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No. 129 2002–03

## Designs Bill 2002

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26 March 2003

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# Designs Bill 2002

**Date Introduced:** 11 December 2002

**House:** House of Representatives

**Portfolio:** Industry, Tourism and Resources

**Commencement:** The substantive provisions commence on Proclamation, or 6 months after Royal Assent, whichever is the earlier.

## Purpose

The purpose of the Bill is to repeal the *Designs Act 1906* and redraft that Act to provide a system of designs registration that includes a reduced period of registration, stricter eligibility and infringement tests, more streamlined registration and new enforcement procedures.

## Background

### Industrial and Intellectual Property Protection in Australia

The Australian legal system offers protection to 'creators' through a variety of industrial and intellectual property (IIP) regimes, such as patents, copyright, plant breeders' rights, registered trade marks and designs. Typically these schemes grant legal protection against imitators or 'free-riders', allowing creators *exclusive* rights to exploit their creation, and providing remedies for infringement of those rights. These rights can be commercially valuable and the 'price' paid by creators for this level of legal protection varies according to the regime in question.

Industrial and intellectual property protection is primarily a matter of Commonwealth jurisdiction. At federation the Commonwealth was given constitutional responsibility for 'copyrights, patents of inventions and designs, and trade marks'.<sup>1</sup>

Domestic IIP law and policy is also influenced by Australia's international obligations. Because the essence of IIP protection is the grant of *monopoly* rights, the interplay with competition law has become a particularly prominent area of national and international policy debate.<sup>2</sup> As a signatory to TRIPS<sup>3</sup>, an international agreement dealing with the

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trade-related aspects of intellectual property rights, Australia is subject to minimum legal standards enforceable by member states through the World Trade Organisation (WTO). For example, Articles 25 and 26 of TRIPS deal with industrial designs and include the following requirements:

Parties are to grant protection for independently created industrial designs that are new or original. The period of protection is to be at least 10 years.

Parties may exclude protection for designs dictated by essentially technical or functional considerations.

Australia is a signatory to a number of other international IIP agreements, which exist mainly because creators frequently seek protection in more than one jurisdiction and regulators must frequently measure the state of the relevant art against international and not merely domestic standards.

## Current System of Design Protection

The current designs legislation is almost a century old and although it has been updated from time to time the essential nature of what is protected remains largely unchanged. The purpose of the *Designs Act 1906* is to create and protect the rights flowing from the design of manufactured articles. Of all the legislative intellectual property schemes, the Designs Act is the least utilised, and, it has been suggested the least effective.<sup>4</sup>

The Designs Act creates a registration-based monopoly for designs that are sufficiently new and original. Design registration only protects the visual appearance of objects. A design is defined as the features of shape, configuration, pattern or ornamentation applied to an article that can be judged by the eye. It does not include a method or principle of construction.<sup>5</sup> Unlike patent registration, function is not protected under the Designs Act unless it is incidental to appearance.<sup>6</sup> For example, obtaining design registration for the shape of a new product such as a video-camera would, if valid, provide the designer with the exclusive right, for a prescribed period, to stop others from applying that design to video cameras or to any other manufactured product.

Monopoly rights in designs are only acquired by registration under the Designs Act. They are not automatically acquired on creation of the work as are the exclusive rights of copyright. The maximum duration of the legislative monopoly is 16 years. Registration under the Act gives the owner (generally the author or creator) of the design the right to bring an action against someone who applies the design or an obvious or fraudulent imitation of it; or who sells or hires any article to which the design has been applied.<sup>7</sup> If a registered design is infringed, a court may grant an injunction, damages or an account of profits.<sup>8</sup>

Designs registration is intended to stimulate inventiveness in the design field and the development of new designs. A registration system enables the public, by searching the

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register, to find out what can and what cannot be used as a design. Designs are registered for an enormous range of articles including machinery, electrical goods, marine goods, building materials, sanitary goods, optical goods, jewellery and cultery.<sup>9</sup>

## Competing Interests in the Grant of Designs

Designs law involves striking a balance between two competing goals. It must be sufficient to facilitate innovation by prohibiting design free riding (which reduces the financial returns to the designer), and it must facilitate innovation by enabling the use of existing designs to create new ones. There is necessarily a tension between these two objectives and it is generally agreed that the equilibrium reached in the Australian courts tend to favour the second of these goals. As a result a body of designs law has evolved which, it is often argued, does not provide adequate protection against designs free riding, and which (although in a sense workable) is irrelevant to designs related industry players and generally unsatisfactory.<sup>10</sup>

## Reviews — Australian Law Review Commission

Designs protection has played a relatively minor role in the overall scheme of intellectual property law in Australia, but the Designs Act has been the subject of a number of reviews and reports since 1973.<sup>11</sup> Despite significant changes to the legislation in 1981 following the recommendations of the Franki Committee<sup>12</sup>, the legislation remains controversial, and, many would argue, largely ineffective.

