



Australian Government

Advisory Council on Intellectual Property



## **Review of the Designs System**

### **OPTIONS PAPER**

**December 2014**

**The Advisory Council on Intellectual Property (ACIP)** is an independent body appointed by the Australian Government. ACIP advises the Federal Minister for Industry—and the Parliamentary Secretary to the Minister for Industry—on high level policy matters relating to patents, trade marks, industrial designs 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>

Please see page 7 for details on making a submission and our privacy notice

ISBN: 978-1-925245-04-2 (Online)

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# Glossary of terms

ACIP	Advisory Council on Intellectual Property
ADDS	Australian Designs Data Searching (database)
ALRC	Australian Law Reform Commission
AOJD	Australian Official Journal of Designs
AUSFTA	Australia-United States Free Trade Agreement
GUI	graphical user interface
IP	intellectual property
IPCR	Intellectual Property and Competition Review Committee
IPR	intellectual property rights (e.g. patents, trade marks and designs)
LOC	Locarno Classification
OHIM	Office for Harmonization in the Internal Market
RCD	registered community design
SCT	Standing Committee on the Law of Trademarks
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 for Industry and Innovation, the Hon Mark Dreyfus QC MP, directed that ACIP inquire, report and make recommendations to the Australian Government on the operation and effectiveness of the *Designs Act 2003* (the 2003 Act) 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's inquiry has been directed to the 2003 Act, although it is worth recognising, at the outset, that stakeholders also raised broader concerns relating to the design industry in Australia: around the need to encourage investment in design, and in particular, around the need for better legal education and intellectual property training for students in Australia's design schools. ACIP acknowledges the concern here. There is no doubt that the best-designed IP system in the world will be of little use unless its intended beneficiaries have the information and skills to use it. There may also be a place for more general consideration of Australia's design industry, and strategising around industry development. Nonetheless, this Review is not focused on how well Australia is doing in terms either of promoting the design industry generally, or of encouraging IP awareness and education, which is an issue extending well beyond the design industry alone.

ACIP's review of the 2003 Act has addressed three broad questions:

1. Has the 2003 Act achieved the goal stated in the Explanatory Memorandum: to 'provide a simple, cost-effective designs system that provides Australian designers with more effective rights'?
2. Are the legal mechanisms in the 2003 Act operating as intended?
3. Should policy decisions in the 1995 ALRC Report, and the 2003 Act, be reconsidered in light of the operation of the 2003 Act, and international and technological changes in the intervening decade?

In the course of this review to date, ACIP has found:

1. 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. There is no evidence to suggest a significant decrease in overall costs of using the system. There is anecdotal and empirical evidence of a slight rise in confidence in the enforceability of rights.
2. Submissions have identified certain specific improvements that could be made to the legal details of the system;
3. Some policy decisions embodied in the 2003 Act may warrant reconsideration in light of overseas trends in design protection. The scope of the legal monopoly that can be obtained through an Australian Registered Design is both narrow, and short by international standards, and potentially expensive for what it offers.
4. There is evidence that broader technological trends could warrant more substantial reconsideration of the role of design protection. In particular, technology is transforming the nature of design and making 'virtual' or software designs more important, but design protection is tied to whole, physical products. Further, 3D printing and scanning technologies enable online circulation of designs but such activities are not captured by design law and, in at least some cases, copyright may be of no assistance. It is important, however, to be aware that aspects of the system including, in particular, the very narrow

scope of exceptions, are predicated on the existence of only narrow rights. If rights were to be broadened in any way, the exceptions to design protection would also require reconsideration.

In light of these findings, ACIP has settled on **three broad approaches** to revising the 2003 Act, each of which encompass a number of specific changes.

**Option 1** is the minimal approach, and would involve addressing specific issues that have arisen over the period since the 2003 Act, to make the Act operate better, without revisiting any of the policy decisions embodied in the 2003 Act. This would mean, first, addressing certain anomalies in the 2003 Act (listed in Appendix A), as well as certain confined, very basic changes, namely:

- Changing the terminology for a registered, but uncertified design to make it clear that the design does not, until certification, confer enforceable rights;
- Removing the option of publication as an alternative to design registration;
- Improving the process for multiple design applications to reduce the fees for each additional design added to the application, in accordance with the original proposal of the ALRC;
- Addressing anomalies that have arisen in relation to the copyright-design overlap, especially in relation to the boundary between two and three dimensional ‘embodiments’.

**Option 2** would involve making the fixes in Option 1, and retaining most of the significant policy decisions in the 2003 Act, in particular retaining design law as a system of limited, registered rights. But Option 2 would make changes, mostly oriented towards bringing Australian law into line with that of major trading partners and international treaties on basic matters of detail and procedure, while having regard to providing a design registration system that encourages innovation by Australian designers.

A key question which would determine which particular changes would be part of Option 2 is whether Australia should join the Hague Agreement, an international system, administered by the World Intellectual Property Organization (WIPO), which aims to streamline international design applications. The benefits of the Hague Agreement at this point in time are limited owing to only limited international design law harmonisation, but joining Hague could see Australia more involved in making it an effective system. The key trade-off in joining Hague is that Australia would have to extend the maximum term of protection from 10 years to 15 years. Although this is supported by design system users, ACIP has received no empirical evidence which would justify an extension.

Among the changes Australia could make to strengthen and update design protection without wholesale reconsideration of the current policy settings, Australia could:

- If Australia joins the Hague Agreement: extend the maximum term of protection to 15 years. If Australia extends the term, it would be appropriate to require certification at the first renewal (5 years) and introduce a system of opposition following certification
- Bring Australian design law into alignment with the law of some trading partners and the current provisions of the Draft Designs Law Treaty by:
  - Introducing a grace period of six months (together with a prior user defence);
  - Automatically deferring publication to the point of registration i.e. at six months (with the possibility to request publication earlier if desired); and

- Introduce border measures to allow for the seizure by Customs of alleged infringements but only those which are identical to Registered Designs.

Option 2 might also include some amendment to the treatment of virtual or non-physical designs, although more information is required on the implications of doing so.

Option 2 would provide advantages to Australian companies and individuals who are already engaged in international trade and acquisition of international IP rights, but would do little to protect firms who do not presently find design protection useful, with the exception of some users who have lost their opportunity for obtaining design protection through ignorance of the law or through inadvertent disclosure. Option 2 could assist Australian applicants to better utilise the international system, although it would likely also encourage more use of the system by foreign companies.

**Option 3** would be a wholesale revision of the role of the designs system in Australia's IP law, including consideration, in particular, of the need for unregistered design protection, and the scope of design protection (including the scope of secondary liability) in the context of technological developments such as 3D scanning and printing. This would also involve consideration of whether protection should be extended to **partial designs** and whether **virtual or non-physical designs** (such as screen displays and icons) should themselves be treated as products.

The attractiveness of Option 3 turns on whether the policies reflected in the 2003 Act still make sense. Some overseas jurisdictions have moved beyond the logic of design registration to embrace, for example, unregistered anti-copying rights in designs, or full copyright protection for all artistic works regardless of 'industrial application'. Other jurisdictions provide registered design rights that are broader than the rights available in Australia. Some jurisdictions for example allow designers to identify features they claim in a way that is much less tied to 'industrial products' – allowing, for example, claims for partial products (a particular handle, regardless of the shape of the cup; a particular GUI or icon, regardless of the overall shape or impression of the phone, tablet or laptop on which it will be used). In some systems infringement is not confined to cases where the design has been used on the registered product.

Feedback to this review suggests that the current Australian system is expensive for what it offers, and is, as a result, neglected by designers who find it doesn't offer the rights they need. The question is whether the Australian designs system is so restrictive that it fails to encourage innovative design in Australia. A further question is whether providing more extensive options for the legal protection of designs would have greater benefits for Australia than costs. Extensions to the Registered Design Rights system would benefit international applicants (whose use of the system is increasing) as well as Australian firms. The creation of unregistered design rights would require adjustments to commercial practice in Australia and impose costs on a very wide range of Australian businesses. ACIP has also received feedback, particularly through the roundtables, to suggest that many Australian designers and design firms are not presently well-educated in intellectual property law. Arguably, there is little point in significantly expanding the legal options for designers without simultaneously ensuring that Australian designers have the legal knowledge and resources to take advantage of any new rights.

In sum, ACIP does not presently have evidence sufficient to suggest that wholesale change would be in the national interest. ACIP envisages that Option 3 would involve consideration, not only of the designs system *per se*, but how it interacts with other systems: most obviously the copyright system, but also standard and innovation patents and other systems such as 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 in



the field of design, as well as more information on the operation of systems, such as those in operation in some European countries, which do not exclude industrial design from the copyright system. Such a review ought to be undertaken by specialist intellectual property economic, business and legal analysts.

# Introduction

## 1. INQUIRY PROCESS

### 1.1. Advisory Council on Intellectual Property

The Advisory Council on Intellectual Property (ACIP or the Council) is an independent body appointed by the Australian Government to provide advice to the Minister for Industry and IP Australia on matters relating to Australia's intellectual property (IP) system and the administration of the system by IP Australia. Members of the Council are drawn from the business and manufacturing sectors, the patent attorney and legal professions, government, the tertiary and research sectors, and technology and commercialisation groups.

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

### 1.2. Background to the review

The current designs system has been in operation since the commencement of the *Designs Act 2003* 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.

### 1.3. Terms of Reference

In May 2012, the then Parliamentary Secretary for Industry and Innovation, the Hon Mark Dreyfus QC MP, directed that ACIP 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.*

These terms of reference focus specifically on the operation of the *Designs Act 2003* and the ways that the Act could be improved.

### 1.4. The ACIP inquiry process

The target audience for the review is all users of the designs systems, 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 C provides a list 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 D).

Two research projects on the operation of the design process were conducted in early 2014 by the Intellectual Property Research Institute of Australia in conjunction with IP Australia.<sup>1</sup>

## 1.5. Forward consultation

ACIP is committed to engaging with stakeholders at each stage of the review process. This Options Paper presents and draws out implications from the best available evidence. Responses to this Option Paper will inform ACIP's deliberations.

ACIP invites any interested parties to make a written submission in response to this Options Paper. Where possible, submissions in electronic format are preferred. By making a submission, you provide your consent to your personal information being handled in accordance with the privacy notice below and the ACIP Privacy Policy.

Submissions should be sent to:

Sharon Thomas  
Secretariat  
Advisory Council on Intellectual Property  
PO Box 200  
WODEN ACT 2606  
Email: [mail.acip@ipaaustralia.gov.au](mailto:mail.acip@ipaaustralia.gov.au) Telephone: 02 6283 2582

The closing date for submissions is **23 January 2015**.

## 1.6. Privacy notice

Information collected by the Advisory Council on Intellectual Property (ACIP) from submissions to a consultation or review process, including any personal information, will be used for the purpose of conducting the consultation or review of the designs system. All personal information you provide in your submission is protected by the *Privacy Act 1988* (Privacy Act).

### **If you do not request confidentiality**

The information in a submission, including any personal information, may be published on ACIP's website unless confidentiality is requested.

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<sup>1</sup> See more information on the IPRIA research projects at 3.1.

Once information is available on the internet, it is accessible world-wide and may be collected by overseas entities. When you provide your consent to your personal information being disclosed to overseas recipients, you understand that ACIP will not be accountable for any subsequent use under the Privacy Act, nor are you able to seek redress under that Act, for the actions of any overseas recipient.

Even if not published, copies of your submission may be provided on request to third parties. Copies of your submission may also be provided to government agencies, including but not limited to IP Australia and the Department of Industry for the purposes of the review.

As far as your personal information is concerned, do not provide your home address or other details to us if you do not want it published online or available to third parties. You can provide a post office box or other valid address if you want to keep your home address private.

### **If you request confidentiality**

You may make a submission on a confidential basis. This means that we will not publish your submission on our website or provide it to any requesting third parties. We will, however, use and disclose your submission, including any personal information, for the purposes of the review within ACIP, IP Australia and the Department of Industry.

Alternately, you may provide your submission anonymously or pseudonymously. You should be aware, however, that there may be instances where we cannot respond to you if you do not provide contact details or sufficient information.

ACIP will not otherwise use or disclose your personal information without your consent, unless authorised or required by or under law.

The ACIP [Privacy Policy](#) further explains how we handle personal information; how you may access and seek correction of your personal information; how we handle privacy-related complaints; and the details of the Privacy Contact Officer.

By making a submission, you provide your consent to your personal information being handled in accordance with this privacy notice and the ACIP [Privacy Policy](#).

## 2. THE AUSTRALIAN DESIGNS SYSTEM

### 2.1. Principles of an efficient IP system

The economic goal of the IP system is to aid the process of innovation and thereby raise the well-being of the population. An efficient and effective IP system is one of several policy responses to what economists call the 'market failure' of the innovation system. This market failure principally arises from the inability of the owners of new ideas and creations to re-coup their upfront investment costs due to the technical ease of imitation. In economic parlance, the unregulated market may fail to deliver the socially optimal level of knowledge or idea-intensive products for consumers. The right to exclude other parties from using an idea or creation provides opportunities for the owner to recoup their investment costs through exclusive exploitation of their idea or creation. IP rights thus provide an incentive for desirable innovation.

However, IP systems also impose costs on society and IP law and practice must strike a balance. It must be sufficiently strong to prevent excessive copying and thus encourage adequate financing and investment, but must not be so restrictive that it acts as a barrier to further innovation through the free flow of ideas. Imitation and copying is one of the main ways learning and technology transfer takes place; they arguably underpin a substantial part of productivity growth over time.

Governments should only grant property rights if it can be shown that these rights are necessary to ensure the supply of idea or creation-intensive products that consumers value. The aim of IP rights is not to enhance business profits per se, but to enable business to meet the needs of consumers at lower cost and in a higher quality manner.

In order to justify a system of IP rights, the IP system should be as efficient as possible. In practical terms this Review recognises the following features of an efficient IP system:

1. Simplicity – to understand and use
2. Low cost – to enhance access by small entities
3. High threshold – to exclude incremental change
4. Harmonised – to encourage imports and exports and limit confusion across IP types
5. Certain – to instil confidence for investors and clarity for competitors

### 2.2. What is a registered design and what does it protect?

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, and, as the ALRC noted back in 1995:<sup>2</sup>

*'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.'*

The concept and role of design goes even further as business processes can also be the subject of design innovation.<sup>3</sup> However, the *Designs Act* does not claim so broad an operation. Broader

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<sup>2</sup> At 2.8: <http://www.alrc.gov.au/inquiries/designs/> / <http://www.alrc.gov.au/report-74>, accessed 27 November 2014.

<sup>3</sup> ACIP received at least one submission 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.

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.

Registered 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. Notably, Registered Design Rights are not intended to provide legal protection for function<sup>4</sup> – that is the role, in Australia, of both standard and innovation patents.

Registered Design Rights give a designer an exclusive right to exclude other parties from using or imitating their design on the registered products for a set period of time. A registered design provides the owner protection for the visual appearance of the product but not the feel of the product, what it is made from or how it works. Design registration 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 2003* and the *Copyright Act 1968* (the relationship between copyright and designs is discussed further below at 4.5).

### 2.3. Rationale for the designs system

New and distinctive product designs can be valuable. A design that is different to existing products, whether because it makes a product more attractive, or 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 in its 1995 report:

*'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.'*

As noted above in section 2.1, governments should only grant property rights if it can be shown that these rights are necessary to ensure the supply of design-intensive products that consumers value. 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 through the free flow of ideas.

### 2.4. 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.<sup>5</sup> 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.<sup>6</sup> 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.

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<sup>4</sup> Designs Act 2003 Section 7(2). A visual feature may, but need not, serve a functional purpose.

<sup>5</sup> See: <http://www.alrc.gov.au/report-74>, accessed 27 November 2014.

<sup>6</sup> 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 27 November 2014.

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,<sup>7</sup> the 2003 Act reduced the maximum term from 16 years to 10 years, reflecting the international minimum term.<sup>8</sup>

The main changes are summarised below (see Appendix E for further details. Appendix F gives more information on the current design protection process).<sup>9</sup>

**Table 1: Comparison of the 1906 and 2003 Acts**

	<i>Designs Act 1906</i>	<i>Designs Act 2003</i>
Reducing the Term	Registration up to <b>16 years</b>	Registration up to <b>10 years</b>
Raising the eligibility/threshold requirements	Design must be <b>new or original</b> Prior art base consists of documents published <b>in Australia and acts done in Australia</b> publicly disclosing the design.	Design must be <b>new and distinctive</b> Prior art base consists of documents published <b>anywhere in the world and acts done in Australia</b> publicly disclosing the design.
Streamlining the registration process	Eligibility of a design is considered in the light of <b>differences</b> between the design and the prior art base. Application is <b>fully examined</b> before being registered. Only <b>one design</b> per registration. The owner of a design may bring an action for infringement <b>once the design is registered</b> .	Eligibility of a design is considered in the light of <b>similarities</b> between the design and the prior art base. Application registered following a formalities check <b>without substantive examination</b> . Possible to have <b>more than one design</b> per application. The owner of the design may bring an action for infringement <b>only after the registration has been examined</b> and a Certificate of Examination issued. Higher fees for registration <sup>10</sup>
Expanding the scope of rights	For infringement, a design needs to be an <b>obvious or fraudulent imitation</b> of a registered design. There is <b>no defence</b> in relation to manufacture of spare parts meaning spare parts must be produced with permission from the holder of the design right.	For infringement, a design must be <b>identical or have a similar overall impression</b> to a registered design. <b>Defence</b> for the manufacture of spare parts, meaning spare parts can be produced without permission from the holder of the design right.

