

# ALRC 74

## Designs

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This Report reflects the law as at 30 June 1995

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Commission Reference: ALRC 74

The Australian Law Reform Commission was established by the *Law Reform Commission Act 1973*. Section 6 provides for the Commission to review, modernise and simplify the law. It started operation in 1975. The main office of the Commission is at Level 10, 133 Castlereagh Street, Sydney, NSW, 2000, Australia. The Commission also has an office in Canberra.

# Terms of reference

## COMMONWEALTH OF AUSTRALIA

### *Law Reform Commission Act 1973*

1. I, Michael Duffy, Attorney-General of Australia, at the request of the Minister for Industry, Technology and Commerce, and having regard to the need:

- to ensure that the protection afforded to industrial designs under Australia's industrial designs system is adequate and appropriate; and
- to modernise and simplify, and to remove difficulties that have arisen in the operation of, the *Designs Act 1906*; and
- to ensure that persons whose rights under that Act have been infringed have access to a quick, cheap and effective remedy;

refer the *Designs Act 1906* to the Law Reform Commission for inquiry and report under the *Law Reform Commission Act 1973* section 6.

2. In carrying out its work under this reference, the Commission is to:

- consult relevant federal departments and agencies, designers, manufacturers and any other persons it thinks fit;
- have regard to the protection afforded to industrial designs in other countries; and
- have regard to Australia's international treaty obligations.

3. The Commission is to prepare the detailed drafting instructions for the legislation (including any necessary subordinate legislation) necessary to implement its recommendations.

4. The Commission is to report as soon as practicable, but not later than November 1995.

Date: 18 August 1992

Attorney-General

# Overview

## What this report is about

This report is about encouraging innovation in the design of products.

The owners of designs are currently granted exclusive rights for this purpose under the *Designs Act 1906* (Cth). But there are issues about how well Australia's current designs law works. The Commission was asked to review the Designs Act to modernise and simplify it and to address those issues.

The report concludes that the current system of registered design rights needs to be improved by clearer definitions, stricter eligibility and infringement tests, a more streamlined registration system and better enforcement and dispute resolution procedures.

This is one set of reforms but it is not a complete solution. The other reform required is the introduction of a broad, unregistered anti-copying law. This latter reform goes beyond designs law and the Commission's terms of reference. It is therefore recommended that it be reviewed separately in the context of Australia's intellectual property laws as a whole. Particular consideration should be given to unfair copying and unfair competition laws.

## What sort of designs law is required?

Australia's designs law needs to be tailored to meet its main objective - to encourage innovation in Australian industry to Australia's net economic benefit. Designs law can do this by preventing competitors free riding on design innovations and by providing investors in design with security for their investment.

Meeting this objective is not simply a matter of granting exclusive legal rights to all design activity. New design innovation depends to some extent on being able to use and apply previous design innovations. Design rights must not be so restrictive that they act as a barrier to further innovation in industrial design.

Current designs law is not striking an effective balance. It does little to prevent free riding. Many design owners consider that it is not cost effective. Insurance and consumer groups consider that it provides monopoly rents in areas like car spare parts. There is also a widespread view that it should protect the way a product works not just how it looks.

In striking a balance there are many factors to take into account. The range of activities undertaken by contemporary designers has changed and expanded significantly since the Designs Act was passed in 1906. This suggests that design rights should be broadened. But any such expansion needs to be assessed in terms of its economic impact, the international context and the other forms of legal protection that are available, particularly copyright, patent, petty patent and trade marks and the laws on passing off, breach of confidence and misleading and deceptive conduct. Designs law has a fairly narrow role within the pattern of laws designed to encourage innovation. Any reform that would restructure that pattern should only be considered in light of Australia's intellectual property laws as a whole.

These considerations have led to the recommendations to improve the current designs law broadly within its current scope but also to consider an anti-copying right as part of a broader reform of intellectual property laws.

## The registered design right

The key features of the registered design right recommended in the report are as follows.

- A design should be defined as one or more visual features of a product. A product's visual features include its shape, configuration, pattern, ornamentation, colour and surface. A product is anything that is manufactured, including something hand made. A component part is itself a product but a portion of a product is not.

- To qualify for protection a design must be sufficiently innovative. A new test is proposed to determine this. The design must be 'new *and* distinctive'. To be distinctive it must differ substantially in overall impression from previous designs.
- The test for when a design is infringed is effectively the same. A design will infringe a registered design if it is substantially similar in overall impression to the registered design. This is determined by the court from the perspective of the 'informed user' of the product.
- Only the owner of the registered design can take action for infringement of the design. The owner of the design is the person or persons who created it but the owner of the registered design is the person or persons registered as the owner.
- Some new procedures are recommended for the registration system. To streamline the system an application for a design will only be examined in the first instance to check that it complies with formal requirements (a 'formal examination'). The examination of whether it is new and distinctive (the 'substantive examination') will only be undertaken if the applicant requests it or the registration is opposed. Applicants will also be given a 6 month period to test and refine their design after they have first lodged the application. At any time within that period an applicant can ask for the design to be published or registered. It will also be possible to submit multiple applications for registration.
- The design right will last for a period of 15 years, but it will require renewal each 5 years.
- The current limited opportunity to oppose the first 11 month extension of a design's registration on the grounds of novelty will not be retained. Instead it will be possible to challenge administratively the validity of a design's registration on a wide range of grounds at any time after registration. Should the Registrar find that a design is not validly registered then provided there is no appeal, the design will be removed from the register or any other necessary amendments to the register will be made.
- As a general principle decisions of the Registrar of Designs will be able to be reviewed on their merits by the Administrative Appeals Tribunal. Appeals on questions of law will be heard by the Federal Court. Some decisions of the Registrar will be reviewable only for their legal validity.
- A number of measures are proposed to encourage alternative dispute resolution so that enforcement issues do not always require litigation. It is not considered necessary at this stage to establish a special industrial property tribunal or a special list in the AAT or Federal Court to deal with designs issues.
- A range of remedies should be available for infringement of designs including injunctions, damages and an account of profits.

## Special issues

Recommendations have also been made in relation to three special issues.

- Current designs law prohibits pirate imports but permits parallel imports. This approach should be maintained in the new designs law.
- Current designs law allows protection for spare parts. This should continue subject to a special procedure for referring potentially anti-competitive spare parts designs to the Trade Practices Commission. If the TPC finds that a grant of a design right would contravene s 50 of the Trade Practices Act, given certain assumptions, then the design will not be registrable.
- The provisions in the Copyright Act dealing with the overlap between designs and copyright should be simplified. The current provisions should be repealed and an adaptation right for artistic works should be introduced as part of copyright protection. It should also be expressly provided that it is not a reproduction of a work in a two dimensional form to make a version of the work in a three dimensional form.

# 1. Introduction

## This review of the Designs Act

### *Terms of reference*

1.1 On 18 August 1992 the Attorney-General referred the *Designs Act 1906* (Cth) to the Commission for inquiry and report. The terms of reference, set out at the front of this report, require the Commission to have regard to the need to

- ensure that industrial designs are adequately and appropriately protected
- modernise and simplify the Designs Act and remove difficulties that have arisen in its operation, and
- ensure that persons whose rights under the Act have been infringed have access to a quick, cheap and effective remedy.

### *Impetus for review*

1.2 A number of significant issues prompted this review. A central concern was that the protection afforded under the Designs Act did not adequately protect the commercial worth of innovative designs. The infringement test was considered unsatisfactory because competing designs had to be virtually identical before the courts would find infringement. The costs of enforcing design rights were seen as prohibitive and the procedures as too slow. Overlying these concerns was the need to clarify the relationship between design protection and patent and copyright protection and the related issues of whether protection should extend to innovative functional features, to spare parts and to methods and principles of construction. A further impetus for the review was the desire to harmonise the varying levels of international protection and to assess the changes and proposed changes in overseas design protection particularly in the European Union countries.

## Related reviews and initiatives

### *Reviews of IP laws*

1.3 A number of related reviews and initiatives affected and formed a context for this review:

- reviews of patents and trade marks law which resulted in the introduction of a new Patents Act in 1990 and a new Trade Marks Act in 1994
- the current review of the Copyright Act by the Copyright Law Review Committee
- ACIP's current review of petty patent protection
- IPAC's reports on the enforcement of intellectual property rights and on a number of areas of design law including the definition of design, the infringement test and the design/copyright overlap.

### *Reviews of industry assistance*

1.4 This reference is also part of a series of reviews aimed at assisting Australian industry. These include the federal government's Innovate Australia consultation program, the Bureau of Industry Economics (BIE) reports on the economics of intellectual property rights for patents and for designs, the 1993 report of the Prime Minister's Science and Engineering Council on the role of intellectual property in innovation and the Industry Commission's recent inquiry into the effect of research and development activities on innovation in Australia.



## Consultations

### *Issues Paper and Discussion Paper*

1.5 The Commission's prime consultative documents were the Issues Paper and the Discussion Paper. In April 1993 the Commission circulated the Issues Paper on designs to about 1500 interested persons and organisations. The paper outlined the protection afforded by current designs law and posed about 240 specific questions for comment. Over 170 written submissions were received. These submissions were taken into account in the preparation of the Discussion Paper that was circulated in August 1994. The Discussion Paper contained detailed proposals for reform together with an explanation for each proposal. Approximately 100 written submissions were received on these proposals. The names of those making submissions are set out in Appendix D.

### *Designers, manufacturers and design professionals*

1.6 **Broad consultation.** The terms of reference required the Commission to consult with designers and manufacturers and any other persons the Commission thought fit. In the conduct of this review the Commission consulted with designers, manufacturers, patent attorneys, lawyers and interest groups in all States and Territories of Australia. Seminars were held in all capital cities, with the assistance of the Australian Academy of Design. These seminars were attended by over 500 design related professionals. The Commission also addressed many of the major industry organisations, including the Institution of Engineers, the Metal Trades Industry Association, the Royal Australian Institute of Architects and the Retailers' Council of Australia.

1.7 **Specific industry and litigant consultation.** The Commission published brochures and articles in industry newsletters outlining key issues in designs law. Separate consultations were held with manufacturers of products including textiles, electrical goods, telecommunications equipment and building and construction suppliers. The Commission also met with about 80% of companies that had been directly involved in designs litigation, including manufacturers of such products as bicycle helmets, garage doors, extruded aluminium lengths, wheel chairs and air conditioners.

1.8 **Identifying difficulties.** This research provided a valuable indication of the real difficulties experienced with the current legislation and gave the Commission a focus for reform. A list of the major consultations, meetings and seminars undertaken by the Commission is included in Appendix D at the back of this Report.

### *Survey of design users*

1.9 **Industry use of Designs Act.** To address the real needs and expectations of users of the design system in Australia, the Commission conducted a survey of the design industry by questionnaire and telephone interview. The survey provided the Commission with a comprehensive picture of industry use of the Designs Act, the aspects of the design that designers were seeking to protect, their perceptions of the value of the current protection and any difficulties they may have with the registration system and with enforcing their design rights. The survey canvassed about 1000 individual designers and manufacturers throughout Australia, targeting recent, lapsed and renewed design registrants.

1.10 **High response.** The survey was the first of its kind in Australia and stimulated substantial interest and industry appreciation with a high response rate. The results of the survey provide widely based and systematic information about the actual functioning of design laws. Specific results are referred to in the course of this report to provide the background to recommendations made. The methodology and the analysis of the results of the survey are set out in Appendix C.

### *Consultations with government*

1.11 **Federal and State governments.** The terms of reference also state that the Commission is to consult with relevant federal departments and agencies. Throughout the reference the Commission consulted with AIPO and at different stages of the reference consultations were held with other government agencies on particular questions. These included consultations with the Attorney-General's Department on questions of

copyright overlap, with the Department of Foreign Affairs and Trade on questions relating to TRIPS, and with the Trade Practices Commission, the Industry Commission, the BIE and the Department of Industry Science and Technology on issues relating to the economic impact of protection and in particular on the issue of spare parts. The Commission also sought the views of a large number of State and federal agencies on other issues including the question of consumer protection and of Crown use.

**1.12 *Participation in related government initiatives.*** A submission was made by the Commission to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs on the subject of protection of intellectual property in Aboriginal and Torres Strait Islander designs. Submissions were also made to the Attorney-General's Department on issues relating to moral rights and to the Administrative Review Council on review of patents decisions. The Commission participated in seminars conducted on related reviews such as the ACIP petty patents review, the federal government's Innovate Australia program and the Working Party of the Prime Minister's Science and Technology Committee on the role of intellectual property in innovation.

### ***Overseas consultations***

**1.13 *Europe.*** The Commission was required under the terms of reference to have regard to the protection afforded to industrial designs in other countries. There have recently been a large number of significant developments in European designs laws. The EC published a Green Paper on design protection in 1991 and subsequently published a proposed Council Regulation in 1993. The MPI drafted a model European design law in 1990. The AIPPI Tokyo conference in 1992 focussed on these European developments. In 1994 and 1995 the World Intellectual Property Organisation held meetings of experts in Geneva to consider revisions of the draft new Acts under the Hague Agreement. TRIPS was concluded in 1993. To utilise the international experience in this area, the Commission consulted with leading European design experts, government officials and academics. These included meetings with the EU in Brussels, the WIPO in Geneva, and the MPI in Munich. In the UK the Commission met with the UK Patents Office and with patent attorneys and the legal profession for discussions on the impact of the *Copyright, Designs and Patents Act 1988* (UK).

**1.14 *New Zealand.*** The New Zealand Ministry of Commerce has also been engaged in a major review of New Zealand intellectual property laws. The Commission consulted closely with the Ministry and met with Ministry staff in Sydney on several occasions.

**1.15 *North America, Asia and Africa.*** The Commission corresponded with the Canadians on the recommendations of the Hayhurst Report on copyright overlap and functional design. It also sought views from the US on the designs Bill HR 1790 which was introduced into the US Congress but did not proceed to legislation. The Commission received delegations from Hong Kong, China and Japan. It sought the advice of Mr P Smith, the former Registrar of Designs and Commissioner of Patents, on relevant provisions of the new Singapore patents legislation introduced in 1994 and from South Africa on the new designs legislation introduced in 1993.

## **Outline of this report**

**1.16** An overview is included at the front of this report. In summary

- the need for reform and the rationale for protection is contained in chapters 2 and 3
- recommendations to cover what is protected as a 'design' and who owns the design right are made in chapters 4, 5 and 7
- there are recommendations in chapter 5 on the level of innovation necessary before a design can be protected
- chapter 6 contains recommendations on what should constitute infringement of a registered design
- the system of registration, the duration of the design right and the means to challenge or review those procedures are set out in chapters 8, 9, 10 and 11

- recommendations concerning enforcement and the resolution of disputes involving designs and remedies available for design owners are contained in chapters 12, 13 and 14.

The remaining chapters address specific issues: parallel imports in chapter 15, spare parts in chapter 16, the design/copyright overlap in chapter 17 and administration in chapter 18. There are a number of appendices to the report: Appendix A contains draft clauses to reflect some of the key recommendations made by the Commission; Appendix B contains a table summarising the recommended system of review of the Registrar's decisions; Appendix C contains the results of the design users survey conducted by the Commission; Appendix D contains a list of submissions and select consultations and Appendix G contains a select bibliography. Readers may wish to refer to the abbreviations set out in Appendix F.

## **Aboriginal designs**

1.17 One particular area of importance for design in Australia is traditional Aboriginal and Torres Strait Islander designs. These were discussed in Issues Paper 11<sup>1</sup> and Discussion Paper 58.<sup>2</sup> However they raise special issues that cannot be adequately addressed through general designs law and that should not be considered in isolation from other issues arising out of Aboriginal art, culture and heritage. The House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs is currently considering intellectual property rights as part of its inquiry into Aboriginal culture and heritage. The Commission has not discussed or made any recommendations on Aboriginal designs in this report.

## **Acknowledgments**

1.18 The Commission thanks its consultants whose names appear on the list of participants in Appendix E for their expert advice and assistance during the course of review. The Commission also records its thanks for the assistance of officers of AIPO, in particular Hugh Ness, the Deputy Registrar of Design.

## 2. Designs and the law

### Introduction

#### *The mismatch between designs and the law*

2.1 The law has not kept up with changes in the scope of what designers are doing. Design is an integral part of manufacturing and marketing but designs law tends to treat it as a minor cosmetic aspect of a product. For designers and manufacturers this mismatch and the outdated legal concept of design have been the source of much dissatisfaction over many years. There have been a number of reviews of intellectual property laws and innovation policies in recent years which are relevant to their concerns. For the most part, notwithstanding those reviews, their concerns remain - the continuing dissatisfaction of designers and manufacturers with the law was evident in the consultations in this inquiry. These concerns lead to the reform of designs law discussed in the next chapter.

#### *This chapter*

2.2 This chapter outlines the mismatch between designs and the law. It describes the nature of modern design, its broad scope and its role in Australian industry. It compares this to the narrow place of design rights within the current framework of intellectual property law. This illustrates the mismatch between designs and the law. It then discusses the previous reviews of designs and related laws, the current dissatisfaction with the law and the themes that emerged from the consultations. These indicate the nature of the reform required.

### The nature of modern design

#### *Industrial design*

2.3 The Designs Act establishes a system for the protection of industrial designs. Over time the scope of industrial designs has expanded and distinctions with other areas of design activity have become blurred. A fundamental issue is therefore what sort of design activity should fall within the scope of design protection. This section outlines some of the aspects of modern design that need to be taken into account.

#### *Design and commerce*

2.4 **Design as part of manufacturing and marketing.** Industrial design is inherently commercial. The activity of industrial design is generally sourced to the Industrial Revolution. This introduced the mass production of goods, a division of labour with each worker specialising in a single activity and the increased use of specialised machines. This in turn allowed and required design to be separated as an activity from the production stages of manufacturing. It led to the activity of industrial design as a separate but integral part of the process of manufacturing and marketing mass produced goods.<sup>3</sup>

2.5 **Modern commercial role.** The activity of industrial design has broadened from that base, and its commercial role and significance have increased. There is now a view that good design pays. It is discussed as a crucial element in corporate strategy, and as integral to the customer focus required for business success.<sup>4</sup> It is a key part of innovation in industry. In terms of specific market attributes, modern design is seen as essential to product differentiation and brand loyalty. There is economic debate about the social value this creates but there is no debate about the reliance on design to achieve these competitive advantages.<sup>5</sup>

#### *The broad scope of design activity*

2.6 **Industrial design in context.** Design can encompass a very wide range of activities. Industrial design is only one part of this activity. While there is no ready system of classification of design, industrial design can be put in perspective by considering other areas of design activity. For example

- dress and textiles, ceramics and furniture can all be the subject of industrial design but can equally all generate design activity that falls outside the large scale production that is the main part of industrial design
- industrial design has historically been distinguished from interior design (the composition of items within a domestic, commercial or other interior), graphic design (the composition of words and images on a surface) and environmental design (how our environment or surroundings are used), but 'unity of design' and other design principles are now blurring some of those distinctions
- industrial design is also generally considered to be distinct from, but increasingly overlapping with, engineering design.

These and other divisions are, of course, somewhat arbitrary. They are largely a reflection of the professional structure of practising designers.<sup>6</sup>

**2.7 *Wide range of industrial design activity.*** Industrial design can itself encompass a wide range of activities and products. Industrial designers

have claimed its range of concerns extends from a 'lipstick to a steamship' or from a 'match to a city'.<sup>7</sup>

A vast array of industrially designed products are used in every part of daily domestic or commercial life. John Heskett illustrates this by referring to the preparation of food in a kitchen.

Basic fittings will include storage spaces and containers for food and equipment, with a table or cupboard-top surface at which to work. To prepare food, there will be hand-implements such as knives, spoons, ladles, vegetable-peelers and spatulas, for use with basins, jugs and cutting boards, and mechanical appliances such as a hand-whisk or powered mixer/beater. Vessels for cooking will include saucepans, frying-pans, baking-tins and casserole dishes, of varying shapes, materials and sizes. For cooking there will be a stove, using gas, electricity or solid fuel, possibly supplemented by appliances such as a toaster or electric kettle.<sup>8</sup>

**2.8 *Not just visual appearance.*** To this must be added the many attributes of a particular design. Within the field of industrial design, a reference to an article's design can be a reference to aspects of its structure, look, function, durability, ease of operation, value for money, safety characteristics, ergonomic characteristics or any environmental characteristics.

**2.9 *Systems and processes.*** Industrial design activity can also be characterised more broadly. Some designers consider that it extends beyond the design of a utilitarian product - a thing that 'toasts bread, takes pictures, gets sat upon or transports people' - to the design of systems like airlines or factories.<sup>9</sup> Others argue that design is a process and design protection should focus on the activities of planning, testing and redefining since this is where 'design' adds value.

Design is, in reality, a core element of research and development, a key part of the continuum, not merely a support activity, and this is worthy of recognition by industry and government. The research and development process is more correctly described as research, design and development.<sup>10</sup>

**2.10 *The process of designing.*** Relevant also in the context is the way in which designs are developed. It has been described as a 'leapfrogging' process. Designers learn from previous design work - the prior art base - and apply it towards new designs. Design protection must therefore draw a line between an application or development that is little more than copying with minor variations and one that represents a genuine advance on the prior art base.

### ***Beyond ornamentation***

**2.11 *Design philosophies change over time.*** Although it has had a relatively short history there have been many different philosophies and movements in design, ranging from decorative and ornamental approaches in the 19th century through Modernism and Pop Design to Post Modernism.<sup>11</sup> The objectives underlying these philosophies are more than simply visual amusement, and in practice design achieves more - that is clear from the range of attributes now expected of good design and its role in customer focus and corporate strategy.<sup>12</sup> However Australian designs law has not kept up to date, either with developments in design

philosophies - it still largely reflects a decorative and ornamental concept of design - or with its expanding activities as outlined above.

**2.12 *Functionalism.*** There has been particular debate over the role of the function of a product in its design. Redmond comments that since the advent of the modern movement 'function' has become inextricably entwined with the aesthetics of the product.<sup>13</sup> However achieving a visual effect by eliminating ornament is sometimes incorrectly confused with not considering visual effect at all.

A common response by engineering designers to the aesthetics of their design is to state that it is solely functional. What they usually mean is that they have designed it solely from the consideration of one aspect of the product's function - its mechanical, structural, or electrical role, without consideration of the other aspects of product function. The product still has the other factors inherent in it, but they have just not been properly considered. If those factors are not resolved the product may be difficult to use, lack visual appeal and fail to integrate with its context.<sup>14</sup>

**2.13 *Communicating information.*** At a theoretical level design is a form of communication to the user of the product, expressing in a particular visual form information about the product.<sup>15</sup> This information would include, among other things

- attributes, like ease of use and durability
- cultural values, like taste and style
- social values, like environmental impact and equal availability
- know-how, like new uses of materials and artistic information.

This information has social value. The value is not limited to its impact on manufacturing efficiency or productive capacity or consumer demand, although design can affect all of those. The value of the information extends to its social and cultural impact. In many designs the visual appearance of the product integrates the various attributes of the product, the product differentiators and brand indicators, and the other aspects that give the product commercial value. It is more than a cosmetic variation designed for consumer appeal.

**2.14 *Constraints essential to design.*** This visual appearance will always need to be created within the constraints of function, resources, commercial requirements and so on. The role of industrial design within the manufacturing process means that those constraints are of the essence of the design task.<sup>16</sup> In that sense all design is dictated by function.

### ***Design, global trade and new technologies***

**2.15 *Design protection and continual change.*** During the last decade the significance of design has become more noticeable across the world. Design has become a highly conspicuous part of visual culture.<sup>17</sup> Design consultancies have become an established service industry. Manufacturers now invest heavily in interdisciplinary design teams. Individual designers like Phillipe Starck and Gianni Versace have become business and cultural superstars.<sup>18</sup> This emphasises two points:

- first, even within the current parameters, design protection cannot be limited to particular design philosophies - these will change and expand as part of the process of innovation and design protection will only encourage innovation if it travels with them
- second, the activity of design, and the design industry, are themselves subject to significant change - design protection that focuses too closely on particular design activities in Australia at the moment runs the risk of quickly becoming out of date.

Two forces for change that are already observable are the influence of global and regional trade on Australian manufacturing and developments in computer aided design and multimedia products and facilities. These are changing the competitive framework for Australian designers and the way in which designs are created and exploited.

**2.16 *New technologies and the business of design.*** Over the longer term innovations in communications technologies can be expected to affect the business of design with mixed implications for design protection. The Broadband Services Expert Group commented in its 1994 Report *Networking Australia's Future* that:

... over time the new communications services and the growth of global information networks will result in a fundamental restructuring of industry and business, and of the delivery of education, health and government services...

... Increased flexibility and efficiency are being achieved through concurrent engineering techniques - parallel rather than sequential design and manufacturing processes. Product designs are usually modified before manufacture to reduce protection costs and improve reliability. Network applications such as interactive graphics and computer aided design, multi-party video conferencing and high-speed file transfer allow design and manufacturing teams to work together from the start of a design, with significant savings.<sup>19</sup>

**2.17 *New technologies sharpen the issues.*** This highlights the importance of design. There is potential for substantially more input from designers with more added value from design. It is necessary to avoid legal barriers that would inhibit this input but at the same time address the increased risk of free riding through ease of communications. New technologies have made design issues more acute but do not offer any ready solutions.

### ***Design in Australia***

2.18 There is industrial design activity in Australia across a wide range of industries and products, exhibiting all of the perspectives and issues described above.<sup>20</sup> It includes well known work like Sebel chairs and John Kaldor fabrics, designs for consumer goods like light fittings, bicycles, toys and fashion garments, designs for farm machinery, mining equipment and building products, and designs for car spare parts and other parts of complex products. It includes design work by individual designers and small firms as well as work by larger organisations. It includes designs for export as well as domestic markets.

### ***Debates on the scope and focus of design rights***

2.19 All of the varying perspectives on design outlined above, combined with the developments in design activity and in new technologies, have led to sharp debates about the proper focus and scope of design rights. The starting point for those debates is the current place of design in intellectual property.

## **The place of design in intellectual property laws**

### ***The legal framework for the protection of intellectual property***

2.20 ***The legal concept of design.*** By contrast to the broad scope of modern design the legal concept of a design is quite narrow. It refers only to the visual appearance of a product. It does not protect (at least not directly) any of the non-visual features such as technical function, ergonomic or safety characteristics or how the product feels when held or carried. However some protection for those features is provided through other laws like trade mark or patent law. In addition there is also some legal regulation of aspects of design outside of intellectual property rights. Product design must, for example, comply with relevant safety standards.

2.21 ***Discrete rights.*** This legal framework has developed around a group of specific intellectual property rights. Each has a core concept. Each has developed to meet new technologies and forms of expression either by expanding that concept or by adding supplementary forms of protection.

- Copyright protects literary, artistic, dramatic and musical expressions of ideas. It may also be used to protect sound recordings, films, television productions and performances. It has been supplemented recently by the special protection given to circuit layouts under the Circuit Layouts Act.
- Patent law protects inventions. It extends to both patents and petty patents. It has been supplemented by the specific regime established for new plant varieties under the *Plant Variety Rights Act 1987* (Cth).

- Trade marks are signs used to identify the source of goods and services to establish a connection between them and their supplier.
- Designs law fits into this pattern as protection for the visual appearance of commercially produced goods.

**2.22 *Other forms of legal protection.*** Design protection is also supplemented by the torts of passing off and breach of confidence and by the prohibition on misleading and deceptive conduct in the Trade Practices Act s 52. These laws are not a substitute for the property rights granted under design laws. They do not prevent use of a design. However they suggest that design protection is not needed to guard against the misappropriation of the business reputation of the owner of a design or against damage suffered from deceptive use of a design since these are already adequately covered.

**2.23 *Gap and overlaps.*** The development of the law around specific intellectual property rights has led to much legal debate about gaps and overlaps between those rights. For designers and manufacturers this legal debate has commercial relevance in two areas in particular: the protection of function, as against visual appearance; and the protection of artistic works.

### ***Designs law and the protection of function***

**2.24 *Protection is limited to visual appearance.*** Current designs law only provides protection for visual appearance. Under the Designs Act s 17 only a 'design' within the meaning of that Act is registrable. The definition of design in s4 refers to features of shape, configuration, pattern or ornamentation applicable to an article that can be judged by the eye. A design for the purposes of the Act does not include anything other than the visual features of a product. It does not include, for example, the functional attributes of the product or its safety characteristics.

**2.25 *Incidental protection of function is limited.*** However a design that is otherwise registrable - which means that it must have new or original visual features - will not be refused registration by reason only that it consists of, or includes, features of shape or configuration that serve or serve only a functional purpose.<sup>21</sup> This means that current designs law allows the incidental protection of function through design protection. But there must be a registrable design - a new or original visual appearance - and the focus of protection will still be that visual appearance. The design will only be infringed if there is an unauthorised use of the visual appearance. It will not be infringed by a third party copying or using the functional attributes but with a different visual appearance.

**2.26 *Overlap with patents.*** From a legal perspective incidental protection of function creates the possibility that design protection may overlap with patent or petty patent protection. Some argue that any overlap of this kind is anomalous because it results in the protection of inventions that do not meet the necessary standard of invention for patent protection, thus creating an inappropriate barrier to further patent innovation.

**2.27 *Legal perspective is too narrow.*** For some designers and manufacturers it is too narrow to define the issue as one of overlap between design and patent. In their view patent and petty patent protection is itself inadequate. They argue that the focus on invention does not address the commercial reality that much of the research and development that adds functional value to a product and is easily copied does not qualify for patent protection. The relationship between designs law and the protection of function is discussed further in the next chapter as one of the main issues for reform of designs law.<sup>22</sup>

### ***Designs law and the protection of artistic works***

**2.28** Concerns about potential anomalies also arise in relation to the protection of artistic works. In broad terms copyright provides anti-copying protection for artistic works for 50 years from the author's death.<sup>23</sup> By contrast designs law provides exclusive exploitation rights for industrially applied art for the shorter period of 16 years. As a policy matter it has been considered inappropriate to allow industrially applied art the long period of protection granted to artistic works protected by copyright. For this reason there are provisions in the Copyright Act that seek to prevent dual protection. These provisions have been criticised for being overly complex and for creating further anomalies. In addition for some designers and manufacturers the policy



does not adequately address their need for a shorter anti-copying protection for non-artistic works. Anti-copying rights are discussed further in the next chapter. The design/copyright overlap is discussed further in chapter 17.

### ***Crowding out designs - recent developments on gaps and overlaps***

**2.29 Responding to technology and commerce.** Intellectual property continues to develop to meet changes in technology and commerce and the gaps and overlaps these changes create in intellectual property laws. Developments in trade marks, patents and copyright have been more marked than developments in designs. They tend to crowd out any scope for extending design protection.

**2.30 Trade marks.** The Trade Marks Bill 1995 was introduced into Parliament earlier this year and, if enacted, will commence on 1 January 1996. It will extend the scope of trade marks law through

- a new, broader definition of a trade mark that includes a sign that is a shape, colour, sound or scent provided it can be represented graphically and is capable of distinguishing the applicant's goods or services, and
- a wider test for infringement of the owner's trade mark.<sup>24</sup>

To some extent this extension of trade mark protection will cover the product differentiation and branding benefits of design. This reduces the need for design protection in those respects.

**2.31 Patents and petty patents.** A new Patents Act was passed in 1990 to modernise Australian patent legislation and to raise the standard of invention required to support a standard patent to world standards. The second tier protection provided by petty patents is currently under review by the Advisory Council on Industrial Property (ACIP). In its *Draft Report of the Review of the Petty Patent System* released in March 1995 ACIP has proposed a new model for petty patents with, among other features

- a lower inventive height requirement
- a term longer than the present 6 years
- no limit on subject matter by reference to technology, dimensions or configurations.

If this proposal is adopted it would provide protection for the functional attributes of a design, either in whole or in part depending on the inventive element required to obtain petty patent protection and the other threshold tests to be satisfied.

**2.32 Copyright.** Copyright is currently under close scrutiny to assess what changes to copyright law are needed in response to the convergence of telecommunications, electronic media, computing and information technology. One view is that

... at least in the foreseeable future, copyright law will have a continuing role. However, it may be that new approaches will be necessary to exercise the rights created by statute. These will almost certainly involve technological solutions as well as expanded legislative definitions and clarification of the rights of copyright owners in a digital world...

... It will take some time before we establish new systems for payment ...

... in time I think we will see copyright creators endeavouring to take their payments higher up the distribution chain, in recognition of the fact that it will be increasingly difficult to police secondary and tertiary uses of copyright material. This is a shift which will of course be opposed by copyright users, particularly in the initial stages before new systems and relationships have crystallised.<sup>25</sup>

It is not easy to predict what implications changes of this kind will have for design protection. They are unlikely to affect the nature of the protection that is available and appropriate for the bulk of industrial designs. They may however influence the protection available for computer aided designs and may also limit any extension of design protection to electronic and multimedia applications.

### ***The failure to reflect commercial reality***

2.33 The legal response to modern design is therefore to grant it a rather small corner within an intellectual property system that has many elements and inspires much legal debate. Arguably designs law is being crowded out by developments in other areas of intellectual property, at least in terms of its traditional scope. At the same time design has, and has had for some time, an integral role in modern commerce. Designs law is not reflecting this commercial reality. This has given rise to much dissatisfaction from designers and manufacturers which in turn has prompted reviews of the law. The history of these reviews highlights the tendency to create and focus on gaps and overlaps where intellectual property is addressed in a compartmental fashion.

## **Past reviews and present dissatisfaction**

### ***An overview of designs and related reviews***

2.34 ***A wide range of reviews.*** In the last 10 years there have been a significant number of reviews with relevance to designs law in Australia. They illustrate a compartmentalised approach to reform of intellectual property protection. The reviews may be regarded as falling within one of three separate categories: reviews of designs, trademarks, patents and copyright protection; reviews which impact on the enforcement of intellectual property rights; and reviews which focus on the role of intellectual property in competition policy and in encouraging innovation. The extent of activity in this area since 1985 can best be appreciated by listing some of the reviews. The Commission has considered them all in the course of this reference.

2.35 ***Reviews defining intellectual property boundaries.*** The copyright reviews and those of patent and petty patent law define the parameters of a particular form of intellectual property protection. In doing so they create areas of overlap and carve out gaps between the different forms of intellectual property protection. Reviews which define or have implications for the boundaries between designs law and copyright law include

- *The Report of the Inquiry into Intellectual Property Protection for Industrial Designs* (the Lahore report) which reported in 1991 on a number of areas of design law including the definition of design, the infringement test and the design/copyright overlap
- Attorney-General's Department's Discussion Paper *Copyright Protection for Artistic Works Industrially Applied* (1987)<sup>26</sup> which resulted in changes to the Copyright Act s 74-77
- Attorney-General's Department's Discussion Paper *Proposed Moral Rights Legislation for Copyright Creators*<sup>27</sup>
- CLRC's *Report on Moral Rights* (1988)
- CLRC's *Report on the Importation Provisions of the Copyright Act 1968* (1986)
- CLRC's current revision of the Copyright Act.

Reviews which define the boundaries between designs law and patent or petty patent law include the ACIP *Draft Report of the Review of the Petty Patent System* (1995), the IPAC report *Patents Innovation and Competition in Australia*<sup>28</sup> and the BIE report on *The Economics of Intellectual Property Rights for Designs*.<sup>29</sup> The boundaries between designs and trade marks were affected by the reform of the trade marks legislation described in para 2.30. In the initial stages the reforms of the trade marks legislation were considered by a committee appointed by the Minister for Science and Small Business in March 1989.

2.36 ***Enforcement reviews.*** The ARC's current reviews of Administrative Review and Patents Decisions<sup>30</sup> and Appeals from the Administrative Appeals Tribunal to the Federal Court<sup>31</sup> are relevant to the enforcement of design protection. Other reports relevant to enforcement issues include the IPAC report on *Practices and Procedures for Enforcement of Intellectual Property Rights in Australia*,<sup>32</sup> the CLRC's *Report on Conversion Damages*,<sup>33</sup> and the ALRC Draft Recommendations Paper on Litigation Cost Rules.<sup>34</sup>

**2.37 Competition policy and innovation.** Other inquiries have focused on industry assistance and the impact of intellectual property protection on innovation and on competition policy.<sup>35</sup> They include the BIE reports on *The Economics of Intellectual Property Rights for Designs*<sup>36</sup> and on *The Economics of Patents*,<sup>37</sup> the Industry Commission's *Draft Report on Vehicle and Recreational Marine Craft Repair and Insurance Industries*<sup>38</sup> and its current inquiry into the effect of research and development activities on innovation in Australia. Further inquiries include

- the Report of the Joint Standing Committee on Public Accounts *Commonwealth Support for Private Sector Investment in Research and Development*<sup>39</sup>
- the Report prepared for the Prime Minister's Science and Engineering Council on *The Role of Intellectual Property in Innovation*<sup>40</sup>
- the IPAC report on *Patents Innovation and Competition in Australia*<sup>41</sup>
- the TPC paper *The Application of Trade Practices to Intellectual Property*.<sup>42</sup>

### ***Fragmented approach inappropriate***

2.38 The division of intellectual property law into discrete areas for review by different bodies at different times limits the scope of reform and leads to the perception that inadequacies in the law are being left unaddressed. The need for a broader approach to reform has been raised on several occasions in recent years.<sup>43</sup> During the course of this reference the Commission drew this need to the attention of AIPO and to the Attorney-General's Department.<sup>44</sup>

### ***Continuing dissatisfaction***

**2.39 Faults in designs law.** Submissions and consultations revealed that this activity in intellectual property protection has not quelled dissatisfaction with the current designs legislation. In particular

- many consider that current designs law does not prevent competitors from copying the substance of a design - infringement is rarely established
- there is concern that design protection is of little value, either to design owners or investors - that 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?
- some consider that the instances where design overlaps with copyright or patent protection produce anomalous results
- there is a conviction that the system is under used because of its faults.

**2.40 The need to stop copying.** From that list perhaps the strongest criticism was that current designs legislation is inadequate to prevent copying. One of the comments frequently made in the Commission's survey of users of the design registration system was that they wanted to prevent competitors from copying their designs and taking advantage of their investment of time and money - they wanted to stop competitors ripping off their designs - but current designs law generally failed to do this.<sup>45</sup> The following comments are representative of the many that were received.

- I registered my design to prevent copying by much larger competitors. It doesn't.

- To prevent copying by competitors using inferior quality materials and mass producing these copies. I found out about the Designs Act after 4 of my most successful and lucrative designs were copied by a large company who mass distributed through cut price chain stores. I now encourage other small competitors of mine to register their designs as well, as even though the system is far from perfect, unfortunately it is the only defence we have against the large companies who copy and refuse to even pay a royalty or license fee.
- My partner and I spent a great deal of time on research and development. In the end we came up with a very clear, innovative but simple idea. It would be very easy to copy, and the copiers would not have to go through the expensive and lengthy creative process. We registered to try and stop people taking advantage of this.
- To try and stop people copying it, but I have since found out that designs registration will not stop anyone copying whatever they want to.

2.41 ***Dissatisfaction is well grounded.*** There are good grounds for these views. 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, regardless of the type of design. Applications can take some months to process to meet the examination procedures contemplated in the current legislation but 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.

### ***Themes in consultations***

2.42 ***Illustrating the dissatisfaction.*** The depth of this dissatisfaction and its implications for reform of designs law are well illustrated by several themes that emerged from the consultations. These themes have informed much of the Commission's approach to reform of designs law. They cannot be easily accommodated within a compartmentalised approach to reform of intellectual property laws.

2.43 ***Design protection not highly regarded.*** The consultations indicated that the protection afforded to designs under the Designs Act was not highly regarded. Many respondents expressed a great deal of frustration at the way the current law fails to allow the creators of new design to benefit commercially from their creations by preventing competitors from manufacturing articles bearing the registered design or a very similar design. There were two widely held views. One view frequently expressed by litigants, particularly those who were unsuccessful in attempts to enforce their design rights, was that design protection was basically of no value. As a result a number of the design registrants who had been unsuccessful litigants ceased to register their designs. The other view was that, although the protection granted is not particularly good, it is better than nothing.

2.44 ***Function not protected.*** Many designers and manufacturers wanted better protection of functional features. The Commission heard that designs protection had greater relevance for those products where there was a clear issue of appearance and style in the marketing and advertising of the product. In many cases, however, what a designer or manufacturer really wanted to protect was the functional innovation or the use or application of a particular engineering principle. There was a widespread view that the designs law did not adequately protect the functional features of articles and that many of these articles, whilst innovative in their particular markets, could not satisfy the standard of inventiveness necessary for patents. This was often the view of litigants who had failed to protect what they considered to be the innovative functional features of their designs. They argued that alleged infringers had made superficial changes to the appearance and copied the innovative functional features. It was also the view of manufacturers of mining equipment and other engineering products. They argued that their research and development adds value to functional attributes such as tolerances, chemical composition, tensile strength and hardness. The resulting design specifications are subject to free riding but rarely qualify for design protection. More generally it was a common view that the basis of most industrial design was its function and its efficiency and that competitors should not be able to copy an engineering innovation by adding a few cosmetic changes.

**2.45 *Interpretation of visual appearance too narrow.*** Those who primarily wanted to protect the visual appearance of their product were also unhappy with the current system. They referred to the difficulties and uncertainties caused by subjective notions such as visual comparison that do not arise to the same extent with patents and trade marks. They had concerns about the courts' restrictive interpretation of the scope of protection. Many of those consulted commented that protection needed to extend beyond protecting an individual aspect of appearance of the product. The law was criticised as permitting a competitor to modify an original design only slightly without infringing it. Those who made this criticism regarded protection under the registration system as worthless.

**2.46 *The value of a registration system.*** There was a common complaint that registration was too easy to obtain and designs that were not novel were on the register. Many designers doubted the value of registration for their particular industries. For example, manufacturers of products which have a short market life said that obtaining protection took too long and was too cumbersome. Manufacturers who develop large numbers of designs regarded registration as too costly. Those manufacturers wanted an unregistered anti-copying right. Others thought that some form of registration was necessary. Registration was regarded as important as it allowed both a person who wanted to register and his or her competitors to know whether a particular product had been registered, allowing them to assess how to avoid infringement. Many expressed doubts about the capacity of a company to work out if a design was going to infringe in the absence of a registration process. Registration was seen as a deterrent to copying. The Commission was frequently told that registration made competitors think twice before they copied a design.

**2.47 *Litigation too costly.*** The survey uncovered considerable dissatisfaction with the dispute resolution process in designs. The Commission's consultations with litigants also revealed an overwhelmingly negative response to designs litigation. This included not only the losers in litigation but also some of the winners. Costs of registration were regarded as prohibitive for smaller companies or individuals. In some cases those who had won in court did not fully recoup the money they had spent on legal costs. In other cases the dominant firm in the marketplace succeeded in business terms regardless of whether it had won or not because the other side was more badly affected by the costs of litigation including the time and resources necessarily devoted to the litigation. There was a general view that to take proceedings in the Federal or Supreme Court was too costly.<sup>46</sup> Every litigant spoke of the hidden costs of litigation, such as administrative costs, looking for evidence and the time and psychological burdens. Time taken on litigation was time that a business could not spend on manufacturing and marketing. There was also widespread criticism of legal representation claiming that it was too expensive and that lawyers did not give reliable estimates of costs or of the prospects of success.

**2.48 *Uncertainty.*** The consultations showed that apart from costs the other main reason for failing to take action to enforce design rights was the uncertainty of victory. This was in part due to the difficulties and uncertainties caused by the subjectivity of a visual test of infringement. As a result many respondents stated that their designs were being copied but said they had taken no action. Design owners expressed considerable frustration with the law's inability to prevent copying of registered designs.

### ***Addressing these concerns***

**2.49 *Reform of registered design right.*** Designs law clearly requires reform. It does not reflect modern design or adequately respond to the concerns of designers and manufacturers. Some of these concerns can be addressed within the current registered design right. The new definition of design, innovation requirements and infringement test set out in chapters 4, 5 and 6 should clarify the scope of protection and make it more valuable. The reforms to the registration system recommended in chapters 8 and 9 - in particular the optional publication or registration system, the initial examination as to formalities only, and the increased ability to lodge multiple applications in paragraphs 9.23 to 9.38 - should make registration quicker and cheaper for manufacturers of products with a short market life and for creators of multiple designs. The recommendations on enforcement, dispute resolution and challenging Registrar's decisions in chapters 11, 12 and 13 should help to make enforcement cost effective and the registration system more reliable.

**2.50 *Broader reform.*** Other proposed reforms cannot be addressed within the registered design right and do not sit easily within the current system of intellectual property laws. The concern that designs law should protect function independently of visual appearance requires reform of patent law not just designs law. The

view that designs law should be supplemented or replaced by an unregistered anti-copying right requires review of the principles underlying both copyright and patent law. Arguably both of those proposals require not only a redrawing of the boundaries between designs law and other intellectual property laws but also a broader re-examination of the overall scope and level of intellectual property protection. To put these broader proposals in perspective, and to assess the extent to which the current registered design right can be reformed, it is necessary to consider the objectives of designs law and its economic and international context. This is discussed in the next chapter.

## 3. Reform of designs law

### Introduction

3.1 This chapter discusses the main issues for reform of designs law. The dissatisfaction of designers and manufacturers with designs law that is described in chapter 2 shows the need for reform. To assess the nature of the reform required it is necessary to consider broader factors, particularly the objectives of designs law and its economic and international context. The economic and international context describes the principal factors to be balanced in defining the proper scope of design protection. The objectives of designs law describe how those factors should be balanced. They are discussed below. The chapter then discusses the main issues concerning the scope of design protection, particularly the relationship between visual appearance and function, and the potential for a broad anti-copying law. It concludes with an overview of the Commission's recommended framework for new designs legislation.

### Objectives of designs law

#### *Encouraging innovation*

3.2 **Innovation.** The primary objective of designs law is to encourage innovation in Australian industry to Australia's net economic benefit. Innovation is one of the most important factors influencing Australia's future competitiveness and welfare. Design is a crucial element of innovation and is pivotal in commercialisation and marketing processes. This has been recognised in a number of studies and has been most recently confirmed in the paper released by the Minister for Industry, Science and Technology on the outcomes of the national consultation program *Innovate Australia*.<sup>47</sup>

3.3 **How design protection can encourage innovation.** Design protection is intended to encourage innovation in industrial design in two main ways: by preventing competitors free riding on design innovations and by providing investors in design innovation with security for their investment. Both are important elements in innovation policy.

3.4 **Free riding.** Recent advances in technology and distribution have enabled industrial designs to be copied and exploited by others quickly and cheaply. There is particular concern that this is allowing overseas imports to free ride on Australian design work. Free riding reduces the design owner's opportunity to recover the investment made and harms the design owner's competitive position. It gives an advantage to the free rider. If free riding is not prevented it can become uneconomic for manufacturers to continue to invest in product development thus effectively stifling innovation.

3.5 **Investment.** Design innovation requires investment. Design protection encourages investment by creating property rights in the innovation. For investors this improves the prospect of commercial returns from the investment because it gives those exploiting the industrial design a competitive advantage. In effect this is the other side of the free riding issue. Property rights also give an investor security for the investment. *Innovate Australia* identified the lack of finance as a major barrier to innovation in Australia.<sup>48</sup>

#### *Allowing access and assimilation*

3.6 **Designers need access to earlier innovations.** Encouraging design innovation is not simply a matter of granting exclusive legal rights to all design activity. New design innovation depends to some extent on being able to use and apply previous design innovations. Designers do not work in a vacuum. Industrial designs are usually developed in the context of competing or superseded products and systems. Design innovation therefore includes adapting to new competition and new constraints with advances on the prior art.

3.7 **Innovation includes assimilation.** In addition Australia needs to be able to use other countries' design ideas. *Innovate Australia* commented that 97% of the technology Australia uses is not developed in Australia. Assimilating technology and ideas is at least as important as generating it internally.<sup>49</sup>

3.8 **Striking a balance.** Design protection must therefore strike a balance. It must be sufficient to prevent free riding and to encourage adequate financing for industrial design. But it must not be so restrictive that it

acts as a barrier to further innovation in industrial design. There is necessarily a tension between these two objectives.

### ***Fairness***

3.9 In some submissions the concern about free riding extends beyond its adverse economic impact to other policy issues such as the unfair effect it has on individual manufacturers or design owners. Free riders do not invest the same level of time, resources and enterprise in product development, or in maintaining a full product range, as original equipment manufacturers and their designers. Nor do they make the same long term contribution to the industry. Indeed they depend upon the contribution made by the original equipment manufacturers - without their work they would have nothing to copy. These concerns can be viewed as aspects of the need to encourage innovation. Unfair copying and unfair competition laws are directly relevant in addressing them.

## **Economic benefits of design protection**

### ***Assessing economic benefit***

3.10 A key principle in formulating designs law is that design protection must deliver net economic benefits. Its purpose is to encourage innovation in industry to Australia's net economic benefit. If design protection does not deliver net economic benefits, it is not justifiable. There is debate about the level of design protection that will deliver net economic benefits. There has been some theoretical analysis of this issue in Australia but little empirical research. At this stage it is not possible to draw any firm conclusions but some useful observations can be made.

### ***BIE framework for economic analysis***

3.11 ***Information production and dissemination.*** The Bureau of Industry Economics in *The Economics of Intellectual Property Rights for Designs* frames the issue in these terms

The benefits to society of intellectual property rights have been explained in terms of the economics of information production and dissemination. The economic benefits derive from their incentive effects on the production of socially valuable information. ... The first research issue for this study is therefore to identify economic incentives generated by the design right and to ascertain the **social value** of the protected information content of a registered design. (This social value is taken as the **public benefit** stemming from the spillover of useful knowledge. It is to be distinguished from the **private value** which relates to the **self interest** of the creator.)<sup>50</sup>

3.12 ***The need for a broad concept of 'information'.*** This framework can be linked to the analysis of design as the communication of information to the user of the product that is set out above.<sup>51</sup> To reflect that analysis fully the 'information' that is studied for economic purposes must include not only the information in a design that contributes to manufacturing efficiency but also all the other information communicated to the user.

3.13 ***Only broad conclusions are possible.*** The framework is necessarily limited to broad conclusions about the economic benefits of intellectual property rather than specific conclusions about designs. Without further development and empirical research the framework would not, for example

indicate the level of innovation or the term of protection required to overcome free riding on a particular design

distinguish between the economic effects of copyright, patents and designs, although each has a different economic profile in Australia providing different protection and usually for different industries, or

distinguish between the nature of the property granted under intellectual property laws and other real or personal property and their different effects on competition.<sup>52</sup>

### ***Australian research***

3.14 ***Low usage of design registration system.*** There is little empirical data on the use or effect of design protection in Australia. Protection seems to be sought for relatively few designs. Over the last 10 years design registrations have ranged between approximately 2000 and 4500 a year. Given the vast array of



industrial designs in day-to-day domestic and commercial life and the wide range of products available in the Australian market, this seems quite low.

**3.15 BIE research.** The BIE paper reviews the available evidence on the effects of innovation generally, on international usage of design protection and on design usage in Australia. Some of the main findings of that research are

- in all countries design applications generally run at a low level compared with trade marks and patents
- there is a wide variation in world wide usage - Australia ranked 7th out of 8 in terms of the absolute number of design registrations but on a proportional basis Australia follows Europe and Japan in its use of design protection
- a major Canadian study into intellectual property protection found significant inter-industry variation with wide usage, for example, for machinery and fabricated metals, chemicals and chemical products, and communications and other electronic equipment but very low usage in relation to software development, aircraft and aircraft parts
- the use of registered designs in Australia has increased by over 50% since the early 1980s
- Australian residents register about twice as many designs as non-residents - this is very different from the Australian patent system where 91% of patent approvals in 1991 went to non residents compared to only 34% of registered designs.<sup>53</sup>

**3.16 Longitudinal statistical research required.** This research, although sparse, indicates that usage of design protection varies across industries, across countries and over time. Its economic impact in Australia cannot be understood without more detailed and systematic empirical research. That further research must take into account the lead time between protecting designs and their ultimate commercialisation. In the case of intellectual property generally, a 1993 report *The Role of Intellectual Property in Innovation* prepared for the Prime Minister's Science and Engineering Council commented that relevant statistics would need to be collected for a period of at least 10 years and probably 15 years.<sup>54</sup>

### ***Innovation and industry policy***

**3.17 A package of support for innovation.** Any further research must also take into account that design protection is only one of the legal protections available to encourage innovation. These in turn are only part of the overall package of innovation policies that include grants to assist specialist research, tax incentives, concessional loans, training and information services, and other measures.<sup>55</sup> One of the purposes of design protection within this package is to encourage investment in the commercial application of a design or in further research and development. For Australia this is particularly significant. *The Role of Intellectual Property in Innovation* identified the lack of industry investment in the testing of an invention and its development to commercial validity as one of the major obstacles to innovation in Australia.<sup>56</sup> It was noted in chapter 2 that a major part of the contribution of industrial design comes during this testing and development period.

