

# Response to public consultation:

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

October 2020



# Introduction

From 23 July to 28 August 2020, IP Australia released draft legislation and explanatory materials for the *Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020* (the Bill) for public comment.

The Bill will implement [accepted recommendations](#) from the 2016 Australian Government response to the former Advisory Council on Intellectual Property's (ACIP) 2015 [Review of the Designs System](#). We asked stakeholders to comment on drafting issues or unintended consequences of this legislation rather than on the policy that underpins the amendments, as this has already been agreed to by the Government.

We appreciate the time that submitters have taken to consider the draft amendments and to respond. 19 non-confidential and 2 confidential submissions were received during consultation. Non-confidential submissions are published on the [consultation page](#) of IP Australia's website.

We have considered all submissions from the consultation and note broad acceptance of the draft legislation, particularly around the introduction of a 12-month grace period and the need to balance this benefit for users with an appropriate prior use defence.

IP Australia's response to the submissions is outlined below, including a summary of the next steps for this Bill and for designs reform in Australia.

Note that where numbers of submissions are referred to in the summaries below, this refers to non-confidential submissions only, to retain the privacy of the confidential submissions.

The Bill aims to deliver early benefits to designers as part of a broad range of design reforms and initiatives being undertaken by IP Australia. Further initiatives are being considered under the Designs Reform Project which is founded on a holistic review of the design ecosystem and its impact on the Australian economy. We will continue to engage with stakeholders on this work.

# Schedule 1 – Grace period

16 submissions expressed overall support for the introduction of a grace period into the Australian designs system. The grace period will help to protect designers from losing their rights due to inadvertent disclosures, by allowing them to seek design protection for up to 12 months after publishing or publicly using their design.

While no submissions disagreed with the principle of a grace period, some expressed concerns that the benefits may not be fully realised due to the drafting of exclusions and the scope of the prior use defence. Some submissions also suggested clarifying language to better reflect the policy intent.

## **1.1 Duration and start date**

Most submissions supported a 12-month grace period, to align with international norms. Some submissions suggested that the grace period should apply from the filing date. However, consistent with IP Australia's [previous consultation](#) on this topic, the majority were comfortable with the grace period commencing from the priority date as outlined in the draft Bill.

*IP Australia's response*

*IP Australia will proceed with a 12-month grace period commencing from the priority date.*

## **1.2 Predecessor in title**

The grace period is intended to cover disclosures made by any predecessor in title to the registered design owner. We sought views on whether the expression 'the registered owner's predecessor in title' would cover any predecessors in title where the right has had more than two owners.

Several stakeholders suggested that the language may be interpreted to mean that only disclosures from the design owner's immediate predecessor in title, rather than all predecessors in title, would be covered.

*IP Australia's response*

*IP Australia will revise the 'registered owner's predecessor in title' language so that it is clear that disclosures by any predecessor in title to the registered design owner are considered, not just the immediate predecessor in title.*

## **1.3 Employee or contract designer disclosures**

Designs may be created by employees or designers under contract. In these situations, the person entitled to be the registered owner of the design is often the employer or the other party to the contact. The consultation sought views on whether the drafting of the grace period would capture disclosures made by an employee or contractor, and if not, whether this was a problem.

The submissions on this issue agreed that disclosures by employees or contractors of the design right owner should be covered by the grace period. Several submissions expressed concern that the current drafting would not adequately cover disclosures by these types of individuals.

*IP Australia's response*

*IP Australia agrees that the grace period should apply to publications or uses by designers who are employees or contractors, even where those individuals are not entitled to own the design. We will revise the language of the Bill to ensure that disclosures by these individuals are explicitly covered by the grace period.*

#### **1.4 Exclusions from the grace period**

Publications of a design made by the Registrar of Designs and foreign national and international design offices are intended to be excluded from the grace period. This is because the grace period aims to protect designers from losing their rights due to inadvertent disclosure – that is, disclosure made due to accident, unfamiliarity with the system, or if the design is stolen and released. It is not intended to protect against deliberate filing of design applications in Australia and overseas, where publication is an expected and lawful part of the process.

Some stakeholders supported these exclusions as a mechanism to prevent double design protection. If the exclusions did not apply, the grace period could exclude an existing design application from the prior art for a second design application, enabling two exclusive rights to be obtained over very similar designs.

