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Paul Gardener
Contact Officer
IP Australia

By email only: Paul.Gardener@ipaaustralia.gov.au

Written Submissions: Exposure Draft of the Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020

IPTA refers to IP Australia's request for views on an exposure draft of the Designs Amendment (Advisory Council on Intellectual Property Response) Bill, and on the associated draft explanatory memorandum and thanks IP Australia for providing IPTA with the opportunity to make submissions.

About IPTA

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA) is a voluntary organisation representing registered patent attorneys, registered trade mark attorneys and student members in the process of qualifying for registration as a patent or trade mark attorney in Australia. The membership of IPTA includes over 87% of registered patent attorneys located in Australia and it is believed that its members make up more than 90% of registered patent attorneys in active practice in Australia. The membership of IPTA includes registered patent attorneys in private practice as well as patent attorneys working in industry and others that practice as barristers. IPTA members represent large local and foreign corporations, SME's, Universities, Research Institutes and individual inventors.

Summary of IPTA's position

IPTA is largely in favour of the proposals and intent of the draft bill. We believe that the one year grace period ending at the priority date is the best option for the grace period, as it is consistent with most other jurisdictions which provide grace periods and easy to understand and use. We are concerned by the fact that publications by overseas Designs Offices in particular do not enliven the grace period, as that is an unusual exemption which will cause confusion amongst users of the system. We think that the proposed prior use defence needs to be clarified to be make it clear that any prior use must be use in Australia.

IPTA's more detailed comments on the proposed options are as follows.

Schedule 1 – Grace period

IPTA largely supports this proposed change. We note that the grace period is proposed to run for one year from the priority date of the application and IPTA is comfortable with that approach as being easy to understand and work with. It is also consistent with the grace period provided in Europe and the USA.

We also note that there are two significant exclusions to the grace period.

The first exclusion is if the design is published by a *person in a foreign country entrusted with the registration of designs, or an agency or organisation that is established under, or in accordance with, an international agreement and that has functions publishing designs to the public* – which would cover publication by an overseas designs office such as EUIPO or WIPO in the case of a Hague agreement design. This covers the situation if the designer files overseas first – say in the USA, gets a

design patent granted and published there, and wishes to file in Australia after grant and after the 6 month priority period has passed.

IPTA notes that for Australian patents there is no equivalent exclusion –an applicant could have a patent published in their own country and if that publication is the first publication or use of the invention, still have one year to file a patent application in Australia relying on the grace period.

Generally such exclusions make Designs law more complicated and difficult to understand, particularly for unrepresented applicants. It is also important to note that a Registered Design is very limited monopoly, as compared to a patent.

To the best of IPTA's knowledge, there are no countries which provide similar grace periods where the publication of a patent or design by an overseas Designs Office would void the grace period.

We do not think the exclusion is necessary or provides any useful benefit. IPTA's preference would be to not have the exclusion, for consistency with patents, and to make the grace period easier to comprehend.

The second exclusion is more of a concern for IPTA – the exclusion of earlier publications by the Registrar.

The creation of designs is an iterative process. One of the issues that concerned IPTA and users of the system in particular, was that of incremental changes/improvements in designs. For example a designer creates a new product A, and files a design application. Soon after the design is improved and a changed design A+ is launched. Under the current system, a pending application or granted Registered Design for A is prior art against A+ for newness and distinctiveness. Even for experienced practitioners, it is often very hard to determine if A+ is distinctive over A due to the complexity and nature of the test set out in section 19. Is it often difficult if not impossible to tell if a new design application has to be filed for A+, or if A+ is covered by the registration of A.

The proposed grace period does not exclude prior applications or registration by the designer so does not address this problem.

While IPTA understands the concern to avoid designers getting multiple registrations for the same design to avoid applicants obtaining protection for the same design in excess of the 10 year term, IPTA notes that under the 1906 Act this issue was addressed by subsequent registrations of designs under section 25D. If design A was registered and then improved, and the improved design A+ was an obvious adaptation, it was registrable as a subsequent design but its term was limited to the term of the first registration – similar to a patent of addition.

Also, even if a design owner were able to exploit the system to obtain a longer term for design A, by registering design A+, the most they could get would be 11 years, rather than 10, which is still less than the 15 years which is the minimum term offered by the majority of countries.

IPTA is also concerned that by not disregarding pending Australian design applications and published Australian design registrations may discourage Australian designers from using the system and filing for protection before publication, and encourage them to rely more on the grace period.