**3.18 Design piracy.** Design piracy is also particularly relevant to Australia. The BIE report refers to empirical work by Nicholas Owen in 1971 suggesting that the consequences of design piracy can be adverse for the growth of small innovative firms in a competitive industry.<sup>57</sup> The Commission's survey of design owners suggests that a significant proportion of those seeking design protection are individual designers or small companies and thus might fall into the category of small innovative firms.<sup>58</sup>

**3.19 Product differentiation.** One area of debate within innovation and industry policy is the economic value of product differentiation. The BIE report notes various arguments about the positive and negative effects of product differentiation.<sup>59</sup> There is also debate about the contribution of design protection to product differentiation.<sup>60</sup> This complicates any assessment of the net economic benefits of design protection.

## ***Competition policy***

3.20 ***Competition and designs law.*** A specific issue to be considered as part of the economic analysis of design protection is its impact on competition. At a general level intellectual property and competition laws are complementary.<sup>61</sup> They share the common purpose of promoting innovation and enhancing consumer welfare. Intellectual property laws do this by establishing enforceable property rights to provide incentives for innovation and its dissemination and commercialisation. Competition laws do so by prohibiting certain actions by firms that deter others from competing with respect to either existing or new ways of serving consumers.<sup>62</sup> In specific circumstances the exercise of intellectual property rights can be anti-competitive.<sup>63</sup> Intellectual property and competition laws need to reconcile the relevant policy objectives arising in those circumstances by defining the limits, if any, to be placed on the intellectual property rights. In the case of design protection in Australia the general principle is that it is subject to the prohibitions on anti-competitive practices set out in the Trade Practices Act except in the circumstances set out in s 51 of that Act where design protection is expressly preserved.

3.21 ***Anti-competitive concerns about spare parts protection.*** Competition policy is particularly relevant to spare parts designs. The Commission has received a number of submissions arguing that design protection is having an anti-competitive effect in relation to repair and replacement automotive spare parts. This view is supported by the Industry Commission in its *Draft Report on Vehicle and Recreational Marine Craft Repair and Insurance Industries*<sup>64</sup> and by the BIE report.<sup>65</sup> In the Commission's view issues of this kind are best addressed by the application of competition law, and in particular the Trade Practices Act, rather than in designs legislation. Chapter 16 discusses the application of competition law to spare parts for this purpose and recommends some procedural changes to improve its effectiveness.

## ***The economic impact of protecting function***

3.22 The Commission has received submissions arguing on economic grounds that design protection should not extend to function, either directly or indirectly. The BIE expressed concern that the proposals in the Commission's Discussion Paper on designs might have the effect of increasing the protection available for function under designs law. These concerns are discussed below as part of the issues concerning the definition of design.<sup>66</sup>

## ***Conclusion on economic benefits***

3.23 It is difficult to form any firm conclusions on the net economic benefits of design protection from the research that is currently available. However existing research and analysis tends to indicate that

- current design protection is of benefit to small innovative firms in competitive industries and should therefore be maintained for them
- there is the potential in some areas for design protection to have an anti-competitive effect - in the Commission's view this should be addressed through the application of competition laws
- the economic evidence available is insufficient to determine whether there would be net economic benefit to Australia in substantially shortening or substantially lengthening the term of design protection
- the economic evidence available is also insufficient to determine whether there would be net economic benefit to Australia in substantially extending design protection beyond visual appearance or beyond products to design processes.

## **International implications**

### ***International context***

3.24 Design protection is also affected by international factors. These are a mix of international trade issues, international treaty obligations and concerns about international consistency. They generally argue in favour

of incremental rather than substantial change. They do not require Australia to maintain a design protection system that simply copies the systems in place overseas. However they do require Australia to take into account its treaty obligations and overseas systems and practices and to develop a design protection regime that best suits Australia's international trade.

### ***International trade***

3.25 ***Economic benefits.*** There are clearly economic benefits in maintaining a system of design protection that encourages trade with Australia and enables reciprocal protection of Australian designs outside Australia. International trade and the need for Australian industries to compete with goods made in other countries require in Australia's interests national and international design laws that protect designs both within Australia and across international frontiers.

3.26 ***International free riding.*** The value of design, combined with modern technology and communications, have meant that design piracy at an international level can be achieved quickly and easily. A manufacturer operating in a country that inadequately protects a foreign intellectual property right in its domestic laws can injure foreign authors and inventors on at least three different levels.

- Initially, the free rider makes competition by foreign originators in the free rider's local markets more difficult by pricing unauthorised copies of foreign products lower than the originator's own marginal costs.
- Secondly, once these unauthorised products become good enough to satisfy local demand, free riders can introduce the products into international trade and compete on favourable terms with exporters selling authorised articles at higher prices.
- Finally, unauthorised producers operating from countries that impose no restrictions on copying may attempt to invade the originator's home market with unauthorised versions of the original products.

Unless specifically excluded by border measures or prevented by domestic intellectual property laws, lower priced imported copies can drive originators out of their home markets altogether. Accordingly many designs owners are not satisfied to protect their designs in only one country. In Australia about a third of registered designs are foreign designs registered under international treaty.

### ***International law***

3.27 ***International legal obligations.*** Aside from economic considerations, Australia has international treaty obligations in relation to designs. The obligations arise under the Paris Convention and TRIPS. Other relevant international arrangements are the Hague Agreement and the CER. Australia's regime of design protection must be consistent with those international obligations unless Australia withdraws from the relevant international instruments. Withdrawal would involve a wide range of policy issues. The Paris Convention and TRIPS are both core elements of the extensive international framework of intellectual property protection. This framework includes a number of international and regional arrangements administered by various bodies including WIPO, UNCTAD and UNESCO. Australia's participation in these arrangements is a significant element of its international trade policy. In referring to the patent system, IPAC concluded that

While the economic effects of the patent system might be modest, withdrawal from the international patent system would probably be politically impossible and the transition costs of withdrawal from the international system might be much larger.<sup>67</sup>

This conclusion is equally apt for designs.

3.28 ***Paris Convention.*** Australia is a signatory to the Paris Convention. Australia is obliged to provide *some* legal protection for industrial designs under art 5 of that Convention. That article contains a general principle that industrial design should be protected in all the member countries but leaves to each country the nature, subject matter and conditions of protection. The main requirements of the Paris Convention are national treatment and a right of priority.

- 'National treatment' means that, within a member country, the same rules apply for protection of designs regardless of whether the design originated within or outside the country.
- The right of priority means that an applicant filing for design rights in a member country may, within a specified period of time, apply for protection in any or all the other member countries and the later applications will be regarded as if they had been filed on the day of the first application.

Although the Convention encourages the development of similar rules in member countries, an important aspect of the Convention is the concept of independence. The grant of design rights in one country does not oblige any other country to grant such rights for the same design. Conversely invalidity in one country does not mean that the industrial property will be refused protection or regarded as invalid in another country. In each case validity is determined according to domestic law. This means that there is still scope for considerable variation in the design protection made available in various countries.

3.29 **Hague Agreement.** The Hague Agreement supplements the Paris Convention. It allows for the international deposit of designs with the international bureau of WIPO so that protection may be secured in a number of states with a minimum of formality and cost. Alternatively an owner of a design can register the design in Australia in the normal way and then seek international registration under the Hague Agreement. This second method would only be possible if Australia retained a registration system and examining office. Australia is not yet a party to the Hague Agreement. The agreement is being redrafted and it is likely that international registration may become more attractive to Australia in the future.<sup>68</sup> The Commission's recommendations have therefore been made in light of the prospect that Australian designers and manufacturers might in the future be able to take advantage of the Hague Agreement.

3.30 **TRIPS.** Australia is a party to GATT. Australia supported the inclusion of intellectual property rights in the Uruguay Round on the ground that better defined and enforced multilateral standards should contribute to the growth of international trade and lead to benefits for both importers and exporters of products with an intellectual property component. Australia contributed to the TRIPS negotiations during the Uruguay Round, making submissions on standards on intellectual property protection and enforcement. TRIPS establishes internationally accepted and enforceable intellectual property norms and standards. Articles 25 and 26 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.
- Limited exceptions to the protection of industrial designs are permissible provided they do not unreasonably conflict with normal exploitation and do not unreasonably prejudice the legitimate interests of the design owner.
- Textile designs are singled out for special consideration. Parties are obliged to ensure that the costs, examination and publication requirements for protecting textile designs are not prohibitive.

Article 41(2) of the TRIPS Agreement provides that procedures concerning the enforcement of intellectual property rights should be fair and equitable and should not be unnecessarily complicated or costly or entail unreasonable time limits or unwarranted delays.

3.31 **CER.** Australia is required under CER to ensure that any proposals on trade matters do not impede trade between Australia and New Zealand. The New Zealand Ministry of Commerce is currently reviewing New Zealand intellectual property law including designs law. The Commission has consulted the New Zealand Ministry of Commerce on the Commission's recommendations and it is not expected that any of the recommendations will impede Australia/New Zealand trade. The main difference between New Zealand and Australian designs law is that at present designs in New Zealand are largely protected by copyright and there are relatively few design registrations. As a result the protection given to foreign designs in New Zealand is significantly longer than the protection given to New Zealand designs in other countries, including Australia.

This could potentially act as an impediment to Australia/New Zealand trade. However the Commission understands that this will be considered in the review by the New Zealand Ministry of Commerce and that New Zealand is not requesting any changes to Australian designs law for this purpose.

### ***International consistency***

3.32 ***Variation in designs law internationally.*** In addition to existing international obligations, it is also necessary to consider the desirability of international consistency and the legal issues that need to be addressed for that purpose. In practice there are still considerable differences between design protection regimes across the world.

- ***Limited design protection.*** Some countries provide only limited protection for designs, sometimes as part of copyright or other laws rather than as a separate design protection regime. This is particularly true of countries in the Asia Pacific region, many of which are now examining designs protection in more detail in light of TRIPS.
- ***Protection of function.*** There are various approaches to determining the extent to which designs law is allowed to protect function. For example, English law expressly excludes protection for designs dictated by function under its registration system but not under its unregistered design right. The United States effectively excludes protection for function by requiring all designs to be 'ornamental'. The EC proposed Council Regulation for an EU design system would allow the incidental protection of function. New Zealand, like Australia, allows incidental protection of function.
- ***Spare parts.*** The EC proposed Council Regulation includes special provisions relating to repair and replacement parts. In broad terms 'must fit' parts are not protected and 'must match' parts are protected only for 3 years. The English registered design right expressly does not extend to 'must fit' and 'must match' parts. In the United States 'must fit' parts are effectively excluded by the requirement that all designs be ornamental.
- ***Unregistered design right.*** England, New Zealand (through copyright) and the EC proposed Council Regulation each provide unregistered design protection as well as a registration system. The unregistered design right is an anti-copying right. The period and scope of protection varies.
- ***Examination.*** The level of examination required to establish novelty varies from country to country. Some countries, such as the United States and Japan, require more rigorous substantive examination than the Australian system in terms of examination procedure, documentation and specification of claims.

The effect of this variability in design protection regimes is that, as yet, there is no international model of design protection against which Australia can measure its own regime. Nor is there, at this stage, any requirement for Australia's regime to change in the interests of international consistency. Nonetheless recent international debate and developments in design protection have highlighted a number of common issues. The Commission has been able to take into account overseas experience, particularly in England and the EU, in formulating its recommendations.

3.33 ***Further developments should be monitored.*** TRIPS is likely to lead to further developments in design protection in the Asia Pacific region. Reform of design protection is also on the agenda in Japan and the United States. If an international model for design protection develops that is significantly different from the regime recommended in this report, Australian design protection should be reviewed to assess whether changes are desirable for international consistency.

### ***Conclusion on international implications***

3.34 Australia's international obligations act at this stage as a loose constraint on changes to design protection. There is no particular direction for reform evident from overseas design protection regimes or from international agreements. However further international discussion is likely to lead to firmer

requirements or incentives in the future on common issues such as the substance and value of the design right and the availability of registered and unregistered rights.

## **Reform of designs law - main issues**

### ***Is protection required to encourage innovation?***

3.35 This review of the objectives of current designs law and of its economic and international context raises two questions for reform of designs law: first, what design protection, if any, is required to encourage design innovation; secondly, if some protection is required, what type or level of design protection is needed? The first question is readily answered. The range of design activity in Australia discussed in chapter 2 and the comments above on its economic benefits demonstrate that *some* level of design protection is required to encourage innovation. Design activity in Australia is contributing to innovation in Australian industry. It is likely to become an increasingly important factor in the ability of Australian firms to compete internationally. But design innovation needs investment. Domestic and international free riding must be addressed. Statutory protection of some kind is therefore necessary.

### **Recommendation 1**

**Australian law should continue to provide statutory protection for industrial designs.**

### ***What type of protection is required?***

3.36 It is more difficult to form firm conclusions on the type or level of design protection that is required. The themes arising out of the consultations discussed in chapter 2 open up a range of possibilities. They must be assessed, and any other options must be identified, in light of the broader economic and international implications of design protection and of any changes to the current scope of design protection. There are several related issues.

- What is the proper scope of design protection - should it extend beyond visual appearance?
- If it focuses on visual appearance, should incidental protection of function be permitted?
- Is there a gap in the protection of function that needs to be addressed?
- Should designs law comprehensively protect all innovative features of design?
- Should design protection take the form of an anti-copying right?

Each of these is considered in turn.

### ***The scope of design protection***

3.37 *Options.* The scope of current design protection is defined by its focus on protecting the visual appearance of a product. Many proposals were put to or considered by the Commission which would change the scope of protection. These proposals included

- narrowing the current design protection regime so that it does not result in any incidental protection of function
- expanding design protection beyond visual appearance to cover directly all functional attributes of a design
- expanding design protection to cover comprehensively all design elements underlying its visual appearance - that is, to cover all the functional, ergonomic, safety and other factors that are taken into account in the design which contribute to its visual appearance.

3.38 **Economic impact.** Economic research currently available does not establish the economic impact of any of those changes to design protection. It is therefore not clear whether any of those options would achieve better the primary objective of encouraging innovation to Australia's net economic benefit. Nonetheless some observations on likely economic impact are possible.

- Most of the economic argument tends to favour narrower rather than broader protection, placing emphasis on the need to avoid creating barriers to innovation through legal protection.
- Most of the economic argument favours a protection that does not overlap with patent protection thereby avoiding protection for function at a lower standard of inventiveness than required by patent law.

Although this suggests narrow design protection is preferable, it should also be noted that much of the economic argument assesses particular intellectual property rights in light of the existing legal framework. Further analysis would be required if that framework was to be substantially altered or if it was supplemented by a new right or remedy that extended beyond the boundaries of existing rights.

3.39 **International implications.** Most of the proposals considered by the Commission could be implemented without breaching Australia's international obligations. The review of the international context shows that while Australia is obliged to provide some level of protection for industrial designs there is considerable variation in the scope of protection within the requirements of the relevant treaties. However this variation may reduce in the future, particularly if the US extends its design protection beyond its current focus on ornamentation. Adopting one of the narrower options might therefore be inappropriate in the longer term.

3.40 **Legal implications.** The constraints imposed by the current legal framework of intellectual property argue strongly in favour of limiting design protection to its current parameters. Any significant extension of design protection could undermine or override a substantial part of patent, copyright or trade mark law and the policies underlying them. This would affect both domestic and international arrangements. It would be inappropriate to make a change of that kind to designs law, taking into account only design protection issues. Extending designs law to protect function, for example, would not only redraw the boundaries between design and patent protection, it would also undermine the current policy in patent law, both locally and to a large extent worldwide, concerning the level of functional innovation required to obtain protection. Changes of that kind should be driven by copyright and patent reform or a broad review of intellectual property, not by designs law.

3.41 **General conclusion.** The constraints imposed by the current framework of intellectual property protection are substantial. They have persuaded the Commission to divide its recommended reforms into two categories, those that can be achieved within the current framework and those that require broader review. The reforms that can be achieved within the current framework are recommended as the new designs legislation. The broader reforms are separate from that legislation. References in this report to the new designs legislation should be read accordingly as only referring to the narrower set of reforms.

## **Recommendation 2**

**Reform of designs law that can be achieved within the current framework of intellectual property law should be implemented through new designs legislation. Broader reform should be implemented outside that legislation.**

3.42 **Narrower reform to focus on visual appearance.** Consistent with that approach the Commission recommends that the new designs legislation should maintain in broad terms the current scope of design protection. This includes in particular its current focus on visual appearance. What this focus involves is discussed in more detail in chapter 4.

### **Recommendation 3**

**The new designs legislation should continue to focus on the visual appearance of a product.**

#### ***Visual appearance and function***

**3.43 *Confusion about protection of function.*** Even with a focus on visual appearance it is still necessary to strike a balance between the protection of appearance and function. The balance in current designs law, which focuses on visual appearance but allows some incidental protection of function, is not well understood. The Commission's consultations and submissions indicate that, notwithstanding the current focus on visual appearance, some applicants for design registration had been expecting to gain protection for the functional attributes of their design through registration under the Designs Act. This led to disappointment and dissatisfaction.

**3.44 *Visual appearance is a poor proxy for function.*** A registered design does not describe the function of a product. It describes its visual appearance. It is a poor proxy for the proper protection of function. Usually only some aspects or attributes of function will be expressed through the visual appearance of the product (for example, the shape of a drill may indicate its use but it is unlikely to indicate its durability and power). More importantly the visual appearance that expresses some attribute of function will rarely, if ever, be unique. A competitor can therefore copy the function provided it changes the visual appearance of the product.

**3.45 *Confusion about design and safety standards.*** Another related area of misunderstanding is the role of design protection in relation to safety standards. Submissions have argued, for example, that one of the reasons for continuing design protection for car spare parts is that, without protection, copy parts will be sold which are not as safe as the 'genuine' spare parts. This is misconceived. Just as design protection is a poor proxy for the protection of function, it is also a poor proxy for the protection of safety. Designs law grants protection to a visual appearance. This will only protect safety to the extent that the safety features are determined by their visual appearance. This will rarely, if ever, be the case. Safety should be protected through specific safety requirements not by designs law.

**3.46 *Safety issues must be addressed directly.*** Indeed safety issues are of such significant concern that it is important not to create a false sense of security through designs law. The Commission was told of industry concerns that poor quality copies of aviation spare parts, mining equipment spare parts or car spare parts could cause serious injury. It is also evident that they can increase and complicate product liability claims with direct implications for insurance costs and further implications for business costs generally. These are issues which need to be separately and directly addressed outside of designs law considerations.

**3.47 *Clarification in the title of the legislation.*** The confusion about the scope of design protection is a fundamental cause of dissatisfaction with designs legislation and of disputes over designs. It needs to be addressed directly. One way of doing this is to make it clear in the title of the legislation that the protection is limited to the visual appearance of a product. In the case of any particular product this means its visual features.

### **Recommendation 4**

**The new designs legislation should be titled the 'Designs (Visual Features) Act'.**

**3.48 *Narrowing design protection to exclude function.*** Some submissions have argued that design protection should be made narrower and should not be available where it protects function. Various tests have been suggested for the exclusion of function. These range from the UK approach of denying protection where the appearance is dictated solely by the function that the product is intended to perform through to the US approach of allowing protection only where the design is ornamental. In the Commission's view exclusions of this kind are inappropriate. They do not recognise the relationship between visual appearance and function in modern design. All designs - all visual features of a product - will be created within the



constraints of function and will to some extent reflect that function. The extent to which they do so will be different for each design and will depend on the level of design freedom and the creativity of the designer. Where designs law requires a distinction between those designs that indirectly protect function and those that do not, or those that are dictated solely by function and those that are not, the distinction is necessarily arbitrary. Distinctions of that kind are likely to lead to unproductive litigation and to distort design practice.<sup>69</sup>

### ***A gap in the protection of function?***

3.49 ***The perceived gap.*** As discussed in chapter 2, in many consultations and submissions the call was for design protection to be expanded to protect function directly rather than narrowed to exclude it. There was considered to be a gap in the protection of function typified by cases such as *Firmagroup*.<sup>70</sup> Part of this perceived gap relates to the broader reform issues mentioned above because it seeks a change to the test for functional protection, removing the current focus on inventiveness.<sup>71</sup> These broader reform issues are discussed below in the context of anti-copying rights.

3.50 ***Boundary between design and patent.*** The other part of the perceived gap relates to the narrower question of the boundary between design, patent and petty patent. This can be considered within the current legal framework of intellectual property protection. It raises a number of issues including

- the level of functional innovation required for this form of protection
- how the innovation required, and the rights granted, will differ from the patent standard of non-obviousness and patent rights
- how the required level of functional innovation will be demonstrated and what 'prior art' must be searched to assess novelty and inventiveness
- the scope for free riding if protection is not granted and conversely the risk of creating barriers to innovation by granting such protection
- the relationship this form of protection will have with patents and designs.

These issues illustrate that the gap is essentially a gap in patent protection not design protection. The primary issues focus on functional innovation. This is central to patent law not designs law. This focus is evident in the types of protection adopted in other countries to fill the gap. Generally they are analysed as a second tier form of patent protection that includes both utility models and petty patents but excludes various forms of design protection.

3.51 ***Proper focus is reform of petty patents.*** The Commission considers that insofar as the gap in protection relates to the narrower question of the boundary between design, patent and petty patent law, it is best analysed and filled to the extent necessary by reform of Australia's petty patent system rather than extension of designs law. Petty patents already focus on functional innovation. Practical experience of the petty patent system will be a more accurate guide to the form of protection required to fill the gap than experience with designs. In particular petty patent experience will be able to address directly the relevance of 'obviousness' as a test of functional innovation.

3.52 ***Overlap between designs and petty patents.*** Extending the scope of petty patent protection may create some overlap between patent and designs law. There is likely to be some incidental protection of visual appearance by the new petty patent protection, as well as some incidental protection of function by designs law. However in practice this should be of less concern than it is under current law. There will be an incentive for applicants to choose the form of protection that best addresses their innovation because it will provide the better protection. Where a product has both an innovative visual appearance and innovative functional features dual protection will be possible. This will allow the visual and functional innovations to be separately assessed. Different tests for inventions will be able to be applied. This in turn should allow the tests to become clearer and better understood. Parties will have less need to argue for an interpretation of design protection that covers function as well as visual appearance.

**3.53 *Design reform depends on petty patent reform.*** The effectiveness of the Commission's proposed reform of designs law will therefore be enhanced by reform of the petty patent system to address the gap in protection adequately, either by extending protection or defining an intended gap in protection. The petty patent system is currently being reviewed by ACIP. The Commission has had discussions about the relationship between designs and petty patents and the gap in protection with ACIP. The Commission understands that ACIP will address these issues in its recommendations. The Commission's recommended designs legislation will work best if it is supported by reform of the petty patent system that directly addresses the gap in protection.

#### **Recommendation 5**

**ACIP should take the new designs legislation recommended in this report into account in its review of the petty patent system. ACIP should address any gap in the protection of function in its recommendations for reform of the petty patent system.**

#### ***Comprehensive design protection***

**3.54 *Responding to modern design.*** Some submissions and commentators have argued that design protection should be expanded so that it covers all innovative features of a design not only its visual and functional innovations. A broad range of factors involved in modern design are neither visual nor functional in a technical sense. Many of these are poorly covered, if at all, by the current framework of legal protection. They include durability, ease of operation, feel and environmental characteristics. There is an issue whether those other factors should also be protected.

**3.55 *The scope of protection required.*** A comprehensive protection of all attributes of a design would need to refer to a very wide range of factors. It would need to refer to all ways in which the product could be observed (including sight, sound, smell and touch), to the functional inventiveness of the product, to its environmental, social and cultural contribution and to all other factors considered in the design process. A threshold issue is how protection would be provided. One way to do so would be to protect visual appearance but take into account in assessing infringement the underlying non-visual innovations that contributed to the visual appearance. An alternative approach would be to extend design protection to refer not only to the visual appearance of the design but also to all its other innovative features.

**3.56 *Shortcomings of 'visual appearance' approach.*** The first approach - protecting through visual appearance - is likely to lead to the same frustrations as the current system of protection but across a broader range of underlying elements. Design owners would believe they had protected an innovative feature such as an environmentally friendly attribute of a design but then discover that it is easily copied because its visual appearance is a poor proxy. For example, push top drink cans are more environmentally friendly than ring pull cans because they reduce litter but it would be difficult to protect the concept of a 'reduced litter can' through the visual appearance of its push top. Similarly, sensory attributes like the feel of a fabric or the weight of a glass might be easily replicated with a different visual appearance.

**3.57 *Problems with an extended protection.*** The second approach - directly extending design protection - would raise squarely the legal implications discussed above of any significant expansion of design protection. A design right of the kind proposed would override the existing framework of intellectual property. It would supersede copyright, patent and the proposed new trade mark law, certainly for a tangible product and arguably more broadly. It would do so without recognition of the differing limits to protection that have been developed within the existing intellectual property framework. It would be inconsistent with the intellectual property laws of many other countries. The economic rationale for a design right of that kind is not clear. It would need to be reviewed as part of the broader reform rather than as part of the new designs legislation.

**3.58 *Comprehensive protection not appropriate.*** The Commission is not convinced that comprehensive protection is justified. Both possible approaches have significant shortcomings. It is not clear that comprehensive protection is required to encourage innovation or would be to Australia's net economic benefit. It should be considered as part of the broader reform but not as part of the new designs legislation.

## ***Anti-copying rights***

**3.59 *An underlying form of protection.*** In response to the broader reform issues some commentators have taken an alternative approach and sought an underlying legal right to overcome the complexity of the current legal framework, suggesting that all design protection should include or focus on anti-copying rights. Three different options have been considered by the Commission

- supplementing or replacing the current design protection regime with protection against unfair copying
- replacing the current exclusive exploitation rights with a registered, anti-copying right
- supplementing current design protection with an unregistered, anti-copying design right.

**3.60 *Supplementing or replacing the current designs protection regime with protection against unfair copying.*** Some submissions called for design protection to be based on an unfair copying regime that would extend beyond the traditional bounds of design.<sup>72</sup> This approach draws on the extensive unfair copying regimes found in many European countries. Others have proposed unfair copying as a supplementary protection. During the federal government's program of consultations in relation to the Innovation Statement there have been a number of calls for the government to give consideration to supplementing intellectual property protection with protection against unfair copying. These calls have come from those who are concerned that manufacturers who fall within the gaps of design, patent and copyright protection are left without a remedy.

**3.61 *Replacing the current exclusive exploitation rights with a registered, anti-copying right.*** Many of those who responded to the Commission's design users survey stated they were only concerned to prevent copying. The TPC submitted that it was not convinced that design protection should be based on exclusive rights. The TPC was concerned that exclusive rights could inhibit investment in competitive designs.<sup>73</sup> A few submissions could see no compelling principle or practical need why design protection should be provided by way of exclusive rights.<sup>74</sup> However most of those who made submissions to the Commission argued that design protection should be based on an exclusive right.<sup>75</sup>

**3.62 *Supplementing current design protection with an unregistered, anti-copying design right.*** A third approach was to seek protection without a registration system. During the consultations it was clear that manufacturers from particular industries were unhappy with aspects of the registration system.<sup>76</sup> The delays in obtaining registration make design protection inappropriate for manufacturers of products with a short product life.<sup>77</sup> Similarly the cost of registering multiple designs under the current system is prohibitive for manufacturers of textiles.<sup>78</sup> TRIPS recognises this problem. Article 25(2) provides that members shall ensure that requirements for obtaining protection for textile designs, particularly those relating to cost, examination or publication, do not unreasonably impair the opportunity to obtain such protection. TRIPS permits members to meet this obligation through industrial design law or through copyright law.

**3.63 *An unregistered, anti-copying design right.*** In the Commission's view all three of these options warrant careful review. There are particularly powerful arguments in favour of the third option - giving designers the right to prevent others from copying their designs for a certain period (say, five years) without requiring them to register their design or satisfy an innovation threshold - but it should be noted that many of these arguments also apply to the other two options.

- ***Copying is the problem.*** First and foremost a broad, anti-copying unregistered design right (UDR) directly addresses the major problem designers are facing - copying.
- ***Cheap and accessible.*** A UDR would give designers protection without incurring the costs and delay involved in a registration system. For many designs with a short commercial life this may be the preferred form of protection.
- ***Less legalistic.*** A registration system tends to be legalistic because it introduces innovation thresholds and procedural constraints, all of which can become the subject of legal dispute. This is a major cause of the cost and ineffectiveness of current designs law. A UDR offers less scope for this type of dispute.

- ***Less impact on competition.*** A UDR is a lower barrier to competition. Another design will only infringe the anti-copying right where it has been copied, not where it has been independently created but happens to be the same or substantially the same product.
- ***Matching design trends.*** A UDR is more likely to match developments in industrial design activity. There is an increasing emphasis on rapid, interdisciplinary and interactive design. A registration system is less useful for that type of activity. It must necessarily freeze a design at a particular time. It determines infringement simply according to the degree of difference between the registered design and the alleged infringing design. A UDR does not have those difficulties. It is flexible. It travels with the design as it is being developed. It does not need to be frozen at a particular time.
- ***Consistency with copyright.*** A UDR will encourage consistent development of designs law and copyright. This will reduce some of the current complexity in intellectual property. More importantly, if copyright is substantially developed in response to the current and rapid advances in technology and commerce, designs law will be able to keep pace and the risk of it acting as a barrier to innovation will reduce.
- ***Scope to extend to function.*** A UDR can be limited to the copying of visual appearance or it can be extended to the copying of functional attributes. This would directly address many of the concerns expressed in the consultations about the lack of protection for function.
- ***Scope to extend to other innovative features.*** A UDR can also be extended to the copying of other attributes of a product. A registration system that tried to record and publish all innovative features of a design, including feel, weight and so forth, would be enormously complex and costly. A UDR would not have those problems.
- ***Reducing the gaps.*** One of the features of recent developments in intellectual property is the tendency to fill 'gaps' emerging between copyright and patent protection with a proliferation of legal hybrids such as petty patents, utility models, circuit layouts, plant varieties, and the adaptation of copyright law to computer programs.<sup>79</sup> A UDR will not address those particular gaps but it may help to strengthen the focus on underlying principles and reduce the reliance on complex hybrids.

3.64 ***Uncertainty and enforcement.*** A UDR does have some disadvantages when compared to a registered design right. The major problem is uncertainty. The seller of a product may not know whether the manufacturer copied it. A manufacturer may not know whether the five year period of protection has expired. A manufacturer may be uncertain whether her or his product is so similar that it will be taken to be a copy. All of those issues would need to be addressed in the definition of the UDR. They might in turn lead to more complex enforcement procedures. In addition, to enforce an anti-copying right the owner must show that the infringer had knowledge of the owner's design, if not the intention to copy it. This is an extra evidentiary burden and diminishes to some extent the benefit of not having to establish that the design meets the innovation threshold.

3.65 ***Unfair copying and unfair competition.*** A UDR needs to be considered in the context of other broader legal principles, particularly existing laws on passing off and the prohibition on misleading and deceptive conduct in the Trade Practices Act and proposals such as actions for unfair copying or unfair competition.

- Submissions and consultations suggested that actions for passing off and misleading and deceptive conduct, although useful, provided very limited protection for designs.
- Unfair copying has many of the advantages of UDR. Professor Fellner has proposed the establishment of a form of design protection based on unfair copying.<sup>80</sup> However unfair copying suffers from additional uncertainty because it is necessary to provide additional tests to determine what kind of copying is fair and what is unfair. These tests can themselves become a source of dispute.
- General protection against unfair competition is firmly established in Europe and the United States but it has been equally firmly rejected for the purposes of Australian law by the High Court in *Moorgate Tobacco Co Ltd v Philip Morris Ltd*.<sup>81</sup> It remains a relevant concept in any formulation of an anti-

copying right because it is concerned with much the same problem as that addressed by a UDR - market failure and misappropriation.<sup>82</sup>

3.66 **International trends.** There is growing interest in UDR internationally although it is too early to identify it as an international trend.

- The Whitford Committee in the UK unanimously recommended that registered design monopoly protection should be repealed.<sup>83</sup>
- The UK has since amended its designs legislation to retain a registered design right but to supplement it with a UDR.<sup>84</sup>
- The EC proposed Council Regulation includes both a registered design right and a UDR.
- A UDR is one of the options that has been proposed for reform of US designs law.<sup>85</sup>
- Article 25 of the TRIPS Agreement emphasises protection of 'independently created' designs which is consistent both with a registered design right and a UDR.

3.67 **Relationship with registered design right.** It is possible to protect designs by a dual system incorporating both a registered design right and a UDR. Under that approach the registered design right would still be available for the design protection that it currently provides. However the need for the registered design right may reduce, particularly where a UDR is combined with a broader scope for trade marks and petty patents. This need not cause any anomalies. An innovator will choose the protection that best suits the innovation. Competition policy will safeguard against anti-competitive exploitation of a particular form of protection.

3.68 **Lack of support for UDR.** Notwithstanding the potential benefits of a UDR or another form of anti-copying right, there are several factors that have persuaded the Commission that a right of that kind should not be recommended for immediate implementation. First, there is little public or industry support for a UDR at this stage.<sup>86</sup> Most submissions to the Commission supported retention of exclusive rights, including those from LCA, AMPICTA, CSIRO and IPAA. While there was a general emphasis on the need to prevent copying this was expressed as relative to the need to claim a 'monopoly' right.

3.69 **Inconclusive economic evidence.** Secondly, the economic impact of such a right is unclear. A UDR could be expected to be cheaper to claim and less of a barrier to competition.<sup>87</sup> However it is not known whether those factors would be outweighed by the possible uncertainty and any extra cost of enforcement. Any proposal to change from an exclusive registered right to an unregistered anti-copying right would need to be supported by better evidence of its likely economic impact than is currently available.

3.70 **A broader reform issue.** Third, and most important, an anti-copying right raises issues that go beyond designs law and require broader legal and economic consideration than is possible within the terms of this reference.

- Part of the value of an anti-copying right is that it can go beyond the scope of current design protection and address designers' needs for functional and other protection. This necessarily requires analysis of the policies underlying other forms of intellectual property that could, but do not, address those needs (eg copyright, patent, petty patent).
- Another aim of the anti-copying right is to provide an alternative approach to the legal hybrids noted above. This again is an issue that is relevant to all intellectual property, not just designs.
- Some of the reform issues promoting consideration of an anti-copying right are part of a broader call for reform of intellectual property laws. The need for broader reform is driven by forces that go well beyond designs and well beyond Australia, including new technologies, substantial economic growth, and shifts in social and cultural values. The context in which these reforms must be assessed - legal,

economic, international, technological - is necessarily complex and volatile and far broader than a review of designs law permits.

3.71 ***The need for a broad review.*** The Commission considers that the potential advantages of an anti-copying right, particularly in terms of reducing the overly legalistic emphasis and cost of design protection, warrant further review. That review should consider the anti-copying right in the context of Australia's overall innovation policy and legal framework, not just designs. It should assess unfair copying and unfair competition laws as part of the review. The review should be conducted jointly by bodies with expertise in economic policy, such as the Industry Commission, and in legal policy. The Australian Law Reform Commission would be happy to assist in such a review.

#### **Recommendation 6**

**The Attorney-General should commission a review of the advantages and disadvantages of introducing a broad anti-copying right into Australia's intellectual property law. The review should consider unfair copying and unfair competition laws. It should be conducted jointly by bodies with expertise in economic policy and legal policy.**

### **Recommended framework for the new designs legislation**

#### ***Registered design right***

3.72 Thus in summary the Commission recommends that the new designs legislation should continue to take the form of an exclusive, registered design right focusing on visual appearance, with a broader anti-copying right being considered as a likely future direction for intellectual property law. Much detailed reform is required to make the registered design right more effective, albeit within its current parameters. This detailed reform is the subject of the rest of this report.

#### ***Main recommended reforms***

3.73 The main reforms recommended for the new designs legislation are

- a clearer, more up-to-date definition of design<sup>88</sup>
- a new, stricter threshold test for eligibility - novelty and distinctiveness - coupled with a broader protection against infringement<sup>89</sup>
- new examination procedures - these will involve only a quick and cheap formal examination when the application is lodged; the more expensive and time consuming substantive examination will only be necessary where design registration is opposed or the applicant requests it,<sup>90</sup> and
- 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.<sup>91</sup>

## 4. What is a design?

### Introduction

4.1 In chapter 3 it was recommended that Australian law should continue to provide statutory protection for industrial designs. This chapter sets out what will qualify as a 'design', the products for which a design can be registered, and some aesthetic and functional limits on the scope of what can be protected. Chapter 5 sets out the level of innovation that must be achieved before a 'design' is eligible for protection.

### The definition of design

#### *The visual features of a product*

4.2 All aspects of a product's visual appearance should be capable of protection. This can be captured by defining a design as one or more of the visual features of a product. In submissions and consultations there was general agreement that the types of features that constitute visual features should be specified but the list of features should be inclusive not exclusive.<sup>92</sup> This is consistent with general practice. Australian and overseas designs laws traditionally refer to specific elements or features of appearance.<sup>93</sup> There was considerable opposition to the proposal in the Discussion Paper<sup>94</sup> that the word 'elements' replace 'features'.<sup>95</sup>

#### Recommendation 7

A design should be defined as one or more visual features of a product.

**(12) AUSTRALIAN REGISTERED DESIGN**

**(11) AU-S-121728**

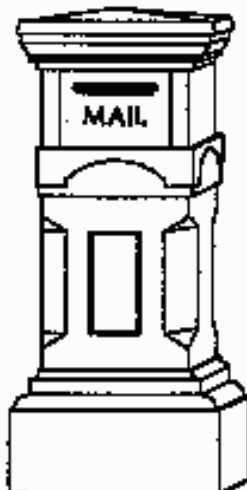
**(19) AU**

**(21) Application Number: 884 / 1884**

**(54) Article in respect of which the design is registered: Mailbox**

**(57) Statement of Monopoly: Monopoly is claimed in the features of shape or configuration of a mailbox as illustrated in the representations.**

**Statement of Novelty: Nil**

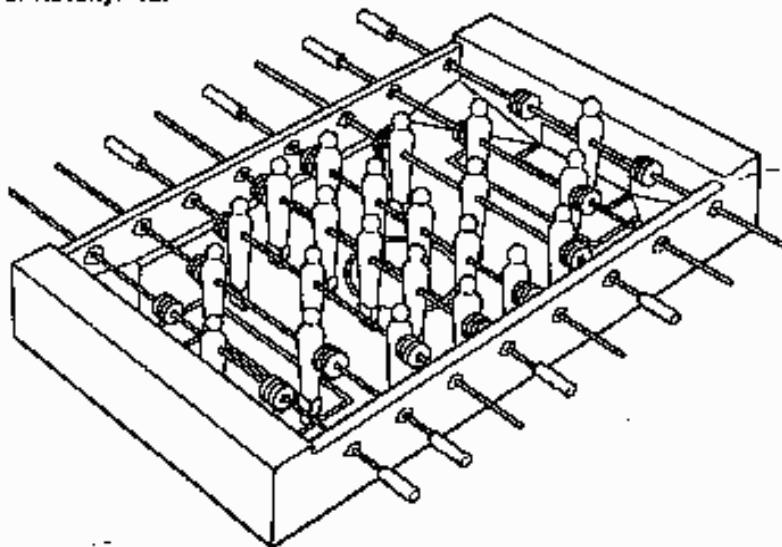


(21) Application Number: 2086 / 1992

(54) Article in respect of which the design is registered: Game table

(57) Statement of Monopoly: Monopoly is claimed in the shape and configuration of a game table as illustrated.

Statement of Novelty: Nil



### *Specifying the features*

**4.3 Non-exhaustive list.** The Discussion Paper analysed the various types of features that could be included, as a non-exhaustive list, in the definition of design. These included shape and configuration, pattern and ornamentation, colour, texture and surface. Submissions and consultations on the Discussion Paper indicated that the features to be included in the list are shape, configuration, pattern, ornamentation, colour and surface. The issues relating to these features are outlined below.

**4.4 Shape and configuration.** The Discussion Paper proposed that shape should continue to be expressly mentioned but that configuration should be omitted. It is doubtful whether configuration adds anything to the definition,<sup>96</sup> particularly since the recommended test for novelty and distinctiveness and for infringement is one of 'overall impression'.<sup>97</sup> A number of submissions were concerned to retain the reference to configuration and stressed the difference between shape and configuration.<sup>98</sup> While it was agreed that shape and configuration are not the same<sup>99</sup> there was less agreement as to whether configuration was needed. The Design Institute of Australia (Qld Chapter)<sup>100</sup> and the LCA<sup>101</sup> agreed that configuration could be omitted. This is also the Commission's preferred position. However most of the submissions, including submissions from the IPAA,<sup>102</sup> AMPICTA,<sup>103</sup> K Leslie, Davies Collison Cave,<sup>104</sup> KR Handscombe<sup>105</sup> P Smith and AIPO argued for the retention of the word configuration. Given the strength of this support for the retention of the word 'configuration', the Commission recommends that it be retained.<sup>106</sup>

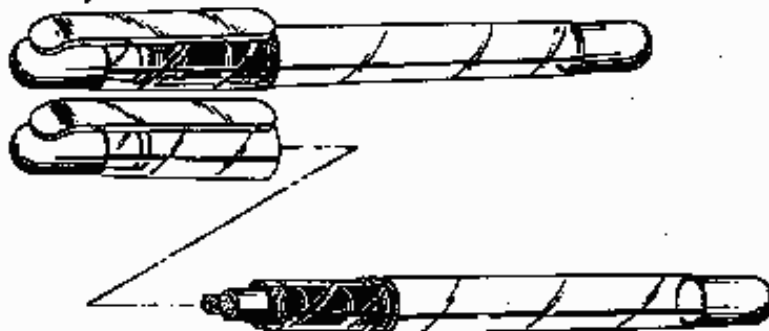


(12) AUSTRALIAN REGISTERED DESIGN  
(19) AU

(11) AU-S-123134

- (21) Application Number: 2782 / 1984  
(54) Article in respect of which the design is registered: Marking pen  
(57) Statement of Monopoly: Monopoly is claimed in the shape and configuration of a marking pen as shown in the accompanying drawings. The outer casings of the body and cap is made of transparent material with the exception of the end cap portion of each of the body and cap.

Statement of Novelty: Nil

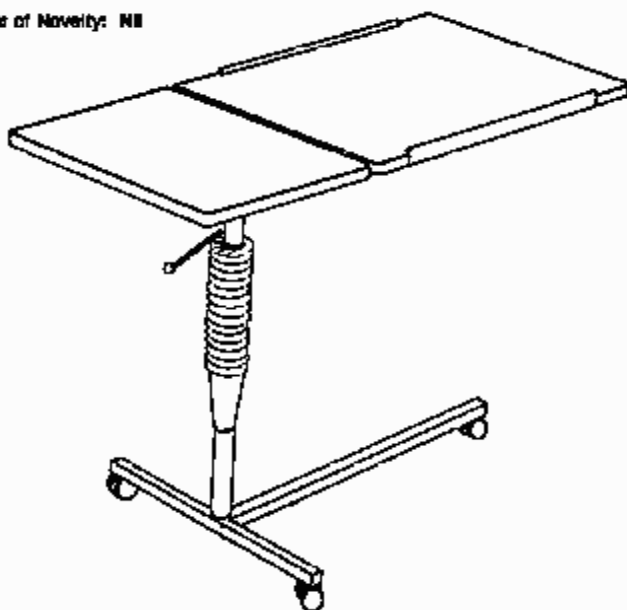


(12) AUSTRALIAN REGISTERED DESIGN  
(19) AU

(11) AU-S-117854

- (21) Application Number: 186 / 1998  
(54) Article in respect of which the design is registered: An adjustable table  
(57) Statement of Monopoly: Monopoly is claimed in the shape and configuration of an adjustable table as illustrated in the accompanying representations.

Statement of Novelty: Nil



**4.5 Pattern and ornamentation.** The Discussion Paper proposed that the word 'ornamentation' was unnecessary and should be omitted, while the word 'pattern' should be retained in the definition.<sup>107</sup> It also proposed that pattern was broad enough to cover all repeating or singular surface decoration.<sup>108</sup> There was general agreement to retaining pattern but most submissions disagreed with the omission of reference to ornamentation.<sup>109</sup> Many submissions argued that pattern did not necessarily cover a singular surface decoration.<sup>110</sup> F Old described the proposal as logically incorrect.

This would require a special definition of the word 'pattern' in legislation. This completely defeats the purpose of 'plain english' legislation. Consider a scarf with a plain background colour and a single item of adornment which is

located in one corner only of the scarf. The intention is that this should be the portion which is visible when the scarf is, say, worn around the neck. Such an item of adornment would not be regarded as being a pattern.<sup>111</sup>

The IPAA<sup>112</sup> said that

[s]ome methods of ornamentation such as the marking of a freshly painted surface with a paint soaked rag, result in an ornamentation which is not regularly repeating and therefore does not constitute a pattern.<sup>113</sup>

A number of submissions were concerned that ornamentation should be retained in that it could be construed as extending to features of bas relief.<sup>114</sup> Again given the strong support for the retention of the word 'ornamentation', the Commission recommends that it be retained.<sup>115</sup>

**4.6 Colour.** Colour is not expressly mentioned in the definition of design, although, as the IPAA pointed out colour is 'already included in the current definition of design within the scope of the terms "pattern" and "ornamentation"'.<sup>116</sup> For example, a flag is an article for which colour is often shown in design applications. There was general support for including colour in the definition of a design.<sup>117</sup> The Johnston report's opposition to including colour on the basis that samples would have to be filed<sup>118</sup> can be overcome by referring to colour code numbers.<sup>119</sup> AIPO and the courts are familiar with assessing colour as part of the overall design of a product.<sup>120</sup> No further guidance is strictly necessary but it may be helpful for the legislation to provide that to the extent that a colour is not specified then the application is taken to specify every colour.<sup>121</sup>

**4.7 Surface and texture.** There are a number of reasons for including surface expressly in the definition. The surface, in the sense of the look or finish of a product, is an important element of a design. Consumers may choose a product on the basis of its finish, including its texture.<sup>122</sup> However the legal protection available for textured designs is uncertain. Doubt arises when the design is not *applied to the surface* of the product.<sup>123</sup> There has also been uncertainty whether texture can be protected as an element of design if it is not expressly referred to in the definition.<sup>124</sup> Textured designs are currently registered but it is the features of shape, pattern, configuration or ornamentation that are protected. It is preferable to make it clear in the legislation that the look of a surface can be protected in its own right.<sup>125</sup> The Johnston report's opposition to protecting texture was the difficulty of depicting texture on paper and its opposition to the deposit of samples.<sup>126</sup> Surface texture of an article may only be protected to the extent that it has an appearance capable of being visually represented.

## **Recommendation 8**

**The definition of design should specify that the visual features of a product include its shape, configuration, pattern, ornamentation, colour and surface.**

**4.8 Material and feel of surface not protected.** There is an important qualification to add to the word 'surface'. It is the look or finish of the surface of a product that is to be protected not the actual metal, plastic or wood from which the product is manufactured. The recommendation that the materials as such should not be protected was supported.<sup>127</sup> This is different from the EC proposed Council Regulation definition. That definition enables 'materials of the product' to be protected on the basis that material or texture can 'be the expression of a highly original idea and be a decisive element in perceiving the presence of a protectable design'.<sup>128</sup> The EU has also recommended that protection extend to designs perceptible to the 'human senses'. However the Commission does not recommend that design protection extend beyond appearance to protect the feel of a surface.<sup>129</sup>

## **Recommendation 9**

**The reference to 'surface' in the definition of design should be taken to mean that the look of the surface is protectable, not the surface material or the feel of the surface.**

## The products for which designs can be registered

### *What is a product?*

4.9 The Designs Act currently defines design by reference to the visual features of an 'article'. It defines an article as 'any article of manufacture'.<sup>130</sup> The Commission prefers the more contemporary word 'product' to 'article'.<sup>131</sup> The expression 'article of manufacture' is not defined and nearly all the submissions that referred to the expression did not support the inclusion of a definition.<sup>132</sup> The courts have interpreted the expression broadly. The draft clauses in Appendix A provide that a product is anything that is manufactured regardless of whether it is made by a machine or is hand made. This definition is intended to exclude natural products from protection and to emphasise the industrial nature of design protection.<sup>133</sup> The recommended definition would exclude for example landscaping features that were natural products but not those that were manufactured. Thus the base of a fountain could be protected but not the water jet. This recommendation was generally supported.<sup>134</sup>

### Recommendation 10

**The word 'product' should replace the word 'article' in the definition of design. 'Product' should mean anything that is manufactured including something hand made.**

### *Applying a design to a product*

4.10 **'Applicable to' is too restrictive.** Under current law a design consists of features that are 'applicable to' an article of manufacture. This requirement that a design be 'applied to an article' unnecessarily restricts the protection for contemporary design. At times it can be 'stretching the language to suggest that the features are going to be 'applied' to any article'.<sup>135</sup> The idea of a design being applied to a product was described as irrelevant to contemporary designers who frequently refigure and reshape the whole of a product in a far more organic sense.<sup>136</sup> The Design Institute of Australia (Qld Chapter) said

Design is the interpretation of the product or concept and is not an add-on or afterthought.<sup>137</sup>

The expression 'applicable to' is also considered inappropriate for many industrial design features that can only be expressed, or are best expressed, in cross-sections, partial views, plans and the like.<sup>138</sup>

4.11 **Lahore report.** The Lahore report came to a similar view. The definition of design recommended in that report emphasised the *form* of an article.

Design means the *form* of an article, or part of an article, consisting of features of shape, configuration, pattern or ornamentation *incorporated in*, or applicable to, the article.<sup>139</sup>

There was support for this emphasis on form.<sup>140</sup> Email Ltd considered that designs should be 'understood in terms of overall form rather than a specific application'.<sup>141</sup> In the Commission's view, while the Lahore report definition overcomes the difficulties with the words 'applied to', some uncertainty remains and the reference to the 'form' of an article might result in other restrictive interpretations. For those reasons the Commission recommends the simpler definition of design as the visual features of a product.<sup>142</sup>

4.12 **Conceptual distinction between a design and a product should be kept.** The fundamental conceptual distinction in design law between a design of a product and the product itself should be retained. It would be over protection to grant an exclusive right in the product itself rather than the design of the product. Watermark argued that the requirement for a design to be applied to an article reflects this conceptual distinction. However it is not necessary to retain the idea of a design being 'applied to' an article or product for this purpose. The recommended definition of a design is sufficiently clear. Design means the visual features of a product, not the product itself.<sup>143</sup> The application form for registration can and should reinforce this distinction.<sup>144</sup>

## **Recommendation 11**

**There should be no reference in the definition of 'design' to a design being applied to or incorporated in a product.<sup>145</sup>**

### ***Complex products and component parts***

4.13 Many products are assembled from component parts. The design of a component part should generally be capable of separate protection if, in broad terms, the part can exist separately from the whole product.<sup>146</sup> The Designs Act currently defines an article to 'include a part of such an article if made separately'.<sup>147</sup> The requirement that the part of an article be made separately was criticised in several submissions because in practice it has proved to be a difficult concept to apply.<sup>148</sup> In the Commission's view the requirement for separate manufacture should not be retained.<sup>149</sup> All that is required is that the component itself must be a product.<sup>150</sup> This is the effect of the draft clauses in Appendix A.

## **Recommendation 12**

**A design of a product that consists of a number of component parts should be able to be registered as one design. A component part may itself be a product.**

### ***Portions of products***

4.14 A more difficult question is whether a distinctive portion of a product that is not made or sold separately and is not separable from the complete product, such as the handle of a cup, can be registered as a design. It is recommended that it should only be possible to register the design of a portion of a product in relation to the whole product. Thus it would only be possible to register the design of a cup handle in relation to the cup, not the handle separately. However it is recommended in chapters 6 and 9 that applicants should be encouraged to identify the design's new and distinctive features to which they would like the court's attention to be drawn in determining infringement, and those visual features could include visual features relating to only a portion of the product.<sup>151</sup> Thus the applicant could submit a representation of a handle attached to a cup. The consequences of infringing a design for a portion of a product are discussed at paragraph 6.32.

## **Recommendation 13**

**A design of a portion of a product will only be registrable in relation to the whole product, not in relation to the portion separately.**

### ***Buildings***

4.15 A design is only registrable if it is the design of a 'product'. This has led to registration being refused for the design of immovable objects on the ground that the immovable object is not an 'article' within the meaning of s 4(1).<sup>152</sup> In other instances the design of a building has been regarded as the consequence of a building operation rather than the design of an article of manufacture.<sup>153</sup> In the Commission's view, given the nature of contemporary design activity, the design of a building should be capable of registration if the building can be described as a product within the recommended definition. It should be irrelevant whether the building is portable or not. The recommendation that designs of buildings or models of buildings should be protected as designs, provided they satisfy the definition of a product and meet the pre-requisites for protection, was generally supported.<sup>154</sup> There are also issues about the relationship between design and copyright protection for buildings and models of buildings. These are discussed in chapter 17.