<sup>7</sup> 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_agm0_e.htm/).  
[http://www.wto.org/english/tratop\\_e/trips\\_e/t\\_agm3b\\_e.htm#4](http://www.wto.org/english/tratop_e/trips_e/t_agm3b_e.htm#4), accessed 27 November 2014.

<sup>8</sup> *ibid.*

<sup>9</sup> 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 27 November 2014.

<sup>10</sup> 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.

## 2.5. 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.<sup>11</sup> 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.

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<sup>12</sup> 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.<sup>13</sup> 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,<sup>14</sup> 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.

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<sup>11</sup> 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.

<sup>12</sup> *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.

<sup>13</sup> This is still less than either the Madrid Protocol (91 members) or the Patent Cooperation Treaty (148 members).

<sup>14</sup> 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.



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.

# Substantive Issues

The 2003 Act, and the 1995 ALRC report which preceded it, reflected a clear policy choice: to retain the basic form of design protection as a limited right, acquired through registration only, and directed to protecting appearance rather than function. ACIP has been asked to review the operation of the 2003 Act and determine whether it can be improved. It has also been asked to consider any 'new opportunities for enhancing the Act's effectiveness and efficiency'. ACIP has undertaken the review bearing in mind that the Australian Government has directed that administrative processes associated with government be reduced so far as possible.

The issues raised in this review, by the terms of reference and the submissions and input we have received, can be divided into **three broad types**:

1. **Assessment:** what evidence do we have about the operation of the 2003 Act? Did the changes in the 2003 Act have any measurable impact?
2. **Clean-up (legal operation of the 2003 Act):** how have the 2003 Act changes been interpreted, and have there been any unintended consequences? Are there any matters of detail that should, and could be fixed, assuming that the basic policy decisions reflected in the 2003 Act are sound?
3. **Reconsideration:** are there grounds for reconsidering any of the policy decisions reflected in the 2003 Act? For example, have there been any changes in technological, economic or industrial conditions suggesting that policy decisions in the 2003 Act should be revisited?

On the third of these, the policy decisions reflected in the 2003 Act can be divided into two types. The first type is matters of detail: the presence or absence of a grace period, or deferral of publication. These kinds of policy decisions could be revisited in light of international trends towards harmonisation and having regard to the interests of Australian designers and bearing in mind that international harmonisation may not always be in the interests of Australian designers. The second type relate to the nature of legal protection for design; whether only registered rights should be provided, what kinds of designs or products should be protected, and how broadly the exclusive rights should be framed.

Part 3 provides information relevant to an assessment of the impact of the 2003 Act. Part 4 considers whether certain parts of the 2003 Act are operating as originally intended. Part 5 considers whether any of the policy decisions in the 1995 ALRC report or 2003 Act should be reconsidered.

## 3. ASSESSING THE IMPACT OF THE 2003 ACT

### 3.1. 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**',<sup>15</sup> 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

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<sup>15</sup> [Explanatory Memorandum](#) to the Designs Bill 2002 (Cth) 2, accessed 27 November 2014.

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.<sup>16</sup>

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<sup>17</sup> 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.

### **3.2. 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.

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<sup>16</sup> 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.

<sup>17</sup> See Table 1 above, page 11.

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

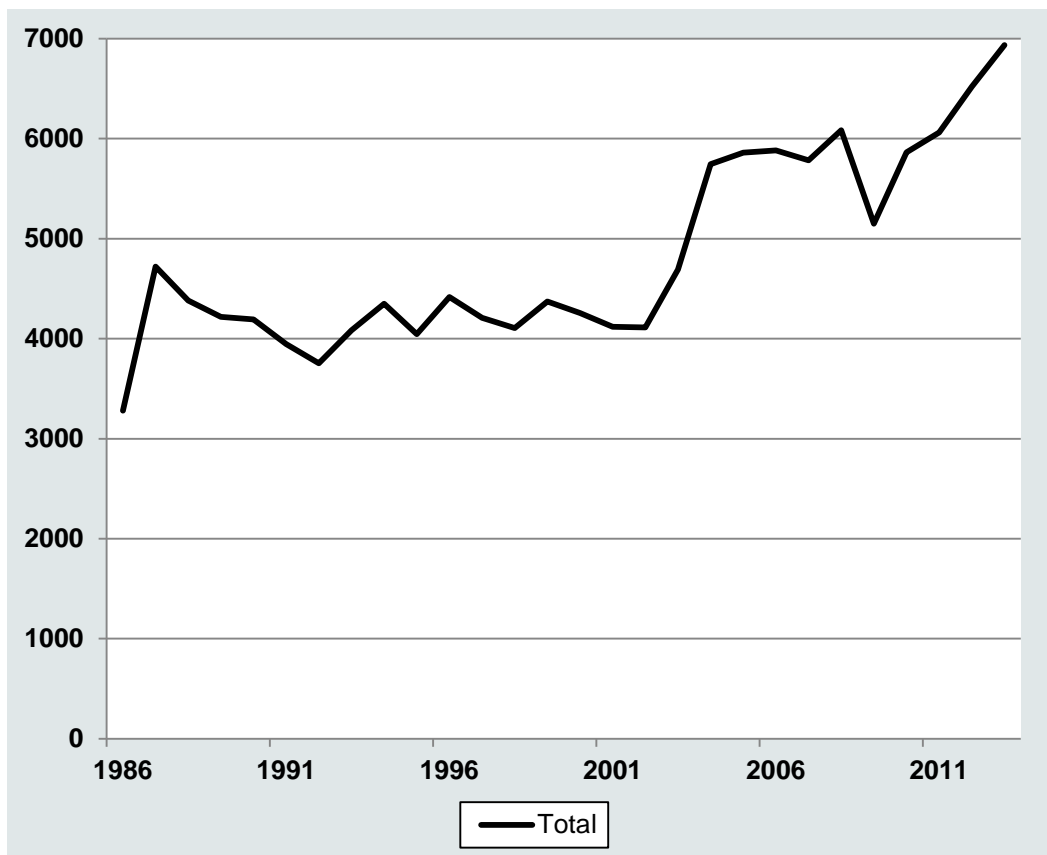


Figure 2: Design applications by country of applicant, 1985 to 2013

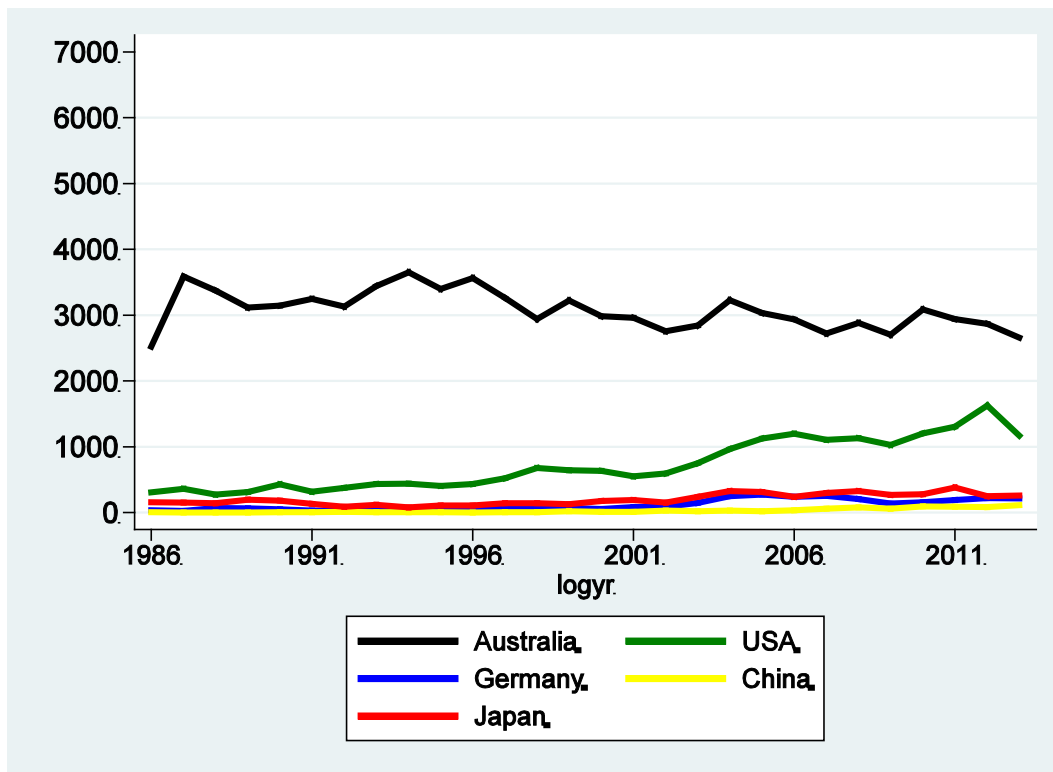


Figure 3: Design applications to IP Australia by companies and individuals, 1985 to 2013

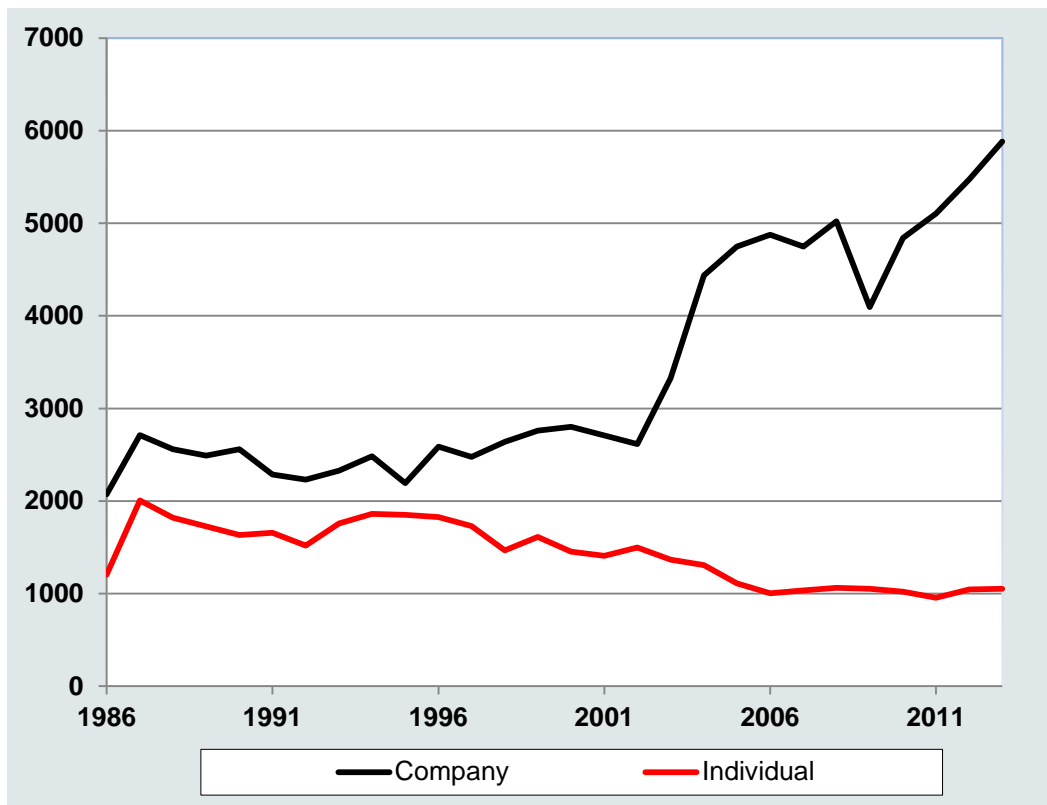
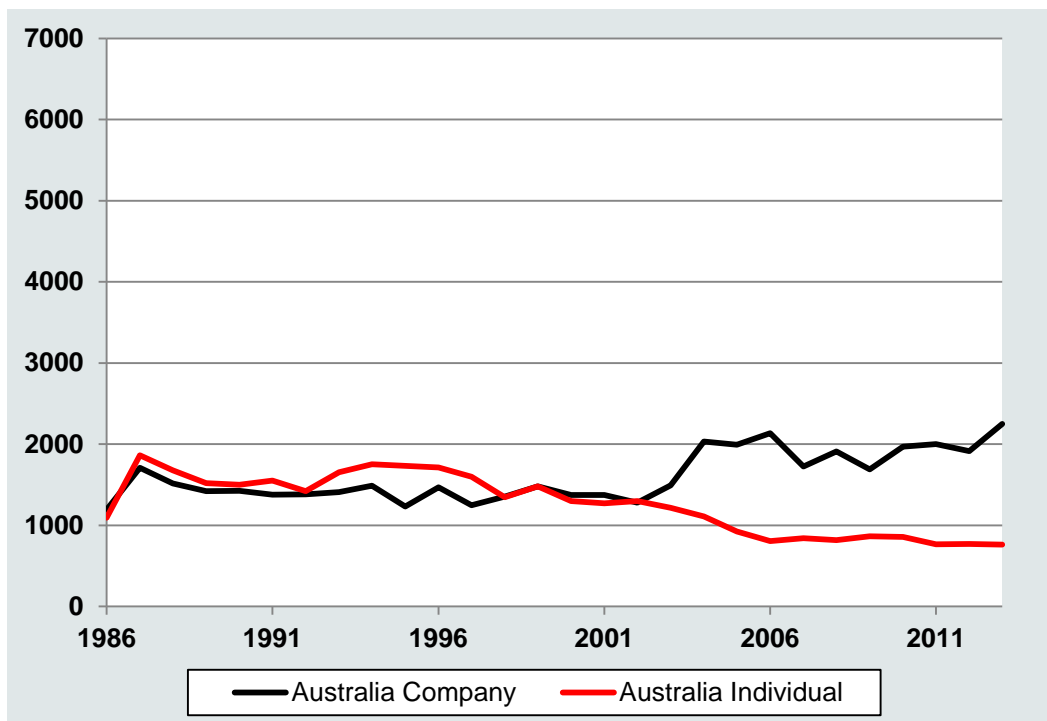


Figure 4: Design applications to IP Australia by Australian resident companies and individuals, 1985 to 2013



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.

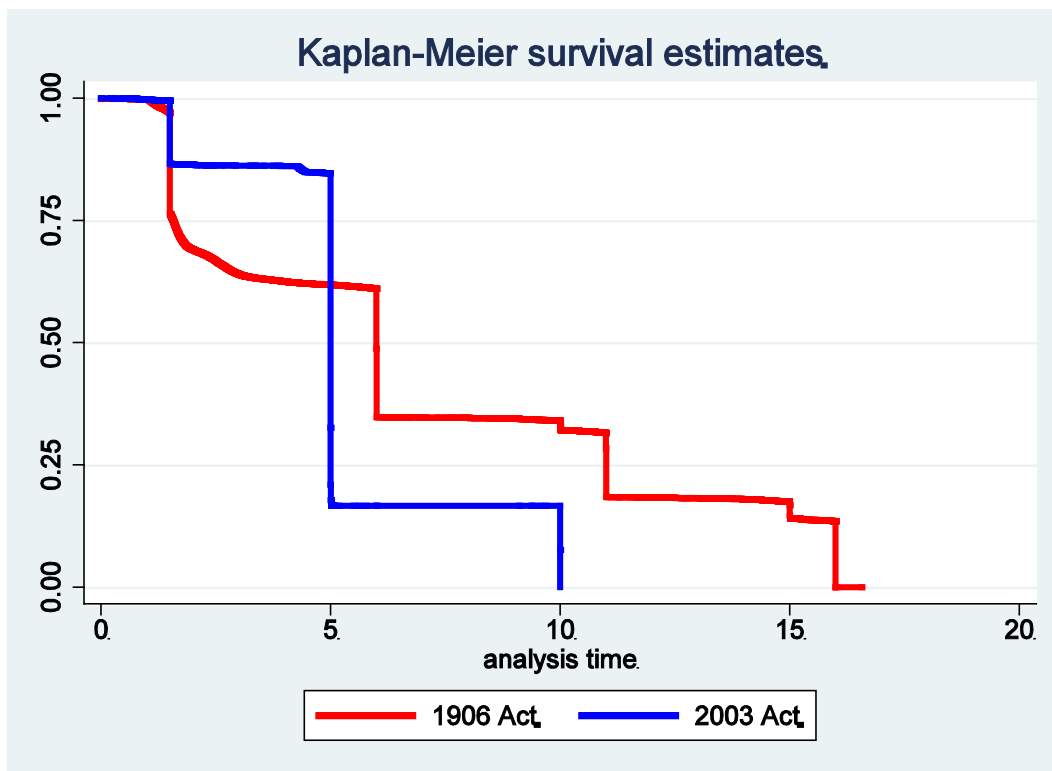
**Table 1: Trend in the number of applications by type of applicant, 1986 to 2013**

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 <sup>1</sup>	1.3	11.7
Australian companies – small <sup>1</sup>	-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.