By way of example, a new product A is designed and a design application for A is filed before publication. The product is launched in Australia, and following sales in the market, the product is changed perhaps to take account of feedback from users. The changed design is design A+. As

discussed above, A is prior art for A+ for newness and distinctiveness. Even though A+ is novel over A, it may be difficult to assess if A+ is also distinctive over A and whether it is worthwhile or necessary to file a new design application for A+.

However, if the new product was simply launched without filing for design protection first, there is no prior application/registration which is prior art, and the improved design A+ can be protected relying on the grace period, as the sale by the designer are disregarded. Hence the grace period with the exception as proposed, may act as something of a disincentive to Australian designers from filing for protection early in Australia. There may be a benefit in delaying filing until after launch and the product has been tested in the marketplace, and any changes/improvements made. This would have adverse knock-on effects for Australian applicant design applicants filing overseas in those countries where there is no grace period for designs, where the earlier publication in Australia would be novelty destroying.

One option for addressing this problem could be to have a limited grace period exclusion for novelty only which prevents registration of an identical design, but not one which has been changed. This would be similar to the whole of contents provisions of the patents act where applications having an earlier priority date, but a later publication date, than a later patent application, are citable for novelty only (to prevent double patenting) but not inventive step.

Some revision of section 15 would almost certainly be required.

Alternatively, consideration could be given to re-introducing the subsequent design, discussed briefly above, which was an option under the Designs Act 1906.

With regards to the specific consultation questions IPTA comments as follows:-

In the new provisions, and in existing provisions, the expression "*the registered owner's predecessor in title*" is used. Will this cover, as we intend, any predecessors in title where the right has more than two owners?

IPTA's understanding of this term is that it does cover any predecessors in title, where the right has more than two owners.

Under s 13(1)(b), where a person creates a design in the course of employment, or under a contract with another person, the person entitled to registration is the employer or the other person under the contract. If the employer/contractor were to publish or use the design, would that disclosure be covered by the grace period, either by treating the designer as a predecessor in title, or under doctrines of agency, or otherwise? If not is this a problem.

There is certainly an argument that the person who creates the design is not a predecessor in title as the work has always belonged to the employer or to the other person under the contract, although in the latter case the right to the design may only be transferred upon payment, so the person who creates the design would in that case arguably be a predecessor in title. In any case would that situation not be covered by Subsection 17(1)(b)?

Does the proposed exclusion of the Registrar's publications (in combination with the language of the remainder of the subsection) ensure that two design registrations with different priority dates but covering the same design will not both be registrable? Will it have any unintended consequences?

The answer to both questions is yes, and the unintended consequences are discussed above in relation to the iterative nature of designs and the registering of improvements.

Is the exclusion of publications of foreign national and international designs offices appropriate? Will it have any unintended consequences?

IPTA's views on the exclusion are set out above.

As regards unintended consequences IPTA is somewhat concerned by the language used in 17(1A) since many IP offices register patents, designs and trade marks. For example (1A)(b) "*an agency or organisation that is established under, or in accordance with, an international agreement and that has functions publishing designs to the public*" would include WIPO who oversee both the Hague Designs system and the PCT system, and (1A) (a) would cover the USPTO who register patents, designs and trade marks. Is it intended that the publication of a product in an applicant's PCT or US patent application which is not an application for design protection as such would not be disregarded? It is noted that many applicants file patents for products at an early stage in development of the product and are often not in a position to file for design protection until later after the product has had further design and development

Also the expression "a person in a foreign country entrusted with the registration of designs", is somewhat broad and could for example be an overseas patent attorney or firm, although we would not expect such a person to be publishing or using the design.

Subsection 17(1B) Will the subsection effectively simplify proof of derivation for registered owners of designs? Does it strike an appropriate balance between facilitating proof for registered owners and permitting rebuttal by third parties? Are there any unintended consequences, or gaps in proof for registered owners?

IPTA is comfortable with the presumption and the two conditions. IPTA cannot see any gaps or unintended consequences and considers that the presumption is a workable compromise, particularly given the prior use rights.

Does subsection 17(1C) satisfactorily address the relationship between section 17 and section 18

It appears so, however IPTA notes that the interaction of the Registered Designs with copyright is complex.

The intended meaning of the expressions discussed above, could be set out in the explanatory memorandum so that where there is any lack of clarity reference to the explanatory memorandum could be used to clarify the intent.

