Australian Government
IP Australia

Public Consultation

Protection for virtual designs

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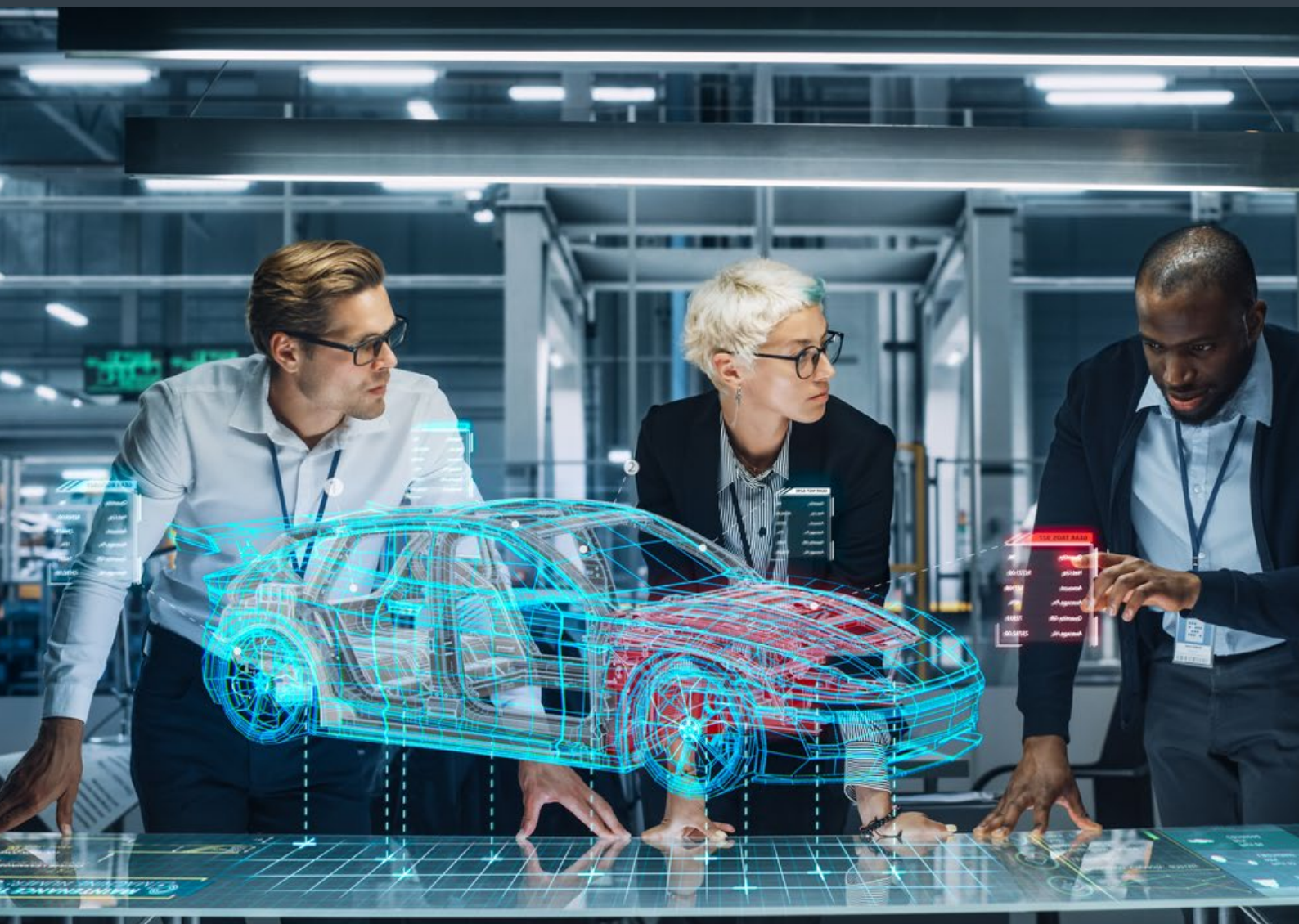

Acknowledgement of Country

IP Australia acknowledges the rich contributions to innovation that Aboriginal and Torres Strait Islander peoples have made through 60,000 plus years of continuing lore and history. We pay our respects to the Traditional Custodians of the lands on which our agency is located and where we conduct our business.