The Australian Law Review Commission has carried out a major review of designs law. An Issues Paper was published in April 1993, a Discussion Paper in August 1994, and a Final Report in September 1995.<sup>13</sup>

Submissions and consultations to the ALRC review revealed considerable dissatisfaction with the current designs legislation. In particular:

- many considered that current designs law does not prevent competitors from copying the substance of a design — infringement is rarely established
- there was concern that design protection is of little value, either to design owners or investors
- the courts have given too narrow an interpretation to what is protected
- design protection is sometimes not cost effective — the registration process is too slow and costly for the benefits of the protection it provides
- there is confusion about the scope of current design protection — what exactly does it protect? only visual appearance? function? safety features? all innovative features?

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- some consider that the instances where design overlaps with copyright or patent protection produce anomalous results, and
- there is a conviction that the system is under-used because of its faults.<sup>14</sup>

The ALRC report stated that the strongest criticism was that current designs legislation is inadequate to prevent copying. This is because copying is only prevented if the design owner can withstand claims that the registered design is not new or original — often a costly and legalistic issue. Design disputes are not uncommon but very few infringements are established when tested in court.<sup>15</sup> While applications can take some months to process to meet the examination procedures, the Registrar's examination is in fact limited and does not ensure that the registration is valid. Overall the system does seem to be under used — industrial designs are pervasive yet there are relatively few design registrations each year.<sup>16</sup>

In its final Report the ALRC made recommendations which amounted to a complete overhaul of many aspects of the designs law. Some of the more significant recommendations were as follows:<sup>17</sup>

- a clearer, more up-to-date definition of 'design'
- a new, stricter threshold test for eligibility for protection based on novelty and distinctiveness coupled with a broader protection against infringement
- new examination procedures involving only a quick and cheap formal examination when the application is lodged — a more expensive and time consuming substantive examination (ie to determine if the design is new and distinctive) would only be necessary where design registration is opposed or the applicant requests it
- a design registration period of 15 years, but requiring renewal each 5 years<sup>18</sup>
- new options for challenging the registration of a design, for review of the Registrar's decisions, and for enforcing design rights - these options all emphasise cost effective and expert dispute resolution
- protection for spare parts under designs law should continue but be subject to a special procedure for referring potentially anti-competitive spare parts designs to the then Trade Practices Commission.<sup>19</sup>

The Federal Government responded to the ALRC Report almost four years later, in February 1999, and accepted the great majority of the ALRC recommendations.<sup>20</sup> On 4 May 2001 the Designs (Exposure Draft) Bill 2001 was released for public comment and the current Bill was introduced into the Parliament on 11 December 2002. The differences between the ALRC recommendations and the Bill are discussed under the Main Provisions heading of the Digest.

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## Spare Parts and Design Registration

The complex issue of how applications for design registration of spare parts should be treated has been the subject of much policy debate over recent years.<sup>21</sup> Spare parts have economic features that can be distinctive from other products protected by intellectual property law. It can be argued that when spare parts (and particularly motor vehicle spare parts) are protected under design legislation, producers who may not have market power in a primary market for the complete goods may be able to charge a monopoly price for spare parts in the aftermarket which spare parts are sold. Apart from consumers being charged higher prices for parts, competition may be restricted for the repair and servicing of the original equipment.<sup>22</sup>

The *Designs Act 1906* allows protection for spare parts and the ALRC recommended that protection under designs law should continue but be subject to a special procedure for referring potentially anti-competitive spare parts designs to the then Trade Practices Commission.<sup>23</sup>

The Government disagreed with this recommendation, stating that it would further review the whole issue of spare part designs. The Explanatory Memorandum to the Bill provides considerable detail on a number of options for the treatment of spare parts. These include:

- a blanket exclusion for all spare parts from designs protection
- a referral procedure to the ACCC<sup>24</sup>
- an interface exclusion where 'must fit' or 'must match' parts<sup>25</sup> would be excluded from protection<sup>26</sup>
- a compulsory licensing provision
- a list of proscribed spare parts to be excluded from protection
- a reduced term of protection for spare parts to five years.

The reader is referred to the Explanatory Memorandum for a fuller discussion of these options<sup>27</sup> but in short they raise issues regarding cost and complexity of implementation. One of the underlying difficulties with spare parts which these proposals do not resolve is the problem of distinguishing between a product that can be both a spare part and original equipment.