Schedule 2 – Prior use defence

IPTA supports this proposed change in general. However it has some concerns with the wording of the proposed provisions.

At least as proposed in the bill, the prior user defence has gone beyond the ACIP recommendation and beyond the Government response. The problem is that proposed legislation does not make it clear that the prior user activity has to have occurred in Australia. It is very important for a prior user

defence to be limited to the territory in which the prior use activities had taken place. This is why Section 119 of the Patent Act is limited to exploitation or definite steps taken “in the patent area”.

The ACIP paper recommended that the *grace period be accompanied by a prior user defence along the lines of section 119 of the Patents Act. The prior user defence should be drafted clearly to accommodate defendants who derive their knowledge of a design through publication covered by the grace period. In determining the details of any implementation of a grace period, IP Australia should make efforts to adopt international consensus practices where they exist.*

One of the reasons prior user rights should be limited by territory is that a broad prior user right, extending beyond areas where the party was exploiting or taking definite steps to exploit, has the potential to undermine the design protection afforded to the party who sought and obtained protection for the design. For example, there could be a party exploiting the design in the US with no intention of exploiting in Australia. However, after the Australian design owner has created a market for the product having that design in Australia the US party could launch their product incorporating the design in Australia with impunity, relying on the prior user defence, and taking full advantage of the Design owner’s efforts to create the market for the design in Australia. A broad prior user right would also be a disincentive to seek protection for designs – particularly if the prior user right was international. If you have a broad international prior user right for free, why bother seeking design protection? This is why internationally prior user rights are not international.

The other key point to note is that a key function of the grace period is to protect a person who starts to do an act or prepares to do an act based on a published but at the time unprotected design, which does not at the time infringe any rights, but which subsequently does due to the designer taking advantage of the grace period and protecting the design by registering it. There is no need to provide continuing user rights for third parties who are not exploiting the design in Australia. Any third parties who are using the design outside Australia do not infringe the registration and will not be inhibited from continuing what they already doing overseas by the registration of the design in Australia.

We note that the explanatory memorandum refers to “*the presumption against extraterritoriality*” and that “*the acts listed in new paragraph 71A(1)(a) must occur in Australia*”. We note that in the case of definite steps to infringe need not take place in Australia, if the steps are taken to do an act in Australia. We have some concerns about that aspect also.

In our opinion, relying on the presumption against extraterritoriality is fraught with danger and will lead to confusion. Although the explanatory memorandum would be available to clarify the intent of the legislation, it is not wise to risk confusion and lack of clarity when the legislation could simply be amended to make it clear that any acts have to take place in Australia, or where definite steps are taken to do an act, to make it clear that the act must also be an act which would have taken place in Australia.

IPTA notes that, in general, the Designs Act 2003 is generally somewhat less clear regarding its territoriality as compared with the Patents Act 1990. The Patents Act 1990 is very clear in its territoriality in subsection 13 (3) which makes it clear that a patent has effect within the patent area, as defined in schedule 1 as meaning Australia, the Australian continental shelf; the waters above the Australian continental shelf; and the airspace above Australia and the Australian continental shelf.

The Designs Act 2003 lacks an equivalent reference to the patent area in section 10. Even if it is too late to insert one in the draft bill, consideration should be given to adding similar provisions to the

Designs Act 2003 in the next round of amendments following the conclusion of the Designs Review Project.

We think the problem could be fixed relatively easily by amending section 71A(1)(a) to clarify that the activities had taken place in Australia. If that is done, then there is probably no need to amend 71A(b). But note our comments above concerning the lack of an explicit territorial limitation in section 10.

We are strongly of the view that the clarification should be made, because the legislation should be clear as possible, wherever possible, and should not require reference to previous cases and/or explanatory memoranda.

With regards to the specific consultation questions we comment as follows:-

Comments on Relief from Infringement

The question concerns relief from infringement for third parties for potential infringement that may occur between the filing and registration of a design. While IPTA is open to considering relief under those circumstances, noting that damages are not payable for patent infringement until after publication of a patent application, the situation with registered designs is not necessarily the same as patents. The term of a design is much shorter, the scope of the right is more apparent from looking at the product, if the product is in the marketplace, and the scope of the registration covers the appearance of the product (albeit subject to section 19) and is not defined by claims. As there are no proposals to introduce such relief in the draft bill, IPTA prefers to consider this issue in more depth prior to making detailed comments.

