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Submission to IP Australia consultation on:

Implementation of accepted recommendations from
the former Advisory Council on Intellectual Property's (ACIP)
Review of the Designs System.

January 2020

Scope of this submission:

This submission responds to issues covered in IP Australia's three options papers:

- Scope of Designs
- Early Flexibility for Designers
- Simplifying and Clarifying the Designs System

Introduction

The Design Institute of Australia (DIA) thanks IP Australia for the opportunity to comment on its proposed changes to implement accepted recommendations from the former Advisory Council on Intellectual Property's (ACIP) Review of the Designs System.

The DIA is the peak professional association for designers and design businesses in Australia, representing design professionals in all manner of design disciplines for over sixty years.

As a professional body, the DIA is run and funded by designers for designers. The DIA champions design and design thinking as a central element in a flourishing digital economy and a sustainable future. The DIA is uniquely placed as a professional body to educate the community of professional designers on changes to the *Designs Act 2003*.

Background

The DIA previously submitted to the Advisory Council on Intellectual Property (ACIP) review of the designs system in 2014 and the Productivity Commission inquiry into intellectual property arrangements in 2015.

The DIA believes the Design industry contributes to the commercialisation of IP across all sectors of the economy, and that the design rights system can maximise the benefit of this contribution. Design transforms innovation into income.

In the DIA submission to ACIP, the DIA supported:

- increasing the term of protection for registered designs from ten years to fifteen years, in line with the term of protection stipulated in the *Hague System for the International Registration of Industrial Designs (Hague)*;
- clarifying the definition, purpose and utility of Statements of Newness and Distinctiveness (SoNDs) and making the SoNDs mandatory;
- harmonising Australia's designs system with *Hague*, in relation to grace periods and deferral of publication;
- adopting elements of the UK and European Community Unregistered Design Right systems;
- Customs border protection measures for designs equivalent to the existing systems for copyright and trademarks;
- reforming the copyright/designs overlap provisions to anticipate the increasing use of 3D printing and scanning, and digital blueprint files;
- clarifying the multi-step registration process;
- introducing an opposition process similar to that available in the trade marks system; and
- allowing new technologies and forms of design, such as graphical user interfaces (GUIs), to be registrable under the *Designs Act 2003*.

The DIA registered its concerns in relation to:

- the danger to designers registering designs abroad if Australia introduced grace and publication deferral periods where foreign jurisdictions had not;
- the confusion and vague references to SoNDs in the *Designs Act 2003*;
- unintended consequences that could arise from implementing a system of Unregistered Design Rights (UDRs);
- the narrow protection of registered designs despite the changes to the threshold for registrability;
- confusing, unclear and misleading classifications of designs progressing through the multi-step registration process; and
- the loopholes inherent in the copyright/designs overlap provisions which are vulnerable to the arrival of new technologies such as 3D printing and scanning.

The DIA expressly rejected any proposed restrictions on registering registered designs as trademarks under the *Trade Marks Act 1995*.

Subsequently, Australia concluded negotiations for the Trans-Pacific Partnership (TPP) Agreement and ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The CPTPP is a free trade agreement (FTA) between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam which came into force in Australia on 30 December 2018. This Agreement is a separate treaty that incorporates the provisions of the TPP

Agreement which is signed but not yet in force.

In its previous submissions the DIA noted the following in relation to these agreements and Australia's designs system:

- signatories must consider accession to the Geneva Act of the Hague Agreement on Industrial Designs and more broadly comply with the principles of the World Intellectual Property Organisation (WIPO);
- the highly detailed and specific protections for copyright and patent rights may complicate the designs systems interaction with these rights, and give rise to unintended consequences where rights exist at the boundary of these systems; and
- rights enforcement and border protection measures are detailed in the TPP, but it is unclear how this would apply to the designs registration system.

Additionally, the DIA noted that a strong, flexible designs protection system in Australia would benefit the important and valuable creative contributions which designers make to the Australian economy, and in particular the design industry's contribution to the commercialisation of intellectual property.

