA 743). As a result of this uncertainty as to what section 19(4) requires, the IPC is aware of examples where parties have retained multiple experts, with different backgrounds and areas of expertise, including professional designers to assist the Court to interpret the designs using design concepts and terminology. This results in increased costs for the parties, not just in terms of the costs involved in retaining experts and preparing evidence from multiple experts, but also because it is likely to result in an increase in the length and complexity of a hearing. Lengthy hearings also have an impact more broadly in terms of available Court resources.

Validity – sections 16 and 19

For similar reasons discussed above in relation to infringement, the IPC recommends that ACIP also consider the lack of clarity that exists in relation to section 16 of the *Designs Act*. This lack of clarity arises as a result of two aspects. First, section 16(2) requires that, to assess whether a design is distinctive, section 19 must be applied. The difficulties in relation to section 19 in the context of validity are the same as those discussed above in the context of infringement. Secondly, uncertainty also arises in relation to the reference to ‘prior art base for the design’ in

sections 16(1) and 16(2), especially when section 19 then requires consideration of ‘the state of development of the prior art base for the design’.

- 17 The Options Paper refers to criticism ACIP received that section 19 provides little guidance on how its various factors should be interpreted and went on to state that no suggestions were offered as to how the legislation could offer more guidance and still retain sufficient flexibility to address individual cases. Given the short time frame for submissions on the Options Paper and the Christmas holiday period, it is not possible for the IPC to provide any such suggestions, other than to suggest that several of the key expressions in section 19, such as ‘state of development of the prior art base’, ‘freedom of the creator of the design to innovate’ and ‘informed user’ should be defined or clarified in the 2003 Act. However, if further time was made available, the IPC would be pleased to consider making a further submission on how the concerns it has expressed may be accommodated.

Multiple design applications

- 18 The IPC has reservations about reducing the fees for each additional design included in a multiple design application. The recommendation to do so is largely intended to benefit those industries which produce a large number of designs – typically exemplified by the fashion industry. There are clear disadvantages in the recommendation. The recommendation assumes that each of the designs in the multiple application are new and distinctive (an assumption that will only be tested if the designs are subsequently examined), and gives preferential treatment to a class of designers. ACIP does, however, comment that its recommendation may involve stricter eligibility requirements for multiple applications.
- 19 Implementing different eligibility requirements for multiple applications will add another layer of complexity to the registration system. The IPC considers it more likely that an unregistered design right regime will better meet the needs of those industries which produce a large number of designs, many of which will have a short commercial life.

- 3 Option 2 – Fix details in the 2003 Act and adopt changes to improve the designs system and to bring Australian law into line with international standards
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3.1 Border protection measures

- 20 The IPC agrees that measures should be introduced to allow for the seizure by Customs of imported goods bearing infringing designs. The IPC, however, does not agree that this seizure power should be limited to goods bearing designs identical to registered designs. It will not take much time before importers make insignificant changes to the design as registered solely to avoid seizure. This recommendation would also

introduce a new measure for comparing designs and allegedly infringing goods in the context of customs seizures which is different to the infringement test in the 2003 Act.

- 21 The IPC appreciates that it may often be difficult for Customs to determine whether designs similar but not identical to the registered design nevertheless infringe the registered design. Concerns in this regard may be of limited practical consequence given that the objector will be required to promptly bring the alleged infringer before the Court or the seized goods will be released to the importer. In addition, the IPC notes that Customs must already make similar evaluative judgements when applying the seizure provisions under the *Trade Marks Act 1995* (Cth) and the Copyright Act.

3.2 Term of protection

- 22 Regardless of whether or when Australia joins the Hague Agreement², the IPC considers that the maximum term of protection for registered designs should be 15 years with renewals at 5 and 10 years. As is indicated above, the IPC agrees with the recommendation to require certification of the design before the first renewal. Furthermore, the IPC believes that the renewal fee at the 10 year stage should be increased with a view to providing an incentive to design owners to renew only those registrations having sufficient economic value.

