

22 January 2020

IP Australia
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By email: consultation@ipaaustralia.gov.au

cc: brett.massey@ipaaustralia.gov.au

Dear Sir/Madam

Response to IP Australia Public Consultation: ACIP Designs Review Implementation

The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (**IPC**) welcomes the opportunity to make this submission concerning the implementation of the accepted recommendations made by the Advisory Council on Intellectual Property (**ACIP**) in its report entitled *Review of the Designs System* in March 2015 (**ACIP Report**).

1. Scope of Designs Protection

1.1 Protection of partial designs

P1. Do you consider that Australia's approach to partial designs should be reformed? Why or why not?

While the IPC does not see the lack of protection for partial designs as a widespread concern amongst users of the design system, it considers that there is a reasonable case for change. This arises particularly from the difficulties encountered by design applicants filing in multiple countries. The IPC notes that the registration of partial designs is permitted in the European Union, the United Kingdom, the United States, and Japan. A foreign filer that has obtained protection for a partial design overseas, for example by disclaiming parts identified with dotted lines in the design representations, is not able to take the same approach in Australia. Equally, domestic filers may encounter difficulties when looking to obtain protection overseas.

As a general rule, unless there are compelling reasons to take a different approach, the IPC considers that greater international harmonisation of intellectual property laws is desirable. In this instance, there does not appear to be a particularly strong reason to prohibit the protection of partial designs. Allowing the registration of partial designs will assist Australian filers to obtain protection overseas and provide a more consistent approach for overseas filers claiming Convention priority.

P2. What is your preferred option, and do you see any additional options for addressing the problem?

On the basis (noted above) that international harmonisation is desirable unless there is a compelling reason to adopt a different approach, the IPC's preferred approach in relation to the protection of partial designs is Option 3 (Protect partial designs for *any* product).

The IPC does not see that there would be any need for a change in the use of Statements of Newness and Distinctiveness (**SoNDs**), as they could still be used to highlight visual features of a design which the designer claims are particularly new and distinctive, while still seeking registration of a design for an entire product. Instead, where protection for part of a product is sought, a separate statement of monopoly could be filed to indicate which parts of the product are disclaimed – either by description, or by disclaiming parts indicated in the design representations (for example, those shown in dotted lines, shading or particular colours). It will be important to ensure that the mechanisms which are permitted to be used to disclaim parts of a product will be sufficiently clear to people searching the Register online.

Like the use of a SoND currently, the use of a statement of monopoly could be optional. The failure to file a statement of monopoly prior to registration would mean that the application should be treated as claiming protection in respect of the whole product.

P3. Has someone ever copied a part of your design and if so, can you describe the experience?

The IPC expresses no view on this question.

P4. In relation to partial designs, have you found claiming priority from an overseas application problematic in Australia and if so, can you describe your experiences?

The IPC expresses no view on this question.

P5. Have you found claiming priority from an Australian application problematic when seeking partial protection overseas and if so, can you share your experiences?

The IPC expresses no view on this question.

P6. Are you aware of additional costs and benefits that have not been identified in this paper? If so, please provide further detail.

The IPC expresses no view on this question.

1.2 Virtual, non-physical and active state designs

V1. What is your preferred option, and do you see any additional options for addressing the problem?

As noted in the case of partial designs, the IPC considers that there are benefits in ensuring greater international harmonisation of intellectual property laws. However, the IPC considers that Option 3 (Protect virtual designs by including them in the definition of product) would be a radical departure from the architecture of the current designs system. A design is defined as the overall appearance of a product resulting from its visual features (section 5). Option 3 would create a special rule for virtual designs such that the design does not need to relate to a product. The IPC considers that it would be a mistake to undermine the architecture of the *Designs Act 2003* (Cth) (**Designs Act**) simply to confer protection on virtual designs. This would add unnecessary complexity to the legislative regime.

In contrast, Option 2 (Protect virtual designs as a visual feature of a product) is more consistent with the regime of the Designs Act. Graphical user interfaces, screen icons and the like continue to grow in importance in this information age. There seems to be no good reason in principle for refusing to protect visual features of this kind simply because they are not static in nature. The IPC agrees with ACIP's observation that the current Australian practice of assessing designs in their static state is outdated (though the IPC appreciates that this practice is based on guidance provided in *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 180 CLR 483, albeit in quite a different context).

Further, the IPC recognises that while the majority of registrations have tended to come from multinational companies, the increased protection for virtual designs will necessarily stimulate the Australian economy given it can affect what goods enter the market here and will directly benefit Australian consumers who gain greater access to such design protected goods. It will also assist to maintain the international relevance of the Federal Court of Australia in terms of the enforcement of IP rights, as it will be the relevant forum for any enforcement of (or challenge to) such design rights.