The Government has rejected all these options and instead is proposing in this Bill a right of repair defence against infringement.<sup>28</sup> The Explanatory Memorandum states that the right of repair defence recognises that component parts of a complex product can either be used as an original product or as spare parts. The Government argues that this approach seeks to strike a balance between providing an incentive for creative activity in design and enabling competition in the spare parts market.<sup>29</sup> The Government plans a review of the

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spare parts exclusion provisions in 2005 and in the meantime it proposes that IP Australia, in conjunction with the ACCC should conduct a publicity campaign about the new designs registration system.<sup>30</sup>

## Main Provisions

A considerable part of the Bill consists of provisions that are substantially the same as those contained in the *Designs Act 1906* (the old Act). This Digest therefore focuses on the provisions in the Bill that give an overview of the system of design registration and reflect the more significant policy changes.

### What is a Design?

The two principal elements in defining the scope of what can be protected under designs law are the definition of design and the innovation threshold or the novelty test.

**Clauses 5-8** contain definitions relevant to the Act. Central to the scheme of protection are the definitions of 'design', 'visual features of a product' and 'product'. A 'design' means the overall appearance of a product resulting from one or more visual features of the product (**clause 5**). A product's visual features include its shape, configuration, pattern and ornamentation but not the feel or the materials used in the product. A visual feature may, but need not, serve a functional purpose (**clause 7**). A product is anything that is manufactured or hand made. A component part<sup>31</sup> which can exist separately is itself a product but a part of a product is not. Things with indefinite dimensions are products only under certain conditions (**clause 6**).

These definitions follow the ALRC recommendation that the conceptual distinction between the design of a product and the product itself be retained – in simple terms a design for the purposes of the Bill means the visual features of a product and not the product itself.

### Innovation Threshold or Novelty Test

Most countries' systems of designs registration require a minimum standard of 'novelty' on the basis that a designer must make some advance on the prior art. Article 25(1) of the TRIPS Agreement requires members to provide protection for:

Independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of design features.

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Section 17 of the old Act provides that only 'new or original' designs may be registered. The ALRC in its Report stated that originality has never served a purpose in designs law and in practice the courts and designs examiners have only applied a novelty test. The novelty test was also considered unsatisfactory because it provides little guidance about the degree of difference required to constitute a new design where two designs are not identical.<sup>32</sup> The Commission therefore recommended that the 'new or original' test should be replaced with stricter eligibility requirements. **Clause 15** implements this recommendation and introduces a two-step threshold test for a registrable design — the design must be new *and* distinctive<sup>33</sup> when compared with the prior art base as it existed before priority date of the design. The prior art base is essentially those designs publicly used in Australia and those designs published anywhere in the world at the priority date (**subclause 15(2)**). The priority date is usually the date of filing (**subclause 27**).

**Clause 16** sets out the standards for 'newness' and 'distinctiveness'. A design will be 'new' unless it is 'identical' to existing designs, and it will be 'distinctive' unless it is 'substantially similar in overall impression' to existing designs.

**Clause 19** provides guidance for determining 'substantial similarity in overall impression' and stipulates that more weight is to be given to similarities between the designs than to differences between them (**subclause 19(1)**). Other factors that the person (ie the designs examiner or the court) must have regard to in determining similarity include:

- comparison of the design to the prior art base (**paragraph 19(2)(a)**)
- the freedom of the creator of the design to innovate (**paragraph 19(2)(d)**)
- any features of the product which are specified in the application for registration as being new and distinctive (**paragraph 19(2)(b)**), (in the absence of any, the person or court will regard the product in its entirety (**subclause 19(3)**))
- where only part of the design is substantially similar to another design, particular regard to that part of the product must be given, in the context of the product as a whole (**paragraph 19(2)(c)**).

In determining whether a design is substantially similar, the person is to apply the standard of the informed user, an informed user being the person who is familiar with the product to which the design relates (**subclause 19(4)**). This contrasts with the old Act where the design is to be 'judged by the eye' and the relevant eye is that of the court. According to the ALRC Report and evidence received by the Commission, this subjective test has discouraged transparency and has resulted in uncertainty in the likely results of infringement proceedings. The 'informed user standard' set out in **clause 19** intends to implement an objective test in an attempt to introduce more transparency and predictability into designs law.<sup>34</sup> On the other hand it has also been suggested that while it is important in designs law to assess the perception of the person for whom the design is intended, it is probable this will increase the cost of litigation by requiring expert evidence to ascertain the 'standard of the informed user'.<sup>35</sup>

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## Registration of Designs

### Overview

**Clauses 21-56 and 60-61** of the Bill deal with the application and registration of designs. The registration procedure proposed in the Bill is significantly different to the current requirements. In simple terms, the purpose of these provisions is to streamline the system so that an application for a design will only be examined in the first instance to check that it complies with formal requirements. The examination of whether a design is new and distinctive (ie a substantive examination) may be requested by any person but will only be undertaken after registration of the design.

