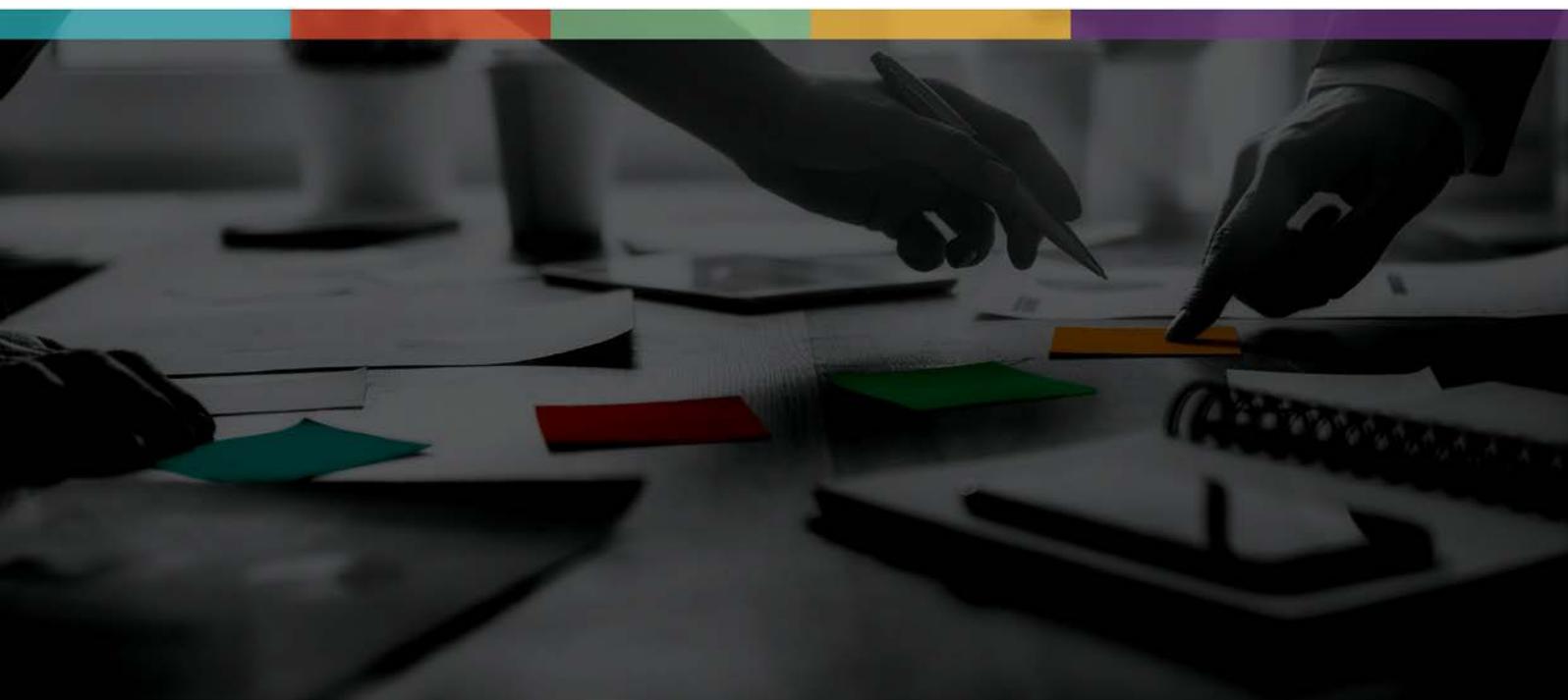


Public consultation:

2. Early flexibility for designers

October 2019

Relating to Recommendations 5, 9 and 12 of the Advisory Council on Intellectual Property Review of the Designs System



Executive Summary

The purpose of this paper is to seek feedback on options for implementing the Australian Government’s response to Recommendations 5, 9 and 12 of the former Advisory Council on Intellectual Property (ACIP)’s Final Report on the review of the Designs system. The options relate to introduction of a grace period and a prior use infringement exemption, deferred publication of designs, and registration of designs—removal of publication option.

Overall Summary of ACIP recommendations and proposed options in this paper

ACIP Recommendation	Option 1	Option 2	Option 3
5 Remove the option of the publication regime (i.e. without registration) from the designs process.	No change	Remove the option of publication without registration	-
9 Automatic publication should apply at six months after the filing date, with the possibility to request publication earlier if desired, and the innocent infringer defence in subsection 75(2) of the <i>Designs Act 2003</i> should be amended.	No change	Introduce optional deferred publication with a maximum deferment period of six months from the priority date of the design, with amendments to the innocent infringer defence	Introduce automatic publication with optional early publication. All designs disclosed in a design application would be open to public inspection at six months from the priority date. The innocent infringer defence would be amended.
12 Introduce a grace period of six months before the filing date, together with a prior user defence. Applicants who rely on the grace period to protect the validity of their design rights should be required to file a declaration to that effect.	No change	Introduce six-month grace period with a prior use infringement exemption.	Introduce 12-month grace period with a prior use infringement exemption.

Where IP Australia has a preferred option, this is indicated with a dark grey background.

Currently the Designs Act provides limited flexibility to protect designers against inadvertent disclosures, or for designers to keep a design confidential, early in the life cycle of a design. This may be hampering designers from innovating and commercialising their designs. This paper brings together three proposals which have the broad aim of ensuring the Designs Act does not unnecessarily hinder designers in the early development of a design:

- *Grace period for designs and a prior use infringement exemption* proposal (part 2.1 of this paper)

- This proposal would provide a grace period to help protect designers from loss of rights through inadvertent disclosure. The proposal includes a prior use infringement exemption to protect third parties.
- *Deferred publication of designs* proposal (part 2.2 of this paper)
 - This proposal would provide for deferred publication since there can be delays before products are ready to be launched in the market.
- *Registration of designs—removal of publication option* proposal (part 2.3 of this paper)
 - This proposal would simplify the designs system and reduce red tape costs by removing a rarely used publication option.

Written submissions should be sent to consultation@ipaaustralia.gov.au.

For accessibility reasons, please submit responses by email in Word, RTF, or PDF format.

The contact officer is:

Brett Massey, who may be contacted on (02) 6285 0721, or via email on

brett.massey@ipaaustralia.gov.au

This paper is also available at:

www.ipaaustralia.gov.au/about-us/public-consultation

Submissions should be received no later than 20 December 2019.

Contents

Executive Summary	i
Contents	iii
Privacy Notice.....	1
Introduction	2
2.1 Grace period for designs and a prior use infringement exemption.....	4
2.2 Deferred publication of designs.....	11
2.3 Registration of designs—removal of publication option	17
Conclusion: Early flexibility for designers	19

Privacy Notice

Personal information is collected by IP Australia during this public consultation for the purposes of gaining stakeholder insights and comments on the proposed amendments to the Design Rights legislation and regulations, and is protected by the *Privacy Act 1988* (**Privacy Act**).