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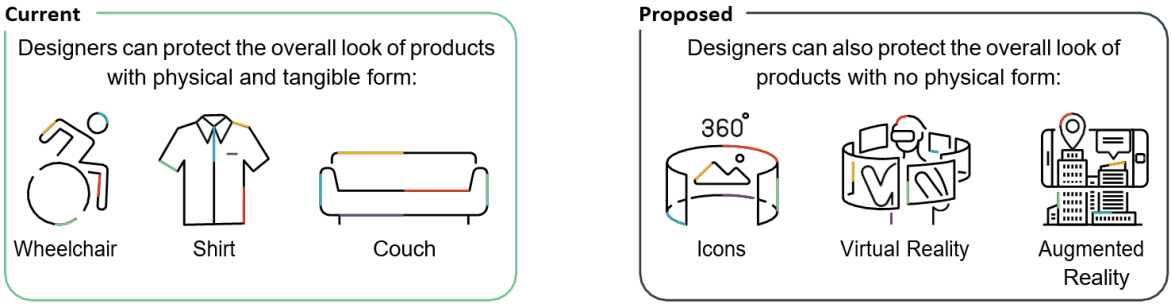
Executive Summary

Currently, the Australian designs system does not offer protection for non-physical or virtual designs. These are designs for non-physical products, things whose use results in the display of visual features through electronic means. A design right in Australia currently protects the overall look of physical products like a wheelchair, shirt or couch (Figure 1 below). It is not currently possible to protect the look of designs with no physical form, like a graphical user interface (GUI) and other elements of a product which are only visible when the product is turned on and in use. This means that Australian designers working in innovative and technological fields may not be able to use design rights to protect their designs in Australia. Excluding virtual designs from protection is inconsistent with the approach taken in some other countries, which may result in a disadvantage to Australian designers and international applicants seeking protection in Australia.

Previous consultations and reviews have focused on whether to protect virtual designs in Australia.[1] IP Australia is now seeking public views on proposals for protecting virtual designs. This paper sets out possible changes to the *Designs Act 2003* (Cth) (Designs Act) and the *Designs (Formal Requirements for Designs Documents) Instrument 2022* (Cth) to enable virtual designs to be protected. For example, GUIs on smart phones, computer software and visual features that appear when a smart phone or computer screen is unlocked and in use. The paper also proposes changes to make aspects of the existing system simpler and clearer for all design applications.

Figure 1 — Comparison of current and proposed new systems



Making a Submission

The purpose of this consultation paper is to invite your feedback on the proposed changes to allow for protection of virtual designs. Questions to help guide your submission are available on page 12 of this paper.

Written submissions can be uploaded to the webpage for this consultation: https://consultation.ipaustralia.gov.au/policy/enhancing-australian-design-protection.

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

A short online survey about this proposal is also available on the webpage.

The contact officer is Lisa Bailey, who may be contacted on (02) 6222 3695 or via email on lisa.bailey@ipaustralia.gov.au

Submissions and survey responses should be received no later than Tuesday, 8 August 2023.

[1] IP Australia, *Implementing accepted recommendations from ACIP's Review of the Designs System*, IP Australia, 17 September 2021, accessed 11 May 2023; Advisory Council on Intellectual Property (ACIP), Final Report, *Review of the Designs System*, ACIP, 2015, accessed 11 May 2023, pp 31-33.

Introduction

In 2020, IP Australia completed a holistic review of the design economy to gain a better understanding of what drives innovation and what larger scale changes to design rights would benefit Australia. The review showed that design activity in Australia is much larger than what is protected by design rights. Design-related industries and workers more broadly contribute approximately AU$67.5 billion per annum to the Australian economy, yet less than 0.5% of Australian businesses held a design right in the last 16 years.[2] Recent research conducted by Swinburne University has also shown significant potential demand and economic benefit for virtual designs.[3]

The 2020 review concluded there would be benefits in legislative reform to protect:

- virtual designs — design innovation focused on GUIs, and other product elements only visible when a product is used
- partial designs — design innovation focused on only part of a product, if that part is not separately manufactured from the product
- incremental designs — so that designers can seek protection as they develop their products.