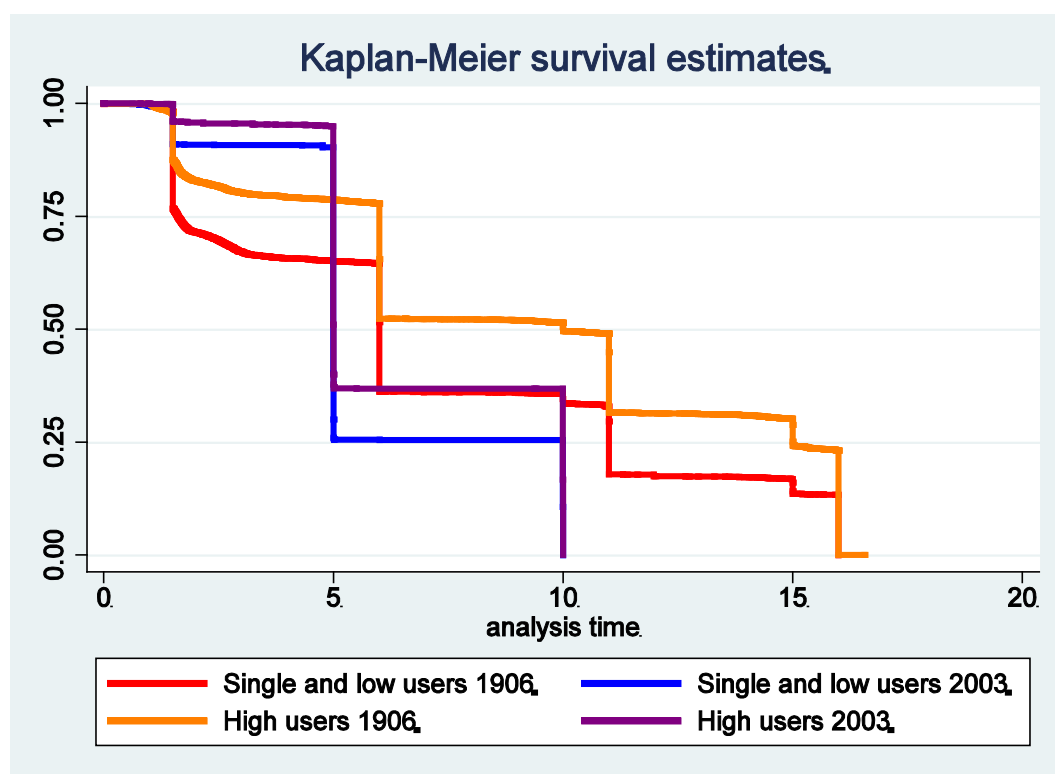


Note: \* Australian applicants are defined as applications with an Australian address.  
Source: IP Australia Design database.

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).<sup>18</sup> 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

<sup>18</sup> 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 27 November 2014.

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 <sup>1</sup>	2003 Act <sup>2</sup>	Significant difference? * 10%, ** 5%, *** 1%
	Mean	Mean	
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 \$) <sup>3</sup>	51,054	71,736	*
Number of design applications at IP Australia (annual No.) <sup>4</sup>	1.13	1.49	*
Number of design applications at foreign IP office (annual No.) <sup>4</sup>	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.

### 3.3. 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.<sup>19</sup>

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 <sup>1</sup>	2003 Act <sup>2</sup>	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 (\$) <sup>4</sup>	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.

### 3.4. 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:<sup>20</sup> 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

<sup>19</sup> See fn 10 above.

<sup>20</sup> 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.<sup>21</sup>

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 <sup>1</sup>	2003 Act <sup>2</sup>
	%	%
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 <sup>1</sup>	2003 Act <sup>2</sup>	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.

<sup>21</sup> see also <http://www.acip.gov.au/reviews/options-review-postgrant/> at 8.1, accessed 27 November 2014.

### **3.5. 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.

## **4. IS THE 2003 ACT OPERATING AS INTENDED?**

ACIP has examined whether the legal mechanisms of the 2003 Act are operating as intended, or whether anomalies or unexpected consequences have arisen in the operation of the Act. This section discusses ACIP's findings to date on:

1. The streamlined registration processes;
2. Multiple design applications;
3. The raised threshold of newness and distinctiveness, and the Statement of Newness and Distinctiveness; and
4. The copyright-design overlap.

### **4.1. Minor corrections and changes**

In addition to matters discussed below, a number of submissions identified a series of anomalies, drafting errors and inconsistencies in the 2003 Act. These anomalies, along with proposed fixes, are listed in Appendix A. ACIP considers that these inconsistencies should be corrected.

### **4.2. The legal process**

A key change under the 2003 Act was from a system where registered rights only issued following substantive examination, to one where registration occurs following only a formalities check. Under the 2003 Act, substantive examination occurs only on request, and a design application need not be examined before registration or until the owner wishes to enforce the rights. To the extent that this change was intended to reduce costs for design owners, the evidence is considered above.<sup>22</sup> ACIP has not found clear evidence of cost savings.

One consequence of the new system under the 2003 Act is that the Register includes a number, potentially a large number, of design registrations that would not have survived examination and been registered under the old Act. Figure 5 in Section 3.2 indicates that only 20% of registered designs are renewed at the 5 year renewal deadline. Therefore, the renewal step has the effect of significantly reducing the number of registered designs and therefore "cleaning the Register". It is not clear what percentage of the renewed registered designs would have survived examination and been registered under the old Act.

The risk with this new system is that it can cause confusion among users and others: as with ACIP's recent review of a similar process for innovation patents, there is potential for other design owners and others in the market to be confused as to the status of rights which exist on registration. 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. The Issues Paper asked whether the process under the 2003 Act was confusing.

ACIP does not have direct evidence on this point from people who are not regularly engaged with the designs system. Stakeholders who submitted evidence expressed a variety of views. Some IP professionals indicated that clients don't understand the process and don't know the difference between a registered design and a certified design; however, others indicated that it is very clear for those experienced in IP, and an individual user suggested that most people are intelligent and know

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<sup>22</sup> Part 3.3 page 22.

the process. An IP professional indicated that the multi-step process was popular with clients as only those that need to enforce their designs need to pay for examination. As with ACIP's recent review of the Innovation Patent, many submissions suggested a change in the terminology, on the basis that many people believe 'registered' rights are enforceable.

This question was also considered in the survey through a number of questions designed to test understanding. The results suggest the terminology of 'registration' is causing some confusion. People registering under the 2003 Act were more likely to believe that only registration was needed before court proceedings were issued (which is not true).

**Table 6: Understanding of legal rights, Australian design applicants under the 1906 and 2003 Acts**

Survey question	1906 Act <sup>1</sup>	2003 Act <sup>2</sup>	Significant difference
	Mean	Mean	* 10%, ** 5%; *** 1%
Once our survey design is registered we can go to court (1=disagree; 7=agree)	2.596	3.067	**
Registered designs do not have legal protection until they pass examination (1=disagree; 7=agree)	3.275	3.083	

Notes: 1. Application period 1 January 2002-17 June 2004; 2 Application period 18 June 2004 – 31 December 2005.

Sample=283.

Source: Designs Review Survey 2014.

This uncertainty around terminology is undesirable. **The terminology should be changed to avoid confusion** in the marketplace, such as by calling unexamined designs 'Design Applications' (rather than 'Registered Designs').

Should examination be compulsory? ACIP has not heard a strong view from stakeholders that requiring examination only when enforcement is required is problematic in the designs system. A suggestion was made that as only 20% of registrations are examined, these are thoughtfully requested, mandatory examination is not required – those that require certification are already requesting examination. However, despite efforts to do so, ACIP has not been able to obtain evidence from designers who are not engaged with the designs system. ACIP also notes that allowing unexamined registrations to remain on the Register does create uncertainty for third parties. The justification for removing substantive examination was to allow companies an opportunity to determine which designs they intend to market and which designs have some longevity in the market. Five years may be sufficient time for this process. Consistent with its recent approach in the *Innovation Patents Review*, ACIP considers that allowing unexamined registrations to remain on the Register for a full term of 10 years (or longer, if the term is extended) is not justified, even though Figure 5 in Section 3.2 shows that the 5 year renewal step has a significant "cleaning" effect of the register.

ACIP's tentative view therefore is, consistent with the *Innovation Patents Review*: **renewal should only be possible for certified designs**: at, or before, the five year renewal the design applicant should be required to request certification of their design(s), in order to further remove clutter from the Designs Register.<sup>23</sup> If, as discussed further below, Australia were to join the Hague Agreement and, as a result, extend the maximum term of Registered Design Rights to 15 years, it would be even more important to require certification.

<sup>23</sup> See: <http://www.acip.gov.au/reviews/all-reviews/review-innovation-patent-system/>, accessed 27 November 2014.

There is currently no provision in the Act for opposition to design registrations: and little need for such a process, because certification will mostly be obtained in anticipation of court proceedings for enforcement thus providing an immediate opportunity for testing the validity of the registered design. ACIP considers that if compulsory examination is introduced, and particularly if the term of protection is extended as discussed below, introduction of a process for opposition to the registration of a design should also be considered. 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 registered design rights. For Small and Medium Sized Enterprises, it may be better to have a large company challenge them at the opposition stage and argue in that context rather than having to fight issues out in the Federal Court. An opposition process could also potentially assist in the development of the jurisprudence around some of the concepts in the 2003 Act which are still unclear in the absence of court decisions on the 2003 Act. ACIP anticipates that procedures for oppositions could be adopted and adapted from existing opposition processes for other rights. Introducing both compulsory certification and opposition would have some implications for staffing and pendency rates at IP Australia. 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 Act similar to s101P of the *Patents Act 1990* (Cth).

In the Issues Paper, ACIP asked whether there is a continuing need for publication and the current regime of requesting registration or publication. ACIP notes that the process of publication has not been much used. Most submissions did not deal with the issue; of those which did more suggested removing the process altogether. **ACIP is inclined to recommend removal of the option of publication from the process.**

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

Another change under the 2003 Act was to the eligibility threshold for design protection: instead of requiring that a design be ‘new or original’, the 2003 Act requires that the design be ‘new and distinctive’. The change was intended to raise the threshold for obtaining design protection. An accompanying change was to allow applications to submit an optional “Statement of Newness and Distinctiveness” (SoND) which identifies visual features of the design that are new and distinctive. The SoND replaced the ‘statement of monopoly’ under the 1906 Act, which defined the scope of monopoly claimed. In considering the distinctiveness of a design, and whether a subsequent design is ‘substantially similar in overall impression’ and hence anticipates or infringes the design, an examiner or court is required to have particular regard to the features identified, and/or the particular part of the design emphasised, in the SoND.<sup>24</sup>

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 s 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.

On the basis of this evidence, ACIP considers that the threshold should not be changed at this time; unlike some of the interpretations of the threshold for Innovation Patents, submissions to this

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<sup>24</sup> 2003 Act, s 19



review suggest that the results being reached in the courts in the limited case law to date have not caused serious problems.

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.<sup>25</sup> ACIP considers that although practice in drafting of SoNDs may be inconsistent, that it is better to retain some capacity for applicants to identify new and distinctive features of their design. ACIP does not believe that the SoND should be made compulsory.

There was particular criticism of the fact that SoNDs cannot be effectively amended after registration, such as during certification. ACIP would however be concerned if amendment of a SoND were to have the effect of making the scope of the design right broader than it was before. For example, if the original application did not contain a SoND, but during certification the applicant sought to include a SoND which identified only certain features of the design as being new and distinctive, that could have the practical effect of broadening the rights, since the court would then be asked by the registered design owner to discount other features in a defendant's design when assessing infringement of the registered design. It is difficult to imagine any amendment of the SoND which would be desirable after registration (for example to avoid prior art) but which would not expand the scope of rights associated with the design under the current provisions of the 2003 Act.

At the moment, it seems that registrability and infringement are coupled in relation to SoNDs, with amendments made to a SoND potentially broadening a registered design and having an adverse, unfair impact on infringement assessment. Section 71 of the 2003 Act defines infringement in terms of an alleged infringement embodying '*a design that is identical to, or substantially similar in overall impression to, the registered design*'. Thus, Section 71 is an instruction to look at the '*overall impression*' of a registered design. Intuitively, this assessment is a different assessment of a design to an assessment required of a SoND that defines that newness and distinctiveness resides in particular features of a design that distinguish the design from the prior art. Decoupling SoNDs from assessment of infringement would overcome concerns about post-registration amendments to SoNDs to avoid prior art. However, ACIP considers that such decoupling may require significant changes to the 2003 Act.

**ACIP therefore currently considers that the current system of allowing amendment of the SoND only up to the point of registration should be retained.**

#### **4.4. Multiple design applications**

The 2003 Act allowed 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 (considered further below). 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.<sup>26</sup> ACIP understands that this reflects the practice in many other jurisdictions.

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<sup>25</sup> Citing *LED Technologies Pty Ltd v Elecspeess Pty Ltd* [2008] FCA 1941 (SoND influential) versus *Review v Redberry* [2008] FCA 1588 (court focused on certain aspects of design even without SoND); *Multisteps Pty Ltd v Source and Sell Pty Ltd* [2013] FCA 743 (SoND referred to dotted lines, which court held could not be disregarded; SoND therefore of minimal effect).

<sup>26</sup> ALRC, recommendation 89.

ACIP has received evidence that the system for multiple applications is not working as intended. A key problem is that while multiple design applications are allowed, IP Australia charges the same fee for each additional design as is charged for a new application for a single design: as a result, there is no cost advantage to filing a multiple design application. In addition, ACIP understands that a multiple design application results in separate design registrations for each design in the multiple application (with the Designs Office making the determination of the number of designs) and a renewal of each separate registration is required.

ACIP considers that the costs of multiple applications and the renewal of registrations resulting from multiple applications should be reviewed and compared to approaches in other jurisdictions, and that steps should be taken to reduce the costs of applications and renewal of registrations made this way. This may involve stricter eligibility requirements for multiple applications as exist in other jurisdictions.

**ACIP considers that substantial reductions in at least the filing fees for multiple applications** could provide significant encouragement for increased use of the design registration system by Australian industry sectors, such as the clothing industry sector, that produce multiple designs each year that have significant potential commercial value that is not immediately realised.

## 4.5. The copyright/design overlap

Another area of (perennial) confusion around design law is how it interacts with other IP systems: particularly copyright. The copyright/design overlap provisions of the *Copyright Act 1968* and the *Designs Act 2003*<sup>27</sup> implement a policy of limiting copyright protection for artistic works (such as drawings) which are designs for the shape of mass-produced products, so that exclusivity in mass-produced goods can only be obtained under designs law or, if sufficiently inventive, through patent. 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' have, by successive governments, been considered unsuitable for mass-produced items.<sup>28</sup>

Where the copyright/design overlap provisions apply, a person wanting exclusive rights to make and sell three-dimensional products of some particular design cannot rely on copyright in any underlying drawings or models, but must register a design. The provisions do not eliminate copyright protection entirely: reproducing drawings in two-dimensional form (such as in a poster) without permission is an infringement of copyright.<sup>29</sup>

The policy is not meant to apply to the exploitation of an artistic work in two-dimensional form (for example, printed on T-shirts). The basis for this distinction is the view that both copyright and design protection should be available for an artistic work applied as a two-dimensional decorative design, since, used this way, an artistic work 'retained its essential character as an artistic work'.<sup>30</sup> Thus the copyright-design overlap provisions do not apply where an artistic work is applied as surface ornamentation. Section 18 of the 2003 Act creates an exception to the usual rule of publication, so that use of an artistic work protected by copyright (other than by selling three-dimensional products) will not prevent a corresponding design from being new and distinctive.

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<sup>27</sup> *Copyright Act 1968* (Cth) Part III div 8; *Designs Act 2003* (Cth) s 18.

<sup>28</sup> Janice Luck, 'Section 18 of the *Designs Act 2003*: the neglected copyright/design overlap provision' (2013) 23 *Australian Intellectual Property Journal* 68, 68.

<sup>29</sup> Unless the reproduction of the drawings is incidental to the production of the three-dimensional item: see *Copyright Act 1968* (Cth) s 77A.

<sup>30</sup> Luck, note 28, 80, citing Franki Committee (Design Law Review Committee), Report on the Law Relating to Designs (First Term of Reference) (1973) [269]–[270]; ALRC at [17.7].

These policies and provisions are complex. An example may help to clarify at least the basic intent and operation of these rules.

Imagine that B creates a drawing of a bicycle, sufficiently different from existing bicycles that it could be new and distinctive. B's drawing is an artistic work in which copyright subsists (for the duration of B's life, plus 70 years). B can sell prints of her drawing, or sell plates with the bicycle printed on them without losing copyright. B can prevent others from selling prints of her drawing, and prevent others from making bicycles in the same shape as that shown in her drawing (because a three-dimensional version of a two-dimensional work is a 'reproduction' prohibited by copyright). B can even sell her prints and plates and *then* register the shape of the bicycle as a registered design (under s 18 of the 2003 Act). *But* if B starts making and selling *bicycles*,<sup>31</sup> B will lose her ability to rely on copyright to prevent others from making similar bicycles. Failure to register a design means there is no protection under either copyright *or* design law.<sup>32</sup> If B wants to be the exclusive maker of the bicycles, she should register a design *before* entering the bicycle market.

Australia's rules on the copyright/design overlap have been described as contentious and unsatisfactory.<sup>33</sup> The law has been repeatedly amended over time as 'loopholes' have emerged through the case law. There are currently two main ways to avoid the impact of the copyright/design overlap provisions.<sup>34</sup> Since a party who has failed to register a design has few other options for stopping copyists *other* than to try to claim copyright, both have been the subject of litigation and some uncertainty:

1. The overlap provisions do not limit copyright in works of artistic craftsmanship, since it was considered that copyright, rather than design law, provided the appropriate protection for such works.<sup>35</sup> It is, however, not always clear when something will qualify as a work of artistic craftsmanship, and it is often argued that some intermediate stage in the production of an industrial product – a model, for example – is a work of artistic craftsmanship even if the final product is not;<sup>36</sup>
2. The overlap provisions are not meant to apply where an artistic work is applied as a two-dimensional surface design. The legislation on this point is, however, complex and has proved difficult to interpret, and the line between two and three dimensional features is not straightforward in practice, for example when designs are embroidered into or worked into products.<sup>37</sup>

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<sup>31</sup> The Act requires that the design be 'industrially applied' – making 50 products or more is deemed to be industrial application, although making less than 50 can, in some circumstances, also constitute industrial application.