Productivity Commission principles

The IP Australia guidance for submissions requests consideration of the principles of effectiveness, efficiency, adaptability and accountability adopted by the Productivity Commission in its inquiry into Australia's intellectual property arrangements. The DIA believes that – in the main – professional designers are best placed to maximize use of their designs. A robust system of protection for intellectual property is therefore not a constraint on innovation and economic growth, but rather key to incentivizing creativity and adoption of efficient and accessible designs. A quality intellectual property framework for design would not only enhance the prosperity of our design community, deliver the flow-on social benefits of inclusion and increased wellbeing that derive from good design, and foster sustainability and adaptability, but would also drive economic gains for Australia as a nation increasingly competing in global markets.

Design rights are already less robust than the other IP rights (patent and copyright). The current ten year term of protection is not enough to make a return on the investment required for production. This is a disincentive to produce new designs, particularly for small businesses and start-ups.

Harmonising with the Hague agreement is a reasonable step that would encourage more innovation, without crossing into the realm of monopoly rent extraction.

Response to questions posed in the discussion papers

1. Scope of designs

The DIA supports Option 2, and recommends added guidance on preparing Statements of Newness and Distinctiveness be developed

Safety net provisions

The DIA believes that there should be a general safety net in the design registration system. The duration of the safety net should be equivalent to the protection afforded in major competitor countries, ie 12 months. Introducing this benefit would place Australian designers on par with those in the US, the EU, Canada and Japan.

The safety net should apply from the earliest of either the filing date with IP Australia or overseas filing rather than solely the filing date with IP Australia. This would maximize the flexibility for designers who are increasingly operating in global markets. Interest in new designs could be tested at major design fairs prior to manufacturing and formally going to market. However, this should be restricted to overseas filing in jurisdictions with comparable provisions, in order to avoid designers unintentionally voiding their protection. That is, the safety net period should only apply in Australia where the provision also exists in the country that the design was first filed in.

The safety net should apply automatically rather than when requested in recognition of the historically low use of the registration system by designers and their perception of deterrents to interacting with the system.

Registration of partial designs

Given international designers are able to register their work and enjoy the protections of their home jurisdiction in Australia, our system has the potential to restrict the ability of our designers to not only compete internationally but to assert their rights within Australia against foreign designs. The nature of digital designs in particular means they can be inadequately protected by current settings. The DIA supports Option 3 'Protect partial designs for any products' as it aligns with arrangements in like jurisdictions. Option 2 'Protect partial designs for similar products' may provide a reasonable balance between protection and competition, however, it would increase complexity while only partially addressing inequities so is not an acceptable reform. More detailed evidence is needed to understand any benefits from current arrangements that would be lost in the pursuit of harmonization.

Virtual designs protection

The DIA supports virtual designs being afforded the same protections as physical designs, including fair assessment. The anomaly of virtual designs being eligible for registration but unable to be certified should be removed, and they should be considered in their active state and independent of a physical product. This should be reflected in the *Designs Act 2013* rather than an approach being established by individual cases being contested through the courts. Copyright and trade marks do not sufficiently capture the nature of virtual designs, but these protections should continue to be used where applicable and exclusions specified where agreed definitions exist, such as with computer software and typefaces. It is likely that not all ambiguity about where virtual designs fit within the IP framework can be removed at this time due to the breadth of modes rapidly emerging.

Additionally, the PC finding that registration of virtual designs is almost solely by multinationals does not preclude the possibility that the designs were created by Australians working as employees or on a fee for service basis. Also, it is likely that the reforms proposed in Option 3, expanding protection to virtual designs, would encourage creators of virtual designs to engage with the formal IP system where they are not currently (noting that greater complexity in the search phase of certification would translate to higher costs for applicants). This would provide evidence on the commercialization of these designs that is not currently captured.

Extending protection to virtual and non-physical designs would reflect advances in copying technologies, such as 3D scanning and printing, as well as the ways in which they are used in contemporary design. The DIA supports protection being extended in this way. Design in the IT and technology sectors has become increasingly important, especially in light of products whose dominant visual features are interactive light displays on portable screens. Differentiation and investment in design is an important

source of competitive advantage, and User Interface Design is an important emerging design discipline in software engineering and website design. However, design registration is not a priority in this sphere due to the comparatively short life of software.

