

# Exposure Draft of *Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020*

## Draft Explanatory Memorandum

July 2020



# Introduction

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This draft Explanatory Memorandum accompanies an Exposure Draft of the Designs Amendment (Advisory Council on Intellectual Property Response) Bill, which is proposed to amend the *Designs Act 2003*.

IP Australia invites interested parties to provide either written submissions or complete a survey on the draft legislation and explanatory materials by **28 August 2020**.

We are seeking comments on the draft legislation, in particular on any unintended consequences of this legislation or issues with the drafting, rather than on the policy that underpins the amendments as this has already been agreed to by the Government.

We are also seeking specific feedback to questions that are highlighted in this draft Explanatory Memorandum.

Please note that the draft Explanatory Memorandum is still being developed and is intended only as a guide to assist with the interpretation of the draft legislation. IP Australia will undertake further editorial review and finalise the text when a final version of the legislation is settled.

**To provide a written submission and/or complete the survey please visit our consultation website.**

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

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# Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020

## Background

The objective of the intellectual property (IP) rights system is to support innovation by encouraging investment in research and technology in Australia, and by helping Australian businesses benefit from good ideas. The Australian Government proposes improvements to Australia's designs legislation to better meet these objectives.

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

In May 2012, the former Advisory Council on Intellectual Property (ACIP) was asked to investigate the effectiveness of the designs system in stimulating innovation by Australian users and the impact the designs system has on economic growth. As part of its investigations, ACIP released an Issues paper in September 2013 to seek views from stakeholders, including users of the designs system. ACIP released an Options Paper for public consultation in December 2014 and a final report in March 2015<sup>1</sup> ('the ACIP report').

On 6 May 2016, the Australian Government responded to the ACIP report and agreed to the majority of the recommendations.<sup>2</sup> This Bill gives effect to several ACIP recommendations that were accepted by the Government, as well as making other improvements to the design system.

## Outline

The purpose of the Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020 (the Bill) is to provide more flexibility for designers during the early stages of getting protection and include several technical amendments that will simplify and clarify aspects of the designs system.

The Bill's proposed amendments to the *Designs Act 2003* (Designs Act) can be divided into six categories, corresponding to the following six schedules:

- Schedule 1 – Grace period
- Schedule 2 – Prior use defence
- Schedule 3 – Registration of designs – removal of publication option
- Schedule 4 – Right of exclusive licensee to bring infringement proceedings
- Schedule 5 – Formal requirements
- Schedule 6 – Other amendments

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<sup>1</sup> Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 2015

<sup>2</sup> Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016.

## **Schedule 1: Grace period**

Recommendation 12 of the ACIP report proposed introducing a grace period of six months before the filing date, together with a prior use defence. If applicants rely on the grace period to protect the validity of their design rights, they must file a declaration to that effect. The Government accepted this recommendation, noting that the length of the grace period and the requirement to declare any disclosures would be determined following further stakeholder consultation.

This Schedule amends the Designs Act to give effect to that recommendation by introducing a general grace period to help protect designers from losing their rights through inadvertent disclosure before seeking legal protection. For example, a designer who publishes their prototype on social media before filing for a design right may currently lose their opportunity to obtain a useful registration. The grace period will provide designers with 12 months to apply for design protection after publishing or using their design.

## **Schedule 2: Prior use defence**

Recommendation 12 of the ACIP report also included a prior-use defence for third parties who start using a published design during the grace period. In accepting Recommendation 12 the Government agreed to introduce a prior use defence along with the grace period.

This Schedule amends the Designs Act to introduce a prior use defence to protect third parties against infringement proceedings should they start using a design before the priority date of a registered design. In particular, it protects third parties that start use of a design that has been disclosed during the grace period but not yet registered. After the introduction of Schedule 1, third parties will now face a period of uncertainty and fear infringing a design that has been disclosed and later registered. This Schedule aims to balance the rights of designers and those of third parties by mitigating that period of uncertainty.

## **Schedule 3: Registration of designs – removal of publication option**

Recommendation 5 of the ACIP Report was: “ACIP recommends removing the option of the publication regime (i.e. without registration) from the designs process.” The Government accepted this recommendation, stating that the amendment to implement this recommendation would be one of the number of changes to streamline IP processes and support small business.

This Schedule amends the Designs Act to streamline the initial steps for registering a design. The overall impact will be to reduce the number of deadlines requiring action by applicants while making it simpler for them to delay publication of a new design until they are ready to launch in the market.

The changes allow applicants to effectively delay publication of their design for a prescribed period (to be six months) from the priority date. The seldom used “publication only” option is eliminated. Registration of designs is automatically requested after the expiry of a prescribed period from filing a designs application – currently, an application lapses after the expiry of this period.

These amendments will benefit applicants by reducing the number of due dates that need to be tracked and eliminating the possibility of an application lapsing should an applicant not file a request for registration six months after filing their design application.

## **Schedule 4: Right of exclusive licensee to bring infringement proceedings**

Recommendation 18(h) of the ACIP Report was: “The Designs Act and/or the Designs Regulations 2004 should be amended to ensure exclusive licensees have the right to bring proceedings for infringement.” The Recommendation was part of a number of recommendations made in Recommendation 18 in the ACIP Report to “improve the operation and consistency of the [Designs] Act and in some cases, consistency with other IP systems”. The Government accepted Recommendation 18 with the proviso that Australia will continue to comply with relevant international treaties and conventions; and any change to the Designs Act does not result in an unintended advantage of one type of application (i.e. convention claim) over another type of application (i.e. non-convention claim).

This Schedule amends the Designs Act to provide exclusive licensees with the legal standing to take infringement action through the courts without needing to rely on the registered design owner. Currently, only a registered owner of a design has standing to commence an infringement action. When an exclusive licence is granted, it is often because the registered design owner is foreign based. A foreign based owner may not be strongly motivated to assist the exclusive licensee in pursuing a local alleged infringer due to associated costs or administrative burden. This proposal would ensure exclusive licensees of registered designs are also able to enforce the rights that they have paid for, as is the case for patents, trade marks and plant breeder’s rights.<sup>3</sup>

## **Schedule 5: Formal requirements**

This Schedule amends the Designs Act to streamline the process for updating formal requirements for a design application in line with the current environment of fast-paced technological change. Currently, the formal requirements are set out in the *Designs Regulations 2004* (Designs Regulations) and are based on a paper filing system. At present 99% of design applications are filed electronically, meaning the formal requirements in the Designs Regulations are no longer fit for purpose. The amendments will extend the existing power<sup>4</sup> of the Registrar of Designs (Registrar) to make directions about the form of documents to apply to ‘approved forms’ for designs. The amendments will allow the directions made by the Registrar to include general provisions that apply to all documents so that applicants need only to refer to a single source of rules.

## **Schedule 6: Other amendments**

Schedule 7 to the Bill will make several minor technical corrections and improvements to the Designs Act in relation to the following ACIP recommendations:

- Part 1: Standard of the informed user (ACIP Recommendation 10)
- Part 2: Revocation of registration of design (ACIP Recommendations 18c and 18f)
- Part 3: Renewal of registration of design (ACIP Recommendation 18i)

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<sup>3</sup> Patents Act, s 120(1); Trade Marks Act, s 26(1); Plant Breeders Right Act, s 54(1)

<sup>4</sup> Section 144B of the Designs Act

Collectively, the measures in this schedule are proposed to address a small number of inconsistencies in the Designs legislation. The changes will simplify the designs system for users and clarify parts of the system that may be confusing.

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## Notes on clauses

### Clause 1: Short title

Upon enactment, the Bill will be known as the *Designs Amendment (Advisory Council on Intellectual Property Response) Act 2020*.

### Clause 2: Commencement

Schedules 1 – 5 and Part 3 of Schedule 6 in the Bill will commence on a single day to be fixed by Proclamation or 6 months after this Bill receives Royal Assent. This will give stakeholders time to consider and plan how they will change their designs filing strategies to take advantage of the amendments, and enable the necessary regulation and ICT system changes to be made before commencement.

The extended commencement will not apply to Schedule 6, Parts 1 and 2 in the Bill. These items relate to matters that involve minor system and practice changes by the Designs Office, so their immediate commencement will realise their benefits as soon as possible, on the day after this Bill receives the Royal Assent.

### Clause 3: Schedules

The Designs Act is to be amended as set out below in Schedules 1 – 6 to the Bill.

# Schedule 1 — Grace period

## *Designs Act 2003*

### Introduction

This Schedule amends the Designs Act to implement a general grace period for the filing of a design application in Australia.

Currently, section 17 of the Designs Act provides that designers can seek registration of a design after its disclosure only under very limited circumstances. In most circumstances, the disclosure of a design by a designer prevents any subsequent registration of that design.