IP Australia is consulting the public on implementing all three of the above proposals, for the government's consideration. Collectively these proposals are intended to increase access to design protection in Australia consistent with the nature of modern design processes, and the kind of products being designed. Allowing protection of virtual designs in Australia would also lead to greater harmonisation with other jurisdictions including the European Union, United Kingdom, China, Canada, New Zealand, Japan, Korea and Singapore.

These proposals would build on the first phase of reform to the Australian registered designs system which included enactment of the *Designs Amendment (Advisory Council on Intellectual Property Response) Act 2021*. This Act provides a grace period for designers who disclose their design before filing an application, streamlines and simplifies the application process, and makes other reforms to the designs system.

Problem

The design of a product must be registered, examined and certified before a design right can be enforced in Australia. Virtual designs can potentially be registered, but they generally cannot be certified and enforced under the Designs Act. This is because:

- a product must be physical[4]
- a design must relate to the overall appearance of a product resulting from one or more *visual features* of the product.[5] Transient features, such as a GUI only appearing on a mobile phone display screen when switched on, are not treated as visual features of the product
- there is no express reference to virtual designs in the definitions of 'product' or 'design'. Registration of 'display screens' with user interfaces is allowed, but at certification, most of the visual features are disregarded, leading to refusal. This inconsistency in approach creates confusion.

The inability to certify virtual designs means that there may be under-investment in digital design. Effective protection would encourage greater investment: benefitting innovators, industries and consumers.

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[2] M Campbell and L Halperin, 'Redesigning Designs: The Future of Design Protection in Australia' [PDF 418 KB], *Intellectual Property Forum: Journal of The Intellectual and Industrial Property Society of Australia and New Zealand*, 2020, (121):9–17, accessed 11 May 2023, p 10.

[3] M. Adams, S Hegarty, S Petrie and E Webster, *Virtual Design Rights Across the World*, Centre for Transformative Innovation, Swinburne University of Technology, 10 August 2021, accessed 11 May 2023.

[4] Designs Act, section 6.

[5] Designs Act, section 5 (definition of 'design').

Proposal

IP Australia proposes protection of virtual designs could be achieved by making several changes to the existing designs system. These changes are discussed in further detail below, noting that the expression 'virtual designs' is used to describe designs for intangible (non-physical) things whose use results in the display of visual features through electronic means.

Definition of a product

The current definition of 'product' includes 'a thing that is manufactured or handmade'.[6] However, this definition appears insufficient to cover virtual products, which only exist in an intangible form. To address this issue, IP Australia proposes that virtual products be added to the definition of 'product' in the Designs Act as an additional type of product.

A virtual product would be defined as 'an intangible thing, the use of which results in the display of visual features through electronic means'. The existing definition of a product would continue to cover traditional physical products like a chair, cup or shirt. With the proposed change to the definition of the expression 'visual feature' (discussed below), the definition of the expression 'product' would also encompass physical products that display visual features through electronic means (composite products). Physical products and composite products would be separate to the subcategory of virtual products.

Virtual products could include:

- GUIs (for example the interface of word processing software)
- icons/animated icons
- screensavers (for example, moving digital images or animations that appear when a computer screen is inactive)
- projected interfaces and information (for example, a heads-up display projected onto a car windshield)
- augmented reality where digital elements are overlaid on real-world views (for example, a smart display which allows users to try on clothes using hand gestures)
- a product in a virtual reality environment (for example, realistic images of a virtual environment seen through a headset to simulate driving).

Under this proposal, the intention is that the designs system should be flexible and able to accommodate emerging and future technologies. Consequently, IP Australia does not intend to explicitly exclude specific technologies from protection.

IP Australia welcomes feedback on whether certain virtual product types should or should not be protected.

Visual features

The definition of the expression 'visual features' would also need to be amended. Currently, a design consists of the overall appearance of the product resulting from one or more visual features of the product.[7] A visual feature, in relation to a product, includes the shape, configuration, pattern and ornamentation of the product.[8]

[6] See note 4.
[7] Designs Act, section 5.
[8] Designs Act, section 7.

Under the current designs system, it is not possible to protect visual features that are only present on a product when it is switched on or in its active state.[9] It is therefore necessary to broaden the definition of visual features to protect virtual designs.

The definition of the expression 'visual feature' – which governs the interpretation of the defined term 'design' – would be amended so that it explicitly includes 'visual features that appear for a limited time when the product is used in its normal way'. This will allow designs for virtual products to be protected.