### Application to Register or Publish<sup>36</sup> a Design

A person may file a design application in relation to one or more designs and such an application must comply with the prescribed minimum filing requirements (**clauses 21 and 22**). If the application meets the minimum filing requirements the Registrar of Designs must:

- give written notice to that effect stating amongst other things the filing date<sup>37</sup> of the application (**subclause 24(1)**), and
- publish prescribed details of the application (**clause 25**).

The Registrar must also notify the applicant if the application does not meet the minimum filing requirements (**subclause 24(2)**). A design application will lapse if the application fails to comply with the requirements of the Act and regulations (**clause 33**).

Requests for registration or publication of designs must be included in the design application and made in accordance with the prescribed requirements (**clause 35**). Applications may include more than one design and more than one request for registration and publication. Further the application may be for registration of some designs and publication of others (**subclause 36(1)**).

### Registration of a Design

The Registrar must register a design if:

- the prescribed formalities for registration are all satisfied
- the design is not precluded from registration by virtue of the prohibitions in **subclause 43(1)**<sup>38</sup>, and
- where the design is a common design to more than one product, the Registrar is satisfied the design is a common design for each product (**clauses 39 and 40**).

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Where the application discloses several designs that are to be registered for several products, those products must belong to the same class specified under the Locarno Agreement<sup>39</sup> (**paragraph 40(2)(a)**).

If the Registrar is not satisfied with the design application then he/she must give the applicant an opportunity to correct it (**clause 41**). If the applicant fails to respond to this opportunity or if the Registrar is not satisfied with the response then he/she must refuse to register the design under **subclause 43(2)**. Where the Registrar refuses to register a design, he/she must give the applicant written reasons for the refusal (**subclause 43(3)**). A decision to refuse registration is reviewable by the Administrative Appeals Tribunal (**clause 136**).

To register a design the Registrar must enter particulars of the registration in the Register, issue a certificate of registration and publish a notice stating the design has been registered. (**clause 45**).

### Duration of the Design Right

The term of registration of a design is an initial 5 years with ability to renew for an additional 5 years, ie a maximum of 10 years (**clauses 46 and 47**). The term of registration runs from the filing date (**clause 46**).

The 10 year registration period contrasts with the old Act where the initial period of registration is for one year with a possible extension of up to 15 years. It is of note that the ALRC recommended that design registration be available for three discrete periods of 5 years (ie a maximum of 15 years). The Government has justified the reduction to 10 years on the basis that TRIPS provides a minimum registration for industrial designs for 10 years. The Explanatory Memorandum states that it would not be in Australia's interest to provide a period of registration in excess of its international obligations as Australia is a net importer of intellectual property.<sup>40</sup> In contrast, the ALRC recommended retention of the 15 year registration period on the basis that:

There is little basis for any change to the duration [...] Nor is there an international consistency. Protection varies from 10<sup>41</sup> to 15<sup>42</sup> or 50 years<sup>43</sup>. The Hague Agreement requires 15 years protection. Ultimately the possibility that Australia could join the Hague system has persuaded the Commission to recommend 15 years protection. The majority of submissions supported this recommendation whereas the TRIPS agreement mandates a term of 10 years.<sup>44</sup>

The Hague Agreement referred to in the ALRC report is the *Hague Agreement Concerning the International Deposit of Industrial Designs*. Under this Agreement an industrial design owner in one of the member states can obtain protection for his design in some or all of the other members by filing a single international application with WIPO<sup>45</sup>. The resulting international registration is published by WIPO and notified to all the designated countries. If a country does not expressly refuse protection within a specified period, the design is automatically protected in the country concerned.<sup>46</sup>

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While Australia is not a party to the Hague Agreement, it is of interest by way of comparison, that Australia has recently joined a similar arrangement for international registration of trade marks under the *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks*.<sup>47</sup>

## Post Grant Examination

As discussed above, one of the most significant changes in the Bill is that design applications will not be examined before grant. After a formalities check, the application will proceed to grant and to publication. Essentially design registration will be granted if the forms are correctly completed and official fees paid.

**Clauses 63-68** deal with examination of designs after registration. Under **clause 63** the Registrar is required to examine a registered design on the request of any person (including the owner) or on the order of a court. The Registrar may also initiate an examination on his/her own initiative. Requests for examination may also be made for designs whose registration has already ceased. A request for examination must comply with the prescribed requirements and may contain material relating to the newness and distinctiveness of the design (**clause 64**).

