Australian Government

Advisory Council on Intellectual Property

Review of the Designs System

FINAL REPORT

March 2015

The Advisory Council on Intellectual Property (ACIP) is an independent body appointed by the Australian Government. ACIP advises the Federal Minister for Industry and Science—and the Parliamentary Secretary to the Minister for Industry and Science—on high level policy matters relating to patents, trade marks, industrial design and plant breeder's rights. ACIP also provides advice to the Minister, the Parliamentary Secretary or the Director General of IP Australia on the administration of these intellectual property (IP) rights.

ACIP membership reflects a cross section of the interests involved in the IP system. Members are drawn from the business and manufacturing sectors; research organisations; the health sector; the legal and attorney professions; government; academia; and technology and commercialisation sectors.

IP Australia is the federal agency responsible for administering the patents, trade marks, designs and plant breeder's rights systems

This paper is also available at http://www.acip.gov.au

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Australian Government

Advisory Council on Intellectual Property

The Hon Ian Macfarlane MP
Minister for Industry and Science
Parliament House
CANBERRA ACT 2600

Dear Minister

In May 2012 the then Parliamentary Secretary to the Minister for Industry and Innovation, the Hon Mark Dreyfus QC MP, asked the Advisory Council on Intellectual Property (ACIP) to review the Australian designs system. As Chair of ACIP, I am pleased to present you with the report on this review.

The *Designs Act 2003* commenced in June 2004 and implemented a new designs system with significant changes to the way in which designs are protected and enforced. This review has provided an opportunity to assess how well the new designs system has functioned over the past decade and how users of the system have responded to the changes.

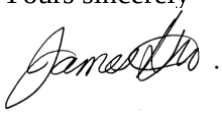
ACIP has undertaken extensive consultation with stakeholders in carrying out this review. An Issues Paper was released in September 2013, followed by an Options Paper in December 2014. Submissions were invited in response to both of these papers and roundtable consultations were held in Melbourne, Sydney, Brisbane and Perth.

A key element of this report is a push towards greater harmonisation with international treaties and practice in design protection. ACIP considers this to be a positive move both for users of the designs system and for the Government in administering the system.

ACIP has looked closely at the changes that were introduced with the new designs system, enforcement of design rights and the interrelationship between designs and other intellectual property rights. ACIP has identified a range of areas in which the effectiveness of the designs legislation could be enhanced and made a number of recommendations aimed at improving the system and addressing deficiencies that have come to light since it commenced.

I look forward to the Government's response to the report.

Yours sincerely



Jim Butler
Chair
31 March 2015

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Glossary of Terms

ACIP	Advisory Council on Intellectual Property
ALRC	Australian Law Reform Commission
CAD	Computer Aided Design
DLT	Designs Law Treaty
GUI	graphical user interface
IP	intellectual property
IPRIA	Intellectual Property Research Institute of Australia
PCT	Patent Corporation Treaty
SoND	Statement of Newness and Distinctiveness
TRIPS	World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights
UCD	unregistered community design
UDR	unregistered design right
UK IPO	United Kingdom Intellectual Property Office
USPTO	United States Patent and Trademark Office
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Executive Summary

In May 2012, the then Parliamentary Secretary to the Minister for Industry and Innovation, the Hon Mark Dreyfus QC MP, asked ACIP to investigate the effectiveness of the designs system in stimulating innovation by Australian users and the impact the designs system has on economic growth. The following Terms of Reference were endorsed:

> *Inquire, report and make recommendations to the Australian Government on the operation and effectiveness of the Designs Act 2003 in supporting innovation, having regard to:*
>
> - *any new opportunities for enhancing the Act's effectiveness and efficiency; and*
> - *any deficiencies and unintended consequences arising from the Act's implementation.*

ACIP has approached this review with three broad questions in mind:

1. Has the Designs Act 'provided a simple, cost-effective designs system that provides Australian designers with more effective rights'?
2. Are the provisions in the Designs Act operating as intended?
3. Should policy decisions implemented in the Designs Act be reconsidered in light of experience with the new designs system and international and technological developments in the intervening decade?

As a result of the review, ACIP sees a clear need for increased harmonisation with international practices and treaties as this will benefit users of the system and help streamline its administration for the Government.

ACIP considers that several of the changes introduced under the Designs Act need to be revised. Particularly, ACIP recommends compulsory examination for renewed designs, removal of the option for publication of designs as an alternative to registration and the re-introduction of an opposition process.

There is clear scope to improve design protection and clarify the law for both owners and third parties. ACIP sees benefits in introducing a grace period to protect against inadvertent disclosure of a design, changing the terminology used in the Act to clarify the distinction between a registered design and a certified design and improving consistency between the designs and copyright legislation. ACIP also recommends that the enforcement of design rights be extended to include authority for the Australian Customs and Border Protection Service to seize infringing goods.

ACIP has also identified a number of minor, technical changes that could be made to the Designs Act to correct anomalies, streamline the processing of design applications and enhance the effectiveness of the system.

In the course of the review ACIP considered the impact of new technologies on design protection. Consistent with the views of many stakeholders, ACIP considers that reform to address challenges posed by technologies such as 3D printing would be premature. ACIP considers that there are questions about the role of the designs protection system in Australia's IP system as a whole. ACIP

believes that if an overarching review of IP is undertaken by an independent body the role of design law and its interaction with other systems should be part of this review. ACIP would recommend that design law should be specifically included to avoid the common temptation to focus on the more prominent IP systems – patents, copyright and trade mark – and neglect smaller IP systems such as design.

Recommendations

Recommendation 1

ACIP recommends that the Designs Act should be amended, as soon as practicable, to address anomalies identified by stakeholders and to adopt certain specific reforms that will bring Australian designs law into better alignment with equivalent laws of major trading partners, international treaties and proposed international treaties.

Recommendation 2

a. ACIP recommends that Australia promote efforts to harmonise and streamline procedures for acquiring international registered design rights.

b. Australia should commence an investigation into the implications of joining the Hague Agreement, including consulting with WIPO. Australia should monitor usage of the Hague system and in particular whether usage of the system increases as a result of recent expansions of its membership.

c. Australia should work actively through the Designs Law Treaty process to promote harmonisation of filing requirements.

Recommendation 3

ACIP recommends extending the maximum term of protection of designs to 15 years only if a decision is made to join the Hague Agreement.

Recommendation 4

ACIP recommends changing the terminology for a registered but uncertified design to make it clear that the design does not, until certification, confer enforceable rights. ACIP suggests the term 'uncertified design' should be used.

Recommendation 5

ACIP recommends removing the option of the publication regime (ie without registration) from the designs process.

Recommendation 6

ACIP recommends requiring a request for examination of the design by the first renewal deadline (five years).

Recommendation 7

ACIP recommends introducing a system of opposition following certification, if recommendation 6 is accepted.

Recommendation 8

a. ACIP recommends improving the process for multiple design applications by reducing the fees for each additional design added to the application, in accordance with the original proposal of the ALRC.

b. ACIP further recommends that details regarding the eligibility of designs for inclusion in a multiple design application be developed with a view to consistency with relevant international treaties and proposed international treaties and harmonisation, if possible, with requirements in other major offices where Australians are likely to file design applications.

Recommendation 9

ACIP recommends automatic publication at six months after the filing date, with the possibility to request publication earlier if desired, and with an amendment to the innocent infringer defence in subsection 75(2) of the Designs Act.

Recommendation 10

ACIP recommends retaining the requirement of distinctiveness and section 19 of the Designs Act in its current form.

Recommendation 11

ACIP recommends allowing amendment of the Statement of Newness and Distinctiveness in ways that identify particular visual features of the design as new and distinctive, up to the point of certification.

Recommendation 12

ACIP recommends introducing a grace period of six months before the filing date, together with a prior user defence. Applicants who rely on the grace period to protect the validity of their design rights should be required to file a declaration to that effect.

Recommendation 13

a. ACIP recommends retaining the current requirement that protection relates to the visual appearance of a whole product.

b. ACIP recommends that, in investigating opportunities for international cooperation in design application processes and requirements with other offices overseas, IP Australia consider whether allowing partial product registrations would enhance harmonisation of application requirements in a way that would substantially advantage Australian applicants. If significant advantages to Australian applicants can be shown and IP Australia can confirm that such protection does not give rise to substantial practical or legal issues overseas, then ACIP would support reform of Australian law.

Recommendation 14

ACIP recommends that the treatment of virtual or non-physical designs be reconsidered, for example by allowing consideration of the product in its active state, not just its resting state, when considering validity.

Recommendation 15

ACIP recommends that steps should be taken to make section 18 of the Designs Act consistent with the overlap provisions of the *Copyright Act 1968*.

Recommendation 16

ACIP recommends the Government consider introducing (with appropriate resourcing of Customs) border protection measures that align with the Trade Marks and Copyright Acts (Notice of Objection Schemes) to allow for the seizure by Customs of alleged design infringements which are identical to certified designs.

Recommendation 17

ACIP recommends retaining section 71 of the Designs Act in its present form.

Recommendation 18

ACIP recommends amending the legislation as soon as practicable to address specific anomalies identified by stakeholders and listed by ACIP below. ACIP considers that these amendments would improve the operation and consistency of the Act and in some cases, consistency with other IP systems.

The Designs Act and/or the *Designs Regulations 2004* should be amended to ensure:

- **a.** That rules regarding the identity of Convention applicants are consistent with rules relating to entitlement to designs;
- **b.** That international Convention applicants are not disadvantaged in cases where formal requirements differ between jurisdictions, by expanding the rules relating to priority claiming;
- **c.** Courts have the power, similar to that available under the *Patents Act 1990* to refuse to revoke a design registration on the basis of lack of entitlement of the named applicant in appropriate circumstances;
- **d.** Design registrations are revocable on the basis of a lack of entitlement at the time of the revocation proceeding (rather than at the time of registration);
- **e.** The prior art base against which newness and distinctiveness is considered is expanded to include designs for products other than the product the subject of the registered design;
- **f.** The ground of revocation on the basis of fraud, false suggestion or misrepresentation extends to fraud, for example, during certification (not just registration);
- **g.** The opportunity to amend is broadened to allow for amendment other than to overcome a ground of revocation;
- **h.** Exclusive licensees have the right to bring proceedings for infringement; and
- **i.** Grace periods for renewal deadlines align with other IP Rights.

Recommendation 19

ACIP recommends no change to the trade mark/design overlap.

Recommendation 20

ACIP recommends no change to the Repair Defence.

Recommendation 21

ACIP recommends no change to the designs system at this time to respond to 3D printing and scanning technologies.

Recommendation 22

ACIP recommends that Australia should not introduce protection for unregistered designs.

Recommendation 23

ACIP recommends that the role of the designs system be specifically included in any broader review of Australia's IP framework, such as a broader review that may be proposed in the Final Report of the Competition Policy Review.

1 Background to the Review

The current Australian designs system has been in operation since the commencement of the Designs Act on 17 June 2004. In recent years a variety of concerns have been raised about the effectiveness of the designs system and whether it is meeting its original policy objectives. The designs system has not been comprehensively reviewed since its commencement in 2004.

1.1 ACIP's Inquiry Process

The target audience for the review is all users and potential users of the designs system, particularly Australian small and medium enterprises (SMEs) and individuals. The review was advertised on the ACIP website as well as on the Australian Government's Business Consultation website.

In September 2013, ACIP released an Issues Paper to provoke discussion and solicit relevant comments from stakeholders and other interested parties. Invitations to participate in the review were sent to over 70 industry associations, relevant businesses and individuals. A notice also appeared on the IP Australia website. Twenty-five submissions were received (Appendix E provides a list of non-confidential submissions).

Between October and December 2013, ACIP also held public roundtable discussions in Melbourne, Sydney, Brisbane and Perth. A total of 27 stakeholders attended these roundtables (see Appendix F).

Two research projects on the operation of the design process were conducted in early 2014 by the Intellectual Property Research Institute of Australia (IPRIA) in conjunction with IP Australia.[1]

In December 2014, ACIP released an Options Paper for consultation. Eighteen submissions were received (Appendix E provides a list of non-confidential submissions).

1.2 Role and objectives of the Designs System

The concept of 'design' has different connotations in different fields. In ordinary parlance, the process of applying design skills typically involves accommodating and improving the function, the appearance, and even the manufacturing process of an object. The Australian Law Reform Commission (ALRC) undertook a comprehensive review of the Australian designs system in 1995 and its recommendations formed the basis of the current designs system. It noted:

> *Within the field of industrial design, a reference to an article's design can be a reference to aspects of its structure, look, function, durability, ease of operation, value for money, safety characteristics, ergonomic characteristics or any environmental characteristics.*[2]

Today the concept of design is not confined to industrial products: business processes can also be the subject of design innovation.[3] However, the Designs Act does not claim so broad an operation. Design rights give rise to a legal right only for the overall appearance of a product, including the shape, configuration, pattern and ornamentation, resulting from one or more visual features of the product. Registering a design gives the owner protection for the visual appearance of the product

[1] See more information on the IPRIA research projects at 2.1 in Appendix A.

[2] At 2.8: http://www.alrc.gov.au/inquiries/designs / http://www.alrc.gov.au/report-74, accessed 30 March 2015.

[3] ACIP received at least one submission to the Issues Paper referring to the growth of a practice of applying design principles to services: for example, considering the 'design' of customer interactions with service providers like banks, educational institutions or telecommunications providers.

but not the feel of the product, what it is made from or how it works. Notably, design rights are not intended to provide legal protection for function[4] – that is the role, in Australia, of both standard and innovation patents.

Certified design rights give the owner the right to exclude other parties from using or imitating their design on the registered products for a set period of time. Design protection is intended to protect designs which have an industrial or commercial use. Some artistic works may be able to be protected under both the Designs Act and the *Copyright Act 1968* (the relationship between copyright and designs is discussed further in section 2.6).

Broader activities of designers may be offered protection by alternative forms of IP such as copyright, patents, trade marks, the law of passing off and the law of confidential information.

New and distinctive product designs can be valuable. A design that is different to existing products, whether because it makes a product more attractive, more useful, or perhaps both, can enhance the commercial reward for developing a new product. However, the fact that new and distinctive designs are valuable to the individuals and companies that create them does not constitute a reason for governments to grant those companies and individuals exclusive rights. Governments generally grant property rights for economic reasons. As the ALRC noted:

> *Australia's designs law needs to be tailored to meet its main objective - to encourage innovation in Australian industry to Australia's net economic benefit. Designs law can do this by preventing competitors free riding on design innovations and by providing investors in design with security for their investment.*[5]

An effective design law must be sufficiently strong to prevent excessive copying and thus encourage adequate financing and investment in design, but must not be so restrictive that it acts as a barrier to further innovation that arises from the free flow of ideas.

[4] Designs Act 2003 Section 7(2). A visual feature may, but need not, serve a functional purpose.
[5] ALRC Report at page 5 http://www.alrc.gov.au/sites/default/files/pdfs/publications/ALRC74.pdf accessed 30 March 2015.

2 Discussion of Recommendations

2.1 General approach to designs reform

In the Options Paper, ACIP identified three broad options arising from its review of the Designs Act:

1. Option 1: a minimal approach addressing certain specific issues with the Designs Act without revisiting any of the policy decisions embodied in that Act;
2. Option 2: fixing the specific issues identified in Option 1, together with a broader set of reforms designed to bring Australian law into better alignment with the law of major trading partners, international treaties and proposed international treaties; and
3. Option 3: a more wholesale revision of the role of the designs system, and how it interacts with other parts of Australia's IP system. Option 3 would require a further, more broad-ranging review including the gathering of information and developing strategies for industry development in the field of design.

Within each of Option 2 and Option 3 as identified in ACIP's Options Paper was a more detailed list of aspects of the law which could be reformed. The reforms identified in Option 2 were relatively straightforward (although, in some cases, of potentially great legal and economic significance). Option 3 grouped together areas which, in ACIP's view, would involve more fundamental reform to the designs system.

Most submissions in response to the Options Paper were in favour of Option 2: that is, most stakeholders favoured fixing identified anomalies and also making some amendments in order to harmonise Australian law with the law of major trading partners. There were differences among stakeholders as to which reforms within Option 2 were desirable, and in some cases disagreement with ACIP's characterisation of certain reforms as falling within Option 3. Individual reforms are discussed separately below.

In light of differences among stakeholders around the proper characterisation of some reforms, and given that each Option involved numerous sub-issues, ACIP's recommendations are grouped thematically rather than according to the categories from ACIP's Options Paper.

Recommendation 1
ACIP recommends that the Designs Act should be amended, as soon as practicable, to address anomalies identified by stakeholders and to adopt certain specific reforms that will bring Australian designs law into better alignment with equivalent laws of major trading partners, international treaties and proposed international treaties.

2.2 International Harmonisation

2.2.1 The Hague Agreement and Draft Designs Law Treaty

The Options Paper noted that the legal protection of designs is one of the least harmonised areas of IP protection globally. This increases legal complexity and costs for design-intensive Australian companies engaged with international markets. A move towards international harmonisation can

reduce red tape for Australian businesses planning to launch into export markets. Submissions from stakeholders overwhelmingly argued that further international harmonisation of design law was important to facilitate the acquisition of legal protection in multiple jurisdictions. There are currently two multilateral fora concerned with harmonising and streamlining application processes for design rights. The question is whether Australia would benefit from joining either or both of these efforts.