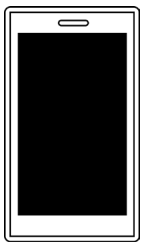
It will also allow design protection for composite products, which comprise both physical and digital components. Composite products commonly exist as smart or electronic devices which incorporate a display screen or touch screen. Examples of composite products include:

- a smart phone that contains a GUI to unlock the screen
- a coffee maker that can be controlled by a user interface or by an icon in a GUI when turned on
- a shoe with lights flashing in a particular pattern to add to its aesthetic appeal.

The proposed change would enable design protection of the digital component of composite products, both in their own right, and as a component element of an otherwise physical product.

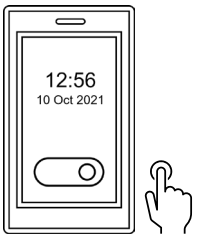
For example, the designer of a composite coffee machine could choose to protect the digital elements of the machine irrespective of the physical machine it is applied to, or to protect the look of the entire physical product including the digital visual features that are displayed when the machine is powered on and is in use.

Figure 2 — Example of visual features only observable when a product is in an 'active' state



Current

Visual features of device in 'inactive' mode are considered



Proposed

Visual features present when device is switched on or in use could be considered

The display of visual features would not have to be produced solely by the product but could be produced by the product when used as a component part of a system. For example, a GUI requires computer hardware, an operating system and screen to display visual features to an end user. The use of the GUI as software installed on a computer displaying via a screen would be considered use 'in a normal way'.

IP Australia welcomes feedback on whether this approach could have any unintended consequences.

Identifying products for virtual designs

Currently, every design application must identify the product(s) each design is for, so that the product(s) can be classified in accordance with the Locarno Agreement.[10] The name and classification of the product(s) are included in each entry for a registered design in the Australian Design Search database. Those details can be

[9] Apple Inc [2017] ADO 6 (14 June 2017) at [25], accessed 16 May 2023. The Registrar of Designs found that, under the current provisions of the Designs Act, images appearing on a display screen were not visual features of the screen on which they appeared. Instead, the Registrar considered that such images were manifestations of software in combination with hardware and streams of electrons.
[10] *Designs Regulations 2004*, paragraphs 4.04(1)(c) and 4.05(1)(c). The Locarno Agreement establishes the international classification for industrial designs: Designs Act, section 5 (definition of 'Locarno Agreement').

used to search for registered designs.[11] This assists third parties to work out what designs are protected in the Australian marketplace, so that they can avoid infringing them.

However, this level of identifying products is unlikely to suffice for virtual designs. For example, if the product for a virtual design is identified as 'user interface', or 'logo', it could be for many different products such as a user interface for a coffee machine or for a medical resonance imaging scanner.

To address this issue, IP Australia proposes that any product in a design application must be identified clearly so that a familiar person can determine the product's nature and intended use.[12] For example, a virtual design described as 'user interface for a coffee machine' would be acceptable, but 'user interface' on its own would not. This change would apply to both physical designs and virtual designs. However, the impact on physical designs will be minimal, as a product name sufficiently clear to enable classification of a physical product would ordinarily be sufficient to allow a familiar person to determine its nature and intended use (for example, a chair). The same approach to specifying product names is proposed under the protection of partial designs proposal.[13]

The advantage of this approach is that it will provide greater certainty to all users of the designs system. Designs will be classified appropriately, making the scope of protection clear, and allowing third parties to easily determine whether any prior right exists.

Representations of virtual designs

As per the current system, applicants seeking to register designs for virtual products (virtual designs) will need to file a representation of the design that indicates the visual features they wish to protect. The representation of both virtual and composite products may include features that only appear in the active state and are not present in the resting state. The scope of the rights will need to be made clear in the representation, but the applicant will be able to choose the means they employ to do so. For example, applicants may wish to provide a written statement alongside photographs, or numerical sequences, or various representations showing the visual features of a dynamic product at different times (see Figure 3).