By comparison, the *Patents Act 1990* (Patents Act) and *Patents Regulations 1991* (Patent Regulations) provide patent applicants with a 12-month grace period. If a patent application is filed after information is disclosed by the inventor, but within the 12 month grace period, the public disclosure can be disregarded when determining if the patent application is novel and has an inventive step. Internationally many other jurisdictions offer designers a grace period in their design legislation.

ACIP found that there is a real problem that designers who, through ignorance or inadvertence, publish their design before seeking legal protection, then forfeit all possible rights in that design.<sup>5</sup> The new grace period is intended to help protect designers from losing their rights in this way. For example, a designer who publishes their prototype on social media before filing for a design right may currently lose their opportunity to obtain a useful registration. The grace period will provide designers with 12 months to apply for design protection after publishing or using their design.

The new grace period protection is similar to that in the Patents Act, and is intended to be compatible with the draft Designs Law Treaty being negotiated at the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications under the World Intellectual Property Organization (WIPO).<sup>6</sup>

### Item 1: Subsection 17(1)

[s 17]

This item repeals the existing limited grace period provisions in subsection 17(1) and replaces them with a general grace period. The particulars of the general grace period, including its duration, are to be specified in the Act (rather than prescribed in the Designs Regulations) to provide more certainty to designers and third parties.

#### Subsection 17(1): Establishment of a general grace period for filing a design application

New subsection 17(1) creates a grace period for filing a design application, by providing that two categories of publications or uses of a design must be disregarded when considering the newness or distinctiveness of

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<sup>5</sup> Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015 ([ACIP Designs Review](#)), p 28.

<sup>6</sup> World Intellectual Property Organisation, *Industrial Design Law and Practice – Draft Articles* Art 6, SCT/33/2, 16 January 2015, [https://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=295316](https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=295316)

the relevant registered design (called the “subject design”). To be disregarded, the publication or use must have taken place within the period of 12 months before the priority date of the subject design.

The two categories of publication or use eligible for the grace period in new subsection 17(1) are set out in new paragraphs 17(1)(a) and 17(1)(b). In both cases, the publication or use may or may not be of the subject design. This is intended to ensure that a designer may seek to register a slight variation of an earlier published design and rely on the grace period to have the earlier published design disregarded when considering the newness and distinctiveness of the variant. This promotes the innovation objectives of the grace period, by allowing designers to make modifications and improvements of their designs after initial publication.

New paragraph 17(1)(a) provides the grace period covers any publications or uses by the registered owner of the subject design themselves, or by one of their predecessors in title.

**Consultation question:** *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 had more than two owners?*

New paragraph 17(1)(b) further extends the grace period to publications or uses by persons or bodies that derived or obtained the design from the registered owner (or one of their predecessors in title). It is not relevant whether or not the derivation was consensual or not, so paragraph 17(1)(b) can apply where the design has been misappropriated by a third party, or where a third party has published a design with the consent of the designer. “Derived or obtained” are intended to bear their ordinary meanings, but new subsection 17(1B) provides a presumption of derivation in some circumstances.

**Consultation question:** *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 employee/contractor designer 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?*

Publications (or uses) by the Registrar are excluded from paragraph 17(1)(b). The Registrar is required to publish registered designs by making them publicly available under section 60 of the Act. These publications are not the inadvertent publications that the grace period is intended to protect.

Further, were these types of publication not excluded from the grace period, there would be undesirable effects on the scheme of the Act, including the potential issuance of two exclusive rights over the same design.

For example, an applicant files design application A1 on 1 January. A1 is registered and made publicly available by the Registrar on 1 February. The applicant files an identical design application A2 on 1 March. No other relevant publications or uses occur between 1 January and 1 March. Because publications by the Registrar are excluded from paragraph 17(1)(b), the publication A1 forms part of the prior art base<sup>7</sup>, and A2 is not new in view of the publication of A1 on 1 February.

Were publications by the Registrar not specially excluded, A1 would be covered by the grace period, and A2 would be registrable.

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<sup>7</sup> Due to s 15(2)(b) Designs Act. If A1 was not registered until after 1 March, it would nevertheless form part of the prior art base for A2 due to s 15(2)(c) Designs Act.

**Consultation question:** *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?<sup>8</sup> Will it have any unintended consequences?*

Publications (or uses) by certain foreign persons or bodies are also excluded from paragraph 17(1)(b). The persons or bodies are defined in new subsection 17(1A). The intention is that publications by national or international designs offices will not be eligible for the grace period. If an applicant who filed first overseas wishes to file in Australia, and the office where they filed first has already published their design, they will need to rely on the Designs Act provisions applying the Paris Convention<sup>9</sup> rather than the grace period to ensure the registrability of their design.

#### Subsection 17(1A): Publication by certain persons does not enliven the grace period

New subsection 17(1A) defines the persons or bodies other than the Registrar whose publications or uses of a design are not to be disregarded if they take place during the grace period, and is intended to cover national and international designs offices.

New paragraph 17(1A)(a) covers a person in a foreign country entrusted with the registration of designs. This is intended to apply to foreign designs offices, and corresponds with the definition of Office in the draft Design Law Treaty.<sup>10</sup>

New paragraph 17(1A)(b) covers agencies or organisations established under, or in accordance with, international agreements that have functions including publishing designs to the public. This is intended to reach international organisations that publish designs to the public, including WIPO and any regional designs registration bodies such as the European Union Intellectual Property Office.

The intention is that publication of a design by national or international designs office will not enliven the grace period, in the same way as publication of a design by the Registrar. These are not inadvertent publications that the grace period is intended to protect, but publication of designs applications for public benefit under law. If an applicant who filed first overseas wishes to file in Australia, and the office where they filed first has already published their design, they will need to rely on the Designs Act provisions applying the six-month priority period under the Paris Convention<sup>11</sup> rather than the grace period to ensure the registrability of their design.

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

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<sup>8</sup> Compare the interpretation of the Patents Act grace period in relation to “whole of contents” prior art: *Rozenberg & Co Pty Ltd. v Velin-Pharma A/S* [2017] APO 61 at [174] – [189]

<sup>9</sup> Paris Convention for the Protection of Industrial Property of 20 March 1883. In appropriate circumstances, an applicant who has filed an application for protection of a design in a Convention country may rely on s 27(1)(b) and r 3.06 so that the priority date of their Australian design is the filing date of their application in the Convention country.

<sup>10</sup> World Intellectual Property Organisation, *Industrial Design Law and Practice – Draft Articles* Art 1(ii), SCT/33/2, 16 January 2015, [https://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=295316](https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=295316)

### Subsection 17(1B): Proof of derivation of published design

New subsection 17(1B) is intended to reduce the level of evidence the owner of a registered design needs to provide to prove that a third party publication or use was derived or obtained from a registered owner (or their predecessor in title). Once a design is published on the Internet, it can be copied and republished rapidly. Requiring a high level of proof of derivation would impose a heavy burden on design registrants and detract from the intended beneficial effect of the grace period.

The effect of the subsection is that a design (the “other design”) that is published by a third party who is not the registered owner (or the registered owner’s predecessor in title) is *presumed* to be derived or obtained from the registered owner (or their predecessor in title) on two conditions.

Firstly, paragraph 17(1B)(a) requires the registered owner to show they (or their predecessor in title) published or publicly used a design (called “the first design”) before the publication or use of the other design.

Secondly, paragraph 17(1B)(b) requires the other design must be identical, or substantially similar in overall impression, to the first design. The presumption is not intended to operate if the first design and other design are not at least substantially similar in overall impression, since it would be unfair to infer derivation in those circumstances.

The first design may or may not be the same as the subject design. This means that a registered owner can rely on the presumption even if they registered a slightly different design to the first design they originally published, consistent with the intent of the grace period to apply to the assessment of registered designs that are slight modifications of prior-published or used designs by the registered owner.

Once the presumption applies, it may be rebutted, but only if it is established that the other design was created without reference to, or knowledge of, the first design. Where the Registrar conducts an examination, it is very unlikely that she could be satisfied that the other design was created without reference to, or knowledge of, the first design, without presentation of additional material from the creator of the other design. The presumption is most likely to be rebutted in an examination requested by the creator of the other design, or in a Court action, where evidence of the circumstances of the creation of the other design will be more readily obtainable.

**Consultation question:** *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?*

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<sup>11</sup> Paris Convention for the Protection of Industrial Property of 20 March 1883. In appropriate circumstances, an applicant who has filed an application for protection of a design in a Convention country may rely on s 27(1)(b) and r 3.06 so that the priority date of their Australian design is the filing date of their application in the Convention country.

## Subsection 17(1C)

New subsection 17(1C) is intended to clarify the relationship between the grace period and Section 18 of the Designs Act. Section 18 applies where copyright subsists in an artistic work under the Copyright Act, and an application is made by, or with the consent of, the owner of the copyright for registration of a corresponding design.<sup>12</sup> In those circumstances, section 18 prevents the design being treated as other than new or distinctive by reason only of the use of the artistic work, *unless* the previous use consisted of or included certain conduct set out in ss 18(2)(a) and 18(2)(b).