Your submission, along with any personal information you provide as part of that submission, will be published on IP Australia's website. Information published online may be accessed world-wide, including by overseas entities. Once the information is published online, IP Australia has no control over its subsequent use and disclosure. You acknowledge and confirm that Australian Privacy Principle (APP) 8 will not apply to the disclosure. If any overseas recipient handles your personal information in breach of the APPs, you acknowledge and agree that IP Australia will not be accountable under the Privacy Act and you will not be able to seek redress under the Act.

If you would prefer that your submission, or any part of your submission, is not published on our website, please notify IP Australia in writing at consultation@ipaaustralia.gov.au, clearly identifying that the whole submission is confidential or the particular parts of the submission you consider to be confidential. IP Australia will not publish any submission or part of a submission that you have marked as confidential.

Your submission, including any personal information you provide, may be disclosed to the relevant Ministers and their offices and Commonwealth government agencies (Recipients) including any relevant contractors providing services to the Recipients, for the purpose of briefing on the results of the consultation in general and/or about specific issues on which you have commented. This disclosure may occur whether or not your submission has been marked as confidential. Where contact details are provided, IP Australia may also contact you by telephone or email to discuss your submission.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

IP Australia may use your personal information to contact you further regarding the outcomes of this consultation and to inform you of further progress and consultation on these legislative proposals that we think may be of interest to you.

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

IP Australia retains sole discretion to decide not to publish a submission or part thereof, or to remove any content, including but not limited to any content which is unlawful, defamatory or offensive from a submission before publishing it on IP Australia's website.

All personal information you provide is handled in accordance with [IP Australia's Privacy Policy](#) (**Privacy Policy**) and this privacy notice. The Privacy Policy contains relevant information, including:

- how you may seek access to and correction of the personal information we hold;
- how you may make a complaint about a breach of the Privacy Act and how we will deal with your complaint; and
- IP Australia's privacy contact officer details.

By making a public submission, you provide your consent to your personal information being handled in accordance with this privacy notice and the Privacy Policy (linked above).

Introduction

The current designs system has been in operation since the commencement of the *Designs Act 2003* (Designs Act) on 17 June 2004. Concerns have been raised about the effectiveness of the designs system and whether it is meeting its original policy objectives.

In May 2012, the former Advisory Council on Intellectual Property (ACIP) was asked to investigate the effectiveness of the designs system in stimulating innovation by Australian users and the impact the designs system has on economic growth. As part of its investigations, ACIP released an Issues Paper in September 2013 to seek views from stakeholders, including users of the designs system. ACIP released an Options Paper for public consultation in December 2014 and a Final Report in March 2015.

On 6 May 2016, the Australian Government responded to ACIP's Final Report and agreed to the majority of the recommendations. IP Australia is now seeking feedback on options for implementing a number of the accepted recommendations in the form of three options papers:

- Paper 1: Scope of Designs
- Paper 2: Early Flexibility for Designers (this paper)
- Paper 3: Simplifying and Clarifying the Designs System

IP Australia invites interested parties to make written submissions in response to the questions and options presented in this paper by **20 December 2019**. IP Australia will consider the submissions and undertake further consultation as necessary.

IP Australia is undertaking other activities in relation to designs in parallel, including the Designs Review Project (DRP) and modernisation of the database of registered designs through the recently released Australian Design Search. Further information on these activities can be found on IP Australia's website here <https://www.ipaustralia.gov.au/beta/designs-review>.

IP Australia acknowledges the Aboriginal and Torres Strait Islander peoples of Australia. We acknowledge the traditional custodians of the lands on which our agency is located and where we conduct our business. We pay our respects to ancestors and Elders, past, present and emerging. IP Australia is committed to honouring Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.

IP Australia acknowledges that the cultural expressions of Aboriginal and Torres Strait Islander people such as art, crafts, stories, symbols and icons can inspire, or be used in, designs. Where these cultural expressions are used inappropriately, it can cause great offense and hurt to the custodians of that knowledge. IP Australia is looking at the protection and management of the Indigenous Knowledge (IK) in the IP system and what we can do to support new economic opportunities and promote cultural integrity. Information about our IK work is available on the IP Australia website at www.ipaustralia.gov.au/indigenous-knowledge. You can also register to our [mailing list](#) if you would like to be updated on our IK work, including future consultations.

We always want to hear from you. If you have any input on issues not covered by this consultation, please let us know via our [policy register](#). The policy register details the issues we are considering or working on for policy or legislative action.

Principles for formulating designs policy

The Productivity Commission (PC) undertook a comprehensive inquiry into Australia's intellectual property arrangements, completing its final report in 2016. The PC recommended, in formulating intellectual property policy, that the Australian Government should be informed by a robust evidence base and be guided by the principles of effectiveness; efficiency; adaptability and accountability.¹ The Government response supported the recommendation in August 2017.²

These principles complement the Government's principle of Best Practice Regulation, which include a Regulation Impact Statement process that requires the assessment of economic, social and environmental costs and benefits to business and the community in determining the net benefit of a regulatory proposal.

We encourage readers to keep the PC's principles in mind when providing submissions, which are briefly explained below.³ You can also find more guidance on things to keep in mind when providing input in the [Guide to commenting on IP Australia's policy register](#).

Effectiveness

- The designs system should be effective in encouraging additional ideas and in providing incentives that ensure knowledge is disseminated through the economy and community.
- Key questions to ask in assessing effectiveness:
 - Does the system lead to additional designs being generated?
 - Is the system effective in disseminating designs?

Efficiency

- The designs system should provide incentives for designs to be created at the lowest cost to society.
- Key questions to ask in assessing efficiency:
 - Is the system ensuring designs are being generated at the lowest cost?
 - Is the system ensuring that designs are traded so that those that can use them most efficiently can do so?
 - Is the system appropriately balancing the long-term costs and benefits that stem from the system's effects on competition and innovation?

Adaptability

- The designs system should adapt to changes in economic conditions, technology, markets and costs of innovating.
- Key question to ask in assessing adaptability:
 - Can the system adapt as the nature of innovation, competition and broader economic conditions change?

Accountability

- The policies and institutions that govern the designs system, and the way that changes are made to them, need to be evidence based, transparent, and reflect community values.
- Key questions to ask in assessing accountability:
 - Are the policies and changes made to the designs system evidence based, transparent, and do they reflect community values?

¹ Productivity Commission, [Intellectual Property Arrangements](#), Inquiry Report No. 78, September 2016, p 74.

² Australian Government, [Government response – Productivity Commission Inquiry into Intellectual Property Arrangements](#), 2017, rec 2.1.

³ Productivity Commission, [Intellectual Property Arrangements](#), Inquiry Report No. 78, September 2016, p 61, 74-5.