The concept of a “temporary” cessation is reused from the Patents Act s 119(2). Is the expression “temporary cessation” sufficiently clear? If not, what would be a better standard?

IPTA is not aware of any problems arising from the use of the expression “temporary cessation” in the Patents Act and on that basis is comfortable with the language.

Subsection 71A(3)

The expression “derived the relevant design from the registered owner” is adapted from the Patents Act s 119(3), and reflects, to some extent, the standard used for the grace period in Schedule 1. Is the expression “derived the relevant design from the registered owner” sufficiently clear? If not what would be a better standard?

IPTA considers that the expression is clear in context.

Subsection 71A(4) does not permit licensing of the prior use right (in a similar way to subsection 119(4) of the Patents Act). Some designers rely on third parties to manufacture, import, retail and distribute their products. Would the narrowness of subsection 71A(4) prevent use of ordinary supply or distribution chains by designers relying on the prior use defence? If so, how should the defence be modified?

IPTA is strongly of the view that licensing should not be permitted. The prior use exemption is extensive and allows the person to carry any otherwise infringing act under section 71 if they would have infringed before the priority date, including importation. The prior use right will allow all parties in the chain of manufacture, import and sale, to continue what they were doing before the

priority date so considers the risk of a designer relying on the prior user defence being disadvantaged to be unlikely.

Schedule 3 – Registration of designs- removal of publication option

IPTA supports this proposed change. It is acknowledged that the purpose of this amendment is to simplify the process leading to Registration of a Design. The proposed amendment to Section 34 to automatically take it that a request for registration has been made in the absence of a request will achieve the desired purpose of simplifying the process for the Applicant.

Schedule 4 – Right of exclusive licensee to bring infringement proceedings

IPTA supports this proposed change. This amendment brings the Designs Act into line with the Patents, Trade Marks and PBR Act, so it should also be introduced into the Designs Act. It does not follow that the exclusive licensee should necessarily be obliged to be recorded within the Designs Office.

Schedule 5 – Formal Requirements

IPTA supports these proposed changes. It is appreciated that there has been a considerable change in practice since the Designs Act was last updated so to make changes to cater for predominantly electronic filing is sensible. It maybe that there is less cumbersome ways to achieve this apart from the introduction of Section 149A, but this does achieve the purpose, so IPTA will support it.

Schedule 6 – Other Amendments

There are a number of amendments to consider here, and in general, IPTA does not have a major objection to them.

Part 1: Standard of informed User

As noted in its earlier submission during consultation, IPTA notes that the law in Australia appears to have moved on from the European approach to the standard of the informed user, initially adopted in the “Review No 3” case, to the approach espoused in the Multisteps decision, where the informed user needs only to be familiar with the products or similar products and does not have to be an actual user of the products. IPTA is comfortable with the Multisteps approach to the informed user. Reference to a “*familiar person*” in Subsection 19 (4) would seem to create a degree of clarity as to the legal test in preference to an “*informed user*” when assessing substantial similarity. A “*familiar person*” would provide a broader base to assess to substantial similarity, but IPTA is comfortable with this and importantly would provide greater clarity. Importantly the proposed amendment will create a more clarity and certainty for the users of the system, during examination, and in particular in litigation.

The same comments apply equally to the amendments to Subsections 72 (4) and 72 (5) (repair defence) and reference to a person who is familiar with the complex product is preferable to reference to the informed user.

It is appreciated and supported that applying the test for a familiar person should apply after the commencement date both in relation to applications (section 19) and registered designs (section 72).

Part 2 – Revocation of registration of design

IPTA supports the recommendations made here. IPTA supports that the ground of false suggestion should equally apply to a false suggestion made during certification and that subsection 93(3)(d) be amended to clarify this. Equally subsection 93 should include a new section (3A) to allow a court to revoke a registered design on the basis of lack of entitlement only if it is just and equitable to do so. This provides appropriate discretion. These amendments should apply to applications made after the commencement date.

Part 3 - Renewal of registration of design

IPTA supports the amendment to include new subsection 47(4) to clarify that a registered design will remain in force during the grace period to pay the renewal. This is consistent with section 143 of the patents Act (in conjunction with the regulations) and it is appropriate to clarify that the designs Act operates in a similar manner.

IPTA welcomes any feedback on its comments and is willing to assist in the development of the draft bill and regulations and would be pleased to discuss its comments further or answer any follow on questions.

Yours sincerely
Jeremy Dobbin



For the IPTA Designs Committee