## Recommendation 14

A design of a building or a model of a building should be capable of protection under the designs legislation provided that the building or model satisfies the definition of a product. There is no need to make separate provision for buildings in the definition of product.

### *Products of indefinite dimensions*

4.16 *Indefinite in one or two dimensions.* The design of a product that is indefinite on one or two dimensions may currently be registered. This is the general effect of the Designs Act s 18(2), (3) and (4).<sup>155</sup> These subsections were introduced by the *Industry, Technology and Commerce Legislation Amendment Act 1992* (Cth) with retrospective effect as of 30 July 1975 in relation to the Designs Act.

They reversed the effect of two court decisions and enabled provisions to be prescribed for the protection or compensation of those who have relied on these decisions.<sup>156</sup>

### Example of a product with an indefinite dimension.

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(12) AUSTRALIAN REGISTERED DESIGN	(11) AU-S-123312
(19) AU	

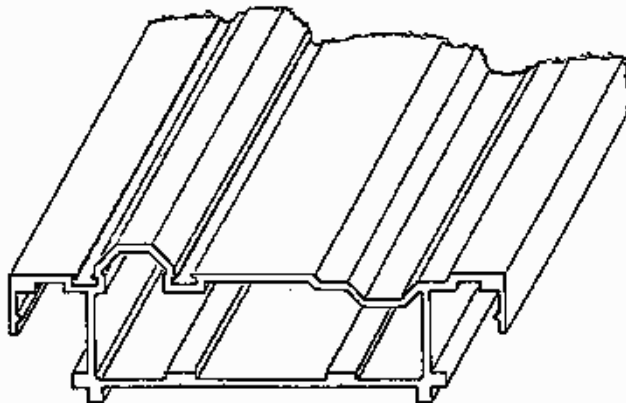
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(21) Application Number: 4111 / 1994

(54) Article in respect of which the design is registered: Standard stile

(57) Statement of Monopoly: Monopoly is claimed in the shape and configuration of the standard stile as shown in the representations. The standard stile is of indefinite length and has a constant cross-section throughout its length.

Statement of Novelty: Nil



4.17 *AIPO's practice.* AIPO registers the design of products such as extrusions, girders and roofing sheets provided that the product is of constant cross section throughout the length of the article. In an application for a design applied to an extrusion it is acceptable to show indefinite length in the representation and to disclaim the length in the statement of monopoly. AIPO does not consider that it would be acceptable, however, to disclaim the other two dimensions, height and width, as well as length since this would result in a large number of different designs being claimed. The Commission understands that in practice the fact that a product is of indefinite length and width will not preclude registration of the design for products such as wire mesh and textiles provided that the pattern repeats itself throughout the length and width of the article.

4.18 *Existing law too narrow.* The Designs Act s 18(2) only allows for variations in one or two dimensions. There was support for protection to be available for products capable of being manufactured in an infinite variety of lengths and cross sections.<sup>157</sup> Some restrictions are necessary or competing manufacturers would be uncertain as to what they could or could not manufacture. A number of submissions argued that protection should be given to indefiniteness in a different direction to the length<sup>158</sup> or that the extension of protection should not be restricted to products that have repeating or recurring elements in the design.<sup>159</sup> Similarly a requirement that there be a regular cross-section was also seen as unduly restrictive as it would not allow for extrusions with holes at regular intervals throughout the length.<sup>160</sup> Provided the holes were repeated at

regular intervals then the design of the extrusions should be able to be registered.<sup>161</sup> K Leslie, Davies Collison Cave, submitted that

Indefinite length and width should only be permitted where a design element such as a pattern repeats itself throughout the length and width of the product. Products of indefinite length should be protected if the cross-section of the product is constant throughout its length, or the width and height remains in a proportional relationship. Also where a particular feature is repeated at regular intervals along the indefinite length that also should be protectable.<sup>162</sup>

**4.19 *Extending protection.*** The Commission agrees with each of these comments and recommends that they should be accommodated by a specific provision identifying what is protectable where there are one or more indefinite dimensions. The design of a product with one indefinite dimension, for example varying length but the same cross section throughout, should be able to be protected. The design of a product with more than one indefinite dimension should be able to be protected provided that at least one of the following applies to the product or that part of the product which is of indefinite dimension

- a cross section taken across any indefinite dimension varies according to a regular pattern
- the dimensions remain in proportion
- the cross-sectional shape remains the same throughout, whether or not the dimensions of that shape vary according to a regular pattern or according to a ratio or series of ratios
- it has a pattern or ornamentation that incorporates repeats.<sup>163</sup>

#### **Recommendation 15**

**The design of a product with one indefinite dimension should be able to be protected. The design of a product with more than one indefinite dimension should be able to be protected provided that at least one of the following applies to the product or the part of the product with the indefinite dimension**

- **a cross-section taken across any indefinite dimension varies according to a regular pattern**
- **its dimensions remain in proportion**
- **its cross-sectional shape remains the same throughout whether or not the dimensions of that shape vary according to a regular pattern or according to a ratio or series of ratios**
- **it has a pattern or ornamentation that incorporates repeats.**

#### ***Get up and packaging***

**4.20** Design protection currently extends to packaging and get up and it has not been put to the Commission that any change is needed in this respect. It is not necessary to refer to packaging separately in the legislation as the recommended definition of product as a manufactured item would include packaging. The Commission notes that the Trade Marks Act 1994 s 5 covers aspects of packaging and there is potential for overlap.<sup>164</sup> This was not seen as a problem in submissions and the Commission does not consider that it requires special provision.

## Recommendation 16

**A design of packaging or get up should be capable of protection under the designs legislation. It is not necessary to include a special provision in the new designs legislation to this effect.**

### *Kits*

4.21 **Current protection limited.** A design for a kit is currently not registrable separately from the registration of the individual parts or of the packaging or of the assembled product. This is because the design for the kit does not illustrate the whole finished article, is not regarded as a set and illustrates more than one article.<sup>165</sup> These principles apply regardless of whether the kit consists of a number of parts that can be assembled to construct a finished article or alternatively of parts that are commonly used together or sold together but not assembled together.

4.22 **No need for special provision.** Designs of parts of a kit that are new and distinctive will each be able to be registered separately under the Commission's recommended design protection. It will also be possible to make a multiple application for registration of the designs of the parts of a kit<sup>166</sup> and to apply for registration of the design of a finished product assembled from a kit and of the packaging. There is therefore no need to make special provision for kits in the definition of what is registrable as a design. A number of submissions supported this view.<sup>167</sup> There is separate issue as to whether special provision is needed to cover the infringement of the design of a part of the kit or of the finished product assembled from a kit. This is discussed in chapter 6.

## Recommendation 17

**A design of parts of a kit, a design of the product assembled from a kit, and a design of the packaging for a kit should each be capable of protection under the new designs legislation. It is not necessary to include a special provision in the legislation to this effect.**

### *Circuit Layouts*

4.23 **Existing protection and the external housing.** An issue has arisen as to whether there is a gap in the protection provided by the Circuit Layouts Act and the Designs Act resulting in no protection being available for the external housing of an integrated circuit. The Circuit Layouts Act provides a copyright style protection for original circuit layouts.<sup>168</sup> This is intended to be an exclusive regime. To exclude any overlap with design protection the Designs Act provides that an integrated circuit within the meaning of the Circuit Layouts Act<sup>169</sup> or a mask used to make such a circuit is not an article and consequently the design of the integrated circuit or mask is not registrable as a design.<sup>170</sup>

4.24 **Submissions.** Several concerns were raised about these provisions. IPAA submitted that the external housing of an integrated circuit is an article separate from the integrated circuit itself, is generally manufactured by a different manufacturer and is subject to independent trade.<sup>171</sup> F Old suggested that the law should be amended so that the external housing of an integrated circuit may be protected as a design.<sup>172</sup> AMPICTA argued that there was a gap in protection. They submitted that this gap would be overcome if the exclusion from design protection were to be aligned with the subject matter protected under the Circuit Layouts Act so that only 'circuit layouts' are excluded from the Designs Act, rather than 'an integrated circuit, or part of an integrated circuit'.<sup>173</sup> They considered that at present the legislation excludes a wider category of subject matter, specifically 'packaged' integrated circuits, than is protected as a circuit layout.<sup>174</sup> Other submissions sought to demonstrate that there is an unjustified gap in protection for the 'external shape of a device or the arrangement of pins protruding from the packaging of an integrated circuit'.<sup>175</sup>

4.25 **Copyright protection.** Another submission took the view that the exclusion of registrability under the Designs Act was of no practical concern.<sup>176</sup> According to that view, masks and printed circuit board layer screens appear to be protected as artistic works under the Copyright Act and the circuits as such would be protected under the Circuit Layouts Act.



4.26 **External housing not expressly excluded.** In responding to the Discussion Paper the federal Attorney-General's Department reaffirmed its earlier advice that the outer casing/housing of a circuit could be protected under the existing provisions of the Designs Act and also under the Commission's recommendations.<sup>177</sup> The Department also confirmed that it disagreed with AMPICTA's view that there was a gap in protection.

I agree that the normal and commonly used meaning of the terms 'integrated circuit' and 'chip' by industry may refer to an integrated circuit encased in a 'housing with accessible external contacts'... However this is not the meaning given to the term by the CL Act and it is not the intention of that legislation to protect an integrated circuit in that form. ... It follows that as the meaning of the term 'integrated circuit' as used in the CL Act does *not* include the external housing of an integrated circuit, the external housing is *not* expressly excluded from protection under the Designs Act by the definition of 'article' in s 4(1) in that Act.<sup>178</sup>

The submission commented that the protection afforded by Australia to layout designs for circuit layouts is no different from that endorsed internationally.<sup>179</sup> It rejected the need for dual protection of integrated circuits.<sup>180</sup>

4.27 **Commission's view.** The Commission agrees that the external housing is not expressly excluded from protection under the Designs Act or under the Commission's recommendations and therefore there is no need to make special provision for the external housing.<sup>181</sup> The Commission is also not persuaded that there is any relevant gap in protection which would warrant further amendments or dual protection. The recommended exclusion for integrated circuits within the meaning of the Circuit Layouts Act and for masks to make such circuits is set out in the draft clauses in Appendix A.

#### **Recommendation 18**

**A design of the external housing of an integrated circuit should be capable of protection under the new designs legislation. It is not necessary to include a special provision in the legislation to this effect.**

#### ***Exclusions for primarily literary or artistic works***

4.28 Regulation 11(1) exhaustively lists articles said to be primarily literary or artistic, for which design registration is excluded as copyright protection is considered more appropriate.<sup>182</sup> This regulation is considered in detail in the Discussion Paper.<sup>183</sup> Regulation 11 has led to misunderstandings such as those referred to by the Franki report.<sup>184</sup> There are other difficulties with the regulation. The meaning of 'transfers that are for the purpose and are capable of being transferred to the surface of another article' is unclear. The requirement that there be printing on the excluded articles seems arbitrary.<sup>185</sup> In any event the list of exclusions in reg 11 was compiled at a time when the effects of registering two-dimensional artistic works were quite different. Since the list was made the 1989 amendments to the Copyright Act have come into effect. Design registration for two-dimensional artistic works applied to the surface of an article does not affect the subsistence of copyright protection.<sup>186</sup> Regulation 11 is no longer appropriate and should not be retained. This recommendation was raised as a proposal in the Discussion Paper and there has been little disagreement with it.<sup>187</sup>

#### ***General power to exclude by regulation***

4.29 There is a need however for a general regulation power to enable special items such as medals to be excluded from protection. Where the matter is significant it may be necessary to pass special legislation to exclude items of registration as a design.<sup>188</sup>

#### **Recommendation 19**

**The exclusion of specified literary or artistic works under Regulation 11 should not be retained. There should however be a general regulation power that would allow items such as medals to be excluded from registration as a design.**



## *Screen displays and computer programs*

**4.30 Protecting the 'look and feel' of computer programs.** It has been sought to protect the 'look and feel' of a computer program by registering the screen display as a design.<sup>189</sup> The Registrar took the view that a registrable design should be capable of distinguishing the design from the fundamental form of the article. The Registrar said that

In the present case when the applicant's designs are displayed on a computer screen I doubt that the viewer would see the computer screen or any other hardware associated with the computer as being characterised by those designs, since he or she knows that the screen image is transitory and that the hardware is still the same hardware as it was before the design was displayed on the screen. Because the designs are transitory they do not give a 'particularly individual and specific appearance' to the computer screen. I think that the viewer would see the designs as characterising the software rather than the hardware. Thus whilst there may be some argument that the applicant's designs are generally 'applicable' to a computer screen, I think that they are not applicable within the meaning of the Designs Act.<sup>190</sup>

The Registrar also held that the computer screen information was not a pattern or ornamentation. It was further held that as the design features were subordinate to the content and layout of the literary and textual material they cannot form a registrable design.<sup>191</sup> A UK case has taken the view that the display for a digital watch was registrable even though the alarm symbol was only displayed in certain circumstances.<sup>192</sup>

**4.31 Distinguishing the screen display and the program.** A majority of the CLRC took the view that an icon or even a complete screen display could not adequately distinguish the computer screen as it was not always displayed on the screen. But it did adequately distinguish a computer program as the program can be written to ensure that the icon is always on the screen when the program is in use.<sup>193</sup> The CLRC considered that the program was a product within the definition recommended by the Commission. However it questioned whether the screen display could be regarded as the appearance of the computer program on the basis that if

a computer program has any appearance it would seem to be the source code and that is already protected by copyright.<sup>194</sup>

The Committee did not consider design protection as an appropriate way to protect screen displays. It did not recommend any additional form of protection for screen displays.<sup>195</sup>

**4.32 Screen display is not a product.** In the Commission's view a screen display is a use of a product - the monitor or other computer hardware - it is not itself a product. Nor is it the visual appearance of any product. The visual appearance of the monitor or other computer hardware is the product at rest not in use. The fact that the screen display is generated by a computer program does not make it the visual appearance of that program any more than a printed page is the visual appearance of the printer. It follows that a screen display does not qualify for protection as a design either as the design of a computer program or on any other ground. In the Commission's view this is appropriate and no special provision needs to be made for screen displays either confirming or qualifying this.

### **Recommendation 20**

**Screen displays should not be able to be protected as designs. It is not necessary to include any special provision in the new designs legislation to confirm this.**

## **Attractiveness and related limits to design protection**

### *Providing boundaries for design protection*

**4.33 Designs laws in many countries use various criteria to provide boundaries for design protection.** These include the intent of the designer, consumer appeal, reward for design effort, and degree of functionality exhibited by the design.<sup>196</sup> They are important in defining the borders of design, copyright and patent protection. Functional limits are described further below. This section discusses the phrase 'judged by the eye', the use of criteria based on sensory perceptions or attractiveness, and the concept of consumer appeal.

## *Judged by the eye*

4.34 **Visual appearance.** The current definition of design refers to the 'features that, in the finished article, can be judged by the eye'. The expression 'judged by the eye' was inserted into the Designs Act<sup>197</sup> after the Franki report had recommended the insertion of the words 'appeal to and are judged solely by the eye' on the basis that they

... convey the essential quality of a design as something concerned only with appearance and we consider that words conveying that quality should be included in any new design.<sup>198</sup>

To the extent that the expression 'judged by the eye' refers to the visual appearance rather than the way the product works it is unnecessary. It should be sufficient that the definition of design refers to the visual features of a product.

4.35 **Unaided eye.** Aside from highlighting visual appearance, some cases suggest that 'judged by the eye' means the design must be able to be perceived by the unaided naked eye.<sup>199</sup> This is inappropriate. It should be possible for a person, including the informed user,<sup>200</sup> to be assisted by the tools and instruments such as microscopes that are relevant or common to the trade.<sup>201</sup> Most submissions did not support confining appearance to features that can be seen by the unaided eye.<sup>202</sup> It also runs counter to international practice.<sup>203</sup> As AAD submitted, 'judged by the eye' is an outdated concept.

Apart from the obvious examples of details that are too small to be seen by the 'naked' eye, or where the eye cannot easily 'reach' or 'comprehend' such important qualities as 'comfort' or 'balance' or 'flexibility' or even subtle but critical curves, could be vital for success in the design of motor cars, chair seats, industrial pumps etc. These qualities can thus play a critical part in a truly innovative design - which is often not acceptable for design protection because the product's true qualities simply cannot be 'judged by the eye'.<sup>204</sup>

4.36 **Features that are striking.** The expression 'judged by the eye' has also been interpreted by the courts to require the features to be noticeable or striking to the eye. This is effectively an innovation threshold. However the test for visual innovation should focus on novelty and distinctiveness. These concepts are discussed in chapter 4. The expression 'judged by the eye' does not supplement or help to clarify those tests. It is at best unnecessary and potentially confusing.

4.37 **'Judged by eye' should not be retained.** The current reference in the definition of design to the 'features that, in the finished article, can be judged by the eye' should not be retained. Most submissions supported this recommendation.<sup>205</sup>

## **Recommendation 21**

**References to 'judged by the eye' should be omitted from the definition of design.**

## *Attractiveness and sensory perceptions*

4.38 **Attractiveness.** A limitation that is not in the current designs legislation but has been a topic of debate is whether designs should only be protected if they satisfy aesthetic or sensory criteria. This approach has been adopted or proposed in the US and Japan. The US Bill HR 1790 sought to protect 'the original design of a useful article which makes the article attractive or distinctive in appearance to the purchasing or using public'.<sup>206</sup> The Japanese design law of 1959 protects features or combinations of features of shape, ornamentation or colour which 'through the sense of sight arouses an aesthetic sensation'. By contrast the EC proposed Council Regulation does not regard the aesthetic character of a design as relevant.

4.39 **Sensory perceptions.** The EC proposed Council Regulation goes beyond visual aesthetics and implies that perception by human senses other than sight is relevant. The MPI Explanatory Memorandum stated that 'products which *exclusively* affect other senses- the senses of smell, hearing or touch - cannot be protected as Community designs; it is, however, likely that in the case of tactile designs a particular surface texture is present at the same time'.<sup>207</sup> The Explanatory Memorandum to the proposed Council Regulation states that any elements of appearance that can be perceived by the human senses 'as regards sight and tactility' are protectable as a design.<sup>208</sup>

4.40 *Aesthetics and sensory perceptions inappropriate.* In the Commission's view aesthetic or sensory criteria are inappropriate. 'Ornamental' or 'aesthetic' designs are always protected as designs because of the focus in the definition of design on visual appearance. However attractiveness and aesthetic sensations are impossibly subjective criteria by which to assess protection. The use of such criteria would inevitably produce unnecessary, arbitrary and inconsistent decision making. This view was generally supported in the submissions.<sup>209</sup> For similar reasons the Commission does not consider it useful or appropriate to refer in the criteria for design protection to the degree to which the design can be perceived by human senses other than sight. Most submissions agreed with this approach.<sup>210</sup>

## **Recommendation 22**

**There should be no requirement for designs to be distinguished on the basis of attractiveness, sensory perceptions or aesthetic sensation.**

### *Consumer or eye appeal*

4.41 *UK.* Another issue is whether designs should only be protected if they have consumer or eye appeal. This limit has been adopted in the UK. The *Registered Designs Act 1949* (UK) s1(3) states that a design shall not be registered if the appearance of the article

is not material, that is, if aesthetic considerations are not normally taken into account to a material extent by persons acquiring or using articles of that description, and would not be so taken into account if the design were to be applied to the article.<sup>211</sup>

This section has been criticised because of the evidence that will be required to prove that users generally would be influenced by the eye appeal of design features when acquiring that kind of article.<sup>212</sup> It has also been criticised on the ground that

a designer or indeed a manufacturer who believes that improving the aesthetic quality of the design will improve sales will become totally frustrated because, in the absence of a past history to prove that aesthetic features enhance financial return, it will be impossible to register the design'.<sup>213</sup>

4.42 *Consumer appeal rejected.* In the Commission's view the definition of a design should not contain a requirement of consumer or eye appeal. To do so would exclude many designs inappropriately and would introduce an unnecessary complexity into design protection, adding to costs. The significance of the visual features of a product is addressed in the tests for novelty and distinctiveness. It would be inconsistent and confusing to add another test of consumer or eye appeal. The submissions showed strong support for this view.<sup>214</sup>

## **Recommendation 23**

**There should be no requirement of consumer or eye appeal in the definition of design.**

## **Functional limits**

### *Wide range of potential limits*

4.43 The fear of overlap between design and patent protection has led to a wide range of functional limits being introduced or proposed. Particular limits that need to be considered for Australia's designs legislation are

- features that serve a functional purpose
- designs dictated solely by function
- methods and principles of construction

- internal shapes
- care, skill and labour.

### ***Features that serve a functional purpose***

**4.44 *Confusion as to purpose.*** The Designs Act s18(1) effectively allows a design to be registered even though it has features that serve a functional purpose. It states that

an application for registration of a design shall not be refused, and a registered design is not invalid, by reason only, that the design consists of, or includes, features of shape or configuration that serve, or serve only, a functional purpose.

The consultations, submissions and the results of the design users survey showed that much confusion surrounds the effect of this provision. Many of those who responded to the Commission's design users survey thought they were receiving design protection for the way a product works. They thought design registration protected functional features not just visual features.<sup>215</sup> However as discussed in chapter 3 this is not the effect of s 18(1). This provision was inserted following a recommendation of the Franki report, which stated

Our recommendation does not give protection for functional features as such but merely prevents the availability or the validity of design protection being affected by the presence of functional features.<sup>216</sup>

**4.45 *Section 18(1) should be retained.*** In the Commission's view s 18(1) is necessary and should be retained. Its deletion would mean that registration could be refused on the basis that the product possesses features which serve a functional purpose.<sup>217</sup> There was support for this recommendation.<sup>218</sup> However as discussed in chapter 3 it is also important to remove the confusion surrounding s 18(1). This requires clarification of the legislation as a whole not just that section. Section 18(1) should also be extended to apply to all the visual features of a product not just to its shape or configuration.

### **Recommendation 24**

**New and distinctive visual features of a product should be able to be protected regardless of whether those features serve or serve only a functional purpose. S 18(1) should be retained.**

### ***Should protection extend to designs solely dictated by function?***

**4.46 *Designs dictated by function not always protected.*** TRIPS allows member countries to provide that 'protection shall not extend to designs dictated essentially by technical or functional considerations'.<sup>219</sup> The rationale is that the exclusive rights resulting from design protection should not be granted for a technical effect that can be achieved in only one way since this would unduly restrict competition.<sup>220</sup> Designs dictated solely or largely by function are excluded from protection in a number of overseas countries.<sup>221</sup> In some countries protection is not available where the artistic form merely has an influence on the technical effect, or is involved in the function, and is therefore considered inseparable from it.<sup>222</sup> The EC proposed Council Regulation does not provide protection to the extent that the realisation of a technical function leaves no freedom as regards arbitrary features of appearance.<sup>223</sup>

**4.47 *Meaning of exclusion unclear.*** The Federal Court has considered the concept of a design being dictated by function in some cases but has not identified a clear meaning. In *Hosokawa Micron International Inc v Fortune* it was held that features of a design are dictated solely by function when the relevant features of the shape are attributable only to the function that the article in that shape is to perform.<sup>224</sup> Justice Gummow held that if there was room for choice by the designer as to the shape of an article there would be a design even if the shape served a functional purpose.

**4.48 *Is the exclusion necessary?*** A number of submissions cast doubt as to whether designs dictated solely by function actually existed.<sup>225</sup> The Commission was told that there are virtually no products where the nature of the article determined its visual features to such a degree that no design choices could be made.

In practice, it will very, very rarely be the case that a functional result (eg particular flow rate in a water pump), will be achievable by one and only one design.<sup>226</sup>

Another submission supported the EC Green Paper proposed definition of design which excluded features dictated solely by the technical function of the product<sup>227</sup> because it recognised

the significant development of other features of configuration in modern mass produced and technologically designed products where visible features of form, colour, configuration of surfaces, structure whilst not dictated solely by the technical function are certainly dictated by the user interface consideration, ie ergonomics, cultural usage, visual and cultural fit with environment in which used etc. These features are frequently wrongly and simplistically attributed to 'aesthetics' or 'style' or 'fashion'.<sup>228</sup>

The Industry Commission has suggested that a design should not be able to be protected where it is dictated by the product's technical or commercial function.<sup>229</sup>

**4.49 *Exclusion not recommended.*** Designs dictated by function should not be expressly excluded from protection. The Franki report was not convinced of the need for the exclusion.<sup>230</sup> The submissions and the views expressed in consultations do not suggest that such an exclusion is necessary.<sup>231</sup> It would necessarily be arbitrary given the nature of modern design and the constraints on the designer.<sup>232</sup> This recommendation is to some extent inconsistent with provisions of the Trade Marks Act which exclude protection if the trade mark consists wholly or principally of a shape that the goods must have if a particular technical result is to be obtained.<sup>233</sup> However this is unlikely to create any particular problems in practice.<sup>234</sup> The extent to which the function of a product permits a designer little freedom during the designing process is a matter that has relevance in determining novelty and distinctiveness<sup>235</sup> and in whether there has been infringement.<sup>236</sup>

## **Recommendation 25**

**The new designs legislation should not provide that designs 'dictated by function' should be expressly excluded from protection, either in the definition of design or otherwise.**

### ***Method and principles of construction***

**4.50 *Excluded from design protection.*** Current designs law expressly excludes 'method and principles of construction' from design protection. The policy behind this exclusion is that they are more correctly protected by patents law.<sup>237</sup> The exclusion was introduced into designs law at a time when design registrations were often accompanied by detailed statements that had more in common with patent claims. The expression may therefore have less relevance today.<sup>238</sup> The Lahore report recommended that the reference to methods or principles of construction be removed on that basis that the expression was of no assistance, in that it gave statutory expression to what has already implied in the concept of a design.<sup>239</sup> A number of submissions agreed.<sup>240</sup> One submission disagreed and favoured retaining the present exclusion of method or principle of construction from the definition of design on the basis that such matters 'should either be dealt with by way of patent protection, or alternatively by way of utility model protection if such is implemented'.<sup>241</sup>

**4.51 *Problems created by the expression.*** It is generally agreed that the courts have interpreted the exclusion in such a way as to render design protection inappropriately narrow for utilitarian products such as locks and pumps.<sup>242</sup> One submission stated that

the problem of the present interpretation of the 'method or principle of construction' exclusion is of major relevance when considered in the context of the right impliedly given in s 4(1) to provide a statement of monopoly whereby features shown in representations of the design may be excluded; prima facie such exclusion must result in variations and different 'forms' being encompassed. A possible legislative solution might involve replacement of the exclusion from registration of methods or principles of construction with criteria for establishing the scope of protection whereby the registration still protects only the single 'form' of the design, but is defined as encompassing variations outside of the principal visual features'.<sup>243</sup>

**4.52 *Methods and principles to be omitted.*** While the meaning of the expression 'method or principle of construction' is unclear, it appears to add little to the current definition of a design and has created some problems of interpretation. It should not be retained. This does not mean that methods or principles of

construction will be capable of protection as designs. Design protection will only extend to protect the visual features of products.

#### **Recommendation 26**

**There should be no reference to 'methods or principles of construction' in the definition of design.**

#### ***Internal shapes***

4.53 Many important design innovations are hidden by an external casing or other parts.<sup>244</sup> It is AIPO practice to register designs of internal shapes. However concern has been expressed that design protection may not be available for internal shapes without special provision to this effect in the designs legislation because of their functional significance. In the Commission's view the internal shape of a product should be capable of protection provided it meets the novelty and distinctiveness requirements.<sup>245</sup> There was support for this recommendation.<sup>246</sup> There is no reason to exclude protection to internal shapes which satisfy those tests. However there is also no need to make special provision for internal shapes. The amendments to the definition of design proposed by the Commission - in particular the omission of 'judged by the eye' - will result in internal shapes being eligible for protection if they satisfy the standard requirements for design protection. Submissions generally supported this approach.<sup>247</sup>

#### **Recommendation 27**

**A design of the internal shape a product should be capable of protection under the designs legislation. It is not necessary to include a special provision in the legislation to the effect.**

#### ***Care, skill and labour***

4.54 It has been suggested in the UK that industrial designs should be distinguished between designs for which care, skill and labour is expended specifically to give a product an appearance distinguishing it from other products that do the same job (Class A designs) and designs whose appearance is simply the result of the job they do (Class B designs).<sup>248</sup> However the level of care, skill and labour expended are arbitrary criteria. They may be the result of many factors including the designer's competence and previous experience, the complexity of the design brief and the demands of the client. To require designs to be differentiated on such grounds would be unproductive. These distinctions are therefore not supported. There was general agreement with this recommendation.<sup>249</sup>

#### **Recommendation 28**

**Designs should not be differentiated on the ground of the level of care, skill or labour expended in creating them.**

#### ***BIE concerns***

4.55 The BIE has expressed concern that the recommendations in this report concerning the definition of design and its relationship with function might remove any limits on design protection that prevent 'its intrusion into the realm of patent-law protection of function'.<sup>250</sup> They argue that this could have the economic effect of radically extending design protection beyond the current protection of visual appearance to protect function, rather than simply maintaining the current position of some incidental overlap.<sup>251</sup> [160](#) The Commission does not expect its recommendations to have this effect. As a matter of legal interpretation it does not consider that its recommendations would support the extension of design protection in that manner. The definition of design limits protection to the visual features of a product and the stricter innovation test of novelty *and* distinctiveness should limit the potential for design protection to extend to function beyond the current level of overlap.



## 5. The innovation threshold

### Introduction

5.1 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. The innovation threshold is usually expressed as a novelty test. It draws a line between those designs that are considered sufficiently innovative to be protected by exclusive rights and those designs that are not. This chapter sets out the present innovation tests and the new two step novelty and distinctiveness test that is recommended. It then discusses how distinctiveness should be defined and assessed, the prior art base against which it should be assessed, and related issues of disclosure.

### The present tests

#### *The general principle of novelty*

5.2 Most countries require a minimum standard of novelty. A designer must make some advance on the prior art, amounting to more than a trade variant, in return for the privilege of an exclusive right. 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 known design features.

#### *The Australian test - new or original*

5.3 The Designs Act s 17 provides that only new or original designs may be registered.<sup>252</sup> A design that differs only in immaterial details or in features commonly used in the relevant trade from a design that was registered, published or used in Australia before the priority date in respect of the same article is not registrable.<sup>253</sup> Similarly, designs that are obvious adaptations of a design that has been previously registered, published or used in Australia in respect of any other article are not registrable.<sup>254</sup>

#### *Originality test unsatisfactory*

5.4 Originality has never served a purpose in designs law, principally because its meaning has been uncertain. In practice, the courts and the examiners in AIPO apply only a novelty test. No clear distinction has ever been made between the use of the words 'new or original' in designs law. The prevailing Australian view appears to be that a design may be original, even if it is not necessarily new, if in its application to another article a design is created that has not occurred to anyone before.<sup>255</sup> Originality in designs law is thought not have the same meaning as in copyright law where a work is original if it is not copied.<sup>256</sup> The recommendation that originality not be retained was generally supported.<sup>257</sup> Removing originality from the test of novelty should not conflict with Australia's obligations under TRIPS because the concept of originality will be subsumed within the new recommended test of 'distinctiveness'.

### Recommendation 29

**Originality should not be retained as a prerequisite for design protection.**

#### *Novelty test unsatisfactory*

5.5 The current novelty test is regarded as unacceptable as a threshold test for protection by creators and industry alike. The general perception is that almost every non-identical design is registered. Occasionally even identical designs can be registered. In Australia, as in many overseas countries, the actual process of examination of designs for novelty is minimal or non-existent. There is a high risk that registration of a design will be invalid due to a pre-existing identical or similar design.<sup>258</sup> The courts' interpretation of the novelty test has also led to considerable dissatisfaction. The overwhelming response from the design users survey, the submissions and from the consultations was that even the most minor of alterations will suffice to

constitute a new design.<sup>259</sup> These are very real problems for designers not merely caused by AIPO's examination practices. Similar problems have been commented on in the EC Green Paper.

Case law tends to consider the more or less pronounced differences rather than the overall similarities. Many copiers have escaped conviction for plagiarism by relying on minor differences, which do not, however, deprive the design of its character of 'deja vu'.<sup>260</sup>

The current novelty test provides little guidance about the degree of difference required to constitute a new design where two designs are not identical. The uncertainty produced means that manufacturers must adopt an overly cautious approach or else risk infringing the design. The lack of guidance means that the novelty test is insufficient for determining which designs are worth protecting and which are not.<sup>261</sup> In the Commission's view the current novelty test is unsatisfactory and should be replaced with a stricter test.

### **Recommendation 30**

**The current novelty test for design protection should be replaced with a test with stricter eligibility requirements.**

#### ***Immaterial detail, trade variants and obvious adaptations***

5.6 The tests of immaterial detail, trade variants and obvious adaptations are also unsatisfactory. They each require difficult judgements and an extensive knowledge of the prior art base. Whether a difference is immaterial determines whether a new design has been created or the design is merely an unacceptably similar version of the registered design. This is a matter of judgement for the examiner. It can be an extremely difficult question.<sup>262</sup> Difficult judgements are also required for trade variants. AIPO usually considers that, unless the difference is what a member of the public would regard as a trade variant, the design cannot be considered a trade variant. In the case of obvious adaptations<sup>263</sup> Ricketson has suggested that the courts should ask whether the adaptation in question is obvious to a skilled but unimaginative craftsperson possessed of the common general knowledge in that area and faced with the task of conceiving a design to apply to that particular article.<sup>264</sup> These tests are superseded by the recommended test of distinctiveness and should not be retained.

### **Recommendation 31**

**The tests of immaterial detail, trade variants and obvious adaptations should not be retained.**

## **Two step novelty and distinctiveness test**

#### ***Commission's recommendations***

5.7 **Statement of the test.** The Commission recommends that to be registrable a design should be new and distinctive. The first part of the test, novelty, would only exclude identical designs from registration. It is not a sufficient threshold by itself. To obtain protection a design should also possess something more, that is, it should be distinctive. This recommendation is reflected in the draft clauses in Appendix A.

5.8 **Meaning of distinctive.** Distinctiveness is a term used by the courts to express the quality that a design must have to differentiate it sufficiently from previously published or used designs. For example the courts have said

for a design to be protected there must be a special or distinctive appearance, something in the design which captures and appeals to the eye. To have that effect, the design must be noticeable and have some perceptible appearance of an individual character.<sup>265</sup>

Other cases have spoken of 'the overall distinctive appearance' of the registered design,<sup>266</sup> the ridging or grooving of a design being 'sufficiently bold and distinctive in its appeal to the eye',<sup>267</sup> a shape or configuration that is 'distinctly different' from that in respect of which a design is registered<sup>268</sup> and a design



that must be 'distinct and must present an appearance that strikes the eye as being different'.<sup>269</sup> Distinctiveness is defined in more detail later in this chapter.<sup>270</sup>

**5.9 *Grounds for adopting the new test.*** The Commission favours the two tiered approach and the distinctiveness test for several reasons.

- The distinctiveness test is a design approach. It recognises the importance of design in product differentiation. It is consistent with the way in which designers work.
- It will discourage the tendency to focus narrowly on 'one individual specific appearance' and to count up the differences between designs.
- It incorporates in a single concept many of the qualities sought in other unsatisfactory expressions such as 'judged by the eye', 'eye appeal', 'immaterial detail', 'trade variants', and 'obvious adaptation'.
- It is a more focussed test for assessing the degree to which a design is an advance on the prior art.
- It allows a different prior art base to be defined for novelty as against distinctiveness. This is useful because the aim with the novelty test is to exclude identical designs but the aim with the distinctiveness test is to recognise innovation.
- It directly addresses the need for greater differentiation between designs, both for registration and infringement purposes, that was evidenced by submissions, consultations and the Commission's survey of design users.

#### ***Some overseas support***

**5.10** This two tiered approach has some overseas support.<sup>271</sup> For example the MPI proposed that to be protected in Europe a design must both be new and have a sufficiently distinctive character.

An industrial design shall not be considered to be new if it was anticipated by the appearance of a product which, by publication or by public use, has been made accessible to interested business circles in the European Community before the relevant priority date. A design must be *completely* anticipated to defeat novelty. The test of distinctive character is more important and is intended to broaden the scope of designs protection.<sup>272</sup>

The term 'distinctive' was also favoured in the EC Green Paper.<sup>273</sup>

#### ***Comments on distinctiveness***

**5.11 *Submissions.*** A number of submissions supported the two step test with the novelty filter and a higher test of distinctiveness.<sup>274</sup> However support for a distinctiveness test was not universal. The LCA submitted that the test should be that the design was novel.

Rather than being a filter for identical designs, 'novelty' represents an advance over the prior art, giving the designer a commercially effective monopoly protection ... In paragraph 6.26 of the Discussion Paper, the ALRC states that the term 'distinctive' has been used in Australian designs case law 'to express the quality that a design must have to sufficiently differentiate it from previously published or used designs'. The IPC believes that the 'novelty test' alone should serve this purpose.<sup>275</sup>

The LCA also saw the distinctiveness test as imposing a higher threshold test which the LCA regarded as unnecessary 'as infringement proceedings will only protect a plaintiff to the extent that the plaintiff has advanced the prior art'. Some other commentators and submissions also considered the distinctiveness threshold too high. However these comments do not reflect the general view in submissions, consultations and the Commission's survey of design users that a test providing greater differentiation is needed.

**5.12 *Distinctiveness used in trademark law.*** AIPPI rejected the term distinctive considering it too confusingly similar with the requirement of registrability in trade mark law.<sup>276</sup> The IPAA was in favour of the additional test of 'distinctiveness' but considered that the term distinctive may be confused with trade mark law.<sup>277</sup> For this reason it preferred the expression 'individual character' or 'characteristic appearance'.

The Commission considers that the risk of distinctiveness being confused with distinctiveness in trade mark law is not likely to be high.

**5.13 *Individuality of appearance.*** The Australian courts have also used the expression 'individuality of appearance'. For example in a recent case a shape was said to have 'enough individuality of appearance to distinguish it and to enable it to be determined by visual comparison'.<sup>278</sup> A number of judgments over the years have cited with approval the view that 'every shape is not a design', and that there must be 'sufficient individuality of appearance' to distinguish it from the fundamental form of an article.<sup>279</sup> However the use of the expression is not recommended because there is some risk it would be confused with the traditional and unduly narrow test of 'one individual specific appearance'.

**5.14 *Individual character.*** The expression 'individual character' is preferred by the EC proposed Council Regulation and AIPPI. The AIPPI at its Tokyo conference in April 1992 said that it preferred the concept of 'individual character' to the term 'distinctiveness' proposed by the EC Green Paper.<sup>280</sup> While the expression 'individual character' may have meaning in French law<sup>281</sup> and in German law, there is less experience of it in Australian designs law and therefore it is not recommended by the Commission.

## **Recommendation 32**

**There should continue to be a requirement for registrable designs to be new but this should only be a filter for identical designs. A two-step test of novelty *and* distinctiveness should be adopted to assess the eligibility of a design for registration.**

## **Defining distinctiveness**

### ***Overall impression***

**5.15 *Importance of overall impression.*** The courts should consider the overall impression that a design creates.<sup>282</sup> To require this clearly in the legislation signals that minor or insignificant changes to a design are not relevant if the overall impression remains one of substantial or significant similarity. This is important if the notion of 'one individual specific appearance' is to be avoided and the courts are to be encouraged to assess appearance from the perspective of the whole appearance of competing designs.<sup>283</sup> 'Impression' is a word used in designs law already. It is said, for example, that 'first impressions' are important in determining whether there is an infringement of a design.<sup>284</sup> This recommendation is closely allied to the recommendation below that common elements are to be given more weight than differences.<sup>285</sup>

**5.16 *Support for this approach.*** A number of submissions supported this recommendation.<sup>286</sup> It is also consistent with European developments. The EC Green Paper provided that a design shall have a distinctive character if

- it is not known to the circles specialised in the sector concerned operating within the community, and
- through the overall impression it displays in the eyes of the relevant public, it distinguishes itself from any other design known to such circles.<sup>287</sup>

The EC proposed Council Regulation provides that a design has an individual character if 'the overall impression it produces on the informed user differs significantly from the overall impression produced on such a user by an earlier design'.<sup>288</sup> The MPI definition of distinctiveness<sup>289</sup> and the AIPPI novelty and individual character test<sup>290</sup> both refer to the overall impression of the design.

## **Recommendation 33**

**Distinctiveness should be assessed by considering the overall impression of the design.**

## ***Who assesses distinctiveness?***

**5.17 Informed user.** The Commission recommends that the novelty and distinctiveness of designs should be assessed from the perspective of the 'informed user'. The concept of the informed user is flexible enough to incorporate where relevant the views of consumers, experts, specialists and skilled tradespersons. At the same time it does not, and should not, require that the expert or consumer be the test in all cases. The informed user would be defined as a person who is reasonably familiar with the nature, appearance and use of products of the relevant kind. This recommendation is reflected in the draft clauses in Appendix A.

**5.18 Defining the informed user.** The EC proposed Council Regulation illustrates the concept of the 'informed user'. Under that Regulation it depends on the product as to who the informed user will be. For example, for car spare parts the informed user may be the mechanic or repairer who replaces the part. For consumer items it may be the consumer who buys the item. The EU has said that the informed user means the 'most appropriate assessor of distinctiveness is the person or group for whom the design is intended'.<sup>291</sup> The EU takes the view that an informed user knows the product to which the design is applied or in which it is incorporated and the relevant trade or industry to which it belongs.

**5.19 Specialists and consumers.** A useful contrast is in the EC Green Paper which proposed a two part test.

- The first part of the test referred to assessments being made by 'circles specialised in the sector concerned'.<sup>292</sup> The expression was said to include designers, merchants, specialists and manufacturers.<sup>293</sup> If the design is unknown to these experts, despite an identical design existing in a remote region in the past, the design would still be protectable.
- The second part of the test proposed in the EC Green Paper referred to the 'eyes of the relevant public'. There the design was to be assessed purely by the ordinary consumer 'at the level where the economic value of the design product is exploited, ie on the market, where purchasers are ordinary people, lacking the knowledge of the 'skilled designer'.<sup>294</sup> The EC Green Paper states that the consumer 'must not be misled by the similarity of the design with other existing designs and assume that the products in hand are the same even if they show some minor differences or variations'.<sup>295</sup>

The Commission does not support this two part test. Distinctiveness should be determined by users of the design rather than design experts. In addition the use of the concept of distinctiveness to protect consumers is not appropriate. Consumers are better protected through fair trading and consumer protection laws. It would also be costly to gather the evidence that would be necessary to verify claims to the satisfaction of the court.<sup>296</sup>

**5.20 Submissions and consultations.** There was little unanimity in the few submissions that commented on this issue. One submission stated that 'new or original' should be judged first in the eyes of the consumer, secondly from the expert's point of view and by the courts only as a last choice.<sup>297</sup> A number of submissions supported the informed user test.<sup>298</sup> One or two submissions favoured the expert being the standard.<sup>299</sup>

**5.21 Objective test.** Whether or not a design is distinctive is intended to be an objective test. The court decides the issue by placing itself in the position of an informed user. It is not a subjective test whereby an 'informed user' assesses distinctiveness by reference to his or her own knowledge<sup>300</sup> and the court simply adopts the informed user's assessment. It is still a matter for determination by the court. The informed user describes the standard to be applied not who can give evidence. This approach is illustrated by the following comments in *Dart Industries Inc v Decor Corporation Pty Ltd*.

While some designs are simple so that the court needs no expert evidence to interpret them, other designs are complex and judges require technical assistance in order to understand them. Such evidence is plainly admissible, but ultimately it is for the court to rule on the meaning of a design. Similarly, prior art may be a fairly simple matter in a particular case, requiring little or no technical evidence. On the other hand, the understanding and interpretation of prior art may call for expert assistance to be provided to the court for similar reasons. I see no objection in an appropriate case to evidence being received from persons in the relevant trade or industry or members of the public directed to the question of infringement, but it is for the court to determine that question with or without such evidence. However, to say that questions of infringement must be determined by reference to the eye of the consumer or of the relevant industry or trade comes perilously close to asserting that the determination of questions of infringement depends on the evidence of such persons, rather than being determined by the court itself.<sup>301</sup>

## **Recommendation 34**

**Distinctiveness should be assessed by the standard of an informed user.**

### ***Infringement and distinctiveness tests should correspond***

**5.22 Relationship with infringement.** The novelty and distinctiveness threshold are relevant to the scope of protection and therefore to the proposed infringement test outlined in chapter 6. In the Commission's view the infringement and distinctiveness tests should be the same so that an infringing design is not a distinctive design and vice versa. The LCA disagreed on the basis that wider protection for designs in terms of infringement need not be accompanied by a higher novelty test.<sup>302</sup> The LCA pointed out that there was no similar correspondence in the copyright context. On the other hand the IPAA saw many advantages in the test for novelty being a 'reverse infringement' test as in patent law.

## **Recommendation 35**

**The infringement and distinctiveness tests should be the same.**

**5.23 Differs substantially.** In chapter 6<sup>303</sup> the Commission recommends that the test of 'substantially similar in overall impression' be used to assess infringement. The effect of this expression is to broaden the scope of protection.<sup>304</sup> The equivalent distinctiveness test should be 'substantially differs in overall impression'. There was support for this recommendation.<sup>305</sup> The words 'substantially similar' are known to the courts and have been interpreted by the courts.<sup>306</sup> It is not expected that 'substantial' would be equated in any way with the test of substantial reproduction used in copyright law.<sup>307</sup> The extent to which a design is substantially different will depend on the state of development of the relevant prior art base.<sup>308</sup> A more developed prior art base will mean that smaller differences will be sufficient to result in a finding that there is no substantial similarity.<sup>309</sup> 'Substantial' is intended to be interpreted qualitatively not quantitatively.

## **Recommendation 36**

**Distinctiveness should be assessed by a test of 'substantially similar in overall impression'.**

### ***Design freedom and the weight given to common features***

**5.24** Submissions and consultations have suggested that two particular guidelines should be given to the courts to assist their assessment of whether designs substantially differ in 'overall impression'. First, more weight should be given to common features than to differences.<sup>310</sup> Second, when assessing distinctiveness the judge should take account of the relative freedom the designer enjoyed when designing the work. These principles will encourage the courts to focus on the whole of the design rather than cataloguing the differences but will also allow more weight to be given to small differences where limited scope for variation is afforded. Numerous factors can limit design freedom including the market for the product and marketing constraints.<sup>311</sup> Both principles are a response to the frustrations experienced by designers when their designs are assessed in the courtroom. Similar principles have been recommended in Europe.<sup>312</sup>

## **Recommendation 37**

**The new designs legislation should give guidance to the courts in assessing distinctiveness. It should be specified that**

- **common elements are to be given more weight than differences and**
- **the freedom of the designer is to be taken into account.**

### ***Minority view - a stricter market test***

**5.25 Referring to the relevant product market.** Two members of the Commission are in favour of a stricter test of distinctiveness that will only grant protection to a design that is distinctive 'for the purposes of the relevant product market'.<sup>13</sup> The relevant product market is the market for the product for which the design is registered. They consider that this test has three benefits. It will clarify how distinctiveness should be assessed, it will add a requirement that the new design be relevant to the market as well as different from the prior art, and it will help define the informed user.

**5.26 Clarifying the assessment of distinctiveness.** In these members' view it is not possible to assess whether a new design 'substantially differs in overall impression' from an older design without knowing the context in which identified differences are to be assessed. Two designs might be substantially different in overall impression for the purposes of the relevant product market but substantially the same for the purposes of art history. An informed user might find two designs substantially different in overall impression in the context of a trade exhibition where attention is drawn to differences but substantially the same in the context of a supermarket where there are many other entirely different products on display. If the design must be distinctive 'for the purposes of the relevant product market' this will clarify the context and reduce the potential for subjective assessment.

**5.27 Market relevance.** The test will require the identified visual difference to be relevant to the product market. This introduces a new eligibility requirement and makes the distinctiveness test stricter. Changing the colour in the design of a carburettor might make the new design substantially different in overall impression from the old design but the colour is unlikely to be relevant to the product market. If it is not, the colour would not be a distinctive feature under this test even though in a comparative sense it is a substantial difference. Under this approach it is highly unlikely that any internal shape would be sufficiently distinctive to be eligible for design protection. In these member's view the stricter test is appropriate because it better suits the economic objectives of designs law. A design innovation that is not relevant to the product market is unlikely to be of much economic benefit.

**5.28 Effect on functional designs.** The requirement that the design must be relevant to the product market is likely to have the effect of reducing the protection available for products where the visual features are insignificant compared to the functional features. In the minority view this is appropriate and flows from the focus in designs law on visual appearance rather than function. If this creates a gap in protection the gap should be filled by petty patents or an unfair copying law not by lowering the innovation threshold for designs.

**5.29 Informed user.** The focus on the product market also helps define the informed user. To make the test workable the product market must be treated as a single market. Different aspects of the design may be aimed at different market segments but to assess distinctiveness the design must be considered in the context of the whole product. The informed user must therefore be a user across all or substantially all the market segments. If the product market includes consumers, tradespeople and art collectors, each as significant segments, the 'informed user' perspective will take into account whether a visual difference is relevant and substantial from the perspective of those groups of users taken together (as well as any other significant user groups). A single 'informed user' assessment is made by considering the perspectives of all significant user groups in the aggregate and weighing up any differences in those perspectives according to the significance of that group to the product market.

**5.30 Infringement.** The stricter distinctiveness test would also apply in the assessment of infringement. A design would be infringed by another design that is substantially similar in overall impression 'for the purposes of the relevant product market'. This will keep the infringement and distinctiveness tests consistent and clear. It will also increase the scope of protection available to a registered design that meets the stricter innovation threshold. A visual difference between the registered design and the allegedly infringing design will only be taken into account if it is relevant and substantial for the purposes of the product market.

**5.31 Majority view.** The majority of the Commission is not persuaded that this additional element in the distinctiveness test is useful or necessary. They are concerned that in practice it will lead to an undue emphasis on consumer appeal and will encourage the costly and unproductive reliance on market surveys

that the new definitions of design and informed user are intended to discourage. They are also concerned that the new requirement that a visual feature be relevant to the product market will introduce a subjective and uncertain test and too high a threshold for new designs. In theory the relevance of a new visual feature to a product market could be assessed before it is commercialised on the basis of the designer's market research and the known circumstances of the market. However the majority is concerned that in practice it will not be possible to demonstrate that the new visual feature is relevant to the product market until it has been commercialised for some time. The majority also consider that the need to identify the context for 'distinctiveness' is overstated and that the 'informed user' concept adequately addresses the issues identified in the minority view.

#### **Minority recommendation 38**

**The test of distinctiveness should require the design to be distinctive for the purposes of the relevant product market.**

### **Defining the prior art base**

#### ***Current law***

5.32 A design will be taken to be new and distinctive unless at the priority date it has been preceded by a design that is identical or substantially similar. This is determined by comparing the design to the prior art base. Under current designs law the prior art base consists of those designs which were registered, published or used in Australia before the priority date.

#### ***Priority date***

5.33 In the Commission's view there is no reason to change the current designs law on the priority date. It is determined by the registration system and no changes are proposed to registration procedures which would affect it. The priority date for local applications should continue to be the date of filing in Australia.<sup>314</sup> For Convention applications the priority date should continue to be the date the application for registration was lodged in the Convention country.<sup>315</sup>

#### ***Prior use***

5.34 ***Use in trade or commerce.*** Under current practice the definition of 'prior use' basically extends to any disclosure of the article embodying the design to the public or individual members of the public unless the person to whom the design has been disclosed is under an obligation to maintain confidentiality. However in the Commission's view a design should not be taken to have been 'used' merely because a member of the public has seen it. Instead it is recommended that use should be limited to the use of the design in trade or commerce.<sup>316</sup> This would extend beyond the sale of the design to the use of the design in promotional material.

#### **Recommendation 39**

**A design should be taken to have been 'used' for the purposes of determining the prior art base only if it has been used in trade or commerce.**

5.35 ***Designs that are no longer in use.*** Under the current law any prior use will be sufficient to defeat novelty regardless of when the use occurred. This is appropriate. It would not be reasonable to grant to only one person an exclusive right to reproduce or slavishly copy a design that has fallen into the public domain. It is therefore recommended that a design should be taken to be *new* unless an identical design has been used in trade or commerce at any time before the priority date. However protection should be available for new designs that are substantially similar to earlier designs which are no longer on the market but are not identical or slavish copies. The revival of past designs by the development of new designs that are not simply slavish copies of old designs deserves protection because it is part of the process of design innovation. It is therefore recommended that a design will be taken to be *distinctive* unless on the priority date a substantially

similar design was currently being used in trade or commerce.<sup>317</sup> The effect of these recommendations is that designs inspired by ancient designs which are not identical copies can be protected provided the ancient designs are no longer being used in trade or commerce. In summary a design should be taken to be *new* unless an identical design has been used in trade or commerce at any time before the priority date for the application for registration of the design. A design should be taken to be *distinctive* unless a substantially similar design was being used in trade or commerce on the priority date for the application for registration of the design.

