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Mr Paul Gardner  
Director, Domestic Policy & Legislation  
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47 Bowes Street  
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**By email: [consultation@ipaustralia.gov.au](mailto:consultation@ipaustralia.gov.au)**

Dear Mr Gardner,

**Australian Fashion Council and Marque Lawyers Submission on the Exposure Draft Designs Amendment Bill & Regulations**

**1. Scope of this submission**

- 1.1 Marque Lawyers and the Australian Fashion Council are grateful for the opportunity to provide a submission to IP Australia on the exposure draft of the *Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020* (the Amendment Bill) and the *Designs Amendment (Advisory Council on Intellectual Property Response) Regulations 2020* (the Amendment Regulations), collectively the 'draft legislation'.
- 1.2 Marque Lawyers is a commercial law firm based in Sydney. Marque has a particular specialisation in the fashion industry, and advises numerous designers, manufacturers and other stakeholders in the fashion industry supply chain. This advice includes the protection and enforcement of the intellectual property rights of those clients.
- 1.3 The Australian Fashion Council is the industry body which exists to promote the growth of the textile and fashion industry in Australia. It focuses on strengthening supply chains; growing Australian exports; nurturing business; developing industry practices in ethical and sustainable product; and fostering design and innovation.
- 1.4 The submission addresses the following topics covered in the draft legislation:
  - (a) The new grace period provisions in Schedule 1 of the Amendment Bill: We support the introduction of these provisions (subject to our comments at 2).

- (b) The rationale behind expansion of the prior use defence in Schedule 2 of the Amendment Bill: We submit that a designer faces greater hardship in protecting their designs from infringement than third parties do in navigating the 'uncertainty' of designs legislation.
- (c) Subsection 71A(1)(a)(i): We submit that a third party making an 'offer' to sell a product embodying a design should not be able to access the prior use defence.
- (d) Subsection 71A(3): We support the limitation of the prior use defence where a design has been derived from the registered owner, however we recommend that this limitation should still apply where the design is made publicly available by or with consent from the registered owner.
- (e) The expansion of the prior use defence: We discourage IP Australia from expanding the prior use defence to cover situations where a third party begins using a design between filing and registration.

## 2. Unregistered design rights

- 2.1 Our favoured position is that unregistered design rights are introduced in Australia. Considering that fashion designers tend not to take advantage of the current registered design system to any significant extent, and also that there is a low level of knowledge and understanding of the laws regarding designs, we maintain that designers accruing rights without any need for registration is the best approach to protect the designs of Australian fashion businesses. This would also promote innovation and investment in these areas.
- 2.2 Unregistered design rights have been introduced in other jurisdictions (the UK, for instance), and it appears they have been welcomed by the majority of affected stakeholders.
- 2.3 However, as this is not considered by the Amendment Bill, we have included our comments on the Bill below.

## 3. The grace period

- 3.1 We support the proposal to introduce a 12-month prior art grace period for the filing of a design application.
- 3.2 At present, designers who publish their designs without registration potentially lose design right protection for the design. This allows no time to test the success of a design in the market, which proves particularly problematic in the rapidly evolving fashion industry. Fashion designers who wish to ensure that their legal rights are protected invest money and time in registering the design, when in a practical sense, the product itself may not even sell. The grace period relieves these pressures and brings Australia partially in line with international frameworks such as the Community design system in the European Union.

## 4. The rationale behind the expansion of the prior use defence

- 4.1 We submit that beyond the safeguards in Schedule 1, the proposal to expand the prior use defence in s 119 of the *Patents Act 1990* (Patents Act) to design infringements excessively skews the draft legislation in favour of third-party copiers and negates the benefits of the grace period.
- 4.2 Under the EM the rationale for the expansion of this defence is that the grace period would result in third parties facing ‘a period of uncertainty and fear infringing a design that has been disclosed and later registered’. As a preliminary note we challenge the evidentiary basis for this conclusion.
- 4.3 Though the amendments to the *Design Act* in 2002 reduced the threshold for infringement from ‘imitation’ to ‘substantial similarity in overall impression’, the lack of case law establishing infringement over the past 17 years proves that the threshold for infringement is still high in Australia. Further, we have been advising fashion and textiles businesses on legal matters for some time, and this scenario of hyper-uncertainty leading to stifled innovation is rare in our experience. More commonly we have seen numerous counts of copiers who deliberately replicate designs at the product testing stage and sell them at a discounted price.