New subsection 17(1C) provides that where a use is to be disregarded because of subsection 17(1), it must also be disregarded for the purposes of section 18. This is intended to dispel any doubts that may exist as to the relationship of the two sections. Once a use or publication is to be disregarded under section 17(1), it is simply not relevant to section 18 (including paragraphs 18(2)(a) and (b)).

Section 18 will still need to be considered where uses of the artistic work occurred before the 12 month grace period.

**Consultation question:** *Does subsection 17(1C) satisfactorily address the relationship between section 17 and section 18?*

### **Item 2: At the end of subsection 18(2)**

[s 18]

This item inserts a note at the end of subsection 18(2) to provide a cross-reference to subsection 17(1C), which explains the relationship of subsection 17(1) and section 18. The intended effect of s 17(1C) is discussed above in item 1.

### **Item 3: Application and saving provisions**

This item provides for the circumstances in which the amendments in this Schedule apply.

Subitem 3(1) provides that the new grace period provided for in new subsection 17(1) applies to a publication or use that occurs on or after commencement of this Schedule. This is the case regardless of whether the relevant 12 month period would begin before, on or after commencement of the Schedule. This is intended to provide clarity for third parties about publications or uses in the lead-up to commencement: these publications or uses will not be eligible for the general grace period.

Subitem (2) provides that new subsection 17(1) and related regulations as in force immediately before commencement continue to apply on or after commencement in relation to a publication or use that occurred before the commencement. This is intended to ensure that publications or uses that were covered by the old grace period in subsection 17(1) continue to be covered in the same way after introduction of the new grace period.

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<sup>12</sup> For “corresponding design”, see *Copyright Act* s 74

## Schedule 2 – Prior use defence

### *Designs Act 2003*

#### **Introduction**

This Schedule amends the Designs Act to introduce an exemption from infringement of a registered design by reason of prior use.

Currently, if a person starts to use a published design where there is no application for registration of that design, there is no possibility that the person could ever infringe. This is because the publication of that design would prevent registration, as the design would not be considered new.

The general grace period introduced by Schedule 1 changes this situation. It may introduce uncertainty into the market because the publication of a design in the grace period will not necessarily prevent its registration. Third parties are unable to predict if a design will later be registered, and therefore whether they have freedom to operate in respect of the design. This could result in increased costs and risks to third parties.

To address this concern, ACIP recommended the introduction of a prior use infringement exemption.<sup>13</sup> The exemption is intended to reduce this uncertainty and ensure that a balance will be maintained between the rights of design owners and users.

Schedule 2 implements that recommendation by providing a prior use infringement exemption that protects third parties who begin using a design after a disclosure (such as during the grace period), but before the priority date of a registered design, permitting them to continue use even after registration of the registered design. It ensures that third parties who act on disclosures without the knowledge that a design right may subsequently be filed are not disadvantaged.

The prior use provisions are modelled on section 119 of the Patents Act.

Third party use that occurs between the priority date and registration is not protected by this prior use defence. Third party use commencing in this period will be infringement if continued after the registration of the design.

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<sup>13</sup> Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 15, p 27-28, Recommendation 12

**Consultation question:** We recognise that the amendments made by Schedule 2 do not provide relief from infringement for third parties for potential infringement that may occur between the filing and registration of a design.

Currently, infringement may occur as early as the filing date of the design. However, a design only becomes publicly available after it is registered. This can be up to 9 months after filing date (6 months to request registration and then approximately another 3 months to resolve any formality issues).

Accordingly, a third party who happens to begin use of that design (or a substantially similar one) may infringe the design registration, even though it was not publicly available and therefore there was no way that due diligence could have uncovered the risk of infringement. While the Act provides some relief for “innocent” infringers, any use that occurs between the filing date and the date when the design was registered has been held to be ineligible for relief.<sup>14</sup>

We are currently exploring options that would address this issue.

One option under consideration is to amend the Designs Act to expand the options for relief where a third party begins using a design between filing and registration. Do you have any comments on this approach?

If the options for relief from infringement were expanded, do you have any views on the standard of proof that should be required to provide relief from infringement before or after registration?

## Item 1: After section 71

[s 71A]

This item inserts a new subsection 71A, which provides a complete defence to infringement when a prior user has used a design before the priority date of the registered design.

The section is structured as follows:

- Subsection 71A(1) provides the general defence to infringement.
- Subsection 71A(2) limits the defence by preventing it applying if the triggering prior use had come to an end before the priority date of the registered design.
- Subsection 71A(3) limits the defence by excluding certain uses derived from the registered design’s owner.
- Subsection 71A(4) extends the defence to assignees of the entitlement to infringe.

### Subsection 71A(1): General exemption from infringement for prior use

Subsection 71A(1) provides a complete exemption from infringement of a registered design if a person has done one or more acts before the priority date of the registered design (acts ‘triggering prior use’), or taken definite steps to do an act triggering prior use.

An act triggering prior use can be any act listed in paragraph 71A(1)(a). These are acts that would have infringed the design that became registered (supposing it had been registered at the time). Each act is

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<sup>14</sup> *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd* (2008) 166 FCR 358; [2008] FCA 74 at [45]



described in terms of a product that embodies a design (called the “relevant design” in the section) that is identical to, or substantially similar in overall impression to, the design that became registered.

The relevant design used by the prior user need not be identical to the registered design: it need only be substantially similar in overall impression. This is intended to ensure that access to the prior use defence remains available even if there are minor differences between the prior used design and the registered design. It is a corollary to the amendments in Schedule 1 that provide that the grace period can apply in respect of a published design that is substantially similar in overall impression to the design that is subsequently registered (see notes on new subsection 71(1)).

Paragraph 71A(1)(a) lists the following acts:

- Making a product (subparagraph (i))
- Offering to make a product (subparagraph (i))
- Importing a product into Australia for sale or for use for the purposes of trade or business (subparagraph (ii))
- Selling, hiring or otherwise disposing of a product (subparagraph (iii))
- Offering to sell, hire or otherwise dispose of a product (subparagraph (iii))
- Using a product for the purposes of any trade or business (subparagraph (iv))
- Keeping a product for the purpose of doing any of the things listed in subparagraphs (iii) and (iv) (subparagraph (v))

Paragraph 71A(1)(b) provides that the exemption from infringement is also available if a person had taken definite steps (contractually or otherwise) to do an act covered by paragraph 71A(1)(a).

The term ‘definite steps’ is intended to have its ordinary meaning, as interpreted by case law on the equivalent provision in paragraph 119(1)(b) of the Patents Act<sup>15</sup>.

As with infringing acts in section 71, by reason of the presumption against extraterritoriality, the acts listed in new paragraph 71A(1)(a) must occur in Australia.<sup>16</sup>

However, if definite steps are relied upon, these definite steps need not be undertaken in Australia. The definite steps must be to do an act listed in paragraph (a), i.e. to do an act in Australia.

For example, a company in Australia contracts with a factory in New Zealand to manufacture a product embodying a relevant design, intending to import it into Australia once manufactured. These are definite steps to do an act in paragraph (a), in particular sub-paragraph (ii), i.e. to import the product into Australia. Therefore, the prior use exemption applies.

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<sup>15</sup> See for example *Welcome Real-Time SA v Catuity Inc* [2001] FCA 445

<sup>16</sup> See *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* [2008] FCA 1588 at [77], *Led Technologies Pty Ltd v Elecspress Pty Ltd* at [89]

The defence still applies if the contractual arrangement was made entirely in New Zealand, since the definite steps need not occur in Australia.

On the other hand, merely manufacturing the product in New Zealand would not, on its own, demonstrate definite steps to do an act in paragraph (a), and would not establish prior use.

Authorising one of the acts in paragraph (a) is not, in itself, prior use triggering the exemption. However, in many cases, authorising one of the acts in paragraph (a) will be a definite step to do an act in paragraph (a) and therefore may enliven the exemption.

#### Subsection 71A(2): Limitation of the prior use exemption where use had ceased

Subsection 71A(2) provides that the exemption from infringement of a registered design for prior use in subsection 71A(1) does not apply if the triggering prior use had come to an end before the priority date of the registered design. This reflects the approach of s 119(2) Patents Act.

As discussed above, the prior use exemption is intended to preserve third parties' ability to adopt use of a design in the time leading up to the priority date of a registered design, and continue that use thereafter. It is unnecessary to protect merely historical prior use (that the prior user therefore has no interest in at the time of the priority date) in order to achieve this purpose, and would disproportionately affect the rights of the registered design owner to do so.

For example, a third party who ceased preparing to use the design – without ever advancing so far as to publish or publicly use their design – might conclude that merely because a design had been registered, it would be valuable to restart use. This would unfairly impinge on the rights of the registered owner, as the third party would not be using the design but for its registration. It would also impinge on the public interest in disclosure of designs, by reducing the third party's incentive to make the design public.