### ***Prior registration***

**5.36 Registrations that are no longer current.** At present prior registration includes prior Australian registrations regardless of when the prior registration took place. For the reasons given in paragraph 5.35 it is recommended that the registration of identical designs should be sufficient to defeat novelty regardless of how long ago the registration expired. For the purposes of the distinctiveness test only those designs that are substantially similar to registrations that are currently in force should be refused registration. This allows for the registration of designs which may be substantially similar to designs which had in the past been registered provided they are no longer in current commercial use. It is also recommended that the prior art base include the prior publications of the designs made under the optional registration or publication scheme described in chapter 8.<sup>318</sup> For assessing distinctiveness the prior art base should be limited to only those publications that were made within 15 years before the priority date.

### ***Prior publication***

**5.37 Defining publication.** The current Act does not define publication. However in practice prior publication is interpreted to mean the appearance of the design in any document, including trade magazines, text-books, dictionaries, pamphlets, OPI Patent specifications or any similar document. This broad interpretation should be maintained. The draft clauses in Appendix A define 'to publish' to mean 'to make available to the public in a document'.<sup>319</sup> This definition would include engineering drawings or other drawings depicting the product.<sup>320</sup>

**5.38 Different rules for novelty and distinctiveness.** Under the current Act any prior publication will defeat the novelty of a design for which registration is sought regardless of when the publication occurred. For the reasons given in paragraph 5.35 it is recommended that the prior publication of an identical design should be sufficient to defeat novelty regardless of how long ago the publication occurred. This confirms the existing law. It is recommended that for the purposes of the distinctiveness test the prior art base should be limited to prior registrations and should not extend to prior publications generally. This will appropriately allow for the protection of designs that are inspired by designs that appeared in past publications but that are not a slavish copy of them. The cumulative effect of these recommendations is that a design that is substantially similar to a design that appeared in a prior publication should be able to be registered provided that at the priority date the design was not currently registered, had not been published under the optional publication or registration system in the last 15 years, and was not in current commercial use.

### ***Prior use and publication conclusion***

**5.39** In summary a design should be taken to be *new* unless an identical design had been published at any time before the priority date for the application for registration of the design. A design should be taken to be *distinctive* unless on the priority date for the application for registration of the design a substantially similar design

- was currently registered or
- had been published in Australia within the previous 15 years under the optional publication and registration system.

### ***Local or absolute novelty***

**5.40** Local novelty assesses novelty by reference only to the prior art base in Australia. Absolute novelty assesses novelty by reference to the prior art base worldwide. The current practice in Australia is for designs

to be examined for local novelty only. By contrast there is some international support for absolute novelty. The US has an absolute novelty test. The UK local novelty test is likely to be amended following the implementation of the Community Design. The EC proposed Council Regulation provides for absolute novelty for prior use for the purposes of novelty and individual character.<sup>321</sup> Prior registrations for the purposes of individual character are limited to Registered Community Designs or a design right of a Member State.<sup>322</sup> In terms of prior publications under the EC proposed Council Regulation novelty is not fulfilled if a design has been anticipated by an identical or quasi-identical design made available to the public anywhere in the world.<sup>323</sup>

### ***Local novelty for use***

5.41 In the Discussion Paper it was proposed that for both novelty and distinctiveness purposes prior use should continue to be limited to use in Australia.<sup>324</sup> This was proposed for practical reasons. The proposal was largely supported in the submissions.<sup>325</sup> The Commission recommends that there be local novelty for prior use.<sup>326</sup>

### ***Absolute novelty for publications***

5.42 ***DP proposal.*** The Discussion Paper examined the arguments for and against absolute novelty for prior publication (including prior registrations) and concluded that there should be absolute novelty for prior publication.<sup>327</sup> There was some limited support for this proposition<sup>328</sup> but also some strong opposition.<sup>329</sup>

5.43 ***Reasons why absolute novelty was opposed.*** The most commonly cited argument against absolute novelty for prior publication was the need for consistency with petty patents.<sup>330</sup> This question is currently under consideration by the ACIP petty patents review. A number of submissions were opposed to absolute novelty because they considered that AIPO would be unable to conduct the extensive international searches that they saw as necessary.<sup>331</sup> However given the recommendation in chapter 8<sup>332</sup> that there be formal examination only, an absolute novelty test would not mean AIPO would be required to search all overseas registers at the time that the application is first examined. Instead it would mean that novelty will be defeated if

- the same design has been published anywhere in the world at the priority date
- a substantially similar design is in use or is currently registered<sup>333</sup> anywhere in the world on the priority date.

5.44 ***New Zealand.*** Some submissions sought local novelty on the basis of harmonisation with New Zealand which currently has a local novelty test.<sup>334</sup> A requirement for absolute novelty would mean that it would not be possible to obtain Australian registration of a design that was already registered in New Zealand. This is not considered a barrier to trade under CER. Absolute novelty is not considered to be a form of arbitrary or unjustified discrimination or a disguised restriction of trade in the free trade area.<sup>335</sup> The New Zealand applicant need only ensure that the Australian registration occurs before the design is registered in New Zealand. In any event it is not absolutely certain whether the review of design law conducted by the NZ Ministry of Commerce will recommend the retention of local novelty.<sup>336</sup>

5.45 ***There should be absolute novelty.*** To require only local novelty in terms of prior registrations would enable a person to produce a design that was substantially similar to one the person had seen on an overseas register or document and then to obtain an exclusive right for that design in Australia without much creative input.<sup>337</sup> As AIPPI has said to have only a local novelty test

would make it possible for an entrepreneur to appropriate to himself a design which he has seen abroad but is not yet known to the circles specialised in the sector concerned in Europe. Given the means of communication existing today and the speed at which they work, anyone may have a design reproduced in one's own country immediately after he has discovered this design at the other end of the globe.<sup>338</sup>

Most international patent and design laws require absolute novelty. Absolute novelty reflects the reality of the international transmission of information. It is recommended that novelty should be absolute in respect of publication, including registration. This recommendation accords with the prior art base for standard patents



set out in the Patents Act Schedule 1.<sup>339</sup> In conclusion there should be local novelty for prior use and for prior publications under the optional registration or publication system. There should be absolute novelty for prior publications including prior registrations.

#### **Recommendation 40**

##### **In relation to the prior art base**

- a design should be taken to be *new* unless at any time before the priority date for the application for registration of the design
  - an identical design has been used in Australia or
  - an identical design has been published anywhere in the world
- a design should be taken to be *distinctive* unless on the priority date for the application for registration of the design
  - a substantially similar design was being used in Australia or
  - a substantially similar design was currently registered anywhere in the world or
  - a substantially similar design had been published in Australia within the previous 15 years under the optional publication and registration system.

#### ***Unsuccessful registered design applications***

5.46 AIPO practice of not publishing the design details of applications that lapse and of removing the abstracts from the search material used by the examiners and the public is supported.<sup>340</sup> A lapsed application should not be made available for public inspection and should not form part of the search material for the prior art base.<sup>341</sup> The IPAA supported this recommendation.<sup>342</sup> However the LCA supported the publication of applications but said that the lapsed applications of the applicant should not prejudice any subsequent applications of the same applicant.<sup>343</sup> In the Commission's view lapsed applications should not prejudice the novelty and distinctiveness of a later application regardless of whether the later application is made by the same applicant or not.

#### **Recommendation 41**

**Lapsed applications should not form part of the research material for the prior art base.**

### **Novelty and disclosure**

#### ***Publication or disclosure without design owner's consent***

5.47 Novelty should not be lost where an identical or substantially similar design has been published or publicly used without the consent of the owner provided that the owner applies for registration of the design as soon as practicable after becoming aware of the publication or use and in any event within six months of the design's creation. The stipulation of a six month period is intended to clarify the Designs Act s 46A(c) that currently provides that novelty is not lost provided the owner makes application for registration 'with all diligence' after becoming aware of the unauthorised publication. The Patents Regulations have quantified this period in a similar provision.<sup>344</sup> This recommendation is reflected in draft clauses in Appendix A.<sup>345</sup>

#### **Recommendation 42**

**The provisions regarding disclosure of a design without consent should stipulate the period within which an application for registration must be made.**

### ***Publication or disclosure at international exhibitions***

5.48 The Designs Act s 47 provides that exhibiting a design at an international exhibition will not invalidate the design provided that an application for registration is made within six months of the opening of the exhibition. The only real concern with s 47 was that very few exhibitions are actually gazetted as exhibitions for the purposes of the Designs Act s 47. This is, according to one submission, largely due to the exhibition organisers not knowing about the gazettal procedure.<sup>346</sup> The Designs Act should be brought into line with the Patents Regulations that refer to 'recognised exhibition' as

(a) an official or officially recognised international exhibition within the meaning of Article 11 of the Paris Convention or Article 1 of the Convention relating to International Exhibitions done at Paris on 22 November 1928, as in force for Australia on the commencing day; or

(b) an international exhibition recognised by the Commissioner by a notice published in the Official Journal before the beginning of the exhibition.

There was support for this recommendation which is set out in the draft clauses in Appendix A.<sup>347</sup>

### **Recommendation 43**

**The definitions of an official exhibition and of an international exhibition should be brought into line with those contained in the Patents Act.**

### ***Publication or disclosure during a grace period***

5.49 **Discussion Paper proposal.** The Discussion Paper proposed that there be a 12 month grace period during which disclosure of a design by the applicant does not prejudice protection of the design.<sup>348</sup> This proposal acknowledged that several countries have adopted a grace period for designs<sup>349</sup> and that a grace period was being proposed at the time in New Zealand,<sup>350</sup> the EC proposed Council Regulation<sup>351</sup> and the US.<sup>352</sup> The rationale for the proposal was that a grace period enabled a designer who is uncertain of the commercial worth or life of a design to promote, test and sell products up to 12 months before registration without risking loss of novelty. The Commission was told that many designs lost their novelty due to ignorance or inadvertence on the part of the designer or manufacturer who sought to test the product before applying for registration. A key registration issue for designers is to determine the appropriate time when they should seek protection for their designs. An application lodged too early will not accommodate changes to a model or prototype that can occur even during production. A grace period can reflect the process of continuing development of the visual appearance of products.<sup>353</sup>

5.50 **Support for a grace period.** Consultations and submissions largely favoured a grace period for designs.<sup>354</sup> A grace period would

- facilitate entrepreneurship in allowing individuals and manufacturers to ascertain the means and viability of getting designs into the marketplace without the need to make application for the design<sup>355</sup>
- enable textile designers to test the market acceptance of their product without the risk, in a very competitive market, that unfair practices will arise<sup>356</sup>
- minimise any perceived need for owners of designs to rely on any system of unregistered protection.<sup>357</sup>

The national groups of AIPPI at its 1992 Tokyo conference supported a grace period.<sup>358</sup> The AIPPI supported a grace period but only where the major trading partners of Australia also introduce a grace period.<sup>359</sup>

5.51 **Opposition to a grace period.** The grace period was opposed on the basis of the uncertainty it produced for competitors.<sup>360</sup> It was also opposed on the ground that any sale before an application for Australian registration was lodged would deprive the applicant of protection in overseas countries that require absolute novelty.<sup>361</sup>

Australians utilising the grace period would be subject to a kind of lottery based on the nature of foreign laws. This is too complex a matter to be handled by means of 'adequate information and educational material' to be distributed by AIPO.<sup>362</sup>

Other submissions argued that the grace period may not be necessary.<sup>363</sup> The Commission was told that if the 'fine arts field is removed to the copyright area, the need for a grace period will be largely removed'.<sup>364</sup> There was also objection on the grounds of principle that

it is not unreasonable to expect that a person seeking any monopoly right would act at an appropriate time to ensure protection for their investment in research and development of a new product.<sup>365</sup>

AIPO did not support a grace period for broadly similar reasons.

**5.52 *Need can be met in other ways.*** The Commission does not recommend the provision of a grace period. The need for manufacturers to have a period to test the market without losing novelty is acknowledged. This need can be met through the recommendations for multiple applications and for an optional publication or registration system with formal examination outlined in detail in chapter 8.<sup>366</sup> The effect of these recommendations is that manufacturers may lodge a multiple application for a large number of designs. The applicant then has six months from the priority date in which to test the market and decide which designs should proceed to examination and registration, which designs should merely be published and which should lapse.

#### **Recommendation 44**

**No provision for a grace period should be made in the new designs legislation.**

## 6. When is a design infringed?

### Introduction

6.1 This chapter deals with the scope of protection provided by design rights. It first discusses what will constitute infringement of a design and recommends a broader and clearer test for infringement. It is recommended that the Designs Act specify the factors the court should consider in determining whether infringement has occurred. The chapter then sets out the relevance of intention to primary and secondary infringement. It recommends against exemption from infringement for non-commercial use of designs. In the last sections the chapter considers additional design rights, such as the right to exploit a design and moral rights, and the limits on the exercise of design rights set out in the Trade Practices Act.

### Infringement

#### *What is infringement?*

6.2 *Designs Act s 30*. The infringement provisions determine the scope of protection given to design owners. They govern how similar to a registered design a competing design can be without infringing. Registration of a design gives the owner the exclusive right to apply the design to an article in respect of which it is registered. It is possible to initiate an action for infringement of a registered design only when the design has been validly registered.<sup>367</sup> The registered owner may bring a civil infringement action against any person who, without the owner's consent

- applies the design or any fraudulent or obvious imitation of the design
- commercially imports a product bearing the design or any fraudulent or obvious imitation of the design
- sells or hires any article to which the design or any fraudulent or obvious imitation of the design has been applied.

The provisions must be sufficiently clear and broad to give real protection to investment in design innovation and sufficiently certain to provide guidance to designers, competitors and the courts.<sup>368</sup> The test should enable the courts to evaluate the quality and importance of the similarities and differences between competing designs.

#### *Need for reform of infringement provisions*

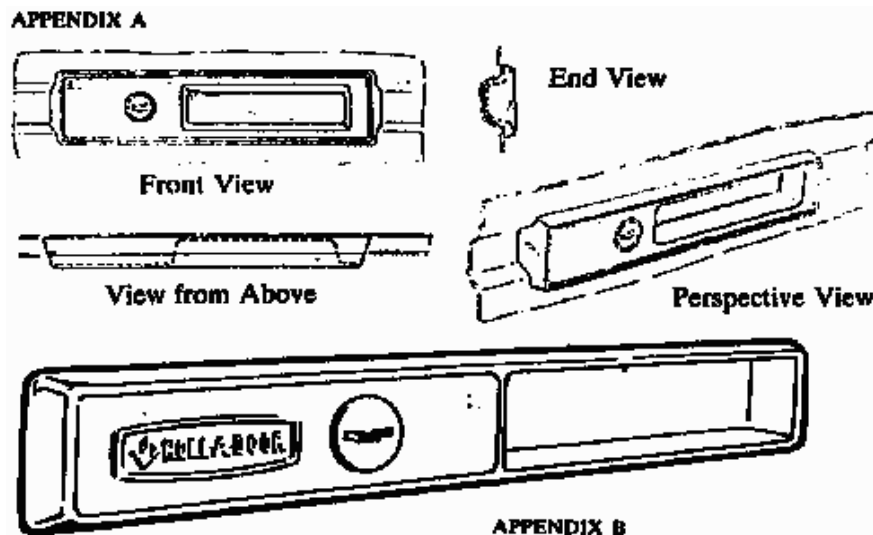
6.3 *Terms of reference*. The terms of reference given to the Commission impel reform of the infringement provisions. They refer specifically to the need to 'remove difficulties that have arisen in the operation of the Designs Act 1906'. A major impetus for this review is the strong concern, clearly expressed during the Commission's consultations, about the narrow scope of protection given to designs by the courts' interpretation of the Act. These concerns escalated as a result of the decision in *Firmagroup*.<sup>369</sup>

6.4 *Narrow interpretation of the test*. The survey and consultations criticised the courts' restrictive interpretation of infringement and indicated a perception that the infringement provisions are weighted against plaintiffs.<sup>370</sup>

The action for infringement of monopoly in a registered design almost invariably fails.<sup>371</sup>

One survey respondent said, 'The scope of protection needs to be broadened and tightened up to prevent rampant copying going on'.<sup>372</sup> The Law Institute of Victoria<sup>373</sup> and the IPAA<sup>374</sup> commented on the uncertainty of the test for infringement and the restrictive protection afforded by the courts. Design protection is only provided to 'one particular individual and specific appearance'<sup>375</sup> so that findings of infringement are made only against virtually identical designs.<sup>376</sup> Competitors can effectively adopt the innovative features of a design and avoid penalty by making insignificant changes.

**6.5 The Firmagroup case example.** The High Court decision in *Firmagroup* represents the high-water mark for the narrow construction given by the courts to the test for infringement.<sup>377</sup> The Court decided that the competing design was distinct and registrable in its own right even though 'salient features of construction' had been taken from the registered design. The Court held that if copying had taken place, it was copying only of functional features. Those features were not protected because, although intended to make the article more useful than competing articles, they were not sufficient to convey an idea of shape or configuration.



In *Firmagroup* the registered design for a combination handle and lock for shutter doors (Appendix A) was described in the statement of the nature of the design as follows.

The design resides in the application of the particular shape and configuration to a combination handle and lock for a shutter door as illustrated. The rear face of the handle and lock does not form part of the design. The design may be applied in any suitable manner and by any suitable means.

The respondents, who knew of the registered product, manufactured and sold products 'substantially identical' with the registered design as part of rolling doors (Appendix B). The court found on a visual comparison that there were some points of similarity and some differences between the products. For example, there were differences in proportion, angularity of recess and the comparative size of plate and handgrip sections. The points of similarity however were described as 'general functional features' and the Act is concerned with shape and configuration, not function. The design in Appendix B was found not to infringe the registered design in Appendix A because registration only protects 'one particular individual and specific appearance'.

## The proposed test for infringement

### *Infringement by designs 'substantially similar in overall impression'*

6.6 The Commission recommends an infringement test of 'substantially similar in overall impression'.<sup>378</sup> The test is preferred as simple and clear.<sup>379</sup> It accords with the view that the court should use its recollection as a means of comparison. The test also ties in with the recommended test for distinctiveness.<sup>380</sup> The Commission is aware that there are difficulties involved in adapting to a new test for infringement.<sup>381</sup> However these are offset by the benefits gained by reform of the current reality that designs must be virtually identical for the courts to find infringement. The recommended test suggests that a competing design should contain more than merely minor and insignificant differences to the registered design to avoid infringing.<sup>382</sup>

### *Why choose those words?*

6.7 The courts have used and interpreted the expression 'substantially similar' on many occasions in the context of infringement of intellectual property.<sup>383</sup> It is desirable to use words with which practitioners and the courts are familiar. The word 'substantially' is preferred to 'significantly' because 'substantially' has already been interpreted in a copyright context to be a qualitative and not quantitative term. The qualitative

test is useful to determine designs infringement without importing a copying criterion. A qualitative test will assist the courts in evaluating the importance of the similarities and differences between competing designs.<sup>384</sup> The recommended words are also less onerous than 'obvious imitation' which requires striking similarity and implies copying.<sup>385</sup> The phrase 'overall impression' is preferred because it encourages the court to focus on the whole appearance of competing designs instead of counting the differences between them.

### *Alternatives proposed*

6.8 **Lahore report.** The Lahore report recommended a test of 'substantial reproduction'.<sup>386</sup> Persons are deemed to infringe a design if, without the authority of the design owner, they apply the design or any substantial reproduction of it to any article in respect of which the design is registered. It would be irrelevant that the design had been directly or indirectly copied. The Commission received indications of support for the Lahore test.<sup>387</sup> The IPAA said that its interpretation was well developed in a qualitative sense under copyright law.<sup>388</sup> However the Commission suggests that copyright connotations should be avoided, as evidence in design infringement actions should not focus on copying. The courts have not interpreted the word 'reproduction' in design cases. The Commission supports a more objective test that does not refer to the awareness or intent of the infringer.<sup>389</sup> The Commission's consultations indicated a preference for the Lahore test over the EC proposed Council Regulation.<sup>390</sup>

6.9 **Overseas tests.** The EC proposed Council Regulation extends protection to any design that produces on the informed user a 'significantly similar overall impression'.<sup>391</sup> Under the proposed US designs legislation a design would not infringe if it was original and not 'substantially similar' in appearance to the protected design.<sup>392</sup> The UK legislation provides that infringement occurs when a design has been reproduced by 'copying the design so as to produce articles exactly or substantially similar to that design'.<sup>393</sup> This is an objective test, judged through the eyes of the person to whom the design is directed.<sup>394</sup> The Commission does not recommend the UK approach which has been the subject of uncertainty in judicial interpretation, particularly in relation to its focus on aesthetic appeal.<sup>395</sup>

6.10 **An aesthetic test.** The Commission does not support any test based on the aesthetic resemblance of competing designs.<sup>396</sup> This is consistent with the absence of any aesthetic component in the definition of design or in prerequisites for protection.<sup>397</sup>

## **Recommendation 45**

**Infringement should be assessed by a test of 'substantially similar in overall impression'.**

### *Relationship between tests for infringement and registrability*

6.11 The proposed test for infringement corresponds to the test that a design must meet to be registrable.<sup>398</sup> An infringing design will never be new and distinctive. The court will only make a finding of infringement if the defendant's design is found not to be new and distinctive (ie is substantially similar to the validly registered design). The distinctiveness test is the threshold that determines which designs receive protection and the infringement test then determines the scope of that protection. The Commission has recommended that distinctiveness also be assessed by considering the overall impression created on the informed user.<sup>399</sup>

## **Applying the infringement test**

### *Designs to be assessed by the 'informed user'*

6.12 **Applying the infringement test.** Under current law, a judge forms a view as to infringement assisted by expert evidence as required. The Commission recommends that the judge decide this issue from the position of an informed user. In effect, the courts already apply and are familiar with this standard.<sup>400</sup> Similarly, the EC proposed Council Regulation states that infringement should be determined from the perspective of the informed user.<sup>401</sup> The infringement test must correspond with the recommended test for registrability. In deciding the registrability of a design the court must assess its distinctiveness from the same position of an informed user.<sup>402</sup> The court as 'informed user' will consider designs published internationally or used in Australia.<sup>403</sup>

6.13 *Who is the informed user?* The informed user will usually be the consumer or person using the design article, depending on the nature of the decision, but will not be a design expert.<sup>404</sup> For example, the informed user of car replacement parts may be the mechanic who repairs the vehicle, but for domestic items it may be the consumer. The concept of 'informed user' is discussed in chapter 5 in the context of the tests for novelty and distinctiveness, paragraph 5.17.

#### **Recommendation 46**

**In determining infringement the court should assess competing designs from the position of an informed user.**

#### ***What are the courts applying the infringement test to?***

6.14 In applying the test for infringement, the court is comparing the allegedly infringing design with the description of the registered design. That description is contained in the statement of distinctiveness on the registration form and the representations of the article bearing the design that accompany the application.<sup>405</sup> It is important to note that the court does not compare the allegedly infringing design with the product manufactured from the registered design. During manufacture, changes are made to the design as it was described in registration. Thus even though the competing design is substantially similar to the actual design of the registered owner's product, the court may not find infringement of the registered design.<sup>406</sup>

#### ***Identification of new and distinctive features of a design***

6.15 *What are statements of monopoly and novelty?* A statement of monopoly indicates the features of a design over which the applicant claims an exclusive right.<sup>407</sup> It can distinguish the features that comprise the design and identify those features over which rights are not claimed. At present, statements of monopoly may but need not be provided, although they can be requested by the Registrar.<sup>408</sup> A statement of novelty identifies features that the applicant claims are new. It is usually requested only if the prior art is very similar.<sup>409</sup> If no statements are furnished, the court will consider the whole design to determine whether infringement has occurred.

6.16 *Problems with the current provisions.* The current use of statements of monopoly and novelty is unsatisfactory. Most statements of monopoly claim rights over the entire shape and configuration of the article and occasionally disclaim certain features. When these statements are filed by the designers themselves, they often fail to focus on the unique features of the design.<sup>410</sup> Statements of novelty are rarely used.<sup>411</sup> Both statements provide little information about the nature, use, proportions or dimensions of the article and are unclear about which features are claimed to be new. There is considerable uncertainty about the scope permitted by the courts to applicants in specifying the extent of monopoly.<sup>412</sup> Advice given to the Commission indicated that the statements add cost and complexity to the registration process. Improved accompanying drawings would clarify features over which rights are claimed, but are costly to produce. There are concerns among patent attorneys that AIPO is inconsistent and overly restrictive in what is allowed in applications.<sup>413</sup> There were calls for guidance on what constitutes an acceptable statement.<sup>414</sup> A need was expressed for the legislation to provide incentives to applicants to identify the extent of rights claimed.<sup>415</sup>

6.17 *New and distinctive features should be identified.* The Designs Act should not refer to statements of monopoly and novelty. Instead applicants should be required to identify the new or distinctive features of the design on the registration application forms.<sup>416</sup> Applicants may refer additionally to prior art, dimensions and the visual representations that form part of the application. If appropriate, they may also identify those features that are not claimed to be new or distinctive. Correct identification of distinctive features will broaden the scope of protection for the registered design. If the distinctive features are not identified and the visual representations in the application form show only the whole product bearing the design, there will be an inevitable tendency for protection to be limited to the 'one individual specific appearance' shown in those representations.

6.18 *Need to provide clear information to applicants.* The application form should specify clearly what is meant by identifying new or distinctive features and the consequences of not doing so.<sup>417</sup> It is important that AIPO provide clear guidance to applicants, including examples of how to complete this identification.<sup>418</sup>



Watermark suggested that AIPO staff could examine the statements to ensure they are capable of interpretation.<sup>419</sup>

#### **Recommendation 47**

**Statements of monopoly and novelty should not be required in the registration process under the Designs Act. Instead, applicants should be required to identify the new or distinctive features of a design on the application form for registration.**

#### ***Assessing the overall impression of the design***

6.19 ***Assessed in the context of the whole product.*** In infringement proceedings the court should assess whether the allegedly infringing design is substantially similar in overall impression to the registered design by comparing them in the context of the product for which the design is registered. The whole of the product is relevant as the context for the design even though, strictly, the design is only the new and distinctive visual features of the product.

#### **Recommendation 48**

**In infringement proceedings the court should be directed to consider whether the allegedly infringing design is substantially similar in overall impression to the registered design, having regard to the whole of the product in relation to which the design is registered.**

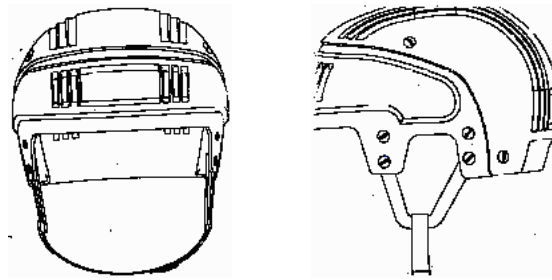
6.20 ***Infringement test where features are identified.*** In infringement proceedings the court's attention should be directed to the features identified on the application form as new and distinctive. There is a need to focus on unique or novel features in the creation process.<sup>420</sup> The court's assessment of overall impression should take into account the significance of the new and distinctive features. In that sense greater weight may be given to them than to other parts of the product, although still in the context of the whole of the product. As IPAA submitted, this 'is only what should occur at present in relation to statements of monopoly and novelty'.<sup>421</sup> However the current system does not work in practice. The Commission's recommended tests for new and distinctive features should increase certainty and assist the courts in interpreting the scope of rights claimed.

#### **Recommendation 49**

**In assessing infringement the court should pay particular attention to any visual features of the product that are claimed to be new and distinctive in the application for registration of the design.**

6.21 ***Assessing a new and distinctive part of the product.*** It is important to note that these principles of assessment also apply where the new and distinctive feature relates only to part of the product. For example, if a cup is designed with a new and distinctive handle, the design owner will be able to register the design of the cup and identify the handle as the new and distinctive feature for which protection is sought. If a competitor takes the handle and places it on a differently shaped cup, the court will be directed to consider when determining whether the exclusive right has been infringed whether the design of the new cup is substantially similar in overall impression to the design of the old cup, paying particular attention to the designs of the handles in each case but not disregarding other parts of the cups. The design of the handle would only be considered in isolation from the cup if the handle was a component part that was a product in its own right and the design was registered as a design for that product, not for a cup.<sup>422</sup>





The illustrated design for a Rosebank Stackhat bicycle helmet was the subject of infringement proceedings in *Rosebank Plastics Pty Ltd v Duncan & Wigley Pty Ltd* (1988) 11 IPR 413. The design registration No 88484 described the protection claimed as for '[t]he design applicable to the shape or configuration of a helmet as illustrated in the accompanying representations'. The Stackhat helmet was innovative in its shape, ribbing and vents although these particular features were not specifically identified in the statement of monopoly. The respondent imported and sold helmets manufactured in Taiwan which Rosebank Plastics claimed were an obvious imitation of their design. The court found upon visual comparison that although the competing helmet incorporated a salient feature of the registered design, its ventilation system, this was insufficient to constitute obvious infringement of the helmet design as registered. The court considered that the scope for novelty in the design of helmets was severely limited by their function. In consultations with the Commission, the respondent claimed that the registered design was itself modelled on the shape of a Canadian hockey helmet.

#### **Recommendation 50**

**Where a visual feature that is claimed to be new and distinctive relates to only part of the product, the court should pay particular attention to that part of the product but only in the context of the whole of the product.**

6.22 *Consequences of not identifying distinctive features.* An applicant may claim that the overall appearance of the product is new and distinctive rather than identifying any particular feature as new and distinctive. In those circumstances the court will consider the overall impression of the whole product to determine infringement. In the example in the preceding paragraph, if the owner has not identified the cup handle as being new or distinctive, then the court will compare the overall impression of the cup and handle with the alleged infringing cup and handle without paying particular attention to the handle. The copying of a small part of the design is less likely in those circumstances to support a finding of infringement.<sup>423</sup> There was broad support for this recommendation.<sup>424</sup> To avoid unfairness AIPO should inform owners of, and the application form should set out, the consequences of not identifying particular distinctive features.

#### **Recommendation 51**

**When an applicant does not isolate and identify any particular new and distinctive features of a design, the court should consider the overall appearance of the whole product in determining whether the design has been infringed.**

#### ***Emphasis to be on the similarities between designs***

6.23 *Guidance to the courts' discretion.* The Designs Act currently provides no guidance to the courts on what weight the courts should give to similarities as distinct from differences between designs in infringement actions. The EC proposed Council Regulation provides that courts should give more weight to common features than differences.<sup>425</sup> This is a useful clarification of how infringement should be assessed. The Commission therefore recommends that a provision be included in the designs legislation to encourage the court to focus on common features rather than insignificant variations added to a design by a competitor.

6.24 *Concerns addressed.* The LCA expressed concern that this direction to the court's discretion could distort the application of the test for infringement.<sup>426</sup> However the court retains full discretion to consider the quality or importance of the differences between designs.<sup>427</sup> The Commission is aware of strong concerns of

design owners that protection is currently inadequate because the courts have placed undue emphasis on minor differences between competing designs instead of considering the overall similarities.<sup>428</sup> The recommendation to focus on similarities will help to overcome the narrow approach of limiting protection to one individual and specific appearance of the article bearing the design.

## **Recommendation 52**

**In determining whether a design was infringed the court should, as a matter of principle, give more weight to the similarities between competing designs than to their differences.**

### ***Benefits of combined recommendations on the test of infringement***

6.25 There are cumulative benefits in the Commission's recommendations on the test for infringement and its application. The proposed changes will encourage the courts to assess infringement in the context of the whole appearance of competing designs rather than focusing on the differences between them. The courts will also be encouraged to make comparisons with the prior art and give consideration to the quality and importance of design features. This will clarify and broaden the scope of protection afforded to designs and give effect to the object and purpose of the Designs Act.

### ***Infringement of kits***

6.26 ***Need to protect kits.*** Where a kit consists of a collection of parts that can be assembled into a finished product, the design of the finished product can be protected if it is new and distinctive. However this will not protect the kit if a competitor is able to sell all or substantially all of the parts of the kit as a package so that they can be assembled to make the finished product. This would not be possible if each part of the kit had a new and distinctive design and each of those designs had been separately registered but it would be rare for all of the parts to have new and distinctive designs. In the Commission's view this leaves the design of a product assembled from a kit underprotected. This should be remedied to ensure that the objectives of designs law are not artificially avoided. The new designs legislation can do this by providing that it will be an infringement of the design of a product to sell a complete or substantially complete kit that is intended to be assembled to make the product.<sup>429</sup> Similar provisions are contained in the Canadian *Industrial Designs Act*.<sup>430</sup>

6.27 ***Breaking down into kit form.*** The same issue arises where a finished product is sold only in its assembled form and a competitor introduces into the market a kit for that product. This should also constitute an infringement of the design of the finished product. It is recognised that the competitor may have been inventive in creating a kit for the finished product. That invention may itself be sufficient for patent or petty patent protection. However that invention is not a ground for a defence against an action of infringement brought by the owner of the innovative design for the finished product. The competitor would still be able to exploit the invention but only by applying it to finished products that are not subject to design registration.

## **Recommendation 53**

**It should be an infringement of the design of a product to sell a complete or substantially complete kit which is intended to be assembled to make the product.**

## **Factors considered in deciding infringement**

### ***Should the Designs Act specify factors for the court to consider in determining infringement?***

6.28 The Designs Act currently does not set out factors for the court to consider in determining infringement, although the case law has outlined factors considered relevant.<sup>431</sup> Including factors in the legislation would provide clear guidelines to design users and the judiciary as to the object and purpose of the Act. The draft clauses in Appendix A adopt this approach. However, the court may also consider any other factors it considers relevant.<sup>432</sup> Most submissions supported this approach.<sup>433</sup> The LCA considered that a list of factors such as proposed by the Lahore report would have produced a preferable result in the *Firmagroup* case.<sup>434</sup>

## **Recommendation 54**

**A non exclusive list of factors to be considered in determining infringement should be specified in the new designs legislation.**

### ***Factors to be specified***

**6.29 Nature and use of the product.** The nature and use of a product, or part of it, is a factor in defining the scope of the designer's freedom to choose shape and materials. The Commission has recommended that the applicant be required to identify on the registration application form the intended use of the product to which the design is to be applied.<sup>435</sup> AIPO has suggested that the 'nature and use' phrase may be read down by the courts to limit protection given to designs that are functional. However since functionality is not a bar to registration, whether features of the design are dictated by function should be irrelevant in determining infringement.<sup>436</sup>

**6.30 Relevant prior art.** In considering whether infringement has occurred, the court should consider whether the difference in novelty or distinctiveness between the registered design and any registered, published or previously known design is greater than the difference between the registered design and the alleged infringing design. The Act should state that, if the court finds this is the case, it should support a finding of infringement. This 'rule of thumb' test was recommended by the Lahore report.<sup>437</sup>

**6.31 Identified new and distinctive features.** The Commission has recommended that statements of monopoly and novelty should be removed from the legislation and that applicants should instead be required to identify new and distinctive features on the application form.<sup>438</sup> The Act should specify that any identified features are a factor to be considered.

**6.32 Amount, quality and importance of the part or portion copied.** Where only part of a design is copied, the Act should specify that the court consider the significance and quality of that portion. The Lahore report recommended that this be considered in the reference.

## **Recommendation 55**

**In determining infringement the court should consider**

- **the nature and use or uses of the product, or the relevant part or portion of the product, as these affect the designer's freedom to innovate**
- **the relevant prior art**
- **any features of the design identified on the application form for registration as being new and distinctive**
- **when only a part or portion of the registered design is substantially similar to the alleged infringing design, the amount, the quality and importance of that part or portion in relation to the whole of the registered design.**

### ***Market confusion not a factor in infringement***

**6.33 Should infringement be related to consumer perceptions?** 'Market confusion' refers to the confusion that consumers or users of a product may have in relation to two competing products.<sup>439</sup> The Act makes no mention of market confusion. There was some support for relating the infringement test to the degree of customer confusion.<sup>440</sup> It was also submitted that specifying either inclusion or exclusion of this factor would provide useful guidance to the courts and legal practitioners in advising their clients.<sup>441</sup> The LCA submitted that the rationale of designs legislation was consistent with market confusion and that the courts were accustomed to considering these issues.<sup>442</sup>

6.34 ***No specific reference to market confusion.*** The Commission recommends that market confusion should not be included in the list of factors to be considered. Generally market confusion relates to consumer issues that are more efficiently and appropriately dealt with under trade practices, trade marks, passing off or fair trading law. There is usually some degree of subjective assessment required.<sup>443</sup> The infringement test should focus on the objective similarity of designs rather than subjective notions as to whether the designs may be confused. Market confusion is also difficult to prove and often entails survey evidence. This would increase costs and delay in design litigation.<sup>444</sup> However it is not necessary to expressly exclude it as a factor the courts may take into account. It is possible that in some circumstances the designs in question or the prior art might make it particularly relevant.

#### **Recommendation 56**

**Market confusion should not be specified as a factor to be considered in determining infringement. However, the new designs legislation should not expressly exclude it as a factor that may be taken into account.**

### **Relevance of intention to infringement**

#### ***Infringement not dependent on intention***

6.35 The exclusive rights conferred by designs registration are broader than the right merely to prevent copying of the design. A sufficiently similar design will infringe even if the creator had no knowledge of the registered design and no intention to copy it. However the infringer's state of mind is relevant to some particular issues related to infringement such as whether fraudulent imitation should be a separate ground of infringement and whether the innocence of the infringement should be taken into account when determining remedies.

#### ***Fraudulent imitation***

6.36 ***Relevance of fraud in infringement.*** The Designs Act distinguishes between fraudulent and obvious imitation of a design.<sup>445</sup> The degree of similarity required to prove infringement differs according to the type of infringement. To prove obvious imitation, the test is whether the designs have the same essential features and the resemblance is striking and immediately apparent to the eye.<sup>446</sup> However to prove fraudulent imitation, a lesser degree of similarity may be necessary. Fraudulent imitation may be proven even if differences between designs are apparent and substantial where those differences are classed as mere disguises.<sup>447</sup> A finding of fraud is a matter of impression.<sup>448</sup>

6.37 ***Support for removal.*** The distinction between fraudulent and obvious imitation should not be retained in designs law. Advice given to the Commission, including from the IPAA, indicated that the separate categories were uncertain and unnecessary.<sup>449</sup> The main problem is that fraudulent imitation requires proof of the infringer's prior knowledge of the registration and intention to disguise the copying. The case law demonstrates that this is excessively difficult to establish.<sup>450</sup> The fraudulent imitation provisions fail in their objective to protect against disguised imitations and should be removed.<sup>451</sup>

#### **Recommendation 57**

**Fraudulent imitation should be removed as a ground of infringement.**

#### ***Relevance of awareness to the degree of similarity required***

6.38 In keeping with the recommendation that fraudulent imitation be removed as a category of infringement, the Commission recommends that the test of similarity to determine infringement should be objectively applied. This means that the infringer's level of awareness should be irrelevant in determining the degree of similarity between competing designs.<sup>452</sup>

## ***Innocent infringement***

6.39 A design may be infringed in different ways, including deliberately, negligently or innocently. In this context 'innocence' is not used in the criminal sense because infringement is not classified as an offence. Instead it indicates cases where the defendant did not intentionally infringe, either because the design was created without reference to the registered design or because the person copied the design without being aware that it was registered. In all cases the design will continue to be protected as an exclusive right so intention is irrelevant in determining whether infringement has occurred.<sup>453</sup> However the infringer's awareness should be relevant to the court's consideration in awarding damages and in the exercise of the court's discretion to grant an injunction.<sup>454</sup>

### **Recommendation 58**

**An alleged infringer's level of awareness should not be relevant in determining whether a later design is substantially similar in overall impression to a registered design. The level of awareness should be considered by the court in awarding damages and in exercising its discretion to grant an injunction.**

## **Secondary or indirect infringement**

### ***Distinction between primary and secondary infringement***

6.40 Primary infringement occurs when a person applies a registered design or an imitation of it, without the consent of the owner, to an article for which the design was registered. Secondary or indirect infringement includes selling and hiring articles to which an infringing design has been applied. The distinction is not always clear.<sup>455</sup>

### ***Retention of liability for secondary infringement***

6.41 ***Support for secondary infringement.*** Secondary infringement includes selling, hiring and importing articles bearing a design that infringes a registered design. In recommending that secondary infringers continue to be directly liable under the Designs Act, the aim is to balance the rights of owners and retailers.<sup>456</sup> The right to sell or hire products contributes significantly to the commercial worth of registered designs. It is not feasible to remove the owner's right of action against secondary infringers. Most submissions indicated that secondary infringement should be retained.<sup>457</sup> Retailers should be held accountable where manufacturers and distributors are overseas or not known or disclosed or where retailers collude with their suppliers to produce infringing products.

6.42 ***Relevance of innocence to secondary infringement.*** Design owners do not have to prove knowledge or intention on the part of the infringer regardless of whether it is a primary or secondary infringement. This is a particular issue for retailers because it is more common for retailers, who may sell or hire a variety of goods, than for manufacturers to be unaware of secondary infringement. One submission said that secondary infringement should be limited to cases where the retailer knew or ought to have known of the existence of the registered design but that, where the retailer purchased the products in good faith, there should be no requirement to search the register.<sup>458</sup> However to be effective the design owner's right against retailers need to be on the same basis as for primary infringement. The need to prove knowledge would increase costs for registered owners, particularly where the supplier is overseas or undisclosed.<sup>459</sup> The Commission therefore does not consider that it is appropriate to introduce the need to prove intention into the elements of secondary infringement.<sup>460</sup>

6.43 ***Retailers obligations.*** On the other hand retailers should not have a positive obligation to take all reasonable steps to ensure no registered design existed. It would be onerous to require retailers to check the bona fides of all products they sell or hire. Retailers may take all reasonable steps but still be unaware that their products are infringing designs. The Commission's consultations indicated no support for a positive obligation of this kind.<sup>461</sup>

6.44 **No statutory indemnity.** Retailers have not expressed a need for the designs legislation to provide a right of indemnity against manufacturers. In the Commission's view it is appropriate for this to be left to the contractual relationships between retailers and manufacturers rather than being regulated in designs legislation.

#### ***Relevance of marking to infringement***

6.45 Voluntary marking of products as bearing a registered design will help to avoid infringement. In infringement proceedings it should be prima facie evidence that the defendant was aware that the design was registered if the product, label or packaging is marked. This provision is to apply equally to primary and secondary infringement. The Designs Act currently provides that it is an offence to falsely represent that a design is registered, which includes false marking.<sup>462</sup>

#### **Recommendation 59**

**The secondary grounds of infringement, selling, hiring and importing, should remain.**

### **Infringement for non-commercial purposes**

#### ***Overseas experience***

6.46 Neither Canada nor New Zealand provide exemption for non-commercial activity. The UK legislation gives design owners exclusive rights related to use of designs 'for the purpose of trade or business', suggesting limited exemption for purely non-commercial uses.<sup>463</sup> The EC proposed Council Regulation exempts acts done

- privately for non-commercial purposes
- for experimental purposes and
- for teaching purposes provided this is compatible with fair trading, does not unduly prejudice the normal exploitation of the design and makes mention of the source.

#### ***No exemption for non-commercial uses***

6.47 **No demand for exemption.** The Designs Act does not exempt non-commercial applications from liability for infringement and no change in this respect is recommended. Private, charitable, medical and educational uses do not affect the commercial value of designs. There is some suggestion that they should be exempted. Submissions to the Commission did not support this exemption.<sup>464</sup> The numerous educational, medical and charitable organisations consulted expressed their need to be exempt for financial reasons, but did not support exemption provisions in the Designs Act.<sup>465</sup> One submission said that design owners normally exercise their discretion to tolerate non-commercial infringement, at least where the privilege is not abused.<sup>466</sup> Registered owners are rarely aware of non-commercial uses and may have difficulty proving significant loss or damage. Although the purpose of the Designs Act is to protect the commercial value of design innovation, a workable distinction for non-commercial applications is difficult to draw.<sup>467</sup> There is no evidence that the current system has caused injustice.

#### **Recommendation 60**

**There should be no exemption from infringement proceedings for non-commercial use of designs.**



## The rights included in the design right

### *Altering the rights included in the design right*

6.48 The design right gives design owners in broad terms the exclusive right to manufacture, import, or sell or hire any products bearing the design. Three alterations to this package of rights have been suggested. The first is to provide that the design owner has the exclusive right to exploit the design, using the Patents Act definition of 'exploit'. The second is to include moral rights in the rights granted to design owners. The third is to remove from the Trade Practices Act the current exemptions in s 51(3) which allow a design owner to include conditions in licenses or assignments that may otherwise breach competition law.

### *No need to specify the right to 'exploit' a design*

6.49 The Commission does not consider that provision of a right to 'exploit' a design would add real scope to the rights already specified in the draft clauses in Appendix A. There is no advantage in collecting the words that currently constitute infringement under one term, which would require additional definition in the Act. Under the Patents Act the owner is given the exclusive right to 'exploit' the patent.<sup>468</sup> This is defined as the right to

make, hire, sell or otherwise dispose of the product, offer to hire, sell or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things.

The Commission received no support for including a right to exploit a design in similar terms in the Designs Act as the current provisions are perceived to be adequate.<sup>469</sup> However one submission commented on the need to provide protection of the right to exploit in relation to the functional features of a design.<sup>470</sup>

### **Recommendation 61**

**There should be no provision in the new designs legislation that the owner has the exclusive right to exploit the design, as defined in the Patents Act.**

### *Moral rights*

6.50 ***Moral rights for designers.*** A number of submissions argued that there should be provision for moral rights for designers.<sup>471</sup> Moral rights include rights of attribution, which give the author or artist the right to have his or her works properly attributed, and rights of integrity, which prevent interference with a work and enable the author or artist to object to any alteration, distortion or other treatment that would be prejudicial to his or her reputation. These rights are regarded as personal rather than property rights and cannot be sold or assigned.

6.51 ***Recognition of moral rights in Australia.*** The recognition of moral rights in Australia is limited to protection in the Copyright Act against false attribution.<sup>472</sup> However a Discussion Paper released by the federal Attorney-General's Department proposes the introduction of moral rights for 'artistic works', when 'it is reasonable in all the circumstances'.<sup>473</sup> This would include artistic works produced industrially as designs.<sup>474</sup>

6.52 ***Arguments in favour.*** The main arguments in favour of granting moral rights to designers are the importance of a designer's specific reputation to his or her commercial success<sup>475</sup> and the need for alterations to a design to be approved by both the designer and the manufacturer so that neither is prejudiced by the design becoming inappropriate.<sup>476</sup> Design Associates argued that moral rights for Australian designers should include protection from any variation which would protect function or appearance.<sup>477</sup> I MacPhail referred to the damage to an author's or an artist's reputation that may be caused by interfering with a work.

[T]he professional integrity and creative survival of a commercial designer is no less fragile. It can depend on publicity surrounding a design with which they have been connected. ... [t]he moral right for the designer to control the integrity of a design must be assumed, unless it has been revoked by the designer in a properly executed declaration.<sup>478</sup>

**6.53 Arguments against.** A number of submissions took a contrary view. The IPAA considered that moral rights protection was not required for Australian creators of industrial design and that the right to object to alteration is not relevant for manufactured articles.<sup>479</sup> The LCA said that

... moral rights are not appropriate in the provenance [sic] of designs. The position may be different in the case of artistic works that are industrially applied but the IPC believes that issues that arise in that context are best left to the other discussions that are currently taking place on moral rights.<sup>480</sup>

**6.54 Commission's view.** The Commission agrees and is not convinced that moral rights are appropriate for designers of manufactured products. Manufacturers could be discouraged from investing in design if designers were able to prevent modifications being made to commissioned designs or designs made by employees.<sup>481</sup> It is not usual for overseas legislation to provide moral rights specifically for designers.<sup>482</sup>

## **Recommendation 62**

**Moral rights should not be included in the rights granted to design owners under the new designs legislation.**

### ***Trade Practices Act s 51(3)***

**6.55 Current exemptions.** The Trade Practices Act s 51(3) allows licenses and assignments of designs to contain provisions that would or might, but for the provision, contravene certain sections of the Act dealing with restrictive trade practices. The nature and extent of the exemptions specified in s 51(3) have not been fully tested in the courts and there is some legal uncertainty as to their meaning. According to the TPC there is also doubt about the policy underlying the provision.

**6.56 Should s 51(3) be repealed?** In its submission the TPC called for the repeal of s 51(3).<sup>483</sup> The effect of repealing the provision would be to make the exercise of all rights granted upon registration of the design, including the right to impose or enforce conditions in licenses and assignments, subject to competition law. If a license or assignment of a design contained a term or condition that might be anti-competitive but was nonetheless of benefit to the public, the term or condition could be authorised by the TPC under the Trade Practices Act Part VII.

**6.57 Assessing the economic impact.** The Commission received few submissions on this issue and there is little information on the economic impact of s 51(3) in relation to designs. The Commission has not been informed of any specific anti-competitive effects that arise out of the inclusion of s 51(3) and it is not aware of any specific harmful effects that might arise out of its removal. The Commission also has no information about the number of licenses and assignments that rely on the exemption to avoid contravening the Trade Practices Act. If the numbers are large, removing the exemption from the Trade Practices Act may result in the TPC receiving more authorisation applications. It is not clear whether this would have a significant effect on the practices of intellectual property licensing or the workload of the TPC although it is clearly possible that removing the exemption could do so.

**6.58 Not only a design issue.** Section 51(3) deals with patents and copyrights as well as designs. The LCA and the Law Institute of Victoria both submitted that no change should be made to s 51(3) except as part of a general review that addresses its impact on copyright and patents as well as designs.<sup>484</sup> [118](#) These submissions are consistent with recommendation of the Hilmer Report that s 51(3) should be examined to assess whether the policy reflected by the exemption is appropriate and, if so, whether it is expressed with sufficient precision and consistency regarding the range of intellectual property rights affected or potentially affected.

**6.59 Further review required.** The Commission agrees that s 51(3) should be reviewed and that it would be inappropriate to consider the application of the provision to designs in isolation from patents and copyright. The Commission does not therefore propose any specific amendment to s 51(3) as part of this review of designs law. The Commission would be happy to assist in any review of s 51(3) in its broader intellectual property context.



**Recommendation 63**

**The Attorney-General should commission a review of s 51(3) of the Trade Practices Act 1974 to assess whether the policy reflected by the exemption in that provision is appropriate and, if so, whether it is expressed with sufficient precision and consistency regarding the range of intellectual property rights affected or potentially affected.**

# 7. Ownership of designs

## Introduction

7.1 Designs are personal property.<sup>485</sup> They are subject to the general laws relating to ownership and devolution of personal property.<sup>486</sup> This chapter makes recommendations on issues relating to ownership of a design both before and after its registration. The recommendations made in this chapter cover

- who should be regarded as the owner of a design before it is registered
- what special rules should apply to commissioned, employee created, and computer generated designs
- joint ownership of a design
- the use of a design as a security
- licences
- whether a former owner can bring an infringement action
- amending the register to record changes in ownership
- disputes as to ownership
- the Commonwealth and State governments' right to use or compulsorily acquire a registered design.