**5. Making an offer should not constitute prior use**

- 5.1 If we are wrong and third parties would face a serious stifling of creativity through the grace period, we submit that the defence is currently drafted too broadly in favour of third-party copiers.
- 5.2 Under subsection 71A(1)(a)(i), a person may use the prior use defence even if they ‘offer’ to make a product embodying a design before the priority date. Though subsection 71A(1)(b) limits the defence to where ‘definitive steps’ were taken in making an ‘offer’, it appears that the defence would protect third parties beyond competitive necessity given the breadth of acts that would constitute an offer.
- 5.3 For example, an offer could be made by posting a photo of the design online offering to sell a product embodying the design the public. This action takes little time and investment. Though we recognise that this provision emulates s 119 of the *Patents Act*, the rationale for this defence under patents legislation should be distinguished from designs. Offering to invent something involves greater temporal and financial investment (e.g. drafting project proposals and pitching to investors) than a simple post online. For these reasons we argue that the words ‘offer to make’ should be deleted from subsection 71A(1)(a)(i).

**6. The limitation of the prior use defence**

- 6.1 We support the exclusion of the prior use exemption where the design is derived from the registered owner in subsection 71A(3). However, we submit that to better eliminate deliberate third-party copiers the caveat of ‘*unless the derivation was from information made publicly available by or with the consent of the registered owner or the registered owner’s predecessor in title*’ should be removed.

- 6.2 The caveat seems to negate the protection offered to designers by subsection 17(1)(b). The EM states that extending the grace period to publications or uses by people who derived the design from the registered owner allows the provision to apply where the design has been misappropriated by a third party. In a practical sense, this extension would be futile if the prior use defence allows the third party to continue using the design anyway.
- 6.3 If IP Australia is concerned about third parties copying publicly available information in good faith, we recommend the alternate system of having a shorter grace period of 6 months but still deleting the words above.

## 7. The expansion of the prior use defence

- 7.1 The EM noted that since a design only becomes publicly available after it is registered, third parties who happen to use a substantially similar or identical design between the filing date and registration may risk infringement without the capacity to perform due diligence. The proposed option to address this issue is to amend the Designs Act to 'expand the options for relief where a third party begins using a design between filing and registration'.
- 7.2 We discourage IP Australia from taking this course of action for two reasons.
- 7.3 Firstly, filing an application involves a level of investment by designers that should be rewarded with legal protection. Designers should not have to face the consequences of a delay that is entirely out of their control. The expansion of the defence effectively grants an immunity period between filing and registration to deliberate copiers, which can only be justified if there is a significant issue surrounding innocent infringers affected by the delay. In the absence of evidence that there are innocent infringers being harmed by this particular issue, IP Australia should not be making it easier for copiers and counterfeiters to operate.
- 7.4 Secondly, whilst registration rates of Australian designs have been increasing it seems to be reaching a plateau. According to the IP Australia Report in 2019<sup>1</sup> the growth rate in Australian design registrations was at one percent in contrast to the five percent average annual growth from the past decade. The risk designers face in this immunity period is likely to discourage Australian business to register their designs and would bring us even further behind our international peers.

## Conclusion

In our view the introduction of unregistered design rights would be the best solution to the theft of the intellectual property of Australian designers, and would foster innovation and investment.

However, regarding the draft legislation, and subject to our comments above, the grace period provisions are drafted to sufficiently balance the commercial interests of designers and the free flow of ideas between third parties. If IP Australia has concerns about innocent infringers facing detriment

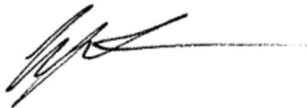
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<sup>1</sup> [https://www.ipaustralia.gov.au/sites/default/files/ip\\_report\\_2019.pdf](https://www.ipaustralia.gov.au/sites/default/files/ip_report_2019.pdf) page 21

from this grace period, we recommend further consultation into the safeguards around the grace period, however we believe that the prior use defence falls too far in favour of deliberate third party copiers.

We would be very happy to expand or explain any part of this submission.

Yours sincerely



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