The *Hague Agreement Concerning the International Registration of Industrial Designs* ('Hague Agreement') provides a streamlined filing process for international applications similar to that provided by the Patent Cooperation Treaty (PCT) and the Madrid Protocol in trade marks.[6] The Hague System now has 64 members, with the US and Japan most recently joining, effective from 13 May 2015.[7] Canada, China and Russia are among the countries exploring membership in the near future along with a number of ASEAN Member States, while the UK's membership is currently in progress. Australia is already committed to making 'best efforts' to join the Hague system via its Free Trade Agreements with the US and Singapore, although there is no time limit for that to occur.

The Hague Agreement is currently not much used. WIPO reported in 2013 there were 26,877 international registrations in force covering 111,881 designs.[8] The US, Republic of Korea and Japan are however the top three foreign filers in Australia (see statistics in Appendix C), and their membership in the Hague System may lead to increased filings under this system.

There is a trade-off involved in joining the Hague Agreement. It would require changes to Australian law, including, most notably, the extension of Australia's maximum term of protection from 10 to 15 years (see section 2.2.2). It would also require system changes within IP Australia, the costs of which are presently unknown and cannot be ascertained without engaging in a detailed formal investigation with WIPO. There may also be implications for IP Australia's revenue, as applications filed through the Hague System do not generate the same level of fee income. However, this might be offset by increased applications, particularly international applications. International applicants would also find it easier to get protection in Australia – which could have the effect of increasing design imports into Australia.

The benefit for Australian applicants of joining the Hague Agreement is that they can file one international application, in one language, with one set of fees paid to WIPO. However, as ACIP noted in the Issues Paper, and as submissions from stakeholders confirmed, harmonisation of law and filing requirements between Hague countries is much less than is found in the Madrid Protocol or the PCT. Requirements for drawings, and the existence or drafting of claims or written descriptions, vary considerably between jurisdictions. This means that a single application *can* be filed through the Hague Agreement, but variations in the requirements for the application between jurisdictions can be complicated to navigate. An application under the Hague System may, for example, have to include drawings suitable for every country where design protection is sought, with some diagrams being removed in each national jurisdiction as the application moves into the

[6] *Hague Agreement Concerning the International Deposit of Industrial Designs*. 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.

[7] This is still less than either the Madrid Protocol (94 members) or the Patent Cooperation Treaty (148 members).

[8] See: http://www.wipo.int/edocs/pubdocs/en/designs/930/wipo_pub_930_2014.pdf, accessed 30 March 2015.

national phase. Additionally, transfer of ownership of designs registered under the Hague system is restricted to companies resident in participating Members.

Not surprisingly therefore, not all submissions in response to the Issues Paper and Options Paper were positive about the Hague System. The Australian Federation of Intellectual Property Attorneys (FICPI Australia) agreed that ultimately there could be benefits to Australia joining the Hague Agreement, but indicated that any gains arising from the single application process would be largely illusory for most applicants due to the need to comply with multiple different requirements. They argued that this should be reassessed at a later stage, and favoured accession to the Designs Law Treaty in the short term.

ACIP does not recommend joining the Hague Agreement immediately. Instead, ACIP recommends closely monitoring the international developments and usage under the Hague Agreement, particularly with respect to the recent members. A significant uplift in international usage would support Australia joining the Agreement. Additionally, a detailed investigation into the requirements for Hague membership should be undertaken. This would accurately inform the specific requirements, costs, limitations and opportunities for both applicants and IP Australia. It could also assist the preparation phase, thereby shortening the work needed to join at a later date.

The Options Paper also mentioned current efforts within WIPO to negotiate a Designs Law Treaty which would seek to harmonise procedural requirements by providing a 'ceiling' on what countries may demand in the registration of design rights. At the meeting of the General Assembly in September 2014, negotiating countries had not yet agreed to convene a Diplomatic Conference to finalise a treaty, although a text (Articles and Regulations) is at an advanced stage of drafting. Australia should remain actively involved in this process on the basis that Australian stakeholders are strongly in favour of harmonisation of filing requirements internationally.

Stakeholders, primarily Institute of Patent and Trade Mark Attorneys of Australia (IPTA) and FICPI Australia, also submitted that some of the key problems with international applications lie in the differences between the requirements of local IP Offices for claims, written descriptions, splitting of design applications and whether multiples are allowed, as well as requirements for drawings. Neither the Hague Agreement nor the Designs Law Treaty in its current form will address these issues, as both operate at a higher level of generality. ACIP suggests therefore that IP Australia identify ways to work with its international counterparts on ways to harmonise these practices, prioritising work with offices in those countries where Australian companies are most likely to seek protection.

Recommendation 2

a. ACIP recommends that Australia promote efforts to harmonise and streamline procedures for acquiring international registered design rights.

b. Australia should commence an investigation into the implications of joining the Hague Agreement, including consulting with WIPO. Australia should monitor usage of the Hague system and in particular whether usage of the system increases as a result of recent expansions of its membership.

c. Australia should work actively through the Designs Law Treaty process to promote harmonisation of filing requirements.

2.2.2 Term of design protection

The Designs Act reduced the maximum term available for registered designs from 16 years to 10 years. This is consistent with the international minimum contained in the TRIPS Agreement, and Australia is not currently obliged to provide more than 10 years' protection by any other international agreement. A 10 year term is, however, short by international standards. If Australia joins the Hague Agreement it will be obliged to provide a maximum term of at least 15 years.

Submissions in response to both the Issues Paper and the Options Paper generally supported extension of the maximum term of protection from 10 to 15 years. The main argument raised in favour of term extension was that the Australian term is shorter than other countries. Most submissions favoured a term extension independent of any decision to join the Hague Agreement. A number of submissions noted that extension of the maximum term could be coupled with or balanced by requiring compulsory examination, as discussed in section 2.3.3.

ACIP is hesitant to recommend an extension of exclusive rights in the absence of any economic or empirical evidence suggesting that such an extension is necessary. Extended exclusivity has costs for Australian consumers (in the form of higher prices from reduced competition) and for Australian businesses prevented from offering similar products for a longer period. Given that design is concerned only with the visual appearance and not the function of products, it may be that an absence of competition is less of a concern than if it were proposed to extend the term of patent protection. Nevertheless, as ACIP noted in its Options Paper, IP rights must be justified – they must be granted for a reason, in the case of registered design rights, to provide incentives for innovation in design. In the course of the review ACIP has also received numerous submissions stating that Australian designers and businesses are relatively uninformed about IP generally and designs protection in particular. In this context it seems somewhat contradictory to suggest that an additional five years of protection would act as an incentive for greater investment in design. The key question is whether an extension of term would benefit the Australian national interest by providing incentives for new designs, or perhaps by enabling the survival of design-intensive businesses by guaranteeing a more long-term flow of sales or royalties for long-lived, successful designs. ACIP has no specific evidence of these benefits.

ACIP's view is that an extension of the maximum term should only be recommended if there is a reason to do so: either as a result of evidence that rights are needed and/or likely to act as an incentive, or as a result of international obligations undertaken in order to receive some other benefit. ACIP therefore recommends extension of the design term only if Australia joins the Hague Agreement.

Recommendation 3
ACIP recommends extending the maximum term of protection of designs to 15 years only if a decision is made to join the Hague Agreement.

2.3 Application, certification and other procedural aspects of the design system

2.3.1 Clarification of 'registered' and 'certified' designs

The Designs Act introduced a streamlined process for acquiring registered design rights. Under the previous legislation, the *Designs Act 1906*, a design was registered following a substantive examination to ensure it complied with all the relevant requirements of the Act. A registered design could be enforced against third parties. The current Designs Act moved to a system where registration occurs following only a formalities check and substantive examination occurs only on request by the owner or a third party, or if the Registrar of Designs decides to examine the design. If the design is found to have met the substantive requirements of the Act it will be certified and only then is it enforceable. No opposition process exists, however third parties may request re-examination or revocation of a certified design.

One consequence of the streamlined process under the Designs Act is that a registered design is not necessarily valid, but may be understood by people unfamiliar with the system as creating enforceable rights. If design owners are confused, this could lead to disappointment or frustration with the system. If third parties are confused, and in particular if they think registered designs are enforceable where they are not, this could lead to unnecessary 'chilling' of commercial activity.

Research undertaken by the Intellectual Property Research Institute of Australia during this review found evidence of confusion, and most stakeholders who addressed this point in their submissions agreed that the present terminology is confusing. ACIP considers that the uncertainty created by this confusion is undesirable. Referring to an unexamined design as a 'registration' or 'registered design' is also out of line with terminology in many overseas jurisdictions.

The terminology should be changed to avoid confusion in the marketplace and to make it clear that an unexamined design is not an enforceable right. There was overall support in the written submissions for this change. ACIP's Options Paper suggested, consistent with the recommendations in the recent Innovation Patents Report, the term 'design application' for designs registered but not yet certified. There were some suggestions to use the terminology 'uncertified design' or 'unexamined registered design' because the design is entered on the Register and is no longer an application. ACIP is attracted to the term 'uncertified design', which seems to fulfil the objective of signalling the absence of government approval of the claimed exclusive rights.

A change to terminology would not impact on costs to applicants. Changes to internal processing and systems would be expected along with costs for education and training document preparation. As costs, these would be insignificant additions to that expected for regular ongoing maintenance to IP Australia's systems and documents, particularly in light of other changes proposed below.

Recommendation 4

ACIP recommends changing the terminology for a registered, but uncertified design to make it clear that the design does not, until certification, confer enforceable rights. ACIP suggests the term 'uncertified design' should be used.

2.3.2 Publication regime

In both the Issues Paper and Options paper, ACIP asked whether there is a continuing need for publication and the current regime of requesting registration or publication. Currently, an applicant can request that their design is registered or goes through the publication regime, where the design is simply published, and will provide no enforceable legal rights. The publication regime effectively works as a defensive action that can be chosen to prevent another party from gaining protection for the same design. ACIP notes that the process of publication has not been much used and can lead to confusion.

Submissions generally agreed or had no comment on this issue, although there was one response which argued that little use hardly justifies its removal.[9] ACIP is not convinced that there is a need to retain the publication regime.

IP Australia is consulting on proposals to streamline IP processes and support small business. Their paper covers various options on the registration process regarding the publication regime. It identifies four options ranging from no change, to changing the system by removing the option of publication without registration and having automatic registration. The latter option has been identified as the preferred proposal and is in line with ACIP's recommendation. The timing of the IP Australia consultation means the content of submissions addressing this topic will not be known at the completion of this Report. However, IP Australia's paper states that a change to processing to remove the option of publication would not impact costs to applicants.

Recommendation 5
ACIP recommends removing the option of the publication regime (ie without registration) from the designs process.

2.3.3 Compulsory examination

Under the Designs Act, registered designs are not examined until examination is requested by the owner or a third party. Designs are certified following a successful examination and certification is a precondition for enforcement. The justification for removing compulsory substantive examination was to reduce the upfront costs of design protection, and allow companies an opportunity to determine which designs they intend to market and which designs have some longevity in the market.

The Options Paper raised the question of whether examination should be compulsory. ACIP noted that allowing unexamined registrations to remain on the Register creates uncertainty for third parties. It is thought that five years may be sufficient time to decide which designs have sufficient success and longevity to justify an investment in legal protection. Consistent with the *Review of the Innovation Patent System,* ACIP asked whether renewal should only be possible for certified designs:

[9] Submission from Mr Fraser Old

that is, whether at, or before, the five year renewal the design owner should be required to request examination of their design(s).[10]

ACIP had not received evidence from stakeholders that requiring examination only when enforcement is required is problematic in the designs system. In fact it was suggested by some stakeholders that, as only 20% of registrations are examined, these are thoughtfully requested, and those that require certification are already requesting examination. A significant number of designs are not renewed at five years, which has some impact in removing unnecessary design rights from the register (see Figure 5 in section 3.2 of the Options Paper).

The submissions agreed that compulsory examination would remove unnecessary registrations. It was however noted that the renewal process also has this purpose and acts as a deterrent to designs continuing on the register if they have no merit or are no longer wanted by the applicant. Additionally, it was argued that the renewal fee for the possible extended term (if recommendation 3 is implemented) could also be set high enough to deter rights holders from renewing rights that relate to designs of marginal value. ACIP notes however that it is difficult to set fees at a level that will deter renewal of speculative or unimportant design registrations, but which will still be affordable for small to medium enterprises and design microbusinesses.

FICPI Australia, IPTA and a number of attorney respondents, albeit supportive of compulsory examination, were concerned that there was no guarantee that examination could be completed in a set amount of time, indicating that rather than requiring certification by a particular date, instead a *request* for examination should be sufficient. They were also concerned however about parties having to pay renewal fees for a design that might not pass examination; should this occur, the consideration of refunding renewal fees would add complexity to the process. A few submissions suggested that payment of the renewal fee should not be required until after the examination process is completed.

Other submissions, from IPTA and Mr Fraser Old, supported compulsory examination prior to registration with a fee payable at lodgement: that is, a return to the regime which applied under the *Designs Act 1906*. Alternatively, the International Association for the Protection of Intellectual Property (AIPPI Australia) suggested compulsory examination at the 10 year mark, so only certified designs were eligible for the longer term (if recommendation 3 is implemented). The Law Council of Australia supported compulsory examination by the five year mark even if there was no increase in term.

The submission from Freehills also suggested keeping representations on the register after lapsing.[11] Though ACIP notes that the register is a collection of various components of the computer systems administered by IP Australia, and although no longer a part of the "register", details including images would still be available on the Australian Designs Data Searching database.

Consistent with its recent approach in the *Review of the Innovation Patent System*, ACIP considers that allowing unexamined registrations to remain on the Register for a full term of 10 years is not

[10] See: http://www.acip.gov.au/reviews/all-reviews/review-innovation-patent-system/, accessed 30 March 2015.

[11] The submission may be referring to ceasing as representations are not published on applications, and therefore would not be available after lapsing, or being cancelled or withdrawn.

justified. If, as discussed above, Australia were to join the Hague Agreement and, as a result, extend the maximum term of registered design rights to 15 years, requiring examination would be even more important. As to timing, ACIP recommends that it should be sufficient for a party to request examination by the time of renewal, although this may mean the payment of renewal fees on designs that do not pass examination. An applicant who is unsure of the validity of the design should ensure a request for examination is made in sufficient time, taking into account lead times for examination and possible office delays.

Introducing compulsory examination would have a regulatory impact on users as examination incurs fees along with professional costs and business time. However, this needs to be weighed up against the benefits of reducing uncertainty in the Register.

Recommendation 6
ACIP recommends requiring a request for examination of the design by the first renewal deadline (five years).

2.3.4 Post-certification opposition

There is currently no provision in the Designs Act for opposition to certified designs. Having an opposition system makes sense, especially in the context of compulsory examination as proposed in recommendation 6. Introduction of opposition to designs would have a number of potential benefits. It would provide a low cost forum for resolution of differences between parties on the validity and scope of certified design rights. For SMEs, it may be better to have a large company challenge them at the opposition stage rather than in the Federal Court or Federal Circuit Court. An opposition process could also potentially assist in the development of the law around some of the provisions and terms in the Designs Act. ACIP anticipates that procedures for oppositions could be adopted and adapted from existing opposition processes for other rights. If opposition were introduced, it would be necessary to ensure that proceedings before the office were transferred to the courts if enforcement proceedings were commenced. This could be achieved by including a provision in the Designs Act similar to section 101P of the Patents Act.

There were few submissions that addressed this issue directly, however, they were mixed. Apart from one response indicating that it was not necessary as the capacity for third parties to request examination (an ex parte process) and revocation are sufficient, others welcomed the additional opportunity even if the compulsory examination process was not adopted.[12] The Designs Institute of Australia argued that opposition should follow the model in the *Trade Marks Act 1995*. ACIP agrees that any process should be as similar as possible to existing processes within IP Australia.

ACIP notes that introducing both compulsory examination and an opposition process would have resourcing implications for IP Australia and this would increase the cost of using the designs system. However, ACIP considers that the benefits of these reforms for users of the system, consumers and other third parties would outweigh the costs.

[12] The negative view was provided in the submission from Mr Fraser Old.

Recommendation 7
ACIP recommends introducing a system of opposition following certification, if recommendation 6 is accepted.

2.3.5 Multiple design applications

The Designs Act allows applicants to include multiple designs in applications. This was intended to reduce costs for applicants, to benefit industries which produce a large number of designs for the same product (for example, the fashion industry) and to address, in part, the issue of 'partial' designs. The ALRC recommended that multiple design applications should be allowed and that each additional design included in a multiple application should be charged a reduced fee.[13] The Government accepted this recommendation and ACIP understands that this reflects the practice in many other jurisdictions.

However, in practice there is no cost advantage to filing a multiple design application because currently IP Australia charges the same fee for each additional design as is charged for a new application for a single design. In addition, ACIP understands that a multiple design application results in separate registration for each design, meaning that it is necessary to separately renew (and pay a renewal fee) for each design. This must discourage use of multiple design applications, and may mean that the ALRC's intention of making the system more accessible to industries with high design turnover is not being achieved. It is impossible to determine the number of designs that are abandoned at the time of the formalities check as they are not identified or made the subject of divisional applications. Reducing fees on subsequent designs in a multiple application may encourage the continuance of such designs to allow applicants additional time in which to determine if these designs are worthwhile.