Operation of section 19

The DIA supports the reforms to s19 outlined in Option 2:

- clarify that an informed user need not be an actual user,
- clarify how factors are assessed,
- mandatory use of SoNDs, plus allow amendments after filing and provide guidance on preparing SoNDs.

Yates J at [70] of the Multisteps Case insists that how a person comes to be familiar with the product to which the design relates, both functionally and aesthetically, may vary depending on each product in any particular court case. Who is potentially sufficiently informed was not limited to users as such and the tag phrase 'informed user' was not allowed to dominate thinking on the point. Accordingly, the legislation should be clarified to include designers, design experts, manufacturers, sellers and users, which is consistent with the reasoning of Yates J. and the later case of Hunter Pacific Intl. v Martec.

Although IP Australia expects that changing the legislation to specify that an informed user be 'familiar' with the product rather than an 'actual' user would provide no meaningful difference as it is current practice, the DIA sees benefit in including this amendment with other reforms to bring increased transparency to the assessment process for marginal additional effort.

S19(1) is framed to give more weight to similarities than differences but qualifies this task with reference to:

- (i) the prior art base;
- (ii) features in any SoND, otherwise the appearance of the design as a whole;
- (iii) for substantially similar parts of the designs being compared, the amount, quality and importance of that part;
- (iv) the freedom to the creator of the design to innovate.

The application of these qualifiers needs clarification as currently they have the potential to create inconsistent and uncertain outcomes. Is the legislation suggesting a sequential pathway of gates to go through (akin to a decision tree) rather than a holistic approach? If the Multisteps holistic approach is correct and to be followed, the proposed amendment 'In applying (1), the person must have regard to...' appears adequate.

The DIA continues to support mandatory SoNDs. A mandatory SoND will remove s19(3), but will require IP Australia support, with examples and explanation on the website and at the right point of the electronic application process of what to do and not do when writing the SoND. A review of self-filings by individual designers without experience with SoNDs tends to show SoNDs which are simply a description of the design which wrongly identifies and wrongly limits the design to the materials used, or wrongly acts as a marketing description of the product.

2. Early flexibility for designers

The DIA supports elements of Options 2 and 3 with additions discussed below

Publication of design registrations and innocent infringer defence

The DIA is in favour of a system that maximizes flexibility for designers. We support IP Australia's preferred approach of default automatic publication at six months from filing, if another date is not selected. Applicants should have the choice to specify a date up to six months either side of the default date to suit those wishing to publish immediately and those wishing to defer for a year.

Optional deferred or early publication gives a designer control and the freedom to align publication of a design filing/registration with the time of entry into the market of the design. Early publication is already an option in the current system. The period of deferred publication could be specified by the design applicant, with a maximum deferred period of 12 months deferment of registration (and thereby

publication). This limits any potential adverse impacts on innocent infringers. The ACIP recommendation was to introduce a six-month deferral period, however, other jurisdictions allow a longer period of deferred publication (NZ up to 15 months, EU up to 30 months). An optional twelve month deferral period would strike a balance and is consistent for our region. A formal deferment procedure is preferable to pseudo-deferment tactics. If a deferment is not requested the registration should be published automatically six months following filing. This should be accompanied by amendments to the innocent infringer defence to cover deferred publication where that is selected by designers. The burden of proving innocence should continue to rest with the infringer. IP Australia would need to provide clear guidance to applicants on publication options to ensure that designers understand that they can choose early or deferred publication, and that the default if a date is not specified is six months from filing. It is not necessary to continue to offer the option of publication only without registration.

Grace period for designs and prior user defence

The DIA supports the introduction of a grace period for design filings and a prior user defence similar to the *Patents Act 1990*, as outlined in Option 3.

A twelve month grace period is preferred, calculated from before the filing date of the design application or the date of priority. The grace period should protect designers, their successors and third parties who have published the design with the consent of the designer or a successor. The grace period should apply automatically, and there should not be any requirement to file a declaration that the designer intends to rely on the grace period.