3.3 Grace period and Deferred publication

- 23 In the IPC's Issues Paper Submission, the IPC did not support the introduction of a grace period or the introduction of deferred publication. Both measures undermine the reliability of the Register and clearly favour the design owner over third parties who wish to ascertain whether the marketing of a proposed product will infringe the rights of others including those third parties who have independently created their designs. The IPC believes that a grace period may be of more benefit where there is also an unregistered design right in existence. The IPC does not believe Australia should introduce a grace period or any form of deferred publication at this stage when there are no treaty obligations to do so.
- 24 If or when a grace period is introduced, the IPC agrees that there must be a prior user defence. If or when some form of deferred publication is introduced, the IPC believes that design owners should be required to publish their design registration within a reasonable period of products embodying the design being launched. In addition and not in the alternative, as discussed above the IPC also considers that the section 75(2) 'defence' should apply to protect defendants in relation to conduct engaged in before the date documents relating to the design are published whether such defendants are copiers or independent creators.

² *Hague Agreement Concerning the International Deposit of Industrial Designs*. As noted on page 12, fn 12 of the Options Paper, "There have been a number of separate 'acts' within the Hague 'system', the key acts are the Hague Act of November 28, 1960 and the Geneva Act of July 2, 1999. Countries may accede to either of these Acts."

3.4 Registration of partial designs

25 The IPC agrees with ACIP that allowing the registration of designs for parts of products involves a fundamental change to the concept of a registered design. Such registrations would effectively render the SoND redundant. Such a change may be warranted if Australian designers are being prejudiced in seeking priority under the *Paris Convention for the Protection of Industrial Property* (1883) by the inability to register designs in Australia for parts of products.

26 The IPC considers it important that designs are only registered for products as defined by the relevant legislation and that at the time of registration any SoNDs satisfy the definition in subparagraph 19(2)(b) of a statement identifying particular visual features as new and distinctive. The IPC considers that the scrutiny of designs applications undertaken by the Designs Office prior to registering a design should require compliance with these matters.

3.5 Virtual designs

27 The IPC does not consider special provisions should be introduced into the designs legislation for items such as screen icons and graphical user interfaces. The Designs Office is currently dealing with such designs under the 2003 Act. Further, to the extent they are not protectable under the 2003 Act, they may qualify for and retain copyright protection. Additionally, many items of this nature may be registrable as trade marks, but they would need to be used as trade marks in order to remain validly registered.

4 Option 3 – Wholesale revision of the role of the designs system in Australia’s IP Law

4.1 3D printing

28 At this stage, the IPC does not consider any special provisions should be introduced to deal with 3D printing.

4.2 Unregistered Design Rights (UDRs)

29 The IPC considers that a review should be undertaken now to determine whether Australia should introduce UDR protection and, if so, what kind of UDR protection.

30 The IPC considers any UDR protection should be in addition to, and not a substitute for, registered designs protection. The registered designs regime is clearly a suitable means for protecting a large number of designs. ACIP’s review, however, suggests that the registered designs regime may not be a suitable means for protecting all designs worthy of some protection. ACIP states that feedback it received suggested that the current registration system is expensive for what it offers. This no doubt

means that the current registration system is unlikely to be attractive to many small and medium sized firms. It appears to be generally accepted that the current registration system does not meet the needs of those industries which produce a large number of designs, many of which will have a short commercial life. ACIP reports that under the 2003 Act, use by Australian companies is largely static and use by Australian individuals has undergone a steep decline (but that there is a strong rise in use by overseas companies). ACIP reports that two thirds of respondents to its Designs Review Survey, respondents who are users of the IP system, indicated some level of confusion over whether their designs were covered by copyright or not. Indeed, ACIP also reported feedback suggesting that many Australian designers and design firms are not presently well-educated in intellectual property law.

- 31 All of the above suggest there is a need to provide Australian designers with an alternative to a registration based system. Amending the copyright/design overlap provisions and granting a shorter term of copyright protection to industrially applied artistic works is unattractive because the copyright originality innovation threshold is so low. The nature of an UDR allows for great flexibility in fashioning the scope of protection including the innovation threshold, the duration of protection and the manner of infringement. In the IPC's Issues Paper Submission, the IPC indicated a firm view that any UDR introduced in Australia should protect only against copying. The IPC continues to hold this view.

5 Further contact

- 32 The IPC would be pleased to discuss any aspect of this submission. Please contact the Chair of the IPC, Sue
if you would like to do so.