Figure 3 — Example of representations of a dynamic design

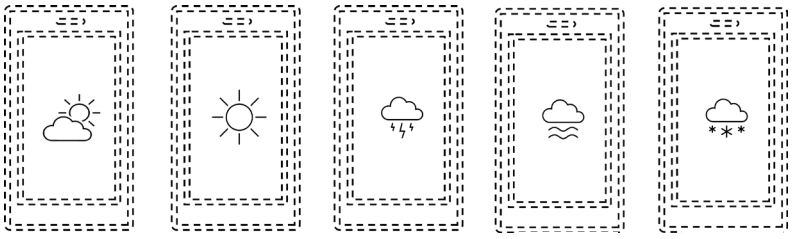


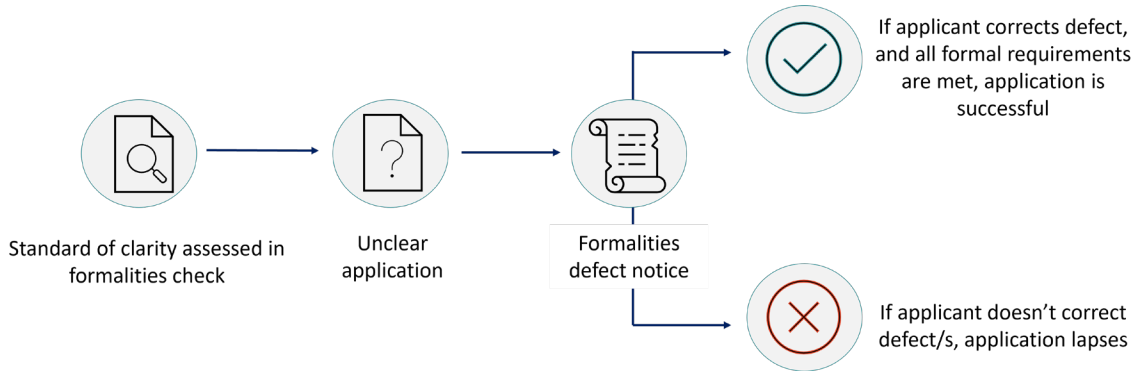
Fig 1.1 Fig 1.2 Fig 1.3 Fig 1.4 Fig 1.5

Clarity of protection of virtual designs

Currently there is not a specific standard of clarity for registered designs, beyond the formality requirements for representations. As also set out in the consultation paper 'Protection for partial designs', IP Australia proposes to introduce a new clarity requirement. For virtual designs, the scope of protection sought must be clear to the familiar person considering the representations, any written statement, numerical sequence, or other indicator of how the dynamic product evolves. If the design is unclear, the Registrar will object to registration of the design as part of the formalities assessment (see Figure 4).

[11] IP Australia, *Australian Design Search*, IP Australia website, no date, accessed 11 May 2023.
[12] A familiar person 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': subsection 19(4) of the Designs Act.
[13] IP Australia, *Protection for partial designs*, also open for public consultation on the consultation website.

Figure 4 — Process for assessing clarity of a design



In future, IP Australia may allow the filing of representations in formats such as a video files or animations. When this might happen will depend on several factors, including the scale of user demand, the cost of building relevant systems, and international practice. It would not help an Australian design business seeking design protection in foreign markets if the representations in an Australian application cannot readily be used to claim a right of priority for design protection overseas.

Substantive Registrability

It is considered that the existing criteria for newness and distinctiveness – used to assess the registrability of designs for physical products – could apply appropriately to virtual designs.

IP Australia welcomes feedback on whether this approach could have any unintended consequences.

Infringement

Design infringement occurs when a party makes, uses, imports or sells the product with an identical or similar design without permission from the registered design owner. These infringing acts can be classed as either primary or secondary infringements for the purposes of awarding damages.[14] Primary infringements refer to those acts involving the making of products that embody the registered design or a substantially similar design, while secondary infringements are those that involve certain dealings with those products once they have been made. IP Australia proposes two minor changes to the current designs system to deal with any potential infringement claims for registered virtual designs.

A registered design is currently 'primarily' infringed by *making* a product, in relation to which the design is registered, that embodies a design identical (or substantially similar in overall impression) to the registered design.[15] A virtual product could be *made* by writing and compiling source code that results in a program that, when run, produces relevant visual features. The first change would clarify when a virtual product is being made and therefore considered to primarily infringe the registered virtual design.