However, several stakeholders raised concerns with the exclusions, including:

- Iterative design: The exclusions would prevent second filings of refined designs, causing a deliberate reliance on the grace period for designs encompassing iterative improvements.
- Consistency with the patent system and international approaches: The exclusions differ from the Australian patents system and other international jurisdictions, which will cause confusion.
- Scope of the exclusions:
  - No protection is available if the publication from the Registrar or an overseas design office was made inadvertently or otherwise not in accordance with the respective designs law or treaty (for example, publication through a patent application).
  - That a 'person in a foreign country entrusted with the registration of designs' under proposed new paragraph 17(1A)(a) could be interpreted broadly to include a representative or attorney that a design owner has entrusted to seek registration of their design, rather than being limited to an official in an IP office.

*IP Australia's response*

*Iterative design*

*We have heard from stakeholders that iteration is fundamental to the design process and recognise that some may wish to use the grace period to test the market and adapt their design before deciding whether to apply for legal protection. However, the grace period is not intended to be a full solution to the issue of protecting iterations of designs and there are risks with using it in this way. In particular, the availability of the prior use defence for those who start preparing to use a design based on information the designer (or their predecessor in title) has made public.*

*We recognise that the exclusion of Registrar publications may incentivise designers to use the grace period for market testing, rather than filing two design applications to cover an initial design*

and a later design with iterative improvements. However, IP Australia does not consider that allowing Registrar publications to be disregarded under the grace period will effectively address the issue of protecting iterations of designs, for the following reasons:

- Including Registrar publications could lead to double design protection, effectively extending the term of design protection and increasing search costs for third parties. This was a key rationale for the exclusion.
- It may be beneficial for designers to retain the priority date of their earlier application rather than having it replaced by a subsequent application.
- It is not clear that 12 months is the most appropriate period for allowing iterations to be registered. A longer period achieved through a different mechanism may be preferable.

We recognise that stakeholders want a solution to the issue of protecting iterations of designs and may be disappointed by the limitations of the grace period. IP Australia will do further work and consult more on the issue of iterative design protection as part of the [Designs Reform Project](#). You can contribute to this work at any time by submitting your comments through the [IP Australia policy register](#).

#### Consistency with the patent system and international approaches

IP Australia notes that the divergence in approach from the Australian patent grace period is deliberate. The lack of an exclusion for Commissioner publications in the patent grace period is not working as intended, allowing for dual patent protection in some circumstances. This issue has been noted in IP Australia's policy register for action in the future ([see Policy ID 80](#)).

Additionally, while IP Office publications may not be specifically excluded by the grace period in some overseas jurisdictions, often there are other mechanisms that have a similar effect. For example, in the UK there is a ground for invalidating a registration if a prior application for the same or similar design exists.

#### Scope of the exclusions

IP Australia agrees that the grace period should cover publications from the Registrar or an overseas design office that are made inadvertently or otherwise not in accordance with the relevant designs law or treaty. We will clarify the legislation to ensure the exclusion only applies where the publication is made in accordance with the designs law of the country or relevant treaty.

IP Australia will also clarify that the persons in paragraph 17(1A)(a) are only those with the power to register and publish designs under the relevant designs law of the country or a relevant treaty, ensuring the provision could not be interpreted to exclude publications by representatives or attorneys.

## **1.5 Proof of derivation of a published design**

Several submissions commented on the level of evidence a registered design owner 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, and is therefore captured by the grace period. This includes a presumption that the third-party publication is derived or obtained from the registered owner (or their predecessor in

title) if:

- The design owner or their predecessor in title published or publicly used the design before the publication or use of the third-party design; and
- The third-party design is identical or substantially similar in overall impression to the first design.

One submitter suggested that the presumption that the third-party design was derived should also apply where the publication has been authorised by the design owner (for example, authorising a marketing agency or retail partner to advertise the design). Another submission proposed that the provision should be clarified to ensure the burden of proof rests with the person asserting independent creation.

*IP Australia's response*

*IP Australia will proceed with the level of evidence required for proof of derivation, with an amendment to ensure that the presumption that the third-party design was derived will also apply where the design owner or predecessor in title has authorised the publication or use of the design.*

*IP Australia will clarify in the explanatory material that the burden of proof rests with the person asserting that the design was not derived from the registered owner or their predecessor in title.*

### **1.6 Relationship between the grace period and section 18 of the Designs Act 2003 (Designs Act)**

The consultation sought views on the proposed interaction between the grace period and Section 18 of the Designs Act, which relates to how a design application should be treated if copyright subsists in an artistic work corresponding to the design. New subsection 17(1C) provides that where a use is to be disregarded because of the grace period, it must also be disregarded for the purposes of section 18.

Stakeholders commenting on this issue generally felt that the provision was clear when considered in conjunction with the explanatory material.