## Ownership of designs before registration

### *Who is the owner?*

7.2 **The author/creator.** Under existing law the 'author' of a design that has not yet been registered is regarded as the owner and is entitled to apply for registration.<sup>487</sup> There are some exceptions for computer generated designs, commissioned designs, designs created in the course of employment and designs that are assigned (or assigned in part). The Act does not define who the author is or provide guidelines for resolving disputes between competing claims but in most cases this is not difficult to determine. Where a dispute arises, then the question whether or not a person is the creator of a design is a question of fact and should continue to be determined on a case-by-case basis.<sup>488</sup> It is possible for the court to determine that the design has been created by more than one person and that they are therefore joint owners of the design. Except in the case of commissioned, employee created or computer generated designs<sup>489</sup> there is no need for the legislation to define further who is the creator of a design.<sup>490</sup> The word 'author' seems to be slightly curious in relation to designs, as well as confusing when used in discussions that refer to copyright authors. For this reason, the expression 'the natural person who creates the design' is preferred.<sup>491</sup>

### **Recommendation 64**

**The legislation should provide that it is the person who creates the design - the designer - who is the owner of the design and who may apply for registration. The current requirement that the creator must be a natural person should be retained.**

### *Computer generated designs*

7.3 **UK provision.** The requirement that the creator must be a natural person raises the question of whether it necessary to define the creator of a computer generated design. The UK legislation defines computer-generated works as 'works generated by a computer in circumstances such that there is no human author of the work'.<sup>492</sup> In the UK the author of a computer-generated work is the person by whom the arrangements necessary for the creation of the work are undertaken.<sup>493</sup>

**7.4 Mixed response received.** A number of submissions took the view that it was not necessary to make special provision for computer generated designs. Reasons given were that the issue of who owns a computer generated design can be adequately controlled by existing avenues for agreements between the parties involved,<sup>494</sup> or that sometimes the owner would be the operator and sometime the programmer but that each case would have to be assessed individually.<sup>495</sup> The IPAA took the view that authorship should be determined by the courts.<sup>496</sup> Other submissions stated that computers used in design are no more than tools in the same way that a pencil is an aid to design,<sup>497</sup> that computers do not produce designs without creative human input and the owner of the design should be the person who provides the input to drive the computer.<sup>498</sup> Others stated that computer-generated designs should not be eligible for protection if generated by a commercially available program in response to a defined end product.<sup>499</sup> It was also said that where a design is produced purely by a random number generated within a computer it is inappropriate to describe the design as original.<sup>500</sup> On the other hand other submissions said that, given the importance of computer generated designs in manufacturing, the legislation should give guidance to the courts 'to the extent that there is insufficient guidance at present. This is clearly the case in relation to designs which have no identifiable author'.<sup>501</sup> The CLRC in its draft report on computer software protection recommended the adoption of the UK provision.<sup>502</sup> In its final report, the Committee saw no alternative but to leave the courts to determine the complex question of who of the possible numerous authors of a computer generated design is entitled to be registered as the owner.<sup>503</sup>

**7.5 The legislation should not define the owner of computer generated designs.** Protection should be afforded to computer generated designs even where there is no readily identifiable author. The Commission does not however recommend the adoption of a provision similar to that found in the UK. The interactive nature of computer generated designs means that it will be difficult to determine whether the designer is the programmer, the owner of or the person who inputs or supplies the data, the owner or the user of the computer program or the owner of the computer. However the determination of the which of these persons created the design is a question of fact in each case and should be resolved by the courts on a case by case basis. It is always open to the courts to find that there are joint owners. The further complexities that arise where the computer generated design is commissioned or employee created are dealt with in the following paragraphs.

#### **Recommendation 65**

**It is not necessary to include in the new designs legislation any specific guidelines on the ownership of a computer generated design.**

#### ***Commissioned designs and designs made by employees***

**7.6 A person who pays for a design should be the owner.** The person who commissions a design, the employer or the assignee is the owner under existing designs law<sup>504</sup> in Australia and in many comparable overseas jurisdictions.<sup>505</sup> The existing law was supported by many submissions on the grounds that 'the person who pays for the design should own the design'.<sup>506</sup> As a matter of principle, unless there is an agreement to the contrary, the commissioner or employer who contracted the design, should be entitled to benefit from its results. Since the commissioning party or employer finances the transaction and bears the risk associated with investment in innovation, the commissioning party or employer should own, use and profit from the resulting designs. This principle was supported in a number of submissions.<sup>507</sup> However other submissions argued that ownership of commissioned designs and designs made by employees should remain with the designer unless the employer or the commissioning party agrees otherwise.<sup>508</sup> This is problematic where the design is created as the result of a team effort since it will not always be clear which of a manufacturer's employed designers can properly be called the creator of the design. Designers who are employed or commissioned to make designs should not be entitled to own those designs in the absence of specific agreement with the person who paid for the design.

**7.7 Unless there is an agreement to the contrary.** A person who is commissioned or employed to make a design should be able to negotiate over ownership with the employer or commissioning party. Unlike the Copyright Act,<sup>509</sup> the Designs Act does not clearly state that the basic provisions may be excluded or modified by agreement.<sup>510</sup> The Designs Act should be more specific.<sup>511</sup> It is always possible for the employer or commissioning party to grant the designer a licence<sup>512</sup> but this may not be the best solution in all cases.<sup>513</sup>

**7.8 Consistency with Copyright Act.** Some submissions argued against this approach on the basis of the inconsistency between the ownership rules under the Copyright Act and the Designs Act in relation to commissioned works.<sup>514</sup> Under the Copyright Act the author of a commissioned work retains the copyright, except in the case of photographs, paintings and drawings of portraits and engravings.<sup>515</sup> As a result the owner of the copyright in a commissioned work and the owner of the registered design that is derived from that work will not always be the same person. For example a designer who commissions a draftsman to make a drawing of a design to use in an application for registration might find that the copyright in the drawing remains with the draftsman. Some submissions argued that the provisions regarding ownership of designs and copyright should be identical.<sup>516</sup> The ACC said that the author of a commissioned design should be the first owner of the design rather than the person commissioning it and that the Designs Act s19(2) should be repealed.<sup>517</sup> The ACC was concerned to protect designers who are not aware of the difference between the two Acts.<sup>518</sup> A number of submissions did not regard it as necessary to reconcile the two Acts.<sup>519</sup>

**7.9 Designs Act should not simply be made consistent with the Copyright Act.** The fact that these differences may have led commissioned designers to believe incorrectly that they are the owners of their commissioned designs is not a sufficient reason to reverse the ownership provisions for commissioned designs in the Designs Act. It would place the ownership of designs made by commissioned designers out of line with design law in most other countries and in some respects with the Copyright Act.<sup>520</sup> Even if the two Acts were made consistent in relation to the ownership of commissioned designs, this would not remove the practical problem that the owner of the copyright in a work may not be the same person as the owner of the design right in the same work. Any assignment could result in the owner of the copyright being different from the owner of the design rights in a design even if the Designs Act and Copyright Act ownership provisions were the same. The recommendation in chapter 17 for the resolution of the design-copyright overlap question would also resolve many of the problems arising out of the inconsistency between the ownership provisions for designs and copyright.<sup>521</sup>

#### **Recommendation 66**

**A person who commissions or employs a designer to make a design should continue to be regarded as the owner of the design. Similarly where a design has been assigned, the assignee should be the owner of the design and entitled to apply for registration. The new designs legislation should make it clear that these principles may be excluded or modified by agreement.**

#### ***Joint owners of a design that has not yet been registered***

**7.10 Joint applications not required.** The designs legislation should continue to allow but not require joint owners of a design to make a joint application for registration.<sup>522</sup> Should one of the owners of a design apply for registration without joining the other owners,<sup>523</sup> the other owner or owners may seek to have the application amended.<sup>524</sup>

**7.11 Should joint applications be restricted?** The Designs Act currently allows joint applications to be made where two or more persons 'own interests in a design'.<sup>525</sup> The Trade Marks Act 1994 restricts joint applications to the case where the relations between two or more persons interested in a trade mark are such that none of them is entitled to use the trade mark except on behalf of all of them.<sup>526</sup> In the Commission's view ownership is a matter for the general law and therefore it is not necessary to restrict joint applications to a particular ownership test set out in the legislation. Any disputes can be resolved through opposition proceedings as set out in chapter 11.

#### **Recommendation 67**

**The new designs legislation should continue to allow but not require joint applications to be made.**

## Owner of registered design

### *Person whose name is on register*

7.12 There should be no change to the existing law that the owner of the registered design is the person who is registered as owner.<sup>527</sup> Many of the rights in a registered design under the existing Act are exercisable only by the owner. Only the registered owner of a design, for example, is able to take infringement action in relation to the design.<sup>528</sup> An unregistered owner<sup>529</sup> has no right to enforce the design right in an infringement action. But an unregistered owner is entitled to enforce rights that are not dependent on registration, such as contractual rights arising out of ownership of the design.

### **Recommendation 68**

**There should be no change to the existing law that the owner of the registered design is the person who is registered as owner.**

### *Joint owners of a registered design*

7.13 *Use by joint owners.* The existing legislation provides that joint owners of a registered design are entitled to make use of the design without accounting to the other owners unless there is an agreement to the contrary.<sup>530</sup> This is not something that is usually spelt out in other comparable Australian and overseas intellectual property legislation and the Commission considers it is not necessary to make specific provision for it in the new designs legislation.

7.14 *No assignment without consent.* The ability of joint owners of a registered design to assign or grant a licence in relation to the design without the consent of the other owner or owners is a matter for the general law. Therefore it is not necessary to retain Designs Act s 25B, which deals with this issue, in the new designs legislation. However the new designs legislation should make it clear that the Registrar is not required to record an assignment or an interest in a jointly owned design without the consent of all the joint owners.

### **Recommendation 69**

**The new designs legislation should provide that the Registrar is not required to record an assignment or an interest in a jointly owned design without the consent of all the joint owners.**

### *Former owners*

7.15 *Should not be able to bring infringement proceedings.* Any person who meets the definition of owner as set out in the Act is entitled to all the rights of an owner, regardless of when he or she became the owner. The registered owner can take infringement action in respect of conduct that occurred before his or her name was placed on the register. By contrast a person who is no longer on the register cannot take enforcement action in relation to conduct that occurred while he or she was the owner. This is the existing law and it should be maintained. This approach was supported by the LCA on the basis that

it accords with the position with respect to copyright and trade marks and allows these issues to be dealt with in agreements between vendors and purchasers rather than in complex legislation.<sup>531</sup>

The Commission agrees with the view expressed by the LCA.<sup>532</sup>

7.16 *Owner where registration lapses.* Where a design has expired the last registered owner should be able to bring an infringement action provided that the infringing action occurred during the life of the design. Where the design lapses the person whose name appears on the register at the time the design lapses should be the person entitled to bring an infringement action.<sup>533</sup>

## **Recommendation 70**

**The new designs legislation should provide that an infringement action can only be brought by the currently registered owner of the design, not a former registered owner.**

## **Registering an interest in a design**

### ***Designs as security***

7.17 As designs are personal property they may be mortgaged or secured. A mortgagee can register his or her interest in the design.<sup>534</sup> This right should be continued in the new designs legislation. Registration of the interest will mean among other things that the mortgagee will be notified by AIPO if there is a challenge to the registration of the design.<sup>535</sup> AIPO has advised that it is rare for securities over designs to be registered.<sup>536</sup> The Commission's report on *Personal Property Securities* recommended the creation of a central register of personal property securities.<sup>537</sup> AIPO has advised the Commission that even if a central register of securities were to be established the designs and patents registers would continue to be maintained but the information kept on them could be accessed through the central personal property securities register.<sup>538</sup> There was little comment on this subject during consultations. However the Design Institute of Australia (Qld Chapter) supported the introduction of a central register<sup>539</sup> as did the LCA.<sup>540</sup>

## **Recommendation 71**

**The designs register should continue to record security interests in designs. This should be reviewed if a central personal property securities register is established.**

### ***Entitlement to have the mortgage or licence recorded***

7.18 For reasons given in the following paragraphs, on receiving the application containing the prescribed evidence of the interest, the Registrar should record the interest. Where the entitlement of the person to apply for registration of the interest is in question, it would be possible for the opposition procedures described in chapter 11 to apply. However opposition procedures are neither appropriate nor necessary in this instance. There would be ADJR review of any decision by the Registrar to record, or not to record, the interest.<sup>541</sup>

## **Recommendation 72**

**A decision of the Registrar to record or not to record an interest should be able to be reviewed under administrative review procedures but not as part of opposition proceedings.**

## **Recording ownership changes**

### ***No change to basic rules***

7.19 The Registrar should continue to be able to make amendments to the register to correct the owner's name or address.<sup>542</sup> A person who becomes entitled to be registered as the owner of a registered design by assignment, transmission or other operation of law should continue to be able apply to the Registrar to register his or her title.<sup>543</sup> On receipt of the application and on being satisfied that the change to the register should be made, the Registrar is to make the appropriate change to the register.

### ***Proof of ownership change***

7.20 Third parties whose interests may be affected by the amendments to the register have expressed concern that the accuracy of ownership information in the documents given to the Registrar should be verified by the Registrar before the register is amended. Under the existing law there must be proof to the Registrar's satisfaction of the relevant change of ownership, before the Registrar is required to make changes.<sup>544</sup> To the

extent that the references to 'proof' in s 38, 38AA and 38A suggest that the Registrar has the responsibility to verify change of ownership they should be removed. AIPO should be responsible to check, for example, that there is a copy of a specified document evidencing an assignment or evidencing that the joint owners have consented to an assignment.<sup>545</sup> AIPO should not however be responsible for checking that the relevant terms and conditions of licences and assignments have been met before amending the register.<sup>546</sup> These matters may obviously affect the question of whether there has in fact been an ownership change but given the legal issues involved these questions are matters for the courts. In practice the Registrar does not currently require proof of change of ownership in any real sense and will amend the register so long as specified documents, such as a deed of assignment or sometimes a statutory declaration are produced.<sup>547</sup> Provided these documents appear to be in order, the Registrar accepts them at face value.<sup>548</sup> This existing practice is endorsed.<sup>549</sup> It was not however supported by the LCA which did not accept that the current onus on the Registrar is too great.<sup>550</sup> The recommendation is consistent with the more general recommendation that prior to registration there be examination as to formalities only.

### *Amending the register where there are ownership disputes*

7.21 In chapter 11 the Commission recommends that the registered owner or third party can request the Registrar to examine a registered design<sup>551</sup> and to give an opinion as to whether the applicant is entitled to make the application. A hearing may be conducted and there is a right to appeal to the AAT. Should the applicant be found not to have been entitled to make the application the Registrar is to remove the design from the register. In deciding whether the applicant is entitled to make the application, the Registrar will be required to examine whether the documents evidence that the applicant is the owner. The Registrar will not be required to determine, for example, whether the relevant terms and conditions of an assignment have been complied with, or to resolve disputes about ownership of designs or to investigate the fulfilment of conditions in licences or assignments. There are well established procedures for the courts to determine these questions. As part of a court's decision on ownership, the court can order that the register be rectified. Amendment of the register in the UK<sup>552</sup> and under the EC proposed Council Regulation<sup>553</sup> may only be done by application to the court.

### **Recommendation 73**

**On receiving an application to amend the register the Registrar should be required to make changes to the register unless he or she is of the opinion that the changes should not be made. The references to 'proof' that now appear in s38, 38AA and 38A should be omitted.**

### *Amending the register where design has lapsed*

7.22 The Designs Act contains no provision to permit the register to be amended to record an interest in a design after the design's registration has expired. It is considered impossible for the register to be amended after a design ceases to be in force.<sup>554</sup> This creates problems where a registered design is assigned during its life and the registration expires or lapses before the assignment is entered on the register. The inability to amend the register means that the unregistered assignee is not entitled to take infringement action. This is because the registered owner, or where the design lapses the person whose name appears on the register at the time the design lapses, is currently the only person who can bring an infringement action.<sup>555</sup> This should continue to be the case. The ability to amend the register would therefore enable the assignee to become registered and to bring an infringement action for acts occurring during the life of a design that has subsequently expired. The assignee would not then have to rely on the assignor to bring an action. AIPO's suggestion that provision be made for registering changes in ownership of designs after their registration expires<sup>556</sup> received support.<sup>557</sup>



## **Recommendation 74**

**The Act should expressly allow the register to be amended after a registered design has expired or lapsed to record changes in the ownership of, and interests in, the design that took place during the design's period of registration.**

## **Designs Act Part VIA - Crown use**

### ***Government use, sale or acquisition***

7.23 The Designs Act Part VIA permits the Commonwealth and State governments to make use of a registered design that is owned by some other person<sup>558</sup> and to sell articles to which the design is applied<sup>559</sup> on terms to be agreed between the government and the owner of the design or as fixed by the courts.<sup>560</sup> The Commonwealth may also compulsorily acquire a registered design on payment of compensation.<sup>561</sup> The provisions apply to the design of a product and do not go as far as authorising either the use or acquisition of products to which a design has been applied.<sup>562</sup> Similar provisions are found in the UK. The extent to which these provisions accord with Article 26(2) of TRIPS is unclear. Articles 26(2) provides that

Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking into account of the legitimate interests of third parties.

### ***Prohibiting publication of design details***

7.24 The Registrar may prohibit or restrict publication or communication of information about an application for registration of a design if the Registrar considers it necessary or expedient to do so in the interests of the defence of the Commonwealth.<sup>563</sup> Where prohibition has been ordered by the Registrar it is an offence punishable by two years imprisonment to publish or communicate information about the design<sup>564</sup> and the design shall not be registered.<sup>565</sup>

### ***Practical reason for insertion of Part VIA unclear***

7.25 In 1973 the Franki report gave two main reasons for rejecting the need to insert Crown use provisions.<sup>566</sup> First the Commonwealth's public safety and defence needs were adequately provided for by the National Security (Industrial Property) Regulations. Second it was not necessary to provide for Crown use since designs are limited to features of shape, configuration, pattern and ornamentation. The Commission has been unable to ascertain why it was subsequently decided to insert Part VIA into the Designs Act in 1979 and 1981.<sup>567</sup> The Commission asked all Commonwealth departments and all State governments whether they had ever used, or were likely to use, the provisions of Part VIA. The Commission received a large number of replies. None of the replies specified why it was necessary to introduce Part VIA but some possible explanations were suggested.<sup>568</sup> A number of submissions argued that there should be consistency with the Patents Act and the Copyright Act.<sup>569</sup> For example the IPAA argued for consistency 'since an object may be covered by both a patent and a registered design'.<sup>570</sup> AIPO took a similar view.<sup>571</sup>

### ***Present need for Part VIA not demonstrated***

7.26 Many of the agencies contacted by the Commission indicated that they would prefer the provision to be retained. The submission from the federal Department of Social Security is representative of many received.

... [t]he Department is of the view that while it has not invoked the part VIA powers to date, it is conceivable that it may require the use of those powers in future. The Department's grounds are as follows:

(1)... It may be that the Department will at some future time need to rely on the Part VIA powers to acquire a design or design rights, where, for instance, it is either impractical to enact special legislation or the registered owner of the design is unable or unwilling to enter into commercial arrangement with the Commonwealth.

(2)... While the powers may not have been expressly and formally utilised, it may be that their very existence has acted as a lever in negotiations for ensuring co-operation from design owners.



(3)... The possible lack of use of these powers may be explained on the basis that there may be little knowledge within the Department of the existence and the scope of the powers available to it under Part VIA. This does not mean however, that those powers are of no use and therefore should be abolished.<sup>572</sup>

Despite this the agencies were not able to tell the Commission of designs that had been acquired or used under Part VIA. A few examples were provided of why the provision could perhaps be needed in the future, such as the need to acquire historic designs for the federation centenary celebrations.<sup>573</sup>

### ***Public safety and defence issues***

7.27 One of the reasons given by the Franki report in 1973 for rejecting the need to insert Crown use provisions was that the matter was adequately covered by the National Security (Industrial Property) Regulations. These regulations are still in force.<sup>574</sup> They provide for certain measures to be taken in the interests of public safety or defence of the Commonwealth or by reason of circumstances attributable to the war. They provide for the prohibition or restriction of publication of information about design applications. They enable the Registrar to refrain from doing anything the Registrar would normally be required to do, such as to refrain from registering a design application. They allow for the Commonwealth to apply the design in connection with the public safety or defence of the Commonwealth. The Regulations also make provision for special measures to be taken in relation to patents and trademarks.

### ***Conclusions***

7.28 The Designs Act Part VIA should not be retained. The National Security (Industrial Property) Regulations provide extensive powers in cases of public safety and defence. The examples given by agencies as to why such a provision could be needed in future either fell within these Regulations or could have been obtained by any normal commercial negotiations with the owner of the registered design or, failing that, by special legislation such as the recent Olympic Insignia legislation. Inconsistency with the Patents Act is not seen as a sufficient reason to retain Part VIA. The recommendation that Part VIA not be retained was supported in a number of non government submissions.<sup>575</sup>

### **Recommendation 75**

**The Crown use provisions in Designs Act Part VIA should not be retained in the new designs legislation.**

## 8. The registration system

### Introduction

#### *Contents of this chapter*

8.1 In this chapter the Commission recommends that protection should continue to be based on a registration system. This chapter also contains recommendations for an optional publication or registration system. Finally it is recommended that registration should be based on an examination of applications as to formalities only. Detailed recommendations relating to the registration process are set out in the next chapter.

### Protection to be based on registration

#### *Advantages of retaining a registration system*

8.2 The advantages of a registered as opposed to an unregistered system of primary design protection were canvassed extensively in chapter 9 of the Discussion Paper. Since the register is open to the public, registration enables manufacturers to find out whether a design has been registered, to obtain the name and address of the design owner and to identify the precise scope of the rights claimed in the design.<sup>576</sup> Registration provides a way in which competitors who wish to acquire rights to use a design can find out from whom they must seek a licence or assignment.<sup>577</sup> The register provides the date on which rights in the design commence so that competitors can establish when the design right is likely to come to an end. Registration is also prima facie evidence of the validity of the registered design and establishes priorities between competing designs.<sup>578</sup> The Commission's design users survey and other consultations showed that the register is used by manufacturers to find out what designs their competitors have registered and that the registration certificate is also used by manufacturers to discourage potential copiers from using a design.<sup>579</sup> The survey also demonstrated that designers wanted to retain a registration system as it provided them with tangible evidence of their endeavour. The proposal in the Discussion Paper to retain a registration system<sup>580</sup> was subsequently supported by most submissions.<sup>581</sup>

#### *International considerations*

8.3 **Overseas experience.** In most overseas jurisdictions the primary form of design protection is based on some form of registration.<sup>582</sup> The proposed EC Community Design system is based on registration, with additional unregistered protection for some designs. An additional secondary form of protection that does not rely on registration has been introduced recently in the UK.

8.4 **Paris Convention.** The retention of a registration system would enable Australian design owners to take advantage of the international protection mechanisms provided by the Paris Convention. This Convention provides that, if an application for registration of a design is made in a member country, application for registration of the design in other member countries may be made within six months and the priority date for the subsequent application is the date of the original application.<sup>583</sup> By registering a design in Australia, the owner can ensure that the design's novelty is not destroyed if the owner should later wish to register it overseas as a 'Convention application'. In this way many overseas designs are protected in Australia and many Australian designs are similarly protected in other countries. If a design were to be used or published in its country of origin without being registered then its novelty is likely to be destroyed in those countries that base their design protection on absolute novelty. To relinquish protection based on registration would be to disadvantage Australian manufacturers by preventing them from achieving priority in the international designs system.

8.5 **Hague Agreement.** Membership of the Hague Agreement requires a registration system and an 'Examining Office' in member countries. Under the Hague Agreement a single application for registration will protect a design in all countries that are party to the Agreement. The owner may file an application directly with the International Bureau of WIPO in Geneva or may register the design in Australia in the normal way and then seek to file a Convention application.

## ***Criticisms of registration***

**8.6 Submissions and survey.** Both the submissions and responses to the industry survey raised a number of difficulties associated with registration. The most significant were costs, delay and lack of real certainty.

**8.7 Costs.** Of those who responded to the Commission's user survey, 42% indicated that they were unhappy with the cost of registration and with difficulties in the processing of their applications.<sup>584</sup> The TPC questioned whether the cost of registering may operate as a disincentive to register.<sup>585</sup> The fee for filing an application for registration is currently \$90 and the fees for renewing a registration for each successive five year period are \$55, \$90 and \$130 respectively. Patent attorney costs are likely to be considerably more.<sup>586</sup> The Commission reaffirms its view that for those who need to make multiple applications the cost may be high.<sup>587</sup> Nonetheless costs are not a sufficient reason to abolish registration. The recommendations for an optional publication/registration system and for multiple applications are intended to help reduce costs.<sup>588</sup> Under the limited form examination system recommended in this report it is possible that registration costs could be reduced.<sup>589</sup>

**8.8 Delay.** The current average delay in obtaining registration is in the order of six months.<sup>590</sup> This period is regarded as too long by many who made submissions and by almost half of the respondents to the survey. The delay obviously causes problems for products with a short market life.<sup>591</sup> The optional publication or registration system based on formal examination recommended by the Commission is aimed at reducing the delay between application and registration.<sup>592</sup>

**8.9 Uncertainty.** Manufacturers who expend considerable time and money on developing new designs need to know before they start to tool up that the design of their product is protected and that they can prevent competitors from copying or using similar designs. They also need to know whether they can copy an existing design or independently create a design that is similar to a registered design without running the risk of infringement. Registration may give the impression that a registered design has met the requirements of novelty and distinctiveness required under the Act and the design is therefore protected. The reality is however that the certificate of registration provides only *prima facie* rather than conclusive evidence. This has meant that certainty is regarded as largely illusory.<sup>593</sup> Again this is not a reason to abandon registration altogether. The issue of certainty will however be returned to in the context of the examination of designs<sup>594</sup> and the validity proceedings.<sup>595</sup>

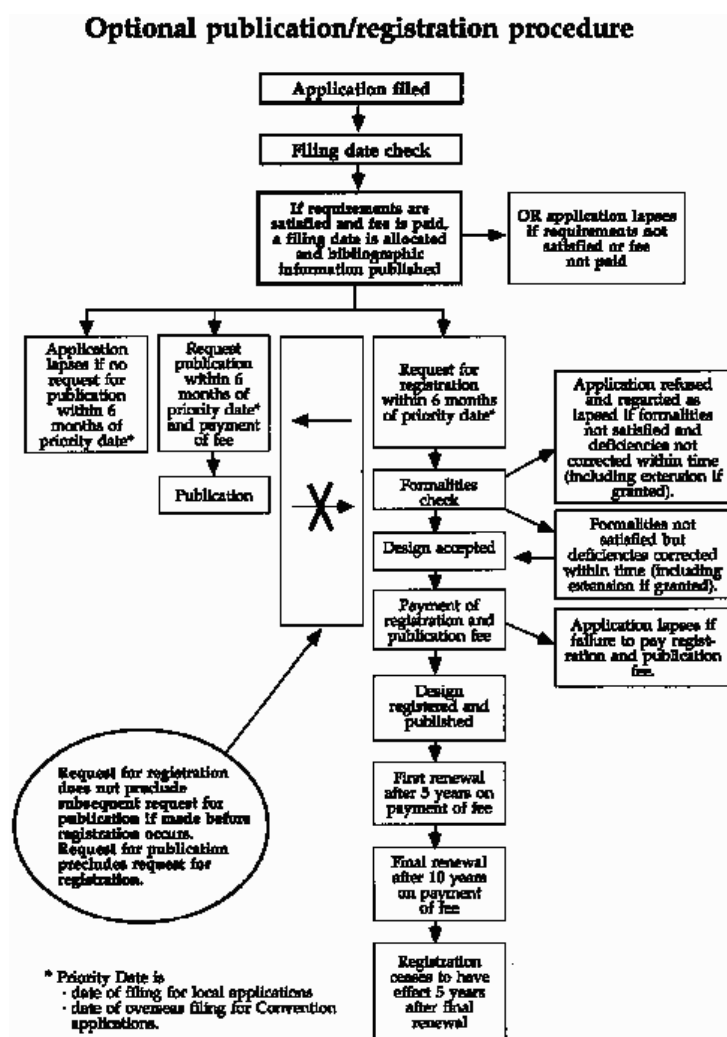
## ***Conclusion***

**8.10** Registration has widespread support from industry and patent attorneys. Registration has valuable functions in addition to identifying the scope of the design right claimed by the registered owner not the least of which is ensuring that Australian design owners can potentially benefit from international priority rules. Questions of cost, delay and uncertainty are important.<sup>596</sup> However they do not lead to the conclusion that registration as a way of protecting designs should be abandoned. They have however lead the Commission to make specific recommendations for an optional publication or registration system and to recommend examination as to formalities only.<sup>597</sup> The recommendation to retain a system of registration accords with the practice found in most overseas jurisdictions.

### **Recommendation 76**

**The design right in the new designs legislation should continue to be based on registration.**

## Optional publication or registration system



### The system explained

**8.11 The new system.** Under the Commission's recommended optional publication or registration system it is envisaged that an applicant would file a document for a single design or for multiple designs.<sup>598</sup> The date of filing will continue to be the priority date.<sup>599</sup> At any time within six months from the priority date the applicant can request publication or can seek formal examination and registration of the design. The choice of publication or examination and registration can be made at any time within the six month period including at the time of filing. Where an election for publication is made, it will not be possible to subsequently choose registration in relation to the same design. Should no request either for publication or for examination and registration be made within the six month period the application will be regarded as lapsed.<sup>600</sup> Lapsed applications will not be made public. This will give the applicant the opportunity to later refile an application for an improved design.<sup>601</sup> The model would be compatible with the Hague system should Australia decide to become a party to the Hague Agreement at some future time.

**8.12 Choosing publication.** Where publication only is chosen then providing the documents are in a suitable form, that is, there are representations that can be published, they will be published in the Official Journal<sup>602</sup> and the application will not proceed to registration. The effect of choosing publication is that it destroys novelty for the design and therefore prevents other applicants from obtaining priority. It will also destroy novelty for the original applicant should the original applicant wish to lodge a further application for the same or substantially similar design. Publication under this model does not give rise to a right of protection. The designer cannot bring an infringement action in relation to published designs. By choosing publication the applicant must rely where possible on copyright protection. As AIPO stated

Requesting publication ... will offer the applicant a clear alternative to registration. The applicant will be able to continue using the design. A third party will not be able to register the same design.<sup>603</sup> Unlike in the present system where publication occurs upon entry of the design registration into the register, under the proposed model the applicant controls when publication occurs.<sup>604</sup>

Publication following a request for publication would amount to a publication under the Copyright Act s 29 should copyright proceedings be commenced against the applicant.

**8.13 *Choosing registration does not preclude a later request for publication.*** An applicant who has chosen examination and registration may decide for a variety of reasons not to proceed to the point where the design is registered. An applicant should therefore be permitted to request publication notwithstanding there has been a prior request for examination and registration. A request for publication that is made after there has been a prior request for registration may be made at any time before the Registrar registers the design or within one month of advice from AIPO that the application for registration has lapsed.<sup>605</sup>

**8.14 *Choosing publication precludes registration of the design.*** Publication precludes a request for examination and registration in relation to the same application. The applicant would effectively be precluded from registering the same or a substantially similar design because publication would destroy the novelty and distinctiveness of the design. This is because it is intended that the prior art base for prior publications will include designs published under this scheme.<sup>606</sup>

#### ***Advantages of the optional publication/registration model***

**8.15 *To replace unregistered right and the grace period.*** The Commission's recommendation in the Discussion Paper for a system of unregistered protection recognised that

- some industries, such as the textile industry, develop large numbers of designs for which registration is too costly
- some industries, such as the fashion industry, produce seasonal or other short life products for which registration is too slow.<sup>607</sup>

The Commission also proposed a grace period during which a designer may promote and sell products for up to 12 months before registration without losing novelty.<sup>608</sup> The Commission does not now recommend the introduction of an unregistered right and a grace period.<sup>609</sup> AIPO and others had reservations about the introduction of unregistered protection and the grace period and supported the optional publication or registration system. AIPO argued that the publication route under this model would benefit those who could have been expected to take advantage of the unregistered right and the grace period. AIPO listed the benefits of the model.

- Publication stops a third party applying [for registration] for the same design.
- Publication gives the applicant freedom to continue using the design.
- [The model provides] a clear alternative between defensive publication and registration.
- [The model provides] a period to trial the design without loss of priority, provided that an election for publication is not made. As the documents never become public the applicant can refile for the improved design.
- The applicant controls when publication occurs. The publication date is clearly defined.
- The applicant gets the benefits of a six month grace period without the disadvantages of a grace period.
- Applications will only proceed to examination and registration where that is really desired.
- [The model] enables the designer to minimise costs while deciding what to do.<sup>610</sup>

8.16 *Useful for manufacturers of a number of designs.* These advantages would particularly assist designers who produce a number of designs and for whom registration of all the different designs would be impractical. It would also be useful for those who are engaged in character merchandising.<sup>611</sup> The manufacturer would be able to file a multiple application for the designs.<sup>612</sup> At any time within six months of lodging an application the manufacturer can choose to request publication of all or any of the different designs, to request registration of all or any of the different designs and simply to let all or some of the designs lapse. AIPO took the view that

... [t]he model provides for easy filing of documents to establish a priority date. ... After establishing a filing date an applicant has six months in which to decide whether the design/designs is/are worth proceeding with. This time can be used to test the market or to make modifications to the design. This six months has some of the benefits of a grace period whilst not forfeiting the opportunity to seek Convention filings overseas.<sup>613</sup>

Should the Registrar decide that certain designs do not fall properly within the application for registration, the applicant will still be able to request publication for these designs or lodge a divisional application.<sup>614</sup>

8.17 *Fees and administrative efficiency.* There would be an initial application fee and a later fee to cover formal examination/registration and publication on registration in the Official Journal. AIPO provided the Commission with advice about fees.

In the present system there is no examination fee. There is no registration fee. The lodgement fee has to cover all actions until the first renewal fee is paid, if at all. Under the model fees would be paid at points where an action takes place; that is, at filing, at requesting publication, at requesting formal examination and at the commencement of each renewal period.<sup>615</sup>

This streamlining of the fee structure would again assist those who choose to file multiple applications and then to test the product before selecting which of the designs they wish to register. Manufacturers can be more selective, only requesting registration for the designs they want or need to protect. As a result potentially fewer designs for which protection is really required will be examined. This is more efficient.

## **Recommendation 77**

**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 be made within the six month period the application should be regarded as lapsed.**

## **Obtaining a priority date**

### *Local applications*

8.18 The filing date of an application is important for priority purposes and for the commencement of the six month period in which an election to register or to publish may be made. There should be provisions for electronic lodgment notwithstanding the fact the register is not yet in electronic form. When an application for registration is filed, the Registrar is to examine the application and is to satisfy himself or herself as to whether

- the application
  - identifies the name of the applicant and
  - states that it is an application for the registration for the design of a product
- the application has been properly filed

- the prescribed fee has been paid.

If the Registrar is satisfied of these matters, the Registrar must give the application a filing date and notify the applicant accordingly. For local applications the priority date will be the date on which the application was filed. Where the Registrar is not satisfied of the matters referred to above, the Registrar must immediately notify the applicant and must not accord the application an application number and priority date until the matters have been rectified. Where the matters are rectified the filing date will become the date on which the matters are rectified.<sup>616</sup> The application will lapse if the deficiencies are not remedied within a time specified in the regulations. The same rules should apply to multiple applications. At the time of filing there will be no examination of the application to see whether it complies with formalities. This examination will not take place until there has been a request for registration.

### ***Convention applications***

8.19 Under the Paris Convention it is necessary to establish the date the application was filed regardless of the subsequent fate of the application.<sup>617</sup> For Convention applications the priority date is the date of filing in the overseas country.<sup>618</sup> For these applications the Registrar gives the application an application number and records the date of local filing without having first to satisfy himself or herself that the requirements concerning the claim to priority are satisfied. These checks will be done at the time of the formalities examination.<sup>619</sup> At the time of filing the applicant will not need to provide a copy of the Convention application and thus there will be no check of the contents of Convention application.<sup>620</sup>

### ***Parity between local and Convention applications***

8.20 The six month period in which an applicant can request publication or registration is to commence from the priority date rather than from the date the application is filed. This ensures parity between local and overseas applicants.<sup>621</sup> If the period were to commence from the earlier time of application, overseas applicants would have effectively a 12 month period of protection before registration.<sup>622</sup>

### **Recommendation 78**

**The legislation should make it clear that an application for registration or any other document is filed when it is delivered to AIPO or one of its State offices either personally or by post or by any other prescribed means, such as delivery by facsimile and electronic lodgement. Where the Registrar is satisfied the application reaches certain minimum requirements the Registrar is to give the application a filing date.**

## **Examination of the application before proceeding to registration**

### ***Information to be provided on registration application forms***

8.21 **Background.** The Discussion Paper proposed a number of matters to be included in an application.<sup>623</sup> There was general agreement with these.<sup>624</sup> The Commission considers that the identification of the design and the statement of distinctiveness should be mandatory.<sup>625</sup> This is different from its earlier proposal.<sup>626</sup> The description of the design should identify any particular features that the applicant considers to be new and distinctive and to which, in the event of infringement proceedings, the applicant wishes the courts' attention drawn.<sup>627</sup> At present seven representations are required. Ultimately electronic lodgement and the ability to scan the representation electronically should mean that only one representation would be required. Except for the reference to classification and an indication of the intended use of the product these recommendations depart little from the current practice.<sup>628</sup> There should be a new requirement that the applicant make a statement in the application to the effect that the applicant had no reason to believe the design was not new or distinctive.<sup>629</sup> An application for registration may also contain an indication of the classification of the product to which the design is applied or incorporated according to the class and sub-class of the Locarno Agreement. This should not affect the scope of protection.

8.22 **Convention applications, multiple applications, divisionals.** Certain applications need to contain additional information to enable the correct priority date to be established and for multiple applications the

different designs to be identified. These extra requirements are described below in the context of Convention, multiple and divisional applications.<sup>630</sup>

## **Recommendation 79**

**The application for design registration should comply with the following.**

- **It should be in a form approved by the Registrar of Designs. The regulations should list specified matters that must be contained on registration application forms.**
- **It should contain the following:**
  - **information that identifies the applicant, the designer and sets out the reason the applicant is entitled to make the application**
  - **information that identifies the product bearing the design**
  - **the prescribed number of representations, suitable for reproduction, of the design**
  - **a description of the design identifying any particular features that the applicant considers to be new and distinctive**
  - **an indication of the intended use or uses of the product to which the design is applied or in which it is incorporated.**<sup>631</sup>
- **It should contain a statement to the effect that the applicant has no reason to believe the design is not new or distinctive.**
- **For priority claims, such as Convention applications, multiple applications and divisionals it should contain such, additional information as is required.**

## ***Completing applications***

8.23 **Difficulties.** Slightly more than one third of the respondents to the Commission's survey experienced difficulties in registering their design.<sup>632</sup> Many expressed difficulties with the documentation required, including the drawings, the photographs or the wording of the statements of monopoly.<sup>633</sup> Respondents suggested that there should be pamphlets available with examples of how the forms should be completed. Others sought some form of instruction sheet. A number of respondents complained that there was no readily available material on how to register in Australia, how to register overseas, how to conduct a search, the dispute process, the differences between a design and other forms of intellectual property, what registration means and what a person's rights are. The Commission regards this as a significant barrier to access to designs protection. Such assistance would appear to be required under the Public Service Regulations which require officers to provide reasonable assistance to members of the public in their dealings with the Service and to help them to understand their entitlements and the requirements which they are obliged to comply with.<sup>634</sup>

8.24 **Assistance from AIPO.** Oral advice and pamphlets on how to register should be readily available to applicants at the place of filing of the application. Patent attorneys should also be required to advise at the time of filing an application that they have made these pamphlets available to the applicant. The pamphlets should cover

- advice on how to register in Australia, including on multiple applications and divisional applications
- special advice in relation to Convention applications<sup>635</sup>
- examples of statements of distinctiveness and of representations



- advice on the different forms of intellectual property and on the rights they confer
- detailed advice of the rights arising from the registration of a design
- advice on registration/publication options
- information about seeking an opinion on validity and opposition proceedings
- advice about what to do if a design may have been infringed, including advice on unjustified threats, infringement opinions and mediation options.

Authorised AIPO officers should be encouraged to provide informal advice to applicants about how to apply for registration and about the registrability of a design. This assistance should also extend to documentation and the conduct of any necessary searches. The liability of officers for this informal advice is considered in chapter 18.<sup>636</sup>

### **Recommendation 80**

**AIPO should provide make pamphlets readily available that give advice on**

- **how to register, including examples of statements of distinctiveness and representations**
- **multiple applications, divisional applications and Convention applications**
- **the different forms of intellectual property and on the rights they confer, including the rights arising from the registration of a design**
- **the registration/publication options**
- **how to challenge the validity of a registered design**
- **what to do if a design may have been infringed, including proceedings for unjustified threats, infringement opinions and mediation options.**

## **Formal examination**

### ***Distinguishing formal and substantive examination***

8.25 *Examination as to formalities.* Substantive examination is the examination of a design applications to decide whether the applicant's design is new and distinctive. By contrast under a system of formal examination the screening of applications for registration would be limited to ensuring that the documents were in the required form, contained the necessary representations and were sufficient to identify the design and the product or part of a product embodying the design, the owner in whose name the design would be registered and the priority date. The Registrar would not be required to examine the validity of the design but only to ensure that it had been properly identified in the statement of distinctiveness and the representations. For example, there would be a check to ensure that the statement of distinctiveness and the representations were consistent in their identification of the product and of the visual features for which protection was sought. While there would be no check as to the ultimate validity of the design, the Registrar would have power to refuse to register an application for, say, a circuit layout or for an extrusion that was excluded from registration.<sup>637</sup>

## ***Overseas trend to formal examination***

8.26 ***Overseas practice.*** The LCA points out most countries still require substantive examination. It estimates 63 countries still require substantive examination while 48 countries accept formal examination. Nonetheless there is a discernible trend away from substantive examination towards formal examination. The EU proposes formal examination.<sup>638</sup> Applications can only be rejected on the basis that they are not for designs as defined by the Regulation or that they do not contain the representations and the necessary particulars to identify the applicant and the priority date.<sup>639</sup>

8.27 ***The Hague system.*** Both formal and informal examination can be accommodated under the proposed Hague system.<sup>640</sup> It was originally agreed that the Hague system would be a deposit system with no examination for novelty or originality. Most members agreed that there should be no substantive examination given the uncertainty due to the large number of designs throughout the world.<sup>641</sup> However, some of the world's major trading nations would not support an agreement that did not recognise their national requirements for substantive examination. This subsequently led to a compromise. As a result the Hague Agreement draft new Act both provides for formal examination and also makes allowance for those countries requiring substantive examination.<sup>642</sup> Countries that conduct novelty searches such as US and Japan have a 30 month period in which to conduct any search required under their domestic laws and to advise of any refusal to accept the design.

## ***Problems with substantive examination***

8.28 ***Current level of searching.*** The consultations indicated a widespread perception among manufacturers and patent attorneys that many registered designs cannot be said to be new or original. The Commission shares this perception. Between August 1992 and June 1994 no application had been rejected by AIPO on the basis that it lacked novelty.<sup>643</sup> By retaining the system of substantive examination there is a real danger of false confidence that registration affords protection. In reality it is possible that the same or similar designs have already been in use or registered and that the registration is invalid and ineffectual. This is particularly the case given that use is not generally searched.

8.29 ***Improved searching will not entirely resolve the problem.*** The Commission received a number of submissions on the effectiveness of the current searches and the ways in which they could be improved.<sup>644</sup>

While [a CD-ROM arrangement] may be some time off AMPICTA is opposed to proposals to eliminate substantive examination. The Designs Office should be encouraged to look at ways of better utilising the emerging technologies.<sup>645</sup>

Clearly AIPO should be encouraged to make improvements, particularly by the greater use of technology. However, even if searches were to be improved, it would be impossible to carry out the searches necessary to determine conclusively that a design was new or distinctive.<sup>646</sup> This is because it is simply not possible to prove a negative - that no identical or substantially similar design had ever been used or published before without conducting an exhaustive search. As this would never be possible, absolute certainty cannot be guaranteed. The most that can be said is that the more searches that are done either by the applicant's patent attorney or by AIPO the more comfortable the applicant may feel that the likelihood of finding a previous design is reduced in some way.

8.30 ***Substantive examination cannot achieve certainty where there is absolute novelty.*** In chapter 5 domestic novelty was recommended for prior use and absolute novelty was recommended for prior publication. In terms of prior publication a design will be taken to be new unless an identical design had ever been registered anywhere in the world. A design will be taken to be distinctive unless a substantially similar design was at the priority date currently registered anywhere in the world. Thus to require substantive examination of prior registrations, when coupled with the recommendation that there be absolute novelty, would result in AIPO being required to search all overseas registers to ensure that the design was not registered anywhere in the world.<sup>647</sup> This would be possible only if all countries had electronic data bases of all designs ever registered in that country and these data bases were accessible by the AIPO.<sup>648</sup>

8.31 ***Certainty.*** While some submissions supported formal examination,<sup>649</sup> the majority opposed formal examination usually on the basis that formal examination implies greater uncertainty and that substantive

examination provides a reasonable presumption of validity.<sup>650</sup> The Commission disagrees. It has no confidence that the limited nature of the current 'substantive' searches provides any degree of certainty. Nor is it possible to prove for most designs that an identical or substantially similar design has never been used. For this reason the reality is that registration, whether preceded by formal or substantive examination, can only provide prima facie evidence of validity. Instead it is for the courts to make a decision that a design is *not new* by comparing the registered design with the particular examples of prior art presented to the court. The Registrar will also make the same decision as part of the validity hearing.<sup>651</sup>

### ***Concerns about formal examination***

**8.32 *Impact on litigation.*** Many who opposed formal examination were concerned about the impact of the lack of substantive examination on competitors. For example the International Federation of Industrial Property Attorneys argued

[a] person would be able to obtain a design registration and threaten infringement proceedings when this may be unjustified.<sup>652</sup>

Dowell Australia Ltd took the view that

[t]he Register will become corrupt with many designs being clearly invalid. The legal costs associated with determining if a design is likely to be held invalid in order for us to determine if we can release a particular product on the market are expected to be prohibitive.<sup>653</sup>

The IPAA submitted that

[A] system of only formal examination is inadequate and would throw a substantial burden onto the courts.<sup>654</sup>

A number of submissions referred to the danger of unscrupulous designers filing applications for designs they know to be not novel or distinctive.<sup>655</sup>

**8.33 *Balancing these concerns against the current system.*** In the Commission's view these problems are overstated and the problems with the current level of examination are underrated. Formal examination will mean designs that are not novel or not distinctive will be on the register. There are presently designs on the register that are likely to be not novel or not distinctive. The Commission recommends that after registration anyone can question the validity of a registered design by asking the Registrar to conduct an examination. This will provide an alternative to costly and expensive litigation. A competitor will be able to challenge a registration at any stage. A design then found to be not novel or not distinctive would be removed from the register.<sup>656</sup>

**8.34 *Evidentiary issues.*** LCA submitted that

[U]nder such a system, an applicant pursuing an infringement action would be required to prove that there has been no prior publication, no prior use and that the design is novel. The need to positively establish these matters will greatly increase the difficulty and cost of pursuing infringers.<sup>657</sup>

A system of formal examination still provides a record of a person's claim to a validly registered design. Registration of a design gives notice to competitors of a potentially competing interest in the design. The Commission does not agree that the shift to formal examination would mean a significant shift in the onus of proof during infringement proceedings given that at present registration is only prima facie evidence of registrability.<sup>658</sup> Registered owners considering bringing infringement proceedings can always first make use of the validity proceedings recommended in chapter 11 to obtain the views of AIPO as to the novelty and distinctiveness of their designs. A registered owner who seeks to obtain an injunction can always first get AIPO to examine the design's novelty and distinctiveness.

**8.35 *Impact on the commercial value of the intellectual property.*** Concerns were also expressed that formal examination may lead to a reduction in the value of the intellectual property in the design. For example it was suggested that formal examination could result in a lower licence fee or may make the personal property less attractive as a security.<sup>659</sup> Again, for the reasons given in the previous paragraph, the Commission does not consider formal examination as having a major impact on the value of the intellectual property in the

design. If novelty or distinctiveness were in issue before a licence or security is granted, the registered owner or a potential mortgagee or licensee could first get AIPO to examine the design's novelty and distinctiveness.

### ***Advantages in formal examination***

8.36 ***Does formal examination mean reduced costs?*** Formal examination may result in reduced fees payable to AIPO for application, formal examination and publication. A large component of the current fee is related to the costs incurred by AIPO in undertaking substantive searches for novelty. This is because the costs of registering are to some extent subsidised by the renewal fees. The likely effect of formal examination on applicant's professional costs in preparing applications is also difficult to estimate.<sup>660</sup> It cannot be assumed that formal examination will mean that applicants will no longer wish to have independent searches conducted. Moreover these searches may take place in the context of a validity hearing or an infringement dispute. In which case the costs may well be deferred rather than reduced. None the less the Commission considers that a system of formal examination will have positive effects on both AIPO's costs and the costs of applicants.

8.37 ***Speed of processing.*** A system of formal examination can significantly reduce the delay between application and registration. AIPO has advised that under the optional publication or registration system with formal examination only the time between filing a request for registration and the grant of registration could be considerably reduced providing the application is in order. The Commission understands that, while the delay may be significantly reduced for individual applications, the current backlog of applications awaiting processing by AIPO is such that there will still be some considerable delay. AIPO is encouraged to process the backlog as quickly as possible as one of the major benefits of formal examination is the potential to speed up the time of processing. Until the backlog is reduced applicants may still need to make an expedited application.<sup>661</sup> For this reason it will still be necessary to retain a procedure for expedited applications at least in the short term.

8.38 ***Convention applications.*** The impact of Convention applications means that, for applicants who wish to register in other Convention countries that have tests of absolute novelty, registration prior to six months after application would be undesirable.<sup>662</sup> This is a matter of concern under the present system when an applicant intends to register overseas in a Convention country but fails to do so within six months of filing in Australia. Applicants would need to be informed at the time of application that quick registration in Australia could jeopardise their ability to register in other Convention countries such as the US, where registration prior to six months after application would result in the design losing novelty.

### ***Conclusion***

8.39 ***The Commission's view.*** It is recommended that AIPO should not examine the application to decide if the design is new and distinctive. A system of formal examination would reflect the fact that searching cannot provide the required certainty and is not cost effective. Registration without substantive examination should mitigate AIPO costs which should be passed on in reduced fees. Until Australian and all overseas countries have easily accessible, up-to-date electronic registers full examination by AIPO of prior registrations would not be justified either in terms of resources or timeliness of registration. It is not possible to tell whether the absence of substantive examination would produce a significant increase in the number of design disputes but the availability of validity proceedings will contribute to limiting litigation. The register will still perform its prime function of enabling design owners to advise others formally of their claim for protection.<sup>663</sup>

8.40 ***More rigorous initial examination rejected.*** The Commission does not support more rigorous examination at the time the application is lodged.<sup>664</sup> A number of submissions took the contrary view.<sup>665</sup> A more rigorous examination system is often supported on the basis that increased searching will produce greater certainty and increase the presumption of validity.<sup>666</sup> Countries such as the US and Japan that conduct rigorous substantive searches for novelty do so because they consider it gives the registered design greater validity. The Commission's consultations and research have shown, however, that this certainty is largely illusory. Increasing the level and capacity of AIPO to assess validity of all designs would certainly increase the costs of the system and cause delays in registration. This additional delay will not add significantly to

certainty. It cannot be justified. Examination when the validity of a design is challenged will enable a more thorough search of particular designs without incurring additional costs for all designs across the system.<sup>667</sup>

#### **Recommendation 81**

**Where the Registrar receives a request to register a design, then before the design can be registered AIPO should examine the application for registration to ensure that the formalities have been complied with. In particular AIPO should examine the application to ensure that**

- **the documents are in the required form and contain the required number of representations<sup>668</sup>**
- **the documents are sufficient to identify the design and the product or part of a product embodying the design and the priority date**
- **the information contained in the application is sufficient to establish that the applicant is entitled to make the application.<sup>669</sup>**

## 9. Registration procedures

### Introduction

#### *Implementing the registration system*

9.1 The previous chapter recommended that protection should continue to be based on a registration system, that there should be an optional publication or registration system and that there should be an examination of applications as to formalities only. This chapter sets out the procedures to be followed to give effect to those recommendations. It is important, both for fairness and for cost control, that those procedures are clearly set out and any requirements and options are clearly specified.

#### *Decision to register and applications*

9.2 The procedures focus on the decision to register and the various applications that can be made. Particular recommendations include

- applications for subsequent registrations should not be retained
- applicants should be able to lodge multiple applications provided there is either a common design for all the products or all the products fall within the one Locarno sub-class
- there should be no publication of design details prior to registration
- the register, rather than the certificate of registration, should be evidence of any matter entered on the register
- the Registrar should have a wider power to correct the register only in specified limited circumstances and only after there has been an opportunity for a hearing and for AAT review.

### Decision to register

#### *All formalities satisfied*

9.3 Where as a result of the examination as to formalities the Registrar is satisfied that

- the application is in the required form and contains the required number of representations
- the information contained in the application is sufficient to identify the design, the product or part of the product embodying the design and the priority date
- the information contained in the application is sufficient to identify that the applicant is entitled to make the application,<sup>670</sup> and
- the prescribed fee has been paid

then the Registrar must register the design and must enter the necessary particulars including the design number on the Register. Registration of the design must also be published in the Official Journal or ultimately on the electronic register.<sup>671</sup>

#### *Applications that are formally deficient*

9.4 **Correcting deficiencies.** Where the Registrar is not satisfied of all the matters listed above, the Registrar is not to register the design but is to notify the applicant in writing, identifying the deficiency and stating how the application could be rectified. The applicant should then have three months to correct any formal deficiencies in the application.<sup>672</sup> This period may be extended by the Registrar.<sup>673</sup> The fact that a formally

deficient application is rectified should have no impact on the priority date.<sup>674</sup> The legislation should make this clear.<sup>675</sup>

**9.5 Failure to correct deficiencies.** An applicant's failure to correct a formal deficiency within the time allowed means the application for registration will lapse.<sup>676</sup> The IPAA pointed out the three month period will very often be insufficient for applications filed by foreign applicants unless an extension is granted.<sup>677</sup> Recommendations relating to extensions are set out in chapter 7.<sup>678</sup> AIPO is to advise applicants formally that their design has lapsed.<sup>679</sup>

### ***Refusal to register***

**9.6 Non registrable applications.** The Registrar may refuse to register designs that are clearly not registrable, for example, because they do not comply with the subject matter of a design.<sup>680</sup> In this instance it is not a matter of correcting a deficiency. For example the Registrar should have the power to refuse to register a design for a circuit layout.<sup>681</sup> The Registrar is first to give the applicant, or each of the applicants where there is more than one applicant, an opportunity to be heard. Decisions to refuse to register must be notified in the Official Journal or ultimately on the electronic register.