IP Australia proposes that primary infringement should exclude the making of a virtual product by merely reproducing the means to cause the display of the visual features. For example, copying or downloading the source or object code of a computer program or GUI for an app, from a distributor's website to a product user's computer would be excluded from primary infringement. In this way, primary infringement of a registered

[14] Designs Act, subsections 75(2) and (5).
[15] Designs Act, paragraph 71(1)(a).

virtual design would involve making the virtual product, but not routine actions taken by distributors or product users.

While these actions would not be considered to primarily infringe the registered virtual design, they could still fall within the other class of infringing acts – known as secondary infringements – because the virtual product had been used in trade or business (further discussed below). Such actions could also result in *copyright infringement* because source code had been reproduced. This approach to primary infringement ensures that distributors or product users will have access to the more easily satisfied innocent infringer 'defence' for secondary infringers under s 75(2)(b) of the Designs Act. The example below further explains how this is intended to work in practice.

Ramesh creates a GUI for his app MenuMadness. The GUI is a virtual product. Ramesh registers the design of the GUI in Australia. In the US, Alfred creates a competing app MenuMaker with an almost-identical GUI. Bill, who is based in Australia, buys a copy of Alfred's app, downloads it and then copies it onto a number of tablet computers used in Bill's restaurant – consistent with the licence provided by Alfred for use of the app. Bill has not 'made' an infringing product by downloading and then copying the MenuMaker app to the tablet computers. Bill may have infringed Ramesh's design right by importing, keeping and using MenuMaker, but under the proposed changes, Bill may be able to be relieved of any damages – if it can be shown that Bill was not aware, and could not reasonably be expected to be aware, of Ramesh's design right.

Secondary infringement of registered designs relates to certain dealings with a product once made, including the importation, disposal or use of a product for the purposes of any trade or business.[16] Applying the same approach used for secondary infringement of physical products to secondary infringement of registered virtual designs would provide a very broad scope for design owners to control these types of acts, and prevent reasonable business uses such as backup, correcting errors or testing.

To address this issue, IP Australia proposes that secondary infringement of registered virtual designs should work in the same way as for registered designs for physical products, except that infringement would not extend to reasonable use of virtual products for legitimate purposes. Legitimate purposes would include study, correcting errors, making of interoperable products, back up, testing, research, criticism and review. These legitimate purposes reflect loosely some of the uses that may be made of copyright material under the *Copyright Act 1968* (Cth) (Copyright Act). The examples given here are not intended to be an exhaustive list. Rather they are indicative of certain uses that may be made of a virtual product. The example below explains how this is intended to work in practice.

Cameron creates a GUI for a mobile phone application used for searching real estate, called HouseHunta. The GUI is a virtual product. Cameron registers the design of the GUI in Australia and licences the HouseHunta application to Sadiya. After some time, some bugs are found in the HouseHunta application and Sadiya asks Max, a third-party security tester, to fix the bugs. Max does so, and following standard practice in the trade, goes on to test the HouseHunta application thoroughly, including the GUI. Under the proposed change, the testing undertaken by Max would be considered a legitimate purpose and so would not be secondary infringement of the registered design for the GUI.

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[16] Designs Act, paragraphs 71(1)(b) – (e).

Copyright protection for virtual designs

Some virtual designs will qualify as 'artistic works' that may be protected under the Copyright Act: for example, distinctive graphical content in an icon that forms part of a GUI.[17]

Two-dimensional (2D) designs – consisting of the visual features of pattern and ornamentation of a product – can be protected automatically under the Copyright Act and can also be protected under the Designs Act by registering them.

Three-dimensional (3D) designs — the visual features of shape and configuration of a product, such as a water jug — are treated differently to 2D designs. Generally, 3D designs must be registered under the Designs Act to keep IP protection when they are commercialised.

This is because of the provisions in the Copyright Act and Designs Act that govern the overlap between designs and copyright law when artistic works are commercially exploited as industrial designs (overlap provisions).[18] Under the overlap provisions, things that are essentially functional and intended for mass production in 3D versions are generally not entitled to ongoing protection under the Copyright Act.[19]

The distinction between 2D ('pattern and ornamentation') and 3D ('shape and configuration') designs reflects that designs applied to the surface of products usually have an aesthetic purpose, while designs applied to the shape of products usually have an industrial purpose. Unlike copyright, design protection requires registration and has a shorter 10-year maximum term of protection, providing greater certainty to manufacturers and others in the industrial property field.