For these reasons, Option 2 (Protect virtual designs as a visual feature of a product) is the IPC's preferred approach. The IPC notes that, as well as having the virtue of greater consistency with the regime of the Designs Act, this would also be consistent with the approach adopted in the United States, China, Japan, Korea and Singapore.

V2. Should protection for virtual designs be linked to a physical product? Why or why not?

See above.

V3. What types of virtual designs should or shouldn't be protected? e.g. (computer programs and/or other types virtual designs such as fonts, holograms, animations etc)?

The IPC does not see a need to be prescriptive about these matters in the legislation. Option 2 would not create a special new category of designs which are capable of registration (and certification), but rather ensure that virtual designs are assessed in a manner which is consistent with the way in which those designs are actually used.

V4. Do you consider other existing forms of IP protection (such as copyright or trade mark protection) are sufficient for protection of virtual designs in Australia? Why or why not?

Both copyright and trade mark protection have significant limitations when it comes to virtual designs.

Copyright is not a registered right and, as such, it can be difficult to prove ownership when it comes to enforcement. There can also be difficulties in establishing authorship, and this is particularly so in computing technologies which are often developed by teams in an iterative process. This applies particularly to the writing of code, but also can apply to visual presentation. Most importantly, copyright does not assist if the alleged infringer developed their allegedly infringing work independently.

A trade mark is only infringed if it is used as a trade mark (section 120). The IPC considers that it would be difficult to establish that a visual feature of a virtual product was functioning as a trade mark, at least in the usual course. In this regard, the IPC considers that an owner of a trade mark for a virtual design would encounter the same sorts of difficulties as have been encountered by owners of shape trade marks. That is to say, if there is some other sign (typically a word mark or logo) which is acting as a badge of origin on or near the visual

display on the allegedly infringing product, there would be difficulties in establishing that a visual feature of the display was also functioning as a trade mark.

In addition, in order to remain registered, a trade mark must be used as such by the trade mark owner. The IPC considers that there would be significant doubt as to whether a registered trade mark for a virtual design had been used as a trade mark, merely by including the virtual design as a visual feature on products sold in Australia – particularly given that, typically, the visual feature would not be displayed at the point of sale (as the device may not be switched on).

V5. Would partial design protection need to be provided as well to protect virtual designs effectively? Why or why not?

Yes, if Option 2 in respect of virtual designs is adopted, because the virtual design may only be part of the overall product.

V6. Are you aware of additional costs and benefits that have not been identified in this paper? If so, please provide further detail.

No.

1.3 Clarify section 19 of the Designs Act

C1. Given the concerns raised by the LCA IP Committee, and the preceding discussion, do you see a need to further clarify certain elements of section 19?

While the IPC's views are known, the IPC welcomes this opportunity to comment further in relation to these consultation questions. Rather than restating its views at length, the IPC has **attached** copies of two previous submissions it has made, dated 17 December 2015 and 27 July 2016.

Standard of the informed user

The IPC considers that there is continuing uncertainty regarding the standard to be applied.

Section 19(4) of the Designs Act uses the term “informed user” as part of the definition of the standard to be applied in assessing substantial similarity in overall impression. Calling upon an informed user of the relevant product is consistent with the approach recommended by the Australian Law Reform Commission in its 1995 review of the designs system.¹ It is also consistent with the English and European approach.² Basing the approach on the “informed user” is also more consistent with the test for infringement under US law based on the “ordinary observer” test. The Federal Circuit, sitting *en banc*, explained the US approach as:³

[I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.

¹ “Distinctiveness should be assessed by the standard of the informed user”: Australian Law Reform Commission, Report No. 74, *Designs* (1995) (**ALRC Report**) recommendation 34.

² *Woodhouse UK Plc v Architectural Lighting Systems* [2006] RPC 1, [50]; *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* (2008) 173 FCR 450.

³ *Egyptian Goddess Inc v SWISA Inc*. 543 F.3d 665 at 670 (Fed. Cir. 2008).

Rejecting an additional “points of novelty” test, the Federal Circuit went on to explain how the test worked:⁴

We think, however, that Litton and the predecessor cases on which it relied are more properly read as applying a version of the ordinary observer test in which the ordinary observer is deemed to view the differences between the patented design and the accused product in the context of the prior art. When the differences between the claimed and accused design are viewed in light of the prior art, the attention of the hypothetical ordinary observer will be drawn to those aspects of the claimed design that differ from the prior art. And when the claimed design is close to the prior art designs, small differences between the accused design and the claimed design are likely to be important to the eye of the hypothetical ordinary observer.