**9.7 Appealing the refusal to register.** Under existing law the applicant may appeal to the Federal Court against a decision of the Registrar to reject the application for registration.<sup>682</sup> There should be a right to appeal to the AAT for review of the merits of this decision.<sup>683</sup>

## **Recommendation 82**

**Procedures relating to the decision to register should be as follows.**

- **Where the Registrar is satisfied as to the formalities the Registrar must register the design.**
- **An applicant for registration should, when notified by the AIPO, be allowed three months in which to correct any formal deficiencies in the registration application. Failure to correct within the required time will mean the application will lapse. Extensions can be granted in certain circumstances.**
- **The Registrar may refuse to register designs that are clearly not registrable. There should be the right to seek AAT review of decisions to refuse to register.**

## **Applying for registration**

### ***Amending applications***

**9.8 Amendment.** The policy behind the Designs Act s 22B should be retained. Applicants may amend an application for registration provided that the amendment does not alter the effective scope of the application by including matters not included in the original application. There is currently a right of appeal to the Federal Court against a refusal of the Registrar to amend on the request of the applicant.<sup>684</sup> It is recommended that there be AAT review of a refusal to amend.<sup>685</sup> The question of whether the amendment was a valid amendment could be relevant to determining the scope of the design for the purposes of assessing novelty and distinctiveness and as such could be examined during the recommended validity proceedings.<sup>686</sup>

## **Recommendation 83**

**The ability of applicants to amend applications as set out in the Designs Act s 22B should be retained in the new designs legislation.**

## *Applications for subsequent registration*

9.9 **Background.** The Designs Act s25D enables the owner of a design that is registered<sup>687</sup> in respect of one article to

- register the design or an obvious adaptation of it in respect of another article, or
- register, in respect of the same or another article, a design that differs from the original design only in immaterial details or in features commonly used in the relevant trade.<sup>688</sup>

The advantage of being able to file a subsequent application in these circumstances is that priority of the subsequent application is not affected by the previous registration of the design in the parent application or by any publication or use of the design after the priority date for the parent application.

9.10 **Obvious adaptations.** The Discussion Paper proposed to limit subsequent applications to the same product. This would make it no longer possible to apply for registration of an obvious adaptation. This proposal received some support<sup>689</sup> but was strongly criticised by the IPAA.

Under the current legislation, a textile design registered for a tie can be subsequently registered in respect of a tea towel or a scarf, these being different products ... Under proposal 19.6 none of these subsequent registrations would be permitted.<sup>690</sup>

The Commission recommends that subsequent applications should not be allowed in relation to obvious adaptations of the design to different products. Obvious adaptations anticipated at the time of registration of the parent application can be the subject of a multiple application. The Commission's recommendation for multiple applications where there is a common design applied to different products was intended to cover obvious adaptations.<sup>691</sup> Alternatively a new application will subsequently need to be filed. This new application will not be able to take advantage of the earlier filing date of the parent application.

9.11 **Subsequent applications should not be retained.** It is currently possible to register a subsequent application for trade variants or a design differing in an immaterial detail in relation to the same or another product and thus gain the earlier priority date of the parent application. The Commission's recommendations for novelty and distinctiveness and the new test for infringement should reduce significantly the need for these subsequent applications. Most countries do not allow subsequent registrations in these circumstances. It is recommended that they should not be retained in Australian law. This view was supported by AIPO.<sup>692</sup> Applications relating to trade variants and designs that differ in immaterial details should be the subject of a separate fresh application and take the priority date of the later application. If the trade variant or design differing in an immaterial detail is anticipated at the time of the initial application it could be included in a multiple application. Alternatively where the trade variant or design differing in an immaterial detail does not affect the scope of the original application, then in some circumstances it will be possible simply to amend the original application.<sup>693</sup>

### **Recommendation 84**

**The ability to preserve priority by making a subsequent application should not be retained.**

## *Divisional applications*

9.12 **Existing law.** An amendment of an application for registration may exclude a design or designs from the application. At any time before the registration or the refusal of the registration of that application, the applicant may apply for registration of the excluded design.<sup>694</sup> In order to preserve the original priority date for the excluded design the applicant may make what is known as a divisional application. The divisional application retains the earlier priority date because it is deemed to have been filed on the filing date of the initial application and is considered as the first application for the purpose of determining priority.<sup>695</sup>



9.13 ***Preserving priority under the dual publication/registration scheme.*** Under the optional publication or registration scheme, the applicant will have six months in which to decide whether to amend the original application and file a new application for any designs excluded from the initial application. For example an applicant who has lodged a multiple application may wish to separate out the different designs included in the multiple application and choose the ones that should proceed to registration. In order not to lose priority to identical or substantially similar designs produced in the period between the filing of the initial application and the filing of the later application, it will still be necessary to apply to preserve priority by way of a divisional application. It will not matter whether that initial application never proceeds to registration or whether or not the applicant makes an request for registration in relation to the initial application. The legislation should make this clear.

9.14 ***Only possible only if initial application is pending.*** It should only be possible to preserve priority if the initial application for the registration of the design is pending. An application is pending where it has not proceeded to registration or has lapsed or been withdrawn.

9.15 ***Scope cannot be increased.*** Where the effect of the amendment is to exclude the design of a product from the parent application, the design described in the application to preserve priority must have been disclosed in the parent application.

9.16 ***Preserving priority and formal examination.*** An application to preserve priority must contain information that identifies the parent application. Before registering the application the Registrar must check that this information has been provided so that priority can be established.<sup>696</sup>

#### **Recommendation 85**

**The new designs legislation should retain provision for preserving the priority of designs that have been divided out from the initial application for registration. Priority may only be preserved where the design described in the later 'divisional' application does not increase the scope of the initial application. The new designs legislation should make it clear that the priority date can be preserved whether or not the initial application ever proceeds to registration or whether or not a request for registration is made in relation to the initial application.**

#### ***Convention applications***

9.17 ***Background.*** An applicant to register a design in Australia who has already applied to have that design registered overseas may apply to have the earliest application regarded as the 'basic application'.<sup>697</sup> The filing date of the basic application is regarded as the priority date in Australia.<sup>698</sup> A Convention application must be made in Australia within six months of the date of the filing of the basic application.<sup>699</sup> To obtain Convention priority the person applying under Australian law must also be the applicant in the Convention country, the assignee of the applicant in the Convention country or the legal representative of the applicant or of the applicant's assignee in the Convention country.<sup>700</sup> This should continue to be the case. This recommendation was generally supported.<sup>701</sup>

#### **Recommendation 86**

**The requirements regarding Convention applications should not be amended - to gain Convention priority the person making the application under Australian law must be the applicant in the Convention country or the assignee or legal representative of the applicant in the Convention country or the legal representative of the applicant's assignee.**

9.18 ***Difficulties associated with Convention applications.*** The Commission sought views on whether the current system for making Convention applications is unnecessarily cumbersome or costly.<sup>702</sup> Few submissions referred to any difficulties with Convention applications.<sup>703</sup> The IPAA advised of the problem that can occur when an application for more than one article is filed in the US, France or under the Hague Agreement. In those cases it will be necessary for the corresponding application in Australia to be divided or

for multiple applications to be made and the claimed priority to be adjusted accordingly. The IPAA also raised the problem of Convention applications received from abroad under a system of formal examination only.

If there is no examination, then the situation can arise where an Australian seeing a newly released foreign product can apply and achieve registration in Australia and the foreign design owner's Convention application received six months after the initial foreign application will also proceed to registration.<sup>704</sup>

This problem is not limited to formal examination and can arise at present.<sup>705</sup> It cannot be avoided given that Australia is a party to the Paris Convention.

**9.19 *More information to applicants about Convention applications.*** Many applicants for registration of designs are not aware of how to claim Convention priority or of the potential consequences of registration in Australia being granted within six months of application. They do not know that prior use in Australia precludes them from applying for registration in those overseas countries that require absolute novelty. Information should be available to potential applicants about the possible consequences of registering in Convention countries that require absolute novelty if registration is obtained in Australia within six months of application. This information could be set out in the application form or given to applicants in the form of a brochure.

**9.20 *Deferment of acceptance.*** The US regards prior registration anywhere in the world as disclosure, which defeats novelty. Early registration in Australia could therefore defeat the claim of an applicant who wishes to register a design in the US outside the Convention period. To avoid this the applicant for Australian registration will need to ensure that an application is filed in the US before the design is registered in Australia. Alternatively the Discussion Paper proposed to help an applicant to file a non-Convention application in the US, by allowing AIPO to defer acceptance of the Australian application.<sup>706</sup> Some support for this proposal came from LD Pippard<sup>707</sup> and the Design Institute of Australia (Qld Chapter).<sup>708</sup> K Leslie<sup>709</sup> pointed out that deferment of acceptance should not be allowed where the applicant has failed to file the application overseas within the six months period permitted under the Paris Convention. The IPAA described the proposal as 'well meaning but probably misplaced'<sup>710</sup> and the proposal was not supported by AIPO.<sup>711</sup> The Commission does not consider the proposal appropriate given that under the recommended optional publication or registration model there is already a potential six month period between filing the application and requesting registration.

#### **Recommendation 87**

**Provision should not be made for the deferment of acceptance of an application for registration.**

**9.21 *Withdrawn applications.*** The Designs Act is silent on withdrawal of applications for registration in Convention countries. The legislation should provide that if an application to protect a design in a Convention country has been withdrawn without being used as a basis of claiming priority in another Convention country and a subsequent Convention application is made in relation to the same design, then the applicant should be able to ask the Registrar to disregard the earlier application. If such a request is made the earlier application must be disregarded.<sup>712</sup> This is necessary so that priority date for the Convention application will be that of the later application rather than that of the withdrawn application.

#### **Recommendation 88**

**Provision should be made for withdrawn applications to be disregarded in certain circumstances.**

**9.22 Examination as to formalities and Convention applications.** Convention applications need to contain

- the name of the applicant
- name of the country in which the overseas application was filed

- the application number and filing date of the overseas application.

Before proceeding to register a Convention application the Registrar should check whether these requirements concerning the claim to priority are satisfied. Where the application is found not to contain this information, the Registrar should immediately inform the applicant so that any deficiencies can be rectified.<sup>713</sup>

### ***Multiple applications***

**9.23 Background.** The Designs Act s 20(6) currently requires the owner of a design who wishes to register that design in respect of more than one product to make a separate application for each product. An exception is made for products that form a 'set of articles'<sup>714</sup> in which case a multiple application can be made. The Designs Act is silent on whether a person who wishes to register several designs for one article must file a separate application in respect of each design.<sup>715</sup> The Discussion Paper proposed that multiple applications be permitted. This proposal was generally supported.<sup>716</sup>

**9.24 Overseas practice.** The overseas practice is varied. Multiple applications to cover different products are permitted in Argentina, Italy, France and Spain,<sup>717</sup> but not in the UK, New Zealand, US or Japan. The Hague Agreement currently permits an international deposit to consist of multiple designs in one application.<sup>718</sup> The Hague Agreement draft new Act 1995 continues this.<sup>719</sup> The EC proposed Council Regulation provides for multiple design registration applications.<sup>720</sup>

**9.25 Advantages of multiple applications.** One reason to allow multiple applications is to harmonise with the Hague Agreement international deposit system. The EC Explanatory Memorandum indicated that the Community Design system

which should be capable of inter-operating with the Hague International deposit system could not avoid providing for such a possibility.<sup>721</sup>

However, the IPAA pointed out that

[T]here is a clear link between the proposal for multiple applications and the proposal for an examination as to formalities only. One reason why Australia has not joined the Hague Agreement is that the multiple applications permissible under that Agreement place applicants at a disadvantage in those examining countries.<sup>722</sup>

**9.26 Costs advantages of multiple applications.** Another advantage of a multiple application is that a reduced fee may apply to each additional design. A multiple application is therefore of benefit to manufacturers that produce a large number of designs for the one product or for different product ranges and for whom the cost of applying for individual registrations can be high. Under the Hague Agreement most international design deposit fees for multiple applications are significantly less for the additional designs<sup>723</sup> and the proposed fee schedule included in the draft new Act states that for multiple applications an additional registration fee will be charged, corresponding to a prescribed percentage of the basic registration fee for each additional design.<sup>724</sup> AIPO has advised the Commission that, under the principle of cost recovery, it would be possible to set a lesser application fee for additional designs in a multiple application but that it cannot be more specific until all details of the future designs scheme have been finalised. There would still be costs associated with filing and processing the application, including dividing out designs not properly the subject of the multiple application. There would still be fees for the publication of the registration. Ultimately the cost of proceeding by way of a multiple application may not end up being significantly lower than the cost of registering individual designs. However the real advantage is that by lodging a multiple application under the optional publication/registration system, the applicant will only pay fees for the services required, which will depend on how the applicant chooses to proceed in relation to each of the different designs. The Commission confirms its previous view<sup>725</sup> that multiple applications should be dealt with under the same fee structure regardless of whether the products are within the same Locarno sub-class or are a composite.<sup>726</sup>

**9.27 Other advantages of multiple applications.** The combined effect of multiple applications and an optional publication or registration system is that manufacturers can file a multiple application to cover a number of designs and can use the six month period to test the product. A decision can then be made to

register those designs that look likely to succeed and to separate off those designs for which registration is not necessary. This can help to minimise costs and reduces the need for an unregistered design right.<sup>727</sup> A number of submissions agreed that there should be provision for multiple applications.<sup>728</sup>

**9.28 *Concerns about clarifying what is protected and conducting searches.*** There were some concerns that multiple applications may lead to ambiguity.<sup>729</sup> The recommended mandatory statement of distinctiveness and the representations<sup>730</sup> should reduce this concern. The Explanatory Memorandum to an earlier revision of the draft new Treaty on the International Registration of Industrial Designs referred to problems for the International Bureau of conducting novelty searches when publishing international registrations.<sup>731</sup> These problems can be addressed by an effective system for numbering designs. WIPO has advised that for multiple applications the registration number will be a unique number for the whole deposit regardless of whether the deposit contains only one design or several designs.<sup>732</sup> The EU has advised that it has not yet addressed the question of numbering multiple applications.<sup>733</sup> AIPO has agreed in principle that a multiple application is to be given one number at the time of filing. At the time of registration<sup>734</sup> each different product in a multiple application is to be given a separate registration number. Accordingly the Commission does not see multiple applications as making searches more difficult. Each design in a multiple application would be separately shown and identified on the register.

**9.29 *Infringement concerns.*** There was also concern that if one or more designs contained in a multiple application were found to be invalid during infringement proceedings the status of the rest might be in doubt. However each design in a multiple application is to be regarded as a separate design for the purposes of infringement. This means that the successful challenge of one design in infringement proceedings will not affect the validity of the registration for the other designs contained in the same multiple application. Similarly the infringement of one design in a multiple application will not mean that other designs in the application have thereby been infringed.

#### **Recommendation 89**

**Provision should be made to allow two or more designs to be registered in a single application (a 'multiple application'). Each additional design included in a multiple application should be charged a reduced fee.**

**9.30 *No limit on the number of designs.*** There seems to be no reason to provide a numerical limit on the number of designs that may be included in a multiple application. The Hague Agreement draft new Act 1995 does not limit the number of designs that may be included in an application.<sup>735</sup> Nor does the EC proposed Council Regulation.<sup>736</sup> Where limits are imposed in overseas countries they appear to be arbitrary. Argentina and Italy allow up to 50 designs in a multiple application. France permits 100 and Spain permits 10. The Third Model Law committee proposed that multiple applications be limited to 50 designs.

#### **Recommendation 90**

**There should be no limit to the total number of designs to be included in a multiple application.**

**9.31 *Need for some limitation on the range of products.*** There should be however some connection or relationship either between the products or between the designs both to make the system workable and to prevent application fees being inflated by voluminous multiple applications. There is also a need to prevent the misuse of multiple applications by applicants attempting to cover the field by registering every possible or potential application of the design in the one application regardless of whether they intend to manufacture the product at any time in the future.<sup>737</sup>

**9.32 *Same sub-class of Locarno.*** The Hague Agreement draft new Act 1994 provided that two or more designs may be the subject of the same international application provided they relate to the same sub-class of the International Classification.<sup>738</sup> This limitation was justified on the basis that it would be easier for designs offices and users who search for pre-existing similar industrial designs.<sup>739</sup> Under the EC proposed Council Regulations, unless the design is one of ornamentation the designs must all be applied to products falling into

the same sub-class as specified in the Locarno Agreement, or the same set or composition of items.<sup>740</sup> This limitation was imposed to avoid multiple applications being used to avoid registration and publication fees by presenting multiple applications for designs intended for a variety of products.<sup>741</sup> Previous recommendations and the 1995 draft new Act of the Hague Agreement<sup>742</sup> allowed for multiple applications providing they relate to the same *class* of the Locarno Agreement.<sup>743</sup> This is regarded as too broad. The Commission considers that the Locarno sub-class limitation is reasonable.<sup>744</sup>

## Recommendation 91

**A multiple application for registration may be made for the design of one or more than one product provided that all of the products belong to the same sub-class of the classification of designs provided for in the Annex of the Agreement Establishing an International Classification for Industrial Designs, signed at Locarno on 8 October 1968.**

**9.33 *Multiple applications for common designs applied to different products.*** A designer may wish to apply a common design to different products that could belong to the same sub-class of the Locarno classification but this will not always be the case. An application that covered, for example, household items such as china, glasses, forks, spoons and knives and kitchen furniture would not fall within the same sub-class.<sup>745</sup> The EU allows a multiple application to cover, for example,

the various possibilities of interior decor where a designer may have a unitary design concept running through a range of items which are quite different in themselves - such as furniture pieces, permanent fittings, furnishings, window and door surrounds - but which are all intended to match one another by virtue of this design.<sup>746</sup>

For the EU these types of designs could be registered as a 'composition of items' regardless of whether they fell within the one Locarno sub-class.<sup>747</sup> A number of submissions said that there was no real reason why protection for a 'composition of items' should not be included under the proposal for multiple applications.<sup>748</sup> The 1995 version of the draft new Act of the Hague Agreement allows for multiple applications that conform to a requirement of unity of invention, unity of design, unity of production or unity of use or that belong to the same set or composition of items.<sup>749</sup> This text is a draft only. It is to be reviewed by the Committee of Experts in June 1995.

**9.34 *Relationship to sets.*** A wider category of multiple applications to cover common designs would subsume the current category of a set. A 'set' is currently defined to mean, broadly, two or more products that

- are of the same general character and
- are ordinarily on sale together or intended to be used together, and
- display a common design.<sup>750</sup>

In responding to questions about the definition of sets a number of submissions argued for the widening of the current definition<sup>751</sup> given that the only issue is one of fees.<sup>752</sup> A broadening of the definition of a set may reduce costs as it would mean less work for AIPO at the time of examining formalities. There would no longer be any need to come to a decision as to whether all of the products fall within the existing definition of a set: that is whether they are of the same general character, and are either on sale together or intended to be used together.<sup>753</sup>

**9.35 *Multiple applications for composites.*** Multiple applications for composites would be particularly useful where two-dimensional designs are applied to a range of different products, for example, patterns applied to different items of clothing or accessories or different pieces of furniture. To the extent that design protection is sought for textiles they would assist in meeting Australia's obligations under Article 25 of TRIPS.<sup>754</sup> They would facilitate applications in the case of character merchandising. The recommendation in paragraph 9.11 that subsequent applications should no longer be available for obvious adaptations, or for trade variants and minor modifications was made on the basis that multiple applications should be able to be made where a common design is applied to each product in the application. The Commission therefore departs from its previous proposal that protection for a 'composition of items' should not be included under the proposal for

multiple applications.<sup>755</sup> A composite should be registrable where a common design is applied to each product in the application. It is not necessary that there also be a unitary design concept for different products, so that the products match each other by virtue of their design.<sup>756</sup>

#### **Recommendation 92**

**A multiple application may be made for the design of more than one product provided that the design is a common design for each product identified in the application.**

9.36 *Multiple applications can also cover kits.* Several types of kit need to be distinguished. First, there are kits such as a first aid kit or a testing kit. Each of the individual products that make up these kits would probably have to be registered separately under the existing law. They cannot be registered as a single product because they are not able to be assembled into a single finished article and they cannot be regarded as a set under the current definition. However the individual products could form part of a multiple application under the Commission's recommendation provided all items fall within the same sub-class of the Locarno Classification or there is a common design for each product identified in the kit. There was support for this proposition.<sup>757</sup> Second, there are kits such as boat building kits that can be assembled to make a finished product. The component parts of these kits could be registered separately or under a multiple application provided one of the two preconditions are met. The design of the finished boat could also be registered as a single product.<sup>758</sup> The third type of kit is one where the individual items may be assembled in such a way as to make many different completed articles, for example, toy kits. The design of each of the different completed products that can be created can also be the subject of a multiple application provided that they fall within the one sub-class or have a common design.

#### **Recommendation 93**

**No separate rules should be made for kits. However the individual components of kits should be registrable in a multiple application, provided**

- **all products in the kit fall within the same sub-class of the Locarno Classification, or**
- **there is a common design for each product identified in the kit.**

9.37 *Refusal to register a multiple application.* A multiple application will be required to contain the total number of designs and to designate each of the different designs for which protection is sought. Where the application relates to multiple designs for more than one product the Registrar will check, as part of the formalities examination, whether the products fall within the one sub-class of Locarno or whether they bear a common design. The Registrar's office, AIPO, is not a party to the Locarno Agreement. However AIPO has advised that classifying products according to the Locarno Classification would not present any difficulties. AIPO has classified all designs according to the Locarno Classification since 1981. It also sub-divided the Locarno Agreement sub-classes into further sub-classes of its own. Where the application is found to contain products that fall outside the one Locarno sub-class, or designs that fall outside of a composite, the Registrar should not allow the multiple application to proceed and should notify the applicant who is to be given three months to file a divisional application for the registration of the excluded designs and to thereby preserve priority for them. Thus the ability to preserve priority by way of a divisional application will still be necessary.<sup>759</sup> A similar procedure will apply for international deposits under the Hague Agreement.<sup>760</sup> The divisional application should receive a separate application number. Should the Registrar refuse a multiple application on the ground that the products do not fall within the same subclass of Locarno or do not bear a common design, the only consequence will be that the applicant will be required to put in separate divisional applications. The Registrar's refusal will have no bearing on the protection afforded.



## Recommendation 94

**Where the registration of a multiple application is refused, an applicant should be given three months to file an application to preserve priority for any design that may not be included in the original application but for which registration is sought. The Registrar should have a discretion, reviewable on the merits, to refuse an application for the registration of a design for more than one product.**

9.38 **Reviewability.** There should be AAT review of the merits of a decision of the Registrar of Designs not to allow a multiple application.<sup>761</sup> This recommendation was supported by the IPAA.<sup>762</sup>

## The register

### *Publication*

9.39 **No publication of design details before registration.** A detailed description of the design should not be published at the time of the filing of the application for registration. Under the recommended optional publication or registration system, publication at that time would defeat the purpose of having the six month period in which to develop the design and to decide whether or not to proceed to registration. It could prejudice a manufacturer by disclosing information about the design to third parties before there has been time for the manufacturer to commercialise the design. Should the decision be made to request registration, then under a system of formal examination the delay between the request for registration and the grant of registration is likely to be minimal. In this situation publication of applications may be impractical and confusing because registration could have been granted before the application is published. Publishing the application and the grant would add unnecessarily to administrative costs to be ultimately borne by the applicant.<sup>763</sup> Difficulties would also arise where applications were amended but were published in their unamended form. Publication within six months following the filing of an application could jeopardise design registrations for which it was intended to claim Convention priority if the applicant had failed to register in the Convention country.<sup>764</sup> Moreover the lack of visual representations at an early stage is less important where there is no pre-grant opposition and where there is ample opportunity to challenge the validity of a design's registration after registration.<sup>765</sup>

9.40 **Disadvantages of no publication.** If there is no publication of application details a competitor might proceed to tool up to manufacture, only to find subsequently that a design application had been filed and the design had been registered since the search was done.<sup>766</sup>

9.41 **Publication of bibliographical details.** A number of submissions supported the DP proposal that there be no publication of the details of the design but argued that the bibliographical details should continue to be published at the time of application.<sup>767</sup> The current practice is that at the time the application is filed AIPO publishes in the Official Journal the application number, name of the applicant, the identity of the product, the filing date and if relevant the priority date and priority country' but not the visual representations. It is recommended that this practice continue. There is no requirement under the Designs Act that this information be published at the time the application for registration is made.<sup>768</sup> This should be required in the legislation.

9.42 **No publication of design details for lapsed applications.** It follows that the detailed description of the design in a lapsed applications is never made open to public inspection<sup>769</sup> and the information will eventually be destroyed. Information contained in these applications will not be used as an information base for novelty and distinctiveness examinations. The bibliographical details will have been published at the time of application and the Commission recommends that the fact of an application lapsing should also be published.

9.43 **Publication on registration.** The Designs Act requires that after a design has been registered the application, the representations of the article and the statements of monopoly and novelty are to be open to public inspection.<sup>770</sup> This requirement should be retained, though the statements of monopoly and novelty are to be replaced by a description of the design identifying any particular elements that the applicant considers to be new and distinctive and to which, in the event of infringement proceedings, the applicant wishes the court's attention to be drawn.<sup>771</sup> The EC proposed Council Regulation provides that designs are to be

published in the Community Design Bulletin on registration.<sup>772</sup> Similarly in New Zealand there is publication only after registration.<sup>773</sup> Under the Hague Agreement the International Bureau is to publish in the International Designs Bulletin the international deposits recorded in the International Register. The publication includes the name of the owner, the exact designation of the articles incorporating the design, the design number, priority details, a description of the design and the graphic representations and other particulars specified in the Regulations.<sup>774</sup> It may include photographs.<sup>775</sup>

9.44 ***Publication in the Official Journal.*** Publication is currently in the Official Journal, published fortnightly. This should continue. Ultimately the Official Journal will be replaced by an electronic register that can be accessed directly.

#### **Recommendation 95**

**The description of the design contained in an application should not be published at the time of the filing of the application. The legislation should require that at the time the application is filed there should be publication of the fact that an application has been filed and of the bibliographical details. There should be public notification of the fact that an application for registration has lapsed. Design details should only be published once the registration is granted.**

#### ***Deferring publication***

9.45 ***No ability to defer at present.*** The Designs Act does not provide for deferral of publication of a registered design. On registration the design is open to public inspection.<sup>776</sup> The EC proposed Council Regulation provides that on request by the applicant publication of a Registered Community Design may be deferred for up to 30 months from the date of filing the application for registration.<sup>777</sup> It is understood that the 30 month period is regarded as a good balance between the need of applicants to maintain secrecy for their designs and the need for legal certainty and transparency that would be upset by the existence of an unpublished but valid registration. Similarly the 1995 version of the Hague Agreement draft new Act provides for publication to be deferred for up to 30 months.<sup>778</sup> However member countries can choose whether or not to allow deferral of publication and the Hague Agreement allows member countries to adopt different ways of providing for the deferred publication.<sup>779</sup>

9.46 ***Is there a need to defer publication?*** The EC Explanatory Memorandum regards deferral as particularly useful for the fashion and motor vehicle industries or for other sectors of industry that fear that if the design is published before the product is on the market it will be copied.<sup>780</sup> The aim is to find the right balance between the need for registered owners to be able to exploit their rights to full commercial advantage without fear or copying and the need of competitors to know about all existing design rights. While there may be some sectors of industry such as the fashion industry where deferral could possibly be justified, the Commission did not receive any submissions arguing for deferral. A number of submissions supported the proposition that there be no deferment<sup>781</sup> and that design details should be made available for public inspection once registration has been granted.<sup>782</sup> The Commission's proposal for an infringement test based on substantial similarity in overall impression should enable those sectors that are particularly vulnerable to copying after registration to bring an infringement action.<sup>783</sup> All registered designs should be available for inspection so that competitors can discover what claims have been made in respect of a particular design. There is no need for deferral of publication of registration. The legislation should continue to provide that upon registration the application for registration of the design and such other documents, if any, as are prescribed are open to public inspection.<sup>784</sup>

#### **Recommendation 96**

**There should be no provision for publication of designs to be deferred. Design details should be made available for public inspection once registration has been granted.**



### **Recommendation 97**

**The new designs legislation should continue to provide for the register to be**

- **kept at the AIPO<sup>785</sup>**
- **kept in whole or in part by using a computer<sup>786</sup>**
- **available for inspection during business hours or alternatively accessible through a computer terminal so that the register can be read on the screen or a print out obtained.<sup>787</sup>**

9.47 This recommendation confirms the policy contained in the Designs Act s 33 and s 35.

### ***Evidence of registration***

9.48 The Designs Act s 26(3) provides for certificates of registration to be prima facie evidence of the facts stated therein and of the validity of registration.<sup>788</sup> The Commission does not support continuing this. The register itself should be evidence of any particular entered on it unless evidence to the contrary is admitted.<sup>789</sup> A similar recommendation was made in the Franki report.<sup>790</sup> It may also be necessary to provide expressly that

- a certificate signed by the Registrar stating that action had or had not been taken by a particular date is evidence of the matters so stated
- a copy of or an extract from a document held in AIPO that is certified by the Registrar to be a true copy or extract is admissible in any proceedings as if it were the original.

The legislation need not retain the requirement in s 26(1) that the Registrar issue certificates of registration to the applicant or that these certificates be returned to the Registrar for amendment or alteration whenever the register is amended.<sup>791</sup> However if the Registrar wishes he or she may continue as a matter of practice to provide new registrants with a certificate notifying them that their application for registration has been successful.

### **Recommendation 98**

**The new designs legislation should not continue to provide that certificates of registration are prima facie evidence of the validity of registration. Instead the legislation should provide that**

- **the register is evidence of any particular or other matter entered on it**
- **a copy of, or an extract from, the register that is certified by the Registrar to be a true record or extract is admissible in any proceedings as if it were the original**
- **a document certified by the Register as reproducing in writing or a computer record of all or any of the particulars comprised in the register, is admissible in any proceedings as evidence of those particulars.**

### ***Rectification of the register***

9.49 ***Reflects recent amendments.*** Before the 1994 amendments to s 37<sup>792</sup> the Registrar had no power to correct any errors or mistakes of any kind on the register. There was general agreement in the submissions that the Register should be able to correct clerical errors and obvious mistakes appearing in the Register<sup>793</sup> and to correct a person's name and address.<sup>794</sup> As a matter of courtesy the design owner should be advised of

the alterations. In chapter 12 it is recommended that refusal to amend should continue to be reviewable by the AAT.<sup>795</sup>

### **Recommendation 99**

**The Registrar should continue to have the power to correct clerical errors and obvious mistakes on the register, either on application by a design owner or on his or her own initiative.**

9.50 *Wider power to amend the register.* The current law provides a wider power to rectify the register where so ordered by a prescribed court.<sup>796</sup> There was some support for extending the Registrar's power to amend the register provided the scope of an exclusive right was not increased.<sup>797</sup> However, the Commission does not recommend that the Registrar should have a general power to correct substantive errors on the register. This does not limit the obligation of the Registrar to amend the register subsequent to opposition proceedings.<sup>798</sup>

9.51 *Removal from the register.* The Registrar may form the view that a design on the register should be removed either because it does not fall within the definition of a design or because it was not new or distinctive. Similarly the Registrar may decide that the person named as owner is not in fact the owner of the design. In these circumstances, the Registrar may not remove the design from the register unless there has first been a validity hearing and an opportunity for appeal to the AAT. Removal in these circumstances and the procedures to be followed are set out in chapter 11.<sup>799</sup>

### **Recommendation 100**

**The Registrar should have a wider power to correct the register only in specified limited circumstances. The Registrar may not exercise this power unless there has first been the opportunity for a hearing and for appeal to the AAT.**

## **Offences concerned with the accuracy of the register**

### *Introduction*

9.52 This section makes recommendations for offences that are mainly concerned with ensuring the accuracy and integrity of the register and of copies of entries on the register. Offences concerned with the powers of the Registrar and the operation of the AIPO are considered in chapter 18.<sup>800</sup> The offence of publishing information regarding designs that relates to Crown use of designs is considered at paragraph 7.23.<sup>801</sup>

### *False representation that a design is registered including false marking*

9.53 There was agreement that the Designs Act s 45 (1), which deals with false representations about design registration, is too narrow. It should extend to a representation that a particular person is the owner of a design that is registered in Australia. It should not be limited to designs of articles sold by the person making the false representation.<sup>802</sup> The offence should extend to designs of any product, not just to those being offered for sale. The Commission also agrees with the suggestion of the LCA that the offences under s45(1) should not be confined to representations by the person selling, offering for sale, hiring or keeping for hire but should extend to all other persons making those representations.<sup>803</sup> This offence would be broader than the provisions concerning misleading and deceptive conduct and false representations in the Trade Practices Act. It should be an offence to make a false representation that a design of a product is registered in Australia or that it is registered for a particular period. The use in Australia of the word 'registered' any other word or any symbol referring (either expressly or by implication) to registration should be a representation that the design is registered in Australia. That is the Designs Act s 45(2) should be extended to cover symbols. This offence thus applies to false marking. The penalty could be doubled from the current 30 units to 60 units to bring it into line with the same offence in the patents<sup>804</sup> and trademarks legislation.<sup>805</sup> The LCA supported the increase in the penalty.<sup>806</sup>

## Recommendation 101

**The new designs legislation should include the offences set out in Designs Act s 45 (1) but should also extend those offences to include.**

- **false representations that a design is registered made by any person about the design of any product, and**
- **false representations made by any person about the ownership of a registered design.**

### *Making a false entry or tendering a false copy of an entry in the register*

9.54 **Making a false entry.** Section 36 makes it an offence to wilfully make a false entry, to make a writing that falsely purports to be a copy of an entry or to tender in evidence a document that falsely purports to be a copy of an entry in the register. This should be amended so that the offence of making a false entry is extended to include 'causing a false entry to be made'.

9.55 **False copy of an entry.** Designs Act s 36 (b) makes it an offence to make a writing falsely purporting to be a copy of an entry in the register. This conduct is already covered in the *Crimes Act 1914* (Cth) s 63(e) which prohibits forgery of official registers. The offending conduct is also likely to be covered by the offence of falsely holding out that a design is registered<sup>807</sup> or tendering in evidence the forgery under the *Crimes Act 1914* (Cth) s 36(c). To the extent that an official copy of an entry in the register will be certified as such and under seal, then the offending conduct is also covered by the *Crimes Act 1914* (Cth) s 63(c) which provides that making of a counterfeit of a seal or of the impression of a seal also constitutes forgery. Section 36(b) is therefore unnecessary.

9.56 **Mental elements and penalties.** The current Act requires that the conduct be undertaken wilfully. The mental elements should therefore be brought into line with those for similar Commonwealth offences. The penalty for each of the grounds in s 36 should remain unchanged at two years imprisonment.<sup>808</sup> The increased penalty for this offence compared to the other offences considered in this chapter may be explained by the fact that the conduct described in s 36 is of a criminal nature.<sup>809</sup> The LCA supported the retention of the maximum penalty of two years imprisonment.<sup>810</sup>

## Recommendation 102

**The existing offences contained in the Designs Act s 36 should be retained in the new designs legislation with some amendments. It is not necessary to retain the offence of making a writing that falsely purports to be a copy of an entry in the register. The mental elements should be brought into line with those for similar Commonwealth offences.**

### *No general offence of false statement*

9.57 No general offence of false statement is necessary because there are a number of existing offences which would sufficiently cover the conduct concerned. The *Crimes Act 1914* (Cth) s 90B provides that it is an offence to make a false statement in a document that is to be produced to, filed or lodged with, a Commonwealth officer or which is to be registered. In addition information given to AIPO is to be given in the form of a statutory declaration<sup>811</sup> or under oath or affirmation during opposition proceedings.<sup>812</sup> The *Statutory Declarations Act 1958* (Cth) s 11 makes it an offence to wilfully make a false statement in a statutory declaration.

### *Application for designs known not to be new or distinctive*

9.58 These offences would not necessarily cover the case where an applicant filed an application for registration of a design the applicant knew was not new or distinctive. AIPO has said that a wider provision was not necessary to cover this eventuality.<sup>813</sup> The Commission agrees that no wider offence is necessary.

However the applicant should be required to make a statement in the application to the effect that the applicant has no reason to believe the design is not new and distinctive.<sup>814</sup> [145](#)

### **Recommendation 103**

**It is not necessary to introduce into the new designs legislation a more general offence of making a false statement or of filing an application for a design the applicant knew was not new and distinctive.**

## 10. Duration of the design right

### Introduction

10.1 This chapter contains recommendations relating to the duration of the design right. In particular recommendations are made for

- protection for up to 15 years based on five year renewals
- the abolition of the one year initial period and the separation of administration of the renewal system from proceedings relating to the validity of a registered design
- a continuing right to exploit a restored design for third parties in limited circumstances, and
- the voluntary surrender of registration.

### 15 years protection

#### *Initial period*

10.2 **Current legislation.** The Designs Act s 27A currently provides for a total registration period of 16 years. This is made up of an initial period of one year followed by three 5 year extensions.<sup>815</sup> It is possible to oppose the first extension within the first 11 months of the initial one year period on the basis that the design was not new or original when it was first registered.<sup>816</sup> Information about the design's novelty or originality given to the Registrar is then taken into account when the Registrar comes to decide whether to renew the design for the first of the five year extensions.<sup>817</sup> The process was intended to provide for inexpensive and speedy opposition to the continued registration of a design.<sup>818</sup> By enabling the Registrar to remove designs from the register it was envisaged that the need for expensive and prolonged court proceedings such as those found in the Designs Act s 28(a) could be avoided.

10.3 **Initial period leads to confusion and is unnecessary.** The Commission's design users survey showed that linking the administration of the renewal system with procedures for removing designs from the register has led to confusion. The main objection to the initial period however is that it limits the availability of opposition to renewal to the first 11 months of a design's life. There appears to be no reason for this limit.<sup>819</sup> The Commission's recommendations for new procedures to challenge validity set out in the chapter 11 can be used at any time during the life of the design. They render the initial one year period of registration unnecessary. The Commission is not aware of any other country where there is a short initial period of registration. There does not appear to be any advantage in retaining an initial period of registration. The Commission recommends its removal.

#### **Recommendation 104**

**There should be no initial short term period of registration for designs.**

#### *Reducing the period not recommended*

10.4 **International models.** Australia's obligations under TRIPS are only to provide for at least 10 years protection. There was some support including from AIPO<sup>820</sup> for reducing the period to 10 years.<sup>821</sup> Others preferred a 10 year period of protection but agreed that 15 year period was important if Australia wished to join the Hague Agreement at some later stage.<sup>822</sup> Figures provided by AIPO indicate that only about 5% of designs are extended for their full term. This figure was confirmed by the Commission's own survey.<sup>823</sup> Even though it would appear that most design owners do not feel that they need to protect most designs for the full period this is not a reason to reduce the period of protection generally. The Commission does not favour reducing the term except to remove the initial period of one year.

**10.5 Consistency with copyright or patents not persuasive.** TRIPS requires that the duration of patent protection be 20 years.<sup>824</sup> An option that received considerable support was to extend the current duration of design protection to 20 years to keep the terms of protection for patents and designs consistent.<sup>825</sup> Alternatively the International Federation of Industrial Property Attorneys took the view that

whilst a small percentage of registrations may be renewed for the maximum term, those that are, may be of significance to the particular industry. The European community proposal for a term of 25 years is considered a balance between the 50 year term of copyright and the 20 year term of a patent.<sup>826</sup>

The Commission does not see consistency with patents or copyright as justifying extending duration of design protection.

**10.6 Argument that some designs require extended protection.** LEGO argued that

... the current duration of design protection in Australia... is often too short to meet the protection needs of successful long-lasting designs ... LEGO is of the view that an original product design should be protected against copying for as long as it is produced and marketed.<sup>827</sup>

The Textile Distributors Association also considered that there may be a

particular design that some owners may want to use after 'resting' it for a period of time. EG, they may leave the design on the shelf for a period of twenty years, then want to recall it when the fashion or 'look' has resurfaced and that design becomes attractive again.<sup>828</sup>

The Commission acknowledges that there will always be some individual designs that because of their intrinsic nature may merit a long term of protection. However, the legislation should not be based on these individual cases.

**10.7 Why 15 years is preferred.** Some submissions argued that the aim of design protection was to recover the expense of developing the design and to provide the design owner with a reasonable profit.<sup>829</sup> The Commission does not favour this approach as it suggests that different terms of duration would apply to different products or even to the same products in different markets. Other submissions suggested that the public interest was relevant in determining duration<sup>830</sup> or that fairness and morality could help determine duration.<sup>831</sup> None of the suggested rationales for design protection provide persuasive argument for any particular period of protection.<sup>832</sup> There is little basis, therefore, for any change to the duration of the design right duration. Nor is there any international consistency. Protection varies from 10<sup>833</sup> to 15 years<sup>834</sup> or 50 years.<sup>835</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.<sup>836</sup> The majority of submissions supported this recommendation.<sup>837</sup>

## **Recommendation 105**

**The maximum duration of protection for registered designs should be 15 years. The existing maximum 16 year period of protection should remain unchanged except for the removal of the initial one year period.**

## **Renewal system**

### ***Periods of renewals***

**10.8** The Discussion Paper outlined a number of options for the duration of protection:

- the maximum period to be granted without the need for renewal
- for the owner to be able to choose the period of protection required (up to 15 years) and to specify this in the application for registration
- an initial period of registration followed by annual renewals.<sup>838</sup>

None of these received any significant support in the submissions. An initial period of registration followed by renewals in five year units is common to many countries<sup>839</sup> and is proposed for the EU.<sup>840</sup> International protection of designs under the Hague Agreement is for an initial period of five years, with provision for five year renewals.<sup>841</sup> The current system of renewal is supported in preference to one single 15 year period because it ensures that protection for a design does not continue unless it is actively sought and presumably therefore required. It encourages the removal from the register of designs without commercial significance or value. This function of a renewal system is even more important in the light of the Commission's recommendation that there should be no substantive examination of designs before registration.<sup>842</sup> A sliding scale of fees so that renewals become progressively more expensive would encourage the removal of unwanted designs.<sup>843</sup> This would be possible given that AIPO's policy of cost recovery is based on recovery over the entire design system.<sup>844</sup> The composition of the fee schedules is however a matter for AIPO. The Commission's recommendation for renewable five year periods<sup>845</sup> of protection was generally supported in the submissions.<sup>846</sup>

### **Recommendation 106**

**Design registration should be available for three discrete periods of five years. Entitlement to protection after the initial period should be based on applications for renewal. Renewal should be automatic if the design owner complies with formalities and, subject to the six month grace period, pays the fees.**

#### ***Reminder notices***

10.9 Most of the difficulties with the renewal system seem to have been caused by the inadvertent lapsing of registration. AIPO does not notify design owners that registration is about to expire. According to the Commission's survey 35% of those who applied for a first renewal and 33% of those who applied for a second renewal said that lack of notification that the registration was due for renewal caused them problems.<sup>847</sup> The EC proposed Council Regulation requires the owner to be informed that the expiry date is imminent.<sup>848</sup> Under the Hague Agreement there is provision for the International Bureau to send unofficial reminder notices to design owners.<sup>849</sup> With one or two exceptions<sup>850</sup> the submissions strongly opposed any requirement that AIPO issue similar notices to all registrants<sup>851</sup> or only to registrants who did not have professional representation.<sup>852</sup> Provision in the legislation for reminder notices to be sent to owners would be administratively cumbersome and would add considerably to the cost of running the registration system. Many submissions gave examples of the impracticality of such a requirement<sup>853</sup> and of the confusion that can arise where a patent attorney may have already sent the registered owner a reminder advice and received instructions to renew.<sup>854</sup> Ultimately responsibility for ensuring that a registration does not lapse should rest with the design owner.

### **Recommendation 107**

**Design owners should continue to be responsible for ensuring that applications to renew their designs are made within the specified time. Whether AIPO sends reminder notices to owners before a design expires should be a matter for AIPO.**

#### ***Removal where failure to renew.***

10.10 The registration of a design lapses if an application for renewal is not made or the fees payable are not paid within six months of the end of any five year period. The Paris Convention allows for a minimum six month grace period.<sup>855</sup> At this point the design is no longer protected and ceases to have effect.

## **Extensions**

#### ***Circumstances in which an extension may be granted***

10.11 The Registrar must grant an extension of time where a required act is not done within the required time because of an error or omission by the AIPO.<sup>856</sup> In addition the Registrar has a discretion to grant an



extension where the required act is not done in time because of an error or omission of the person concerned or circumstances beyond the control of the person concerned. Retaining these existing grounds received general support.<sup>857</sup> However the IPAA submitted that the Registrar should be provided with a wide discretion in the light of all the circumstances of the case.<sup>858</sup> AIPO suggested that the Registrar should be able to grant an extension if the Registrar is of the opinion that special circumstances exist that justify an extension of that time.<sup>859</sup> The Commission does not consider it necessary to expand the circumstances in which an extension can be granted. The court's interpretation of what constitutes an error or omission, in the patent context, appears to be liberal and does not appear to fetter the Registrar's wide discretion.<sup>860</sup> The Commission did not receive examples of cases where parties failed to obtain an extension because the grounds were unduly restrictive.

#### **Recommendation 108**

**The existing grounds for granting an extension should be retained in the new designs legislation but should not be expanded.**

#### ***Applications to register to be included***

10.12 The grant of an extension should not be limited to registration renewals but should extend to all situations including cases where an application for registration of a design would lapse because of a failure to file particular documents within a required time limit. An application for registration lapses if no request for registration is made within six months from the priority date<sup>861</sup> or if deficiencies are not rectified within three months.<sup>862</sup>

#### ***Restoration following an extension***

10.13 The Designs Act s 27(7) provides that, where the registration of a design ceases to be in force or an application lapses, an extension is granted and the required act is then done, the registration is to be treated as having been restored or the application is regarded as if it had not lapsed on the same day that the extension is granted.<sup>863</sup> This provision should be retained but on restoration the Registrar should advise the registered owner.<sup>864</sup> Substantial fees are payable for restoring designs to the register.

#### **Recommendation 109**

**The Registrar should advise the registered owner where a design is restored to the register after an extension is granted.**

#### ***Appeal against refusals to grant an extension***

10.14 The applicant's existing right of appeal to the AAT for review of any decision to refuse to grant an extension should be retained.<sup>865</sup> Similarly a third party aggrieved by a decision to grant an extension should have the right to appeal to the AAT for review of a grant of the extension. AAT appeal is currently available where the required act is not done in time because of an error or omission of the person concerned or circumstances beyond the control of the person concerned. There will only be ADJR review of the grant of an extension where the required act is not done within the required time because of an error or omission by AIPO.<sup>866</sup> The right to AAT should be limited to cases relating to the renewal of registration or the provision of information in applications to register. Extensions of time in which to lodge documents in validity hearings for example, should not be reviewable by the AAT.

#### **Recommendation 110**

**The existing right of appeal to the AAT for review of refusals to grant an extension should be retained.**



## Protecting third parties

### *No infringement provisions*

10.15 The existing law provides that the design owner may not bring proceedings for any infringement that occurred between the date on which the registration ceased to be in force and the date on which the design was restored to the register.<sup>867</sup> It was generally supported by the submissions.<sup>868</sup> The Commission recommends that this provision be retained.

#### **Recommendation 111**

**No remedy should lie for infringement that occurred while the design was not registered.**

### *Continuing non-infringement or licence*

10.16 **Introduction.** If a competitor discovers that a registration has lapsed, he or she should be free to exploit the design. A competitor who has taken steps to exploit a lapsed design prior to its restoration should be entitled to be protected from infringement proceedings on a continuing basis after restoration. This principle forms the basis of the licensing provision contained in the Designs Act s27B(7) and reg 29.<sup>869</sup> Section 27B(7) permits a person who used or took advantage of a restored design during the period it was lapsed is be able to apply to the Registrar for a licence to continue to do any act that would otherwise be taken to be an infringement of the design. It is difficult to make any decisions on the existing procedure set out in Designs Act s 27B(7) and reg 29<sup>870</sup> given that to the Commission's knowledge a licence has never been granted under this provision<sup>871</sup> and similar provisions are not generally found in other compatible jurisdictions. The procedures set out in s 27B(7) and reg 29 appear unnecessarily cumbersome.

10.17 **Non infringement provision preferred.** A competitor may have expended considerable money, time or labour with a view to making or selling articles bearing the design. In these circumstances, where the competitor has acted in good faith, the *Patents Act* 1994 (Singapore) gives the competitor the right to continue to do the infringing act after the design is restored. The simpler process adopted in the *Patents Act* 1994 (Singapore) is preferable. It permits the third party to continue to use the design without other formality. This right does not extend to granting a licence to another person to do the act. But the right may be assigned on the sale of the business.<sup>872</sup> The Commission supports this limitation of the right. It should not however be necessary to establish that the competitor acted in good faith. The existing discretion of the Registrar to grant a licence should not be retained.

#### **Recommendation 112**

**If a lapsed registration is restored a person who took action or definite steps to exploit the design commercially during the period in which the design had lapsed shall have the right to continue to do the infringing act but the right does not extend to granting a licence to another person to do the act.**

### *No compensation on restoration*

10.18 The *Designs Act* 1993 (South Africa) s 24 provides that when a design registration is restored a person who has expended money, time or labour with a view to making or selling articles bearing the design may apply to the court for compensation. If the amount awarded by the court is not paid within the time stipulated by the court, the registration of the design shall lapse. It is not recommended that this provision be incorporated into the Designs Act. The right to continue using the design is sufficient protection for the person who has taken action for its commercial exploitation.

## Recommendation 113

**If a lapsed registration is restored a person who took action or definite steps to exploit the design commercially during the period in which the design had lapsed should not be entitled to compensation from the owner for any loss suffered as a result of the registration being restored.**

### *Opposing the grant of an extension*

10.19 *Should opposition proceedings be retained?* The question whether oppositions to an extension should be retained depends on whether opposition proceedings are needed to protect third parties adequately. This depends on the adequacy of the opportunities for AAT review and of the non infringement provisions referred to in the previous paragraphs. Submissions did not provide a unanimous view on whether third parties should be able to oppose an extension of a renewal or an extension to correct deficiencies in an application for registration. KLeslie<sup>873</sup> and the Design Institute of Australia (Qld Chapter)<sup>874</sup> considered that third parties should not be able to oppose an application for extension of time to perform an act for any reason. The IPAA argued otherwise on the basis that

[a]lthough such oppositions are rare, the ability to investigate the material submitted to the Designs Office in relation to the applications for extension of time may well disclose that the full story is not being disclosed to the Registrar. For example, the failure to renew may not have been unintentional.<sup>875</sup>

LD Pippard submitted that

... an opposition procedure, conducted before the Designs Office can actually resolve a dispute without the need for instigation of expensive court procedures ... the number of oppositions to design renewals that do occur are extremely limited and therefore do not place a significant burden upon any person.<sup>876</sup>

In a number of cases support for opposition to an extension appeared to be based on the view that during the opposition process issues relating to novelty and distinctiveness could be canvassed. The new opposition procedures outlined in chapter 11 provide the appropriate mechanism for raising questions of novelty, registrability and related matters.<sup>877</sup>

10.20 *Are third parties adequately protected?* There are several possible gaps in protection that could justify opposition proceedings. A third party will not be able to bring AAT proceedings where the grant of the extension is based on an error or omission by AIPO. Third parties who have not taken steps to exploit the design in the period before restoration of the design will be liable for infringement proceedings for acts which occur after the design is restored. Those who have taken steps will be protected from infringement proceedings but their licensees will be liable to infringement proceedings by the registered owner.<sup>878</sup> The Commission does not however consider it unnecessary to provide for third party oppositions to the grant of an extension of time to renew a registration. The interests of third parties can be adequately accommodated by

- the retention of AAT review
- providing that there will be no infringement for acts occurring prior to restoration
- providing continuing immunity from infringement proceedings for a competitor who has spent time and money on exploiting the design prior to restoration.