Some jurisdictions that accept multiple filings in a single application impose restrictions on the kinds of designs that may be included. For example, some require that all designs in a multiple design application belong to the same Locarno sub class, the US allows only 'similar embodiments' and Japan does not currently allow multiple design applications (apart from sets). Applications under the Hague System can include up to 100 designs, but they must belong to the same Locarno class. Hague reporting indicates that only two designs had the maximum 100 designs contained in an application in 2013, with an average of 4.7 designs per international registration.[14].

Fee reductions and the opportunity to make greater use of multiple design applications were largely supported in submissions. Only the Law Council submission did not favour fee reductions for multiple designs, citing increased complexity and the fact that the benefits of such a change would accrue only to certain applicants.

Reducing fees and making the system changes necessary to accept reduced fees and accommodate alternate numbering conventions would have a significant impact on IP Australia, especially if multiple filings become more widely used as a result of the changes.

[13] ALRC http://www.alrc.gov.au/inquiries/designs/government-response-alrc-report-74, recommendation 89, accessed 30 March 2015.
[14] See: http://www.wipo.int/edocs/pubdocs/en/designs/930/wipo_pub_930_2014.pdf accessed 30 March 2015.

ACIP has considered approaches in other jurisdictions and considers that steps should be taken to reduce the costs of applications and renewal of registrations made this way. This would accord with the ALRC recommendation as agreed in the Government response, initiate harmonisation practice and better serve for system changes when joining the Hague agreement. However, this may involve stricter eligibility requirements for multiple applications as exist in other jurisdictions.

Recommendation 8

a. ACIP recommends improving the process for multiple design applications by reducing the fees for each additional design added to the application, in accordance with the original proposal of the ALRC.

b. ACIP further recommends that details regarding the eligibility of designs for inclusion in a multiple design application be developed with a view to consistency with relevant international treaties and proposed international treaties and harmonisation, if possible, with requirements in other major offices where Australians are likely to file design applications.

2.3.6 Deferral of Publication

Some jurisdictions allow design applicants to defer publication of their design. This enables applicants to obtain a priority date, but without having their design made available to the public. Deferral of publication allows the designer to keep new designs confidential until they are ready to launch in the market. Current rapid publication of design registrations in Australia (usually within two to three weeks) makes this difficult. The main downside of deferred publication is reduced certainty for other participants in the market; this cost, together with an absence of stakeholder demand for deferred publication, were the main reasons the ALRC recommended against allowing deferred publication.[15]

By contrast, ACIP has received feedback supporting deferral of publication. ACIP has also been informed that some parties achieve effective deferral by deliberately submitting applications that will raise formalities issues when reviewed by IP Australia, thus gaining some time before publication occurs. This creates unnecessary complexity and disadvantages unsophisticated users of the system. ACIP therefore supports deferral of publication.

As for the appropriate period of deferral, the current draft of the Designs Law Treaty requires the option of a six month deferral period. The Hague Agreement accommodates, but does not require deferral. A six month period reflects the international minimum period of deferral, and would hence minimise the period of uncertainty imposed on third parties.

Deferral should be accommodated in a way that minimises red tape and complexity for users of the system. In order to achieve this, ACIP recommends automatic publication six months from the filing date and earlier publication on request by the applicant. This takes away the current variability in the timing of publication and would reduce paperwork for all applicants and potential confusion, particularly on the part of unsophisticated users. The ability to request earlier publication is

[15] ALRC, http://www.alrc.gov.au/inquiries/designs/government-response-alrc-report-74, Recommendation 96, accessed 30 March 2015.

important in the event that design owners want to deter infringers and give notice of their rights from the moment they launch their products.

ACIP recognises that allowing deferral of publication favours design owners over third parties and creates uncertainty, so is of the view that mechanisms should be included to minimise the impact on third parties and encourage early publication. To these ends, ACIP suggests that a court should be entitled to refuse to make any monetary award (damages or account of profits) for conduct by a third party engaged in before the date that documents relating to the design are published. This should apply whether the defendant is a copier or an independent creator. This could be achieved through amendment of the current 'innocent infringer' provision in subsection 75(2) of the Designs Act. This approach would be consistent with the operation of the innocent infringement provision in section 123 of the Patents Act. IP Australia should also take steps (for example in communications with design owners) to ensure that design owners are aware of the innocent infringer defence.

Recommendation 9
ACIP recommends automatic publication at six months after the filing date, with the possibility to request publication earlier if desired, and with an amendment to the innocent infringer defence in subsection 75(2) of the Designs Act.

2.4 The Threshold for Protection

2.4.1 Newness and Distinctiveness

The Designs Act was intended to raise the eligibility threshold for design protection compared to the previous Act: instead of requiring that a design be 'new or original', it requires that the design be 'new and distinctive' (section 15). A design is distinctive unless it is substantially similar in overall impression to a design forming part of the prior art base for the design (section 16). Section 19 of the Designs Act sets out a series of factors to be considered in determining whether a design is substantially similar in overall impression.

Most submissions received by ACIP in response to both the Issues Paper and the Options Paper indicated that while there was some uncertainty around the application of section 19 it was not such as to require amendment at this time.

The submission of the Intellectual Property Committee of the Law Council of Australia was a notable exception, making two points. The first was that section 19 provides little guidance as to *how* the various factors in that section are to be weighed or assessed. This point is valid, although it may or may not be possible to provide further guidance without either introducing new uncertainty into the Act, or undesirably constraining the flexibility of the courts to develop principles over time. The second issue was that some inconsistency has arisen in Federal Court decisions around the identity of the 'informed user' referred to in subsection 19(4), a problem which the Law Council contends may be causing unnecessary expense in litigation through the need to provide evidence from a range of possible 'informed users'. This is also valid, and arises from differences between laws in the UK and EU from which the concept of the 'informed user' was drawn, and the drafting of the Designs Act which refers to the 'informed user' only in the description, and not the text, of subsection 19(4).

This second point is of greater concern if it is causing identifiable, increased expense in litigation. ACIP suggests that the Law Council of Australia could develop suggested amendments to address its concerns, and that IP Australia could conduct a targeted consultation on any such proposals as part of the process of developing amending legislation.

Based on support for the present test however ACIP is not prepared to propose specific amendments to section 19 at this time.

Recommendation 10
ACIP recommends retaining the requirement of distinctiveness and section 19 of the Act in its current form.

2.4.2 Amendment of Statements of Newness and Distinctiveness

The Designs Act allows applicants to submit an optional Statement of Newness and Distinctiveness (SoND) which identifies visual features of the design that are new and distinctive. In the course of this review ACIP has heard criticism of the fact that SoNDs cannot be effectively amended after registration. In particular, they cannot be amended when new prior art is identified in the course of examination.

In the Options Paper ACIP indicated that, while it was sympathetic to the view that amendment of SoNDs might be necessary during examination, it was also concerned that amendment of a registered design should not be allowed if it would have the effect of making the scope of the design right broader. For example, if the original application did not contain a SoND, but during examination the applicant sought to include a SoND which identified only certain features of the design as being new and distinctive, ACIP was concerned that it could have the practical effect of broadening the rights because the court would then be asked to give less weight to other features when assessing infringement of the registered design. ACIP notes that there are benefits to allowing amendment of the SoND, in that an amendment can clarify the design right and provide information to people who use the Register, although at the cost of some further uncertainty about the Register in general since the SoND of any design could be amended at any time.

Submissions in response to the Options Paper attempted to give examples of amendments to the SoND that would not have the impact of broadening the design owner's rights. These examples generated debate within the Council, and suggest that there is considerable room for debate around what kinds of amendment do in fact have the effect of broadening the scope of the design right. ACIP notes that the Trade Marks Act and Patents Act include provisions on amendment that limit the kinds of amendments which are allowed, with the apparent aim of preventing amendments that unjustifiably broaden registered rights. These provisions are drafted differently, and section 102 of the Patents Act in particular has generated significant dispute and litigation. The issue is further complicated by the fact that a SoND is not equivalent to a patent claim. Although a SoND directs the attention of the court to particular visual features of a registered design, with or without a SoND a court or other decision-maker is entitled to determine for itself whether a design is new and distinctive; if there is no SoND a design owner can still, in the course of a dispute, draw the attention of the court to aspects of the design it says are distinctive. Further, it is not compulsory to provide a

SoND. Preventing amendment of the SoND is likely to discourage parties from filing them in the first place.

Allowing amendment of the SoND does involve a trade-off. Any amendment provision is likely (as section 102 of the Patents Act has done) to generate dispute regarding whether particular amendments are allowable. On balance, however, recognising that SoNDs are not like patent claims which are conclusive of the scope of legal rights, ACIP considers that the trade-off is justified in order to ensure that registered designs better reflect new information arising during examination and the rights which are claimed by the design owner, and to ensure owners are not unnecessarily deprived of valid rights to which they are entitled.

Recommendation 11
ACIP recommends allowing amendment of the Statement of Newness and Distinctiveness in ways that identify particular visual features of the design as new and distinctive, up to the point of certification.

2.4.3 Introduction of a Grace Period

Under the Designs Act, an applicant can ruin their own chances of obtaining a valid registered design by prematurely publishing their design because their publication becomes part of the 'prior art' which can be used to show the design application is not new and distinctive. A grace period is a period of time, prior to an application for rights being made, during which disclosure of a design by, or derived from, the applicant is not included in the prior art.

The main rationale for a grace period is to protect designers who through ignorance or inadvertence publish their design before seeking legal protection. In some cases it may enable a designer to test the commercial worth of a design for a limited time prior to submitting an application (for example, by showing prototypes at trade shows). Evidence from the survey conducted earlier in this review suggests that some loss of protection does occur through inadvertent disclosure. A grace period may be particularly important for SMEs who have less interaction with the IP system and may be less aware of the requirement not to disclose before filing.

ACIP notes that the present draft of the Designs Law Treaty includes a requirement that parties provide for a grace period of at least six months (possibly 12), measured from the date of priority, for any disclosure by the creator, a successor in title, or any person who obtained information about the design directly or indirectly from one of those parties. Some submissions noted that introducing a grace period would be consistent with practice in other major jurisdictions and with Australia's own approach in patent law. Many, but not all submissions in response to the Options Paper supported a grace period, although in many cases a period of 12 months (in line with the existing grace period in Australian patent law) was preferred. Gilbert and Tobin also suggested that in the absence of introducing a grace period, overseas grace periods should be recognised in the context of Convention priority.

The benefits of a grace period, however, must be weighed against the disadvantages. Grace periods can prejudice third parties who act on the basis of a disclosure and/or a search of the designs

register and are unaware that a valid IP right may subsequently be filed. The harshness of this result for third parties may be mitigated by a prior user rule. A prior user rule allows a third party to continue to use a design where that use commenced prior to the filing date of a registered design. But a prior user rule can itself be confusing and/or frustrating to a designer who has acted in reliance on the existence of a grace period: in this sense, grace periods can create a false sense of security for designers.

A grace period can also complicate the process of examination and makes the work of designs offices more complicated. An examiner may need to investigate the origin of a disclosure, and whether the design disclosed is the same as the registered design.[16] ACIP also notes the 2012 Tegernsee Experts Group study of the grace period in Europe, Japan and the US, which revealed considerable differences between these jurisdictions in the scope and practice relating to grace periods. No international consensus, for example, exists on whether the applicant must make a declaration that they are invoking the grace period or whether it should apply automatically, and there is considerable variation in the treatment of third party disclosures occurring during the grace period. The lack of international consistency on these points of practice undermines any argument that a grace period should be introduced for the sake of international harmonisation.

On balance ACIP is in favour of introducing a grace period into the Designs Act. The problem of inadvertent disclosure is real, especially in circumstances where understanding of the design registration system is low. However, ACIP is mindful of the impact of the grace period on the integrity of the designs register and on third parties. Any grace period should therefore be limited to six months before the filing date, to reflect the fact that the focus is on avoiding problems of inadvertent disclosure and minimise the period of uncertainty for third parties. It should also be accompanied by a prior user defence along the lines of section 119 of the Patents Act. The prior user defence should be drafted clearly to accommodate defendants who derive their knowledge of a design through publication covered by the grace period. In determining the details of any implementation of a grace period, IP Australia should make efforts to adopt international consensus practices where they exist. With an introduction of a grace period, ACIP is in favour of requiring an applicant to declare any disclosures at the time of filing. Declared disclosures would not be considered a part of the prior art. Requiring such a declaration would inform the examiner of material to disregard in deciding whether a design is new and distinctive.

Recommendation 12

ACIP recommends introducing a grace period of six months before the filing date, together with a prior user defence. Applicants who rely on the grace period to protect the validity of their design rights should be required to file a declaration to that effect.

[16] Tegernsee Experts Group, *Study Mandated by the Tegernsee Heads: Grace Period,* 2012, p49. http://documents.epo.org/projects/babylon/eponet.nsf/0/d8df66ffe4ea0dbac1257ab0004f2002/$FILE/grace_period_en.pdf, accessed 30 March 2015.

2.5 Subject Matter of Design Protection

2.5.1 Design protection for part of a product

Registered designs in Australia relate to the visual appearance of a whole product, subject to two key qualifications:

1. It is possible to register as a 'product' a component part of a complex product, provided that the component part is made separately from the product (subsection 6(2)); and
2. Via the mechanism of a SoND, it is possible for a design applicant to highlight certain parts of their design as conferring distinctiveness, and in assessing both validity and infringement, examiners and courts are required by section 19 to have particular regard to those features. This makes it more likely, in the event that a defendant has copied the identified part, that infringement will be found even if other aspects of the appearance of the defendant's product differ from the registered design.

By contrast, some other jurisdictions allow the registration of designs as they relate to *parts* of products only, including the EU, UK and US. A registration of a design for part of a product confers broader rights than a registration relating to the whole visual appearance of a product: a design for part of a product will be infringed by a wider range of products that include the registered part but otherwise look very different. Equally it should be noted that a design for part of a product will potentially be judged against a broader range of prior art (any product containing a similar feature) and hence may be more vulnerable to invalidity.

In the Options Paper, ACIP suggested that allowing registration of product parts would represent a fundamental change to Australian design law and should therefore be considered as part of any broader review in the future but not as an immediate reform. Although this position received some support from stakeholders, a number of submissions supported amendment of Australian law to allow for the registration of designs for parts of products, and contended that this would not represent a fundamental change, especially in light of the existing provision for registration of component parts. One submission contended that it is incoherent to draw a distinction between separately manufactured component parts, and cases where a product is created or moulded as a single item, and that drawing this distinction effectively discriminated against certain kinds of manufacturing.

ACIP is not convinced that the distinction is incoherent, subject to the comments below relating to non-physical designs. Protection for component parts made separately reflects the fact that such parts are products in their own right and can be dealt with as such. The existence, and number, of component parts is a function of practical constraints and decisions made for the purposes of manufacturing and/or marketing. If registration is allowed for parts of products, however, the definition of the part to be registered is determined by design applicants, or, in many cases, by attorneys and lawyers. This means that the boundaries of the registration may be defined for strategic or forensic purposes, and may bear no reference whatsoever to the way the product is marketed or sold. Further, if partial product registrations are allowed, it would be possible to register a range of designs for different aspects of a product. From a competitor's perspective, this can increase both complexity and the cost of both determining their freedom to operate and/or challenging the validity of any relevant designs. It is true that in the context of patents, claims do

something very similar: they allow the patent attorney to describe an invention in a wide range of ways, each of which must be considered (and potentially challenged) separately. However, this legally and strategically complex system is not necessarily desirable in the area of designs.

Stakeholders arguing in favour of partial design protection pointed out that such protection is available in other countries, without apparent problems. Without conducting more extensive overseas consultations or inquiries, ACIP is unable to determine whether partial product protection has caused legal or practical difficulties in jurisdictions where it is available.

The main argument in favour of allowing partial product protection relates to international harmonisation. As noted earlier, stakeholders overwhelmingly favour reforms which will reduce international differences and facilitate Australian applicants seeking international protection more readily. It may be that allowing protection for partial products in Australia would bring the formal requirements of Australian design applications into better alignment with key trading partners where such protection is available. It is also possible that allowing partial product protection would facilitate reliance on Australian design applications to provide a priority date under the Paris Convention in other Paris Convention countries. It may be that, having sought more narrow, whole product protection in Australia, Australian applicants are not able to rely on their Australian application for priority in seeking broader, partial product protection overseas.

ACIP does not have sufficient information on these detailed points of design application drafting practice or on the comparison of practices in Australia and overseas. ACIP is therefore unable to recommend amending Australian law to allow partial product protection at this time. However, ACIP considers that IP Australia should continue to investigate these issues as part of its discussions aimed at international harmonisation of design office practice. If IP Australia identifies that (a) harmonisation on this point would substantially reduce differences in practice and hence provide significant advantages to Australian applicants seeking protection overseas, and (b) that partial product protection does not in fact cause real practical or legal difficulties, then ACIP would support reform of Australian law in this direction.

Recommendation 13

a. ACIP recommends retaining the current requirement that protection relate to the visual appearance of a (whole) product.

b. ACIP recommends that in investigating opportunities for international cooperation in design application processes and requirements with other offices overseas, IP Australia continue to investigate whether allowing partial product registrations would enhance harmonisation of application requirements in a way that would substantially advantage Australian applicants. If significant advantages to Australian applicants can be shown and IP Australia can confirm that such protection does not give rise to substantial practical or legal issues overseas, then ACIP would support reform of Australian law.