2.1 Grace period for designs and a prior use infringement exemption

Background

If you disclose your design before filing an application, it may not be eligible for protection.⁴ Currently, the Designs Act does not provide designers with a general period of time, known as a grace period, in which public disclosure of the design is disregarded in determining whether the design is new and distinctive.⁵ Comparatively, the Australian *Patents Act 1990* provides patent applicants with a general 12-month grace period and internationally a number of other jurisdictions offer designers a grace period in their respective design legislation. For example, Canada, the European Union, the United Kingdom, the United States and Japan have a 12-month grace period, and South Africa and the Philippines provide a six-month grace period, although the date from which this applies varies (filing date or priority date). Generally, these provisions cover any public disclosure made by the designer and their successor.⁶

Of the four foreign jurisdictions where Australian applicants currently file the most direct applications (United States, New Zealand, China and Europe) both the United States and Europe offer a general 12-month grace period. In contrast, New Zealand and China, like Australia, do not provide a general grace period but offer six-month temporary protection at certain international exhibitions in accordance with the Paris Convention for the Protection of Industrial Property.⁷

The draft Designs Law Treaty (DLT) being negotiated at the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications under the World Intellectual Property Organization would require parties to provide a grace period of six or 12 months preceding the date of filing or, if a priority is claimed, the date of priority. Should Australia become a party to the DLT when it is finalised, the Designs Act would likely need to be amended to provide designers with a grace period.

The ACIP Final Report made the following recommendation in relation to grace periods:

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

The Government accepted this recommendation.

The Government agreed to introduce a grace period together with a prior user defence, and noted the length of the grace period and requirement for an applicant to declare any disclosures at the time of filing will be determined at a later stage following further stakeholder consultation and development of international norms.

Problem

The ACIP Review of the Designs System, the recent PC Inquiry into Intellectual Property Arrangements, and stakeholders have highlighted three key issues caused by the lack of grace period in the Designs Act.

⁴ Section 15 (Registrable designs) of the *Designs Act 2003*.

⁵ Noting the limited exception in the *Designs Act 2003* ([Designs Act](#)), s 17(1); and the *Designs Regulations 2004* ([Designs Regulations](#)), reg 2.01.

⁶ Arnold + Siedsma (ed), *Manual for the Handling of Applications for Patents, Designs and Trade Marks Throughout the World*, Kluwer Law International; Kluwer Law International 1927, Supplement No. 183, June 2018.

⁷ Paris Convention for the Protection of Industrial Property, as amended on 28 September 1979 ([Paris Convention](#)), art 11.

Inadvertent disclosures

The main rationale for a grace period is to protect designers who through ignorance or inadvertence publish their design before seeking legal protection.⁸ During its review of the Designs System, ACIP commissioned a survey of users who had applied for a design right. The survey found that some loss of protection does occur through inadvertent disclosure.⁹

During the ACIP review, and the recent PC Inquiry, stakeholders advised that inadvertent disclosure is an ongoing problem for applicants, noting that inadvertent disclosure is a particular problem for small and medium enterprises (SMEs) and self-filers. According to the ACIP Final Report, a grace period may be particularly important for SMEs who have less interaction with the IP system and may be less aware of the consequences of disclosure.

Grace period confusion

As the Australian designs system is currently not aligned with many other international jurisdictions, resident and non-resident designers who are more familiar with, for example, the United States or European system, may make disclosures, intending to rely on the grace period, only to find when they come to file in Australia they are unable to do so. The Designs Act is also not aligned with the Patents Act on grace period. In their submission to the ACIP Review, the Australian Federation of Intellectual Property Attorneys (FICPI Australia) advised that the inconsistency in grace period provisions can cause confusion, especially when an applicant is seeking both patent and design protection.¹⁰

Product development time

A grace period gives designers time to test a product's commercial worth before making a decision to apply for protection. This was considered by the Australian Law Reform Commission (ALRC) in 1995. The ALRC was not convinced of the need to introduce a grace period in the Designs Act, because the introduction of multiple applications, optional publication, and registration with formal examination would address this need.¹¹ These were introduced into the current Designs Act. In practice however, these provisions have not been used by stakeholders for the purpose the ALRC described.¹² Stakeholders argued during both the ACIP review and the PC Inquiry that a grace period is still required to allow designers to test their products and make commercial decisions.

Discussion

As noted by the PC, there may be benefits in introducing both a grace period and prior user defence before Australia becomes a signatory to the DLT as trialling the changes will reduce the risk of locking in any unintended adverse effects.¹³

⁸ Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015 ([ACIP Designs Review](#)), p 27.

⁹ Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015 ([ACIP Designs Review](#)), p 27.

¹⁰ Noted in FICPI submissions to the ACIP Review of the Designs System

¹¹ Australian Law Reform Commission, *Designs*, August 1995 ([ALRC Report 74](#)), p. 67.

¹² ACIP made recommendations in relation to the administration of the multiple design applications and the utility of the publication regime, the latter of which is discussed in this paper. See recommendations 5 and 8 in Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015 ([ACIP Designs Review](#)).

¹³ Productivity Commission, *Intellectual Property Arrangements*, Inquiry Report No. 78, September 2016 ([PC IP Report](#)), p 366.

Length of Grace Period

Of the 101 jurisdictions that currently offer a grace period for design protection, 26 jurisdictions have a six-month grace period and 70 jurisdictions offer a period of 12-months grace. The remaining five jurisdictions have either no time limit, offer more than 12 months or less than six months.¹⁴

Introducing a six-month grace period would align Australia with 26 jurisdictions that offer a six-month period of protection and, according to ACIP and the PC, be adequate to address the issue of inadvertent disclosure. With a six-month grace period, an applicant would be able to obtain protection in Australia where there was inadvertent disclosure. This would result in Australia being misaligned with countries that have no general grace period (e.g., New Zealand and China) or jurisdictions that have a 12-month grace period (e.g., Canada, Europe, the United States and Japan). In addition, if applicants are unaware of a six-month grace period in Australia, they would still be at risk of not being able to file an application if they rely on their knowledge of the 12-month grace period in other jurisdictions or the Patents Act. Applicants may also act on the grace period provisions in Australia and then find they are unable to file in countries with no general grace period.

Introducing a 12-month grace period would align Australia with 70 other jurisdictions, such as the United States, Europe and Canada, who offer a 12-month grace period. This will reduce confusion from applicants more familiar with other systems or the Patents Act. Designers would still be able to apply for design protection in the case of inadvertent disclosures and would have time to test the commercial value of their products, noting that under this option they receive an additional six months to do so. As noted above, applicants may act relying on the grace period provisions in Australia and then find they are unable to file in countries that offer a six-month grace period or no grace period.