*IP Australia's response*

*IP Australia will proceed with the changes as outlined in the draft Bill.*

# Schedule 2 – Prior use defence

The prior use defence is intended to protect third parties that have made preparations to use a design during the grace period, when a design has been disclosed to the public but it is not clear whether a design registration will be sought.

13 submissions commented on this issue. Most submitters supported the broad policy intent of a prior use defence, agreeing that it was necessary in some form to ensure a balance between the rights of design owners and third parties.

However, several submissions opposed the inclusion of the prior use defence, arguing that it would unreasonably benefit third parties and render the grace period provisions ineffective as means to support iterative design. Some submissions also suggested that the prior use defence could create legal complications, registration delays and reduce the incentive for applicants to file.

## **2.1 Scope of the prior use defence**

Several submissions were concerned that the scope of the prior use defence favours the rights of third parties over those of designers. The concerns raised included:

- Derivation from registered owner - Some stakeholders argued that the prior use defence should not apply when the third party has derived the design from information the designer has made publicly available. Rather, it should only be available when the design has been independently created. They suggest that the grace period should be able to be utilised for market testing, without the risk of rapid copiers being able to operate under the prior use defence.
- Offers to make or sell – Some stakeholders thought that having made ‘offers to make or sell’ a design is too low of a bar to trigger the prior use defence. For example, posting a picture of a product online with an indication that it will soon be sold could constitute an offer to sell that would take minimal effort from a third party. While this is a standard used in the patent grace period, designs have a shorter lifespan and term of protection and typically require less time to prepare to use than inventions disclosed in patents.
- Definite steps – One stakeholder argued that taking ‘definite steps’ to do an act that would otherwise infringe a design also sets too low a bar for obtaining a prior use right, and that only actual use of the design should be considered.
- Operation post registration – One stakeholder suggested that it is not appropriate for the defence to continue to operate once registration has occurred, arguing that it is reasonable to assume that any design could be registered, and once it is, it is clear that freedom to operate has ceased.

### *IP Australia’s response*

*IP Australia considers that a prior use defence is required. The ACIP recommendation to introduce a grace period into the Australian design system (recommendation 12) specifically outlined that it must be balanced with an appropriate prior use defence, to safeguard third parties who have no reasonable way to know if a design will be protected.*

However, IP Australia considers that a reasonable case has been made to narrow the scope of the prior use defence in relation to offers to make or sell, as outlined below.

IP Australia will make consequential amendments to clarify that disclosures of employee and contract designers that have been appropriately authorised would be considered in relation to the prior use defence, in line with the amendments outlined at section 1.3 above.

IP Australia will also change the title of Schedule 2 from 'Prior use defence' to 'Prior use infringement exemption' to better match the effect of the legislation.

#### Derivation from registered owner

IP Australia notes that some designers may wish to use the grace period to test the market and make iterative improvements to their design before filing an application. However, as discussed in section 1.4 above, the grace period is intended to protect designers from losing their rights due to inadvertent disclosure and is not intended to be a full solution to the protection of iterations of designs. IP Australia will be conducting further work and consultation on the issue of iterative design protection as part of the [Designs Reform Project](#).

#### Offers to make or sell

IP Australia agrees that making an offer to make or sell a design is too low of a bar to be able to obtain a prior use right. We will amend the prior use defence so that it would not apply where a prior user has only made an offer to make or sell a design, but has not actually made or sold the design, or taken definite steps to do so.

#### Definite steps

IP Australia disagrees that 'definite steps' sets too low of a bar to obtain a prior use right. The existing case law for the patent grace period indicates that 'definite steps' is a high bar. It would not be satisfied merely by considering or putting in place the possibility of doing an act, but requires real, substantial preparation to do an act. IP Australia will clarify the standard required in the explanatory memorandum.

#### Operation post registration

IP Australia does not agree that the prior use defence should cease after registration. It is a general principle that the registration of an IP right should not prevent a user continuing to do something they were legally doing before that registration was first filed. There are many designs created that are never registered, and it represents an unfair burden on third parties to continue checking the register when they have already done their due diligence to determine that a design is not registered when they commence use.

## **2.2 Disposal of prior use entitlement**

New subsection 71A(4) provides for a limited right to dispose of the entitlement to infringe provided by the prior use defence. The limited right of disposal is intended to permit prior users reasonable flexibility in transferring their business, while not permitting prior users to treat their entitlement as



if it were a registered property right that can be licensed and partially assigned.