However, the reference to “informed user” only appears in the defined term – “the standard of the informed user” – rather than the definition itself. As such, there is authority to the effect that the person whose standard is to be applied does not need to be an actual user of the product in question, provided that the person is familiar with such products.⁵

The IPC notes that approach outlined in Option 2 (Revise subsection 19(4) with reference to the *Multisteps* approach) has the consequence that evidence is often advanced by expert witnesses, an approach which the Australian Law Reform Commission was strongly opposed to.⁶ It is also inconsistent with the Office’s own understanding of how the test was intended to operate prior to the *Multisteps* decision.

In the absence of definitive appellate guidance, it is unclear which approach is correct. In the meantime, litigants need to consider calling evidence from multiple “informed users”. This can add significantly to the cost and complexity of design litigation.

While the IPC supports Option 3 (Revise subsection 19(4) to specify that the informed user be a user of the product), the IPC’s main concern is that this uncertainty be resolved. Accordingly, the IPC is strongly opposed to Option 1 (No change).

Weighing of factors in section 19

In relation to proposals for revision of subsection 19(2) to clarify how the listed factors are to be weighed or assessed, for the reasons outlined in the attached submissions, the IPC supports Option 2 (Revise subsection 19(2)).

Use of SoNDs

In respect of proposals in relation to the use of SoNDs, the IPC supports Option 1 (No change). The IPC’s concern in relation to the use of SoNDs is not that they should be compulsory, but rather that they are being misused as equivalent to a statement of monopoly (i.e. to disclaim certain parts of the design depicted in the representations). As the consultation paper notes in the context of virtual designs, this is not the purpose (or effect) of a SoND.

The implementation of Option 2 in relation to partial designs, and the introduction of a statement of monopoly to be used for that purpose, should hopefully ensure that the SoND

⁴ 543 F.3d at 676.

⁵ *Multisteps Pty Ltd v Source & Sell Pty Ltd* (2013) 309 ALR 83.

⁶ For example, ALRC Report at 5.17 and 6.13.

is more consistently used for the purpose for which it is intended (i.e. to draw attention to features of the design which the designer claims are particularly new and distinctive). It will be important for IP Australia to provide clear guidance as to the appropriate use of both SoNDs and statements of monopoly.

C2. How do you see the suggested changes to the use of the SoND (Options 2 and 3) impacting on the administrative burden of applicants?

As noted, the IPC considers that the use of a SoND should continue to be optional. The IPC does not support Options 2 or 3 for the reasons identified. In many cases, there are no particular features which the design owner wishes to highlight, and the use of a SoND in such a case would be pointless. However, in an appropriate case, the SoND can still serve a useful purpose.

C3. If protection for partial designs was introduced, how do you see this impacting on the operation of subsection 19(2)? Would the introduction of partial designs cause the SoND to be redundant?

See above.

C4. If protection for partial designs was introduced, do you see any problems in retaining the expression 'design as a whole' as it appears in subparagraph 19(2)(b)(ii), paragraph 19(2)(c), and subsection 19(3)?

Logically, if the design is for a part of a product only, consideration of the distinctiveness of the part should be confined to consideration of that part. Therefore, the wording of section 19(2)(b)(ii) could be inappropriate in such a case. Whether or not it will be may depend on how the design is claimed. For example, if the design were for "a handle", "the design as a whole" would presumably refer to the design of the handle. Whether or not that would always be the case, however, might depend on the description. If partial designs were permitted, therefore, sections 19(2)(b)(ii) and (3) should be clarified to remove the potential for unintended outcomes.

C5. If protection for virtual designs was introduced, how would you see this impacting on the definition of 'product' as it currently appears in subsection 19(4)?

The IPC does not see a need to change the definition of "product", at least under virtual design Option 2 (which is by far the IPC's preferred approach in relation to virtual designs).

2. Early Flexibility for Designers

2.1 Grace period for designs and a prior use infringement exemption

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.*

The experience of IPC members is that designs law is not well understood by the design industry in Australia (a conclusion that seems to be borne out by recent research conducted by IP Australia). In particular, the need to seek protection prior to a product launch or other publication of the design is not widely appreciated. Many designers, particularly SMEs, self-publish their designs and only later decide to seek design protection. The IPC considers that the introduction of a grace period would be of substantial benefit to Australian designers and that the negative consequences can be well-managed through a prior use exemption. As such, the IPC supports the introduction of a grace period but considers that it is essential that a prior use exemption is introduced at the same time. The IPC considers that section 119 of the *Patents Act 1990* (Cth) (**Patents Act**) is an appropriate model for this prior use exemption.