This would harmonise Australian arrangements with comparable foreign jurisdictions such as the EU, the US, Canada and Japan, and align with the grace period in the patents legislation. This would also anticipate the requirement to provide a twelve month grace period if Australia becomes a party to the Design Law Treaty being developed by the World Intellectual Property Organization. The DIA agrees that it would be preferable for these reforms to be introduced prior to Australia becoming a signatory to the treaty (should the Government choose to) to allow the changes to be tested in practice ahead of being locked in. Automatic application of the grace period would avoid the imposition of an additional regulatory burden on applicants and administrative costs for IP Australia, and align with the patents system.

A grace period is important because it allows designers to test the market before designs and manufacturing are fully finalized, with the confidence that their design filing won't be invalidated by inadvertent disclosures or unauthorized exploitation by a third party learning of a design during the grace period. Introduction of a prior user defence in conjunction with the grace period would be necessary.

Further, the DIA recommends that s18 of the *Designs Act 2003* and the overlap provisions of the *Copyright Act 1968* be made consistent, but with the definition of 'industrial application' increased from 50 to provide protection during a period of market testing. A higher number is preferable as, for example, expensive tooling having been set up for manufacture – even if less than 50 products have actually been made – may indicate an intention to manufacture in quantities greater than 50 which may invalidate a design filing.

3. Simplifying and clarifying the designs system

The DIA supports Option 2, with some variation as outlined below
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Schedule 2 of the Designs Regulations

The DIA heartily endorses moving the formal requirements for filing a design registration to a non-legislative instrument that can be more easily updated in response to changing technology or modes of practice. Provided authority to issue or amend the instrument lies with the Registrar of Designs we would foresee no adverse outcomes arising from this change, which is likely to greatly improve the experience of filing a design registration for applicants.

Terminology

The DIA agrees that the current terminology is confusing and potentially misleading. As there are multiple states that a design can be in rather than a binary registered/unregistered, it is more difficult to identify terms that resonate with all users. None of the terms under consideration is ideal. The DIA suggests that

the terms 'certified' and 'pending certification' be introduced and replace 'registered', as they provide the clearest distinction between states of protection, noting that not all designs will be certified.

The DIA understands that any change to terminology would carry a hefty implementation burden for IP Australia, however, the future benefits of having clearer terms makes reform highly desirable.

Implementation priorities

The reforms recommended by the ACIP but not currently being pursued by IP Australia include a number where the change is small, straightforward and aligned with other IP legislation. The DIA recommends that these – although not necessarily each a high priority – be included with other current proposed reforms to the Act given the long lead time for changes to legislation. The amendments discussed in Questions 3B, H, I and J are most important to the DIA:

- Make the rules regarding the identity of Convention applicants consistent with the rules relating to entitlement to designs.
- Allow voluntary amendments by registered owners at any stage prior to examination of the design.
- Allow exclusive licensees to bring court proceedings in their own name.
- Clarify that the registered design does not cease during the grace period for payment of the renewal fee, unless it is not renewed.

Additional general comments

Australia's designers do not have a high level of engagement with our designs registration system. Various investigations have identified that the benefits of the system are seen to be outweighed by the costs of engagement. Rights and protections for designers in Australia are seen as inferior to those enjoyed by counterparts in other jurisdictions.

The DIA believes that it is imperative to progress the implementation of reform to the current system as a means to address these concerns. Legislation and IP Australia processes must not only be modernized and aligned with other IP legislation and international conventions, but prepared to enable adaption to future change.

Additionally, the term of protection should be increased from ten to fifteen years.


Our highly skilled and innovative design community offers the prospect of solutions to the world's most pressing problems, as well as ways to make everyday life more comfortable and enjoyable. We want diverse, fair and sustainable markets for their designs, underpinned by a robust framework of intellectual property protection. We believe that increasing protection for designers to align with international norms will stimulate rather than stifle innovation, encourage economic growth and heighten our global standing.

Design is the key that allows people to use other forms of IP. By making IP useable and marketable, design has a multiplier effect that should be encouraged and maximized for the benefit of all Australians.

Thank you for the opportunity to comment.



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