The consultation sought views on whether subsection 71A(4) would prevent the use of ordinary supply or distribution chains by designers relying on the prior use defence. For example, while a prior user would be protected from infringement, any person later in the supply chain who uses or sells the product made by the prior user (e.g. a wholesaler, retailer or member of the public) may still infringe.

The submissions on this issue agreed that it is not appropriate that a prior user be able to grant licences to infringe to third parties. For example, a prior user should not be able to license a manufacturer to make products in exchange for royalties, where that product would otherwise infringe a registered design. Some submissions considered that the draft provision adequately covers supply chains and is desirable to align with the patents legislation. However, others felt that prior use protection should be extended to downstream users who have legitimately acquired the good from the prior user and would have a reasonable expectation to be able to use it freely. Another submission proposed that the prior user entitlement should only be able to be disposed of as part of a disposal of the business within which the entitlement resides.

*IP Australia's response*

*IP Australia agrees that it would not be appropriate for prior users to be able to grant licences to third parties to permit them to infringe.*

*IP Australia agrees that the prior use defence may not adequately cover downstream users who have legitimately acquired goods from a prior user and may prevent prior users from fully exploiting their prior use entitlement. We will amend the legislation to allow downstream users to deal in goods that have been legitimately acquired from those with prior user rights. This would not extend to a general right to infringe the design right, only to use or deal in the specific goods that have been legitimately obtained.*

*IP Australia does not agree that disposal should be limited to disposal of the business. This would be a departure from the patents system that would create complexity, as many products are protected by both patents and designs.*

### **2.3 Territoriality of prior use**

Several submissions raised concerns that the prior use defence does not clearly articulate that the prior use activity must have occurred in Australia. Submitters were concerned that the defence as worded assumes that the provision has no extraterritorial reach beyond Australia, rather than making clear the application of the provision. To address this, submitters proposed amendments to clarify that the exemption should only apply to acts undertaken inside Australia.

*IP Australia's response*

*IP Australia notes these concerns. We agree that the prior activity must have taken place in Australia and will clarify the application of the Act to the acts triggering the prior use defence. This will also be articulated in the explanatory memorandum.*

## 2.4 Temporary cessation of prior use

The prior use defence is intended to apply even where a prior user has temporarily stopped their preparations to use the design around the time of the registered design's priority date. The consultation sought views on whether the concept "temporary cessation" (borrowed from the *Patents Act 1990* (Patents Act)) is an appropriate standard.

Most submissions agreed that the intent of 'temporary cessation' should be equivalent to the concept from the Patents Act. However, several submissions found the language vague or preferred the drafting from the Patents Act.

One submitter queried whether a 'temporary cessation' sets too low a bar for qualifying for the prior use defence, as a use that only took place briefly could potentially qualify.

### *IP Australia's response*

*IP Australia notes stakeholder concerns around the clarity of the 'temporary cessation' language. We will amend the language to ensure greater consistency with the concept in the Patents Act.*

*IP Australia does not agree that the concept sets too low a bar for qualifying for the prior use defence. Case law for the patents prior use defence confirms that 'temporary cessation' is a significant threshold, requiring a high standard of proof from the prior user. We clarify this high standard in the explanatory memorandum*

## 2.5 Relief from infringement between filing and registration

The consultation sought views on potential mechanisms to protect those who infringe a design in the period between filing a design application and registration, when there is no way to know that the design may be protected as it is not yet published on the designs register.

Several submitters supported providing relief for those who infringe a design prior to registration. Some of these submissions suggested extending the existing innocent infringer provisions in subsection 75(2) of the Designs Act, to cover infringement before registration.

Other submitters were opposed to providing infringement relief prior to registration. These submissions argued that such relief would make it harder for them to deal with rapid copiers who are capable of replicating designs in the time between filing and registration. Concerns were also raised about providing relief of similar scope to the prior use defence, that could confer continuing immunity from infringement action. The submissions expressed a need to be able to take enforcement action against copiers as soon as a design application is filed.

### *IP Australia's response*

*IP Australia understands the concerns raised by stakeholders in relation to providing relief for infringement between filing a design application and registration. We will explore options for a solution that balances the needs of designers and third parties. We will not adopt measures for relief for infringement before registration that provide continuing immunity from infringement, nor will we adopt measures that would leave design applicants without any options for taking infringement action against rapid copiers.*

## Schedule 3 – Removal of publication option

7 submissions expressed support for the amendments in Schedule 3 to streamline the initial steps for registering a design, including removing the ‘publication only’ option and making requests for design registration automatic after 6 months. Stakeholders did not raise any concerns with the drafting of the provisions and did not anticipate any unintended consequences.