2.5.2 Virtual or non-physical designs

Another issue raised in the Options Paper related to non-physical or virtual designs: that is, designs that impact the appearance of products but which are implemented via software on screens, such as designs relating to screen displays, graphical user interfaces and screen icons.[17] The Locarno Classification includes graphical user interfaces and icons in classification 14, subclass 04 (14-04), but their protection through Australia's designs system is currently uncertain. Although the definition of a product as something 'manufactured or hand made' is capable of applying to non-physical designs, the scope of this definition has not been clarified by the courts. Further, the Designs Office has a practice which requires that the design of a product be visible when the product is in its 'resting state', which may impact on protection for non-physical design and is untested in the courts. Despite this uncertainty, there are large numbers of registered designs that relate to graphical user interfaces and other non-physical designs, although very few of these registrations are certified.

The Options Paper suggested that some protection for non-physical designs is desirable, and raised a number of questions as to how this might be achieved: whether it would be sufficient if IP Australia's practice of requiring a design to be visible in the 'resting state' were revised, or whether other changes would be required.

A majority of submissions received supported some protection for non-physical designs: such designs are protected overseas, are of rising commercial significance, affect the look of important commercial products, and are important to consumers. Large numbers of existing registrations constitute evidence that there is sufficient demand for such protection to justify the expense of making applications despite the legal uncertainty (although ACIP notes that some proportion of such registrations are likely to reflect applications prepared overseas and hence involve less expense than an application prepared from scratch).

Submissions in response to the Options Paper which dealt with the detail of how to accommodate non-physical designs favoured revision of IP Australia's practice regarding the resting state of devices. Although this is a practice developed in IP Australia it was developed originally in a different context (water fountains), and in ACIP's view, technology has moved on. There is nothing in the legislation which requires that visual features be observable in the 'resting' state or when unconnected to electricity. IP Australia should reconsider, and abandon, this aspect of its practice in assessing the validity of designs.

This however raises a further issue that was identified in submissions: whether (assuming that it need not be visible in the resting or off state of a device) a non-physical design must be a 'permanent' feature of a display or whether it can be visible only at certain times. For example, the display of a tablet computer or smartphone will vary according to whether the device is off, 'locked', being used to make a call or send an email, or 'on and unlocked'. In ACIP's view, principles on this point cannot be defined in advance but should be developed on a case-by-case basis through decisions of the Office and the courts. It would likely make little sense (and would achieve little for the flexibility of the designs system) to move from a 'resting state' rule to a rule requiring permanent

[17] ACIP notes that none of this terminology is particularly satisfying: clearly the relevant designs are 'physical' in some sense (they are embodied on a screen) and 'virtual' suggests that they are not real (when clearly they are).

visibility of the feature. ACIP would, however, be hesitant to try to draft a rule of 'temporality'. Such rules are better developed in application to real cases.

Submissions also argued that non-physical designs, in order to provide effective protection, would need to be protected in relation to a range of screen shapes or devices. This raises the issue of partial designs discussed immediately above. It is not evident to ACIP that it would be necessary to allow partial design protection in order to provide effective protection for non-physical designs. As noted in the discussion above, infringement depends on assessing whether an alleged infringing product is 'substantially similar in overall impression', and design owners can use a SoND to indicate the distinctive parts of their design (which could be the 'virtual part'). Thus ACIP would expect that variation in the shape and configuration of a screen or device would not preclude a finding of infringement. It would, arguably, be possible to create an exception to the rule requiring the design to relate to a product for non-physical designs, similar to the exception that already exists for component parts of complex products. However, such a change would certainly raise questions about the coherence of maintaining the rule of requiring a design to be registered for a whole product in the face of two significant exceptions.

Finally, there is the more fundamental question of whether a non-physical design can fall within the definition of a product, as something manufactured or handmade. In *Microsoft Corporation* [2008] ADO 2, Deputy Registrar Herald found that a 'font' was not a product. By similar reasoning an 'icon' or a screen display is not a 'product' in itself – the product is the device, computer, smartphone or tablet on which the display is shown.

A number of submissions suggested that, in order to ensure the protection of non-physical or virtual designs, the definition of 'product' should be amended to clarify that it includes a non-physical product. This would, however, be a more fundamental change to Australia's design system than the changes mentioned above. Relaxing the requirement that visual features be visible in a product's resting state could result in the valid registration of screen displays in relation to a particular physical device or product (such as a tablet, computer, smartphone, or coffee machine). Treating virtual designs as products in themselves (as creation of an independent Locarno class for such things suggests) would be a further, potentially significant step. For example, infringement of a design arises when a person makes, sells, imports etc a product which embodies the design (or a design that is substantially similar in overall impression); there is no general qualification in section 71 confining infringements to acts undertaken for commercial purposes.[18] There are few exceptions to infringement and no exceptions for acts which, in copyright, would be fair dealing. Given the number of parties and intermediaries who could potentially be involved in 'making' the kinds of virtual 'products' being discussed here, and the range of circumstances in which a representation of an icon could be made, extending the definition of product to include virtual designs in themselves would require a wide range of reforms to the Act to ensure that the reform did not inadvertently cause liability in inappropriate circumstances.

ACIP acknowledges that if the definition of product is not extended in this way, protection for virtual designs will be relatively limited. If liability is limited to dealings with physical products that embody

[18] The exception to this is paragraph 71(1)(d), which creates liability for using a product embodying a registered design without permission, but only where that use is 'for the purposes of any trade or business'.

a design (i.e. dealings with physical devices such as smartphones or tablets) then a person who seeks to register something like a screen display associated with software, or an icon, may have no recourse against other software providers or app developers. This does not, however, mean that no protection would exist in these circumstances as copyright or trade mark protection would be available in some cases.

Recommendation 14
ACIP recommends that the treatment of virtual or non-physical designs be reconsidered, for example by allowing consideration of the product in its active, and not just its resting state when considering validity.

2.6 Copyright / Design Overlap

The copyright/design overlap provisions, found in Part III Division 8 of the Copyright Act and section 18 of the Designs Act, implement a policy of limiting copyright protection for artistic works (such as drawings) which are designs for the shape of mass-produced products. The result is that exclusivity in mass-produced goods can only be obtained under designs law. This policy reflects a view that copyright is unsuitable for mass-produced useful items, owing to the 'the low innovation threshold required to qualify for copyright protection, the lengthy duration of such protection and the absence of any public register to record such protection'. [19]

ACIP notes that the rules on the copyright/design overlap are contentious and unsatisfactory. Difficulties have arisen in the case law since 2003, in particular, from cases which have considered the boundaries between two dimensional reproductions of artistic works (which do not endanger copyright protection) and three dimensional reproductions (which do). ACIP is sympathetic to the view of the Law Council in its submission that the level of confusion at present 'compels reform' of the law. ACIP also recognises the strongly held views in Peter Knight's submission that the overlap provisions create injustice for those whose products are copied.

However, not only is the remit of ACIP confined to the Designs Act, but there is, in any event, no consensus among stakeholders who made submissions to this review regarding even small amendments to the Copyright Act to address these issues, and a number of submissions had not provided any clarity or simply indicated that albeit complex, the system is working reasonably and should be left alone. In contrast, the submission from Peter Knight solely focussed on the repeal of Part III of Division 8 of the Copyright Act (save only for a spare parts defence). In these circumstances, and particularly given that the overlap is at the edges of this review (which is concerned with the operation of the Designs Act, and not Part III Division 8 of the Copyright Act) ACIP is not in a position to make significant recommendations for reform of the copyright/design overlap.

[19] Janice Luck, 'Section 18 of the *Designs Act 2003:* the neglected copyright/design overlap provision' (2013) 23 *Australian Intellectual Property Journal* 68.

Nevertheless, ACIP received a number of detailed submissions on this area of the law, and out of respect for that work and for the benefit of any future body tasked with considering these issues, it is worth summarising the content and arguments of those submissions.

The Arts Law Centre of Australia (Arts Law), the National Association of Visual Artists (NAVA), and the Australian Copyright Council (ACC) all expressed dissatisfaction with what they characterised as unfair treatment of artists as compared to every other kind of copyright owner. Other copyright owners are assumed to legitimately derive income from the sale of mass reproductions of their work. Visual artists on the other hand, may sell prints and two dimensional reproductions (including on useful items, such as plates or clothing) but are prevented by the copyright/design overlap provisions from exploiting their artistic works via mass production in three-dimensional form, unless they register a design, and even then are confined to 10 years of exclusivity compared to the extended copyright term of life of the author plus 70 years. Especially given advances in technology (including 3D printing) there is an argument that at least some artists are at risk of losing copyright unwittingly – a relatively small number of three dimensional reproductions (more than 50, under regulation 17 of the *Copyright Regulations 1969*) will put copyright at risk.

Arguments raised by Arts Law, NAVA and the ACC are all aimed at protecting artists (and perhaps designers). Visual artists are treated differently, and arguably somewhat unfairly, by the overlap provisions. The proposal of Arts Law to allow full copyright protection but for a limited term for items of industrially applied art would reduce, but not eliminate, the unfairness for artists. It would, however, also create a kind of unregistered design right, which most stakeholders in this ACIP review opposed.

The difficulty is that in order to attract copyright protection, artistic works need not be 'artistic' in a lay sense: they do not need to be novel or creative, they do not need to be produced by visual artists and they do not have to have artistic qualities. Copyrighted artistic works may be extremely mundane and they may depict extremely utilitarian (and not designer) items. A drawing of a hammer, slightly varied from an existing drawing of an existing hammer, may attract copyright protection. There are good policy arguments against allowing a company manufacturing mundane hammers from a drawing a monopoly over their hammer for the life of the person who drew the hammer plus another 70 years. There is presently no mechanism in the Copyright Act for distinguishing between the works of artists, and the broader set of copyright-protected 'artistic works'. Controversies around both the scope of 'works of artistic craftsmanship' in Australia, and the scope of 'sculptures' in the UK, suggest that drawing such a line via legislation is difficult. As one illustration, NAVA advocated repeal of the overlap provisions in relation to 'visual and media art, craft and design works', but the scope of such a definition is unclear.

The ACC suggested that a more 'purposive' mechanism for determining when an artistic work has been industrially applied, perhaps by reference to a 'subjective' element (presumably, something like 'artistic intent') might be one mechanism for limiting the impact on artists. This may be correct, although ACIP would note the various comments of the High Court in Burge v Swarbrick [2007] HCA 17 and past authorities on works of artistic craftsmanship regarding the difficulties around applying tests based on artistic intent.

ACIP also received a detailed and useful submission from the Law Council of Australia. That submission argued for several reforms to make the provisions work better. In particular, the submission argued that:

- the distinction between two-dimensional and three-dimensional embodiments of artistic works should be removed altogether, so that the provisions would apply regardless of whether the artistic work had been exploited in two- or three- dimensional form. Although this would *expand* the effect of the provisions on artists, the Law Council queried whether the uncertainty generated around the distinction between two and three dimensions is worthwhile;
- the exclusion for works of artistic craftsmanship should apply only if the final products sold were themselves works of artistic craftsmanship. This would remove arguments that an artistically-created 'prototype' or model for mass production can avoid the effect of the overlap provisions;
- section 18 of the Designs Act should be amended to be consistent with the overlap provisions of the Copyright Act.

There is significant force to some of these points.

As noted above, ACIP's terms of reference relate to the Designs Act. Janice Luck[20] has made a compelling case that the inconsistencies identified between section 18 of the Designs Act and section 77 of the Copyright Act, which appear to have arisen unintentionally, ought to be remedied. Although not prepared to make broader recommendations for wholesale reform of the copyright/design overlap, ACIP agrees that inconsistency between the Designs Act and Copyright Act is unsatisfactory and ought to be remedied.

Recommendation 15
ACIP recommends that steps should be taken to make section 18 of the Designs Act consistent with the overlap provisions of the Copyright Act.

2.7 Enforcement

2.7.1 Customs Seizure of Infringing Products

The Australian Customs and Border Protection Service (Customs) is empowered to seize goods that infringe trade marks, copyright and protected Olympic expressions. The Notice of Objection Scheme allows trade mark and copyright owners to notify Customs of their rights and object to the importation of goods that infringe those rights. Australia is obliged under its international treaty obligations to provide border measures in relation to copyright and trade mark infringement; it is not obliged to do the same in relation to infringement of design rights.

The Options Paper sought views on the introduction of Customs seizure measures in relation to certified designs. There were mixed views, but broadly, users and their representatives were very

[20] Janice Luck, 'Section 18 of the *Designs Act 2003:* the neglected copyright/design overlap provision' (2013) 23 *Australian Intellectual Property Journal* 68.

supportive of an extension of the Notice of Objection Scheme. One submission for example noted that design infringement should be treated as seriously as both copyright and trade mark infringement.[21] Submissions in support of extending the Notice of Objection Scheme expressed the view that the current scheme operated well, particularly in circumstances where IP owners work in close cooperation with Customs, such as, by providing training in identification of infringement and intelligence regarding expected infringing shipments.

The submission from Customs was unsupportive, indicating that introducing a process for seizing design infringements would be difficult and resource intensive. In the view of Customs, sufficient domestic opportunities already exist to address infringement of designs (including infringement through importation) through the courts. Supporters expressed the belief that Customs' concerns could be met through cooperation with IP owners, although this does mean that any system is likely to be most effective for well-informed, well-resourced IP owners.

ACIP acknowledges the objections from Customs for extension of the Notice of Objection scheme. It may be that Customs' objections could be overcome if such a scheme were to be truly cost-neutral to Customs: that is, if fees for seizure were to cover all Customs' reasonable costs. This may not be possible, however, if it would mean applying a different fee to that which currently applies to Notices of Objection in relation to copyright and trade mark. It may also mean that the scheme will only be used (or only used effectively) by well-resourced parties who have other means for enforcing their rights. ACIP has heard a great deal of evidence in the course of this review to suggest that SMEs are not generally well-informed about the designs system or the law, and already find it difficult to devote resources to enforcement. ACIP considers that it would be necessary, if seizure of designs infringement is to be introduced, for the Government to ensure that Customs is resourced appropriately.

The Options Paper suggested that seizure might, in the first instance, apply only to infringements which are identical to a registered design. It was considered that attempting to address 'near identical' infringements, while superficially attractive, would introduce another infringement test into the Act and was therefore not desirable. Confining seizures to identical infringements would, it was hoped, make the process less complicated for Customs, given the potential difficulty in assessing whether a product is 'substantially similar in overall impression' to a certified design. ACIP remains of the view that if the Notice of Objection scheme is introduced, it would be better to confine it to identical infringements, with further extensions considered if evidence emerged that the scheme was ineffective due to evasive action by infringers.

Recommendation 16

ACIP recommends the Government consider introducing (with appropriate resourcing of Customs) border protection measures that align with Trade Marks and Copyright Acts (Notice of Objection Schemes) to allow for the seizure by Customs of alleged design infringements which are identical to certified designs.

[21] Submission by Gilbert + Tobin Lawyers.

2.7.2 Secondary liability

One anomaly in the Designs Act raised in the submission of the Law Council of Australia lies in the difference between section 10, which sets out the exclusive rights of the design owner, and section 71, which sets out the scope of infringement. Paragraph 10(1)(f) states that the exclusive rights of the owner of a registered design include the right 'to authorise another person to do any of' the other acts falling within the exclusive rights (such as to make or sell a product embodying the design). Section 71, however, contains no equivalent provision. This creates uncertainty as to the scope of secondary liability for infringement of designs, although courts have acknowledged that a third party can be liable as a joint tortfeasor.[22]

There is no indication in the legislative history that this anomaly was the result of a considered policy decision. The ALRC made no recommendation against authorisation liability and no justification is to be found in the Explanatory Memorandum to the Designs Act. Most academic commentary treats the difference as an unexplained anomaly.

The obvious 'fix' is to amend section 71 so that it matches section 10. This would have the benefit of removing an obvious (and apparently unintended) anomaly in the Act. It would also give courts some flexibility to extend and adapt secondary liability in the area of designs over time. 'Authorisation' in the field of IP has developed into a broad form of liability which allows a third party to be held liable in circumstances where they have knowledge of primary infringement, the power to prevent the infringement and fail to take reasonable steps to avoid or reduce the infringement. This broad understanding of authorisation as 'sanctioning, countenancing or approving' infringement has developed in copyright but has also been applied in the area of patents (explicitly adopting the reasoning from the copyright cases). Authorisation in copyright has itself been the subject of significant controversy in recent years. Thus 'fixing' this anomaly would create some uncertainty and could have unintended effects, particularly in the area of 3D printing where it might be argued that some entities involved in 3D printing or the circulation of designs may 'sanction, countenance or approve' infringement.

Most submissions to this review considered that it would be premature to introduce regulation into the area of 3D printing. Secondary liability is itself an area of significant controversy in IP generally. Against this background, and despite the obvious anomaly in the Act, ACIP does not recommend amendment of section 71 at this time. ACIP expects that secondary liability in the area of designs would be the subject of further consideration over time as technologies and markets mature.

Recommendation 17

ACIP recommends retaining section 71 of the Designs Act in its present form.

[22] LED Technologies Pty Ltd v Elecspess Pty Ltd (No 2) [2009] FCA 141 / Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd [2008] FCA 74 / Keller v LED Technologies Pty Ltd (2010) 185 FCR 449.