In examining a design post-grant, the Registrar must determine whether the design is registrable according to the Act and regulations (**clause 65**). In other words, the Registrar must determine whether the statutory requirements such as 'novelty' and 'distinctiveness' are satisfied. If after examination there are grounds for revocation then the Registrar must give written notice to that effect to the owner of the design (**subclause 66(1)**). The owner then has the opportunity to request an amendment to remove the problem with registration (**subclause 66(3)**), however such an amendment must not alter the scope of the original design registration (**subclause 66(6)**).

If after examination the Registrar decides there are grounds for revocation and that the ground would not be removed by amendment, then the Registrar must give the relevant parties a notice stating that the registration of the design is revoked and amend the register accordingly (**clause 68**). Decisions to revoke a design can be appealed in the Federal Court (**subclause 68(6)**).

If the Registrar decides that no case of revocation can be made out, a 'certificate of examination' will be issued to the registered design owner as evidence of the validity of the design registration (**clause 67**).

Importantly, a design must have been examined and a certificate of examination granted before the applicant can bring an action for infringement (**subclause 73(3)**).

It is intended that post-grant examination will speed up the grant of designs and may well limit examination to the minority, mainly those likely to be subject to litigation. On the

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other hand, it could be argued that pre-grant examination can alert a designer to design validity issues and avoid grant of designs that are clearly invalid.

## Rights of Owners of Registered Designs

The rights of owners of registered designs are set out in **clauses 10-12**. Amongst other things the owner of a registered design has the exclusive right to:

- make a product which embodies the design
- import, sell, hire or dispose of such a product
- authorise another person to do any of these things.

The registered owner may assign by writing all or part of his interest in the design (**clause 11**).

## When Are the Rights of Design Owners Infringed?

Under the old Act infringement occurs where another person:

- applies the design or any fraudulent or obvious imitation of it to any article in respect of which the design is registered
- imports such an article into Australia for sale or use in trade or business
- sells or hires any such article.<sup>48</sup>

The ALRC noted that there has been a perception that Australian court decisions have interpreted the term 'fraudulent or obvious imitation' so narrowly that design owners are protected against only virtually exact copies. Consequently it is easy for competitors to avoid infringement by changing features which make the design appear visually different but are commercially or functionally insignificant.<sup>49</sup>

Following the recommendations of the ARLC, the concept of infringement by imitation is removed in the Bill, and replaced by the 'substantial similarity' test, ie the same test used to determine eligibility of a design for registration.

**Clause 71** sets out how a person will infringe a registered design. Infringement occurs if a person, without licence or authority of the registered owner:

- makes a product to which the design is registered, or which embodies a design that is identical to or substantially similar in overall impression to the registered design
- imports such a product into Australia for trade or business

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- sells, hires, or otherwise disposes of such a product
- uses such a product for trade or business
- keeps such a product for doing any of the above.

In determining whether a design is ‘substantially similar in overall impression’ to the registered design, a court is to consider the factors specified in clause 19 (**subclause 71(8)**). For example, the court would be required to give more weight to the similarities between the designs rather than to the differences. The court would also have regard to the state of development of the prior art base for the design, the freedom of the creator of the design to innovate and any features of the product which are specified in the application for registration as being new and distinctive. In making this assessment the court would apply the standard of the informed user, that is, the person who is familiar with the product to which the design relates.

As more weight is to be given to the similarities than differences, products which have incorporated salient features of the registered design, and are otherwise very similar to the registered design, apart from slight differences, are more likely to be held to be infringing products under the test in the Bill, than under the current fraudulent or obvious imitations test in the old Act.

## Right of Repair Defence Against Infringement

**Subclause 72(1)** of the Bill provides a defence against infringement of a design where a component part embodying a registered design is used for repair purposes (ie spare parts) without the authorisation of the design owner. To avoid infringement the complex product (ie a product comprising at least 2 spare parts) needs to be repaired and to have its overall appearance restored in whole or in part by the use of the component part. However, there is no defence against infringement where the use of a component part embodying a design results in the enhancement of the appearance of the complex product (**subclause 72(3)**).

**Subclause 72(2)** provides that the onus is on the owner of the design to prove that parts were being used for non-repair purposes.

**Subclause 72(5)** defines the term ‘repair’ to include:

- restoring or replacing a faded or otherwise deteriorated or decayed component part
- replacing incidental items at the same time as a damaged component part is being repaired or replaced
- maintaining the complex product by replacing component parts during a routine maintenance program.

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The Explanatory Memorandum states that upgrading or enhancing the look of the complex product would not be considered to be a repair. For example, adding accessory items that are protected by a registered design in order to enhance the appearance of the complex product, would not fall within the scope of the term 'repair'.<sup>50</sup>

## Court Proceedings

**Clause 73** provides that the owner of a registered design can bring proceedings in prescribed courts<sup>51</sup>— or in another court with jurisdiction. Significantly, infringement proceedings cannot be brought until the design has been examined and a certificate of examination has been issued (**subclause 73(4)**).