Either the act triggering prior use or the definite steps to do such an act must still have been occurring at the priority date (ss 71A(2)(a)(i) & 71A(2)(b)(i)), or if not still occurring, that must have been because of a temporary cessation (ss 71A(2)(a)(ii) & 71A(2)(b)(ii)).

The protection of temporary cessations is intended to ensure that access to the prior use defence remains available even if a pause in the use happened to coincide with the priority date of the registered design.

**Consultation question:** *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?*

#### Subsection 71A(3): Limitation of the prior use exemption if design derived from registered owner

Subsection 71A(3) provides that the exemption from infringement of a registered design for prior use in subsection 71A(1) does not apply where the prior user has derived the design from the registered owner (or from a predecessor in title).

This is intended to prevent the exemption applying after a prior user misappropriates the design, deriving it from the registered owner who has kept the design private.

However, subsection 71A(3) also provides that the exemption does apply if the derivation from the registered owner was done from information made publicly available by or with the consent of the registered owner (or a predecessor in title). This protects the public interest in being able to freely use publicly disclosed designs which are not the subject of a design application or registration.

The subsection (in combination with subsection 71A(1)) therefore balances the relief given to registered owners provided by the grace period in Schedule 1 with the rights and interest of third parties who start using a design after its publication, but before an application for registration.

For example, consider a person who publishes an otherwise new and distinctive design and then applies for its registration within twelve months. The design is registrable, since the grace period means the earlier publication is not relevant to its newness or distinctiveness. However, if a third party has derived their own design from the earlier publication, and has taken definite steps to begin making a product embodying that design before the priority date of the registered design, they will be able to continue to use their derived design without risk of infringement.

**Consultation question:** *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?*

#### Subsection 71A(4): Prior use exemption can apply to user’s successor in title

Subsection 71A(4) provides for a limited right to dispose of the entitlement to infringe (whether under subsection 71A(1) or, after an earlier disposal, under subsection 71A(4)). The entitlement may be disposed of, but the whole entitlement must be disposed of at once, and it must be disposed to “another person”, not a number of other persons.

The right may be disposed of more than once. For example, A is the original prior user, and disposes their entitlement to B who disposes their entitlement to C. A has an entitlement to infringe under subsection 71A(1). After the first disposal, B has an entitlement under s 71A(4) to infringe. B disposes of this entitlement to C, who then has an entitlement to infringe under s 71A(4).

The limited right of disposal is intended to permit prior users reasonable flexibility in transferring their business, while not permitting the prior use right to be licensed and partially assigned as if it were a registered property right.

**Consultation question:** *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?*

#### **Item 2: Section 72 (heading)**

[s 72]

This item repeals the heading for section 72 and substitutes it with a new heading to better identify the infringement exemption provided by that section. This is because section 72 and new section 71A are both infringement exemptions.

#### **Item 3: Application provision**

This item provides for the circumstances in which the amendments in this Schedule apply.

The prior use exemption applies only in respect of infringement of registered designs that have a priority date on or after commencement of this Schedule. The exemption will apply even if the act triggering prior use, or definite steps to take such an act, took place before commencement.

The exemption from infringement for prior use reduces the rights of the owner of a registered design right, and therefore the exemption will not apply to designs with a priority date before commencement, even if infringement of those designs occurs after commencement.

## **Schedule 3 – Registration of designs – removal of publication option**

### *Designs Act 2003*

#### **Introduction**

This Schedule amends the Designs Act to streamline the initial steps for registering a design. The overall impact will be to reduce the number of deadlines requiring action by applicants while making it simpler for them to delay publication of a new design until they are ready to launch in the market.

##### *Automatic requests for registration and delayed publication*

Some jurisdictions allow design applicants to defer publication of their designs. This allows the designer to keep new designs confidential until they are ready to launch in the market.

The ACIP report considered deferral of publication. It concluded that the appropriate period of deferral, balancing the interests of applicants and third parties, was six months. The ACIP report also recommended that deferral should be accommodated in a way that minimises red tape and complexity for users of the system.<sup>17</sup>

While not providing an explicit deferral system, this Schedule, consistent with the ACIP report's recommendations, amends the Act to allow applicants to effectively delay publication of their design for a prescribed period (to be six months) from the priority date, with minimal red tape and complexity.

Following the changes introduced by this Schedule, when an applicant files, they can either:

- Request registration – seeking registration as soon as possible
- Not request registration – effectively delaying registration for the prescribed period from the priority date, with the application proceeding automatically to registration (subject to a formalities check) at the end of the prescribed period.

Once a design application is registered, the Registrar must make it available for public inspection, leading to its publication.<sup>18</sup>

Applicants who have not requested registration will still be able to request registration at any time prior to the prescribed period of six months expiring. Applicants might choose this option if they had initially wanted to delay publication but now wish to pursue protection urgently.

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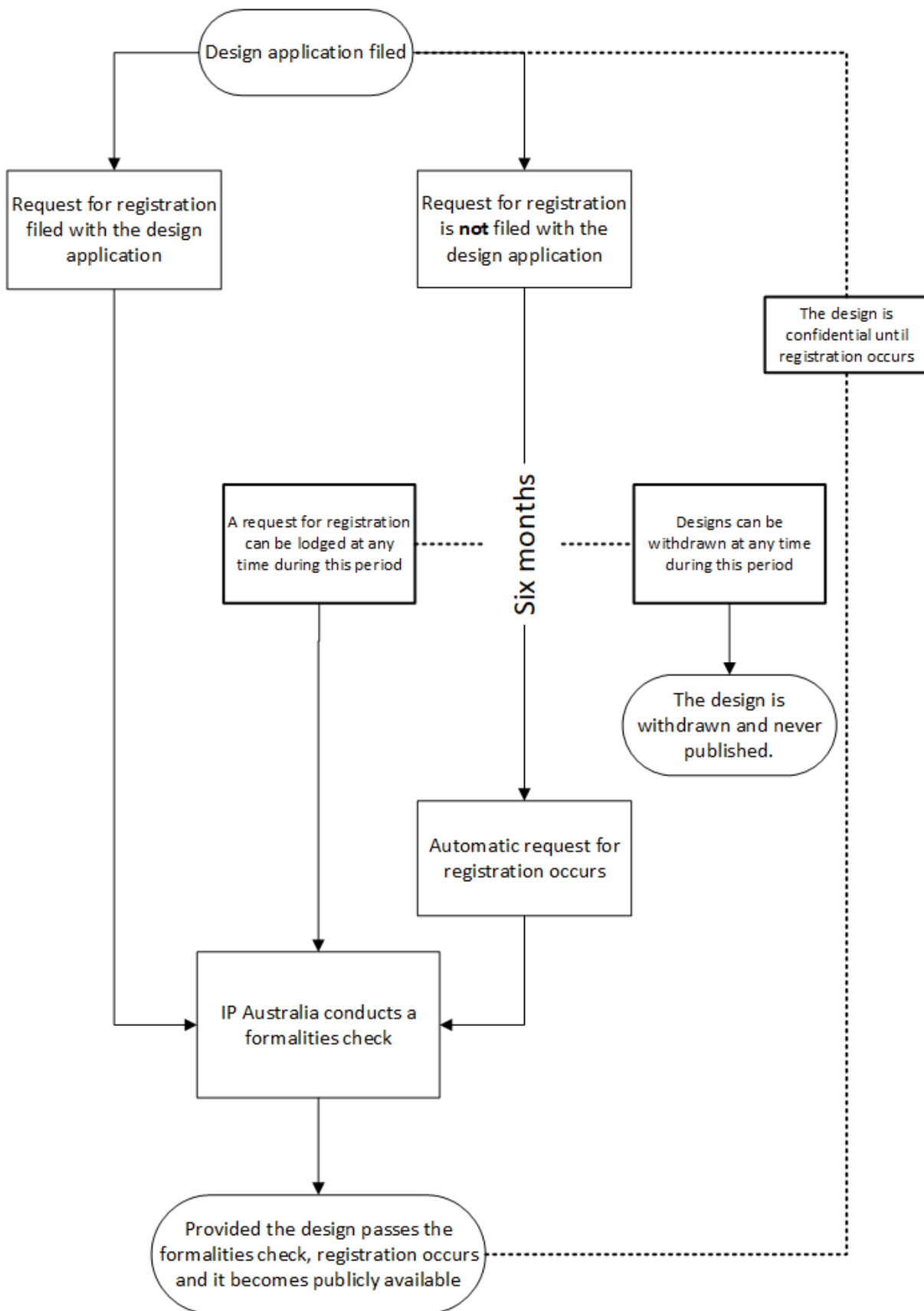
<sup>17</sup> Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 15, p 24

<sup>18</sup> Designs Act s 60

Applicants who want to ensure their application will *not* be registered must request withdrawal before the end of the prescribed period.