Some designers who made submissions to the PC Inquiry argued for a two-year grace period to allow sufficient time to test the commercial value of their products.¹⁵ However, a grace period greater than 12-months would not align with provisions in the draft DLT, which currently would require a grace period of six or 12 months preceding the date of filing or, if a priority is claimed, the date of priority. Should Australia become a party to the DLT when it is finalised, the grace period would then need to be shortened. Longer grace periods would increase uncertainty in the market and increase search costs for third parties. They would also increase the risk of Australians relying on the grace period and then finding they are unable to file in countries with a 12-month, six-month or no general grace period.

Point from which Grace Period should apply

ACIP favoured limiting the grace period to six months before the filing date.

The filing date of a design application is the day when the application meets the minimum filing requirements.¹⁶ This date may differ from the priority date. For example, a prior application for protection in respect of the design had been made in a Convention country up to six months earlier.¹⁷ Registration or publication must be requested at filing or within six months of the priority date of the application.¹⁸

¹⁴ Data extracted from Arnold + Siedsma (ed), *Manual for the Handling of Applications for Patents, Designs and Trade Marks Throughout the World*, Kluwer Law International; Kluwer Law International 1927, Supplement No. 183, June 2018.

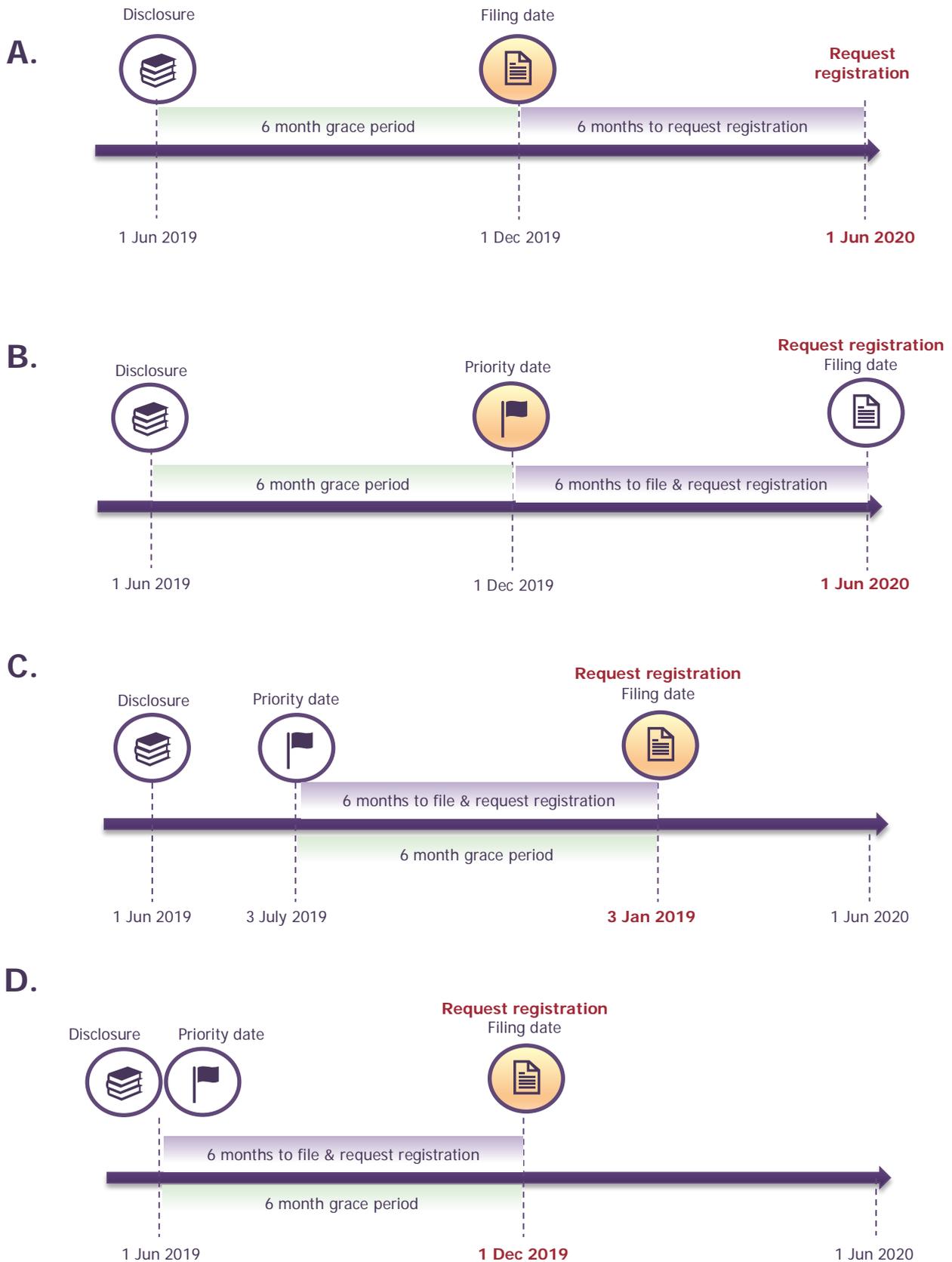
¹⁵ Productivity Commission Transcript of Proceedings, *Inquiry into Intellectual Property Arrangements* ([Transcript of Proceedings](#)), p 385-395; and PC post-draft report submission from Authentic Design Alliance ([PC submission](#)), p 2.

¹⁶ *Designs Act 2003* ([Designs Act](#)), s 26; and *Designs Regulations 2004* ([Designs Regulations](#)), reg 3.05.

¹⁷ *Designs Act 2003* ([Designs Act](#)), s 27; and *Designs Regulations 2004* ([Designs Regulations](#)), regs 3.06 to 3.08.

¹⁸ IP Australia, *A guide to applying for your design*, 2014, p 10.

Figure 1 – Effect of point from which grace period should apply upon request for registration.



Grace period extends from: **(A)** Filing date and no priority is claimed; **(B)** Priority date; or the Filing date and **(C)** priority is claimed after disclosure or **(D)** priority is claimed at disclosure.

Figure 1 outlines four different scenarios that illustrate the impact of the time point from which the grace period extends, on the time period between disclosure and requesting registration. If the grace period is calculated from the filing date where no priority is claimed (scenario **A**), or alternatively from the priority date (scenario **B**), the period from disclosure to a request for registration would remain constant, i.e., at 12 months (six months grace period and six month request for registration). If on the other hand the grace period is calculated from the filing date where priority is claimed, the time period to registration is reduced. For example, in scenario **C**, if a priority claim is made after the disclosure (1 June 2019) but before the filing date (1 December 2019), or if a priority claim is made on the same date as the disclosure (scenario **D**), a request for registration would be due before 1 June 2020. Using the filing date as the point from which the grace period extends also impacts the priority period since a request for registration must be made at filing or 6 months after the priority date. This is shown in scenario C, where the grace period would not extend far enough to cover the time starting from the point at which the design is first disclosed.

Having the grace period apply from the filing date only would not align with the draft DLT, which requires the grace period to be six or 12 months preceding the date of filing or, if a priority is claimed, the date of priority.