The IPC acknowledges that the Designs Act did introduce the possibility of including multiple designs in an application. The utility of this reform, however, has been significantly limited as a separate filing fee is required for each design included within the application and, in practice, it is necessary to treat each design within an application as a “separate case”. The need to make applications for multiple designs also imposes significant administrative burdens and costs on the applicant which, in the case of seasonal or unsuccessful designs, prove to be unnecessary and wasted effort.

In terms of the length of the grace period, the IPC acknowledges that ACIP recommended a period of six months prior to the filing date. However, the IPC considers that it is desirable to achieve international harmonisation where possible. The IPC notes that there is a 12 month grace period in the United States, Canada and Europe. Indeed, IP Australia’s Consultation Paper notes that, of the 101 jurisdictions that currently offer a grace period, 70 provide a period of 12 months.

The IPC considers that the grace period should be calculated from the filing date. Calculating the grace period from the filing date is consistent with the approach under the Patents Act, and in Europe and the United States.

The IPC does not consider that it would be appropriate to require applicants to file a declaration setting out any prior disclosures at the time of filing. Often, the need for a “grace period” arises because of a lack of awareness of the design registration system and the need to make an application for registration before use in public occurs. No such declaration is required in relation to patents in Australia, and the IPC does not consider that this has created uncertainty at a level which justifies adding red tape to the design application process, the burden of which would fall particularly on SMEs and self-filers (noting that small businesses appear to be underutilising the designs system already).

For these reasons, the IPC favours Option 3 (Introduce 12-month grace period with a prior use infringement exemption) but with the grace period being calculated from the filing date. As Option 3 makes clear and as indicated above, it is imperative that a prior use exemption from infringement be enacted if a grace period is introduced.

2.2 Deferred publication of designs

Do you support Option 1 of no change? Do you prefer deferred publication through deferred registration under proposal 2.3 or one of the deferred publication options in proposal 2.2?

The IPC supports Option 1 (No change). The IPC notes that publication will be able to be deferred for 6 months from the priority date following the removal of the publication option under proposal 2.3.

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?*

The IPC does not support the introduction of a formal deferred publication regime. The IPC considers that (as is the case for patent protection) publication is part of the bargain entered into by applicants for registration of designs. While the IPC considers that it is appropriate for publication to be deferred until registration, the IPC does not consider that there is sufficient justification for giving design applicants the ability to further defer publication of their designs. Such a regime would undermine the reliability of the Register and clearly favour the design owner over third parties who wish to ascertain whether the marketing of a proposed product will infringe the rights of others.

2.3 Removal of publication option

Do you foresee any issues with implementing the preferred option?

The IPC supports Option 2 (Removal of publication option), being the removal of the option for the applicant to request publication as opposed to registration of the design. Given that the publication option is so rarely used, there would appear to be minimal adverse impact as a result of this change. Applicants who do not want to proceed to registration will be able to withdraw their application.

3. Simplifying and Clarifying the Designs System

3.1 Modernise Schedule 2 of the Designs Regulations

Do you see any unintended consequences with the preferred option?

The IPC agrees that there is a need for change. Option 1 does have the advantage that the formal requirements will be clear and easy to locate. However, the IPC accepts that this can reduce flexibility to modernise filing requirements as technology, law and practice evolve.

Provided that the non-legislative instrument is readily accessible (i.e. easy to locate on IP Australia's website) and clearly articulated, the IPC is content with Option 2 (Replace Schedule 2 to the Designs Regulations with a non-legislative instrument specifying the formal requirements).

3.2 Clarification of "registered" and "certified" designs

IP Australia is particularly interested to hear from designers/IP professionals in relation to the following matters:

- (a) *During the ACIP Designs Review, interested parties advised that the terminology in the Designs Act causes confusion as to the status of a registered design. Is this your experience, either as a designer or IP professional?*
- (b) *Do you consider that the registered design terminology should be reformed?*
- (c) *Do you see any unintended consequences with the preferred option?*

(d) *Do you have an alternative preferred term for a registered design without certification?*

The IPC agrees that the use of the term “registered design” in respect of a design which is yet to be certified causes confusion in the marketplace and, in particular, conveys the message that it is an enforceable right. As such, the IPC supports a change in terminology. The IPC prefers the term “uncertified design” rather than the other alternatives proposed. The IPC cannot foresee any unintended or adverse consequences from the implementation of this change.

In the IPC’s view, there is no pressing need to change the terminology for a design which has been certified, although this is something that could be further considered in the future as part of the Designs Review Project. As such, at this point the IPC favours Option 1 (Introduce ‘uncertified design’ terminology).