<sup>32</sup> Although if the particular design has developed a strong reputation, there may be an action for passing off or breach of the *Australian Consumer Law*.

<sup>33</sup> Luck, see fn 28 above.

<sup>34</sup> A third way previously available was to rely on infringement of copyright in design drawings where the defendant had made their own drawings or copied the claimant's drawings in the course of making three dimensional items: *Muscat v Le* [2003] FCA 1540. This loophole was closed by the introduction of s 77A of the *Copyright Act 1968* (Cth) via the *Designs (Consequential Amendments) Act 2003* (Cth).

<sup>35</sup> Explanatory Memorandum to the Copyright Amendment Act 1989 (Cth), [24].

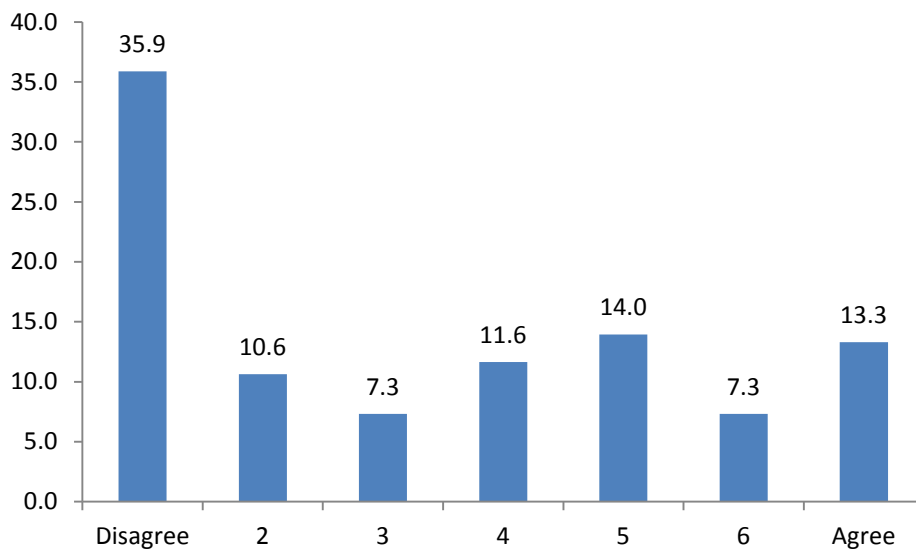
<sup>36</sup> Luck, see fn 28 above, 73-74; see also *Burge v Swarbrick* (2007) 232 CLR 336. The latter case establishes that a work of artistic craftsmanship is one made by an artist-craftsmanship, and must contain a real artistic element, which is less likely the more that the craftsman's choices are constrained by functional considerations.

<sup>37</sup> The copyright/design overlap provisions apply where a *corresponding design*, that is, *visual features of shape or configuration*, has been *embodied* in a product: *Copyright Act 1968* (Cth) s 74. In order to ensure the exclusion of 'tapestries, knitted items and carpets' from copyright, 'embodied' was defined to include visual features 'woven into, impressed on or worked into the product': s 74(2). The Federal Court interpreted the concept of 'embodiment' to require that the product must 'give a material or discernible form to an abstract principle or concept': *Polo/Lauren Co LP v Ziliani Holdings Pty Ltd* (2008) 173 FCR 266. This means, in effect, that features of shape and configuration can only be embodied in a product by making the product in that shape or configuration': *Seafolly Pty Ltd v Fewstone Pty Ltd*

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.

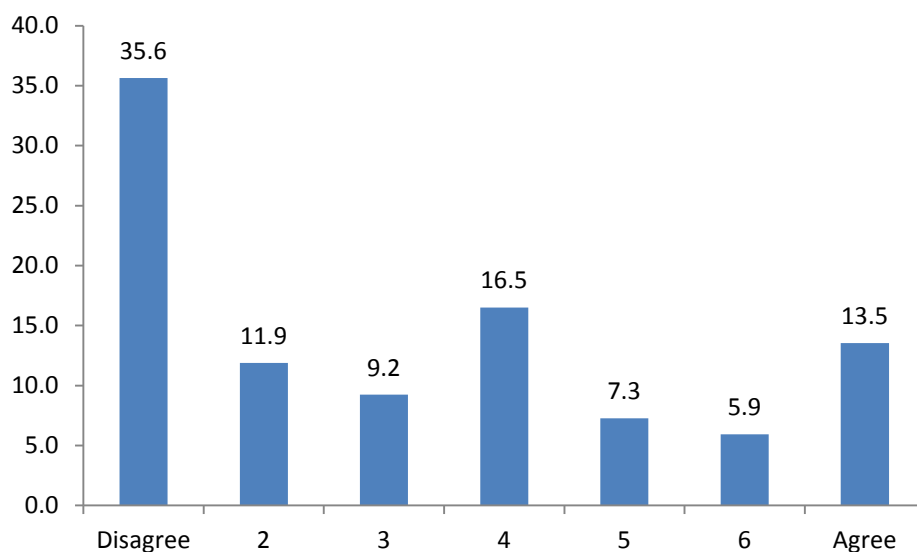
**Figure 7: I am often unclear about whether my designs are covered by copyright or not, percentage (1=disagree; 7=agree)**




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[2014] FCA 321 at [459], citing Luck see fn 28 above. Thus neither Ralph Lauren’s Polo-playing figure Logo, embroidered into shirts, nor decorative smocking stitches applied to garments were corresponding designs as neither the figure, nor the smocking, was ‘embodied in’ the product: *Polo/Lauren Co LP v Ziliani Holdings Pty Ltd* (2008) 173 FCR 266; *Seafolly Pty Ltd v Fewstone Pty Ltd* [2014] FCA 321.

**Figure 8: I am often unclear about whether to apply for a design right or an innovation patent for our new designs (1=disagree; 7=agree)**



**Table 7: Understanding of legal rights, Australian design applicants under the 1906 and 2003 Acts**

Survey question	1906 Act	2003 Act	Significant difference
	Mean	Mean	
I am often unclear about whether my designs are covered by copyright or not (1=disagree; 7=agree)	4.417	4.370	
I am often unclear about whether to apply for a design right or an innovation patent for our new designs (1=disagree; 7=agree)	3.275	3.083	

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 8: Other types of intellectual property rights held by the applicant in respect of the design product**

Other IP right	Number	%
Other formal right		
Copyright	88	23.8
Registered trade mark	122	33.0
Unregistered trade mark	14	3.8
Innovation patent	76	20.5
An overseas design right	51	13.8
Other formal right	19	5.1
No other formal right	82	25.2
Total	326	100.0

Note: Sample=326.  
Source: Designs Review Survey 2014.

In ACIP's view, the current level of confusion is unsatisfactory. There are three broad options for revising the copyright-design overlap:

1. Try to clarify areas in the provisions that are currently uncertain: in particular:
  - Clarify the concept of when a design is 'embodied' particularly in cases at the boundary between two and three dimensions;<sup>38</sup>
  - Confine the exclusion for works of artistic craftsmanship to cases where the final marketed product is a work of artistic craftsmanship, to avoid arguments around prototypes and models.
2. Adopt a different approach to limiting, but perhaps not excluding industrially applied artistic works from the copyright system: for example, limiting copyright protection to a term equivalent to that available under the registered designs system (currently 10 years).<sup>39</sup>
3. Abandoning the policy and allowing the full operation of both copyright and design protection.

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.<sup>40</sup>

ACIP acknowledges that concern about the impact of the copyright/design overlap provisions on sculpture is justified. Loss of copyright protection for a sculpture where 50 or more are made seems excessive and is arguably contrary to the Berne Convention.<sup>41</sup> It might therefore be appropriate to extend the current exclusion of works of artistic craftsmanship to cases where the final product is a sculpture. However, ACIP notes that sculpture is, itself, a category of uncertain scope and, notably, sculptures are not required to have artistic quality. We would therefore in any evidence or views regarding how to extend the exclusion to sculptures without creating a new source of litigation and uncertainty, and a new means for protecting mundane industrial items.

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. This is true: and is, to some extent, recognised by the exclusion of works of artistic craftsmanship. However, it is not necessarily an argument for removing the overlap provisions. First, there would need to be evidence that there are insufficient incentives for such design *and* that *copyright* is an appropriate means to provide such incentives. ACIP has received no such evidence. Further, removal of the overlap provisions would do much more than grant copyright to creative designers: it would potentially extend copyright to the most mundane items of machinery – exhaust pipes, machine parts, and the like – where there is an underlying drawing. Australia has many systems of protection for such products–

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<sup>38</sup> One suggestion for doing so is provided in Luck, above fn 28, 83–84.

<sup>39</sup> Some jurisdictions, like New Zealand (and until recently the UK), provide a limited copyright term for industrially applied designs, as allowed by the Berne Convention art 2(7) and 7(4).

<sup>40</sup> *Copyright, Designs and Patents Act 1988* (UK) s 52, repealed by *Enterprise and Regulatory Reform Act 2013* (UK). The UK government considered that the repeal of s 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 (2<sup>nd</sup> Ch)). While the legislation has passed, the UK is currently consulting on transitional issues.

<sup>41</sup> Note that the UK has long excluded sculptures from the copyright/design overlap provisions for precisely this reason: that there is no exception in the Berne Convention to allow the limiting of copyright to sculpture even if industrially applied.

in particular innovation and standard patents. There is no evidence that copyright is necessary to protect such items or that the benefits would outweigh the considerable costs for third parties.

This is further supported by reference to the full context in dual protection jurisdictions. These jurisdictions often apply a higher standard of creativity or originality for objects of applied art,<sup>42</sup> or exclude or provide only thin protection to visual features that are inseparable from the function.<sup>43</sup> Even in the UK (where these provisions are not yet in effect, making their impact impossible to judge), the EU's harmonised standard of originality which requires that a copyright work be the creator's 'own intellectual creation' could exclude drawings of purely functional items from protection. By contrast, in Australia, 'most artistic works made no more than 70 years ago and which are not mere copies of pre-existing material will qualify for protection in Australia as original artistic works regardless of where the artistic works were made and by whom they were made',<sup>44</sup> and although there are some suggestions in the copyright cases that protection may be limited where the creator's choices are limited, it would be a bold move to assume that these suggestions will be sufficient to ensure that copyright does not entirely take over the field of design and the protection of visual features of products.

The second possibility of limiting copyright term rather than excluding it entirely would effectively introduce an unregistered design right (subject to the fulfilment of the requirements for copyright protection, such as originality), and reduce, but not eliminate, pressure on the copyright-design overlap provisions. Unregistered Design Rights are considered elsewhere in this Options Paper.

**ACIP is minded to adopt the first option, by attempting some clarification of the boundary between 'embodiment' of designs and mere two dimensional reproductions,** although we acknowledge that such clarification will inevitably be difficult to achieve and likely generate more litigation.

ACIP also notes that while the Issues Paper raised the question of the possible overlap between Registered Designs and trade marks, ACIP received no evidence that any overlap was a problem. ACIP is therefore not minded to recommend any reforms in this area.

## 4.6. The Repair Defence

Spare parts for machinery, including cars, may be protected through Registered 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.<sup>45</sup> 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, the repair exception in the 2003 Act provides that it is not infringement of a registered design to use, or authorise another

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<sup>42</sup> Trevor Cook, 'The Cumulative Protection of Designs in the European Union and the Role in such Protection of Copyright' (2013) 18 *Journal of IP Rights* 83. Cook notes for example that France does not protect functional design features where there is no room for personal expression; Germany requires that objects of applied art demonstrate 'considerably above average design skill'.

<sup>43</sup> Lionel Bently, 'The Return of Industrial Copyright?', Cambridge Legal Studies Research Paper Series, Paper No 19/2012.

<sup>44</sup> Luck, above fn 28, 72.

<sup>45</sup> Compare Article 7(2) of the EU Designs Directive, which provides that '[A design] shall not subsist in features of appearance of a product which must necessarily be reproduced in their exact form and dimensions in order to permit the product in which the design is incorporated or to which it is applied to be mechanically connected to or placed in, around or against another product so that either product may perform its function'.

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'.<sup>46</sup> '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 infringement.

Issues around design protection for spare parts were the subject of debate in the ALRC review of the design system and the drafting of the 2003 Act. Under the 1906 Act, spare parts could be registered (and the resulting designs enforced) without restriction. ALRC recognized arguments from consumer groups that design protection reduces competition in the supply of repair and replacement parts, and could adversely affect consumers and exclude potential competitors. The ALRC however considered that assessing the competitive impact of registered designs for component parts was complex, depending on the market power of manufacturers, the nature of the market, and whether there was a separate market for spare parts.<sup>47</sup> The ALRC considered that spare parts should be protected, but that steps should be taken to avoid potential anti-competitive conduct, such as price controls or compulsory licensing. Under the ALRC's recommendation, designs would have been subject to assessment of their anti-competitive effect under a two stage procedure: the Registrar would identify whether a design is a potentially anti-competitive design, and the Australian Competition and Consumer Commission (at the time, the Trade Practices Commission) would assess whether the granting of a design right would have the effect, or be likely to have the effect, of substantially lessening competition in a market.<sup>48</sup>

The government did not adopt this recommendation, deciding instead to allow design registration, but include a defence to allow use of designs for repair. According to the Explanatory Memorandum to the Designs Bill 2002 (Cth),

*'This approach recognises that component parts of a complex product can either be used as original equipment or as spare parts, and seeks to strike a balance between providing an incentive for creative activity in design and enabling competition in the spare parts market. It will provide protection for original equipment use by allowing new and distinctive designs of component parts of complex products to be registrable. However, where design registered component parts are used as spare parts for repair or replacement purposes there would not be an infringement.'*

IP Australia reviewed the operation of s 72 in 2005. It concluded that it was too early to assess the impact of s 72 on industry and consumers, and that there was no case for revisiting the policy balance that the government had attempted to draw in enacting a spare parts exception.

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

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<sup>46</sup> 2003 Act, s 72.

<sup>47</sup> ALRC Report No. 74, 1995, Chapter 16.

<sup>48</sup> ALRC Report No. 74, 1995, Recommendation 165 and [16.25].



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 the 2012 Report of the Commonwealth Consumer Affairs Advisory Council on Sharing of repair information in the automotive industry.<sup>49</sup> The CCAAC examined the supply of automotive repair services to consumers in Australia. Although not concerned with parts, ACIP considers that the report of the CCAAC is relevant to the questions raised here. The CCAAC found that a wide range of automotive repair services are currently available to consumers, and that there appears to be competition in the supply of repair services between independent repairers and dealerships. The CCAAC report emphasised the importance of maintaining competition in the servicing and repair aftermarket, noting that the availability and cost of servicing and repairing vehicles have the potential to have a significant impact on consumers.

The question of design protection for car spare parts is one small element of a wider and more complex set of interrelated industries, which are beyond the scope of the review. ACIP is not in a position to assess competition in the various interrelated markets. Key issues raised by FCAI do not relate to design law or incentives for design, but rather relate to issues of consumer law, both the requirement under the Competition and Consumer Act 2010 (Cth) to retain supplies of parts, and consumer guarantees regarding the quality of goods and their fitness for purpose. 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.

**ACIP does not consider that s 72 should be repealed or amended at this time.** The evidence does not suggest that, on the whole, it is operating in an unsatisfactory way, and considers that FCAI has not suggested that incentives for design are impacted by s 72.

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<sup>49</sup> Available at <http://ccaac.gov.au/files/2011/07/Final-report-on-sharing-of-repair-information-in-the-automotive-industry.pdf>, accessed 27 November 2014.

## 5. RECONSIDERATION OF 2003 ACT POLICIES

A number of issues raised in the Issues Paper and submissions, require reconsideration of specific policy decisions regarding the designs system made by the ALRC in its 1995 review, and/or the government in the 2003 Act. These issues include matters of detail, namely:

1. Should the **term of protection** be longer?
2. Should there be a **grace period**?
3. Should Australian law allow for **deferred publication**?
4. Should **border protection measures** to allow customs seizure of alleged infringing products be extended to registered designs?

As noted earlier, Australia's decisions on some of these questions could depend on the importance placed on international harmonisation. They also include bigger picture issues:

5. Should Australian design law specifically allow for the protection of **'partial designs'**?
6. Should Australian design rights be available for **'virtual' designs** such as those embodied in Graphical User Interfaces or GUIs and screen icons?
7. Should Australia introduce a system of **unregistered design rights**?

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

A move towards international harmonisation will reduce red tape for businesses planning to launch into export markets. Although we do not have information on the export intentions of Australian design intensive businesses, we do have information on their export profile relative to other businesses. According to Table 9, Australian SMEs that use registered designs to protect their intellectual property are three times more likely to export (35.8 cf 11.6 per cent) and claim that their main source of income is derived from overseas markets (8.4 cf 2.7 per cent). Although we do not know whether the exported products include the products embodying the registered design, the fact that a third of all SMEs using registered designs also export means that any change to reduce red tape associated with export will have substantial benefits to Australian business.

Australian firms would not be the only beneficiaries of international harmonisation. International firms will also find it easier to get protection in Australia - which could have the effect of increasing design imports into Australia. This could mean increased competition for Australia firms. This is, however, not necessarily all bad. Current economic thought maintains that productivity differences between businesses are driven by differing degrees of managerial efficiency, not differing levels of physical capital equipment. International trade and the attendant exposure to external competitors is one of the most effective ways to motivate better managerial performance. Accordingly, the more exposed our businesses are to international trade, the greater the stimulus for domestic managers to adopt best practice. Internationally harmonising the Australian design system will encourage more imports of design intensive products which, while introducing further competition for Australia firms, will, it would be hoped, both stimulate the productivity of our design intensive businesses and directly serve the needs of the Australian consumer.