Having the grace period to the date of priority would normalise the period between disclosure and when a request for registration is due, and may help to futureproof Australia's designs system, should Australia become a party to the DLT when it is finalised. It should be noted that this framework differs the current patents framework, where the grace period is generally calculated from the filing date.¹⁹

Requirement to declare any disclosures

With an introduction of a grace period, ACIP favoured requiring an applicant to declare any disclosures at the time of filing – the reason being that a grace period can complicate the process of examination and makes the work of designs offices more complicated. Requiring a declaration would inform the examiner of material to disregard in deciding whether a design is new and distinctive. However, given the requirement to file a declaration would add red tape to the designs system and may limit the benefit to SMEs or self-filers who have a low level of knowledge of the IP system. There may be benefit in a grace period applying automatically, where applicants would not be required to file a declaration.

If the grace period applied automatically, as it is for patents, this would benefit all designers, not just those with knowledge of the IP System.

Prior use infringement exemption

The introduction of a grace period will likely result in some costs to third parties, who may change their behaviour following introduction. For example, third parties may need to conduct searches of the Designs Register over a longer period to check if a design application has been registered. Furthermore, the introduction of a grace period may introduce uncertainty into the market, as third parties would be unable to predict if a design will later be registered.

The introduction of a prior use infringement exemption may go towards reducing this uncertainty. This would ensure that third parties who act on disclosures without the knowledge that a design right may subsequently be filed are not disadvantaged.

The prior use provisions would be modelled on section 119 of the Patents Act. A third party who uses a design preceding the priority date of the design may continue to do so without infringing on that design. For example, a third party who makes or offers to make a product, in relation to which the design is registered, imports such products into Australia for sale, sells, hires or disposes of such a product, uses such a product in any way for the purposes of any trade or business, or keeps such a product for the purposes of any of the things mentioned previously, or where they had taken definite steps to do so, immediately prior

¹⁹ *Patents Act 1990* ([Patents Act](#)), s24; *Patents Regulations 1991* ([Patents Regulations](#)), regs 2.2 to 2.2D.

to the date of priority of the design, provided the third party had not stopped or abandoned the above acts (except temporarily) before the priority date, would not infringe on that design.

Options

Option 1 – No Change

Summary

- Under this option, a grace period would not be introduced into the Designs Act until the draft DLT is finalised. This option acknowledges the Government response, which supports the introduction of a grace period together with a prior use infringement exemption, but delays implementation until a later unknown date.
- Under this option there would be no immediate legislative change. The problems outlined in this paper would remain unaddressed. In addition, Australia would not be able to trial the changes, thereby increasing the risk of locking in any unintended adverse effects should Australia become a signatory to the DLT when it is finalised.

Option 2 – Introduce six-month grace period with a prior use infringement exemption.

Summary

- Under this option, a six-month grace period would be introduced in the Designs Act.
- The period would begin six months preceding the filing date or, if priority is claimed, the priority date.
- The grace period would permit disclosures made by the designer, their successor or a third party, with the consent of one of those parties, noting that disclosures made without the consent of the designer, or their successor, must already be disregarded during examination under paragraph 17(1)(b) of the Designs Act.
- An exemption to the infringement provisions would be introduced for prior use. This will ensure that third parties who act on disclosures without the knowledge that a design right may subsequently be filed are not disadvantaged. The prior use provisions would be modelled on section 119 of the Patents Act. A third party who uses a design prior to the priority date of the design may continue to do so without infringing on that design.
- The grace period would apply automatically, and applicants would not be required to file a declaration.

Option 3 – Introduce 12-month grace period with a prior use infringement exemption.

Summary

- Under this option a 12-month grace period would be introduced into the Designs Act.
- The operation of the grace period would be the same as Option 2. The same disclosures would be permitted, prior use provisions will be introduced into the Designs Act and the grace period would apply automatically.
- The grace period, and prior use provisions, would be able to be trialled prior to the finalisation of the draft DLT.
- Third parties may incur additional search costs given the increase from six to 12 months. There may also be increased uncertainty in the market, although the prior use provisions may go towards mitigating this uncertainty.

Preferred Option – Option 3

IP Australia's current preferred option is Option 3 – introduce an automatic 12-month grace period before the filing date or, if priority is claimed, the priority date, with a prior use infringement exemption.

Option 3 is preferred as it provides a larger safety net for applicants from loss of rights through inadvertent disclosure, will provide designers with additional time to test the commercial value of their products, and would provide greater harmonisation with jurisdictions such as the United States and Europe. The prior use provisions should help to mitigate the impacts of market uncertainty.

Questions for consultation

Question 1: If Australia introduces a grace period, do you foresee any issues with implementing the preferred option? IP Australia would be interested to hear from stakeholder as to whether:

- a. the grace period should be six-months or twelve months in duration*
- b. the grace period should extend from the filing date or the priority date*
- c. an applicant should be required to declare any disclosures*
- d. any specific conditions should apply to a prior use infringement exemption for designs.*

2.2 Deferred publication of designs

Background

Deferred publication allows a designer to keep their designs confidential until they are ready to launch in the market. In Australia, the Designs Act limits the ability for designers to defer the publication of a registered design because post-registration publication currently takes place very rapidly.²⁰

Notwithstanding, under the current system applicants can take advantage of administrative delays leading up to registration, meaning 'pseudo-deferment' is possible. Examples of these tactics include; requesting registration as late as possible, deliberately including or omitting information from an application so it fails the initial formalities check, and deliberately delaying responding to issues raised by IP Australia.

While a grace period prevents public disclosure from prejudicing a subsequent design application, deferred publication goes more to commercial considerations, for example, to keep a design confidential until an applicant is ready to launch it in the market. Deferred publication and a grace period are also cited as ways to assist designers who wish to undertake some market testing.

Unlike Australia, some jurisdictions allow design applicants to defer publication of their designs. For example, in New Zealand, an applicant may request deferment of registration (and thereby deferment of publication) for a maximum period of fifteen months from the filing date.²¹ In Europe the publication of a registered design can be deferred for thirty months from the filing date or, where priority is claimed, for thirty months from the priority date.²² In the United States, design patent applications filed directly with the USPTO are not published until they issue as patents.

The current draft DLT would require signatories to allow an industrial design to be maintained unpublished for a minimum period of six months from the filing date or, where priority is claimed, from the priority date.²³ The Hague Agreement accommodates, but does not require, deferment of publication.²⁴

The ACIP Final Report made the following recommendation in relation to deferred publication:

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

The Government response noted the recommendation and considered that further consultation was required as acceptance of this recommendation may have unintended consequences for particular applicants.

²⁰ Section 60 of the Designs Act requires that the Registrar make certain documents available for public inspection after a design is registered, and section 111 requires that certain particulars be entered onto the Register of Designs.

²¹ *Designs Regulations 1954 (New Zealand)* ([NZ Designs Regulations](#)), Regulation 20A.