Under the overlap provisions, copyright protection for an artistic work applied as a 3D design in a product may be lost when: [20]

- The design is registered under the Designs Act[21]

  OR

- The design (unless the artistic work is a building or model of a building, or work of artistic craftsmanship) is 'applied industrially' to products that have been sold or let for hire, or offered or exposed for sale or hire, by or with the consent of the copyright owner. A design is generally taken to be 'applied industrially' if it is applied to more than 50 articles, or to one or more articles (other than hand-made articles) manufactured in lengths or pieces.[22]

If the proposal to protect virtual designs is implemented, it could be unclear how the overlap provisions in the Copyright Act apply to virtual designs:

- While many GUIs, icons and other virtual products are essentially 2D when displayed through electronic means, it is unclear how the expression 'shape and configuration' might be interpreted in relation to some 2D virtual products. For example, the slide to unlock a GUI may be aesthetically pleasing but also functions to activate a mobile phone screen.

[17] Copyright Act, subsection 10(1) (definition of 'artistic work') and section 32.
[18] Copyright Act, sections 74–77A.
[19] D Price, C Bodkin and F Aoun, *Intellectual property: commentary and materials*, 6th edn, Thomson Reuters, 2017, at [14.270].
[20] The overlap provisions do not operate to extinguish the copyright of the artistic work, rather they provide defences to claims of infringement if a third party makes a product in which the artistic work is substantially reproduced.
[21] Copyright Act, section 75.
[22] Copyright Act, section 77; *Copyright Regulations 2017*, regulation 12. Industrial application may in some circumstances involve less than 50 applications of the design: see *Burge v Swarbrick* (2007) 232 CLR 336 (involving the manufacture of 32 yacht hulls); *Gold Peg International Pty Ltd v Kovan Engineering (Aust) Pty Ltd* (2005) 225 ALR 57 (involving the manufacture of 26 components of a cooking machine).

- Some virtual products appear to 'embody' 3D visual features, such as a magic sword that is wielded by the player in a virtual reality game. It is unclear whether these products could be considered to have visual features of 'shape or configuration' in the same way as physical products.
- It is also unclear what 'applied industrially' would mean for intangible products, since these are not manufactured in the traditional sense. Copyright protection of an artistic work could be lost, if visual features of shape and configuration are taken to be 'embodied' in a virtual product, even if no corresponding virtual design has been registered under the Designs Act.

IP Australia is interested to know whether you consider that the interaction between the overlap provisions and the proposed extension of designs protection to virtual designs could give rise to significant uncertainty, administrative burden or other unintended consequences. As noted above, there are several areas of uncertainty about how the overlap provisions could apply to virtual designs. With that in mind, IP Australia is also seeking views on whether the design characteristics of virtual products, including the way they are commercially applied by industry, mean they should be treated in a particular way for the purposes of the operation of the overlap provisions – for example, through clarification of how the overlap provisions apply to virtual products, or through exclusion from their operation entirely.

Note that feedback is sought specifically on how the overlap provisions could affect virtual designs, rather than feedback on the operation of the overlap provisions more generally.

Benefits of the proposal

Amending the designs legislation to protect virtual designs would mean that there would be no requirement for protectable design innovations to be limited to physical products. It would cover a wide range of existing and emerging technology and provide certainty about the scope of protection. Allowing visual features to be considered in their active state will provide a modern and flexible designs system that will support further innovation in the designs sector. The ability to protect virtual designs will provide an incentive to businesses and designers to continue developing new and innovative design products. Allowing protection of virtual designs in Australia will also lead to greater harmonisation with many of Australia's major trading partners who already provide protection for virtual designs.

Questions

The principal questions to consider are as follows:

1. Do you support IP Australia's approach (outlined in this paper) to implementing virtual designs protection in Australia? If not, why not?
2. Are there any particular risks or unintended consequences that would arise from the proposal?
3. Are there any particular types of virtual designs that should or should not be protected (for example, fonts, holograms, etc)?
4. Would the copyright/design overlap provisions give rise to significant uncertainty, or unintended consequences, if designs protection is extended to virtual products? Do you think designs for virtual products should be treated in a particular way for the purposes of the operation of the overlap provisions?

In addition, IP Australia would also welcome any general comments about the proposal in this paper.