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The following diagram illustrates an applicant's options during the initial stages of their application:



### *Publication only option*

Currently, an applicant may request either publication or registration of a design upon or after filing a design application.

The option to request publication instead of registration has been rarely used by applicants. It provides minimal benefits to users, while adding complexity to the legislation and to administration processes.

Therefore, this Schedule removes the publication option.

Applicants who would like to strategically publish their design application can continue to do so by registering their design without requesting examination and certification.

### *Summary of changes in the Schedule*

This Schedule reforms the initial steps for registering a design by:

- Permitting an applicant to request registration of design upon filing a design application or during the prescribed period.
- Removing the option to request publication only, as it was rarely used.
- Deeming an applicant to have requested registration if a request is not made within the prescribed period, so, subject to a formalities check, registration is the default outcome for applications.
- Simplifying the process for registration of multiple designs. Where a design application contains multiple designs, requesting registration of some or only one of the designs will not affect the remainder of the designs. The applicant may subsequently request registration of the remaining designs, allow them to proceed to a deemed request for registration after expiry of the prescribed period, or withdraw or exclude them.

**Consultation question:** *Are there any unintended consequences or problems you foresee in applications being deemed to have requested registration?*

### **Items 1 – 4, 6: Removal of reference to publication**

[ss 20, 23, 24, 32]

These items remove references to “publication” in sections 20, 23, 24 and 32 of the Designs Act, as a consequence of the option for publication of a design application being repealed by this Schedule.

### **Item 5: At the end of paragraph 24(1)(c)**

[s 24]

Subsection 24(1) of the Designs Act requires that, if a design application meets the minimum filing requirements under the Act, the Registrar must notify the applicant. If the applicant does not request registration at the time of filing, the Registrar must include in that notification certain information about how to request registration.

This item adds a requirement to subsection 24(1)(c) that the Registrar must inform the applicant that a request for registration may be deemed to have taken place after the prescribed period under subsections 35(4) and 35(5), as introduced by item 18 of this Schedule.

#### **Item 7: Subsection 33(1)**

[s 33]

This item repeals the previous subsection 33(1) of the Designs Act and substitutes inserts a new subsection 33(1). Under new subsection 33(1), an application will not lapse because the applicant did not request registration within the prescribed period, as is currently the case under paragraph 33(1)(a). Instead, under new subsections 35(4) and (5) introduced by item 18 of this Schedule, where an applicant does not request registration within the prescribed period, the applicant will be deemed to have requested registration.

Under new subsection 33(1), a design application will only lapse if the applicant fails to respond to the Registrar's notification under section 41 to amend the design within the prescribed period. This is the same as under current paragraph 33(1)(b), and under new subsection 33(1), the requirements for the applicant to respond to the Registrar's notification to amend the application under section 41 are unchanged.

#### **Item 8: Subsection 33(3)**

[s 33]

This item repeals subsection 33(3). As a consequence of item 7 amending subsection 33(1) to remove paragraph 33(1)(a), subsection 33(3) is no longer necessary.

#### **Items 9, 11, 12, 13, 14, 16: Removal of references to publication**

[s 34, 35]

These items remove references to "publication" and to "Part 4" (of Chapter 4 of the Designs Act) in the Part headings of Chapter 4 and in sections 34 and 35 of the Designs Act. This is a consequence of the removal of the option to publish a design application without registration and the repeal of Part 4 of Chapter 4 under item 23 by this Schedule.

#### **Item 10: Section 34**

[s 34]

This item updates the simplified outline of Chapter 4 of the Designs Act to reflect the changes made by this Schedule.

#### **Item 15: Before subsection 35(1)**

[s 35]

This item inserts a new heading before subsection 35(1) of the Designs Act to assist the reader. The new heading identifies that subsections 35(1) – 35(3) refer to "actual" requests for registration of a design – i.e. those where the applicant has made a request to the Registrar, rather than being deemed to have made a request under new subsections 35(4) and 35(5) inserted by item 18 of this Schedule.



## **Item 17: Paragraph 35(2)(b)**

[s 35]

This item repeals redundant cross-references to sections 37 and 38 of the Designs Act, consequential to the repeal of those sections by item 19 of this Schedule.

## **Item 18: At the end of section 35**

[s 35]

This item inserts new subheadings and new subsections 35(4) to (6), which provide for what happens when an applicant has not requested registration of a design under subsections 35(1) – (3) or withdrawn a design application under section 32, and the end of the prescribed period to do those actions has elapsed.

Under these new subsections, the applicant will be taken to have requested registration of the design.

Making registration the default result at the end of the prescribed period, subject to a formalities check, will simplify the application process and thereby reduce the administrative burden on applicants, and the likelihood of applications unintentionally lapsing.

Applicants who want to be assured of their entire application not proceeding to registration will need to request withdrawal of the design application under section 32 before the end of the prescribed period. Applicants who want to be assured of a particular subject design in their application not proceeding to registration will need to request its withdrawal under section 32 or its exclusion under section 28 before the end of the prescribed period.

### Subsection 35(4): Deemed request for registration for applications in respect of a single design

New subsection 35(4) covers design applications containing a single design. At the end of the prescribed period for making a request for registration, if the application has not been withdrawn under section 32 and the applicant has not requested registration under subsections 35(1) – (3), then the applicant is taken to have requested registration of the single design.

### Subsection 35(5): Deemed request for registration for applications in respect of multiple designs

New subsection 35(5) covers design applications containing multiple designs. As the note to the subsection explains, each design disclosed in the application ('subject design') is to be considered separately to determine whether a request for registration is taken to have been made.

For each subject design, at the end of the prescribed period for making a request for registration, the applicant is taken to have requested registration of that subject design, if:

- The subject design has not been excluded or withdrawn from the design application;
- The design application as a whole has not been withdrawn; and
- The applicant has not already requested registration of the subject design under subsections 35(1) – (3)

### Subsection 35(6): Relationship with section 36

New subsection 35(6) provides that section 35 is subject to new section 36 (as substituted by item 19 of this Schedule). New section 36 provides for requests for registration to be taken to have been made where the design application is in respect of designs excluded from an initial application.

### **Item 19: Sections 36 to 38**

[ss 36, 37, 38]

This item repeals sections 36 to 38 and substitutes a new section 36.

Current section 36 makes special provision for requesting registration or publication of one or more designs in an application disclosing multiple designs. Once registration of one or more designs has been requested, restrictions are imposed on requesting registration of the remainder of the designs. This section is no longer necessary, as it is replaced by the new simplified approach in section 35 as amended by item 18 of this Schedule.

Existing section 23 makes special provision for a design application (a 'further application') to be filed in respect of designs excluded from an earlier application (an 'initial application'). New section 36 provides that, where a further application is filed, the applicant is taken to have requested registration of all the designs disclosed in the further application when it is filed. This replaces the repealed section 37, which currently achieves the same outcome by requiring that the applicant makes a request for registration of all the designs disclosed in a further application when it is filed.

Current section 38 deals with substituting requests for registration with requests for publication. This section is repealed as the publication option is removed by this Schedule.

### **Items 20 & 21: Formalities checks**

[ss 39, 40]

These items amend paragraphs 39(1)(b) and 40(1)(b) to clarify that in relation to formalities checks for the registration of designs, the current provisions for actual requests for registration under subsections 35(1) – (3) also extend to deemed requests for registration under new subsections 35(4) and 35(5).

### **Item 22: Paragraph 41(c)**

[s 41]

This item updates section 41 to correct the reference to section 33 as a consequential amendment to the change to section 33 in item 7.

### **Item 23: Part 4 of Chapter 4**

[Part 4 of Chapter 4]

This item repeals Part 4 of Chapter 4. Combined with the other amendments in this Schedule, this repeals the option of requesting publication of a design without registration.

### **Items 24, 25, 28 – 35: Removals of reference to publication**

[ss 60, 61, 108, 136, 137, 146, 149]

These items remove references to “publication” in sections 60, 61, 108, 136, 137, 146 and 149 of the Designs Act, as a consequence of the option for publication of a design application being repealed by this Schedule.

## **Item 26, 27**

[s 60]

These items remove references to “publication” in subsection 60(4) as a consequence of the repeal of the option for publication of a design application by this Schedule.

These items also clarify the wording of subsection 60(4), as a consequence of the repeal of section 36 by item 19 of this schedule, and the addition of new subsection 35(5) to simplify the process of requesting registration of two or more designs in the same application at different times. Currently, where a design application is made disclosing more than one design, subsection 60(4) prevents the publication of any part of that application in respect of a design that has not been registered. The clarification ensures that if the design is later registered, the prohibition in subsection 60(4) will no longer apply and the portions of the application relating to that design must be made publicly available.