## Recommendation 114

**Third parties should not have the power to oppose the grant of an extension of time to renew a design's registration.**

### ***Advising third parties of likely extension and of restoration***

10.21 ***Advertisement in the Official Journal.*** In order that third parties may avail themselves of the right to AAT review of a decision to grant an extension they need to be alerted to the fact that their interests could be affected. The legislation should provide that on restoration the Registrar must advise the registered owner and must advertise the fact of restoration in the Official Journal.<sup>879</sup> In order to alert third parties the existing requirement that applications for an extensions longer than three months should be published should be retained.<sup>880</sup> The current law only requires the Registrar to advertise in the Official Journal, the fact that there has been an application for an extension of time that would exceed three months.<sup>881</sup> This provision should also extend to circumstances where there has been an error or omission by AIPO and the Registrar grants an extension of more than three months, regardless of whether or not an application has been lodged.

#### **Recommendation 115**

**The legislation should require the Registrar to advertise in the Official Journal the fact that**

- **an application for an extension exceeding three months has been lodged**
- **as a result of an error or omission by AIPO an extension of more than three months will be granted**
- **a design's registration has been restored.**

### **Voluntary surrender**

10.22 The Designs Act is silent on voluntary surrender. There should be specific provision that requires the Registrar to cancel the registration of a design if the registered owner asks (in writing) that the registration be cancelled.<sup>882</sup> There is no need for the Registrar to provide notice before cancellation or to allow other parties to oppose cancellation.<sup>883</sup> If the registration is cancelled the registration ceases to have effect on the day of cancellation. A design registration that is cancelled upon voluntary surrender should not be able to be restored. Where the design was registered in the name of joint owners, the application for surrender should be in the name of all the joint owners. To encourage registered owners to surrender unwanted registrations voluntary, it may be necessary for refunds to be given for unexpired portions of the registration. This is a matter for AIPO. The registered owner should not be discouraged from seeking surrender by the imposition of application fees.<sup>884</sup>

#### **Recommendation 116**

**Specific provision should be made in the new designs legislation for the surrender of a design registration.**

# 11. Challenging the registration of a design

## Introduction

11.1 The Commission's consultations demonstrated that design owners need a relatively quick and inexpensive procedure to deal with questions about the validity of a registered design. Legal remedies are not used because the costs involved are regarded as prohibitive. The recommendations in this chapter are designed to meet this problem. They provide for post grant procedures to enable a person to request the Registrar to examine the validity of a registered design. If requested there is to be a Registrar's hearing. Where the design is found not to have been validly registered then, if there is no subsequent appeal to the courts, the register is to be amended. This chapter is limited to challenging the validity of the registration of a design by way of administrative procedures involving the Registrar. The role of the Registrar in issues of infringement is considered in chapter 13.<sup>885</sup>

## No opposition before registration

11.2 Opposition proceedings before registration can mean increased costs and delays for the applicant. There is also the possibility of abuse of the procedures by competitors who wish to disrupt a design owner's business. The Commission's recommendation for examination only as to formalities significantly reduces the usefulness of any right of pre-grant opposition because there could be only a very short time between requesting registration and the grant of registration.<sup>886</sup> Review or opposition before registration is not allowed in most comparable overseas jurisdictions.<sup>887</sup> Nor is opposition before registration proposed under the EC proposed Council Regulation. Pre-grant opposition was rejected by the Franki report.<sup>888</sup> The Commission does not recommend the introduction of pre-grant opposition. There was general support in the submissions for this recommendation<sup>889</sup> although some submissions suggested that early opposition would help to weed out designs that were not new or distinctive and improve the integrity of the register.<sup>890</sup> The Commission's recommendations for opposition proceedings after registration are designed to meet this problem.

### Recommendation 117

**Opposition proceedings should not be available before registration of the design.**

## Opposition after registration

### *Why an opposition procedure is needed?*

11.3 **Current law provides for limited administrative challenge.** The only way in which third parties may currently challenge by administrative action the registration of a design is by drawing issues relating to the novelty or originality of the design to the Registrar's attention within the first 11 months of a design's registration.<sup>891</sup> The Registrar may then refuse to grant the first extension of the design if the Registrar is of the view that the design was not new or original at the priority date.<sup>892</sup> The Commission has been advised by AIPO that this provision is not often used.<sup>893</sup> The reason for the low use is not entirely clear. However the Commission found that the availability of this provision was not widely known among the owners of registered designs.

11.4 **Cancellation by the courts involves cost and delay.** There is provision in the Designs Act for interested persons to apply to the court at any time for cancellation of registration on the ground that the design was not new or original when it was first registered.<sup>894</sup> Applying to the courts for cancellation is a complex and expensive procedure. Because of this it has rarely been used. For example the competitor may prefer to risk infringing the design and leave the questions of its lack of novelty or originality to be determined by the courts in any infringement action. The defendant to an infringement proceeding may always counterclaim for rectification of the register to remove the design.<sup>895</sup> A number of submissions argued against cancellation by the courts in favour of procedures by the Registrar.<sup>896</sup>

**11.5 *Need for quick, relatively inexpensive procedure.*** The terms of reference require the Commission to have regard to the need to ensure that persons whose rights under the Act have been infringed have access to a quick, cheap and effective remedy. Responses to the industry survey revealed a great deal of dissatisfaction about the dispute resolution process and the costs associated with enforcing design rights.<sup>897</sup> Similar sentiments were expressed during consultations with former design litigants.<sup>898</sup> Post registration examination by AIPO of the validity of registration provides a quick, relatively inexpensive procedure for challenging validity. The proposal for challenging the validity of a registered design at any time after grant of registration was supported during the consultations and in submissions.<sup>899</sup>

**11.6 *Need for process for removing invalid designs from the register.*** The recommendation that there be examination only as to formalities means that there may be a significant number of designs on the register that would be invalid if challenged. There is a need for a mechanism whereby third parties and registered owners can obtain as much certainty as they can regarding the validity of the registered design. The examination procedures enable clearly invalid registrations to be removed without the need for costly and lengthy proceedings. There are similar procedures for re-examination in the Patents Act.<sup>900</sup>

**11.7 *Helpful in cases of potential infringement or unjustified threats.*** Registered owners who are contemplating bringing infringement proceedings could use the examination procedures to seek confirmation of the validity of their registered design, particularly in relation to the novelty and distinctiveness of their design. The results of the examination hearing would be admissible in the infringement proceedings and would bolster the weak presumption of validity arising out of formal examination. The procedures would be equally useful to a competitor who receives a warning off letter threatening legal proceedings.<sup>901</sup> The person threatened could request an examination and a hearing. The Registrar could compel the registered owner to attend the hearing and to answer questions.

### ***Overseas procedures***

**11.8 *UK.*** In the United Kingdom any person may apply to the Registrar for cancellation of registration of a design on the ground that the design was not new or original at the date of registration or on any other ground on which the Registrar could have refused to register the design.<sup>902</sup> The right to apply for cancellation is available at any time after the grant of registration.

**11.9 *Hague Agreement.*** There are no opposition proceedings under the Hague Agreement. The international deposit is purely declaratory and the International Bureau may not pronounce on the validity for refusal of protection pronounced by a national office or intervene in any way to settle substantive problems arising from such a refusal.<sup>903</sup>

**11.10 *EC Regulations.*** The EU, Member States and any other natural or legal person may apply to the Community Designs Office for a declaration of invalidity of a Registered Community Design.<sup>904</sup> When an application is made the Invalidity Division of the Community Designs Office is to examine the design's validity.<sup>905</sup> The EU has described the invalidity procedure as necessary to deal with abuse of the system and to clear the register of invalid registrations.<sup>906</sup> This is intended to answer two kinds of demands: the demand for an immediate reaction after registration by competitors against the claim for protection and the demand for a single attack on the design right for the whole Union at any later time.<sup>907</sup> The EU also intends to create a consultative committee to assist it in monitoring registrations and to intervene where designs that have been registered do not, in the eyes of the consultative committee, meet the requirements for protection. This measure is considered appropriate to balance the abolition of examination procedures.<sup>908</sup>

### ***Post grant challenges to validity***

**11.11** A registered design owner or any other person should be able to request the Registrar to examine the validity of a registered design at any time after registration. The request is to set out the type of examination required. If requested there is to be a hearing and an opportunity for appeal to the AAT. Designs that are found not to have been validly registered are to be regarded as never having been registered and are to be removed from the register.

## Recommendation 118

**It should be possible to challenge the validity of a registered design at any time after the grant of registration by initiating examination proceedings.**

### Challenging validity by way of examination procedures

#### *Nature of the examination*

11.12 **Grounds.** The following paragraphs set out the only grounds on which examination may be requested. Similar grounds exist for declarations of invalidity under the EC proposed Council Regulation.<sup>909</sup> In the United Kingdom, a registration can be cancelled on the ground that the design was not new or original at the date of registration or on any other ground on which the Registrar could have refused to register the design.<sup>910</sup> The Registrar is only required to examine the registration on the grounds specified in the applicant's request but the Registrar's examination is not limited to these grounds. The proposal that a challenge should be available on any or all grounds of validity, including a design's novelty, distinctiveness and ownership, was generally supported.<sup>911</sup>

11.13 ***Application did not meet minimum requirements for an application.*** It would be possible to request an examination and thereby challenge a design on the basis that, at the time the design was registered, the application was not a valid application in that it did not contain the mandatory elements of information because, for example, it did not contain the required number of representations or it was not in the required form.

11.14 ***The application did not relate to the visual appearance of a product.*** The request for examination can be made on the ground that the design did not relate to the elements of visual appearance of a product, for example, the design was for the feel of a product. The request can also be made on the ground that the product was not a manufactured product, for example, because it was a naturally occurring product or because it was an item of indefinite dimension of the type that is not registrable.

11.15 ***Product excluded from registration.*** A further ground is that the design was for a product that was excluded from registration. For example, where the design is a design for a circuit layout it would not be registrable.

11.16 ***The design was not new and distinctive.*** The proceedings can be used as a means of requiring AIPO to conduct an examination of the novelty and distinctiveness of the design.<sup>912</sup> As questions of novelty and distinctiveness are decided by reference to the priority date, it would also be possible to seek an examination of matters pertaining to the priority date, for example

- questions about the date the application was actually filed in Australia or the relevant date of a Convention application
- whether the application made in the overseas Convention country was for the same design as the local application<sup>913</sup>
- whether the application was a valid divisional application
- whether all the products of a multiple application fell within the one Locarno sub-class or whether they all had a common design.

In examining whether or not at the relevant date an identical or substantially similar design had been published somewhere in the world or had been publicly used in Australia, the Registrar is required to examine

- the Australian register, and

- information, including examples of prior art, provided by the applicant or the registered owner

but is not required to limit his or her inquiry to those sources.

11.17 *Application amended contrary to the Act.* It would also be possible to challenge the registration of a design on the basis that prior to registration the application had been amended in a way that increased the scope of the design.

11.18 *The applicant was not entitled to make the application.* It should be possible to challenge the registration on the ground that the applicant was not entitled to make the application, for example because the applicant was not the creator of the design, was not the employer or was not the person who commissioned the design. This applies not only to the initial application for registration but also to any subsequent application to change the name of the owner on the register following an assignment. It would entail an examination to see whether the required documents evidencing ownership, such as a contract of employment or commission or an assignment, were in the appropriate form and appeared on their face to be in order. It would not be a general examination of the substantive questions of ownership, for example, questions such as whether the essential conditions in an assignment have been fulfilled. These questions may involve complicated legal issues that are more properly left to the courts.<sup>914</sup>

11.19 *Spare parts.* The referral of a design to the TPC is explained in chapter 16.<sup>915</sup> Where a request for referral is made the Registrar is to examine whether

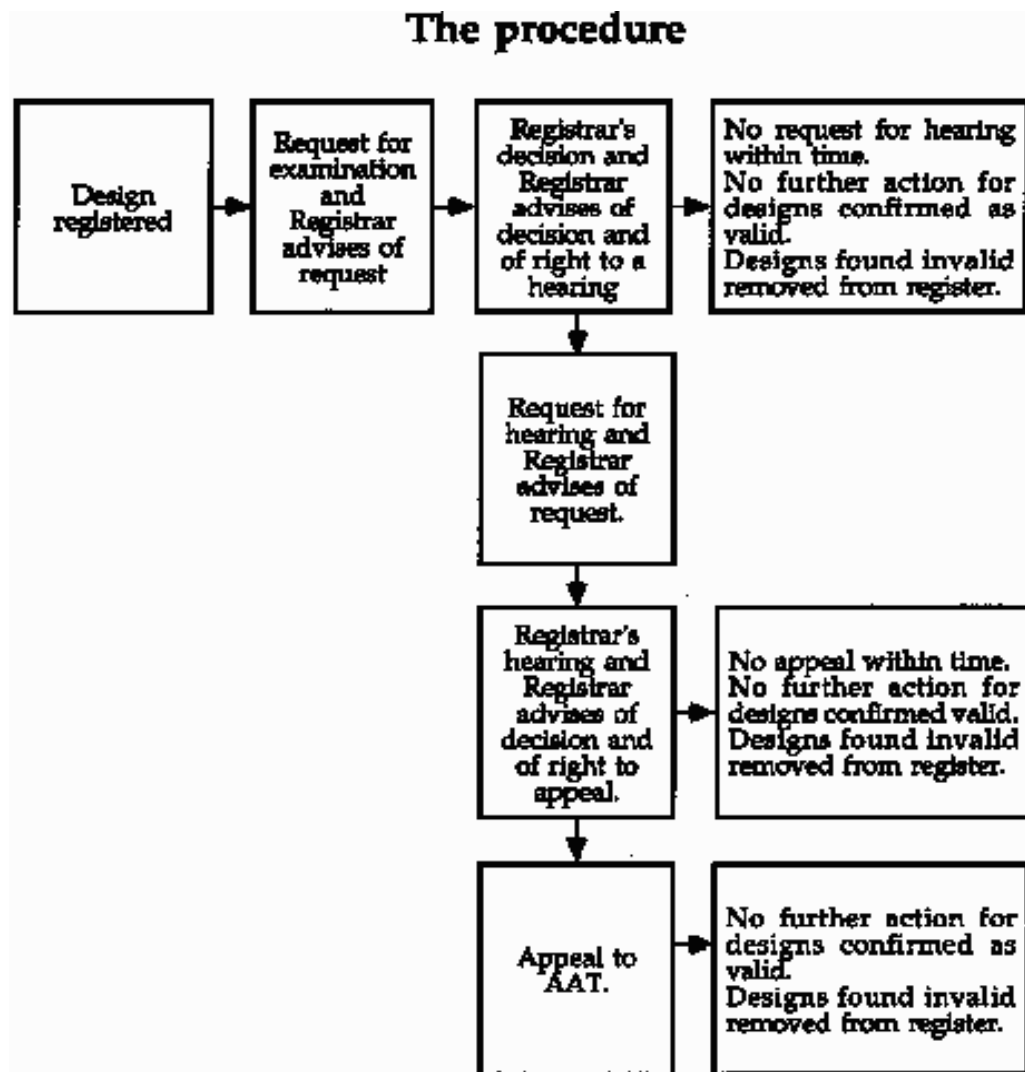
- the design is a design of a component part; and
- the component part is to be used to repair a product that is durable, likely to require repair during its expected life, and assembled from many component parts, and
- the component part is manufactured by or under licence from the product manufacturer or importer.

## Recommendation 119

**A request for examination may ask the Registrar to examine**

- **whether the application for registration**
  - **met the minimum requirements for an application**
  - **claimed protection for the visual appearance of a product**
  - **was for a design of a product that was registrable**
  - **was for a design that was not new or not distinctive**
  - **had been amended contrary to the Act,**
- **whether or not**
  - **the applicant was entitled to make the application for registration or the application to change the name of the owner on the register**
  - **the design should be referred to the TPC in accordance with the component parts referral procedure.**

## Examination procedures



### *The examination and the hearing*

11.20 **Request for examination.** There should be no time limits on the right to request the Registrar to examine the validity of the registration of a design.<sup>916</sup> A registered design owner or any other person should be able to request the Registrar to re-examine the validity of a registered design at any time after registration, including after the design ceases to have effect. This recommendation would subsume the limited options for review under the Designs Act s 27A(4). The request is to be made by lodging a request in the approved form with AIPO or one of the State offices.<sup>917</sup> The request is to set out the grounds on which examination is requested. Where the person making the request is not the registered owner AIPO will be required to advise the registered owner and any mortgagee or licensee recorded as having an interest in the design<sup>918</sup> that an examination is to take place. It is possible that there may be multiple requests for the examination of the validity of a design.<sup>919</sup> Where practical the Registrar should have the discretion to deal with multiple requests in the one procedure.

11.21 **Examination by the Registrar.** When the Registrar receives a request the Registrar is to conduct an examination and must make a preliminary decision about the validity of the design. The nature of the examination will vary according to the ground on which the request was made. The Registrar is not limited to the grounds spelt out in the application and may also examine any other matter relating to the validity of the registration.

11.22 **The preliminary decision.** The preliminary decision is in the nature of a Registrar's opinion. It will usually be based on, but is not limited to, information supplied by the registered owner or by the applicant or



on information gathered from a search of the register. Within 30 days of receiving the request the Registrar should come to a decision and should advise the person making the request, the registered owner and any mortgagee or licensee recorded as having an interest in the design of the decision. The advice should set out the reasons for the decision and note that any request for a hearing must be made within 14 days. The same information except for the reasons for the decision should be published in the Official Journal.<sup>920</sup> The advice should also contain information about the infringement options including mediation options.<sup>921</sup>

**11.23 Arrangements for hearing.** Where a hearing is requested, the Registrar should conduct a hearing and is to confirm the earlier decision or to overturn it.<sup>922</sup> Within 14 days of receipt of a request for a hearing the Registrar should provide the registered owner and the person who made the original request for examination with a copy of the application requesting the hearing<sup>923</sup> and should advise them of details of a hearing to be conducted on a particular day within 30 days of the date of this advice. They should be advised that they may attend the hearing or may before or during the hearing provide the Registrar with information relevant to the hearing.<sup>924</sup>

**11.24 The hearing.** The hearing should take no more than a day. There should be a requirement that, within 28 days of the hearing, the Registrar is to inform the parties, the registered owner and any mortgagee or licensee recorded as having an interest in the design of the decision. This advice should include the reasons for the decision and the fact that if the challenge is upheld and if no application for appeal is lodged within the prescribed period the design will be removed from the Register. Again the matter is to be advertised in the Official Journal.<sup>925</sup>

**11.25 Conduct of hearings.** The Registrar's powers to summons witnesses,<sup>926</sup> receive written or oral evidence, require the production of documents or articles and award costs are considered in chapter 18.<sup>927</sup> The parties may produce witnesses. They may cross examine witnesses who appear and who give evidence.<sup>928</sup> The legislation should provide that the parties may, with leave of the Registrar, have legal representation or be represented by a patent attorney.

**11.26 Time limits for initial examination and for the hearing.** Time limits are necessary for the effectiveness of the procedures. The value of this process to designers will depend upon the speed with which the Registrar can conduct this examination and hearing. The Registrar should continue to have a discretion in certain circumstances to grant the registered owner and the applicant an extension of time to make requests or provide information.<sup>929</sup> The Registrar's discretion to grant an extension of time will not be reviewable by the AAT.<sup>930</sup> The legislation would need to provide that where the Registrar had granted an extension then any time limit imposed on the Registrar that was subsequently affected by the grant of the extension would need to be adjusted accordingly.

**11.27 Where legal proceedings are instituted.** Where a request is made for an examination hearing and court proceedings, for example for infringement, are commenced in relation to the design, the Registrar must not proceed with the hearing until the court proceedings are over.<sup>931</sup> The Registrar should continue to have the right to intervene in infringement proceedings.<sup>932</sup> Where the validity of a design is disputed in any proceedings before a prescribed court the court may direct the Registrar to examine the design application and the Registrar must examine the design accordingly.<sup>933</sup> Similar rules apply where applications for relief from unjustified threats are instituted.<sup>934</sup>

## **Recommendation 120**

**The mechanism for challenging the validity of a registered design before the Registrar is to be as follows**

- **A registered design owner or any other person may request the Registrar to examine the validity of a registered design at any time.**
- **On receipt of a request, the Registrar must conduct an examination, come to a decision about validity of the design and advise the affected parties of the decision and the reasons for the decision and of the fact that they have a given period in**

which they may request a hearing.

- **The parties are then given the opportunity to reply in writing and if requested by a party a hearing is to take place before the Registrar.**
- **The Registrar is to advise affected parties of the decision from the hearing and of the reasons for the decision. The parties are to be advised that they may appeal against the decision.**
- **If there is no subsequent appeal the register is to be amended.**
- **Where legal proceedings are commenced the hearing is to be discontinued.**

### *Appeals*

11.28 The reviewability of the Registrar's decisions are considered in chapter 12. It is recommended that there should be a right of appeal to AAT for review of a Registrar's decision that the design was invalidly registered. There should also be a right to review a decision that the design was validly registered.

### *Amending the register*

11.29 ***The Registrar must amend.*** Where a challenge to registration is upheld and no appeal is lodged within the prescribed period the Registrar must amend the register.<sup>935</sup> This may be a change of the name of the registered owner. Alternatively where the design is found not to be validly registered because, for example, it was not new or distinctive at the priority date, the Registrar's entry in the register will be to the effect that all particulars relating to the design entered in the register are taken to have been removed.<sup>936</sup>

11.30 ***Effect of removal from the Register.*** A registered design which has been taken to have been removed should be deemed never to have been registered from the outset. The legislation should provide that the retrospective effect of removal of a registered design should not affect any decision on infringement that has acquired the authority of a final decision prior to the invalidity decision or any contract made prior to the invalidity decision in so far as it has been performed before the decision.

### **Recommendation 121**

**If a challenge is upheld and no appeal is lodged within the prescribed period the register should be amended accordingly. A registered design that is found not to have been validly registered should be taken to be removed. A design that is taken to have been removed should be regarded as never having been registered, but intervening court decisions and contracts should not be affected.**

11.31 ***Removal from the register on the Registrar's own motion.*** At any stage after registration the Registrar may on the Registrar's own motion examine the application for registration. Should the Registrar come to a decision that the design is not validly registered or the person registered as owner is not the owner of the design the Registrar should not proceed further to amend the register without allowing for a hearing. The Registrar should advise the registered owner, and any mortgagee or licensee recorded as having an interest in the design, of the decision and the reasons for the decision and that they have a given period to request a hearing after which time if no request is made the register will be amended. The Registrar should also publish in the Official Journal the decision and the fact that there is a given period to request a hearing after which time if no request is made the register will be amended. Should a hearing be requested the procedures for a hearing and for an appeal from a decision made in the hearing set out in this chapter apply.<sup>937</sup> Should no hearing be requested or no appeal be lodged, as the case may be, the Registrar must proceed to amend the register.<sup>938</sup> This procedure will provide AIPO with a mechanism to 'monitor' registrations and remove those that do not in the opinion of the Registrar meet registrability requirements. A similar arrangement is available under the EC proposed Council Regulation.

**Recommendation 122**

**The Registrar should be empowered to amend the register to remove a design on the Registrar's own motion provided that there has first been the appropriate opportunity for a hearing and appeal and no application has been made for a hearing or appeal.**

## 12. Review of the Registrar's decisions

### Introduction

#### *This chapter*

12.1 This chapter outlines the system of merits review of the Registrar's decisions made in the course of the registration process. Merits review involves examination of the facts and law upon which a decision is based to reach the 'correct and preferable' decision. Currently few of the decisions made by the Registrar under the Designs Act are reviewable on the merits by the AAT.<sup>939</sup> Some decisions may be reviewed by

- the Federal Court<sup>940</sup>
- a prescribed court - defined as the Federal Court, the Supreme Court of a State and the Supreme courts of the Australian Capital Territory, the Northern Territory and Norfolk Island.<sup>941</sup>

Others may be reviewed by the AAT on the merits.<sup>942</sup> This chapter examines the principles relevant to reviewability and the preferred review body. It asks whether the reviewable decisions of the Registrar should continue to be reviewable and whether further categories of decision should be made reviewable. These questions are addressed in the context of government commitment to improved decision making in Commonwealth agencies as well as concern at the proliferation of merits review tribunals.<sup>943</sup>

#### *Review of patents decisions*

12.2 Many of the decisions of the Commissioner of Patents are reviewable by the AAT<sup>944</sup> or Federal Court.<sup>945</sup> There is significant commonality of decisions and methods of review involving industrial property so that reviews of the patent system have addressed equivalent questions. The ARC is undertaking an inquiry to determine the appropriateness of the means of reviewing decisions taken under the Patents Act.<sup>946</sup> In 1994 the ACIP commenced a review of the petty patent system.<sup>947</sup> Specific responses to these reviews are discussed below to the extent that they are relevant to designs.

### Preferred avenues of administrative review

#### *Should a specialist Industrial Property Review Tribunal be established?*

12.3 The Commission does not recommend that a two-tier system of merits review be established. This system would entail initial review by a specialist review tribunal, either external to AIPO or composed of AIPO officials, and then AAT review as the upper tier for more complex decisions<sup>948</sup> or upon referral where a principle of general importance is involved.<sup>949</sup> Tiered review duplicates appeal mechanisms, risking increased costs and delay. A likely decline in the consistency of outcomes also lessens guidance for the primary decision-maker. A specialist tribunal is useful where there is a high volume of relatively simple cases able to be resolved quickly and informally. This is not the case in designs matters.

#### *Should there be changes to the current allocation of decisions for review by the AAT and prescribed courts?*

12.4 *Allocation based on nature of the decision.* At present it is unclear what criteria determine those decisions of the Registrar suitable for AAT review and those suitable for Federal Court review. The traditional approach is that the courts review substantive decisions especially significant to the interests of the applicant while tribunal review is appropriate for procedural decisions. In decisions under the Designs Act this is problematic. Procedural decisions made in the course of designs registration usually have significant effects on applicants' interests. The AAT is experienced in determining issues of major significance to applicants. Traditionally, the AAT reviews the merits of a decision while the courts review questions of legality. However many decisions in the course of designs registration involve mixed questions of law and fact.

**12.5 Allocation based on nature of the review body.** An alternative would be to focus on the attributes and strengths of the review bodies themselves.<sup>950</sup> Courts traditionally deal with disputes between private parties whereas the AAT is suited to reviewing decisions that concern an applicant and the administrative body. However the courts are also experienced in handling disputes between a party and the government. The procedural advantages of AAT review are discussed below.

**12.6 AIPO's preferred avenue of review.** To the extent that the issues are similar under the patents system, AIPO has expressed no conclusive preference for any particular review body but has emphasised the need for timeliness, expertise in industrial property law and the power to determine questions of fact and law on their merits.<sup>951</sup> AIPO notes that the review body should have power to award and tax costs, which only the courts currently possess.<sup>952</sup>

### ***The AAT as primary review body***

**12.7 Review of patents decisions.** Submissions made to the ARC's patents inquiry demonstrated disagreement on the preferred avenue of review. Support for extended AAT review was based on the Tribunal's technical expertise and procedural advantages.<sup>953</sup> The IPAA submitted that AAT review, which is based on the same evidence as the original decision, will provide better guidance to AIPO in future decisions. The IPAA also favoured AAT review of decisions made in the course of opposition proceedings. There was variation on whether the AAT should review decisions involving disputes inter partes and decisions with serious effects on substantive rights. Those submissions favouring Federal Court review emphasised the complicated legal and factual mix of most questions, the judicial expertise of the Court and the constitutional certainty of its decisions.<sup>954</sup> It was argued that the AAT does not currently possess technical expertise in this area and that frequent appeals would add a further level of complexity. Without evidence of savings in efficiency, the Victorian Bar questioned the practical benefit of the AAT's informal procedures. The LCA warned that expert members should not substitute their expertise for appropriate review of the decision itself and favoured AAT review in addition to judicial review. The ARC has not made final recommendations on this issue.

**12.8 Extension of AAT jurisdiction.** The Commission recommends that the AAT should be the primary body of review of the merits of decisions of the Registrar, including those decisions not currently reviewable, with the courts being primarily concerned with issues of legality.<sup>955</sup> This accords with the IPAC procedure report recommendation that the powers of the AAT should be extended, wherever constitutionally possible, to review decisions of the Registrar of Designs.<sup>956</sup>

### **Recommendation 123**

**The AAT should be designated the primary body of review of decisions of the Registrar of Designs, with retention of the right of appeal to the Federal Court on questions of law.**

### ***Advantages of AAT review***

**12.9 Full merits review.** As a merits review tribunal, the AAT can exercise all powers and discretions of the Registrar of Designs.<sup>957</sup> The AAT has wide powers to affirm, vary or set aside the original decision and to substitute its own correct or preferable decision or remit the matter for reconsideration in accordance with its recommendations. By contrast, judicial review is constitutionally limited.<sup>958</sup> The Federal Court will usually remit the matter back to the Registrar for reconsideration. In practice, however, the difference in scope between AAT merits review and the Federal Court's consideration of the legality of a decision under judicial review may not be clear-cut.<sup>959</sup>

**12.10 Accessibility.** AAT review offers advantages in that it is faster, cheaper and more informal than judicial proceedings.<sup>960</sup> Parties may appear in person or be represented by lawyers or non-lawyers.<sup>961</sup> An attempt is being made to enhance community access through an Access and Equity program, an outreach program for unrepresented parties and the increased use of mediation as a method of dispute resolution.<sup>962</sup> The AAT is seen as effective in securing the interests of smaller parties. These were highlighted in the Commission's survey and the IPAC procedure report as a special concern.<sup>963</sup>

12.11 **Procedural benefits.** Since 1990 the AAT has implemented widespread reform of its procedures, including a differential case management system, so that it is regarded as a more suitable avenue for administrative review.<sup>964</sup> The Tribunal focuses on pre-trial resolution of disputes, including the use of conference registrars and video-conferencing facilities, a computerised index and text retrieval system for Tribunal decisions.<sup>965</sup> The AAT is also not bound to apply the rules of evidence. The membership of the AAT is comprised of persons who are legally qualified and those who are expert in specific areas. Hearings can be conducted by members with commercial experience of the technical areas in dispute.

#### ***Disadvantages of AAT review***

12.12 **Public response.** The Commission is aware of a perception that AAT review will add another layer of delay, expense and complexity to dispute resolution as parties with sufficient resources will inevitably appeal from the AAT to the courts to the detriment of smaller parties.<sup>966</sup> One perceived disadvantage of AAT review is that the Tribunal has no general power to award costs.<sup>967</sup> While this may deter smaller parties from bringing actions, the possibility of an adverse costs order may deter genuine applicants from seeking review. The Government has announced that the AAT will be given a discretionary power to award disciplinary costs against a party whose conduct in proceedings has deliberately caused the other party to incur extra expense.<sup>968</sup> The Commission's review of litigation costs has considered the issue of whether federal tribunals should be able to award disciplinary costs and the constitutional question whether the ability to enforce costs orders is an exercise of judicial power.<sup>969</sup>

12.13 **Constitutionality of Tribunal review.** There are questions as to the constitutional validity of aspects of AAT review as a result of the High Court decision in *Brandy v Human Rights and Equal Opportunity Commission*.<sup>970</sup> While the AAT may make binding orders against the Registrar of Designs, as a Commonwealth agent, its power to enforce its determinations in relation to other parties is not clear. There are sound policy reasons to uphold the constitutionality of the power of federal tribunals in reviewing decisions of government administrators.

#### ***Appeal to the Federal Court from the AAT***

12.14 **Right of appeal.** Judicial supervision of AAT decisions is provided by the AAT Act s 44, which establishes a right of appeal to the Federal Court on questions of law. The AAT may also, of its own motion or at the request of a party, refer a question of law to the Federal Court.<sup>971</sup> The basis for appeal to the Federal Court is narrow and uncertain. The restricted powers of the Court to resolve matters conclusively following a finding of error are limited. There is difficulty in distinguishing mixed questions of law and fact. Justice Hill has commented that

... valuable court time and the resources of parties continue to be poured into debating the distinction in a jurisdictional challenge.<sup>972</sup>

12.15 ARC inquiry into s 44. The ARC inquiry will address these concerns of the legal profession and judiciary.<sup>973</sup> The Council's preliminary view is against amending the ground of appeal from AAT decisions to the Federal Court. However, the ARC has proposed that the Federal Court be given a discretion to determine questions of fact on appeal from the AAT in limited circumstances.<sup>974</sup> The Court could then finalise a matter without cost and delay of remitting it to the AAT. Consideration is also being given to whether the President of the AAT should have a discretion to refer whole cases to the Federal Court for determination.<sup>975</sup>

#### ***Composition of AAT membership***

12.16 The Commission's consultations indicated support for the appointment of AAT members with expertise in industrial property matters.<sup>976</sup> This demand will increase if recommendations are made to extend AAT review in related areas of industrial property.<sup>977</sup> Responses to the ARC patents inquiry also suggested that the Tribunal should be constituted to include experts and patent attorneys to assist in patents decisions.<sup>978</sup> The Commission notes ARC concerns that appointment of expert members may create a danger of prejudgment where specialists subscribe to a particular school of thought. It may be that the size of the industrial property jurisdiction is not sufficient to justify appointment of full-time members. As an

alternative, current legal members may be allocated to build expertise in this particular area. They may be assisted by assessors or expert witnesses appointed by the Tribunal.

#### **Recommendation 124**

**The appointment of AAT members should reflect the increase in AAT jurisdiction over industrial property issues.**

#### ***Should an industrial property division of the AAT be established?***

12.17 With the expansion of areas of jurisdiction for which AAT appeal is available<sup>979</sup> and increase in the number of applications,<sup>980</sup> separate jurisdictions have been established within the AAT.<sup>981</sup> The Commission has received indications of support for a separate industrial property division so as to build expertise and special procedures in this area.<sup>982</sup> However the total number of applications dealing with industrial property matters, even with a significant extension of AAT jurisdiction in this area, is unlikely to justify creation and consequent administrative costs of a separate jurisdiction.<sup>983</sup>

#### **Recommendation 125**

**A separate industrial property jurisdiction should not be established within the AAT at present.**

### **Which decisions of the Registrar of Designs should be reviewable?**

#### ***Appendix B Table 'System of review of Registrar's decisions'***

12.18 The table in Appendix B to the Report sets out the Commission's recommendations for review of the Registrar's decisions. It indicates the recommended form of review for each decision in relation to the current provisions under the Designs Act. Where an administrative act of the Registrar is taken to constitute a 'decision' it is considered whether that decision should be subject to merits review by prescribed courts including the Federal Court or AAT, or to ADJR review only.

#### ***Current AAT review***

12.19 The Commission has received no indication that decisions of the Registrar currently reviewable by the AAT under designs legislation should be made non-reviewable. In accord with the principle of reviewability and the approach of the ARC patents inquiry<sup>984</sup> it is proposed to retain AAT review of decisions currently reviewable by the AAT.<sup>985</sup>

#### **Recommendation 126**

**The existing provision for AAT review under the Designs Act of certain decisions of the Registrar should be retained in the new designs legislation.**

#### ***AAT review of decisions and refusals to grant an extension***

12.20 The decision whether to allow an extension of time where the applicant's error or omission caused the delay,<sup>986</sup> and the decision to attribute that error or omission to the applicant, involve the exercise of the Registrar's discretion with potentially serious consequences for the applicant. They are currently subject to review by the AAT and should remain so.<sup>987</sup> However there will only be AAT review of decisions which are more than merely administrative in effect and which relate to the restoration of designs on the register. Where the error or omission is attributable to the Registrar or AIPO official, the existing provisions should remain which compel the grant of the extension with ADJR review of any omission in this respect.<sup>988</sup>

## **Recommendation 127**

**The Registrar's decision to grant an extension or refusal to grant an extension should continue to be subject to review by the AAT.**

### ***Decisions not reviewable by the AAT***

12.21 ***Nature of non-reviewable decisions.*** There are categories of decisions under the Designs Act where the nature of the decision makes external AAT merits review inappropriate. This may be because the determination was not in the nature of a proper decision<sup>989</sup> or did not involve the exercise of a discretion.<sup>990</sup>

There are decisions under the Patents Act that are similarly non-reviewable.<sup>991</sup> The Commission agrees in substance with the ARC guidelines specifying exceptions to the general principle of reviewability.<sup>992</sup> Under these guidelines, excluded from merits review are decisions that are

- policy based with a high political content
- the result of extensive processes of inquiry which it would not be justified to repeat because of time and cost
- polycentric and involving the proportionate allocation of limited resources
- purely procedural or preliminary and without substantive effect
- of such a character that there is no appropriate remedy or review available
- in the exercise of a discretionary power to determine a penal sanction
- of a law enforcement nature.

However the fact that a decision involves the exercise of a wide discretion is not sufficient to displace the presumption of reviewability.<sup>993</sup>

12.22 ***Non-reviewable decisions under the Designs Act.*** The Commission has recommended that decisions which fall under the principles of non-reviewability should not be reviewable by the AAT at first instance. These are the decisions listed in the Recommendation below. Although it is recommended that there be no initial AAT review of these decisions, in relation to a number of these decisions the registered owner may be able to apply for re-examination of the validity of the design under opposition proceedings with further review by the AAT.<sup>994</sup> The Designs Act currently refers to review of some of these decisions upon application to a prescribed court.<sup>995</sup> However provision for review by a prescribed court is not necessary, because these decisions are susceptible to ADJR review by the Federal Court with provision for further review upon appeal to the Full Court of the Federal Court.

## **Recommendation 128**

**In accordance with the agreed principles of non-reviewability, the following decisions should continue to be non-reviewable by the AAT under the new designs legislation**

- **refusal to accord a priority date to applications (s 21)**
- **refusal to accord a basic application the status of a Convention Application (s 49(1))**
- **refusal to cancel registration upon voluntary surrender by the design owner**
- **refusal to register interest of mortgagee or licensee upon proof of title (to the extent**



the decision does not form part of opposition proceedings) (s 38A)

- decision to amend the Register where the applicant has died or body corporate ceased to exist (s 22A).

### *Judicial review of decisions of the Registrar*

12.23 *Is there harm in not providing for review?* Where the Designs Act does not specify any avenue of review, an aggrieved person may only seek judicial review of the decision in the Federal Court.<sup>996</sup> The *Administrative Decisions (Judicial Review) Act 1977* (Cth) provides that an aggrieved person may seek judicial review in the Federal Court upon specified grounds of a decision or failure to make a decision of an administrative character.<sup>997</sup> This review is not a merits review but a review of the process by which the decision was reached. It goes to the legality of the decision not its correctness. The Court cannot substitute its own decision for that of the Registrar.<sup>998</sup> Review is limited to those decisions or directions which constitute a 'decision' to which the ADJR Act applies.<sup>999</sup> The scope of judicial review is subject to the Court's discretion to refuse relief where AAT review is also available.<sup>1000</sup> As a review body the Federal Court has the disadvantages of increased cost, delay and formality in a *de novo* appeal which may prevent smaller parties from proceeding.<sup>1001</sup> However the availability of judicial review is important in reducing any harm that could otherwise eventuate where no avenues of review are prescribed.

12.24 *Provisions to facilitate ADJR review.* The Commission has recommended amendments to the Designs Act which provide that the Registrar 'must' do a specified action.<sup>1002</sup> Failure to do the action would be reviewable under the ADJR Act. To be effective the legislation should provide that the Registrar must comply with the direction as soon as practicable. If the Registrar fails to do so, aggrieved persons could seek judicial review of that omission in the Federal Court.<sup>1003</sup>

### **Recommendation 129**

**The new designs legislation should provide that where the Act requires that the Registrar 'must' complete an action then the Registrar must comply as soon as practicable.**

## **Extending AAT review of decisions**

### *Policy issues*

12.25 *Policy of reviewability.* Administrative decisions of the Registrar taken under the Designs legislation should, in principle, be subject to external merits review unless specifically exempted. Some decisions with significant potential to affect substantive rights are not currently reviewable on the merits.<sup>1004</sup> The federal government has said that '[c]itizens have a right to expect accountability from their Government'.<sup>1005</sup> Availability of review accords with the ARC's statement of principle that independent merits review should be available for all administrative decisions satisfying the prima facie test that the decision will or is likely to affect the interests of a person.<sup>1006</sup> This mirrors the criterion for standing to appear before the AAT.<sup>1007</sup> Extending review will promote improved decision making.

12.26 *Proposed extension of AAT review of patents decisions.* The ARC has noted that the currently non-reviewable patents decisions do not fall within its recognised categories for exemption from review.<sup>1008</sup> Responses to the patents inquiry indicate broad support for extending AAT review to currently non-reviewable decisions and for AAT review of decisions currently reviewed by the Federal Court.<sup>1009</sup>

12.27 *AIPO's position on extension of review.* In the patents inquiry, AIPO has argued against extension of categories of reviewable decisions.<sup>1010</sup> AIPO points to the more common use of opposition proceedings and the low incidence and primarily procedural nature of external review.<sup>1011</sup> However this is partly reflected in the nature of the decisions currently open to review. AIPO considers that the necessity to appear as a respondent in review proceedings would place financial burdens on the organisation. The Commission notes the IPAC procedure report recommendation that AAT review should be extended, wherever constitutionally possible, to decisions of AIPO.<sup>1012</sup>

### **Recommendation 130**

**As a general principle administrative decisions of the Registrar of Designs should be subject to external merits review.**

#### ***Extending AAT review to refusal to register a design***

12.28 The most important issue concerns review of a decision to refuse to register a design. Section 24 of the Designs Act provides

(1) ... the Registrar may refuse to register a design, either generally or in respect of the article specified in the application for registration.

(2) The Registrar shall not refuse to register a design until the applicant, or each of the applicants, has been given an opportunity of being heard.

(3) An appeal lies to the Federal Court from a refusal by the Registrar to register a design.<sup>1013</sup>

An associated question concerns a refusal to amend an application, which includes any statement of monopoly or novelty. Section 22B provides

(1) The Registrar may, on request made to him in the prescribed manner, amend an application for registration of a design lodged under this Act.

(2) An appeal lies to the Federal Court from a refusal by the Registrar to amend an application under subsection (1).

These decisions have important consequences for the applicant and are currently not reviewable on the merits by the AAT. They should be appealable to the AAT. This would provide accessible review of decisions that do not fall within the agreed principles of non-reviewability.

### **Recommendation 131**

**The Registrar's decision to refuse to register a design and the Registrar's refusal to amend an application should be reviewable by the AAT.**

#### ***Extending AAT review to refusal to allow a multiple application***

12.29 The decision to refuse to allow an application as a multiple application in relation to a set<sup>1014</sup> and to require instead a divisional application involves an exercise of a genuine discretion by the Registrar. In accordance with the principles of reviewability, it should be subject to review by the AAT.

### **Recommendation 132**

**The Registrar's refusal to allow a multiple application and to require instead a divisional application in relation to a set should be subject to review by the AAT.**

#### ***Extending AAT review to decisions to remove a design from the Register***

12.30 **Reviewable decisions.** The same advantages of review by the AAT apply to the decision to remove a decision from the register and decisions upon which that removal depends. These decisions are currently not reviewable on the merits by the AAT.<sup>1015</sup> They do not fit within the recognised exemptions from review and should in principle be reviewable. It is recommended that they be subject to further review by the AAT after opposition proceedings.<sup>1016</sup> The decisions include

- a decision to remove a design from the register on the grounds of prior publication<sup>1017</sup>

- a decision that is relevant to priority, including one relating to according a priority date, such as a Convention application and divisionals<sup>1018</sup>
- a decision that the design was not new or distinctive and a decision as to the relevant priority date<sup>1019</sup>
- a decision to amend or alter the application that may increase the scope of the registered right<sup>1020</sup>
- a decision to rectify the register<sup>1021</sup>
- a decision in opposition proceedings as to validity or ownership.<sup>1022</sup>

12.31 **Constitutionality.** There is an issue whether the Registrar's decision to remove a design from the register is constitutional because it involves the removal of a property right.<sup>1023</sup> The decision of the High Court in *R v Quinn; Ex parte Consolidated Foods Corporation* confirms that this exercise of power by the Registrar is constitutional.<sup>1024</sup> *Quinn* concerned the application of a person aggrieved to the Registrar of Trade Marks for removal of a trade-mark from the register on the basis of non-use. Unlike a right in a design, the right to use a trademark is not strictly a property right although the Registrars' decisions are of a like nature and the interests affected are similarly important. However views have been put that the decision involves the extinguishment of a right of property and so arguably should only be subject to determination by the Federal Court.<sup>1025</sup>

### Recommendation 133

**The decision whether a design should be removed from the register and related decisions should be subject to further review by the AAT after opposition proceedings.**

12.32 **Effect of proposed opposition proceedings.** As a consequence of the Commission's proposal that AIPO undertake only formal examination prior to registration,<sup>1026</sup> there may be a significant number of designs on the register that would be invalid if challenged.<sup>1027</sup> To counterbalance the resulting ease of registrability it is proposed that opposition proceedings provide a quick, relatively inexpensive procedure for challenging validity. The suggested mechanism would allow any person aggrieved to appeal to the AAT from a decision of the Registrar based upon a hearing that confirms or overturns the earlier decision upon re-examination.<sup>1028</sup>

12.33 **Change to decisions currently made by prescribed courts.** Certain decisions under the Designs Act are currently made by application to a prescribed court. Some of these are no longer relevant.<sup>1029</sup> The decisions include rectification of the register by correcting any error or defect<sup>1030</sup> and cancellation of registration on the ground of prior publication at the time of first renewal.<sup>1031</sup> Similar provisions in the Patents Act<sup>1032</sup> and Trade Marks Bill<sup>1033</sup> rely on a prescribed court to order the removal of entries from the register so as to ensure constitutional certainty. As discussed above, the Commission takes the view that these decisions by the Registrar are constitutional. The decisions should be made by the Registrar in opposition proceedings with provision for review by the AAT. The Registrar and appropriately constituted AAT panel have the technical expertise to address these decisions whereas Federal Court proceedings are costly and inaccessible. Other suggestions would be to provide alternative appeal to the AAT or Federal Court or a further level of appeal from the AAT to the Federal Court.<sup>1034</sup>

### Recommendation 134

**Decisions currently made by application to a prescribed court should be made by the Registrar in opposition proceedings with provision for review by the AAT.**

# 13. Enforcement and dispute resolution

## Introduction

13.1 This chapter examines the resolution of disputes involving rights in designs. It focuses on disputes which involve issues of infringement of rights.<sup>1035</sup> The chapter first discusses the background of enforcement of rights in designs. Then it makes recommendations in relation to jurisdiction in designs matters, including a recommendation against the creation of a specialist court. The chapter then recommends options for procedural reform and methods of alternative dispute resolution that would be appropriate for designs disputes.

## Enforcement

### *Background to enforcement of rights in designs*

13.2 **Terms of reference.** The terms of reference require the Commission to have regard to the need to ensure that design protection is adequate and appropriate and that persons whose designs rights have been infringed have access to quick, cheap and effective remedies. This accords with the Government's 1995 Justice Statement which aims to 'create a simpler, cheaper and more accessible justice system'.<sup>1036</sup> Many of the concerns and problems identified in the Commission's consultation process, particularly as to cost, delay and accessibility of protection, are common failures of the Australian justice system. The Commission does not consider that any single broad reform will remedy these failures but instead has identified several areas where specific reform is useful and practical.

13.3 **TRIPS Agreement.** Australia's obligations as a party to the TRIPS Agreement require the provision of effective enforcement procedures and expeditious remedies.<sup>1037</sup> The Agreement requires that procedures concerning the enforcement of intellectual property rights must be must be fair and equitable, without unreasonable complications, costs, time-limits or delays.<sup>1038</sup> The TRIPS Agreement also requires the Government to provide opportunity for judicial review of final administrative decisions and of the legal aspects of initial judicial decisions on the merits of the case.<sup>1039</sup> The recommendations in this chapter recognise these obligations.

13.4 **The IPAC procedure report.** In March 1992, the Industrial Property Advisory Committee produced a report on Practice and Procedures for Enforcement of Industrial Property Rights in Australia. The IPAC procedure report made wide-ranging recommendations for reform of enforcement procedures to improve ease, cost and timeliness. The Government is currently considering its response. Specific IPAC proposals are discussed in this chapter in the context in which they arise.

### *User Concerns*

13.5 **Survey and consultations.** As part of the consultations on the reference, the Commission sought views on the enforcement of design rights. Responses to the Commission's survey and consultations revealed serious complaints with the designs litigation process. The responses conveyed to the Commission are an indictment by design users of the litigation system.<sup>1040</sup> Of registered design owners who had been involved in litigation, 75% were unhappy with the outcome of disputes. This was primarily due to the high costs of legal action and the unlikelihood of recompense regardless of the result.<sup>1041</sup> The main problem with the current system was described as the financial and psychological cost of enforcement, particularly for individual designers and small companies, balanced against the unpredictability and ineffectiveness of the outcome.<sup>1042</sup> Dispute resolution was described as 'a lottery'.<sup>1043</sup> The system was seen as failing to meet the needs of small to medium sized companies and design owners. Particular injustice is regarded as resulting from cases where parties are not financially matched.<sup>1044</sup> Similar concerns were noted by IPAC and ACIP in the course of their inquiries.<sup>1045</sup>

13.6 **Enforcement difficulties impact on effectiveness.** Intellectual property rights are described as

rights that depend for their effectiveness, to a peculiar degree, upon the speed and cheapness with which they can be enforced.<sup>1046</sup>

One respondent to the Commission's survey remarked that the strength of the design is measured by the capacity to defend it.<sup>1047</sup> It is therefore a matter of particular concern that the survey demonstrated that issues of cost and delay combine with uncertainty as to legal or economic outcome to actively discourage design owners from pursuing legitimate claims in the courts.<sup>1048</sup> Even those design owners who considered that they had a strong case said that they would not litigate in any circumstances.

#### *Aims of the recommendations in this chapter*

**13.7 Responding to user concerns.** Recommendations in this chapter attempt to meet these concerns. They also endeavour to meet the objectives that the procedures are seen to be fair, accessible and effective for all users of the system, that industrial property law is developed and applied in a coherent, logical and predictable manner and that appropriate merits review is available where rights are affected by administrative decisions. They also endeavour to take due account of the special character of the rights involved and of the fact that designs disputes often involve scientifically complex and technically precise evidence and argument involving highly specialised law.<sup>1049</sup> Case management procedures may be needed to ensure that parties do not delay the legal process to further their own commercial interests.<sup>1050</sup>

**13.8 Informing design users about enforcing design rights.** The Commission is aware of the need for information on designs registration and enforcement to be freely available to design users. Respondents to the survey who had experienced difficulty with the registration process were dissatisfied with the information and advice from AIPO about enforcing design rights.<sup>1051</sup> Individual designers and small companies that may be unable to afford legal representation experience most difficulties. The Commission considers that basic information about how to enforce a design should be provided by AIPO in a clear and simple form. It should describe the protection offered by design registration and clarify what constitutes infringement and what steps can be taken to enforce a design right.

#### **Recommendation 135**

**AIPO should ensure that basic information on design protection and registration is freely available and accessible to assist potential applicants for design registration and registered design owners.**

### **A new industrial property court?**

#### *Is a special court needed?*

13.9 The Commission's consultations revealed strong dissatisfaction with the current system of litigation of designs disputes. The submissions indicated a degree of support for the creation of a specialist industrial property jurisdiction<sup>1052</sup> and some support for improvements to the already existing tribunal and court systems.<sup>1053</sup> The Commission does not consider that an industrial property court is either necessary or appropriate for Australia despite the immediate attraction of an obvious response to existing problems. This report has focused instead on procedural reform in existing jurisdictions and alternative dispute resolution.<sup>1054</sup> The creation of a new court is not justified by the current number of Australian industrial property cases or supported by overseas experience. Specialist courts with industrial property jurisdiction have been developed in the UK, Germany and the US and are recommended for the EU.

#### *Overseas Experience*

**13.10 United Kingdom - Patents County Court (England and Wales).** The UK Patents County Court was established in 1990 by investing an existing London county court with nationwide jurisdiction to hear patent and design matters without financial limit.<sup>1055</sup> A specialist patents judge employs an inquisitorial judicial approach to reduce costs and delay. The focus has been on reform of pre-trial procedures, including the use of pre-trial conferences, submission of agreed expert reports and limitation of discovery.

- Written pleadings are required at an early stage of proceedings to narrow the issues in dispute and promote settlement.<sup>1056</sup>

- An early date is set for preliminary informal review of the case by the judge to assess the realistic possibility of settlement.
- Parties can consent to a 'simplified trial' procedure based on exchange of affidavit evidence.
- The court may appoint independent scientific advisers or assessors to sit with the Judge or to enquire and report on questions of fact or opinion.<sup>1057</sup>
- The court can order the UK Patent Office to enquire into and report on these questions.<sup>1058</sup>
- The court can limit numbers of expert witnesses at trial, perhaps prompting earlier informal 'without prejudice' meetings between partisan experts.
- The court has an unfettered discretion to award aggravated damages.
- The court has a wide discretion to award costs to limit abuse of the simplified procedures.