2.8 Other matters

2.8.1 Technical amendments to the Designs Act

ACIP has identified a number of anomalies in the legislation and sought comments from stakeholders on addressing them. Overall, the submissions received were largely in favour of correcting these anomalies identified in the Options Paper. ACIP has not found any additional information to be influential in changing its view.

a. **Identity of Convention applicants**: Subregulation 3.06(2) of the Designs Regulations restricts Convention applications as a person may be entitled to own a registered design, but not entitled to make a convention application. The regulation should be drafted consistently with the entitlement under section 13 of the Designs Act.

b. **Convention applications**: Under paragraph 27(1)(b) of the Designs Act, international Convention applicants are disadvantaged in cases where formal requirements differ between jurisdictions. One example is representations and the interpretation of different drawing techniques. The use of dotted outline and the inclusion of clarifying statements, descriptions or claims can express a different scope in one jurisdiction to another. In Australia, the whole product is the subject of the design with less weight given to the areas that may be shown in dotted outline. In other jurisdictions where partial designs are allowable, features shown in dotted outline may be disregarded. Complications arise when an application in Australia claims a Convention priority and provides representations that do not show a whole product. Any amendment to the design to rectify this would alter the scope of the design by the inclusion of matter that was not in substance disclosed in the original design application and therefore may not be allowed. The representations would no longer match the convention priority document. Expanding the rules relating to priority claiming will ensure international applicants are not disadvantaged in these cases.

c. **Courts and entitlement**: Lack of entitlement at the time of registration is a ground for revocation of the design under section 93 of the Designs Act. In patent law as a result of the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* courts have a discretion regarding revocation as a result of lack of entitlement. Similarly, it is recommended that courts should have the power to refuse to revoke a design registration on the basis of the entitlement of the named applicant in appropriate circumstances.

d. **Lack of entitlement**: Section 93 also provides for revocation where the original registered owner was not entitled at the time of registration. Design registrations should be revocable on the basis of a lack of entitlement at the time of the revocation proceeding (rather than at the time of registration).

e. **Prior art base**: It is unclear if the prior art base under subsection 15(2) of the Designs Act includes designs for products other than the product referred to in the registered design right. The confusion exists in the definition of the prior art base for a design as it includes the term '(the *designated design*)' in subsection 15(2) of the Designs Act. This was clear in the *Designs Act 1906* which referred to 'designs for articles or any other article' in paragraph 17(1)(b). In line

with the raised eligibility and threshold requirements, the prior art base should be expanded to include designs for products other than the product that is the subject of the design.

f. **Fraud during certification**: The Designs Act only identifies fraud, false suggestion or misrepresentation *in obtaining the registration* of the design as a ground for revocation (paragraph 93(3)(d)). Acts of fraud, false suggestion or misrepresentation could equally occur at other stages of the design process, including in particular certification. ACIP notes that paragraph 138(3)(e) of the Patents Act includes as grounds for revocation that an amendment of the patent request or the complete specification was made or obtained by fraud, false suggestion or misrepresentation. Also, similar provisions exist in relation to cancellation of trade marks under paragraph 88(2)(b) of the Trade Marks Act and paragraph 88(2)(e) of that Act states that, if the application is in respect of an entry in the Register, cancellation may occur if the entry was made, or has been previously amended, as a result of fraud, false suggestion or misrepresentation. ACIP considers that fraud, false suggestion or misrepresentation at any stage of the Designs Act should be a ground of revocation, consistent with other IP regimes.

g. **Amendments of registered designs**: The Designs Act provides three amendment mechanisms for registered designs:
   - section 66, where, in the course of examining a registered design, a ground for revocation has been made out;
   - section 120, rectification of the Register ordered by a court (which could include amendments); and,
   - regulation 9.05, correcting clerical errors and obvious mistakes on the Register (as well as name and address changes).

   As such, a voluntary amendment is not possible unless a ground for revocation has been made out. This does not allow for an owner to reconsider information provided on the design such as the product name or the statement of newness and distinctiveness. Therefore ACIP recommends the legislation allow the opportunity for an amendment other than overcoming a ground of revocation.

h. **Exclusive licensees**: Australian copyright, patent, and trade mark laws all allow exclusive licensees to bring proceedings in their own name for infringement of IP rights. This is not the case under the Designs Act. ACIP can see no reason for this distinction and recommends the legislation be amended to include infringement proceedings can be brought by an exclusive licensee.

i. **Grace periods for renewal deadlines**: The status of a design during the grace period for payment of the renewal fee is unclear. It is uncertain if third parties are protected from being sued for infringement during the renewal grace period if the fee has not been paid. This is also raised in IP Australia's consultation on proposals to streamline IP processes and support small business. The paper covers three options with the proposed option clarifying the status of rights during the grace period and harmonising all four rights to a large degree. This option provides the most certainty and stability for stakeholders on the status of IP rights. ACIP agrees with the harmonisation and clarification of the status during the grace period for designs.

Recommendation 18

ACIP recommends amending the legislation as soon as practicable to address specific anomalies identified by stakeholders and listed by ACIP below. ACIP considers that these amendments would improve the operation and consistency of the Act and in some cases, consistency with other IP systems.

The Designs Act and/or the Designs Regulations should be amended to ensure:

a. That rules regarding the identity of Convention applicants are consistent with rules relating to entitlement to designs;
b. That international Convention applicants are not disadvantaged in cases where formal requirements differ between jurisdictions, by expanding the rules relating to priority claiming;
c. Courts have the power, similar to that available under the Patents Act to refuse to revoke a design registration on the basis of the entitlement of the named applicant in appropriate circumstances;
d. Design registrations are revocable on the basis of a lack of entitlement at the time of the revocation proceeding (rather than at the time of registration);
e. The prior art base against which newness and distinctiveness is considered is expanded to includes designs for products other than the product the subject of the registered design;
f. The ground of revocation on the basis of fraud, false suggestion or misrepresentation extends to fraud, for example, during certification (not just registration);
g. The opportunity to amend is broadened for other than overcoming a ground of revocation;
h. Exclusive licensees have the right to bring proceedings for infringement; and
i. That grace periods for renewal deadlines align with other IP Rights.

2.8.2 Trade Mark / Design Overlap

ACIP noted in the Options Paper that while the Issues Paper raised the question of the possible overlap between designs and trade marks, ACIP received no evidence that any overlap was a problem. The recent submissions were consistent. No additional information has been provided opposing this view and ACIP therefore does not recommend any reforms in this area.

Recommendation 19

ACIP recommends no change to the trade mark/design overlap.

2.8.3 Repair Defence

Spare parts for machinery, including cars, may be protected through design rights. As noted elsewhere, there is no prohibition in Australia on registration of designs that are functional, and, unlike some jurisdictions, no limitation on registering aspects of shape or configuration that a product must have in order to fit with or match a machine or other item. Component parts of complex products may be the subject of design registration.

In order to address concerns about the potential impact on competition of registered designs for component parts of complex products like cars or mining machinery, section 72 provides that it is not infringement of a registered design to use, or authorise another person to use, a product which is a component part of a complex product, 'for the purpose of the repair of the complex product so as to restore its overall appearance in whole or part'. 'Repair' is defined to include restoring or

replacing decayed or damaged components, as well as carrying out maintenance. Use of products embodying registered designs for other purposes can still be an infringement.

Issues around design protection for spare parts were discussed in the Options Paper. Unsurprisingly there were mixed views in the submissions to the Options Paper, primarily in the key markets. For example, aftermarket providers agree with no change, and representatives of the vehicle market indicated the repair defence is detrimental to the designs system.

ACIP has not been informed of or found any additional information to be influential in changing its view.

Recommendation 20
ACIP recommends no change to the Repair Defence.

2.8.4 Technological advances

ACIP's Options Paper also raised two issues not addressed in the recommendations above: namely, whether Australia should introduce unregistered design rights, and whether some reform should be undertaken in light of technological developments, in particular the rise of 3D printing or additive manufacturing. For completeness, ACIP notes that there was very little overall support for any reforms in either of these areas. The Designs Institute of Australia and AIPPI Australia both support reform to address consequences of 3D printing, but no evidence in support of this reform was provided. The majority of stakeholders felt that there was no need for unregistered design rights and that to undertake any action in relation to 3D printing would be premature. ACIP therefore makes no recommendations on these issues.

Recommendation 21
ACIP recommends no change to the designs system at this time to respond to 3D printing and scanning technologies.

Recommendation 22
ACIP recommends no change to the designs system to include protection for unregistered design rights.

2.8.5 Broader revision

The Options Paper included, as Option 3, a wholesale revision of the role of the designs system in Australia's IP law. The Options Paper noted certain significant differences between the approach to design protection in Australia compared to other jurisdictions, such as Europe which provides for unregistered design protection, allows for protection of designs for parts of products, and allows design owners to sue for infringement of a registered design via the embodiment of a design in a product other than those for which a design has been registered. The Options Paper noted that the current Australian system is expensive for what it offers, and is, as a result, neglected by designers who find it does not offer the rights they need. ACIP further noted that addressing whether Australian design law continues to be fit for purpose necessarily involves consideration not only of

the designs system per se, but how it interacts with other systems, most obviously copyright, but also standard and innovation patents and the protection for confidential information. Ideally, such a review would also involve gathering more detailed evidence on Australia's industrial and economic strengths and developing strategies for industry development.

ACIP notes that the draft report of the Competition Policy Review, released in September 2014, noted that the Review Panel's concerns that 'there is no overarching IP policy framework or objectives guiding changes to IP protection or approaches to IP rights in the context of negotiations for international trade agreements.' The Draft Report proposed an overarching review of IP be undertaken by an independent body, such as the Productivity Commission. Subject to any further information that may emerge from the Competition Policy Review Final Report, due in March 2015, ACIP agrees with this assessment. The role of design law and its interaction with other systems should be part of any such overarching review. ACIP would recommend that design law should be specifically included to avoid the common temptation to focus on the more prominent IP systems – patents, copyright and trade mark – and neglect smaller IP systems such as design.

Recommendation 23

ACIP recommends that the role of the designs system be specifically included in any broader review of Australia's IP framework, such as a broader review that may be proposed in the Final Report of the Competition Policy Review.

Appendices

A. The Designs Act 2003 – Its impact and use (Extract from Options Paper)

B. Process of protecting a Design

C. International filing statistics

D. Consideration of Submissions to the Issues Paper (Extract from Options Paper)

E. List of non-confidential submissions

   - ACIP's Options Paper

   - ACIP's Issues Paper

F. Attendees at ACIP roundtable discussions

Appendix A: The Designs Act 2003 – Its impact and use (Extract from Options Paper)

1.1. The Designs Act 2003

The *Designs Act 2003* replaced the *Designs Act 1906* (1906 Act), following a comprehensive review of the designs system by the ALRC completed in 1995.[23] Under the 1906 Act, the perception was that Registered Design Rights were easy to get but had proved very difficult to enforce, owing principally to the fact that a copier would need to make only very small changes to avoid infringement.[24] The ALRC also considered, more broadly, whether design protection should continue to reflect its historically niche role as a registered right confined to product appearance. The ALRC was in favour of retaining this narrow focus, but made a series of recommendations intended to make design rights more attractive for designers and Australian small businesses.

The 2003 Act reflects the ALRC's recommendations. It was intended to maintain the structure of the 1906 Act but improve the operation of Australia's designs protection by making definitions clearer, and by making Registered Design Rights simultaneously harder to get (by imposing stricter eligibility requirements) but, importantly, easier to enforce (by broadening the set of activities which would be considered infringing). The new Act was also intended to streamline the registration system and assist small business in particular by allowing a business to have their application substantively examined only when (and if) it became necessary to enforce the design right. At the same time, and contrary to the recommendations of the ALRC,[25] the 2003 Act reduced the maximum term from 16 years to 10 years, reflecting the international minimum term.[26]

The main changes are summarised below (More information was provided in the Options Paper at Appendix E. Appendix F in the Options paper gave more information on the current design protection process).[27]

Table 1: Comparison of the 1906 and 2003 Acts

2.8.5.1.1.1	*2.8.5.1.1.2 Designs Act 1906*	*2.8.5.1.1.3 Designs Act 2003*
Reducing the Term	Registration up to **16 years**	Registration up to **10 years**
Raising the eligibility/threshold requirements	Design must be **new *or* original** Prior art base consists of documents published **in Australia and acts done in Australia** publicly disclosing the design.	Design must be **new and distinctive** Prior art base consists of documents published **anywhere in the world and acts done in Australia** publicly disclosing the design.

[23] See: http://www.alrc.gov.au/report-74, accessed 30 March 2015.
[24] See eg *Firmagroup Australia Pty Ltd v Byrne and Davidson Doors (Vic) Pty Ltd* (1987) 180 CLR 483, discussed in ALRC Report No. 74 at [6.5], accessed 30 March 2015.
[25] ALRC Report No. 74 Recommendation 105. The international minimum term is found in Article 26 (3) of the TRIPS agreement: http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm /. http://www.wto.org/english/tratop_e/trips_e/t_agm3b_e.htm#4, accessed 30 March 2015.
[26] ibid.
[27] The table does not include changes intended only to modernise terminology, such as the change from references to 'articles' to 'products': see ALRC http://www.alrc.gov.au/report-74%20/, at 4.9, accessed 30 March 2015.

	Eligibility of a design is considered in the light of **differences** between the design and the prior art base.	Eligibility of a design is considered in the light of **similarities** between the design and the prior art base.
Streamlining the registration process	Application is **fully examined** before being registered.	Application registered following a formalities check **without substantive examination**.
	Only **one design** per registration.	Possible to have **more than one design** per application.
	The owner of a design may bring an action for infringement **once the design is registered**.	The owner of the design may bring an action for infringement **only after the registration has been examined** and a Certificate of Examination issued. Higher fees for registration[28]
Expanding the scope of rights	For infringement, a design needs to be an **obvious or fraudulent imitation** of a registered design.	For infringement, a design must be **identical or have a similar overall impression** to a registered design.
	There is **no defence** in relation to manufacture of spare parts meaning spare parts must be produced with permission from the holder of the design right**.**	**Defence** for the manufacture of spare parts, meaning spare parts can be produced without permission from the holder of the design right.

1.2.International developments

Since the 2003 Act, there have been a number of developments internationally in the protection of designs. As a background matter, it is important to realise that the legal protection of designs is one of the least harmonised areas of IP protection globally. Copyright, patent and trade mark have all been the subject of numerous multilateral, plurilateral and bilateral agreements; agreements on design protection are far more rudimentary.[29] There are current efforts to negotiate a Designs Law Treaty (DLT) which would seek to harmonise procedural requirements by providing a 'ceiling' on what countries may demand in the registration of design rights, but at the last meeting of the General Assembly in September 2014, negotiating countries had not yet agreed to convene a Diplomatic Conference to finalise a treaty. Draft Articles and draft Regulations are at an advanced stage of drafting; their potential relationship with Australian law is discussed further below.

[28] Fees: 1906 Act (post 1981) 1998 - 2003: $90 lodgement (to 1 year) including exam, $55/$90/$135 renewals of +5yrs/+5yrs/+5yrs (total 16 years). 2003 Act from 2004: $200 lodgement (to 5 years), $360 Exam, $275 renewal+ 5 yrs. 2003 Act from December 2012 - current: $250 lodgement (to 5 years), $420 Exam, $320 renewal+ 5 yrs.

[29] The main sources of international obligations are the *Paris Convention for the Protection of Industrial Property* (1883) and the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS) (1994), in particular TRIPS articles 25 and 26, which require 'protection of independently created industrial designs that are new or original', through the grant of the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes', for a term of at least 10 years.

There have been three other notable new developments since the ALRC's review. The first has been the growth of the Hague System. The Hague Agreement[30] provides for a streamlined filing process for international applications similar to that provided by the Patent Cooperation Treaty (PCT) and the Madrid Protocol in trade marks. At around the time of the ALRC review of design protection (that is, at the end of 1995), the Hague Convention had only 22 members. By the end of 2002, when the bill that became the 2003 Act had been introduced into Parliament, it had 31 members. Since then membership has doubled: the Hague System now has 62 members.[31] This does not count countries like the UK and US which have both stated they are moving to join.

Secondly, there has been the consolidation of a partially harmonised system of protection for registered designs in the European Union and the establishment of Europe-wide registered Community Designs and a European Unregistered Design Right. These developments occurred after the ALRC review and were reaching culmination around the time of the 2003 Act,[32] via the *Directive 98/71/EC of the European Parliament and of the Council of 13th October 1998 on the legal protection of designs* and *Council Regulation (EC) No. 6/2002 of 12th December 2001 on Community Designs*. This has had a significant impact on the system in the UK, on which the original Australian system was based. A much wider range of legal protections for design is now available in Europe: UK registered designs, EU registered designs, and UK and EU unregistered design rights. Protection in the UK now incorporates a number of features, not found in Australian designs law, which provide for broader protection, including permitting design registrations for parts of products, and granting design owners the right to prevent use of the same or a similar design on a product other than that for which the owner's design has been registered.

Thirdly, there have been developments in technology and in the nature of design. The rise of rapid prototyping and additive manufacturing (or 3D printing) and their expansion into the mass market, as well as the increasing implementation and customisation of products through software rather than in hardware all raise questions for designs law. The implications of some of these developments are discussed below.