3.3 On-Hold ACIP recommendations

3A. Do you consider any of the following issues to be of high priority? Please provide further detail including reasons.

As a general comment, the IPC does not see any reason to defer the implementation of any of the ACIP recommendations identified. They are all changes which have been recommended by ACIP and accepted by the Government, and none of them (in the IPC’s view) are contentious or complicated.

However, if it is the case that only a limited number of these recommendations will be implemented as part of the next wave of legislative reform, the IPC considers that the following changes are of the highest priority and should certainly be implemented without delay:

- confirming that the Court has a discretion to refuse to revoke a design (recommendation 18c);
- allowing revocation for a lack of entitlement at the time of proceedings (recommendation 18d);
- expanding the prior art base to include all designs (recommendation 18e); and
- allow exclusive licensees to bring infringement proceedings (recommendation 18h).

Identity of Convention applicants (recommendation 18a)

3B. Does the proposed amendment resolve the present inconsistency between subregulation 3.06(2) and section 13?

The IPC considers that it is desirable that there be consistency between section 13 and regulation 3.06(2) and therefore supports this change.

Different requirements for Convention applicants (recommendation 18b)

3C. Does the proposed amendment remove the disadvantage to Convention applicants? Are there other disadvantages?

The IPC supports this change although it notes that the need for change may be reduced if protection is provided for partial designs (see above).

Allow a court to refuse to revoke a design registration (recommendation 18c)

3D. Is the proposed amendment necessary since courts have an inherent discretion not to act in appropriate circumstances?

While it is certainly arguable that the current wording in section 93(3) is permissive, and therefore the courts already have a discretion to refuse to revoke, the Courts have historically approached questions of entitlement with great strictness. As a result, it was necessary to amend the Patents Act even though section 138(3) is, like section 93(3) of the Designs Act, permissive. Moreover, the scheme and approach of the entitlement provisions of the Designs Act bear a close correspondence to the provisions in the Patents Act. In view of that correspondence, the IPC is concerned there is a high likelihood that a Court would apply the strict approach applicable under the Patents Act before the Raising the Bar amendments all the more so as there are no counterparts to sections 22A and 138(4) of the Patents Act in the Designs Act.

The IPC considers that it is important to implement this recommendation, which would be a simple change that would provide clarity and ensure consistency with the Patents Act.

Allow revocation of a design registration at the time of proceedings (recommendation 18d)

3E. Should the Designs Act be amended to allow a court to revoke a design registration, in appropriate circumstances, at any time after the design is registered?

The IPC supports this recommendation.

Expand the prior art base to include all designs (recommendation 18e)

3F. Is the proposed amendment necessary to clarify subsection 15(2), that is, there is no basis for suggesting that the prior art base does not include designs for 'other products'?

The IPC considers that prior art under section 15 is not limited just to designs for the same product. In this respect the plain wording of section 15 may be contrasted with section 17 of the Designs Act 1906; paragraph 1(a) of which expressly limited differences based on immaterial details or features commonly used in the trade to designs for the same article and paragraph (1)(b) of which extended to obvious adaptations of "any other article".

Uncertainty about the scope of permissible prior art is highly undesirable, however, not least because of the heavy expense and other costs of litigation. Accordingly, the IPC considers section 15(2) should be amended.

The IPC notes that section 15(2)(a) is limited to designs publicly used in Australia while documents may be published in Australia or elsewhere. This dichotomy mirrors the prior art base in the Patents Act 1990 as originally enacted as a result of concerns about the difficulties of proving prior user outside Australia. The Patents Act was amended in 2001 to remove this limitation on prior use qualifying as prior art as the limitation proved to be anachronistic and unwarranted. The IPC submits it should also be removed from section 15(2)(a) for the same reasons.

Allow revocation of a design registration on the basis of fraud during certification (recommendation 18f)

3G. Does the proposed amendment resolve the problem, as outlined, completely?

The IPC supports this recommendation.

Allow amendments to a design registration for other grounds (recommendation 18g)

3H. What would be the impact on other aspects of the designs system, for example, the use of a SoND, if voluntary amendments were allowed at any stage prior to examination of the design?

The IPC supports this recommendation, in principle, but agrees that further consideration would need to be given in relation to how amendment requests would be assessed.

Allow exclusive licensees to commence court proceedings (recommendation 18h)

3I. Does the proposed amendment resolve the problem, as outlined, completely?

The IPC supports this recommendation and considers it to be a high priority reform. It would be a simple change to implement and appears to be completely uncontroversial.