## **Item 36: Application provisions**

This item provides for the circumstances in which the amendments in this Schedule apply.

Existing section 23 makes special provision for design applications (‘further applications’) to be filed in respect of designs excluded from an earlier application (called the ‘initial application’). Paragraph 23(1)(d) provides that in order for an applicant to file a further application under section 23, none of the designs in their initial application may have been registered or published.

Subitem (1) provides that the amendments to section 23 apply to initial applications filed on or after commencement. For initial applications filed before commencement, the existing section 23 will continue to apply.

The effect of this is that where an initial application is filed before commencement, it will be possible designs in it will be published under Part 4 of Chapter 4, whether before or after commencement. Subitem (1) ensures that, in that case, despite the repeal of the publication option, it will not be possible to file an application under section 23, since the existing section 23 will continue to apply to the relevant initial application.

Subitem (2) provides the general rule. The changes listed in subitem (2) provide for the removal of the publication option and other streamlining measures. They apply to design applications filed on or after the commencement of the item.

It follows that design applications filed before commencement that have not been either registered or published at commencement will be subject to the current system. In particular, publication may still be requested, and if no request is filed in the prescribed period, the applications will lapse.

# Schedule 4 – Right of exclusive licensee to bring infringement proceedings

## *Designs Act 2003*

### Introduction

This schedule amends the Designs Act to allow an exclusive licensee of a registered design to commence a legal action against third parties for any alleged infringement of the registered design.

Currently, under subsection 73(1) of the Designs Act, a registered owner has standing to commence an infringement action, but no other person. If a registered owner grants a licence to another party to exploit the registered design, the licensee is unable to commence an infringement action. However, when an exclusive licence is granted, it permits the exclusive licensee to exploit the registered design to the exclusion of all others, including the licensor or registered owner.<sup>19</sup> In the case of other IP rights, an exclusive licensee (or similar person) does have standing to commence a legal action.<sup>20</sup>

An inability to commence infringement proceedings hampers the ability of exclusive licensees to enforce the design rights that they have licensed. When an exclusive licence is granted, it is often because the registered owner is domiciled outside of Australia. Consequently, a foreign based owner may not be strongly motivated to assist in pursuing a local alleged infringer either because of the cost associated with doing so, the administrative burden it may create.

ACIP recognised this problem and recommended that the legislation be amended to include that infringement proceedings can be brought by an exclusive licensee.<sup>21</sup> The Government accepted that recommendation.<sup>22</sup>

This Schedule implements this recommendation by giving exclusive licensees standing to commence infringement proceedings under the Designs Act. It is appropriate that an exclusive licensee have this standing, because as the party with the exclusive right to exploit the design in Australia, the exclusive licensee is the party that will suffer the most harm from any infringement of that design.

### Items 1-2: Definition of exclusive licensee

[s 5]

Items 1 and 2 amend section 5 by inserting a new definition for an exclusive licensee, and inserting a new section 5B which describes in detail the meaning of an exclusive licensee.

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<sup>19</sup> That is, an exclusive licensee has the right to exercise the exclusive rights contained in paragraphs 10(1)(a)-(e) of the *Designs Act 2003*. The exclusive licensee is an exclusive licensee even if they are not licensed to exercise the right contained in paragraph 10(1)(f).

<sup>20</sup> *Copyright Act 1968*, s 119; *Patents Act 1990*, s 120(1); *Trade Marks Act 1995*, s 26(1); *Plant Breeder's Rights Act 1994*, s 54(1).

<sup>21</sup> Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 15, p 39 (Recommendation 18h).

<sup>22</sup> Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016, (Recommendation 18h)

New subsection 5B(1) defines an exclusive licensee as a licensee who has been granted the same exclusive rights of the rights owner provided under paragraphs 10(a)-(e), to the exclusion of the registered owner (and all other persons).

New subsection 5B(2) provides that to meet the definition of an exclusive licensee under subsection 5B(1), a person need not have licenced the exclusive right under paragraph 10(1)(f) to authorise others to exercise the rights under paragraphs 10(a)-(e) to exercise these rights to the exclusion of the rights holder and all other persons.

### **Item 3: Section 70**

[ss 70]

Items 3 amends section 70 (Simplified outline of Chapter 6) by inserting a reference to an exclusive licensee where the registered owner is mentioned in the provisions. This amendment ensures the simplified outline reflects the other amendments made by this Part.

### **Items 4-5: Section 71**

[ss 71]

Items 4 and 5 amend subsections 71(1) and 71(2)(b) by inserting a reference to an exclusive licensee where the registered owner is mentioned in the provisions. These amendments ensure that, consistent with the definition of exclusive licensee provided in items 1-2 above, the actions that would otherwise infringe a registered design are not infringements if they are done with the licence or authority of an exclusive licensee of the registered design.

### **Items 6-7, 9: Section 72**

[s 72]

Items 6-7 and 9 amend subsection 72(2) to clarify the provisions relating to the repair defence provided under section 72. The repair defence specifies that a person does not infringe a registered design under certain circumstances where the use or authorisation of a product is for the purpose of repair of a product embodying that registered design.

The amendments provide that the person who uses or authorises another person to use a product for the purposes of a repair should be referred to as the 'first person' in subsection 72(2) so as to avoid any confusion with other relevant parties as a result of the amendments made by items 4-5 and 8 of this part.

### **Item 8: Section 72**

[s 72]

Item 8 amends subsection 72(2) to remove the reference to the registered owner, and replace it with a reference to 'the person bringing the infringement proceedings'. This reflects the amendments made by items 10 and 11 of this part to allow an exclusive licensee to bring infringement proceedings, and ensures that an exclusive licensee has the same obligations imposed on a registered owner-plaintiff in any court proceedings where the repair defence is raised.

## **Items 10-11: Section 73**

[s 73]

These items amend subsection 73(1) and insert new subsections 73(2A) and 73(2B) to allow an exclusive licensee to bring infringement proceedings, and provide additional requirements for the proceedings. These requirements are modelled on the provisions of other IP rights that allow exclusive licensees to bring infringement proceedings (for example, subsections 120(2), (3) of the Patents Act).

Item 10 amends subsection 73(1) by inserting a reference to an exclusive licensee where the registered owner is mentioned in the provisions. This amendment enables an exclusive licensee to have the same standing as the registered owner in the context of infringement.

Item 11 adds inserts new subsections 73(2A) and 73(2B). Subsection 73(2A) specifies that if an exclusive licensee commences an action for infringement, the licensee must make the registered owner a defendant in the proceedings, unless they are joined with the exclusive licensee as a plaintiff. By doing so, it puts the registered owner on notice that an infringement proceeding has commenced in relation to the registered design, and gives the registered owner an opportunity to answer any of the claims raised in the proceedings.

Subsection 73(2B) provides that if a registered owner is joined as a defendant, they should not be liable for costs unless they enter an appearance and take part in proceedings. Joining the registered owner to an infringement proceeding serves to notify the owner of the alleged infringement, but the owner should not be disadvantaged in terms of additional costs if the proceeding were commenced by an exclusive licensee. The new subsections will provide information to the registered owner if an exclusive licensee has commenced infringement proceedings, and provide them with an opportunity to take part in the proceedings.

## **Item 12**

[s 73]

Item 12 amends subsection 73(3) by removing the term 'however' to simplify the language used in this subsection.

## **Item 13: Application and transitional provisions**

This item provides for the circumstances in which the amendments in this Schedule apply.

The infringement provisions apply to registered designs regardless of their priority or filing date. However, the provisions increase the protection provided to exclusive licensees of registered designs, so it is not equitable that they apply in respect of conduct that took place prior to the commencement of this Schedule. As such, exclusive licensees may only seek relief for infringing conduct that occurs after commencement.

Subitems (1) and (3) provide that the amendments to sections 71 and 73 will apply to infringement actions where the alleged infringing conduct occurs on or after commencement. This means that exclusive licensees will not be able to commence infringement proceedings in relation to conduct that occurs prior to commencement of this Schedule.

Subitem (2) provides that the amendments to section 72 relating to the burden of establishing that the repair defence does not apply to an alleged infringing act only apply to infringement proceedings brought on or after commencement. This amendment reinforces the fact that prior to the commencement of this

Schedule only the registered owner can bring infringement proceedings against a third party. As a result, exclusive licensees do not have to deal with the consequences of subsection 72(2) prior to commencement.

Subitem (4) provides that where the alleged infringing conduct occurs before and after commencement, the infringement proceedings are still able to be brought by an exclusive licensee, but relief may only be granted in respect of the conduct that took place on or after commencement. This covers the situation where the alleged infringing conduct may have occurred over a period of time prior to the commencement of this Schedule, but has continued past this date, and will allow an exclusive licensee to seek relief in relation to the alleged infringing acts post commitment.