All of these international and technological developments need to be taken into account when considering the operation of the designs system in Australia and whether it is still fit for purpose.

2. ASSESSING THE IMPACT OF THE 2003 ACT

2.1. How can we assess the impact of the Act?

The 2003 Act was intended to 'provide a **simple**, **cost-effective** designs system that provides Australian designers with **more effective rights'**, [33] thus encouraging innovation, preventing free-riding on design innovation without unduly inhibiting the natural exchange of ideas and creative work; and assisting in the dissemination of creative design ideas by providing an accessible register

[30] *Hague Agreement Concerning the International Deposit of Industrial Designs*. 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.

[31] This is still less than either the Madrid Protocol (91 members) or the Patent Cooperation Treaty (148 members).

[32] Notably, the Explanatory Memorandum to the Designs Bill 2002 (Cth) makes only one mention of European law, in relation to spare parts: at 11 paragraph 44.

[33] Explanatory Memorandum to the Designs Bill 2002 (Cth) 2, accessed 30 March 2015.

of designs. ACIP has sought to examine whether the changes in the 2003 Act have any measurable impact on the attractiveness, cost-effectiveness, and enforceability of Registered Design Rights.[34]

There are a number of ways we can test these questions empirically:

(a) Seeking opinions from informed stakeholders. These views can be nuanced and sophisticated but typically are not an unbiased opinion of all affected parties. Notably absent are the opinions of third parties who can be collectively impacted a lot but are too dispersed and/or slightly impacted to have an incentive to make a submission.

(b) Undertake a statistical analysis using either primary data from our own survey; or secondary data from IP Australia and the Australian Bureau of Statistics, *inter alia*. For example, if the 2003 Act made design protection more attractive or useful, we might expect to see more applications, and/or to see people retaining their rights for longer.

With respect to (a), few of the parties making submissions directly addressed the *overall* impact of the 2003 changes. Among those that did, a range of views was provided. These varied from those agreeing that registration threshold had increased (albeit recognising a variability of decisions), to thinking there has been greater clarity in the threshold test. However, there was a view from stakeholders that protection remains narrow.

With respect to point (b), because all changes[35] occurred simultaneously, it not possible to unbundle the impact of the various changes. Accordingly, we follow the approach of assessing the effects of all the changes embodied in the 2003 Act as a bundle. We have examined trends and conducted regression analysis to see if things changed before and after 2004.

To complement administrative data from IP Australia, ACIP commissioned a survey of people who applied for a design right in the last two years of the 1906 Act and in the first two years of the 2003 Act. The logic behind this approach is that given the macroeconomic environment was quite stable over the 2002 to 2005 period; and the time lapse is nearly the same; any statistically significant differences in the responses of the 1906 and 2003 Act applicants are likely to be due to differences in the Act themselves. To make a simple comparison between the two groups requires us to be confident that there are no systematic differences between them other than the legal regime in which they were operating. The survey process involved posting a hard copy questionnaire to all Australian residents who had applied for a design right between 2002 and 2005. Applications with multiple applications were sent a questionnaire for each application up to a maximum of 5. There was one reminder letter. This mail out process yielded 285 completed questionnaires. Follow-up phone calls were made to 508 businesses and 363 individuals who had not responded to the mail-out but were locatable by phone. 48% of these calls were not answered. From these phone calls, only a further 41 applicants completed the questionnaire (online). In total, we received responses relating to about 326 design applications.

2.2. Is designs protection under the 2003 Act attractive to Australian designers?

The first question is whether the introduction of the 2003 Act had any impact on **use** of the designs system.

[34] The question of the 'simplicity' of the rights is addressed in the next section, which looks at whether the legal mechanisms of the 2003 Act are operating as intended.
[35] See Table 1 above, page 44.

One way to consider how Australia's design protection system is travelling is to look at trends in use. ACIP's Issues Paper included a number of statistics on the use of the design system in Australia. Further examination reveals a number of interesting trends. Figure 1 reveals a clear upward trend in the number of design applications in Australia since 1985. However, this overall number masks important variation in the source and type of applicants. As shown in Figures 2 and 3, *all* of this rise is accounted for by foreign applicants and companies, although applications originating in Australia remain in the majority. There has been a strong downward trend in applications from Australian resident individuals. Over the 1985 to 2013 period, Australian-resident companies (not necessarily Australian owned) experienced a modest rise. These Australian figures raise questions whether the design system is fulfilling its goal of encouraging and supporting *Australian* innovation to *Australia's* economic benefit.

Figure 1: Total design applications to IP Australia, 1985 to 2013

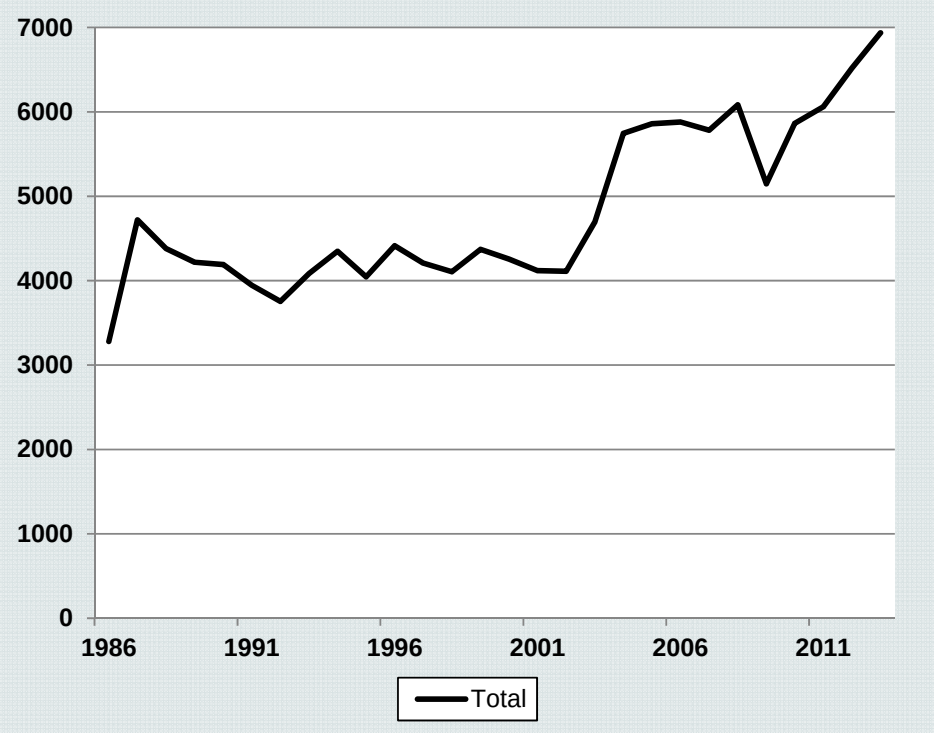


Figure 2: Design applications by country of applicant, 1985 to 2013

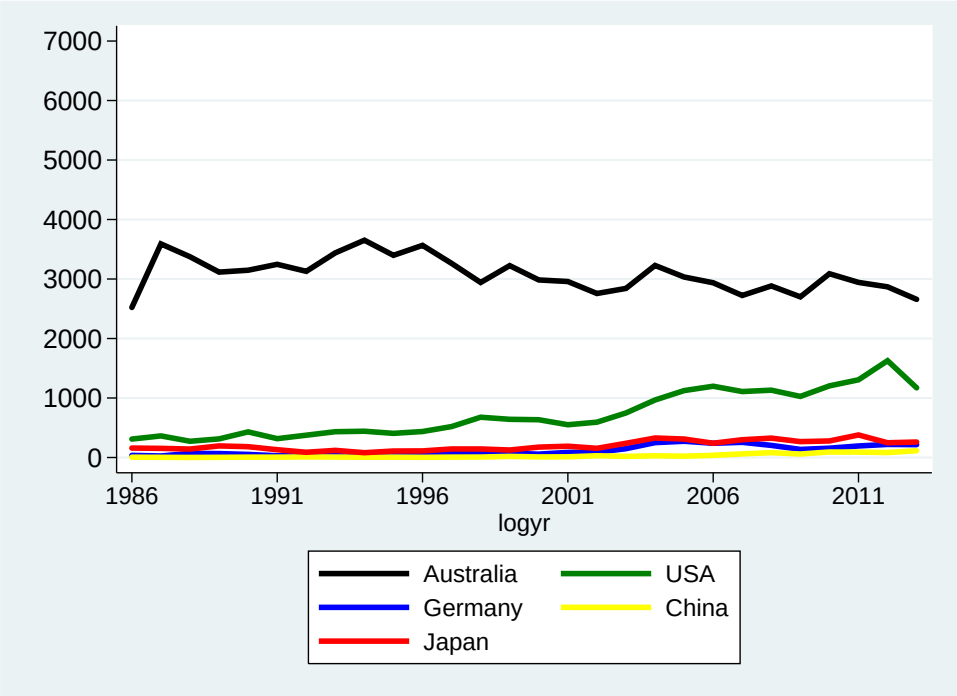


Figure 3: Design applications to IP Australia by companies and individuals, 1985 to 2013

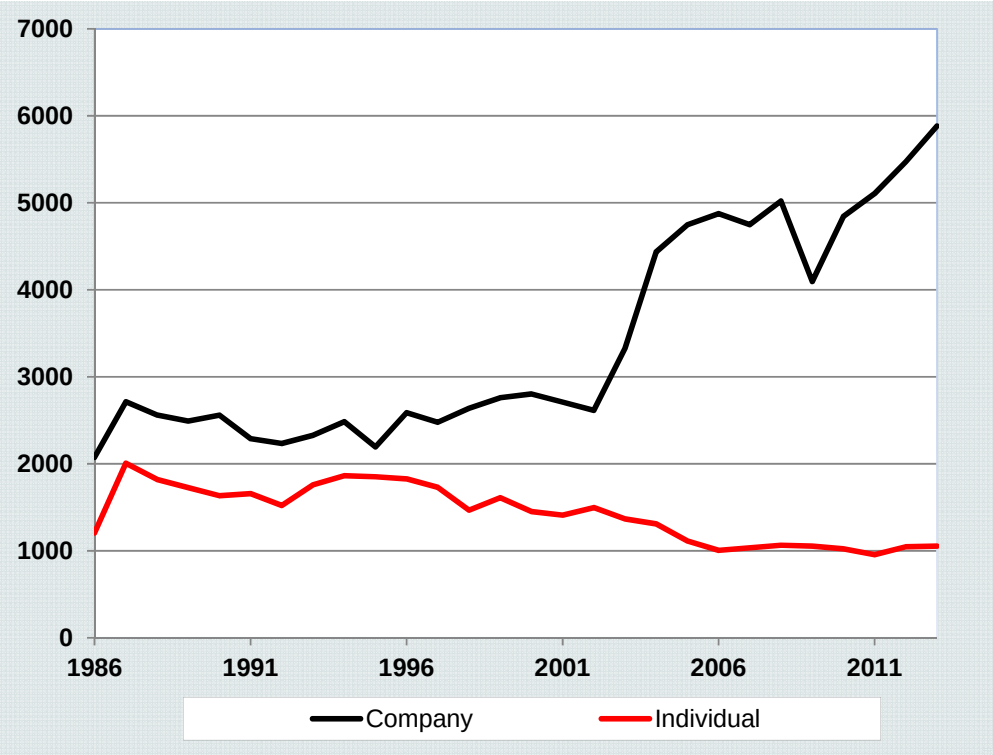
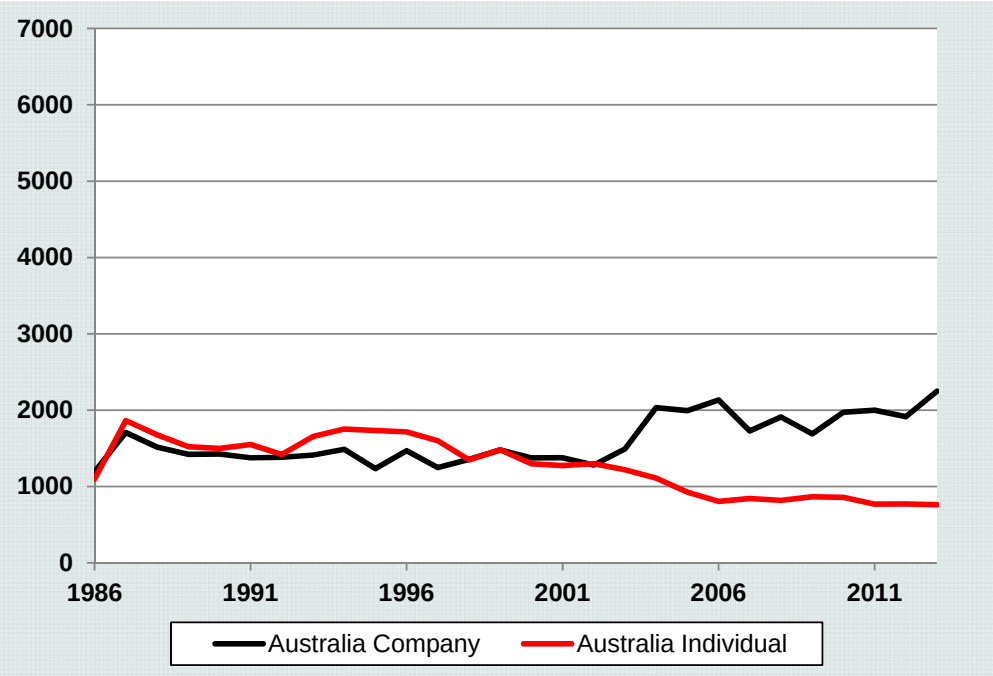


Figure 4: Design applications to IP Australia by Australian resident companies and individuals, 1985 to 2013



Figures 3 and 4 in Section 3.2 suggests that applications from companies, especially those from overseas, incurred a step-change increment under the 2003 Act. Table 1 below presents estimates of

this increment for several classes of user. It shows that the change in the act primarily attracted companies, especially foreign companies and small Australian-resident companies (estimated as under 200 employees). The 2003 Act appeared to discourage Australian individual applicants. The estimate of the trend is also of interest. Over and above the Act-induced change, there is a large positive rise in the use of Design Rights by foreign companies.

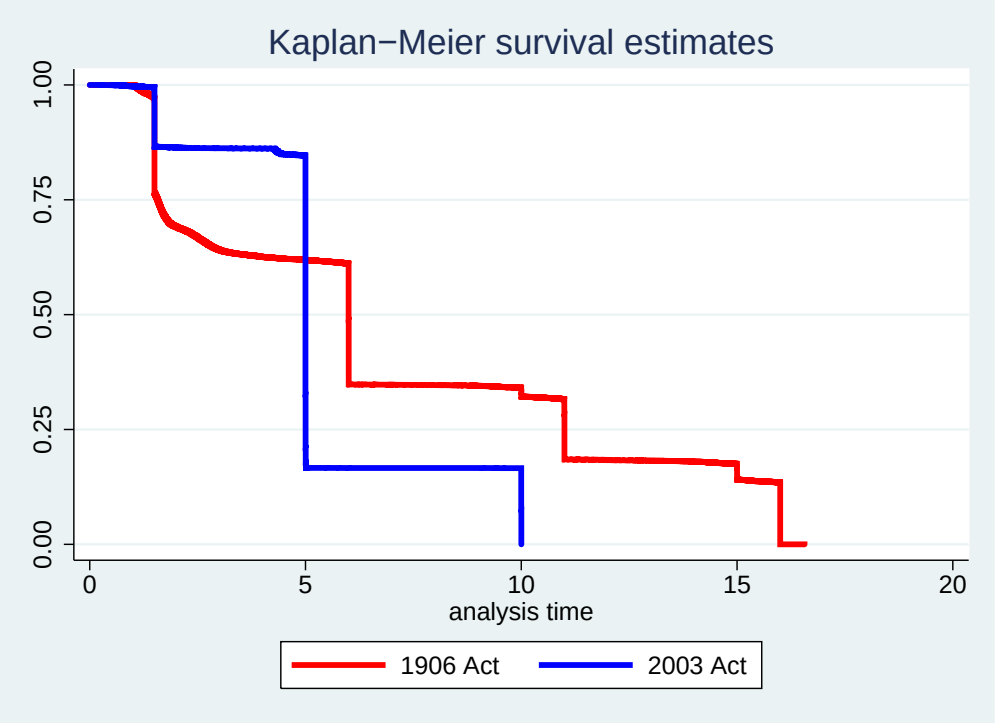
Table 1: Trend in the number of applications by type of applicant, 1986 to 2013

Type of applicant	Annual trend increase (%)	Step-change increment at 2004 (%)
All applicants	0.5	27.2***
Companies	1.2***	46.6***
Australian companies	-0.1	34.6***
Australian companies – large[1]	1.3	11.7
Australian companies – small[1]	-0.3	40.1***
Foreign companies	2.6***	54.4***
Individuals	-1.1**	-28.6***
Australian individuals	-0.8	-43.3***

Notes: 1. A company is defined as large if it was listed in either the Australian section of Bureau Van Dijk or the Australian Business Database as having >200 employees (see Julius 2014) and small if otherwise. The designation 'Australian' and 'Foreign' is based on applicant address and not ownership.
Source: IP Australia database

Figure 5 is a survival graph which shows that portion of Australian applicants (identified as applications with an Australian address), that continue their application or registration after lodgement. 'Survival' starts at 1.0 (by definition) and drops to zero as applicants fail, or are legally unable, to renew their registration. The steps apparent in the lines arise because of the discrete renewal periods. Essentially, Figure 5 reveals that unlike the 1906 Act applicants, 2003 Act applicants do not drop off in the first few years – probably reflecting the new option of non-examination. However, the 2003 Act entities have much lower renewal rate at the first 5-year threshold; less than 20 per cent renew. This low renewal rate may be due to the higher renewal fees or a disappointment with the ability of the design right to prevent infringement.