According to the survey results presented in Table 10, 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).

**Table 9:** Characteristics of registered design using SMEs, 2005-06 to 2011-12

Characteristic of SME	Uses registered designs	Does not use registered designs	TOTAL
Exports (1/0)	35.8	11.6	12.4
Main source of income from overseas (1/0)	8.4	2.7	2.9

Note: n=22,707. Pooled dataset.

Source: Australian Bureau of Statistics. Business Characteristics Survey, Business Income Taxation and Business Activity Taxation data

**Table 10:** Nominated export destinations, surveyed design applicants

Country	Freq.	Percent
New Zealand	75	22.1
USA	57	16.8
UK	48	14.2
SE Asia	42	12.4
Other Europe	30	8.9
Other Pacific	24	7.1
China	15	4.4
W Asia	13	3.8
Africa	10	3.0
Other	10	3.0
Canada	9	2.7
NE Asia	5	1.5
S Asia	1	0.3
Total	339	100.0

Note: Sample=326.

Source: Designs Review Survey 2014.

**Table 11:** Export orientation of Australian designs applicants under the 1906 Act and 2003 Acts

Survey question	1906 Act <sup>1</sup>	2003 Act <sup>2</sup>	Significant difference
	Mean	Mean	* 10%, ** 5%; *** 1%
Business regularly applies for overseas design rights (1=disagree; 7=agree)	1.610	1.824	*
Business exports most of its design based products (1=disagree; 7=agree)	1.983	2.143	
Difference in number of design rights filed at IP Australia less foreign office, each year*	0.444	0.724	
Percentage of business revenue from exports (est.)	10.0	8.9	

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.

Many submissions and many of those who attended roundtables were in favour of Australia's participation in international harmonisation efforts. To the extent that there is a growing international consensus on any matters of detail of designs law, this is relevant in determining the

form of Australia’s system. The relevant context for international harmonisation is provided by the **Hague Agreement** and the **Draft Designs Law Treaty**.

To put these issues in context, ACIP sought evidence on the export orientation, and export destinations, for Australian companies engaged with the design system.

The **Hague Agreement** 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. For applicants, the advantage of Hague is that they can file one international application, comply with one set of formalities, in one language, with one set of fees paid to WIPO. Hague has 62 signatories. Signatories include many European countries, but do not, presently, include New Zealand, China, Japan or India (although there are reports that both China and Japan have indicated their intention to join). Singapore and Korea are Members. The US and UK’s membership is in progress. Membership of the Hague Convention requires a certain, minimum level of harmonisation on certain features of the design system. Joining the Hague Agreement would require certain changes to Australian law. Australia is already committed to making ‘best efforts’ to join the Hague system via the Australia-US Free Trade Agreement<sup>50</sup> and the Singapore-Australian Free Trade Agreement, although there is no time limit for that to occur.

The **Draft Designs Law Treaty (DDLT)** seeks to harmonise procedural requirements by providing a ‘ceiling’ on what countries may demand in the registration of design rights. The DDLT is at an advanced stage of drafting. The DDLT would also require changes to Australian law.

Acceding to Hague, or ratifying the DDLT if it remains in substantially its present form, would dictate answers to some of the questions asked in the Issues Paper in this review. The impact is summarised in the Table below, but broadly:

- Acceding to Hague would mean increasing the maximum term to 15 years;
- Acceding to the DDLT if it remains in its present form would mean instituting both a grace period and deferment of publication, with a minimum overall period of six months’ grace period and six months’ deferment.

**Table 12: Comparison of Hague Agreement and Draft Designs Law Treaty**

<i>Relates to</i>	<i>Hague Agreement</i>	<i>Draft Designs Law Treaty</i>	<i>Impact on Australia</i>
Definition of a design	No definition: left to national law	No definition: left to national law	Neither agreement defines what must be protected by registered designs.
Protection of partial designs	Not required but accommodated: Rule 9(2)(b).	Not required but accommodated: Draft Regulations Rule 3(2).	Neither agreement would require change to approach on partial designs, although differences may reduce some of the benefits of the Hague system.
Application Process	Hague Agreement requires rejection to occur within 6 months.	Closed list of items of information that may be required in an application (art 3).	Neither agreement would require a return to substantive examination.

<sup>50</sup> See Article 17.1.5 of the AUSFTA (available from: <http://www.dfat.gov.au/fta/ausfta/final-text/>), accessed 27 November 2014. See also Chapter 13 Article 2.4 of the Singapore-Australia Free Trade Agreement which makes reference to the Geneva Act: <http://www.dfat.gov.au/fta/safta/> / <http://www.dfat.gov.au/fta/safta/SAFTA-chapter-13.pdf>, accessed 27 November 2014.

Multiple designs per application	Yes: Rule 7(v) (up to 100)	Yes: art 3.3	Neither agreement requires multiple design applications; neither prescribes how they are managed.
Term	15 years	n/a	Term would need to be increased if we acceded to Hague.
Threshold for protection	n/a	n/a	Neither agreement fixes the substantive requirements for a valid design
Grace Period	n/a	Would require a grace period of 6 or 12 months.	DLT would require a grace period.
Deferment of publication	Deferment of international application allowed for up to 30 months. Deferment at a national level not <i>required</i> but if no deferment there is a period to allow applicant to withdraw.	Would require deferment of publication at request of applicant for 6 months.	DLT would require deferment of publication for 6 months. Hague does not require deferment. Minimum overall period of secrecy with DLT grace period and deferment is 12 months.

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.

The question however is whether joining Hague, right now, is the way to achieve those goals. Compared to the PCT or Madrid Protocol, the Hague Agreement is relatively rudimentary. It does not have anywhere near the same level of international participation of those systems although membership is increasing. Further, harmonisation of law and filing requirements between Hague countries is much less than would be found in Madrid or the PCT. Requirements for drawings, and the existence or drafting of claims, vary considerably between jurisdictions. This means that while a single application *can* be filed through Hague, variations in the requirements for the application between jurisdictions can be complicated to navigate; an application under the Hague system may 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 national phase. This can reduce the benefits of the single application process. Not surprisingly therefore not all comments were positive about the Hague System.

ACIP notes that joining the Hague Agreement is consistent with Australia's international treaty commitments, with moves by major trading partners, and with the Australian government's views in favour of harmonisation. It also has some longer term potential to reduce the administrative burden on Australian companies seeking protection beyond Australia although the immediate benefits will be limited. As discussed above, Australia's design-intensive companies are also more likely to be export-intensive and derive most of their income from overseas.

A key question therefore is whether the small current benefits of the Hague Agreement, and the possibility of more influence on future developments as a Hague member, is worth the trade-off of being required to extend the maximum term of protection. ACIP has not reached a view on this question. If Australia does join Hague, it should, within the system, work actively on improving

harmonisation on issues such as representations that make international applications through Hague less efficient than they could be.

If Australia does join the Hague Agreement, that will impact some of the decisions examined below.

## 5.2. Term of protection

The 2003 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, but short by international standards. This was contrary to the ALRC's recommendation (which had proposed 15 years) but was adopted on the basis that (according to the Explanatory Memorandum) "It is not in the public interest to go beyond Australia's international obligations which currently impose a 10-year duration."

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.

There is no empirical evidence available to test whether design innovation in Australia is lower due to the shorter term since we do not observe the whole population of designs (only those registered). Furthermore, the low rate of Registered Design right renewal after 5 years (see Figure 5 in Section 3.2) indicates that in and of itself, an extension of term beyond 10 year would be of value to only a small number of rightsholders. 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.<sup>51</sup> This would be the case for design owners that were onto the 'next big thing'.

It is difficult to recommend extension of the term of design protection in the absence of any empirical evidence to support a need for an additional five years of protection. Whether Australia should extend would seem to be **dependent on whether Australia sees benefits in joining the Hague Agreement** (see 5.1). If Australia *does* extend the term of protection, consistent with the discussion above, the extended term should only be available to certified designs since certification should be required at the 5 year renewal. Renewal should occur at 5 and 10 years. The fees should be high enough to discourage unnecessary privatisation of the design space.

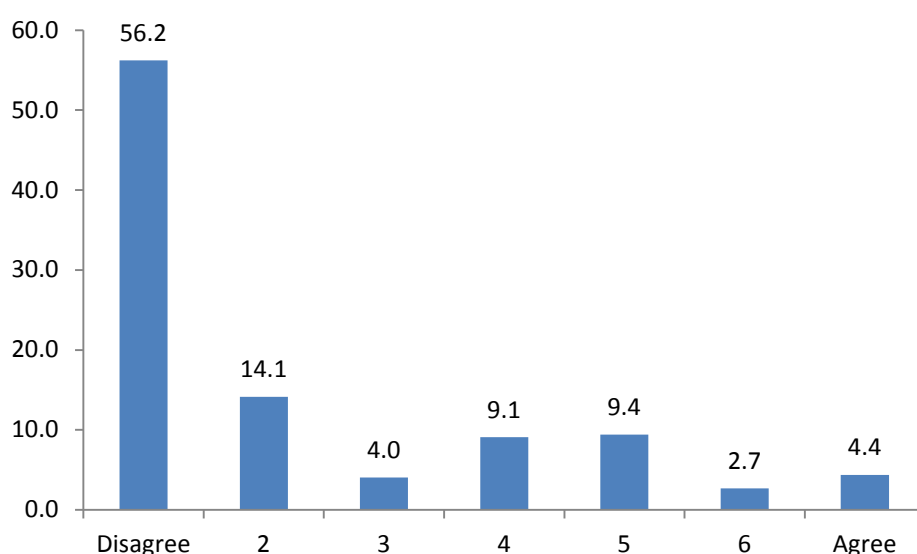
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<sup>51</sup> A design registration can also be surrendered, though there is no need or requirement to do so. By merely doing nothing it will eventually cease, even if a third party requests examination.

### 5.3. Grace period

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 does not prejudice protection of the design. The rationales for a grace period are (a) to protect designers who through ignorance or inadvertence publish their design before seeking legal protection, and (b) to enable a designer to test the commercial worth, or life of a design for a limited time prior to submitting an application. 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.

**Figure 9: We often inadvertently disclose our designs to the public before we file for protection (1=disagree; 7=agree)**



Sample=326.  
Source: Designs Review Survey 2014.

The Australian Law Reform Commission in 1995 concluded that Australian law should not provide a grace period, on the basis that other mechanisms could be used to allow for market testing.<sup>52</sup> The benefits of a grace period would be consistency between the patent and design systems, and protecting designers from inadvertent loss of rights through publication. One submission noted that it could allow for 'streamlining' currently confusing and complex mechanisms for excluding publications or uses in s 17 and s 18 of the 2003 Act.

The main downsides of a grace period are (a) it reduces the information on the Register, increasing uncertainty in the market, and (b) designers who rely on the grace period may lose the ability to seek protection in jurisdictions without a grace period. The first disadvantage may not be significant given that uncertainty already exists owing to the grace period applicable to patents and innovation patents. The second disadvantage may also not be significant: ACIP notes that the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications in the latest Draft Articles on Industrial Design Law and Practice asserts that 'most jurisdictions provide for a grace period to file'.<sup>53</sup> Designers may not understand the implications of a prior user defence,

<sup>52</sup> Designs (ALRC Report 74), Recommendation 44. See: <http://www.alrc.gov.au/report-74>, accessed 27 November 2014.

<sup>53</sup> Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, 31<sup>st</sup> Session March 2014, *Industrial Design Law and Practice – Draft Articles SCT/31/2 Rev.* (April 10, 2014).

which might deprive them of the ability to proceed against key rivals, however this problem may be outweighed by the advantages of protecting from inadvertent loss. One submission noted that introducing a grace period would assist overseas applicants who rely on a grace period in their own jurisdiction and are subsequently denied protection in Australia.

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.

**ACIP can see benefits in a grace period**, although our current view is that six months is the preferable period, to decrease uncertainty (particularly in light of ACIP's current view on deferred publication). ACIP has received no evidence to suggest that six months is too short a period to address the main problem to which a grace period responds, namely inadvertent disclosure. Consistent with patent law, if a grace period is introduced it should be accompanied by introduction of a prior user defence, so that persons who commence taking actions that would otherwise be an infringement of a registered design in the period before the registered design has been applied for should have the right to continue their activities. If the DDLT is concluded in its current form, and if Australia joins a final treaty, a 6 month grace period would be required.

## 5.4. Deferred publication

Section 60 of the 2003 Act provides that the Registrar must make certain documents available for public inspection after a design is registered. These documents include the representations of a design and any SoND.

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 makes this difficult. Deferral of publication however does decrease certainty for other participants in the market, which was the main reason the ALRC recommended against allowing deferred publication.<sup>54</sup> In addition, the ALRC did not receive any submissions arguing for deferral.

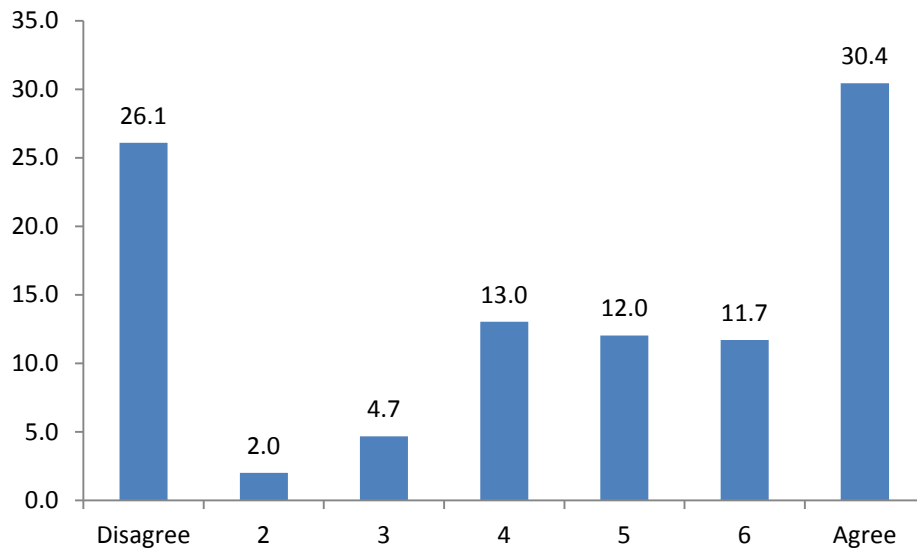
Evidence obtained through the survey suggests that a period for market testing prior to publication would be desirable for three quarters of applicants (Figure 10) and a large minority claimed competitors regularly copied their published designs before they had had a chance to enter the market (Figure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

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<sup>54</sup> ALRC, <http://www.alrc.gov.au/inquiries/designs/government-response-alrc-report-74>, Recommendation 96, accessed 27 November 2014.

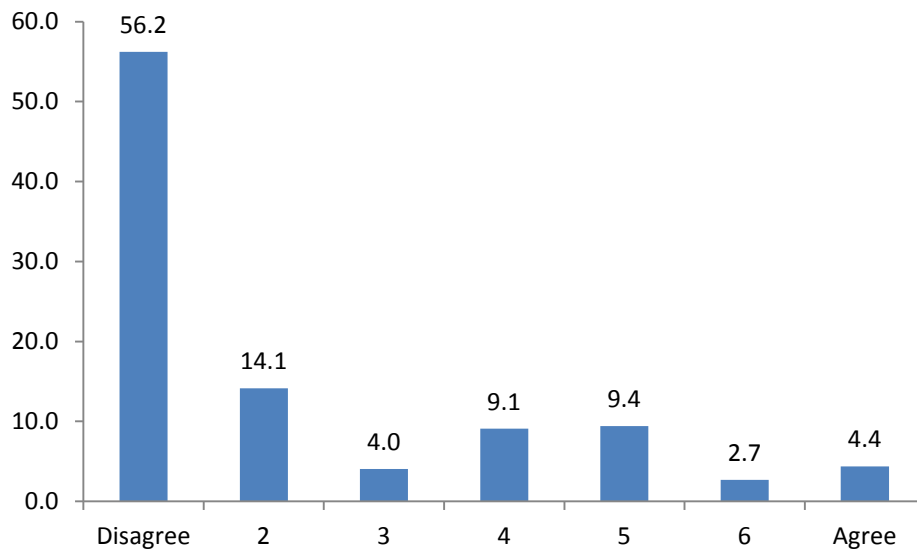


**Figure 10: It would be desirable to market test our products before our registered design is published (1=disagree; 7=agree)**



Sample=326.  
Source: Designs Review Survey 2014.

**Figure 11: Competitors copy our published designs before we have had a chance to enter the market (1=disagree; 7=agree)**



Sample=326.  
Source: Designs Review Survey 2014.

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 issue that arises if deferral of publication is allowed is the position of parties who make similar or identical products in the period where the design registration is unpublished. In Europe, liability for infringing a registered design during the period where the registration is unpublished is limited to

circumstances where the defendant has copied the design. In Europe this makes sense particularly because copying a design is in any event illegal as a result of the unregistered design right. However, it also has the benefit of encouraging early publication of the registration. In Australia, it is possible that a person who makes products that would infringe during the period while the design is unpublished would be protected from monetary remedies by s 75(2) (innocent infringement).<sup>55</sup>

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.<sup>56</sup>

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. **ACIP can see advantages to deferral of publication for up to six months**, based on applicants' desire for deferral, the fact that deferral is already being practically achieved in other ways, and in light of the current state of the Draft Designs Law Treaty (which requires a 6 month deferral period) and the Hague Agreement (which accommodates, but does not require deferral). The six month period reflects the international minimum period of deferral, and would hence minimise the period of uncertainty imposed on third parties. Since the justification for deferral of publication is to allow the designer to keep new designs confidential until they are ready to launch in the market, if deferral is adopted, it might be appropriate to require the owner to publish their design registration within a reasonable period of products embodying the design being launched. In the alternative, liability during the period of deferred publication could be limited to defendants who copy the design, which would provide an incentive for publication of the registered design with launch of the product.