An exclusive licence permits the licensee to exploit the licensed rights to the exclusion of all parties including the licensor/owner. The unique position of an exclusive licensee is such that the *Copyright Act 1968* (Cth), the *Patents Act* and the *Trade Marks Act 1995* (Cth) confer upon the exclusive licensee or authorised user the right to commence infringement proceedings. It is an anomaly that there is no such right conferred on an exclusive licensee under the *Designs Act*. As the ACIP Report noted, there is no apparent policy or practical reason for the distinction. Rather, it would appear to be a simple oversight.

This is an important issue in practice when it comes to issuing infringement proceedings. As it is the exclusive licensee which stands to be harmed most directly by any infringing activity, it is the exclusive licensee which is most motivated to pursue infringements. The inability to pursue infringements, other than via the agency of the licensor, is a significant practical impediment to the exclusive licensee taking appropriate action to protect its investment.

Align the grace period for renewal deadlines with other IP rights (recommendation 18i)

3J. Does the proposed amendment resolve the problem, as outlined, completely?

The IPC supports this recommendation. As a general rule, the IPC considers that consistency between the various IP regimes is highly desirable, unless there is a good reason for a different approach to be adopted. As well as having the benefit of harmonisation, the IPC considers that this reform would provide certainty for both proprietors and third parties.

Should you require further information in the first instance please contact Matthew Swinn Chair of the Intellectual Property Committee (matthew.swinn@au.kwm.com or 03 9643 4389).

Yours sincerely,

A handwritten signature in black ink that reads "Greg Rodgers". The signature is written in a cursive, flowing style.

Greg Rodgers
Chair, Business Law Section



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17 December 2015

Attention: Director Domestic Policy and Designs Consultation Group

Dear Mr Wilkinson and Design Consultation Group Members,

Section 19 of the *Designs Act 2003*

A. Background

1. Paragraph 2.4.1 of ACIP's Final Report on the Review of the Designs System was concerned with the threshold test for protection and thus the test to determine whether a design is substantially similar in overall impression to another design as set out in section 19 of the *Designs Act 2003* (**Designs Act**). ACIP recommended retaining the requirement of distinctiveness and section 19 of the Designs Act in its current form. ACIP, however, referred to concerns with section 19 expressed by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia (the **LCA**) in its submission to ACIP's Options Paper, and in particular, s19(4) relating to the standard of the "informed user". ACIP has invited the LCA to develop amendments to address its concerns in relation to s19(4) and suggested that IP Australia could conduct a targeted consultation on any such proposal as part of its process of developing amending legislation. IP Australia has confirmed that any submission from the LCA will be considered by the Director of Domestic Policy and the Designs Consultation Group.
2. The LCA appreciates the opportunity to provide this submission in response to ACIP's invitation to develop suggested amendments to s19(4) of the Designs Act.
3. In addition, the LCA would also like to take this opportunity to further articulate its concerns regarding the interaction between s19(1) and (2), and the lack of clarity with respect to some of the factors referred to in s19(2). The LCA is available to engage in further consultation with IP Australia in relation to these concerns.

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B. The Standard of the Informed User for Assessing Substantially Similar in Overall Impression

1. In its current form, subsection 19(4) provides that in applying the various factors for determining whether a design is substantially similar in overall impression to another design, the person:

*'must apply the standard of a person who is familiar with the product to which the design relates, or products similar to the product to which the design relates (the **standard of the informed user**)'.*
2. Two different approaches to determining who satisfies this standard have emerged in the Australian cases. The first approach reflects the English and European approach to the 'standard of the informed user' (for example, as outlined in *Woodhouse UK Plc v Architectural Lighting Systems* [2006] RPC 1 at [50], and applied in *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* (2008) 173 FCR 450). This approach entails a determination of who is a 'user' of the product in question and then requires the selection of a user who is 'informed', ie, has a sufficient familiarity with the product.
3. The second approach that has emerged focuses on the definition contained within s19(4) of the Designs Act and only requires that the person has a sufficient familiarity with the product regardless of how and in what circumstances that familiarity was acquired. This approach does not require the person to be a user of the product, on the basis that the definition in s19(4) does not require the person to be a 'user' and the name given to the standard ('the standard of the informed user') does not itself form part of the definition. This approach was followed in *Multisteps Pty Ltd v Source & Sell Pty Ltd* (2013) 309 ALR 83.
4. As the LCA has observed in its previous submissions to ACIP regarding the Designs Act, as a consequence of the co-existence of these two approaches and the uncertainty regarding which approach the Court will adopt in a particular case, the LCA is aware of cases where parties have retained multiple experts, with different backgrounds and areas of expertise. This approach not only results in increased costs for the parties in terms of the retention of experts and preparation of evidence, but also potentially increases the length and complexity of hearings, thereby impacting the availability of Court resources.
5. The LCA recommends that s19(4) be amended to resolve the current uncertainty caused by the concurrent operation of the two approaches discussed above. The LCA submits that the first approach is preferable as it is a standard that:
 - is consistent with international norms; and
 - reflects recommendation 34 of the Australian Law Reform Commission Report No 74, Designs (1995) that 'Distinctiveness should be assessed by the standard of an informed user'.