## Schedule 5 – Formal Requirements

### *Designs Act 2003*

#### Introduction

This schedule amends the Designs Act to repeal the formal requirements for design applications from the Designs Regulations, and instead empower the Registrar to specify the formal requirements by a non-legislative instrument.

If registration of a design is requested, under sections 39 and 40 of the Designs Act the design must meet a formalities check before registration can take place. Currently the content of the formalities check is set out in the Designs Regulations which includes that the application complies in substance with Schedule 2 of those regulations. Schedule 2 sets out the formal requirements which are largely based on the system of paper filing. However, 99% of design applications filed with IP Australia are received electronically. Consequently, aspects of Schedule 2 are outdated, and are no longer fit for purpose as they are irrelevant to modern electronic filing practices. Prescribing formal requirements in the regulations also limits IP Australia's flexibility to update the formal requirements as technologies change. This has contributed to these requirements becoming outdated.

The amendments enable the formal requirements to be more readily updated and kept up to date as technology advances, and will give greater flexibility to the Registrar to manage design filings in a manner that meets the needs and expectations of design applicants.

An analogous change was made in the Patents Act and Patents Regulations in the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018*.<sup>23</sup>

#### Items 1 and 2

[ss 39, 40]

These items insert new paragraphs 39(2)(a) and 40(2)(a) consequential on the amendments made by item 4 of this Schedule. The new paragraphs require that as part of a formalities check for registration of a design, that the Registrar must determine if the design application complies with the formalities determined in an instrument made under new section 149A.

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<sup>23</sup> See Part 7 of Schedule 2 to the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018*.

### **Item 3: Subsection 144B(2)**

[s 144B]

This item repeals subsection 144B(2) to extend the Registrar's existing power to make directions about the form of documents to 'approved forms' for designs, as it is no longer necessary. As a result of new section 149A instated by item 4 of this Schedule, the Registrar's determination about formal requirements will be able to include general provisions that apply to all documents, including approved forms, so that applicants need only to refer to a single source of rules.

### **Item 4**

[Part 6 of Chapter 11]

This item inserts a new section 149A, to allow the Registrar to determine the formal requirements that a designs application must comply with for the purposes of a formalities check under sections 39 and 40. This determination is to be set out in a non-legislative instrument made by the Registrar. The Registrar must also publish a notice in a manner determined by the Design Regulations setting out the determination. This would permit the formal requirements to be more easily updated to respond to changes in technology and filing practices.

Subsection 149A(3) is included to assist readers, as it clarifies that the determination under subsection 149A(1) is not a legislative instrument for the purposes of the *Legislation Act 2003*.

### **Item 5: Application provision**

This item provides for the circumstances in which the amendments in this Schedule apply.

The amendments to the formalities check provisions apply to design applications filed on or after commencement. This ensures procedural fairness, as design applications filed before commencement but for which registration (and a formalities check) takes place after commencement will be subject to the current system, and have to comply only with the formality requirements that were in place at the time of filing.

## **Schedule 6 – Other amendments**

### **Part 1: Standard of the informed user**

#### ***Designs Act 2003***

#### **Introduction**

This Part amends the Designs Act to clarify the standard of the 'informed user'. This standard creates a notional person, the 'informed user', whose characteristics are used by an examiner, a hearing officer, or a court to assess factors affecting whether one design is substantially similar in overall impression to another. The relevant legal question therefore becomes whether the 'informed user' would consider that those designs are substantially similar. The question of substantial similarity in overall impression is relevant to both design registrability and infringement.

Currently, there are two approaches to the informed user standard which have emerged in the Australian case law.



### ***European approach***

This approach adopts case law interpreting the European standard of the “informed user”. It requires identifying potential “users” of the product to which the design relates first, and then selecting from that user group users who are “informed” as to the product to which the design relates to. It is essential that the persons involved must be *users*.<sup>24</sup>

### ***Multisteps approach***

This approach considers that the language of the Designs Act in Australia is significantly different to that used in the European Union law. Specifically, the expression ‘standard of the informed user’ is merely a label in the Designs Act, and the standard itself is ‘a person who is familiar with the product to which the design relates, or products similar to the product to which the design relates’. This approach does not require a person to be a user of the product (or similar product) to which the design relates. The person need only be *familiar* with the product.<sup>25</sup>

While more recent case law suggests the *Multisteps* approach is the correct one, the European approach has never been authoritatively rejected. The ACIP report noted the Law Council of Australia (LCA) IP Committee’s concern on the need to clarify section 19 to provide more guidance and recommended that the LCA’s suggested revisions to the standard of the informed user be considered.<sup>26</sup>

The uncertainty regarding the correct approach creates litigation risk when developing expert testimony and calling witnesses. As there is a limited volume of designs litigation, it may be many years before an appellate court confirms the correct approach to the interpretation of the standard of the informed user. Explicitly adopting the *Multisteps* approach will remove this uncertainty and avoid unnecessarily restricting the range of expert witnesses that could be called to provide an expert testimony.

The amendments intend to clarify that the standard does not require that the person be a *user* of the products in question, consistent with the concept elucidated by the *Multisteps* approach. Instead, the standard is that of a person who is *familiar* with the product, or products similar to that product. The changes emphasise that the standard imposed is not higher than familiarity or limited by how that familiarity is acquired. Familiarity may be gained through use but the standard does not require that the notional person be a user of the products in question. The changes make it clear that the intended standard is to be flexible enough to incorporate where relevant the views of consumers, experts, specialists, and skilled tradespersons.

### **Items 1 and 2: Subsection 19(4)**

[s 19]

Items 1 and 2 amend subsection 19(4) to clarify the standard applied when a person (an examiner, a hearing officer or a court) assesses whether a design is substantially similar in overall impression to another design using the criteria outlined by subsections 19(1), (2) and (3).

Item 1 inserts a new label of the standard as ‘the familiar person’ to clarify that the standard is not to be higher than familiarity. Item 2 removes the existing label to the ‘standard of the informed user’ and

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<sup>24</sup> For example, *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* (2008) 173 FCR 450; [2008] FCA 1588

<sup>25</sup> *Multisteps Pty Ltd v Source & Sell Pty Ltd* (2013) 309 ALR 83; [2013] FCA 743 at [63]

<sup>26</sup> Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 15 March 2015, pages 25-26

replaces this with a description of the intended approach to make it clear that the informed user does not have to be an actual user of the product in question.

### **Items 3 and 4: Subsection 72(4) and 72(5)**

[s 72]

These items amend section 72 to clarify the standard applied in determining eligibility for the repair defence.

Section 72 provides a defence against infringement (repair defence) whereby otherwise infringing acts do not infringe a registered design if the acts are for the purpose of repairing a complex product so as to restore its overall appearance, in whole or in part. When assessing whether an act to repair a product is covered by the repair defence, subsection 72(3) requires that the repair must be such that the overall appearance of the complex product after the repair must not be materially different from its original appearance. Further to this, current subsection 72(4) requires that in determining whether an appearance is 'meaningfully different', a court must apply the 'standard of the informed user'.

Item 3 amends subsection 72(4) to clarify that, consistent with the amendments made by items 1 and 2 above, the standard for this assessment does not require that the person be a *user* of the complex product (or similar product). Instead, the standard to be applied is simply whether a person who is *familiar* with the complex product, or products similar to that product would consider that the appearance of the repaired product is not materially different from the original product.

Item 4 amends subsection 72(5) to repeal the definition of the standard of the informed user as the new definition of a user familiar with the product has been moved to subsection 72(4).

### **Item 5: Application provisions**

This item provides for the circumstances in which the amendments in Part 1 of this Schedule apply.

Subsection (1) provides that the amendments of section 19 concerning the standard of 'the familiar person' will apply to design applications filed on or after commencement when assessing whether a design is substantially similar in overall impression to another design. It follows that design applications filed before commencement will continue to be subject to the current definition of the 'standard of the informed user'. This ensures procedural fairness, as design applications filed before commencement will be subject to the current system by having only to comply with the standard in place at the time of filing.

The familiar person standard will also apply to an application for excluded designs filed under section 23. The effect will be that an application filed under section 21 before commencement (the initial application) will continue to apply the current standard when assessing substantial similarity. However, an application filed after commencement for an excluded design from that initial application would apply the new, clarified standard of the familiar person when assessing substantial similarity, although both the initial application and application for the excluded design will share the same priority date. This will provide clarity in the legislation so that the standard applied is determined by when a design application is filed, rather than the type of design application being filed.

Subsection (2) provides that the amendments of section 72 concerning the standard of a person who is familiar with the complex product (or similar products) will apply to designs that are registered on or after commencement when assessing eligibility for the repair defence. It follows that assessment of eligibility for the repair defence for infringement of designs registered before commencement will continue to be subject to the current definition of the 'standard of the informed user'. This ensures procedural fairness, as

owners of designs registered before commencement will not have their rights in respect of infringement changed after that registration.