One option considered by ACIP is automatic publication six months from the filing date and earlier publication on request of the applicant. This option takes away this current variability in the timing of publication and makes it unnecessary for applicants to engage in deliberately filing applications so that formality objections are raised as a mechanism to delay publication. Consequently, the option should reduce administrative processing of design applications. The option for earlier publication is important in the event that infringers enter the market.

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<sup>55</sup> Further consideration may need to be given to the drafting of s 75(2) and its scope, particularly in cases where a third party who conducted a search could be aware that a design application *existed* but where that application was *unpublished*. The drafting of the innocent infringement provision also differs as between the 2003 Act and the *Patents Act*. Depending on whether deferment is allowed or automatic, careful consideration would need to be given to ensure an appropriate level of protection for innocent infringers.

<sup>56</sup> at 3.4 page 23.

## 5.5. Partial Designs

Questions relating to partial designs were not highlighted in the Issues Paper, but were raised in roundtables and in submissions. Currently, in Australian law, ‘design’ is defined as follows:

*Design, in relation to a product, means the overall appearance of the product resulting from one or more visual features of the product.*<sup>57</sup>

The above definition highlights that a design relates to the overall appearance of a product. Registered Design Rights are quite specific and limited in this respect.

‘Product’ is also defined in the Act as ‘a thing that is manufactured or hand made’. A component part of a complex product may itself be a product, but only if it is ‘made separately from the product’.<sup>58</sup> Thus a bicycle seat, being made separately from a bicycle, may itself be a product. An important point to note about these definitions is that they focus on the overall appearance of the *whole* product. It is not possible to register, for example, the handle of a mug specifically, even if it is only the handle which is new and distinctive. The whole shape of the mug must be registered. When infringement is assessed, courts must judge whether a defendant’s design is ‘substantially similar in *overall impression*’, meaning that the whole mug shape must be considered. A defendant who has made enough changes to the body of the mug may avoid infringement.

In contrast, some other jurisdictions allow the registration of designs as they relate to *parts* of products only, including the European Union,<sup>59</sup> the United Kingdom,<sup>60</sup> and the United States.<sup>61</sup> The intention to seek protection for part of a design only is often indicated, in registered design applications overseas, through the use of dotted or dashed lines.

In Australia, Schedule 2 of the *Designs Regulations 2004* requires that ‘originals and copies of drawings must be executed in durable, black, dense, dark, uniformly thick and well-defined lines and strokes without colouring’. Although representations including dashed or dotted lines are often registered, the Designs Examination Manual notes that ‘In all instances, the examiner needs to interpret the representations in the context of the design as a whole, applying a presumption that differences in the manner of representation of features is for a purpose, and make this assessment in the context of the standard of an informed user’.<sup>62</sup>

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<sup>57</sup> *Designs Act 2003* (Cth) s 5.

<sup>58</sup> *Designs Act 2003* (Cth) s 6.

<sup>59</sup> Both art 1(1) of the *Directive 98/71/EC of the European Parliament and of the Council of 13th October 1998 on the legal protection of designs*, and art 3(a) of the *Council Regulation (EC) No. 6/2002 of 12th December 2001 on Community Designs* define a ‘design’ as ‘the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation’.

<sup>60</sup> Partial disclaimers are permissible as the EU design directive has been incorporated into UK law: see *Registered Design Regulations 2001*, S1 2001/3949]. The definition of “design” for registered designs under the *Registered Designs Act 1949* (UK) is “the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation” (s 1(2)). The definition of “design” for unregistered designs under the *Copyright, Designs and Patents Act 1988* (UK) is “the design of any aspect of the shape or configuration (whether internal or external) of the whole or part of an article” (s 213(2)).

<sup>61</sup> The US Patents and Trademark Office notes in Chapter 1500, Section 1502 of the Manual of Patent Examining Procedure, citing *Ex parte Cady*, 1916 C.D. 62, 232 O.G. 621 (Comm’r Pat. 1916), that “in a design patent application, the subject matter which is claimed is the design embodied in or applied to an article of manufacture (or portion thereof) and not the article itself.”

<sup>62</sup> Designs Examination Manual at D04.5.1,

[http://www.ipaustralia.gov.au/pdfs/designsmanual/WebHelp/designs\\_exam\\_manual.htm](http://www.ipaustralia.gov.au/pdfs/designsmanual/WebHelp/designs_exam_manual.htm), accessed 27 November 2014.

The Statement of Newness and Distinctiveness (SoND) is also relevant. ACIP notes the Designs Examiner's Manual states that:

*"Where the statement identifies features that relate to only part of the product, distinctiveness is assessed having particular regard to those features – albeit in the context of the design as a whole [s.19(2)(b)(ii)]. In this situation, the statement functions to distinguish between the visual features of the design, and features that are generic to the product. That is, such a statement may result in the design being of broader scope than might otherwise be the case."*<sup>63</sup>

Additionally, elements of the Designs Examiners' Manual and the combined effect of section 19, a SoND and use of broken lines is considered in the recent Australia Designs Office decision *Removerite Incorporated* [2013] ADO 7 (4 October 2013) and *Invacare Corporation* [2013] ADO 4 (23 August 2013). These decisions suggest that, as outlined in the manual, the Australian Designs Office is paying regard to Statements of Newness and Distinctiveness which effectively disclaim certain aspects of a design in order to focus on others alleged to be new or distinctive.

Protection of partial product designs creates rights of broader scope: a monopoly, for example, on the mug handle shape on *any* mug, and not just mugs of similar overall impression.

The ALRC was aware of the issue of partial designs, but took the view that sufficient protection could be provided by allowing applicants to draw attention to new and distinctive features of the design (through a Statement of Newness and Distinctiveness), and by allowing a court to pay particular regard to the particular quality or importance of parts of a design reproduced in a defendant's product.<sup>64</sup> The ALRC also suggested that allowing the registration of multiple designs could address this issue.

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.

ACIP notes these submissions but is mindful that extending protection to partial designs could have unintended consequences, potentially giving design registrants broad rights over a large range of very different-looking products which happen to have one particular design feature in common, if that particular design feature has been claimed as a 'partial product'. One advantage of the ALRC's approach is that it ensures that third parties are not prevented from producing products that the applicant never imagined and has not made.

**ACIP is not yet convinced that broader protection is warranted.** Allowing registration of partial designs would be a fundamental change to the concept of registered designs under the 2003 Act.

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<sup>63</sup> Designs Examination Manual at D04.6 and D09.4.3

<sup>64</sup> See ALRC <http://www.alrc.gov.au/report-74>, at 64 [4.14] and 123 [6.32]; embodied in *Designs Act 2003* (Cth) s 19(2)(c), accessed 27 November 2014.

## 5.6. Graphical User Interfaces and other non-physical or virtual designs

Another issue raised in the Issues Paper related to non-physical designs. A particular example is designs relating to screen displays, graphical user interfaces and screen icons. Although the Locarno Classification includes graphical user interfaces and icons in classification 14, subclass 04 (14-04), their protection through Australia's designs system is currently uncertain. One reason for uncertainty relates to the issue of partial designs and dotted lines. By definition, screen icons and displays are usually implemented on multiple different product configurations. A screen icon, for example, could be displayed on a vast range of mobile phones, tablets, and computers. In other jurisdictions, design applications of this kind commonly show a graphical user interface or icon in 'hard lines' and use dotted lines to indicate the context in which the GUI/icon would be used (without claiming that shape) or, the icon alone is shown.

The representations of one example of a registered (but not certified) non-physical design, registered design 321896 in the name of Apple Inc. are shown below.



The SoND for the registration reads as follows *“Newness and distinctiveness of the design reside in the features of pattern and/or ornamentation as shown in solid lines in the accompanying representations.”* The product of the registered design is an “electronic device”.

ACIP is aware that 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.

Section D04.3.2 of the Designs Examination Manual provides the following instructions to examiners in relation to graphical user interface and other non-physical designs as follows

*'The features of a 'thing' must be assessed in the context of the product 'at rest', rather than a context of 'in use'. In particular, for electrical goods it is their appearance without being connected to a power supply. And in the water fountain example above, it is the fountain when not operating.'*

*'In practice, examiners will need to carefully assess the representations to ascertain whether the relevant visual features are produced by software (such that they do not exist when the product is in its 'off' state), or exist as permanent markings – such as pencilled paint markings.) In cases of doubt, the examiner will object that the Design is not distinctive (see D09.1.1) and seek clarification from the owner.'*

The ALRC in 1995 recommended that screen displays should not be protectable via the designs system:

*In the Commission's view a screen display is a use of a product - the monitor or other computer hardware - it is not itself a product. Nor is it the visual appearance of any product. The visual appearance of the monitor or other computer hardware is the product at rest not in use. The fact that the screen display is generated by a computer program does not make it the visual appearance of that program any more than a printed page is the visual appearance of the printer. It follows that a screen display does not qualify for protection as a design either as the design of a computer program or on any other ground. In the Commission's view this is appropriate and no special provision needs to be made for screen displays either confirming or qualifying this.<sup>65</sup>*

Technology has moved on significantly since 1995. The assumptions underlying the ALRC's recommendations in 1995 do not appear to hold in the current technological environment. Many submissions argued that, contrary to the ALRC's views, screen displays often do distinguish products these days: products are commonly pictured with active screens, and presented in stores to consumers in their 'on' state so that consumers can interact with the screen. Arguably, the visual appearance of a brand of mobile phone or tablet is as much linked to the appearance of the display as the 'surrounds' of that display, especially given that the goal of design in many cases is to make the 'product' disappear as much as possible (with the screen presented as the only thing consumers really notice or see). Proponents of protection also noted (a) many other countries provide protection, and (b) refusing protection creates an arbitrary distinction between those who implement designs in software vs those who implement designs through hardware.

ACIP is aware that China, Europe and USA allow design protection for graphical user interfaces.

ACIP considers that drawing a distinction between two designs, one of which has design features which are permanent features of a product and the other of which are visible only when the product is "on", is an artificial distinction and is not consistent with the definition of "product" in the 2003 Act. **ACIP is inclined to think that some protection should be available for at least some virtual or non-physical designs**, given the increasing focus of design efforts on software elements of products. ACIP would however be interested in additional information about (a) whether addressing the distinction between 'in use' and 'resting state' designs would be sufficient to address key issues around virtual designs; (b) the availability of other forms of IP protection for screen icons and GUIs (for example, trade mark protection), and (c) what changes to design law would be necessary to implement protection for such items. In particular, what would be the impact on the definition of designs – would Australia need to implement protection for partial products in order to protect GUIs and screen icons? Or would it be possible to recognise a particular kind of product that would enable protection for GUIs and screen icons without opening up partial product protection for all categories of products?

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<sup>65</sup> ALRC 1995 [4.32].

## 5.7. Border protection measures

The Issues Paper asked whether Australia's systems for stopping imports which infringe copyright, trade marks, or the *Olympic Insignia Protection Act 1987* should be extended to include registered designs. These provisions allow the Australian Customs and Border Protection Service (Customs), under certain circumstances, to seize goods that infringe trade marks, copyright and protected Olympic expressions. These provisions give rise to Australia's Notice of Objection Scheme. Customs is responsible for Australia's Intellectual Property enforcement framework which includes border enforcement and criminal sanctions for the importation of counterfeit, trademark and copyright infringing goods. Customs administers the system of border enforcement that protects registered intellectual property rights holders, under the Notice of Objection Scheme. The Notice of Objection scheme is Australia's primary mechanism for the enforcement of IP rights at the border. The Notice of Objection Scheme allows trade mark and copyright owners to notify the Service of their rights and object to the importation of goods that infringe those rights.

Improved border enforcement measures were introduced with effect from 15 April 2013 by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012*. The improvements simplify the seizure process and enable rights owners to effectively enforce their rights. More information is released to the rights holder, including details of importers, exporters and other players in the supply chain, who are suspected of importing counterfeit trade mark or pirated copyright goods. Access to this information will improve the ability of rights holder's to pursue legal action. Previously, rights holders were often unable to initiate legal proceedings, serve papers or obtain forfeiture if the importer was deliberately unavailable during the statutory action period, or provided false details. Under the new laws, importers are required actively to claim seized goods or risk their automatic forfeiture, and hence will no longer be able to avoid prosecution and receive the infringing goods or copies when the statutory period expires.

According to the Customs website, there are currently over 600 objectors listed on the Notice of Objection scheme register (71 Copyright, 1 Olympic and 565 TMs) (often with multiple marks listed).<sup>66</sup> There are approximately 119 shape marks covered in the register. There are also colour marks in the register. In the 2012-2013 financial year Customs made 2,572 seizures of counterfeit goods, involving 513,814 items, estimated to have a retail value of more than \$43 million.

Europe provides border protection measures for a broader range of IP rights including designs. Border protection measures can be an effective enforcement mechanism but there has been some controversy around extensions to rights other than copyright and trade mark and in particular around the level of expertise required of customs officers to assess allegations of infringement of rights such as designs.

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. Under the current system, IP owners generally work closely with Customs to provide both information about shipments and thus work to identify goods that infringe. ACIP anticipates that similar close cooperation would be required in the context of designs. The view was expressed that judging design infringements was no more complicated than judging infringements of three dimensional trade marks, many of which are presently the subject of Notices of Objection. Several submissions

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<sup>66</sup> See: <http://www.customs.gov.au/site/page4414.asp> / <http://www.customs.gov.au/webdata/miniSites/ipData/>, accessed 27 November 2014

suggested that seizure processes should not be available for all design infringements, and that perhaps only alleged infringements that are ‘substantially identical’ or ‘direct or close copies’ should be liable to be seized.

Seizure by customs is a means of enforcement; thus if implemented, the scheme could only be requested for designs that have been registered and passed examination (certified). Although only 20 per cent of design applicants request examination at present, a rightsholder who is subject to infringement via imports will have a strong incentive to pay the fee for examination.

ACIP considers that Customs faces the same fundamental issues with respect to seizure of products under the Trade Marks Act and the Designs Act. The Trade Marks Act defines infringement of a registered trade mark in terms of ‘substantial identity’ or ‘deceptive similarity’ (Section 120). The 2003 Act defines infringement of a registered design in terms of a product that embodies a design that is ‘identical’ or ‘substantially similar’ to a registered design. At present, Customs makes determination of infringement of registered trade marks. Customs makes judgements with respect to substantial identity and deceptive similarity of trade marks.

ACIP however acknowledges Customs’ concern regarding the relevant expertise required to assess infringement of designs. ACIP considers, therefore, that it might be desirable, to implement customs seizures but only in cases where the alleged infringing product is identical to the registered design. While we acknowledge that this might cause some infringers to make changes to avoid customs seizure, the current evidence suggests that identical or near-identical imitations are a problem. If avoidance through slight changes becomes a problem, this could be assessed at a later date. ACIP also notes that matters would be considerably complicated if ACIP’s recommendation in relation to partial designs were not accepted. If partial designs were protected, then there would be difficulties in detection and assessment, and ACIP would be reluctant to extend the customs provisions in those circumstances.

## 5.8. Unregistered Design Rights (UDRs)

ACIP’s Issues paper asked of the benefits, and implications, of introducing an Unregistered Design Right (UDR) system in Australia. No such system currently exists. The ALRC considered whether a UDR should be introduced (in the context of considering whether, perhaps, a UDR might replace a registered system), noting that:

*There are particularly powerful arguments in favour of giving designers the right to prevent others from copying their designs for a certain period (say, five years) without requiring them to register their design or satisfy an innovation threshold.<sup>67</sup>*

The ALRC noted that a UDR:

- Would directly address the major problem faced by designers: copying;
- Would give protection without the costs or delay of a registration system, especially for products with a short commercial life;
- Is less legalistic;
- Would impose a lesser barrier on competition (than a registered right) since it allows for independent creation;
- Is suited to rapid, interdisciplinary and interactive design, unlike the more bureaucratic registration system;

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<sup>67</sup> ALRC report, [3.63].



- Could be developed consistently with copyright law and would reduce the gaps between copyright and designs protection;

The ALRC also noted that a UDR could co-exist with a registered system but was likely to reduce the need for registered rights. The ALRC noted that at that time there was relatively little support for introduction of a UDR, that enforcement would be uncertain due to the need to prove copying, and that introduction of a generalised ‘anti-copying’ right raised issues well beyond designs law. The ALRC therefore recommended a broader review of the idea, and focused instead on amending the registered system. The government response to the ALRC’s report also stated that:

*‘...the government considered the possibility of having an unregistered design right available to designers, but concluded the concept of such a right is incompatible with a registered designs system.’*

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.

It is difficult to assess the benefits of a UDR in the abstract: while submissions might indicate the desirability of ‘protection without registration’, real questions arise as to how such protection would work. Since a number of submissions cited the dual operation of registered and unregistered rights in the EU, ACIP has conducted some investigation into the systems currently in existence in the UK and EU.

In the UK, designers have access to two different UDRs:

1. The unregistered Community (EU) design right, which lasts for three years from the date the design is first made available in the European Community;
2. The unregistered UK design right, which lasts for 5 years from creation of the design, or, if the product is marketed within 5 years, for 10 years from first marketing (for a maximum term of 15 years).

Both systems are intended to provide protection for industries where registration does not work well, because designs have a short commercial life or because so many designs are produced only some of which will have any longevity. Both the UK and EU Community design right protect only against copying: independent creation of similar designs is not an infringement. The two systems however differ significantly in detail, as outlined in the table below.