Remedies for infringement are set out in **clause 75** and include injunctions, damages and an account of profits. This clause essentially replicates provisions in the old Act.

**Clauses 77-81** provide for relief from unjustified threats of infringement proceedings and correspond to the provisions in Division 2 of Part V of the old Act.

**Clauses 83-89** deal with the jurisdiction of the courts and correspond to the provisions in Part VIB of the old Act.

## Compulsory Licences

**Clauses 90 and 91** provide for court to grant compulsory licences for registered designs under certain circumstances and **clause 92** provides for the revocation of a registered design where the design is the subject of a compulsory licence. A compulsory licence is a non-exclusive licence granted to a specified person to make, import or sell products embodying the design. A compulsory licence will only be granted where the design has been used outside Australia and where the owner of the design has given no satisfactory reason for failing to use the design in Australia and will not grant the applicant authorisation on reasonable terms for its use in Australia.

A person may apply for a compulsory licence only after the registered design has been examined and has been found valid (**subclause 90(2)**).

There are corresponding provisions regarding compulsory licences in the old Act which the ALRC recommended should be removed<sup>52</sup>. The Government disagreed with this recommendation stating:

[it] considers compulsory licensing maintains the checks and balances in the system. The government also believes the fact that Australians have never used the compulsory licensing provisions is insufficient reason to remove them. Further, the provisions could also address concerns expressed by agencies such as Treasury and the (then) Industry Commission over the potential for anti-competitive effects flowing from design protection, as acknowledged by the Commission.<sup>53</sup>

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## Crown Use

**Clauses 96-107** essentially replicate Part VIA of the old Act. They provide for the Commonwealth, the States and the Territories to use registered designs for their purposes, for the Commonwealth to acquire a registered design and for the Registrar of Designs to prohibit or restrict the publication of information about a design. By way of background, the ALRC had recommended that Part VIA of the old Act should be removed on the basis that there was no demonstrated need for these Crown use provisions.<sup>54</sup>

The Government, in response, stated that it disagreed with this recommendation:

[...] as it considers it is important that it maintains a discretion to use a design, subject to payment of compensation, for reasons including possible defence and security needs. Many Commonwealth and State agencies support retaining the crown use provisions and they are consistent with other intellectual property legislation. The government also considers the reason the Crown use provisions have never been used is insufficient justification for their removal, indeed their existence may have acted as a lever in negotiations for ensuring cooperation from design owners.<sup>55</sup>

## Publication of Designs

The Bill provides for publication of designs as an alternative to registration. Whereas registration gives the creator an exclusive property right in the design, preventing others from applying it, publication gives the creator a guarantee that, while others may apply the design, they may not register it for their own exclusive benefit. Publication is intended to deal with situations where exclusive property rights, and the cost of acquiring and enforcing them, hinder rather than assist the application of designs.

As discussed above, requests for publication of a design must be included in design application and made in accordance with the prescribed requirements (**clause 35**). **Clauses 57-59** set out the requirements for publication of designs. Essentially the Registrar must publish a design if satisfied that the formal prescribed requirements for publication have been fulfilled. However, it is of note that the Bill is silent on the rights of the applicant for a published design. In contrast to registration, there are no eligibility tests<sup>56</sup>, there is no post grant examination and no process for infringement proceedings in relation to publication. The only explanation of publication of a design is in the Bill's Explanatory Memorandum which states:

Publication does not give the applicant any exclusive rights in the design, but will prevent other persons from obtaining exclusive rights in the design — allowing all persons to use the design without infringing it. Publication may be of advantage to those industries developing large numbers of short-lived designs for which registration could be too costly, for example, the textile industry.<sup>57</sup>

The ALRC report made the following recommendation in relation to publication of designs.

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An optional publication or registration system should be introduced into the new designs legislation. At any time within six months from the priority date a person who has filed an application for registration can request publication or can seek formal examination and registration of the design. Choosing publication should not entitle a person to an exclusive property right but it should have the effect of preventing other applicants from obtaining priority. If no election were made within the six-month period the application should be regarded as lapsed.<sup>58</sup>

The Government, in its response accepted this recommendation.

## Miscellaneous Matters

**Clauses 122 to 128** are administrative provisions and correspond to sections 8-10 of the old Act.

Amongst other things they:

- establish the offices of Registrar and Deputy Registrar of Designs and provide for their powers and functions (**clauses 122 and 123**)
- establish the Designs Office (**clause 125**), and
- empower the Registrar to delegate his or her powers or functions to prescribed employees (**clause 124**).