²² Council Regulation (EC) No 6/2002 on Community designs ([Council Regulation](#)), Article 50.

²³ Standing Committee on the Law of Trademarks, Industrials Designs and Geographical Indications, *Industrial Design Law and Practice – Draft Articles*, SCT/35/2, 25 February 2016 ([Draft Designs Law Treaty](#)), art 9(1); Standing Committee on the Law of Trademarks, Industrials Designs and Geographical Indications, *Industrial Design Law and Practice – Draft Regulations*, SCT/35/3, 25 February 2016 ([Draft Regulations](#)), Rule 6.

²⁴ *The Hague Agreement Concerning the International Registration of Industrial Designs*, Geneva Act of July 2, 1999 ([Hague Agreement](#)), art 11; and Common Regulations Under the 1999 Act and the 1960 Act of the Hague Agreement ([Common Regulations](#)), Rule 16.

Problem

Currently, images of designs are advertised shortly after registration. There is no formal facility to defer publication. Deferral of publication allows the designer to keep new designs confidential until they are ready to launch in the market.

While the current system allows pseudo-deferment leading up to registration, this practice creates unnecessary complexity and likely disadvantages users of the system without professional representation. In addition, while an applicant may amend an application to exclude a design from an initial application, and later file a design application in respect of the excluded design to buy more time, this process is complex and has associated costs.

Whereas deferment has advantages for design owners, it has disadvantages for third parties and can create uncertainty for other participants in the market. By allowing deferment of publication, third parties would not have access to as much information on the Register of Designs as they now do. This could negatively affect parties who may rely on the Design Register to determine their freedom to operate, and reduce the value of novelty searches, since some potentially relevant earlier designs would not be publicly available at the time of the search. A deferred publication system may also adversely affect parties who make similar or identical products in the period where the design is registered yet unpublished.

Discussion

There are three main parameters to consider in the deferral of publication, being the duration, starting point and whether the deferral is applied automatically. ACIP recommended a duration of six months, starting from the filing date, with automatic application.

Length

- Six months: ACIP considered that an appropriate period of deferral would be six months, rather than a longer period, noting deferral creates uncertainty for third parties. The draft DLT also sets a minimum period of six months, in an attempt to strike a balance between the interest of applicants for secrecy and the interest of other parties.²⁵
- Longer than six months: While the draft DLT sets a minimum duration of six months in an attempt to strike a balance between the interest of applicants for secrecy and the interest of other parties, a number of jurisdictions do provide longer, including durations of 15 months in New Zealand and 30 months in Europe.

Starting point

- Filing date: ACIP considered that the deferral period should begin from the filing date, and would take away the current variability in the timing of publication. This approach results in a different period of deferment depending on the priority claim. An early priority claim may afford applicants up to 12 months deferment from the priority date to publication compared to six months from the filing date to publication, where priority is not claimed.
- Priority date: The priority date can be up to six months earlier than the filing date. The draft DLT currently requires that the deferral period begins from the filing date or, where priority is claimed, from the priority date. The draft DLT indicates this approach would be consistent with the aim of

²⁵ Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, *Industrial Design Law and Practice – Draft Regulations*, SCT/35/3, 25 February 2016 ([Draft Regulations](#)), Notes on Rule 6.

the provision, namely to ensure that the applicant will be able to maintain the industrial design unpublished during a short period of time from the “beginning” of the registration procedures.²⁶

Automatic or optional

- Automatic: ACIP considered that the deferral be automatic, to minimise red tape and complexity for users of the system. ACIP also considered that the ability to request earlier publication is important in the event that design owners want to deter infringers and give notice of their rights from the moment they launch their products.
- Optional: An optional approach may be of benefit to third parties through a lower take up of deferrals by users, but would be expected to create more red tape and complexity, which would have an impact particularly on unsophisticated users of the system.

Taking the above into account, with particular weight given to the draft DLT, the following options are proposed to achieve a 6-month deferral duration starting from the priority date. We welcome feedback on this approach, including alternative views and options noting consultation Question 2c below.

Options

A summary of the options is shown in Figure 2.

Option 1: No change

Summary

Under this option no deferred publication regime for registered designs would be introduced into the Act. Applicants would continue to be able to take advantage of ‘pseudo-deferment’ through administrative or process delays prior to registration.

Discussion

Option 1 would maintain the status quo; post-registration publication will continue to take place shortly after a design is registered.

It should be noted that the related proposal ‘Registration of designs—removal of publication option’, in part 2.3 of this paper, would provide an automatic period of deferment. Under the related proposal, an automatic request for registration will occur at six months from the priority date and publication would necessarily be deferred by at least this period of time (in line with the policy objective of this proposal), as publication only occurs after registration of a design.

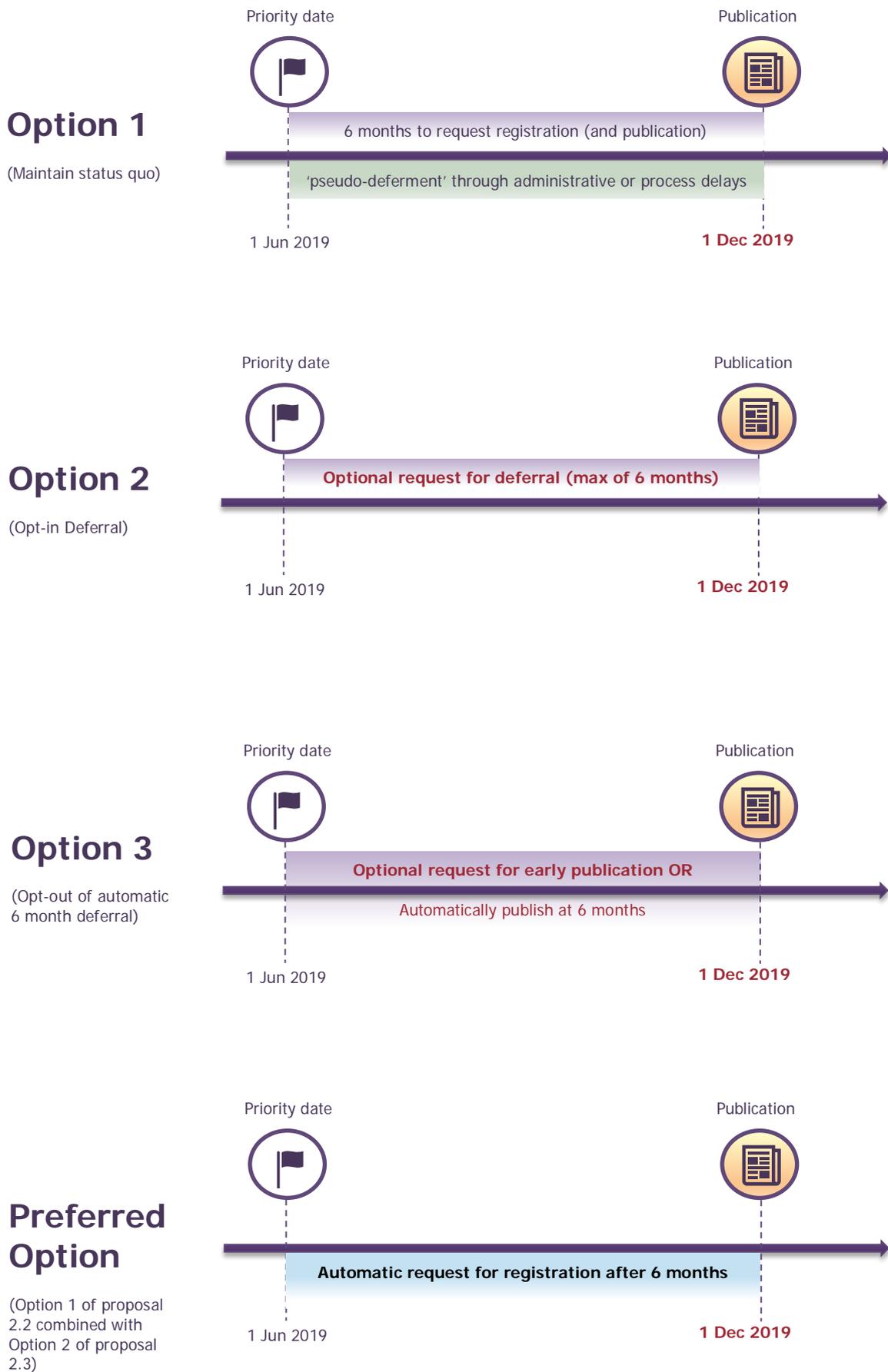
Option 2: Introduce optional deferred publication