**Table 13: Comparison of EU and UK unregistered design right**

	<b><i>EU Unregistered Design Right</i></b>	<b><i>UK Unregistered Design Right<sup>68</sup></i></b>
Term	3 years from the date the design is made available to the public within the EU.	5 years from creation or 10 years from first marketing of the product within 5 years of creation (maximum term 15 years). Last 5 years subject to licences.
When does the right arise?	Automatically. The protected design is only identified during litigation.	Automatically. The protected design is only identified during litigation.
Definition of design	Design for a product, where design is the appearance resulting from features of lines, contour, colours, shape, texture and/or materials of the product itself and/or its ornamentation. Design need not be visible to the naked eye.	Design for an article, design relates to the shape or configuration (whether internal or external). Surface decoration (applied or incorporated eg beading, engraving) is not protected. Design need not be visible to the naked eye.
Partial designs	Yes: design may relate to whole or part of a product.	Yes. Recently amended so that design may relate to the whole or part of an article.
Functional designs	Features that are solely dictated by technical function are excluded from protection.	Functional features can be protected.
Criteria for protection	Design must be new and have an individual character.	Design must be original, that is, it must be created by the designer and not commonplace in the design field in question.
Entitlement	Designer or employer	Designer or employer
Rights	Exclusive right to use the design, which covers making, offering, putting on the market, importing, exporting or using a product embodying the design.	Exclusive right to reproduce the design for commercial purposes, authorise others to reproduce the design as well as rights to import, sell, expose products for sale.
Infringement	Infringement by copying so as to produce products creating the same overall impression on the informed user.	Infringement by copying so as to produce articles exactly or substantially similar to protected design.
Qualification for protection	Design must have first been made available to the public in the European Community.	Designer is habitually resident in a qualifying country or design first marketed by a qualified person in a country to which protection extended. Designs from some non-EU countries protected on basis of reciprocity.
Defences	Acts done privately and for non-commercial purposes.  Acts done for experimental purposes.  Acts of reproduction for teaching or for making citations provided compatible with fair trade practice and does not unduly prejudice normal exploitation.	Acts done privately and for non-commercial purposes.  Acts done for experimental purposes.  Acts of reproduction for teaching or for making citations provided compatible with fair trade practice and does not unduly prejudice normal exploitation.

<sup>68</sup> Information in the table reflects amendments made by the *Intellectual Property Act 2014* (UK).

The UK UDR was created in the 1980s, prior to the harmonisation of design law in the EU, and was specifically intended to work with the protection of artistic works and drawings for three-dimensional items in UK copyright law. Although there were suggestions recently that the UK UDR might be repealed, it appears to have been retained owing to opposition to its removal, with some amendments in 2014. ACIP considers however that the UK system is an international anomaly, and not a good model for a country considering introduction of a UDR today.

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. Note also that the scope of a design is only identified at the point where the design is litigated. Where protection covers parts of products, it is not uncommon for litigants to plead multiple different versions of the unregistered design, all of which must be separately considered. Claimants can plead the right to match what they believe the defendant has copied, leading to potential liability even where the products themselves do not look similar overall.

Responses to the survey suggested that the resources spent searching for design rights and to ensure freedom to operate increased as a result of the 2003 Act. This may be caused by the rise in the number of registered designs. We would expect that the cost of searching to ensure freedom-to-operate and distinctiveness would inevitably increase with creation of a UDR.

**Table 14: Comparative assessment of search costs, design applicants under the 1906 Act and 2003 Act**

Survey question	1906 Act <sup>1</sup>	2003 Act <sup>2</sup>	Significant difference
	Mean	Mean	* 10%, ** 5%, *** 1%
Our business searches extensively to ensure our designs are new and distinctive (1=disagree; 7=agree)	4.268	4.669	*
The cost of searching to ensure freedom-to-operate is high (1=disagree; 7=agree)	3.905	4.617	***
To get information on existing designs, our business searches extensively online (1=disagree; 7=agree)	4.229	4.463	

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.

It is well-known too that designers relying on UDRs can encounter serious problems proving that the protection exists. This could increase enforcement costs, in a context where users already express concern about the costs of enforcement. The introduction of a new legal system would increase the complexity of legal advice on rights.

ACIP considers that changing the cost base for multiple designs, i.e. by substantially reducing the fees for filing multiple designs, as recommended in Section 4.4, should encourage the lodgement of design applications and take away one driver for a UDR system.

**On balance, ACIP does not consider that a UDR should be introduced in Australia at this time,** although such protection could be considered as part of a more general review.

## 5.9. 3D printing and design protection

The Issues Paper asked whether the 2003 Act is equipped to deal with 3D printing. One submission dealt with this question in particular (and useful) detail.

3D printers can be used to manufacture products. Printing can only occur through use of a 3D 'CAD' (Computer Aided Design) file: a computer-generated three dimensional model that provides the instructions used by the printer. With a 3D scanner, it is possible to create a 3D CAD file by scanning an existing physical object; this digital representation can be edited with appropriate software and used in a 3D printer to then print copies of the physical object. It appears that as both 3D printing and 3D scanning become cheaper, and more generally accessible to consumers, a variety of new activities, and new business models become possible:

- An individual equipped with both a 3D scanner and a 3D printer can scan and print their own physical items;
- 3D CAD files can be distributed, including online through websites (like Thingiverse) or by peer-to-peer methods;
- Consumers can provide 3D CAD files to companies (eg Shapeways) which print and deliver products.

In some cases, products that are scanned or printed using these methods will embody a registered design. Three particular limitations in the 2003 Act may give rise to gaps in the legal protection provided to owners of registered designs:

1. Registered Design Rights are infringed by a person who 'makes or offers to make a product, in relation to which the design is registered, which embodies a design that is identical to, or substantially similar in overall impression to, the registered design', or who imports or uses such a product for the purposes of any trade or business, or sells, hires or otherwise disposes of such a product (s 71). A digital representation of a product or design is not in itself an infringement of a Registered Design Right;
2. Non-commercial or personal importation or use of a products embodying a design does not infringe registered design rights; and
3. Secondary liability is unclear and limited.

The first two points are evident on the face of the legislation, in particular s 10 of the 2003 Act (which sets out the exclusive rights of the owner of a registered design), and s 71 of the 2003 Act, which sets out the acts which constitute infringement of a registered design. The third point however requires more elaboration.

Secondary liability arises where a person (A) is held liable for infringements committed by another person (B). In Australian IP regimes, secondary liability generally may take three forms:

1. Liability for selling, importing or other commercial dealings with infringing items;

2. Liability as a joint tortfeasor, which arises where persons A and B have acted in concert to achieve a common end of infringement; and
3. Liability for authorising infringement by another person (where 'authorisation' has a particular meaning extending beyond principal-agent relationships).

The 2003 Act provides for the first form of secondary liability,<sup>69</sup> and joint tortfeasor liability can also arise.<sup>70</sup> Further, the court has held that liability for 'making' an infringing product extends to directing, procuring or causing the product to be made by another.<sup>71</sup> However, there is some debate whether the third, broadest form of liability – for 'authorising' infringement – is available. In the copyright context, it is the broad form of authorisation liability that has been used to pursue entities that provide software or websites used to exchange infringing copyright content.<sup>72</sup>

A further complication lies in the copyright-design overlap. Under ordinary copyright law, copyright would subsist in original design drawings (physical or electronic) for a product created by a designer, and a 3D CAD file created by scanning a product created from the original drawings could infringe copyright in the original drawings. However, if the copyright-design overlap provisions apply (that is, as discussed above, if the design has been either registered or industrially applied), then it is not an infringement of copyright in an artistic work (the original drawing) to reproduce the artistic work or communicate the reproduction, if the reproduction is derived from a product (eg, created by scanning the product) and incidental to making, selling, or offering to sell the product.<sup>73</sup> Thus a website or peer-to-peer software provider may not be liable for infringing Registered Design Rights if they provide 3D CAD files, even if this conduct enables consumers to print products embodying the registered design.

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. ACIP also notes that there may be reasons for caution with any reform:

- Not every scan of a 3D product is a prelude to infringement in the form of the making or selling of products. Scanning could be done in the course of repair, research or innovation in the form of designing and making products that would not be infringements (because they are not similar in overall impression);
- In present designs law the exceptions to infringement are very narrowly drafted, which is appropriate given the narrow and specific scope of exclusive rights in a registered design. If we were to create exclusive rights extending beyond the making of products, consideration would be needed to expanding exceptions to allow for legitimate activities such as innovation, research or study, and possibly other acts;

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<sup>69</sup> See 2003 Act s 71

<sup>70</sup> *Keller v LED Technologies Pty Ltd* (2010) 185 FCR 449.

<sup>71</sup> *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd and anor* (2008) 166 FCR 358.

<sup>72</sup> Furthermore, while websites or software for distributing infringing copyright material directly allows for the exchange of infringements, in design law, infringement lies in the creation of the physical product, which is one step removed from the exchange of 3D CAD files online.

<sup>73</sup> *Copyright Act 1968* (Cth) s 77A.

- There is a current debate around the appropriate scope of liability for authorisation in copyright, in which issues around responsibility for online infringement are being extensively debated and discussed.<sup>74</sup> Until the future scope of authorisation or secondary liability in copyright is more settled, it may be premature to consider how similar concepts ought to apply in the context of design law.

**ACIP is not currently minded to recommend reforms in this area**, although ACIP considers that it is an area for ongoing monitoring.

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<sup>74</sup> Attorney-Generals Department, *Discussion Paper: Online Copyright Infringement* (July 2014): <http://www.ag.gov.au/consultations/pages/onlinecopyrightinfringementpublicconsultation.aspx>, accessed 27 November 2014.

# Options for change

## 6. OPTIONS

ACIP's review of the 2003 Act has addressed three broad questions:

1. Has the 2003 Act achieved the goal stated in the Explanatory Memorandum: to 'provide a simple, cost-effective designs system that provides Australian designers with more effective rights'?
2. Are the legal mechanisms in the 2003 Act operating as intended?
3. Should policy decisions in the 1995 ALRC report, and the 2003 Act, be reconsidered in light of the operation of the 2003 Act, and international and technological changes in the intervening decade?

In the course of this review to date, ACIP has found:

1. 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. There is no evidence to suggest a significant decrease in overall costs of using the system. There is anecdotal and empirical evidence of a slight rise in confidence in the enforceability of rights.
2. Submissions have identified a number of minor improvements that could be made to the legal details of the system;
3. Some policy decisions embodied in the 2003 Act may warrant reconsideration in light of overseas trends in design protection;
4. There is evidence that broader technological trends could warrant more substantial reconsideration of the role of design protection. In particular, technology is transforming the nature of design and making 'virtual' or software designs more important, but design protection is tied to whole, physical products. Further, 3D printing and scanning technologies enable online circulation of designs but such activities are not captured by design law and, in at least some cases, copyright may be of no assistance. It is important, however, to be aware that aspects of the system including, in particular, the very narrow scope of exceptions, are predicated on the existence of only narrow rights. If rights were to be broadened in any way, the exceptions to design protection would also require reconsideration.

In light of these findings, ACIP has settled on **three broad options**:

### 6.1. Option 1: Fix details in the 2003 Act

Option 1 would involve addressing specific issues that have arisen over the period since the 2003 Act, to make the Act operate better, without revisiting any of the policy decisions embodied in the 2003 Act. This would mean, first, addressing certain anomalies raised in Appendix A, in some cases to make the 2003 Act consistent with other IP rules; in other cases to improve internal consistency. Specifically this would mean:

- Improving the consistency of the Act by Making the identity of Convention applicants consistent with rules relating to entitlement;

- Ensure international Convention applicants are not disadvantaged in cases where formal requirements differ between jurisdictions, by expanding priority claiming;
- Altering the role of entitlement in revocation: by focusing on entitlement at the time of the revocation proceeding (rather than registration), and allowing a court power to refuse revocation of a design on the basis of entitlement (consistent with recent amendments to the *Patents Act*);
- Expanding the prior art base explicitly to include designs for products other than the product the subject of the registered design;
- Expanding the situations in which fraud, false suggestion or misrepresentation can be a ground for revocation beyond cases of fraud etc during registration to fraud, for example, during certification; and
- Allowing exclusive licensees the right to bring proceedings for infringement.

Option 1 would also involve:

- Changing the terminology for a registered, but uncertified design to make it clear that the design does not, until certification, confer enforceable rights. A possible new name would be a 'design application' (consistent with ACIP's recent recommendation in relation to the Innovation Patent);
- Removing the option of the publication regime from the process;
- Improving the process for multiple design applications to reduce the fees for each additional design added to the application, in accordance with the original proposal of the ALRC;
- Addressing anomalies that have arisen in relation to the copyright-design overlap, especially in relation to the boundary between two and three dimensional 'embodiments'.

## **6.2. Option 2: Fix the 2003 Act, and adopt some changes designed to improve the system and to bring Australian design law into line with international standards**

Option 2 would involve retaining most of the significant policy decisions in the 2003 Act, in particular retaining design law as a system of limited, registered rights, but with some changes, most of which would bring Australian law into line with that of major trading partners on basic matters of detail and procedure, while having regard to providing a design registration system that encourages innovation by Australian designers. This Option would provide advantages to Australian companies and individuals who are already engaged in international trade and acquisition of international IP rights, but would do little to protect firms who do not presently find design protection useful, with the exception of some users who have lost their opportunity for obtaining design protection through ignorance of the law or through inadvertent disclosure. Option 2 could assist Australian applicants to better utilise the international system, although it would likely also encourage more use of the system by foreign companies.

If this Option is preferred, ACIP would recommend that, in addition to the changes in Option 1 above, Australia should:

- Introduce a grace period of six months (together with a prior user defence);



- Automatically defer publication (publishing) to the point of registration i.e. at six months (with the possibility to request publication earlier if desired);
- Consider joining the Hague Agreement, and if Australia joins, extend of the maximum term of protection to 15 years, with renewals at 5 and 10 years; and
- Require certification of the design before the first renewal (5 years), if the term is extended;
- Introduce a system of opposition following certification, if the term is extended;
- Introduce border measures to allow for the seizure by Customs of alleged infringements but only those which are identical to Registered Designs.

Option 2 might also include some amendment to the treatment of virtual or non-physical designs, for example by allowing consideration of the product in its active, and not just its resting state when considering distinctiveness. In the paper above, ACIP seeks more information about this possibility.

A key question which would determine which particular changes would be part of Option 2 is whether Australia should join the Hague Agreement. The benefits of the Hague Agreement at this point in time are limited owing to only limited international design law harmonisation, but joining Hague could see Australia more involved in making it an effective system. The key trade-off in joining Hague is that Australia would have to extend the maximum term of protection from 10 years to 15 years. Although this is supported by design system users, ACIP has received no empirical evidence which would justify an extension.

### 6.3. Option 3: Wholesale reconsideration

A final option would be a wholesale revision of the role of the designs system in Australia's IP law, including consideration, in particular, of the need for unregistered design protection, and the scope of design protection (including the scope of secondary liability) in the context of technological developments such as 3D scanning and printing. This would also involve consideration of whether protection should be extended to **partial designs** and whether **virtual or non-physical designs** (such as screen displays and icons) should themselves be treated as products. In the discussion above, ACIP notes that while there are arguments for harmonisation on these points, both changes could potentially make design protection much broader, and hence more consideration is needed of the broader impacts of such reforms, including whether the narrow defences available under the 2003 Act are sufficient.

The attractiveness of Option 3 turns on whether the policies reflected in the 2003 Act – in essence, continuing a fairly narrowly tailored designs system based entirely on registration and embodying the full logic of a registration system (with registration before publication a requirement) still make sense. Some overseas jurisdictions have moved beyond the logic of design registration to embrace, for example, unregistered anti-copying rights in designs, or full copyright protection for all artistic works regardless of 'industrial application'. Other jurisdictions do seem to provide registered design rights that are broader than the rights available in Australia. Some jurisdictions for example allow designers to identify features they claim in a way that is much less tied to 'industrial products' – allowing, for example, claims for partial products (a particular handle, regardless of the shape of the cup; a particular GUI or icon, regardless of the overall shape or impression of the phone, tablet or laptop on which it will be used). In some systems infringement is not confined to cases where the design has been used on the registered product.

Feedback to this review suggests that the current Australian system is expensive for what it offers, and is, as a result, neglected by designers who find it doesn't offer the rights they need. The

question is whether the Australian designs system is so parochial, and so restrictive, that we are failing to encourage innovative design. A further question is whether providing more extensive options for the legal protection of designs would have greater benefits for Australia than costs. Extensions to the Registered Design Rights system would benefit international applicants (whose use of the system is increasing) as well as Australian firms. The creation of unregistered design rights would require adjustments to commercial practice in Australia and impose costs on a very wide range of Australian businesses. ACIP has also received feedback, particularly through the roundtables, to suggest that many Australian designers and design firms are not presently well-educated in intellectual property law. Arguably, there is little point in significantly expanding the legal options for designers without simultaneously ensuring that designers have the legal knowledge and resources to take advantage of any new rights.

In sum, ACIP does not presently have evidence sufficient to suggest that wholesale change would be in the national interest. It may be that such determinations cannot be made while international treaties being developed are not settled, and while international as well as local domestic laws as they relate to technological developments like 3D printing are so unsettled. ACIP envisages that Option 3 would involve consideration, not only of the designs system *per se*, but how it interacts with other systems: most obviously the copyright system, but also standard and innovation patents and other systems such as 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 in the field of design, as well as more information on the operation of systems, such as those in operation in some European countries, which do not exclude industrial design from the copyright system. Such a review ought to be undertaken by specialist intellectual property economic, business and legal analysts.