One submission commented that requests for registration are redundant and that designers should not be required to request registration.

### *IP Australia’s response*

*IP Australia will proceed with the changes as outlined in the draft Bill.*

*IP Australia agrees that requests for registration can create an administrative burden for design applicants. Therefore, the proposal seeks to make requests for registration automatic after a prescribed period of six months. Design applicants can request early registration at any time before the six-month period has expired. However, the provision of the six-month window allows designers to effectively delay the publication of their design, providing greater flexibility to keep the design a secret until they are ready to go public, for example, when launching the product onto the market.*

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

6 submissions commented on the amendments in Schedule 4 to allow exclusive licensees to bring an action for infringement without needing to rely on the design owner. The submissions broadly supported the change.

One submission proposed that the right to bring an infringement action should be extended to exclusive licensees whose licence is subdivided in some way (for example, if the licence is only in relation to particular acts, particular parts of Australia or particular periods of time).

The submission also proposed that the amendments should apply to any proceedings brought on or after commencement, even if the infringement occurred before commencement, since they are merely procedural.

*IP Australia's response*

*IP Australia will proceed with the changes as outlined in the draft Bill.*

*IP Australia considers that the current definition of "exclusive licensee" is appropriate, as it will align the Designs Act with the Patents Act and the recently amended Plant Breeders Rights Act 1994. The issue of expanding these definitions is on IP Australia's policy register ([see Policy ID 19](#)) for consideration in future, and further feedback or evidence can be provided via the policy register at any time.*

*In relation to commencement provisions, IP Australia considers that in certain circumstances, the damages suffered by exclusive licensees may be different from those suffered by the registered owner of the design. To allow exclusive licensees to recover those damages where the infringements occurred before commencement might therefore result in a retrospective adjustment of rights.*

## Schedule 5 – Formal requirements

Two submitters commented on the proposal in Schedule 5 to repeal the formal requirements for design applications from the Designs Regulations, and instead empower the Registrar of Designs to specify the formal requirements by a non-legislative instrument. Each submitter expressed support for the drafting of the provisions.

*IP Australia's response*

*IP Australia will proceed with the changes as outlined in the draft Bill*

# Schedule 6 – Other amendments

5 submitters expressed support for the initiatives outlined in Schedule 6.

## **6.1 Standard of the informed user**

Several submissions supported the clarifications to the ‘standard of the informed user’ (a legal standard used to assess design registration and infringement), to ensure it is consistent with recent Australian case law. The change will clarify that the standard requires a person to be *familiar* with the product or similar products, but not necessarily be a *user* of those products.

*IP Australia’s response*

*IP Australia will proceed with the changes as outlined in the draft Bill.*

## **6.2 Revocation of Registration of Design**

The submissions commenting on this issue supported the amendments to clarify the circumstances when a registered design can be revoked, including:

- allowing revocation of a design for acts of fraud, false suggestion or misrepresentation during certification of a design and not just during registration, as it currently the case; and
- clarifying that the court can only revoke a design registration due to ownership mistakes if it finds that it is just and equitable to do so.

*IP Australia’s response*

*IP Australia will proceed with the changes as outlined in the draft Bill.*

## **6.3 Renewal of Registration of Design**

The submissions commenting on this issue supported the amendments to clarify that a registered design does not cease during the six-month period permitted for late renewals unless the design is not renewed.

*IP Australia’s response*

*IP Australia will proceed with the changes as outlined in the draft Bill.*

# Next Steps for the Bill and Designs Reform

In addition to commenting on the initiatives in the Bill, some submissions expressed an interest in further policy changes that would enable a broader section of the design economy to benefit from a design right in Australia. Design right protection for partial designs and virtual designs were specifically identified. Changes that would support the iterative nature of design were also raised.

IP Australia recognises that such changes could incentivise additional design innovation in industries that are valuable to the economy. While such policy changes are beyond the remit of this Bill, they are being considered under IP Australia's broader [designs reform](#) work. This work continues to focus on reforms and initiatives to improve the accessibility of design right protection in Australia for the broader design industry and Australia's overall economic benefit.

If you would like to contribute to this work please notify us of your interest via the [IP Australia policy register](#).

IP Australia will now implement the changes to the Bill outlined above. Subject to Government priorities, we expect the Bill to be introduced to Parliament later in 2020.

If you have any questions about this consultation, please email [consultation@ipaustalia.gov.au](mailto:consultation@ipaustalia.gov.au). You can also subscribe to our [What's New mailing list](#) to stay up to date as our work progresses.