## Part 2: Revocation of registration of design

### Introduction

This Part amends the Designs Act to clarify the circumstances when a registered design can be revoked, to ensure greater certainty and procedural fairness.

Under s 93(1), any person can apply for a prescribed court order to revoke a registered design based on certain grounds. As with other legal proceedings relating to registered designs, revocation proceedings cannot be brought until the design has been examined and a certificate of examination has been issued (see paragraph 93(2)).

#### Revocation for fraud or false suggestion

Current paragraph 93(3)(d) provides that the registration of a design may be revoked if the registration of the design was obtained by an act of fraud, false suggestion or misrepresentation. Acts of fraud, false suggestion or misrepresentation could equally occur at other stages of the registered design process, including during certification of a design, where the Registrar must report on the newness and distinctiveness of a design, and give the registered owner the opportunity to respond to grounds of rejection and make amendments (sections 65 and 66).

ACIP recommended<sup>27</sup> that the ground of revocation on the basis of fraud, false suggestion or misrepresentation contained in s 93(3) of the Designs Act be extended to, for example, relevant acts committed during certification of a design, and not just at registration. The Government accepted this recommendation in its response to the ACIP review.<sup>28</sup>

This part implements that recommendation, making it clear that all relevant acts of fraud, false suggestion or misrepresentation are grounds for revocation of a registered design.

#### Revocation for lack of entitlement

Section 13 of the Designs Act identifies who is the first owner of a design before registration and who is therefore entitled to apply for the registration of that design. If a dispute arises regarding entitlement after a design has been examined and certified, a person can seek revocation of a registered design on the grounds that one or more registered owners is not an entitled person by making an application to a prescribed court under section 93 of the Designs Act.

While the current provisions for revocation due to lack of entitlement under subsection 93(3) of the Designs Act appear to be permissive, jurisprudence relating to equivalent provisions in the Patents Act (prior to their amendment by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012*) suggests it would not be interpreted as a discretion.<sup>29</sup>

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<sup>27</sup> Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 15, p 39 (Recommendation 18f).

<sup>28</sup> Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016 (Recommendation 18f)

<sup>29</sup> *Conor Medsystems, Inc. v The University of British Columbia (No 2)* [2006] FCA 32, see paragraph 22.

ACIP recommended<sup>30</sup> that courts should have a discretion, similar to that available under section 138 of the Patents Act, to refuse to revoke a design registration on the basis of entitlement.<sup>31</sup> Specifically, paragraph 138(3)(a) of the Patents Act states that a court may revoke a patent on the basis “that the patentee is not entitled to the patent”. Section 138 is then qualified by subsection 138(4) which provides the court with the discretion to refuse revocation as a result of lack of entitlement. The government accepted the recommendation.<sup>32</sup>

This part implements that recommendation, giving the court discretion not to revoke a design, and providing a standard for the court to consider when applying its discretion.

#### **Item 6: Paragraph 93(3)(d)**

[s 93]

This item amends paragraph 93(3)(d) to extend the ground of revocation on the basis of fraud, false suggestion or misrepresentation to relevant acts committed during certification of a design and not just registration.

The amendment extends the court’s power to revoke design registration based on acts of fraud, false suggestion, or misrepresentation beyond the time of registration, to include relevant acts during examination or certification.

#### **Item 7: After subsection 93(3)**

[s 93]

This item inserts a new subsection 93(3A) that clarifies that a court can only refuse to revoke a design registration on the basis of lack of entitlement of one or more registered owners if it is just and equitable to do so<sup>[OBJ]</sup>. This standard is suitable for entitlement and ownership issues since errors in entitlement are often no more than an honest mistake by the designers and applicants. If the ground for revocation on the basis of entitlement is made out and the court chooses to revoke registration, it can make an order under subsection 53(2) to declare another person an entitled person.

This approach is consistent with that taken in the Patents legislation. The effect of this amendment is that the default remedy for a defect in entitlement is not revocation of the design. If the correctly entitled persons are available and willing to be recorded as the designers and have acted in good faith, the intention is that the design would not be revoked. In this situation, a declaration of who is correctly entitled to the design and an order for the rectification of the Register under section 120 would be more appropriate.

#### **Item 8: Application provision**

This item provides for the circumstances in which the amendments in Part 2 of this Schedule apply.

The amendments made by this Part apply to applications for a court order to revoke a design registration made on or after commencement, regardless of whether the design was filed or registered before or after commencement. This is appropriate because the basis of revocation for either of these grounds relates to how the right for protection is obtained. The provisions provide procedural fairness, as applications for a

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<sup>30</sup> ACIP, [Review of the Designs System](#), Final Report, March 15, p 38 (Recommendation 18c).

<sup>31</sup> Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016

<sup>32</sup> [Government response – ACIP Review of the Designs System](#) (Recommendation 18c)

court order to revoke a design registration made before commencement will be subject to the current system, where compliance is based on the criteria in place at the time an application is made for a court order. This is appropriate, as a certification that is obtained by fraud invalidates the certificate of examination, which should not have been issued in the first place. This allows the court to ensure that a certification that should never have been issued can be revoked. .

## Part 3: Renewal of registration of design

### Introduction

This part clarifies the status of registered designs that are renewed during the renewal grace period available under the Designs Act.

The registration of a design ceases after five years from the filing date, or 10 years from the filing date if renewed within the prescribed period (see s 47, s 46(1) and 48(2) of the Designs Act). The prescribed period to apply for renewal is within 5 years and 6 months of the filing date (see s 47(2) of the Designs Act and r 4.09(1) of the Designs Regulations). The six-month period after the initial five-year term of registration for paying a late renewal fee is also known as the renewal grace period. A six-month grace period for renewal payments is a requirement under the Paris Convention for the Protection of Industrial Property, to which Australia is a signatory.

The status of a design registration during the grace period for payment of the renewal fee is uncertain. It is not clear whether it is to be treated as registered or lapsed. Under section 140 of the Designs Act, infringement proceedings cannot be brought in respect of an infringement that was committed between a design application lapsing or registered design ceasing, and the day it is restored. It is therefore unclear if third parties are protected from infringement proceedings during the renewal grace period if the renewal fee has not been paid by the registered owner.

ACIP recommended<sup>33</sup> that the status of a design right during the grace period for payment of the renewal fee be clarified as proposed in IP Australia's streamlining proposals in 2015<sup>34</sup>, which included alignment with other IP rights. The Government accepted this recommendation in its response to the ACIP review.<sup>35</sup> However, IP Australia postponed several streamlining proposals and the status of the other IP rights during the renewal grace period continues to be treated differently.

These amendments clarify and resolve the uncertainty over the status of design registration in the period after the five-year anniversary date and before the date renewal is made in the grace period.

#### Item 9: Section 47

[s 47]

This item inserts a new subsection 47(4) to clarify that a registered design does not cease in the period occurring after the renewal anniversary date and before the date renewal occurs during the renewal grace

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<sup>33</sup> Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 15, p 38 (Recommendation 18i).

<sup>34</sup> [Public Consultation: Proposals to streamline IP processes and support small business](#), February 2015, pages 7-12

<sup>35</sup> Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016 (Recommendation 18i).

period unless the design registration is not renewed by the end of the prescribed renewal period under paragraph 46(1)(a).

If a design owner pays the renewal fee during the renewal grace period, the registered design remains in force and does not lapse or cease. Failure to pay the renewal fee with the grace period would result in the design registration ceasing on the anniversary date, not on the expiry of the grace period. Consequently, the renewal fee must be paid within the renewal grace period for design owners to bring infringement proceedings against acts of infringement committed during the renewal grace period, and the operation of section 140 to protect third parties from infringement proceedings would not apply, as the design registration is treated as having always been in force.

As a result, if renewal fees have not been paid by the design owner, third parties would have to assume the design registration remains live during the renewal grace period and wait for the renewal grace period to end before they can be certain that the design cannot be infringed. This is consistent with the way registrations within the grace period are currently shown on the Register as 'registered – in grace period'. It is also consistent with the treatment of granted patents during the renewal grace period for patents under section 143 of the Patents Act and regulation 13.6 of the Patents Regulations.

However, section 140 would apply where an application for an extension of time has been allowed under section 137 and the design registration is consequently *restored*, to protect the rights of third parties or competitors who may have changed their position on the assumption that the design is no longer protected.

#### **Item 10: Application provision**

This item provides for the circumstances in which the amendments in Part 3 of this Schedule apply.

The amendments made by this part applies to a registered design where the five-year term of registration (5 years from the filing date of the design application where it was first disclosed) ends on or after commencement. The changes will apply to an application for renewal of the registration of the design made before, on or after commencement. This will ensure that the design will remain actively registered throughout this period if an application for renewal is made before commencement and is not processed until after commencement, but before the renewal anniversary date. This is appropriate because the changes provide clarity and certainty to third parties and design owners by confirming the existing practice applied to registered designs within the grace period.