# Appendices

- A. Minor anomalies, inconsistencies and errors in the 2003 Act with proposed changes
- B. Do registered designs increase company value?
- C. List of non-confidential submissions (ACIP's Issues Paper)
- D. Attendees at ACIP roundtable discussions
- E. Changes in the Designs Act 2003
- F. Current process for designs protection

## APPENDIX A: MINOR ANOMALIES, INCONSISTENCIES AND ERRORS IN THE 2003 ACT WITH PROPOSED CHANGES

This table, mentioned in the Paper at 4.1, lists very specific problems with the 2003 Act raised in submissions, which could be readily corrected.

**Table A1: Anomalies in the 2003 Act with potential fixes**

<b><i>Relates to</i></b>	<b><i>Anomaly</i></b>	<b><i>Potential fix</i></b>
Priority Claiming	Reference in s 27(1)(b) to ‘an application for protection in respect of the design’ unclear, especially where representation is different in a priority document (eg, uses dotted lines not allowed in Australia).	Disclosure in a basic application should be sufficient to support a priority claim.
Identity of Convention applicants	Regulation 3.06(2) restricts Convention applications: a person may be entitled to own a registered design but not entitled to make a convention application	Draft Regulation 3.06(2) consistently with entitlement under s 13.
Entitlement as a ground of revocation	<i>Designs Act</i> s 93 makes lack of entitlement at time of registration a ground for revocation of the design.  Lack of entitlement is not a ground for revocation of a patent since the <i>Raising the Bar Act</i> .  Also, <i>Designs Act</i> s 93 currently provides for validity where original registered owner was not entitled at time of registration (cf <i>Patents Act</i> which is concerned only with entitlement at the time of the proceeding).	Adopt <i>Patents Act</i> approach on both issues: <ul style="list-style-type: none"> <li>• Focus on entitlement at time of revocation proceeding;</li> <li>• Provide a safeguard to allow court <i>not</i> to revoke similar to <i>Patents Act 1990</i> (Cth) s 138(4).</li> </ul>
Prior art base	Prior art base under s 15(2) may not include designs for products other than the product referred to in the Registered Design Right. Compare 1906 Act which referred to designs for articles or any other article.	Amend s 15(2) to ensure that the prior art base includes designs for products other than the product referred to in the Registered Design Right: consistent with the general intention of the 2003 Act to raise the threshold for protection.
Fraud, false suggestion and misrepresentation as a ground for revocation	<i>Designs Act</i> only identifies fraud, false suggestion or misrepresentation in <i>obtaining</i> the design as a ground of revocation. Other acts should be identified – eg obtaining certification of the design.	Identify stages of process where fraud, false suggestion or misrepresentation might arise. Compare <i>Patents Act</i> s138(3)(e).
Amendment	Voluntary amendment is not possible unless a ground of revocation has been made out.	Other grounds (eg clerical error, obvious mistake) should be available.
Entitlement to bring infringement proceedings	Under s 73, only a registered owner can commence infringement proceedings. Compare other IP rights where exclusive licensees can also commence proceedings (eg <i>Patents Act</i> s120).	Amend s 73 to allow exclusive licensees to commence infringement proceedings.

## APPENDIX B: DO REGISTERED DESIGNS INCREASE COMPANY VALUE?

Data from the Australian Bureau of Statistics (ABS) small and medium enterprise (SME) dataset of nearly 8000 distinct Australian firms for the period 2005-06 to 2011-12 reveals that:

- On average, 3.5 per cent for SMEs have registered designs in-force to protect their IP (compared with about 3.6 per cent for patents; 11.8 per cent for copyright and trademarks combined; and 13.3 per cent for secrecy and confidentiality agreements (Table B1).
- Registered SME design users are more likely to hold other forms of both formal IP - patents, copyright and trademarks – and informal IP. This suggests that the SME is an intensive creator of intellectual and intangible capital (Table B2).
- Registered SME design users are three times more likely to export and derive most of their income from overseas. A third of SME design users are also exporting.
- Registered SME design users are also more likely to: sell into competitive markets; collaborate with other organisations; regard engineering, science, research and IT professionals skills as core to their business and be foreign-owned than non-users. SMEs aged under 5 years with the same founding owner (new founder) are less likely to use registered designs than other firms (Table B2). There is no difference in registered design use among old founders.
- Registered design users are five times more likely to have introduced new-to-the-world innovations in the previous year. They are about 50 per cent more likely to have introduced a new-to-the-firm innovation in the previous year (Table B2).

**Table B1:** Methods used to protect intellectual property; SMEs with valid tax return, 2005-06 to 2011-12

Method	% saying yes
Registered design	3.5
Patents	3.6
Copyright or trademarks	11.8
Secrecy and confidentiality agreements	13.3
Complexity of product design	3.1
Other	0.2

Note: n=22,707. Pooled dataset.

Source: Australian Bureau of Statistics. Business Characteristics Survey, Business Income Taxation and Business Activity Taxation data

**Table B2:** Characteristics of registered design using SMEs, 2005-06 to 2011-12

Characteristic of SME	Uses registered designs	Does not use registered designs	TOTAL
Uses patents (1/0)	45.5	2.1	3.6
Uses copyright or trademarks (1/0)	72.1	9.7	11.8
Uses secrecy or confidentiality agreements (1/0)	42.3	12.3	13.3
Uses product complexity (1/0)	16.6	2.7	3.1
Uses other forms of protection (1/0)	0.8	0.2	0.2
Exports (1/0)	35.8	11.6	12.4
Main source of income from overseas (1/0)	8.4	2.7	2.9
Foreign-owned (1-3)	5.1	1.6	1.7
Participated in a collaboration (1/0)	25.5	13.5	14.0
New founder* (1/0)	9.3	12.1	12.0
Old founder ** (1/0)	63.0	63.1	63.1
Sells into captive market*** (1/0)	5.5	8.5	8.4
Engineering, science or IT skills core (1/0)	74.1	45.7	46.7
Innovation business focus (0-3)	192.1	136.3	138.2
Introduced new-to-the-world innovation (1/0)	7.7	1.5	1.7
Introduced new-to-the-firm innovation (1/0)	47.7	29.2	29.9

Note:  $n=22,707$ . Pooled dataset. \* Owner is original founder, business aged under 5 years; \*\* Owner is original founder, business aged 5 years & over; \*\*\* Believes there is no effective competition.

Source: Australian Bureau of Statistics. Business Characteristics Survey, Business Income Taxation and Business Activity Taxation data

Both Australian and overseas economic modelling shows that ownership of patents and trademarks is associated with greater market value and higher profits. However, the evidence for registered designs is less apparent. There are three Australian firm-level econometric studies of the effect of registered designs have on firm performance. The largest and most recent study by Palangkaraya and Webster (2015) tests for the effect of using registered designs on SME productivity over the period 2005-06 to 2011-12.<sup>75</sup> They do not find any statistical relationship between use of registered designs and the contemporaneous level of firm productivity. Griffiths, Jensen and Webster (2011) estimate a model of firm profits using data from 2689 large Australian firms over the period 1990–2006. They did not find any effect (but did find that the number of patents and trademarks in-force raised profits *ceteris paribus*). Finally, Griffiths and Webster (2006) estimated the effect of registered design ownership on the market value of 308 listed Australian companies over the time period 1989 to 2002 but did find a positive effect for designs.

Bascavusoglu-Moreau and Tether (2011) estimate that in the UK, design intensive firms derive premium of 17 per cent on their sales per employee. Other research on UK companies shows that design-intensive companies (companies that invest more heavily in design activity than their counterparts) exhibit stronger export performance and productivity growth than their counterparts.<sup>76</sup> Design activity does play an important role in supporting the increasing globalisation of supply chains.<sup>77</sup>

<sup>75</sup> We use the term 'productive' to mean the residual in a productivity equation.

<sup>76</sup> Big Innovation Centre (2012). UK design as a global industry, Report for the UK Intellectual Property Office 2012/14 ([www.ipo.gov.uk/ipresearch-ukdesign-201207.pdf](http://www.ipo.gov.uk/ipresearch-ukdesign-201207.pdf), accessed 27 November 2014).

<sup>77</sup> Ibid

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2. Griffiths, W. and Webster, E. (2006) Trends in the value of intellectual property in Australia, *The management of intellectual property*, Eds. D. Bosworth and E. Webster, Cheltenham, UK and Brookfield, US: Edward Elgar.
3. Bascavusoglu-Moreau E and Tether B. (2011) 'Registered designs & business performance – exploring the link', in Design Economics report for the UK Intellectual Property Office, 2011/6 ([www.ipo.gov.uk/ipresearch-designsreport2-201109.pdf](http://www.ipo.gov.uk/ipresearch-designsreport2-201109.pdf) ).
4. Palangkaraya, A. and Webster, E. (2015) Do Registered Designs raise (SME) Firms' Productivity?, mimeo, University of Melbourne.

## **APPENDIX C: LIST OF NON-CONFIDENTIAL SUBMISSIONS (ACIP'S ISSUES PAPER)**

ACBPS - Customs

Arts Law Centre of Australia

Australian Automotive Aftermarket Association (AAAA)

Australian Design Alliance (AdA)

Baker McKenzie

Copyright Council

Design Institute of Australia

Dinosaur Designs

Federal Chamber of Automotive Industries

FICPI Australia

Freehills

Gilbert and Tobin

Jimmy Choo

Law Council of Australia

Law Institute of Victoria

Linden Dunne

Madhu Jogia

Mitchell Adams

NZIPA

One Steel Wire

Peter Knight

Qld Law Society

Timothy Webb



## **APPENDIX D: ATTENDEES AT ACIP ROUNDTABLE DISCUSSIONS**

### ***Attendees at Melbourne Roundtable***

Arlec Australia Pty Ltd  
Bourne & Associates  
Design Institute of Australia (DIA)  
Freehills  
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  
FB Rice  
Freehills  
Good Design Australia  
One Steel Wire  
Shelston IP  
Sprusons

### ***Attendees at Brisbane Roundtable***

Cotters  
Design Institute Australia (DIA)  
FICPI  
Grand Master Tools  
Jogias Patent and Trade Mark Attorneys  
Member, Qld Bar

### ***Attendees at Perth Roundtable***

Entecho  
Fuselage Design Pty Ltd  
Watermark  
Wrays

## APPENDIX E: CHANGES IN THE DESIGNS ACT 2003

From Table 1 in 2.4:

**Reducing the term:** Duration of term was reduced from 16 to 10 years.

**Raising the eligibility/threshold requirements:** Test was amended from *new or original* under the 1906 Act to *new and distinctive* under the 2003 Act. Prior art base was increased to include documents published anywhere in the world. Eligibility had been considered in the light of *differences* but under the 2003 Act is now considered in the light of *similarities*.

**Streamlining the registration process:** Under the 1906 Act there was *mandatory examination* prior to registration, but under the 2003 Act there is only *examination on request* after registration. Under the 2003 Act it is possible to have more than one design per application. The owner may now only bring action for infringement after the registration has been examined and a certificate of examination issued.

**Expanding the scope of rights:** Infringement test was amended from *obvious or fraudulent imitation* under the 1906 Act to *identical or having a similar overall impression* under the 2003 Act. There is now a defence against infringement for the manufacture of spare parts.

Other changes:

**Representations:** Dotted outline used to indicate disclaimed matter no longer applies under the 2003 Act – now this practice can indicate features that are to be given ‘less weight’ but not entirely disregarded.

**Subject of application:** Under the 2003 Act, a design application may be in respect of one design applied to many products (common design) or made in respect of more than one design provided: all designs relate to one product, or; where the designs relate to different products, the products fall in the same designs classification class (multiple designs).

**Statements:** A Statement of Monopoly or a Statement of Novelty is no longer used. A Statement of Newness and Distinctiveness was introduced in the 2003 Act to identify/highlight areas as new and distinctive. There is no ability to ‘disclaim’ features or areas of products. The areas of newness/distinctiveness are taken in regard to the overall appearance of the product.

**Terminology:** Words used in the 1906 Act have been replaced in the 2003 Act – *Article* became *product* and *Author* became *designer*.

**Formalities:** This check is performed on the design application before proceeding to registration. A Formalities Check does not replace the substantive examination process. Under the 2003 Act examination can only occur after registration.

**Publication:** An alternative to the registration route was introduced in the 2003 Act. Requesting publication establishes a defensive publication of the design preventing others from subsequently registering the design. No enforceable rights are provided.

**Examination requested by 3<sup>rd</sup> parties:** Under the 2003 Act examination can be requested by any other party. The requestor pays half the fee. The design owner is required to pay the other half of the examination fee or the design registration will ‘cease’.

**Opposition period v/s re-examination:** Under the 2003 Act there is no longer a period to 'oppose' the registration of a design. Information that a design is not valid can be provided by 3<sup>rd</sup> parties at any time for consideration should the design ever be examined. The 3<sup>rd</sup> party may request the examination (with or without material) on the payment of half the examination fee. The design can be examined multiple times (ie with production of new material/evidence).

**Infringement proceedings:** Under the 2003 Act, infringement proceedings can only be started after a design has been examined and certified.

**Designs of 'addition':** Design applications that are an obvious adaptation differing only in immaterial details or differing only in features commonly used in the trade were able to be lodged under the 1906 Act (S.25D). These 'additional' designs would exist under the 'umbrella' of the parent, and last for only as long as the parent was in force. The additional child was not subject to the opposition process once registered. These are no longer permitted under the 2003 Act.

**Renewals:** The 2003 Act adopted a two term practice. The first five year term is included in the initial registration period (and covered under the application fee of \$250 when processed on-line). A second five year term is currently set at \$320 (when processed on-line). The 1906 Act had a three term process with increasing fees as the registration continued (1<sup>st</sup> - \$55, 2<sup>nd</sup> - \$90 and 3<sup>rd</sup> - \$135).

#### Administration

**Numbering:** The 2003 Act adopted a new numbering format. Applications adopted a five digit application number with century field. Registrations remained with six digits, but started from 300,000.

NB. Transitional provisions existed for design applications lodged under the 1909 Act, but not finally dealt with, to convert to the 2003 Act. Converted designs had the 10 year term set from the date of the conversion request. Approximately 95 designs from the 1906 Act were converted. Many of these contained multiple designs. A listing of these designs is available from ADDS:

[http://pericles.ipaustralia.gov.au/adds2/adds.adds\\_help\\_2.converted\\_list](http://pericles.ipaustralia.gov.au/adds2/adds.adds_help_2.converted_list).

## **APPENDIX F: CURRENT PROCESS FOR DESIGNS PROTECTION**

### ***Section 15 (1) – registrable designs***

*This section sets out the basic legal criteria for grant of a design. A design is a registrable design if the design is new and distinctive when compared to the prior art base for the design as it existed before the priority date of the design.*

The three key criteria that can be extrapolated from this section are that there must be:

a 'design' which is

'new and distinctive'

when compared to the 'prior art base'.

### ***Section 5 - definition of 'design'***

In relation to a product, a design means the overall appearance of the product resulting from one or more visual features of the product. The visual features that form the design include the shape, configuration, pattern and ornamentation which, when applied to the product, give it a unique appearance. This definition covers both three dimensional products (such as a teacup) and two-dimensional patterns on products (such as a floral pattern applied to a tea cup).

### ***Section 16 - new and distinctive***

Under this section a design is 'new' unless it is identical to a design forming part of the prior art base. A design is 'distinctive' unless it is 'substantially similar in overall impression' to a design forming part of the prior art base. Section 19 of the Act provides guidance to design examiners in determining whether a design is 'substantially similar in overall appearance', most importantly:

- More weight is to be placed on the similarities between designs than to differences between them.
- Where a design application makes special reference to a particular visual feature of the design, particular regard must be had to that visual feature.
- The standard to be applied when making the comparison is that of a person who is familiar with the product to which the design relates i.e. the 'informed user'.
- In infringement proceedings the task of having to decide whether a design is new and distinctive is one of fact determined by the judge from the perspective of an informed user.

### ***Section 15 (2) (a) (b) and (c) - prior art base***

The prior art base for a design consists of the following:

- Designs publicly used in Australia, and
- Designs published in a document within or outside of Australia, and
- Designs in relation to which each of the following criteria is satisfied:
  - The design is disclosed in a design application.
  - The design has earlier priority date than a designated design

The first time documents disclosing the design are made available for public inspection under section 60 is on or after the priority date of the designated design.

### ***Examination process***

Registration occurs after a formality check. The owner of a design is only able to take infringement action once the design has been fully examined (resulting with a Certificate of Examination). Substantive examination is conducted only if requested by the owner or a third party. If a third party requests examination, the third party and owner each pay half of the examination fee (full fee is \$420AUD). If the owner does not pay their half of the examination fee, registration of the design ceases. The Registrar may also initiate examination but this is used in rare circumstances.

Outside of examination, a third party may submit material to demonstrate that the design is not new and distinctive. However, this material is placed on file and only considered should the design progress to examination.

The threshold test for registrability is a two-step test; namely, a design is not a registrable design unless it is both new **and** distinctive. This test provides that minor or insignificant changes to a design are irrelevant if the overall impression remains one of substantial or significant similarity. The overall impression is considered by the "*standard of the informed user*" being a person who is familiar with the product to which the design relates, or products similar to which the design relates.

Designs excluded from registration include: medals, coats of arms, flags or seals of the Commonwealth or another country; and, designs that are scandalous. A scandalous design is one which is shocking or offensive to the public or an individual's sense of propriety or morality.

**Notes:**



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ACIP invites any interested parties to make a written submission in response to this Options Paper. Where possible, submissions in electronic format are preferred.