**Clause 130** corresponds to section 42 of the old Act and deals with fees to be paid with respect to designs. Amongst other things it provides that:

- the regulations may prescribe the fees to be paid, and
- failure to pay the prescribed fees will result in a design application lapsing.

**Clauses 131-135** establish a number of offences relating to designs registration including:

- Making false entries in the Designs Register (maximum penalty: imprisonment for twelve months) (**clause 131**)
- Making false representations that a design is registered (maximum penalty: 60 penalty units) (**clause 132**)
- Failing to comply with requirements of the Registrar in regard matters such as answering questions and providing documents (maximum penalty: 30 penalty units) (**clause 134**)
- Trafficking in registered designs by employees of the Designs Office (maximum penalty: 60 penalty units) (**clause 135**)

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- Making false representations about the Designs Office (maximum penalty: 30 penalty units) (**clause 133**)

These offence provisions correspond to similar provisions in the old Act, however in contrast, they are written to reflect more modern drafting practices so as to harmonise with the principles of criminal responsibility set out in Chapter 2 of the Commonwealth *Criminal Code*.<sup>59</sup>

**Clause 136** provides that a person may apply to the Administrative Appeals Tribunal for review of decisions of the Registrar in relation to matters including:

1. refusing a design application
2. refusing to register or publish a design, and
3. refusing applications for an extension of time.

**Clause 150** repeals the *Designs Act 1906* (ie the old Act). **Clauses 151-161** are transitional provisions to provide for the continued operation of the old Act to deal with certain registrations and proceedings commenced under that Act.

## Concluding Comments

### ALRC Recommendations Not Adopted

A significant part of the Bill is based on the recommendations of the ALRC report, which itself was the product of an extensive review of designs law. There appears to be general optimism that the proposed reforms will go some way to making the system of design registration more effective.

However, notably, in two major areas<sup>60</sup>, the Bill diverges from the ALRC recommendations namely, in its treatment of designs embodied in spare parts<sup>61</sup> and in the designated period of design registration.<sup>62</sup>

In relation to spare parts, it could be argued that the Government did not fully canvass the ALRC's recommendation of a referral procedure to the ACCC. It remains to be seen whether the Government's alternative, namely a 'right of repair defence against infringement', will be any less complex and costly and further, the intention to review its operation in three years is perhaps indicative of some uncertainty about the outcome.

The Government's rationale for the reduction in the registration period from the current 15 year period to 10 years seems unclear.<sup>63</sup> Given the ALRC's recommendation and the possibility that Australia, at some later date, may wish to participate in an international scheme of design registration based on 15 years, the decision to reduce registration to a maximum period of 10 years could warrant further attention by the Parliament.

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## Endnotes

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- 1 Section 51(xviii) of the Constitution.
- 2 For example, the Intellectual Property and Competition Review Committee (IPCRC) conducted a major review of Australia's intellectual property laws and their effects on competition. The IPCRC was established under an intergovernmental agreement that forms part of the National Competition Policy. The IPCRC issued its [final Report](#) to the Federal Government in September 2002. It includes some discussion of designs registration.
- 3 TRIPS is the acronym for Trade-Related Aspects of Intellectual Property Rights
- 4 J Phillips, 'International Designs Protection: Who Needs It?' (1993) 15 EIPR 431; S Ricketson, 'Towards a Rational Basis for the Protection of Industrial Design in Australia' (1994) 5 AIPJ 193.
- 5 *Designs Act 1906*, section 4.
- 6 *ibid.*, section 18.
- 7 Section 30.
- 8 Section 32.
- 9 James Lahore, *Copyright and Designs*, Butterworths [Looseleaf service] para 60,005.
- 10 Naomi Pearce, 'Towards a better test for infringement of a registered design: the Designs (Exposure Draft) Bill, *Australian Intellectual Property Law Bulletin*, v. 15, no. 3, August 2002, p. 29.
- 11 Designs Law Committee, Report on the Law relating to Designs, Canberra, AGPS, 1973 (Franki Report); J Lahore Inquiry into Intellectual Property Protection for Industrial Designs, Canberra, 1991; Industrial Property Advisory Committee, Practice and Procedures for Enforcement of Industrial Property Rights in Australia, Canberra, 1992; ALRC Australian Law Reform Commission, *Reform No 74 - Designs*, Sydney, 1995.
- 12 Franki Report, *ibid.*
- 13 Australian Law Reform Commission, *Reform No 74 - Designs*, Sydney, 1995.
- 14 *ibid.*, para 2.39.
- 15 Submissions to the ALRC inquiry suggested that between 1980 and 1991, only 30 per cent of infringement proceedings were successful; between 1986 and 1993, that figure was stated at less than 10 per cent; and between 1993 and 2000, 36 per cent of infringement proceedings were successful at trial. (Quoted in Naomi Pearce, *op.cit.*, p. 30.)
- 16 Australian Law Reform Commission, *op.cit.*, para 2.41.
- 17 Australian Law Reform Commission, *Media Release*, 1 September 1995.
- 18 This recommendation was rejected by the Government. See page 5 for a fuller discussion.
- 19 This recommendation was rejected by the Government. See page 5 for a fuller discussion of spare parts.