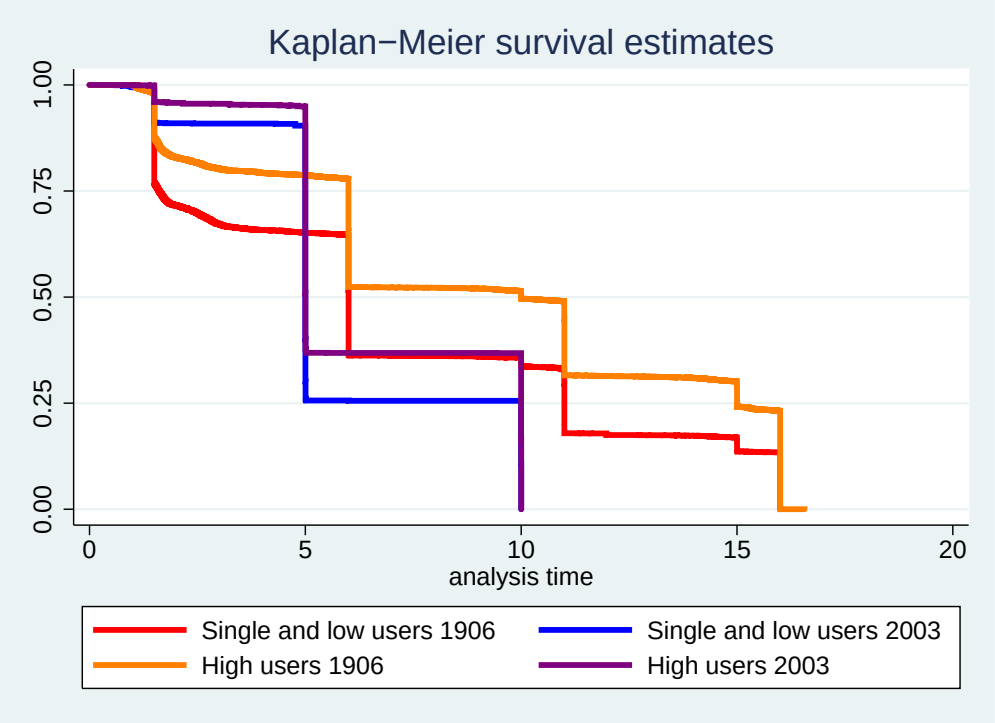
Figure 5: Survival rates for all Australian applications* lodged with IP Australia by 1906 and 2003 Acts, 1986 to 2013.



Note: * Australian applicants are defined as applications with an Australian address.
Source: IP Australia Design database.

Figure 6 only includes company applicants that had applied for a design right under the 1906 Act. We separate these applicants according to whether they are High users (had applied for more than 3 rights during 1986 and 2003) or Single or low users (had applied for between 1 to 3 rights between 1986 and 2003). It shows that similar to the previous figure, there was a higher retention rate in the first five years but a notably lower renewal rate at the 5 year mark for the 2003 Act. However for both Acts, High users had higher renewal rates.

Figure 6: Survival rates for Australian* company applications lodged with IP Australia by 1906 and 2003 Acts, 1986 to 2013.



Note: * Australian applicants are defined as applications with an Australian address.
Source: IP Australia Design database.

A Cox survival estimate found that the 2003 Act increased the renewal rate for applications in Classes for textile piece goods, artificial and natural sheet material; furnishing; and articles of adornment (Classes 5, 6, and 11) and decreased the renewals for applications in brushware; equipment for production, distribution or transformation of electricity; machines and appliances for preparing food or drink, not elsewhere specified (Classes 4, 13 and 31).[36] Interestingly, there was no significant change for articles of clothing and haberdashery.

Table 2 presents information from the survey of all Australian companies and individuals who applied for a design right between 2002 and 2005. We deliberately selected a sample of applicants who had applied for a Registered Design Right just before (1 January 2002 to 17 June 2004) and just after the change in the Act (9 June 2004 to 31 December 2005). This was in order to assess the impact of the Act on (a) the type of applicant desiring a design right and (b) the outcome of the designing process.

In Table 2, and subsequent tables in the report, we separate survey respondents according to whether they had applied under the 1906 Act or the 2003 Act. We then compare how each group responded to questions about either the 'way they do business' and the outcome of their registered

[36] Overall renewal rates were higher than average for Locarno class 4 (brushware); 8 (tools and hardware); 13 (equipment for production, distribution or transformation of electricity); 23 (fluid distribution equipment, sanitary, heating, ventilation and air-conditioning equipment, solid fuel); and 25 (building units and construction elements). they were below average for Locarno class 2 (articles of clothing and haberdashery); 3 (travel goods, cases, parasols and personal belongings, not elsewhere specified); 5 (textile piece goods, artificial and natural sheet material); 6 (furnishing); 11 (articles of adornment); 18 (printing and office machinery); 21 (games, toys, tents and sports goods) and 28 (pharmaceutical and cosmetic products, toilet articles and apparatus). See classification listing at: http://www.wipo.int/classifications/nivilo/locarno10/index.htm?lang=EN, accessed 30 March 2015.

design. The mean response to each question according to the Act is presented in the first two columns and the final column indicates whether these means were statistically different from each other. Three asterisks means that we are highly certain that the means are different. Two asterisks means we are fairly confident they are different and one asterisk means we are somewhat confident (these correspond to significance levels of 1, 5 and 10 per cent respectively). If there is no asterisk in the last column, we say that there is no difference in the designated characteristic between the 1906 and 2003 Act applicants/applications.

Overall Table 2 suggests that the 2003 Act is attracting more design intensive applicants: compared with 1906 Act applicants, the number of items embodying the design is significantly higher; the value of sales from items using the design is higher, the percentage of business designs registered with IP Australia is higher; the business spend on designing products is higher and the number of design applications to IP Australia and overseas offices is higher (although these latter two differences are not significantly different).

Finally, we asked respondents to indicate whether the design underlying the application had been licensed, sold or otherwise commercialised. Overall, 79.5 and 82.7 per cent of respondents said yes to this question. However, there was no statistical difference between the two Acts. The lack of effect of the Act was also found in regression analysis wherein the main determinant of commercialisation was the number of products the designs were used for. This information therefore does not support the contention that the 2003 Act was more effective in promoting innovation than the 1906 Act.

Table 2: Commercial success of Australian designs applied for under the 1906 and 2003 Acts

Survey question	1906 Act[1]	2003 Act[2]	Significant difference?
	Mean	Mean	10%, ** 5%; '* 1%
Number of item sold which embody this design (est.)	4,032	7,315	***
Value of sales from products which embody this design (est.)	40640	56627	***
Percentage of designs register with IP Australia	31.7	36.4	
Business spend on designing products (annual $)[3]	51,054	71,736	*
Number of design applications at IP Australia (annual No.)[4]	1.13	1.49	*
Number of design applications at foreign IP office (annual No.)[4]	0.68	0.78	
Attempted to licence, sell or otherwise commercialise product/design (% yes)	0.80	0.83	

Notes: 1. Application period 1 January 2002-17 June 2004; 2 Application period 18 June 2004 – 31 December 2005. 3 Includes cost of employees' time and outsourced services. 4. 8 and over has been coded as 9. Sample=326.
Source: Designs Review Survey 2014.

2.3. Is designs protection under the 2003 Act cost-effective?

The 2003 Act was intended to provide a simple and *cost-effective* system of protection. The impact of the 2003 Act on cost is not entirely straightforward. On the one hand, the process was streamlined, with a removal of the requirement of substantive examination for all designs. This should at least in the longer term have reduced legal costs of obtaining design protection. On the other hand, the impact of this change has been complicated by (a) the fact that any significant legal

change leads to legal costs as parties adjust to new standards, and (b) registration fees rose considerably with the introduction of the 2003 Act.[37]

The survey commissioned by ACIP asked questions about the cost of an application. The results suggest that compared with 1906 Act businesses, 2003 Act businesses were more likely to engage IP professionals to conduct searches and spent more preparing the application for a design right. However, the 2003 Act applicants also spent more on creating the design behind the application.

Table 3: Cost of application, Australian design applicants under the 1906 and 2003 Acts

Survey question	1906 Act[1]	2003 Act[2]	Significant difference?
	Mean	Mean	* 10%, ** 5%; *** 1%
Our business engages IP professionals to conduct searches on design databases (1=disagree; 7=agree)	2.889	3.692	***
Cost to your business of preparing applications for this design right ($)[4]	1873	2814	***
Cost to your business of creating the design behind this applications ($)	5306	7192	**

Notes: 1. Application period 1 January 2002-17 June 2004; 2 Application period 18 June 2004 – 31 December 2005. 3 Includes cost of employees' time and outsourced services. 4. Includes business staff time and any attorney fees. Sample=326.
Source: Designs Review Survey 2014.

2.4.Does the 2003 Act provide more effective rights?

The 2003 Act was intended to provide Registered Design Rights that were more readily enforceable, following complaints that the 1906 Act had been interpreted so as to provide rights so narrow that they could not be effectively enforced.

The cost of enforcement is an ongoing issue for all IP owners. Stakeholders responding to ACIP's review of the Innovation Patent System raised significant concerns regarding the costs for enforcement of certified innovation patents. Research by IPRIA into the conduct of patent litigation reveals a reluctance among patentees to pursue court action (Weatherall and Webster 2010). The expectation of heavy legal costs and long time frames to complete legal proceedings, followed by the perceived high risk that a patent will be held invalid and the low expectation of a claim succeeding were found to be the main reasons for a decision to accept a negotiated settlement. According to the findings, the majority of cases reach settlement after the claim has been lodged, but before the hearing has commenced. As is clear from the literature, it is difficult to obtain hard data about the extent of this problem:[38] it is extraordinarily difficult to get objective figures on the extent of infringement in particular, or how owners of IP rights respond to infringement short of commencing court proceedings.

ACIP has obtained some limited anecdotal evidence through consultations and submissions made to this review about the problems faced by design owners; whether some groups are affected more than others; how they respond; and whether existing IP enforcement systems are considered to be

[37] See fn 28 above.

[38] The Strategic Advisory Board for Intellectual Property Policy (SABIP) in the United Kingdom commissioned a literature review to inform its future work programme on the social and economic impacts of enforcement related costs in the UK. It stated that (px) 'We still know relatively little about the extent of infringement, and use of enforcement procedures. We know the least about the amount of infringement that occurs and the adoption of informal steps to enforce patents.' The review focussed on literature relating to the civil enforcement of IP and the behaviour of firms in using and enforcing their IP rights. ACIP considers that the cited literature covers issues that are equally relevant to IP enforcement in Australia.

successful. Some respondents to the Designs Issues Paper indicated concerns about the cost of enforcement and that the level of uncertainty that currently exists is resulting in increased costs of enforcement. This may be dissuading owners from commencing enforcement action.[39]

The survey of design owners also asked questions about enforcement. The responses suggested that applicants under the 2003 Act were more likely to believe their design had been copied, and to have taken some action to enforce their rights: which may suggest some increased confidence in the new system.

Table 4: Experience with infringement and enforcement, Australian design applicants under the 1906 Act and 2003 Acts

	1906 Act[1]	2003 Act[2]
	%	%
Not aware of being copied (or unsure)	73.5	58.7
Aware of being copied	26.5	38.8
Did not send a letter (or unsure if sent letter)	12.2	15.7
Sent a letter	14.3	23.1
Agreed to license/cross license	3.2	0.0
File court proceedings	0.0	1.7
Stopped copying	12.2	9.1
File court proceedings	2.1	0.8
Temporarily stopped copying	2.6	7.4
Ignored our letter	10.1	11.6
Alleged our registered design was invalid	3.7	2.5
All design applications filed by Australian residents	100.0	100.0

Notes: 1. Application period 1 January 2002-17 June 2004; 2 Application period 18 June 2004 – 31 December 2005. Sample=326.
Source: Designs Review Survey 2014.

Table 5: Enforcement problems, Australian design applicants under the 1906 and 2003 Acts

Survey question	1906 Act[1]	2003 Act[2]	Significant difference
	Mean (%)	Mean (%)	* 10%, ** 5%; *** 1%
Our business is aware of another party copying one of the designs from this application (1=Yes; 0=no or not sure)	26.5	38.8	**
Our business sent out a letter telling the other parties they are infringing this registered design (1=Yes; 0=no or not sure)	14.3	23.1	**

Notes: 1. Application period 1 January 2002-17 June 2004; 2 Application period 18 June 2004 – 31 December 2005. Sample=329. Source: Designs Review Survey 2014.

[39] see also http://www.acip.gov.au/reviews/options-review-postgrant/ at 8.1, accessed 30 March 2015.

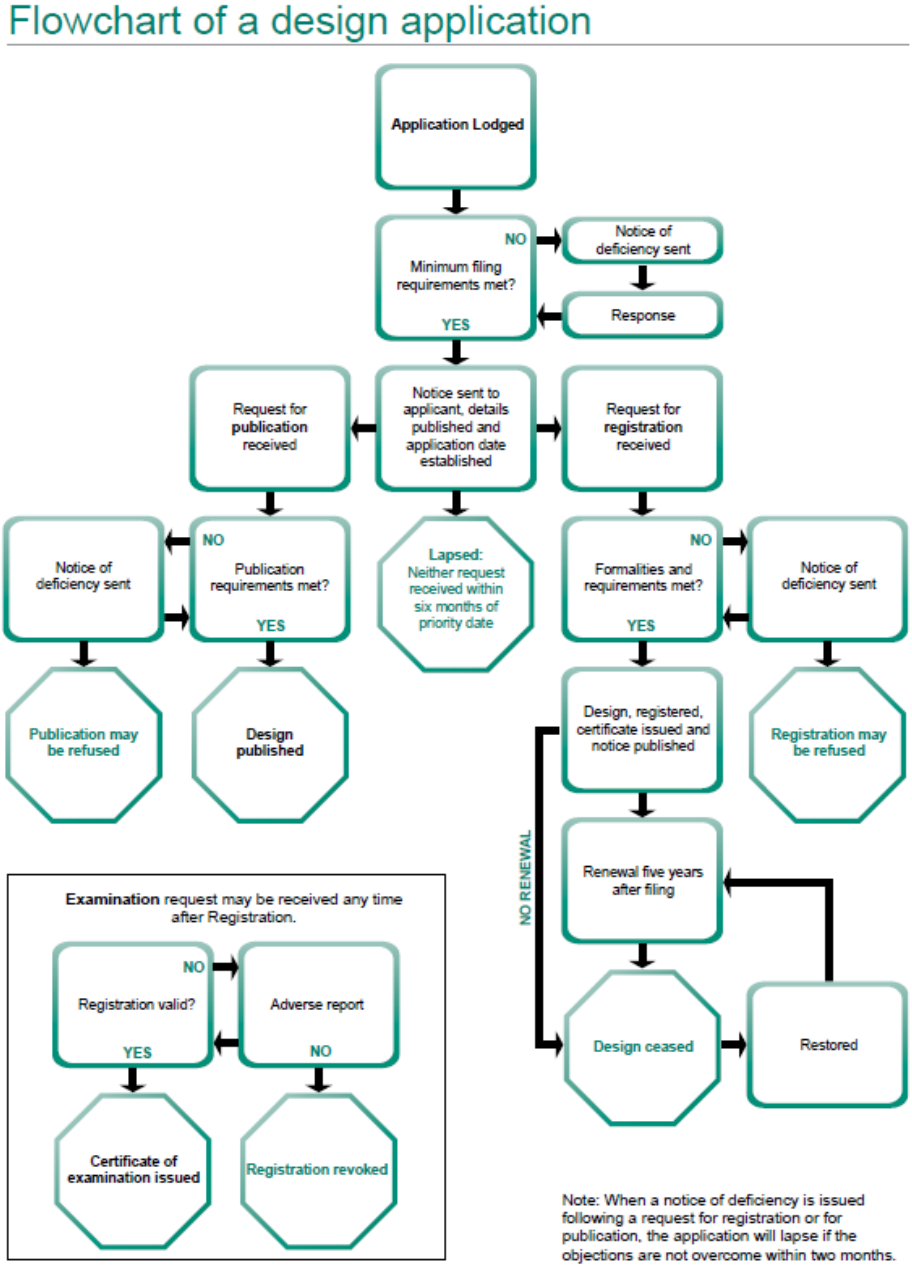
2.5. Summary of the evidence on the impact of the 2003 Act

In summary, the evidence on the impact of the 2003 Act is mixed. Use by Australian companies is largely static (in the context of a strong rise in use by overseas companies), and use by Australian individuals has undergone a steep decline. Furthermore, Australian companies that do register a design are less likely to renew their right under the 2003 Act. This decline in renewal by Australian companies suggests that the 2003 Act embodies attributes that makes it less attractive to rights holders. We suggest that this may be caused by the rise in fees. This is not necessarily a concern as higher fees deter rights holders from renewing rights that relate to designs of marginal value (noting that the designs under the 2003 Act are of higher average value than the 1906 Act which suggests that lower value designs are less likely to be registered and renewed under the 2003 Act).