Summary

Under this option an optional deferred publication regime would be introduced with a maximum deferment period of six months from the priority date of the design. A six-month deferment period is proposed in line with the international minimum period in the draft DLT in which an industrial design is to be maintained unpublished. The innocent infringer defence would also be amended to minimise impact on third parties in the period that a registered design remained unpublished. Publication would continue to take place on registration, subject to any deferment being in place.

²⁶ Standing Committee on the Law of Trademarks, Industrials Designs and Geographical Indications, *Industrial Design Law and Practice – Draft Regulations*, SCT/35/3, 25 February 2016 ([Draft Regulations](#)), Notes on Rule 6.

Figure 2: Summary of proposed options



Discussion

Option 2 is likely to be of particular benefit to applicants who find their registered designs are copied before they can enter the market. However, this proposal is likely to only benefit applicants who seek early registration of their designs. All other applicants would be able to obtain deferred publication through deferred registration under proposal 2.3 of this paper.

Introducing a formal deferment regime may negatively affect third parties who rely on the Designs Register as an information source to ascertain their freedom to operate. This lack of transparency may incur costs on some third parties. That is, a competing product designer may need to look at the register twice as much; at the start and six months later just to make sure that a similar registered design did not have its publication deferred. However, given that 'pseudo-deferment' is already available, there may be a degree of uncertainty in the market that third parties have adapted to.

Amending the innocent infringer defence in subsection 75(2) of the Designs Act may mitigate some of the uncertainty for third parties. This may also influence the behaviour of applicants by discouraging unnecessary deferment as any remedies from an infringement action would be calculated from the date of publication.

Option 3: Introduce automatic publication with optional early publication

Summary

Under this option the Designs Act would be amended so the publication regime for Designs aligns with the structure of the Australian patents system, but with a shorter time to publication.²⁷ All designs disclosed in a design application would be open to public inspection at six months from the priority date. A six-month time frame is proposed as this would minimise the period of uncertainty imposed on third parties. The innocent infringer defence would also be amended to minimise impact on third parties in the period that the registered design remained unpublished. Measures to protect applicants who have unregistered designs published would also be introduced.

Discussion

This option would resolve the need for a pseudo-deferment system, saving applicants in attorney fees and levelling the playing field for less sophisticated users of the system.

Compared to Option 2, this option is of more benefit to third parties as it would provide greater transparency to pending and registered designs. As with Option 2, there is likely to be savings for the government through a reduction in applicants engaging in delaying tactics. The change would have an impact on IP Australia systems and processes as the change would effectively decouple the registration and publication steps for designs.

Amending the innocent infringer defence to minimise impact on third parties may mitigate some of the uncertainty for third parties and influence applicant behaviour by encouraging early publication.

Amending the Designs Act to introduce provisions similar to section 57 of the Patents Act would also mitigate some of the uncertainty for applicants by having unregistered designs published. After an application for a design has become open to public inspection and until a design is registered, the applicant would have the same rights as he or she would have had if a design had been registered on the day when the application become open for public inspection.

²⁷ *Patents Act 1990* ([Patents Act](#)), s54(3); *Patents Regulations 1991* ([Patents Regulations](#)), reg 4.2(3).

Preferred Option – Option 1

At this stage, Option 1 is preferred. ACIP's recommendation to use the filing date may have unintended consequences for applicants and we welcome further evidence and stakeholder feedback. Applicants would be able to obtain deferred publication through deferred registration under proposal 2.3 where an automatic request for registration will occur at 6 months from the priority date and publication would necessarily be deferred by at least this period of time (in line with the policy objective of the current proposal). This would also align with the draft DLT, as the current draft text of the DLT would require signatories to allow an industrial design to be maintained unpublished for a minimum period of six months from the filing date or, where priority is claimed, from the priority date.²⁸

Questions for consultation

Question 2:

- a. *Do you support Option 1 of no change?*
- b. *Do you prefer deferred publication through deferred registration under proposal 2.3 or one of the deferred publication options in proposal 2.2?*
- c. *If proposal 2.2 is preferred:*
 - a. *should Australia adopt an optional deferred publication or fixed publication regime?*
 - b. *how long should the period of deferment last?*
 - c. *should the period of deferment be calculated from the priority date or the filing date?*

²⁸ Standing Committee on the Law of Trademarks, Industrials Designs and Geographical Indications, *Industrial Design Law and Practice – Draft Articles*, SCT/35/2, 25 February 2016 ([Draft Designs Law Treaty](#)), art 9(1); Standing Committee on the Law of Trademarks, Industrials Designs and Geographical Indications, *Industrial Design Law and Practice – Draft Regulations*, SCT/35/3, 25 February 2016 ([Draft Regulations](#)), Rule 6.

2.3 Registration of designs—removal of publication option

Background

Under the Designs Act an applicant may request either publication or registration of a design upon or after filing a design application. A design application lapses if a request is not made within the prescribed period, which is typically six months from the priority date. The six-month period provides applicants with time to further develop and trial their designs while maintaining a priority/filing date.

While the option of publication does not provide the applicant with a right that can be enforced against another party, it can be used as a defensive strategy. Publication can prevent others from obtaining certification for the same design ensuring that the applicant (and the public in general) is free to use it.