6. Accordingly, the IPC suggests that s19(4) be amended as follows:

(4) In applying subsections (1), (2) and (3), the person must apply the standard of an informed user of a person who is familiar with the product to which the design relates, or products similar to which the design relates ~~(the standard of the informed user)~~.
7. In addition, the proposed amendments include reference to ‘an’ informed user rather than ‘the’ informed user, to reflect the fact that in many situations there may be more than one class of informed user.
8. The ALRC in its 1995 Report on Designs made it clear that the informed user describes the standard to be applied, not who can give evidence. The ALRC then went on to illustrate this by quoting from the 1989 case of *Dart Industries Inc v Decor Corporation Pty Ltd* (1989) 15 IPR 403 to the effect that judges may require expert evidence to understand complex designs including those in the prior art. It also seems that the factor set out in subsection 19(2)(d), ‘have regard to the freedom of the creator of the design to innovate’, may require expert evidence. It follows that in some cases evidence from at least two sorts of witnesses may continue to be necessary – informed users and design experts in the field of the design. However, the evidence of each witness in these circumstances would be directed at different issues, in contrast to the issue identified above where multiple experts are retained and provide evidence going to the same issue in the proceedings.

C. Section 19(1)-(3): Lack of guidance as to interaction and weighing of factors

9. Subsection 19(1) provides that in determining whether a design is substantially similar in overall impression to another design, more weight is to be given to similarities between the designs than to differences between them. Subsection 19(2) then states that the person required to make a decision in relation to substantial similarity in overall impression under s19(1) ‘must also’ have regard to the factors identified in subsections 19(2)(a)-(d) and 19(3). However, there is no clear guidance as to how, as a practical matter, a person or Court is to take into account and weigh and balance each of these factors, while continuing to have regard to the overall impression. Indeed, the Designs Manual of Practice and Procedure notes in the introductory paragraph to section D09.4 that s19 ‘provides a range of potentially contrary issues’.
10. The LCA submits that the lack of clarity in relation to how s19 is to be applied is causing difficulties in Designs Act cases, particularly as it makes it difficult to properly instruct “informed users” in relation to determining substantial similarity, and also because of the lack of guidance for the Court as to how these factors are to be weighed and taken into account.

11. In light of these difficulties, the LCA suggests consideration be given to amending s19 to resolve this uncertainty. The LCA is willing to engage in further discussions and consultation with IP Australia in relation to this issue.

D. The meaning of some of the factors enumerated in subsection 19(2)

12. Finally, subsection 19(2)(a) provides that in determining whether a design is substantially similar in overall impression to another design, regard must be had 'to the state of development of the prior art base for the design'. Subsection 19(2)(d) further provides that in determining whether a design is substantially similar in overall impression to another design, regard must be had 'to the freedom of the creator of the design to innovate'.
13. The LCA considers that there is continued uncertainty as to the meaning and scope of these subsections, and that this may also be having an effect upon the efficient and cost effective conduct and resolution of proceedings, or potentially dissuading owners of registered designs from enforcing their rights. The LCA considers that the most appropriate way forward in relation to this issue is to further engage and consult with IP Australia, in order to develop appropriate clarifying amendments to the Designs Act.

If you would like to arrange an Ad Hoc Designs Consultation Group Meeting to discuss the submission or have any other questions, in the first instance please contact the Committee Chair, Sue Gilchrist, on 02-9225 5221 or via email: sue.gilchrist@hsf.com.

Yours sincerely,



Rebecca Maslen-Stannage, Acting Chairman
Business Law Section



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27 July 2016

Attention: Director Domestic Policy and Designs Consultation Group

Dear Mr Wilkinson and Designs Consultation Group Members,

Section 19 of the *Designs Act 2003*

Background

I refer to the letter dated 17 December 2015 from the Intellectual Property Committee of the Business Law Section of the Law Council of Australia (“the Committee”) relating to the Committee’s concerns with the current form of section 19 of the *Designs Act 2003*. This letter further addresses these concerns.