Although, there is no evidence to suggest a significant decrease in overall costs of using the system, there is some anecdotal and empirical evidence to suggest a rise in confidence in the enforceability of rights. Finally, there is no statistical evidence that the 2003 Act has increased the proportion of registered designs that are licensed, sold or otherwise commercialised.

Appendix B: Process of protecting a designs

Typically, a designer wishing to protect their design under the Designs Act will follow at least some of the steps in the process set out in the following chart. About 80 percent of designs are not certified and hence have only had a formality check prior to registration. These registered designs are not enforceable. A successful examination resulting in certification is required before design rights are enforceable.



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From http://www.wipo.int/ipstats/en/statistics/country_profile/

Country	Resident filings (+ranking)	Foreign filings (+ranking)	Filings Abroad (+ranking)	Hague (+ranking)
Australia	2,994 (14)	3,918 (6)	5,970 (21)	2 (39)
China	644,398 (1)	15,165 (2)	23,642 (12)	18 (20)
USA	20,271 (4)	15,763 (1)	77,285 (2)	147 (5)
France	6,101 (8)	223 (53)	63,981 (3)	293 (4)
Germany	9,712 (5)	672 (25)	110,743 (1)	643 (2)
United Kingdom	6,822 (7)	212 (56)	52,330 (5)	40 (10)
Singapore	720 (33)	1,673 (33)	2,104 (30)	10 (25)
Republic of Korea	63,102 (2)	3,838 (7)	32,625 (9)	1 (46)
Japan	26,407 (3)	4,718 (4)	44,635 (6)	0
Canada	846 (30)	4,500 (5)	9,246 (18)	0
New Zealand	385 (44)	801 (22)	1,447 (37)	0

Hague filings in 2013 = 2,990 covering 12,806 designs. This represents 65,726 designs across multiple designations.

4.3. The newness and distinctiveness threshold and the Statement of Newness and Distinctiveness

Evidence on whether the 2003 Act has raised the threshold for protection was equivocal; some submissions suggested there appeared to have been some rise but that issues were still working their way through the courts. There was some criticism that section 19 in particular provides little guidance to courts on *how* the various factors should be interpreted, although no suggestions were offered as to how the legislation *could* offer more guidance and still retain sufficient flexibility to address individual cases. No submissions asserted that courts' interpretation of the threshold was surprising, or outside the intentions of the legislation.

ACIP received more submissions on the SoND mechanism, which does appear to have caused some confusion. Practitioners observed that SoNDs can be rambling and descriptive; that a wide range of practices in their use has been made; that the Designs Examiners' Manual of Practice and Procedure itself is continuously redefining its position on the SoND, and that courts have interpreted the impact of SoNDs in inconsistent ways.

There was particular criticism of the fact that SoNDs cannot be effectively amended after registration, such as during certification.

4.5. The copyright/design overlap

Confusion around the copyright/design overlap was illustrated in a majority of the responses to the Issues Paper as well as ACIP's roundtable consultations. A few of the respondents indicated there was opportunity for exploitation due to the gaps in the overlap. Among the profession views were mixed: one IP professional submission indicated that both users and the profession were confused; other responses suggested that IP professionals are aware of how the system works although users have little knowledge. Another IP professional thought that knowledge was widespread in certain strongly affected industries (such as fashion).

The responses from the Designs Review Survey designed to test the level of confusion were equivocal. Bearing in mind that our respondents are users of the IP system, it is of concern that, two thirds of respondents indicated some level of confusion over whether their designs were covered by copyright or not (shown in Figure 7). Table 7 shows that this level of confusion has not abated under the 2003 Act. Furthermore, Figure 8 shows a similar level of confusion about whether or not to apply for an innovation patent or a design right.

In relation to the broad options provided on page 34 of the Options Paper: Some stakeholders urged the third of these: effectively removing the overlap provisions entirely, arguing that Australia's copyright/design overlap provisions are 'out of step' with international trends towards allowing both copyright and design protection to co-exist. Stakeholders mentioned that in 2013, the United Kingdom extended copyright protection for industrially applied artistic works, bringing UK law into line with EU directives requiring that copyright and design protection both be available and that the term of copyright protection not be limited.[41] However, stakeholders urging repeal of the overlap provisions appeared to have something broader in mind: that at least in some cases, industrial designers are as creative, and artistic, as many of those creators who receive protection under the copyright system.

[41] *Copyright, Designs and Patents Act 1988* (UK) section 52, repealed by *Enterprise and Regulatory Reform Act 2013* (UK). The UK government considered that the repeal of section 52 was required as a result of the decision of the European Court of Justice in Case C-168/09 *Flos SpA v Semararo Case e Famiglia SpA* (27 January 2011 (2nd Ch). While the legislation has passed, the UK is currently consulting on transitional issues.

4.6. The Repair Defence

ACIP received two opposing submissions relating to the repair defence. Although s 72 is not industry-specific, both submissions came from the car manufacture and servicing industries.

One submission from the Federal Chamber of Automotive Industries (FCAI) argued that the repair defence should be repealed. FCAI argued that the Australian automotive industry is being disadvantaged by a combination of design law and consumer laws. The Competition and Consumer Act 2010 (Cth) (CCA) requires all car manufacturers to keep adequate supplies of spare parts at hand for each of their vehicle models. According to FCAI, there has been a strong trend towards repairers and insurance companies purchasing Unauthorised Original Equipment Manufacturer (OEM) Parts and Aftermarket Parts such as body panels, from overseas rather than through Australian car companies. Aftermarket parts are manufactured by third parties. Unauthorised OEM parts are parallel imported parts: that is, they are manufactured overseas by a manufacturer licensed within that country, but are imported into Australia outside of the manufacturer's official distribution channels. Although car manufacturers prohibit such parallel importation in their contracts with overseas manufacturers, the repair defence means that there is no ready enforcement mechanism in Australia for contractual restrictions. FCAI argued that increasingly, car companies are left with large inventories of unsold Authorised OEM Parts which represent idle capital, and which, if unused, must be written off. FCAI also argued that without having full control over supply lines, it is difficult to implement satisfactory quality control over spare parts, both in manufacture of the part and storage/shipping of a part. FCAI argued that Unauthorised OEM Parts which are not properly manufactured, stored, or shipped could cause vehicles to malfunction, voiding the manufacturers' warranty where the problem is caused by a low quality or incorrectly stored part. FCAI argued that s 72 should be repealed, which would allow car manufacturers to control all sales of spare parts for repair. Compulsory licensing provisions in the Act could be used if manufacturers failed to make parts available.

ACIP received an opposing submission from the Australian Automotive Aftermarket Association (AAAA). AAAA strongly supported retention of s 72, pointing to ‘current, suboptimal competitive arrangements within the Australian automotive aftermarket’ (in particular, dealership arrangements linking car sales and after sales service). AAAA argued that s 72 ensured the competitiveness of the aftermarket industry, and the availability of cost-effective parts.

ACIP also notes that it received no submissions from any other industry regarding problems arising from s 72, although the provision is not specific to the car industry.

5.1. The impact of international harmonisation: the Hague System and the Designs Law Treaty

According to the survey results presented in Table 10 (in the Options Paper), the Anglophone countries - New Zealand, the USA, UK and Canada - are the main export destinations for our design intensive products. The survey also found that design applicants under the 2003 Act were slightly more likely to apply for overseas design rights than the 1906 Act applicants (Table 11 in the options paper).

Respondents to the Issues Paper were overwhelmingly supportive of efforts to harmonise designs law and provide mechanisms to make applying for rights in multiple countries a more straightforward and less expensive process. Not surprisingly factors cited in favour included: ensuring consistency in practice, and the ability to get uniform rights in export markets. For some respondents, an advantage of joining Hague would be that Australia would be required to adopt

certain (in their view desirable) features in particular a longer maximum term for design rights. One respondent commented that joining Hague may encourage international filings by Australian designers. However not all comments were positive about the Hague System.

5.2. Term of protection

Of the submissions received addressing the topic of duration and discussion at the roundtables, there was widespread agreement that the term is too short. The majority of respondents indicated a minimum of 15 years was preferred, to reduce confusion, and align with many international jurisdictions and the Hague System. Some respondents suggested 20 years to match patents. Some users of the system indicated it was unfair to have the term reduced to ten years in the *Designs Act 2003*. There were no outright negative comments to increasing the term, however two attendees indicated the attraction for a longer term for some industries, particularly sectors where research and development is lengthy or another, where classic or iconic designs exist e.g. furniture. However, the analysis of renewals (under both Acts) found that the Locarno Class Furniture etc were not more likely to renew compared with other classes. Another suggestion was to extend the term for designs that were certified, but leave the 10 year term in place for designs that have been registered but not yet certified. This would ensure those designs that were valid and continued to be marketed could benefit from the longer term.

Figures provided in ACIP's Issues Paper on renewals indicate that only 20% of owners under the Designs Act 1906 extended the design to the third term (to 16 years). Some IP professionals (e.g. patent attorneys and lawyers) indicated this was still a significant number of users. Respondents also indicated a longer term would not impact those users that required only a short term as they could simply choose not to extend their design. This would be the case for design owners that were onto the 'next big thing'.

5.3. Grace period

Evidence from the survey does suggest that some loss of protection does occur through inadvertent disclosure, although this does not appear to be a substantial problem at least for people engaged with the registration system (the only population our survey reached). As shown in Figure 9, Just over half the respondents to the survey indicated that they inadvertently disclose their designs at least sometimes.

Although half of the attendees and submitters did not provide comment on a grace period, only two were seriously negative citing uncertainty, risk of losing priority elsewhere and lack of uniformity. Some IP professionals indicated clients are confused as grace periods are available elsewhere. The majority of respondents indicated a 12 month term was preferred. This would align with patents and harmonise many other jurisdictions including the Hague System. There were two respondents that indicated six months and two others that indicated 'at least six months' with no mention of a maximum time limit. The Designs Law Treaty allows for six or 12 months depending on the local requirements.

5.4. Deferred publication

Evidence obtained through the survey suggests that a period for market testing prior to publication would be desirable for three quarters of applicants (Figure 10 in the Options Paper) and a large minority claimed competitors regularly copied their published designs before they had had a chance to enter the market (Figure 11 in the Options Paper).

Overall, the majority of respondents support deferred publication although there was a diversity of views on the period that should be established. Many respondents in ACIP's consultations noted that pseudo-deferment is already available since parties filing an application can take various steps to ensure that the first version of the application is rejected for formalities non-compliance. Since parties are *already* availing themselves of a kind of deferment, adopting a formal system could regularise matters and ensure more of a level playing field.

One respondent indicated that it would support a deferred publication regime only if an unregistered design right (UDR) was introduced, since this would provide a level of certainty for all parties, since would-be copiers would know that even in the absence of a new design appearing on the register, copying would be prohibited in any event. Without an UDR, the Register would need to be as accurate and current as possible.

The four respondents opposed to a deferment period cited the inability to claim a priority overseas, (although if this was done before the 6 convention priority to a jurisdiction that had deferred publication, this should be able to remain unpublished until the applicant requested otherwise) undermining the reliability of the Register, bringing a lack of visibility, and creating uncertainty about the novelty of third party designs, in addition to the disadvantages listed in ACIP's Issues paper.[42]

ACIP's Issues Paper also asked whether such grace period should be an alternative, or an addition to deferment of publication of the kind offered under the Hague System: the thinking here being that both deferred publication and a grace period are cited as ways to assist designers who wish to undertake some market testing. Introducing *both* a grace period *and* deferred publication could create a very significant period of uncertainty around the existence of IP rights in a design. Seven respondents provided their views. Six indicated it should be in addition to deferment of publication, although some noted that the *sum* of the two periods would need to be considered. One respondent supported a grace period as an alternative to deferment of publication.

5.5. Partial Designs

ACIP has received evidence (in the form of submissions and through roundtables) from members of the profession and designers that protection of partial designs is desirable. Reasons given in favour of such protection include international harmonisation: in particular, some submissions noted that the lack of protection for partial designs makes Australian applications less useful as priority documents for other jurisdictions. ACIP was told that multiple design applications are not effective, and Statements of Newness and Distinctiveness have not operated satisfactorily. Proponents argued that the current system focusing on whole products (or separately manufactured components) gives preferential protection to products manufactured using traditional techniques over products produced by newer methods such as additive manufacturing.

5.7. Border protection measures

The submission from Customs expressed concern around the level of expertise required of Australian customs officers in order to seize alleged design infringements. On the other hand, many respondents (users of the designs system) were very positive about introducing border protection measures similar to those available for trade marks and copyright owners, and suggested in their submissions that information or training could be provided to Customs to enable seizure. Several submissions suggested that seizure processes should not be available for all design infringements,

[42] at 3.4 page 23 of the Options Paper.

and that perhaps only alleged infringements that are 'substantially identical' or 'direct or close copies' should be liable to be seized.

5.8. Unregistered Design Rights (UDRs)

In this review, a majority of the respondents indicated support for an UDR regime, particularly those operating in the fashion industry, however, there was also significant opposition to the idea, and even submissions that generally supported introduction of a UDR noted possible issues.

There was wide acknowledgement that it would suit the industries where the products had a short lifecycle, mostly indicating fashion as an example, and hence provide better incentives for investment in these industries. Some of the respondents from the fashion sector indicated that it is a cheap safety net to complement the designs system. Some respondents commented that the dual systems in the EU and UK work, and users in Australia would be familiar with copyright which has many similarities with an unregistered design right. Others indicated that it could address the issues that currently exist between the Copyright and Designs systems.

In this review there was significant opposition to the introduction of a UDR in Australia. Submissions opposing a UDR pointed to the potential uncertainty it would introduce, and the fact that it would undermine the information function of the designs register. The existence of a UDR could undermine incentives to register designs, which would be a cost to the public which may benefit from the existence of an informative register. Enacting a UDR would impose costs on business, in the form of increased difficulty in establishing their freedom to operate. Even if a right is time-limited (say, to three years as in the EU) the uncertainty created would not be so limited, since it may not be straightforward for an intending copier to determine when a product was first marketed.

5.9. 3D printing and design protection

In his submission (and thesis), Mitchell Adams makes a number of suggestions for reforming design law to address the gaps in protection for owners of registered designs, including making 3D scanning of an existing design for commercial purposes an infringement, recognising rights in the digital representation of a design (the 3D CAD file) and introducing authorisation as a distinct head of secondary liability.

ACIP notes that other submissions commented that it may be premature to amend the 2003 Act to address these concerns. Apart from Adams' submission, ACIP received very little evidence on this question.

Appendix E: List of non-confidential submissions

1. ACIP's OPTIONS PAPER

Australian Customs and Border Protection Service (ACBPS)

Arts Law Centre of Australia (Arts Law)

Australian Automotive Aftermarket Association (AAAA)

Australian Copyright Council (ACC)

International Association for the Protection of Intellectual Property (AIPPI Australia)

Design Institute of Australia (DIA)

Federal Chamber of Automotive Industries (FCAI)

Freehills Patent Attorneys

International Federation of Intellectual Property Attorneys (FICPI Australia)

Mr Peter Knight

Gilbert + Tobin Lawyers

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA)

Mr Mitchell Adams

Law Council of Australia (Business Law Section)

Mr Matthew Norton

National Association for the Visual Arts (NAVA)

Mr Fraser Old

ResMed

2. ACIP's ISSUES PAPER

Australian Customs and Border Protection Service (ACBPS)

Arts Law Centre of Australia (Arts Law)

Australian Automotive Aftermarket Association (AAAA)

Australian Design Alliance (AdA)

Baker & McKenzie

Australian Copyright Council (ACC)

Design Institute of Australia (DIA)

Dinosaur Designs

Federal Chamber of Automotive Industries (FCAI)

International Federation of Intellectual Property Attorneys (FICPI Australia)

Freehills Patent Attorneys

Gilbert + Tobin Lawyers

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA)

Jimmy Choo

Law Council of Australia

Law Institute of Victoria

Mr Linden Dunne

Mr Madhu Jogia

Mr Mitchell Adams

New Zealand Institute of Patent Attorneys (NZIPA)

One Steel Wire

Mr Peter Knight

Qld Law Society

Mr Timothy Webb

Appendix F: Attendees at ACIP Roundtable Discussions

Attendees at Melbourne Roundtable

Arlec Australia Pty Ltd

Bourne & Associates

Design Institute of Australia (DIA)

Freehills Patent Attorneys

Intellectual Property Research Institute of Australia (IPRIA)

Law Institute of Victoria

Member, Council of Textile and Fashion Industries of Australia

Attendees at Sydney Roundtable

Australian Designs Alliance (AdA)

Design Institute Australia (DIA)

DesignByThem

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA)

Freehills Patent Attorneys

Good Design Australia

One Steel Wire

Shelston IP

Spruson & Ferguson

Attendees at Brisbane Roundtable

Cotters Patent & Trade Mark Attorneys

Design Institute Australia (DIA)

International Federation of Intellectual Property Attorneys (FICPI Australia)

Grand Master Tools

Jogias Patent and Trade Mark Attorneys

Member, Qld Bar

Attendees at Perth Roundtable

Entecho

Fuselage Design Pty Ltd

Watermark Intellectual Asset Management

Wrays

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