The ACIP Final Report made the following recommendation in relation to the publication regime.

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

The Government response accepted this recommendation.

Part 14 of the [exposure draft of the Intellectual Property Laws Amendment Bill 2017](#) and Part 13 of the [exposure draft of the Intellectual Property Laws Amendment Regulations 2017](#) (together the ‘draft 2017 amendments’) proposed amendments to the Designs Act and Regulations to remove the option of having a design published rather than registered. These amendments were put on hold, until after the Government had finalised its response to the PC’s report into Australia’s IP arrangements.

Problem

The publication regime is currently rarely used by applicants. It provides minimal benefits to users, while adding complexity to the legislation and to administration processes.²⁹ The publication regime requires applicants to request either registration or publication, and a design application lapses should no request be filed. The current system has unnecessary red tape and places an administrative burden on applicants who want their designs registered (over 95% of applicants). Furthermore, as a design application lapses if no request is received, the current system increases the risk of a design inadvertently lapsing if an applicant fails to request registration within six months.

Options

Option 1 – no change

Under this option, no change would be made to the legislation. The publication option would remain, and registration would still have to be requested.

²⁹ As of March 2019, only 23 requests for publication have been made since 2007.

Option 2 – removal of publication option

Summary

Under this option, amendments that substantially mirror the draft 2017 amendments would be pursued (with only minor consequential changes to account for other subsequent amendments to the designs legislation).

Discussion

The Designs Act would be amended to remove the option of having a design published rather than registered.

An application will automatically proceed to the formalities check for registration if the applicant has not made a request in relation to any of the designs in the application, or withdrawn the application, by the end of the prescribed period, which is typically six months from the priority date. Applicants would still be able to request registration prior to the prescribed period expiring.

Applicants who want their application to lapse would be required to request withdrawal of the design(s) before the end of the prescribed period. Applicants who would like to strategically publish the designs in their design application could continue to do so by registering their designs without requesting examination.

Preferred Option – Option 2

The preferred option is Option 2 – removal of publication option.

The proposed solution would simplify the design system, by repealing the largely unused publication regime.³⁰ This in turn this would reduce red tape and administrative costs for most applicants who ultimately seek registration.

Removing the publication option may result in a small cost for third parties in requesting examination of designs that the owner has no intention of enforcing and for the applicants who receive those requests. However, the costs will be small as the publication option is currently rarely used by designers.

The preferred option would also benefit designers as it would keep a design confidential for at least 6 months from the priority date, unless there is an early request for registration. It would also give designers the ability to test the commercial viability of the design from the priority date up until the point of a request for registration.

Questions for consultation

Question 3: Do you foresee any issues with implementing the preferred option?

³⁰ As of March 2019, only 23 requests for publication have been made since 2007 (approximately 0.02% of designs are published as opposed to registered).

Conclusion: Early flexibility for designers

The introduction of both a grace period and deferred publication (through automatic registration) would provide designers with more flexibility early in the life of a design. The grace period proposal would protect designers from loss of rights through inadvertent disclosure. The registration of designs proposal would allow a designer to keep designs confidential for longer. Both proposals would also assist designers to undertake some market testing before their design is registered.

With these benefits to designers, there would be an increased period of uncertainty around the existence of a potential design right, which may affect third parties. For example, as illustrated in Table 1, a 12-month grace period from the filing date or, where priority is claimed, the priority date when combined with a six-month deemed request for registration may result in a period of market uncertainty of up to 21 months between when a design is publicly disclosed to when the registered design is published. This period of uncertainty would be reduced to 15 months if a six-month grace period was adopted. If no grace period is introduced, the period of uncertainty will remain as it is in the current system, at between three to nine months from a post priority date or filing date disclosure to publication.

With the introduction of a grace period, some of this additional uncertainty would be mitigated through a prior use infringement exemption. This would ensure that the introduction of a grace period does not unfairly disadvantage third parties who take action based on disclosures. With the addition of an automatic request for registration, this should not increase market uncertainty beyond current levels. This is because under the current regime users already have up to six months from the priority date to request registration.

Following the PC's framework to assess the preferred options, the cumulative effect of proposals can be characterised as follows:

Effectiveness: A 12-month grace period calculated from the filing date or, if priority is claimed, the priority date coupled with a deemed request for registration at six months from the priority date, would give applicants up to 18 months from public disclosure until a request for registration to determine whether they wish to pursue protection of their design. The system may lead to more registered designs being generated. Also, by providing the ability to keep new designs confidential for longer, this would reduce the instances of competitors copying a published design before an applicant had had a chance to commercialise their design.

Efficiency: Uncertainty imposes cost on third parties. By not offering deferment of publication on designs that have been registered, the level of uncertainty experienced under the present registration system would not increase. It would ensure that the designs system remains efficient by balancing returns to innovators and the wider community.

Adaptability: The proposals provide flexibility in allowing an applicant to seek registration at any time up to six months from the priority date. The provisions are technology neutral and provide a safety net against inadvertent disclosures, address issues of market uncertainty and address designers concerns surrounding product testing and maintaining confidentiality.

Accountability: The reasons and supporting evidence for the changes are set out in this document in detail and are subject to public comment. This helps to ensure that the policy decisions will be evidence-based, transparent, and reflect community values.

Table 1 – Cumulative effect of grace period and removal of the publication option.

Grace period	Deemed request for registration of a Design*	Cumulative effect (grace period and deemed request for registration)^
12 months from the filing date	No priority claim (6 months from filing date)	Up to 21 months from public disclosure to publication of registered design. (i.e., 12 months grace period + 6 months deferred request for registration + 3 months formalities check, registration and publication)
	Priority claimed (6 months from priority date)	Up to between 15-21 months from public disclosure to publication of registered design. (i.e., 12 months grace period + 0-6 months deferred request for registration + 3 months formalities check, registration and publication)
12 months from the priority date	No priority claim (6 months from filing date)	Up to 21 months from public disclosure to publication of registered design.
	Priority claimed (6 months from priority date)	Up to 21 months from public disclosure to publication of registered design.
six months from filing date	No priority claim (6 months from filing date)	Up to 15 months from public disclosure to publication of registered design.
	Priority claimed (6 months from priority date)	Up to between 9-15 months from public disclosure to publication of registered design.
six months from the priority date	No priority claim (6 months from filing date)	Up to 15 months from public disclosure to publication of registered design.
	Priority claimed (6 months from priority date)	Up to 15 months from public disclosure to publication of registered design.
No grace period	No priority claim (6 months from filing date)	Up to 9 months from the filing date to publication of registered design.
	Priority claimed (6 months from priority date)	Up to between 3-9 months from filing date to publication of registered design.

*assumes no actual request for registration is filed (deemed request at 6 months from priority date).

^ calculation assumes three months is taken for the formalities check, registration and publication.