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- 20 Government response is available at:  
[Http://www.alrc.gov.au/inquiries/title/alrc74/response.htm](http://www.alrc.gov.au/inquiries/title/alrc74/response.htm)
- 21 The treatment of spare parts under the designs registration system has been examined previously in reports of the Industry Commission, the Bureau of Industry Economics, the ALRC and most recently the IPCR Committee.
- 22 Review of Intellectual Property Legislation under the Competition Principles Agreement, p. 182.
- 23 This recommendation was rejected by the Government. See below at p. 5 for a fuller discussion of spare parts.
- 24 This was the ALRC's recommendation which the Government rejected on the grounds of cost and complexity.
- 25 A 'must fit' part must fit or connect to another product to enable either product to perform its intended function. A 'must match' part is dependent on the appearance of another product of which the product is intended by the designer to form an integral part.
- 26 The ALRC's view of a 'must fit' and 'must match' exclusion was that definitions of that kind are arbitrary, covering categories of spare parts that do not have any anti-competitive effect. 'It promotes litigation rather than reducing it.' ALRC op.cit, para 16.22.
- 27 Explanatory Memorandum, paras 27–91.
- 28 For further explanation see p. 11 of the Digest, **clause 72** of the Bill.
- 29 Explanatory Memorandum, paras 84–85.
- 30 *ibid.*, paras 85–86.
- 31 Component parts embodying designs that are used for repair purposes (ie spare parts) are to be treated differently. See pp. 5 and 11 of the Digest for further explanation.
- 32 ALRC, Report, para 5.5.
- 33 ALRC Recommendations 30 and 32.
- 34 Naomi Pearce, *Op. cit.*, p. 32.
- 35 Allens, Arthur, Robinson, 'Designs Bill 2000', located at:  
<http://www.aar.com.au/pubs/ip/ipjun01.htm>
- 36 Publication of a design is discussed in more detail below at p. 14, however publication is referred to at this point because design applications may be made for both registration and publication concurrently.
- 37 The filing date is important because the term of registration of any design is generally counted from that date (see **clause 46**).
- 38 **Subclause 43(1)** prescribes the categories of designs that cannot be registered. These include designs protected under the *Olympic Insignia Protection Act 1987*; integrated circuits as defined in the *Circuit Layouts Act 1989*; restricted designs that affect the interests of the defence of the Commonwealth, and designs prescribed in the regulations.

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- 39 The Locarno Agreement is the Agreement establishing an International Classification for Industrial Design (clause 5).
- 40 Explanatory Memorandum, para 16, p. 5.
- 41 Canada.
- 42 New Zealand, Japan, Ireland, Italy, Belgium, the Netherlands, Luxembourg, Switzerland, Vietnam and Israel.
- 43 France.
- 44 ALRC, Report, para 10.7.
- 45 World Intellectual Property Organisation.
- 46 At 17 February 2003 there were 31 member states.
- 47 The Protocol came into force in Australia on 11 July 2001. For further background see the [Bills Digest](#) for the Trade Marks Amendment (Madrid Protocol) Bill 2000 (*Bills Digest No.20, 2000–2001*).
- 48 paragraph 30(1)(a) of the *Designs Act 1906*.
- 49 Naomi Pearce, Op. cit, p. 31.
- 50 Explanatory Memorandum, para 114.
- 51 Prescribed courts are defined in clause 5 as the Federal Court and the Supreme Courts of the States, the Territories and Norfolk Island.
- 52 ALRC Recommendation 162.
- 53 Government response to ALRC Recommendation 162.
- 54 ALRC report, para 7.26.
- 55 Government response to ALRC Recommendation 75.
- 56 Apart from the requirement that a design comply with the legislative definition of a design.
- 57 Explanatory Memorandum, para 40, p. 31.
- 58 Recommendation No. 77.
- 59 For an account of the background to the *Criminal Code* and a brief description of Chapter 2 of the Code, see the [Bills Digest](#) for the Environment and Heritage Legislation Amendment (Application of Criminal Code) Bill 2000 (*Bills Digest No.92, 2000–2001*).
- 60 Other differences (eg Crown use and compulsory licences) would appear to be less significant.
- 61 See above at: pp. 5 and 11.
- 62 See above at: pp. 9–10.
- 63 *ibid*.

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