The Committee’s concerns with section 19 have been expressed in the Committee’s submissions to ACIP during ACIP’s review of the *Designs Act* and in summary form are:

1. the uncertainty surrounding who is an informed user;
2. the lack of any guidance as to how the various factors in section 19 interact and are to be weighed; and
3. the meaning of some of the factors enumerated in subsection 19(2).

The Committee’s 17 December 2015 letter dealt with the first concern relating to the informed user. This letter addresses the concerns raised in points 2 and 3 above in more detail.

1. Lack of any guidance as to how the various factors in section 19 interact and are to be weighed

Section 19 sets out the various factors which must be considered in assessing whether one design is substantially similar in overall impression to another design. The Committee appreciates that it is necessary to achieve a balance between certainty (achieved by more prescriptive legislation) and maintaining the necessary flexibility to deal with the many different circumstances that are likely to arise. There is, however, a potential contradiction between, on the one hand, the requirement in subsection 19(1) that more weight is to be

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given to similarities than to differences between the designs and, on the other hand, the factors set out in subsection 19(2) to which the decision-maker 'must also' have regard. The Committee therefore considers that there is a degree of uncertainty surrounding how the requirements of subsection 19(1) and subsection 19(2) interact and are to be applied.

The Committee considers that it should be made clear that the significance of the similarities and differences between the compared designs must be taken into account in determining whether they are substantially similar in overall impression and that this significance should be assessed by taking into account the subsection 19(2) factors. This means, eg, if the similarities lie in things which are dictated by some technical constraint, then the significance of the similarities may be diminished. To this end the Committee considers that subsection 19(2) could be amended by removing at the start of the subsection the words 'The person must also' and inserting instead the words 'In applying subsection (1), the person must have regard to the following matters:'.

2. The meaning of some of the factors enumerated in subsection 19(2)

There are effectively three factors in subsection 19(2) – the state of development of the prior art base, the freedom of the creator of the design to innovate and, if there is a statement of newness and distinctiveness (SOND), having particular regard to the visual features identified in the SOND.

The state of development of the prior art base and the freedom of the creator to innovate

The Committee considers that there is continuing uncertainty as to the meaning and scope of these factors. In relation to the state of development of the prior art base, one matter of particular concern is whether this factor allows for features commonly used in the trade to be taken into consideration when comparing the designs under section 19. An informed user will usually be familiar with features commonly used in the trade as design features for the product under consideration. While not advocating mosaicing, when assessing the significance of similarities between two designs a relevant consideration may be whether any similar features are features commonly used in the trade. However, the Committee considers that there is currently some uncertainty as to whether the state of development of the prior art base factor allows for features commonly used in the trade to be taken into consideration when comparing the designs under section 19 (although there are judicial statements to the effect that a design consisting of features commonly used in the trade can be valid if sufficiently individual in appearance including the Full Federal Court in the relatively recent case of *Ullrich v Dias*).

In relation to the freedom of the creator to innovate, under the previous law the freedom of the creator to innovate appeared to be relevant as follows: if the article in question was so simple in its essentials, then small differences from the prior art would be sufficient to satisfy the innovation threshold. Equally, however, small differences between the registered design and the alleged infringement would result in no infringement. However, the Committee considers that there is continuing uncertainty in relation to what this factor means.

Despite the concerns discussed above, the Committee is also concerned that introducing additional factors or prescriptive amendments also has the potential to increase costs and uncertainty. Thus, at this stage the Committee does not recommend any amendment of

section 19 in relation to its concerns about the meaning of some of the subsection 19(2) factors, but is willing to consider the matter further with IP Australia.

The Statement Of Newness and Distinctiveness

Although the Committee's 17 December 2015 letter did not make reference to the SOND, the Committee does have some concerns in relation to the current use of SONDs in practice which it wishes to raise with IP Australia.

In particular, subsection 19(2) makes it clear that a SOND is a statement identifying particular visual features of the design as new and distinctive. However, many design applicants seem to use a SOND as a statement of monopoly to disclaim features from consideration and it is uncertain how a court will ultimately treat such statements. Even when used as intended, the effect of a SOND is often unclear. The Committee appreciates that the abolition of SONDs, at least until Australia joins the *Hague Agreement Concerning the International Registration of Industrial Designs*, would be a significant reform proposal and beyond the scope of the current consultation. However, the Committee would like to raise for consideration by IP Australia whether there may be adjustments that can be made to Designs Office practice that could assist to ensure SONDs are used appropriately and satisfy the 'definition' of a SOND in subsection 19(2).

If you have any questions in relation to this submission, in the first instance please contact the Committee Chair, Sue Gilchrist, on 02-9225 5221 or via email: sue.gilchrist@hsf.com

Yours sincerely,



Teresa Dyson, Chair
Business Law Section