13.11 ***Views on the operation of specialist UK Patents Court.*** Statistics on the operation of the UK Patents Court provided by the Lord Chancellor's Department show that the average length of trial is 12 hours of court contact time, the average time from commencement to disposal of cases is 44 weeks and there is a high rate of settlement.<sup>1059</sup> Commentators have a mixed view as to the effectiveness of the Patents Court. The fact that the Patents Court offers a procedure whereby matters can be brought to trial without there necessarily first being discovery has been regarded as a major cost advantage.<sup>1060</sup> However there is a perception that there have been impediments to the success of the Court. For example, one view is that promised costs savings have not always eventuated because of the expense involved in providing detailed pleadings at an early stage of proceedings.<sup>1061</sup> There is also the view that, despite the informal and streamlined rules of practice aimed at creating a 'poor man's court', parties with substantial funds have still taken a 'full team' approach to litigation.<sup>1062</sup> The financial position of parties is a factor to be considered in determining whether matters should be heard in the High Court rather than the Patents Court. There has been some criticism that use of the Patents Court by large companies or for actions of technical complexity has had the result of tying up the Court's resources and increasing delays.<sup>1063</sup> The view has also been put that the Court has simply added a further adversarial layer to the litigation process.<sup>1064</sup>

13.12 ***Germany - the Federal Patent Court.*** Regional Courts have exclusive jurisdiction in infringement proceedings for design and patent matters, with appeal to the Upper Regional Courts and to the Federal Court of Justice on a point of law.<sup>1065</sup> A 'Senate' or subdivision of the Federal Patent Court hears appeals from decisions of the Patent Office Examiner and German Patent Office.<sup>1066</sup> Appeals are carried out by way of written correspondence between applicants or their legal representatives and the Senate. Oral hearings are held at parties' request or to hear evidence or if the Patent Court considers it necessary. Judges can investigate the facts on their own initiative or may request a separate court to take evidence. In appeals from decisions as to patentability, the Senate consists of three judges with technical backgrounds and one judge with a legal background. The Court issues a final decision either to grant a patent or reject the application.<sup>1067</sup>

13.13 ***United States - Court of Appeals for the Federal Circuit.*** The Court of Appeals for the Federal Circuit was established in 1982 as a specialised court to hear patent appeals from US District Courts and the Patent and Trademark Office.<sup>1068</sup> The Court has jurisdiction over patents and related areas of law, including trademarks,<sup>1069</sup> tariff and customs law.<sup>1070</sup> The Court has integrated the development of patent law as to validity and enforcement and significantly increased the availability of injunctions in patent actions.<sup>1071</sup> The Court is not composed of judges expert in patent law but employs technical experts to review every opinion before it is published.

13.14 ***European Community - Proposed Community Design.***<sup>1072</sup> The EC proposed Council Regulation provides that, so far as permitted by national laws, the Community Design Courts shall have exclusive jurisdiction to hear

- infringement actions and actions in respect of threatened infringement

- actions for a declaration of non-infringement of Community Designs
- actions for a declaration of invalidity of an Unregistered Community Design
- counterclaims for a declaration of invalidity of a Community Design raised in connection with infringement actions.<sup>1073</sup>

13.15 *Views on the operation of other courts.* The Commission has received no views relating to the German specialist industrial property courts. In commenting on the US system, the IPAC procedure report has described improvements in consistency, certainty and the commercial and industrial relevance of patent law.<sup>1074</sup> However it also noted problems resulting from the narrow specialised jurisdiction. The IPAC procedure report described the method of appeal from decisions of the US Patent Examiners as simple and inexpensive.<sup>1075</sup> Until the EU system is in operation, no evaluation can be made.

### *The Commissions view*

13.16 *Special courts neither desirable nor necessary.* The overseas experience is inconclusive and does not justify the introduction of a specialist court in Australia. The overseas experience may however provide useful guidance on procedural and other matters. A specialised Australian court with limited jurisdiction to hear industrial property matters is regarded as neither desirable nor necessary. The Commission has not found evidence of sufficient demand in Australia for a special court<sup>1076</sup> or that its creation would solve problems of cost or delay. Even if demand were to increase significantly with the creation of a specialist court the number of cases would not merit the establishment of a new court with consequent costs of administration. The IPAC procedure report recommended against the creation of a specialist court or investment of an existing court with a special narrow jurisdiction,<sup>1077</sup> partly because there was no statistical evidence of chronic difficulties being experienced in intellectual property litigation.<sup>1078</sup>

### **Recommendation 136**

**A new court with limited jurisdiction to hear industrial property disputes, including designs disputes, should not be established.**

## **Federal Court and Supreme Court Jurisdiction**

### *First instance jurisdiction*

13.17 *Current jurisdiction in designs matters.* Under the Designs Act s 40G every 'prescribed court' has jurisdiction to hear certain matters. 'Prescribed court' is defined as the Federal Court, the Supreme Court of a State and the Supreme Courts of the Australian Capital Territory, the Northern Territory and Norfolk Island.<sup>1079</sup>

13.18 *Jurisdiction of the Federal Court.* The Federal Court has concurrent original jurisdiction with State and Territory Supreme Courts in civil matters arising under the Designs Act.<sup>1080</sup> A single judge of the Federal Court has exclusive jurisdiction to hear appeals from decisions of the Registrar of Designs.<sup>1081</sup> Appeals are available with leave from decisions of a single judge to the Full Court of the Federal Court.<sup>1082</sup> and with special leave of the High Court to that Court.<sup>1083</sup> The Federal Court can hear and determine questions of law in matters appealed to it from the AAT<sup>1084</sup> or referred to it by the AAT.<sup>1085</sup> The Federal Court also has jurisdiction to review the legality of administrative decisions of the Registrar of designs under the ADJR Act.

13.19 *Jurisdiction of other prescribed courts.* The Supreme Courts of the States and Territories share original jurisdiction in civil matters with the Federal Court.<sup>1086</sup> For example, a person may apply for cancellation of registration on the ground of prior publication of a design or for grant of a compulsory licence.<sup>1087</sup> A person may also apply to the courts for rectification of the Register.<sup>1088</sup> However these courts have exclusive jurisdiction with respect to offences prosecuted under the Act.<sup>1089</sup> In infringement actions, there is an appeal to the Federal Court<sup>1090</sup> and then to the High Court with special leave of that Court.<sup>1091</sup>



Infringement actions may also be instituted in non-prescribed courts, including District and Magistrates' Courts.<sup>1092</sup>

13.20 *Call for change?* There has been little support for giving the Federal Court exclusive jurisdiction in designs matters. This would increase problems of delay and accessibility for litigants. However AIPO has suggested that the Supreme Courts' jurisdiction over substantive intellectual property matters should be transferred to the Federal Court.<sup>1093</sup> Another proposal, from Alan Rose, President of the Australian Law Reform Commission, is that a Federal Magistracy should be created at the level of the State and Territory Magistrates and District Courts. The Federal Magistracy would have initial jurisdiction over Federal laws including intellectual property, with a right of appeal to the Federal Court. The advantages of this proposal would be to reduce delay and costs and increase accessibility for smaller parties. Judicial experience in applying Federal law would ensure consistency in treatment and development of legal principles. Both of these proposals are worthy of further consideration but the Commission does not consider that at this stage any change to the existing distribution of jurisdiction between the Federal Court and the State Supreme Courts is justified.

#### **Recommendation 137**

**The current jurisdiction of the Federal Court and State and Territory Supreme Courts with respect to matters arising under the Designs Act should be retained in the new designs legislation.**

#### ***Appellate Jurisdiction***

13.21 The Federal Court should remain the sole court of appeal in all industrial property matters. Appeal from the Federal Court to the High Court with special leave should also be preserved. This recommendation ensures a high degree of certainty, continuity and clarity in the law.<sup>1094</sup> The ability of the Federal Court to develop and apply an integrated body of law, including intellectual property, commercial and trade practices law, is a strong reason to retain the current allocation of jurisdiction.<sup>1095</sup> The Federal Court is also in the best position to grant injunctive relief and monetary remedies and to deter further infringement. This recommendation is consistent with the IPAC procedure report.<sup>1096</sup>

#### **Recommendation 138**

**The Federal Court of Australia should continue to be the court of appeal in designs matters but there should also be appeal from the Federal Court to the High Court with special leave.**

### **Jurisdiction of the lower courts**

#### ***Current jurisdiction***

13.22 The Designs Act provides that infringement actions may be commenced in any prescribed court but does not prevent such actions from being brought in other courts.<sup>1097</sup> Most State and Territory inferior courts have jurisdiction to hear industrial property matters within their specified financial limits.<sup>1098</sup> The IPAC procedure report recommended that this diversity should be retained.<sup>1099</sup> However these forums are rarely if ever used to litigate designs matters. The Commission makes no recommendation to extend jurisdiction under the Designs Act to inferior courts or to encourage greater use of inferior courts to hear design matters.<sup>1100</sup>

#### ***Disadvantages of inferior courts***

13.23 The IPAC procedure report criticised inferior court procedures as not adapted to industrial property litigation with little evidence of significant savings in efficiency.<sup>1101</sup> IPAC commented that presiding judges and magistrates would probably have varying levels of experience in managing such technical disputes.<sup>1102</sup> In submissions to the ACIP's petty patents inquiry the LCA expressed concerns of inconsistency and increases



in expense and delay through likely appeals from lower courts.<sup>1103</sup> IPAC also noted that patent attorneys are not entitled to practice in the inferior courts.

### ***Retention of existing jurisdiction***

13.24 The existing jurisdiction of the lower courts should remain to preserve that option for parties seeking an alternative forum. The lower court system may be more accessible and of particular use to smaller parties or where rapid injunctive relief is sought. The majority of inferior courts have powers to grant injunctions.<sup>1104</sup> However patent attorneys are not entitled to practise in inferior courts. The survey revealed little support in the legal profession for increased use of inferior courts in designs disputes.<sup>1105</sup> The Commission makes no recommendation to extend the rights of audience and representation of patent attorneys in the inferior courts.<sup>1106</sup>

## **Role of AIPO opinion on questions of fact**

### ***Tribunal not recommended***

13.25 One option to utilise more fully the expertise of AIPO would be to constitute a tribunal of a panel of AIPO officers to hear disputes involving designs.<sup>1107</sup> There would be a right of appeal from the tribunal to the Federal Court on questions of law. The Commission does not support this option. Although AIPO is experienced in addressing technical questions of fact, an AIPO tribunal would not be suited to determining questions of law in design disputes which predominantly raise mixed questions of fact and law.<sup>1108</sup> Appeals are likely to add further expense and delay. Strictly speaking, determinations as to infringement may involve the exercise of judicial power rather than administrative power.<sup>1109</sup> As a non-judicial body, the tribunal would not have power to enforce its decisions.<sup>1110</sup> The tribunal would not have power to grant interlocutory relief, which is sought in the majority of designs disputes. The proceedings before the tribunal would be fair only if parties were evenly matched in resources as AIPO does not currently possess the facilities to adjudicate between competing parties or to ensure a fair hearing. Significant administrative costs would be involved in implementing this option. There are also benefits in final determinations as to validity, ownership and infringement being made by an independent decision-maker. The federal government is concerned at the proliferation of tribunals. There are also benefits of uniformity and compatibility of treatment across courts and tribunals.<sup>1111</sup> Instead of a new tribunal the Commission recommends reform of existing courts and tribunals and greater use of AIPO opinions in them.

### **Recommendation 139**

**A tribunal made up of a panel of AIPO officers to hear disputes involving designs is not appropriate and should not be established.**

### ***The Registrar's opinions on questions of validity***

13.26 ***Opinions as to validity.*** The Commission has recommended that interested parties may request an advisory opinion of the Registrar as to the validity of the relevant design at any time after registration.<sup>1112</sup> For example, the court may direct the Registrar to re-examine the design in light of the prior art, as provided by the Patents Act s 97(3).

Where the validity of a patent is disputed in any proceedings before a prescribed court under this Act, the court may direct the Commissioner to re-examine the complete specification and the Commissioner must re-examine the specification accordingly.<sup>1113</sup>

13.27 ***Opinions as to infringement.*** It has been suggested that the Registrar should have some role in providing opinions on questions of infringement. Under proposed UK utility model protection prior to hearing in the UK Patents County Court the plaintiff must furnish a Patent Office report on conclusions as to validity and infringement.<sup>1114</sup> This procedure is available in the European national courts and under the EC proposed Council Regulation.<sup>1115</sup> In its petty patent inquiry, ACIP suggested that a system requiring plaintiffs to obtain first a compulsory and binding opinion from AIPO in respect of infringement may

provide an efficient and independent aid to proceedings.<sup>1116</sup> However ACIP considered that a mandatory requirement could add to problems of cost, time and complexity.

**13.28 *Provision of opinion as to infringement.*** The question to be considered in an infringement proceeding is whether two competing designs are 'substantially similar in overall impression' taking into account the nature and use of the products, the prior art, any new or distinctive elements and the amount or importance of the portion copied. If authorised to give an opinion on infringement the Registrar, who is not an informed user, would have to assess the designs from the position of an informed user. The Commission does not support a mandatory requirement that plaintiffs obtain a preliminary opinion from the Registrar on questions of infringement but encourages use of the Court's power to request an opinion.

**13.29 *The Registrar's opinions are not enforceable as such.*** The Registrar as a non-judicial officer has no power to enforce an opinion by way of injunction or damages. The Commission does not endorse any proposal by which parties could request an opinion from the Registrar in the course of infringement proceedings and then seek to have that opinion enforced by the Court. This proposal would be constitutionally unsound and would not be appropriate in the course of infringement proceedings.<sup>1117</sup>

**13.30 *Courts should be encouraged to request Registrar's opinions where appropriate.*** The IPAC procedure report recommended that courts should be able to request the Registrar to report on any question of fact or opinion. The use of the Registrar's expertise would reduce the need for technical examination and expert evidence. The UK Patents County Court has such a power.<sup>1118</sup> The Federal Court has existing power to request the Registrar to provide an expert opinion on any question of fact or opinion, including issues of infringement. The Court has a wide discretion to use the opinion as a submission or evidence and to cross-examine the Registrar.<sup>1119</sup> The Supreme Courts also have power to request experts to inquire and provide opinions on questions of fact.<sup>1120</sup> Advice given to the Commission indicated that the use of this power may be effective.<sup>1121</sup> While a preliminary opinion will not address the ultimate issue, it will clarify and narrow the issues, including elements of appearance and overall impression, and focus on the prior art base. The Commission recommends that the courts be encouraged to request opinions from the Registrar where appropriate and efficient. The current rules permit the courts to do this and do not need amendment.

## **Recommendation 140**

**At the request of the parties the Registrar of Designs should provide an opinion on any issue related to the validity of designs. The courts should increase their use, where appropriate, of existing powers to request a preliminary technical opinion from the Registrar of Designs on any question of fact.**

## **Procedural Reforms**

### ***Introduction***

**13.31 *Focus of reform.*** In view of strong concerns raised in consultations and the survey, the Commission has focused on improved use of existing procedures or development of new procedures in existing forums to reduce court time and encourage settlements. This is particularly important where the likely life of the design is short and design and development costs are relatively low.<sup>1122</sup>

**13.32 *IPAC recommendations on procedure.*** The IPAC procedure report emphasised the need for reform of practice and procedure in industrial property dispute management.<sup>1123</sup> IPAC focused on the technical complexity of disputes, the highly specialised law and the problems resulting from strict application of the laws of evidence. IPAC also noted that problems may result from the lack of education of the legal profession in the effective use of existing procedures.<sup>1124</sup> Key recommendations are discussed below.

#### ***Specialist judges***

**13.33 *Need for judicial expertise in designs matters.*** The IPAC procedure report recommended that the Commonwealth and State Attorneys-General be encouraged to make judicial appointments to ensure that courts with relevant jurisdiction have expertise in industrial property matters.<sup>1125</sup> The Commission's consultations with litigants indicated a perception that the lack of specialist judges in all jurisdictions has

caused problems in designs litigation.<sup>1126</sup> Although consultations with patent attorneys and lawyers did not reflect that perception and advised of increasing judicial experience in intellectual property matters. The Commission supports the specialisation and developing expertise reflected in the establishment of Intellectual Property Lists in the Federal and Supreme Courts.<sup>1127</sup>

13.34 ***Should the same judge hear an entire matter?*** IPAC also recommended that judges with experience in industrial property disputes be used at both trial and appeal levels and that the same judge preside over the entire course of litigation. The Commission considers that allocation of judges involves assessment of fairness to litigants in each case and is an issue for the courts' administration.

#### ***Use of court appointed experts***

13.35 ***Calls for increased use of court experts.*** The Commission's survey and consultations indicated strong support for the use of court appointed experts to advise and assist judges in determining technical questions of fact.<sup>1128</sup> The survey revealed that many respondents involved in disputes would prefer someone other than a judge to decide questions of similarity between designs (57% of responses) and of novelty and originality (47% of responses). Most favoured the use of an independent expert panel to provide opinions to the court and parties, with provision for limited cross-examination in court. The panel of assessors would include patent attorneys, commercial designers and engineers to supplement the limited technical know-how of judges.<sup>1129</sup> It was said that the authoritative quality of expert advice would increase confidence in the technical basis of decisions and reduce appeals.<sup>1130</sup>

13.36 ***Benefits of court-appointed experts.*** The IPAC procedure report recommended greater use of the courts' power to refer matters to referees, assessors and independent experts to reduce delay.<sup>1131</sup> The Committee considered that a neutral third party could employ specialised expertise to investigate technical facts or complex blends of fact and law. The Court would then be better informed to make a definitive judgement. The use of expert witnesses is successful in the French, German and Italian legal systems where the use of partisan witnesses is restricted.<sup>1132</sup>

13.37 ***Court's power to appoint an expert witness.*** The courts have an inherent but rarely used power to obtain independent expert evidence.<sup>1133</sup> The Federal Court has power to appoint expert witnesses on its own motion or at the request of parties.<sup>1134</sup> Experts may be appointed to inquire and report to the Court to assist in determination of complex technical questions of fact. Fees may be met initially through joint contributions of the parties.

13.38 ***Careful use of court experts.*** There is immediate attraction in the use of court-appointed experts and the Commission acknowledges a strong demand for their greater use. However consideration needs to be given to the difficulties that can be involved in the use of court-appointed experts which were discussed in the Commission's 1987 report on *Evidence*.<sup>1135</sup> There are questions as to the independence and weight that should be attached to court experts' reports and the appropriate role of these experts in an adversarial system.

13.39 ***Recommended pre-trial use of court experts.*** The same concerns do not arise in relation to informative neutral expert advice obtained by the court in pre-trial proceedings. The Commission recommends that the courts increase their use of independent assessors and experts as a case management tool.<sup>1136</sup> This includes, where appropriate, a technical opinion from AIPO. In the context of pre-trial procedures, the Commission also sees benefit in greater judicial control over parties' use of expert evidence and increased emphasis on written reports.<sup>1137</sup>

### **Recommendation 141**

**The courts should increase the use, where appropriate, of informative neutral expert advice in the course of pre-trial proceedings in designs matters.**

#### ***No specific rules of procedure in designs legislation***

13.40 ***Adaptation of procedure.*** The Commission received no indication that the Designs Act should specify procedural rules.<sup>1138</sup> However the Commission sees merit in progressive amendment of the Rules of Court

where necessary to achieve procedural reform. For example, the IPAC procedure report identified Rules of the UK Patents County Court which it considered should be adopted in the Australian courts, including the requirement at the initial application for directions for parties to file a narrative statement identifying issues to be raised.<sup>1139</sup> The Commission also sees advantages in the scheduling of a pre-trial review at which the Court determines whether it should sit with an assessor<sup>1140</sup> and whether to order that a Patent Office Report be obtained.<sup>1141</sup> The Commission recommends that selective court practices be adapted to systems of case management suited to designs matters. This has occurred in the Victorian Supreme Court and the NSW and Victorian divisions of the Federal Court.

**13.41 *Victorian Supreme Court (Industrial Property) Rules.*** The Victorian Supreme Court has developed specific rules to govern conduct of industrial property cases.<sup>1142</sup> The Court administers an Industrial Property List which currently administers 10 to 20 matters each year. In particular, the judge may give directions<sup>1143</sup> in relation to

- affidavit evidence requiring expert knowledge
- making of experiments, tests, inspections or reports
- court-appointed experts<sup>1144</sup>
- defining and limiting the issues to be tried and restricting the number of witnesses.

**13.42 *Federal Court Intellectual Property List.*** The Commission received indications of support for a specialist industrial property division in the Federal Court.<sup>1145</sup> The Intellectual Property List was established to enable experienced judges to adapt court procedures to the specific needs of industrial property disputes.<sup>1146</sup> The Federal Court Rules specify the procedure to be followed in intellectual property proceedings.<sup>1147</sup> The Rules govern the particulars to be provided as to the alleged infringement or grounds for cancellation, rectification, invalidity or grant of a compulsory licence. The Rules also deal with the admission of experimental proof as evidence.

**13.43 *No cross-jurisdictional rules.*** It would not be appropriate to specify rules of procedure in the new designs legislation to apply to every court exercising jurisdiction in designs matters. The rules adopted by each jurisdiction are a matter for the courts themselves. There is little benefit in applying special rules to one type of dispute when the judges and court administrators are not experienced in their application. Consistency of treatment would be unlikely to result.

## **Recommendation 142**

**The new designs legislation should not specify particular procedural rules for designs matters. Instead the courts should apply their rules of procedure flexibly to designs matters and give consideration to adapting their procedures to the specific needs of design disputes where appropriate.**

### ***Case management of designs disputes***

**13.44 *Need for judicial control.*** The number of intellectual property disputes is increasing and it is expected to continue to do so with the rapid growth in new technologies.<sup>1148</sup> Advice given to the Commission indicated a need for the courts to control the conduct of litigation firmly to reduce delay and cost.<sup>1149</sup>

**13.45 *IPAC recommendations.*** The IPAC procedure report recommended that courts be urged to adopt a more managerial or interventionist approach. It was considered that this would shorten the length of proceedings, result in savings in costs and court time and promote settlement.<sup>1150</sup>

**13.46 *Increased case management.*** The Commission recommends active case management as offering benefits of early resolution of disputes, reduced trial time and increased accessibility to the courts. Active case management may result in improvement in court administration and use of judicial resources as well as

fewer delays, decreased costs and increased client satisfaction.<sup>1151</sup> To a large extent this increased judicial intervention is inevitable.

While litigation increases and court resources fail to keep pace, the trend to judicial intervention is irreversible.<sup>1152</sup>

However, it is important that sufficient flexibility is retained to enable courts to adopt the most suitable procedures in each case.

**13.47 *Existing powers.*** Judges in the Federal and Supreme Courts have significant powers to manage and determine industrial property disputes, for example, through severing issues and fixing early trial dates.<sup>1153</sup> These powers can be very effective when exercised by judges experienced in hearing industrial property matters. The IPAC procedure report referred to a possible lack of education in the legal profession as to what procedures and methods of resolution are available.<sup>1154</sup> Many reforms recommended by IPAC are incorporated in Federal Court practices.

**13.48 *Current procedures in the Federal Court.*** The Federal Court has acknowledged the importance of case management supported by wide powers to make orders for the conduct of proceedings.<sup>1155</sup> The Court may direct parties to attend a pre-trial conference before a registrar or case management conference before a judge or registrar to determine the most economic and efficient method of bringing the matter to trial.<sup>1156</sup> Federal Court practices include

- early routine listing of directions hearings before a judge or registrar
- judges taking an active role in pre-trial directions to refine issues in dispute and limit the need for expert reports
- hearing dates allocated early in proceedings to encourage compliance with the pre-trial timetable and readily vacated in the event of settlement
- distinct issues being resolved separately to expedite proceedings
- where possible, allocating a judge experienced in intellectual property matters to hear a matter and, where in the parties' best interests, to preside over the entire matter
- use of written pleadings and narrative statements early in proceedings to identify issues in dispute<sup>1157</sup>
- encouraging parties to attend the Court to enable realistic appraisal of the suit, which may encourage settlement
- use of judicial discretion to limit discovery and at trial to relax the rules of evidence where appropriate
- exchange of written statements or affidavits of witnesses
- supervised preparation of survey evidence<sup>1158</sup>
- preparation of indexed bundles of documents for court use
- cost penalties for conduct that unreasonably delays proceedings<sup>1159</sup> 13.48
- growing judicial acceptance of alternative methods of dispute resolution, including early consensual reference of matters to conferences before a judge or registrar trained in mediation or arbitration.

**13.49 *Extension of successful procedures.*** Successful case management schemes may be implemented more fully in State and Territory Supreme Courts. One instance is the Delay Reduction Committee of the NSW Supreme Court, Common Law Division, established in 1992 to reduce delays by way of intensive case management and assisted settlement procedures.<sup>1160</sup> In some jurisdictions pre-trial conferences are now mandatory.<sup>1161</sup>

13.50 ***The Commercial List of the Supreme Court of Victoria.*** The Supreme Court of Victoria employs a consensual interventionist approach to case management in its Commercial List. Strict control of pace and compliance with pre-trial proceedings is maintained through regular directions hearings, exchange of documents lists instead of affidavits, limitation of discovery and interrogatories and use of indexed court-books. Witness statements are usually exchanged pre-trial and treated as evidence-in-chief, reducing the time and cost of hearing. The Court may isolate issues for early separate determination but rarely does.<sup>1162</sup> The Court also has the power to refer cases to arbitration. The Court may appoint a referee or expert to give an opinion and report on a technical question, which may otherwise be overlooked or omitted.<sup>1163</sup> This procedure may encourage settlement. In practice it is difficult to limit parties' reliance upon paid expert witnesses.<sup>1164</sup>

13.51 ***The Common Law Division of the NSW Supreme Court.*** In 1994 the Supreme Court of NSW instituted Differential Case Management (DCM) in its Common Law Division as part of its delay reduction programs.<sup>1165</sup> DCM assesses the degree of judicial supervision necessary in each case. Judges conduct status conferences to make directions, narrow issues and explore options for settlement and alternative dispute resolution. The emphasis on early and better preparation increases costs at an early stage but promotes early settlement because of realistic review by the court.<sup>1166</sup> In addition DCM encourages alternative dispute resolution, especially early neutral evaluation and arbitration.<sup>1167</sup>

13.52 ***Recommendation focuses on pre-trial proceedings.*** The Commission encourages judicial intervention as part of case management during preparation of matters for hearing.<sup>1168</sup> It makes no recommendation on a more active approach by judges during hearings themselves since this raises wider issues than the streamlining of designs litigation. Experience in the UK Patents County Court has indicated the importance of judges not becoming too involved in proceedings so as to avoid a perception of prejudgment. Intervention in the hearing itself may threaten judicial independence and the parties' right to full hearing.<sup>1169</sup> Equally important, judicial management will encourage early realistic assessment of the merits of disputes, resulting in increased rates of settlement and informed use of alternative means of dispute resolution in appropriate cases. Case management and reform of court procedure are best achieved through Practice Notes and guidelines issued by the courts themselves than through design specific legislation.

#### **Recommendation 143**

**The courts should increase their use, where appropriate, of active pre-trial judicial case management in design matters.**

#### ***Court-annexed arbitration or mediation as case management***

13.53 ***Court-annexed alternative dispute resolution.*** The Commission encourages court referral of appropriate design cases to mediation, arbitration or independent assessment as an effective case management tool. During the course of litigation the Federal Court can refer matters to a court-appointed mediator or arbitrator of its own volition or at the request of the parties.<sup>1170</sup> The Court may also appoint an assessor to assist in the proceedings.<sup>1171</sup> Parties may register any award resulting from court-appointed or private arbitration and the award then has the same effect as a court order.<sup>1172</sup> There is currently no appeal mechanism for arbitral awards but legislation has been introduced into Parliament to enable a party to request the arbitrator to seek leave for Federal Court review of a question of law during the arbitration.<sup>1173</sup>

13.54 ***Extension of legislation.*** The Commission supports IPAC's endorsement of legislative frameworks based on the *Courts (Mediation and Arbitration) Act 1991* (Cth) being established in the States and Territories to facilitate appropriate alternative dispute resolution.<sup>1174</sup> This is occurring. For example, NSW has introduced legislation which provides procedures for the Supreme, District and Local Courts to refer cases for mediation and neutral evaluation.<sup>1175</sup> Queensland has a legislative scheme to register mediators and 'appraisers' for Court referrals.<sup>1176</sup> The Supreme Court (WA) provides sponsored arbitration and referral to mediation by a judicial officer or agreed external mediator.<sup>1177</sup> The success of these procedures as alternative dispute resolution is discussed below.<sup>1178</sup>



## **Recommendation 144**

**Courts exercising designs jurisdiction should continue to develop and increase the use, where appropriate, of legislative court-annexed arbitration and mediation schemes.**

### ***Existing discretion to apply rules of evidence***

13.55 Judges have wide discretion to apply and relax the rules of evidence under existing Rules of Court. For example, the discretion to exclude evidence for reasons of time and cost and to dispense with the rules of evidence where appropriate.<sup>1179</sup> Further changes to the Rules concerning evidence are an issue for the courts to address. The Commission has received no indication that any changes are necessary which are peculiar to designs litigation.<sup>1180</sup> Where the discretion already exists, its exercise is a matter for judicial approach.

## **Recommendation 145**

**No special rules should govern the application of the laws of evidence in designs disputes.**

### ***Litigation Costs***

13.56 ***Scales of costs.*** The Commission has noted concerns of design owners who have not pursued claims against infringers because of the unlikelihood of recovering expenses, even in the event of a favourable judgment.<sup>1181</sup> The current costs scales effectively prevent small parties from enforcing their design rights and provide defendants with an unfair negotiating advantage. They may also force parties to 'under-settle' claims. Better resourced commercial parties may use litigation funds to manipulate the legal system for commercial advantage.<sup>1182</sup> Group actions may prove effective in countering this imbalance. Where appropriate, parties should be encouraged to consider alternative means of resolving their disputes without high legal fees and unrecoverable costs.

13.57 ***Particular effects in designs litigation.*** Concern with the inadequacy of costs awarded to successful litigants is common to most jurisdictions and areas of law. The Commission's current review of litigation costs is inquiring into many of these concerns.<sup>1183</sup> The IPAC procedure report emphasised the high costs of litigation compared to the often small claims of damages in industrial property cases.<sup>1184</sup> It recommended that court cost scales should reflect realistic levels of costs properly incurred. The Government supports the revision of fee scales with their abolition as the long term objective.<sup>1185</sup> The question of costs scales is a matter of general concern for court administration<sup>1186</sup> and should be considered in relation to designs litigation.

13.58 ***Costs sanctions.*** The courts have inherent powers to use awards of costs as a sanction against conduct intended to delay or abuse court procedures.<sup>1187</sup> The Commission supports increased use of the courts' discretion to award costs to deter unreasonable conduct. Much of the advice received by the Commission referred to unacceptable delays in proceedings and the tendency for parties to manipulate litigation to commercial advantage.<sup>1188</sup> The Industry Commission stated

The Court should be given flexibility to take the relative financial resources of litigants into account when awarding costs; to deter vexatious litigants and prevent larger firms taking a strategic advantage over smaller firms.<sup>1189</sup>

The IPAC procedure report recommended that the courts be encouraged to award indemnity costs where there is substantial public interest.<sup>1190</sup> In its review of litigation costs the Commission has proposed widening the grounds for making costs orders to prevent abuse of court processes and to promote effective case management.<sup>1191</sup> The Commission has also proposed that the court should be able to consider whether the costs rules are materially and adversely affecting the ability of a party to present its case or to negotiate a fair settlement and, if so, make appropriate adjustments to the normal costs rules. In addition it is proposed that the court should be able to require parties' costs to be met by the Commonwealth public interest litigation fund where the case involves a question of law important to the public interest.<sup>1192</sup> These proposals are subject to further consultation and analysis. It is not necessary to consider special costs rules for design litigation but the Commission draws attention to these proposals as having some relevance to designs litigation.

## Alternative dispute resolution

### *Need for non-judicial dispute resolution*

13.59 **Criticism of litigation.** The survey and advice given to the Commission indicated strong demand in the design industry for alternatives to traditional litigation to protect and enforce rights.<sup>1193</sup> One designer concluded that as a result of the commercial, administrative and psychological burden 'litigation should be avoided at all costs'.<sup>1194</sup> The concern was greatest in the smaller sectors of the industry most disadvantaged under the current system. The Commission considers that alternative dispute resolution (ADR) processes go some way to meeting the criticism that enforcement mechanisms under the Designs Act are not suited to the needs and resources of users or to the types of disputes that arise.<sup>1195</sup> The Commission agrees with the IPAC procedure report which recognises the important potential for the use of ADR in the enforcement of industrial property rights.<sup>1196</sup> Aspects of IPAC's recommendations are discussed below. The Commission is aware of an increase in community interest and commitment to ADR processes. The 1995 Justice Statement confirmed that the

Government's justice strategy is geared towards the resolution of disputes before there is a need to pursue the formal avenue of litigation.<sup>1197</sup>

13.60 **Use of ADR in design disputes.** This section examines the use of ADR in designs matters and makes recommendations as to the most suitable methods. The Commission recommends increased use of appropriate ADR in designs disputes. A co-ordinated system should be established to advise parties on the best method of dispute resolution available. Design owners should be encouraged to consider alternative ways to resolve their disputes.

13.61 **Essential role of courts.** The Courts will continue to be essential in the resolution of disputes that turn on the power to constrain a party and declare a right.<sup>1198</sup> As discussed below, the question of validity of a design right is not suitable for ADR. The court's power to grant interlocutory relief and enforce its decisions remains important,<sup>1199</sup> although the alternative availability of remedies is discussed below. ADR is most suited to smaller design users and competitors who are not concerned about the judicial enforceability of solutions reached.

### *Increased use of alternative methods to resolve design disputes*

13.62 **Introduction.** The procedural reforms recommended by the Commission will go some way to addressing design owners' criticisms of the litigation system. Unfortunately some problems, such as the adversarial nature and formality of the courts, are inherent in the litigation system. In contrast to the support for ADR expressed by design owners and users, the Commission is aware of a view held by legal professionals that design disputes are inappropriate for resolution except in the courts.<sup>1200</sup> However methods of non-judicial dispute resolution have proven to be effective and cost-efficient in resolving industrial property disputes in Australia and overseas.

13.63 **International experience of ADR.** The American Arbitration Association advised the Commission of the US experience that intellectual property disputes are particularly well suited to ADR, especially arbitration and mediation.<sup>1201</sup> The International Chamber of Commerce operates an International Court of Arbitration applying Rules of Arbitration described as 'perfectly satisfactory' for resolving intellectual property disputes.<sup>1202</sup> About 20% of ICC arbitrations involve intellectual property.<sup>1203</sup> The methods of alternative dispute resolution that have been most effective in designs disputes are discussed below.

13.64 **Nature of design disputes.** The Commission was advised that design disputes are well suited to forms of ADR, particularly mediation and early neutral evaluation.<sup>1204</sup> Design matters often involve complex technical and commercial facts. In non-judicial forums these questions can be determined by an expert without the need to employ costly expert witnesses.<sup>1205</sup> Design disputes often involve small claims for damages. ADR enables small companies and individuals with limited resources to protect and enforce their rights while minimising the formality, costs and delay often involved in protracted litigation. A time and cost study found as follows.<sup>1206</sup>



<i>Process</i>	<i>Cost ratio</i>	<i>Approx time frame</i>
mediation	5%	30-60 days
arbitration	30-80%	3-6 mths
litigation	100%	18 mths-3 years

The Australian Commercial Disputes Centre claims that its costs for resolving disputes are 10% of costs of litigation.<sup>1207</sup> Product and technology life cycles may be short in the design industry and parties need rapid resolution of disputes and immediate remedies. The Commission's consultations indicated that ADR has the flexibility to provide remedies that suit the business needs of the design industry.<sup>1208</sup> The confidentiality of non-judicial forums allows parties to protect industrial information and the non-adversarial character of ADR maintains necessary commercial relations.<sup>1209</sup>

### ***Provision of information and advice on ADR***

13.65 ***No accessible co-ordinated source of information.*** According to the Commission's consultations and survey design owners wish to be more fully informed on all areas of dispute resolution.<sup>1210</sup> Ad hoc information is currently available from a multitude of sources including law societies and bar associations,<sup>1211</sup> independent ADR providers,<sup>1212</sup> community justice centres, industry bodies and members of the legal profession approached once a dispute has arisen. This need for education on ADR services may be addressed by the Advisory Council on Alternative Dispute Resolution, announced in the Justice Statement.<sup>1213</sup>

13.66 ***AIPO to co-ordinate information on dispute resolution.*** The Commission's survey indicated dissatisfaction with the information and advice provided by AIPO on the protection offered by design registration.<sup>1214</sup> The Commission recommends that AIPO should provide information on the forums and methods available to resolve disputes and enforce rights. It should be available over the telephone and in written form. This information should contain straightforward advice on the most appropriate methods of ADR. The information should be given to applicants at the time of design registration and then at any time upon request.<sup>1215</sup> The ACIP petty patents inquiry refers to the merit of developing infrastructure to encourage use of ADR procedures including a mediation service facilitated by AIPO.<sup>1216</sup> AIPO should also maintain a list of independent ADR providers experienced in industrial property disputes and facilitate referrals to them. The Commission also recommends that AIPO conduct training and set out guidelines to assist independent ADR providers to resolve designs disputes.<sup>1217</sup> Sufficient resources should be allocated to enable AIPO to provide this service.

### **Recommendation 146**

**AIPO should co-ordinate a service to provide design applicants and owners with information on the availability and suitability of ADR to design disputes.**

13.67 ***Legal profession to inform design owners of ADR.*** The Commission recommends that legal practitioners inform clients of the availability of ADR services and the suitability of disputes to non-judicial resolution. Patent attorneys should ensure that their clients have access to ADR. The IPAC procedure report proposed that professional bodies should adopt a more systematic approach to educate practitioners in the use of ADR, such as mini-trial and referral to neutral experts. While it is for professional bodies themselves to address IPAC's recommendation, the Commission strongly supports these initiatives in continuing education.

### **Recommendation 147**

**Lawyers and patent attorneys should advise clients of the availability and suitability of ADR to resolve design disputes wherever it becomes apparent that a dispute has arisen or is likely to do so.**

## ***Methods of ADR appropriate to designs disputes***

13.68 **Introduction.** In considering methods of ADR most suited to designs disputes, the alternative methods are discussed according to the relative enforceability of outcome, starting with those for which consent or contractual agreement is required and progressing to methods that depend on court enforcement for effectiveness.

13.69 **Negotiation.** Public consultation revealed a strong demand for avenues of negotiation to settle issues and discuss compromise.<sup>1218</sup> Many design users favoured negotiation and would not resort to litigation because the outcome is too uncertain. The Commission recommends that AIPO should facilitate access to forums for negotiation. However it acknowledges that negotiation may not be useful where enmity exists between competitors or ex-employees.

13.70 **Mediation.** The Commission supports the use of mediation by persons experienced in industrial property issues as particularly well suited to the resolution of disputes involving designs. In this structured negotiation process neutral independent mediators assist the parties to focus on the issues in dispute and achieve the best resolution. It is voluntary and non-adjudicative. As a result, the parties are more likely to accept the outcome and if necessary to continue business relations. It is especially useful for disputes involving small or non-monetary claims. Mediation is provided by independent centres<sup>1219</sup> and court-referred mediation is especially effective.<sup>1220</sup> Mediation is also successfully conducted in the AAT by members who are accredited as mediators.<sup>1221</sup> The Justice Statement emphasised that

The Government will encourage the shift from litigation to other means of resolving disputes by expanding and improving counselling and mediation services available to the community.<sup>1222</sup>

Mediation is not suitable where there is considerable enmity involved<sup>1223</sup> or where complex legal issues need resolution. It is less successful, and may be inappropriate, where parties are significantly unequal. However even if mediation is unsatisfactory and litigation follows, the preparation is valuable.

13.71 **Early Neutral Evaluation (ENE).** In ENE a skilled independent evaluator seeks to identify and reduce the issues of fact and law in dispute. Evaluators assess the strengths and weaknesses of each party's case and offer an opinion as to the likely outcome of proceedings, including any likely finding of liability or an award of damages. ENE provides an inexpensive assessment of the parties' positions and identifies the focus of the dispute at an early stage. The evaluation is a confidential non-binding basis for negotiation and for choice between litigation and settlement.<sup>1224</sup> The Federal Court facilitates an ENE program with the active involvement of legal professional bodies.<sup>1225</sup> Similar benefits are provided by expert determination, appraisal and recommendation.<sup>1226</sup>

13.72 **Mini-trials.** A mini-trial involves parties selecting a panel comprised of their senior representatives, sometimes with a neutral adviser, authorised to settle the dispute. Following exchange of information, limited discovery, oral presentations and a question and answer session, the panel attempts to negotiate a solution. The IPAC procedure report recommended the mini-trial technique for disputes where complex technical and factual information and issues are involved.<sup>1227</sup> This structured settlement has been successful in the US with patent cases involving mixed questions of fact and law.<sup>1228</sup> Mini trials are a relatively expensive form of ADR and have not been frequently used in Australia.<sup>1229</sup> The Commission makes no recommendation on the adoption of mini-trials in the Australian jurisdiction.

## ***Arbitration***

13.73 **Nature of arbitration.** Arbitration is an adversarial process entered by agreement between the parties or under court order. An independent arbitrator hears parties' submissions and makes a binding award. The conduct of arbitrations is strictly governed by uniform State and Territory legislation.<sup>1230</sup> Parties are usually represented by a legal practitioner.<sup>1231</sup> The courts have supportive and coercive jurisdiction to supervise the conduct of arbitrations and may set aside arbitral awards on a limited number of grounds.<sup>1232</sup> Arbitral awards are binding and are enforceable through the courts. The Supreme Courts of each State and Territory have appellate jurisdiction to determine any question of law arising from the award.<sup>1233</sup> Arbitration is provided by independent organisations<sup>1234</sup> and annexed to court proceedings.

13.74 **Limited benefits of arbitration.** The Commission has received indications of support for arbitration and is aware of benefits in the use of arbitrators experienced in technical designs issues.<sup>1235</sup> However the legal profession has expressed considerable dissatisfaction with arbitration due to perceived inflexibility and expense.<sup>1236</sup> In some cases arbitration may be more expensive than litigation and parties have to bear the administration costs themselves.<sup>1237</sup> The Commission does not recommend recourse to arbitration for parties requiring determination of their legal rights in designs.<sup>1238</sup> In this case further litigation is likely to result and arbitration may simply add a further layer of delay and costs.<sup>1239</sup> There are limitations on the arbitrability of issues of validity of title, infringement and ownership of design rights.<sup>1240</sup> An arbitral decision cannot alter the register as to ownership of a design and the Commission does not support the arbitration of validity issues. In the US, unlike Australia, legislation provides for arbitrability of patent validity, enforceability and infringement issues<sup>1241</sup> and arbitration panels have been established to resolve disputes within a specific industry.<sup>1242</sup>

13.75 **Arbitration and injunctive powers.** Arbitrators have limited power to grant injunctive relief. The importance of immediate relief in designs disputes means that, in practice, recourse to the courts for interim remedies may be necessary before an arbitral tribunal has been constituted.<sup>1243</sup> Only the courts possess the coercive power to enforce an arbitral injunctive award. However most international rules of arbitration provide that arbitrators have powers to order interim and conservatory measures including injunctions.<sup>1244</sup>

13.76 **WIPO Commercial Arbitration Center.** WIPO has established an International Center as a forum for the Resolution of Intellectual Property Disputes. The Center provides services in accordance with the WIPO rules for mediation, arbitration, expedited arbitration and combined mediation/arbitration.<sup>1245</sup> The parties may be represented and assisted by experts<sup>1246</sup> and the Tribunal may appoint independent experts to report to it on specific matters.<sup>1247</sup> The Tribunal has the power to grant injunctive relief.<sup>1248</sup> The parties undertake to carry out the award without delay and waive their right to any form of appeal or recourse to a court of law.<sup>1249</sup>

13.77 **Arbitration of disputes with an international element.** International commercial arbitration is useful where design disputes have international aspects, as there is no international court in which parties have standing. The 1985 UNCITRAL Model Law has been incorporated into Australian legislation to provide a framework for the conduct and enforcement of international arbitrations.<sup>1250</sup> Disputes between parties from different countries may be arbitrated in a neutral country and there is increasing use of this facility.<sup>1251</sup> The Commission sees advantages in arbitration of design disputes with international elements.

### **Court-annexed ADR**

13.78 **Increased referral to court-annexed ADR.** The benefit of court-annexed arbitration under schemes such as the *Courts (Mediation and Arbitration) Act 1991* (Cth) is that parties may register the award and enforce it with the authority and sanction of the Court.<sup>1252</sup> The Commission supports the increased use of court-annexed mediation and arbitration. There are also benefits in the exercise of judicial supervision over the timetable and conduct of proceedings to prevent abuse and unnecessary delay.<sup>1253</sup> Civil litigants see court-annexed arbitration as fairer and more satisfying than other settlement procedures.<sup>1254</sup> Courts with jurisdiction under the Designs Act all utilise forms of ADR.<sup>1255</sup> For example, the Federal Court operates an Assisted Dispute Resolution program to screen cases for suitability for ADR.<sup>1256</sup>

13.79 **Should referral to ADR be mandatory?** There are proposals to increase the mandatory referral of matters to ADR.<sup>1257</sup> However the Commission is aware of problems with mandatory ADR.<sup>1258</sup> Mandatory ADR schemes in US Supreme Courts have not generally been perceived as successful.<sup>1259</sup> Parties should not be denied the opportunity to litigate in the courts if they choose to do so. Instead the Commission recommends that parties should increasingly be encouraged and enabled to seek ADR where the court considers it appropriate. It is not appropriate or productive for the Commission to prescribe particular procedures to achieve this because ADR will only work if it is flexible and adapted to the needs of the particular dispute. Nonetheless, the Commission considers that relevant procedures and advice should be reviewed to ensure that they recognise and enable ADR where appropriate.

### **Recommendation 148**

**AIPO, the courts, lawyers and patent attorneys should recognise in their procedures and advice that**

- **alternative dispute resolution including in particular, negotiation, mediation and early neutral evaluation, should be considered as a first option in the resolution of all design disputes that do not absolutely require a court adjudication on the validity of a design right**
- **arbitration of designs disputes involving international elements should be considered as an option before commencing litigation**
- **court-annexed arbitration and mediation schemes should be considered as an option wherever a design dispute has already entered the courts.**

## 14. Remedies and offences

### Introduction

14.1 This chapter discusses the remedies available in cases of infringement under the Designs Act. It recommends that the existing remedies should continue to be available. These include injunctions, damages, an account of profits, delivery up and Anton Piller orders. However it recommends against introducing the further remedy of conversion damages. The chapter then discusses unjustified threats of infringement proceedings, recommending that there should continue to be remedies for this. Lastly it discusses three related issues, recommending against introducing an offence of infringement, encouraging marking of products bearing registered designs and noting that provisions for the compulsory licensing of designs are not necessary.

### Injunctions

#### *Effective use to prevent infringement*

14.2 Among respondents to the Commission's survey, injunctions were the most common relief sought in designs litigation.<sup>1260</sup> They provide an effective means for small parties to enforce their design rights. One design user stated that 'the injunction is everything'.<sup>1261</sup> The IPAA commented upon a systematic difficulty in obtaining injunctive relief because plaintiffs rarely win infringement cases.<sup>1262</sup> However, it considered that injunctions were effective when granted. There is a danger in injunctions being used as a bargaining tool. Several respondents commented on the potentially devastating effect of an injunctive order on their commercial viability.<sup>1263</sup> The court may impose an undertaking on the applicant to pay damages caused by the injunction if the case is not won at trial.

#### *Scope of remedy*

14.3 The Commission recommends that the court should continue to be able to grant an injunction in cases of unintentional or innocent infringement. Interlocutory and final injunctions are equitable remedies that can be used to prevent actual or threatened infringement of a design. The Designs Act s 31 provides this remedy.<sup>1264</sup> However even where infringement of a design is evident, the court may not consider an injunction justified in the circumstances. The court's discretion to grant an injunction is exercised on the basis of

- the balance of convenience
- the inadequacy of other legal remedies
- the application of a threshold test: either the plaintiff's probability of success at trial or that there is a 'serious question to be tried'.<sup>1265</sup>

In granting an injunction, the court can take into account all relevant circumstances, including matters that go to the innocence of the defendant.

14.4 ***No special rules required.*** There is no need for special rules for the availability, grant or enforcement of injunctions in designs litigation. Most courts exercising jurisdiction over designs matters have power to grant injunctions.<sup>1266</sup> One unique factor is that injunctions may be more readily granted where the design has been registered recently.<sup>1267</sup> Otherwise, the general principles apply.

### Recommendation 149

**The court should continue to have a power to grant an injunction in all cases of infringement. No special rules should apply to govern the availability of injunctions in designs litigation.**

## Damages

### *Compensation for loss*

14.5 Damages are awarded to compensate the plaintiff for actual loss sustained as a consequence of the defendant's wrongful acts. Quantification of loss in design infringement cases may be difficult. For example the court may have to assess the sales that might have been made by the plaintiff had there been no infringement. Particular considerations may also apply where infringement involves a registered set of articles.<sup>1268</sup> The Commission has received no indication that an award of damages is particularly inappropriate in design matters<sup>1269</sup> or that any unique considerations should apply to the assessment of damages in this area.<sup>1270</sup> However in some cases where commercial loss has been sustained, advice to the Commission was that damages may not be sufficient to compensate in a meaningful way.<sup>1271</sup> The IPAA referred to the frustration involved in having to undertake separate proceedings in order to quantify costs after a finding of liability.<sup>1272</sup> Others said that this led to a risk of delay tactics and the danger of a defendant entering liquidation so that remedy was no longer available.<sup>1273</sup> The IPAA submitted that damages and account of profits did not provide effective compensation for losses incurred.<sup>1274</sup> The flexibility and type of remedy available through litigation is necessarily limited, however the Commission has addressed the calls for more flexible remedies in the context of alternative dispute resolution.<sup>1275</sup>

#### **Recommendation 150**

**The court should continue to have a power to award damages in all cases of infringement.**

### *Discretion to award additional damages*

14.6 *Availability in copyright disputes.* Provision for additional damages in intellectual property matters is currently limited to the Copyright Act s 115(4). In the copyright context there may be circumstances where no other remedy may be appropriate, for example, where there is an unlicensed broadcast of a sporting event.<sup>1276</sup> Similar difficulties in assessing damages do not seem to arise under designs legislation.<sup>1277</sup>

14.7 *Support for punitive damages.* However the Commission is generally supportive of the IPAC recommendation that the court should have the discretion to award additional damages in cases of blatant dishonesty or flagrant infringement under the Designs Act.<sup>1278</sup> This would remedy the problem faced by a party where there is obvious infringement but the loss is small compared to the likely cost of litigation. Additional damages provide an element of deterrence beyond compensation and are available in overseas jurisdictions.<sup>1279</sup> Few submissions expressed a strong need for additional damages for flagrant infringement although many were in general support of the proposition.<sup>1280</sup> The IPAA stated that damages were not effective compensation for losses and would support the recommendation because of judicial reasonableness in such findings.<sup>1281</sup> H Sebel expressed concern at the need to define the criteria of imposition and limits of damages.<sup>1282</sup> The LCA supported provision for additional damages as a disincentive to infringement or to defend infringement proceedings and as an incentive to design owners to enforce their rights.<sup>1283</sup>

#### **Recommendation 151**

**Provision should be made for additional damages in cases of flagrant infringement in terms similar to the Copyright Act s 115(4).**

## Account of profits

14.8 *Recovery of defendant's gain.* An account of profits requires the infringer to pay to the design owner the profits accrued from the infringement. It restores lost profits to the design owner. The remedy is intended not to compensate or to punish but to prevent the infringer from gaining unjust enrichment by wrongful acts.<sup>1284</sup> It is an equitable remedy available only at the court's discretion. The court will not order damages as well as an account of profits because then the design owner would recover compensation as well as restitution.

14.9 **Retention of remedy.** An account of profits should continue to be available as a remedy for design infringement. Most submissions to the Commission supported retention of the remedy.<sup>1285</sup> It is useful in cases where it may be difficult to prove damage or where the actual damage is small. However the remedy is notoriously complex to apply.

14.10 **Calculation of profits.** There is no definition of the concept of 'profits'.<sup>1286</sup> Modern accounting practices and integrated manufacturing methods are complex. In commerce it may be hard to separate profits resulting from lawful and unlawful activities and to deduct fairly just allowances for overheads in production costs. The LCA submitted that the guidelines set out by the High Court in *Dart Industries Inc v Decor Corporation Pty Ltd* were correct.<sup>1287</sup> The Court deducted a proportion of general overheads from gross profits in calculating the true profit from infringement. The remedy attaches only to profits 'dishonestly made', that is, profits made from the time the defendant received notice of the plaintiff's ultimately successful claim.<sup>1288</sup>

14.11 **The example of component parts.** If the design of a component part of a composite product is infringed there is a question whether the defendant must account for profits arising only out of the sale of the component part or out of the sale of the whole product. As a matter of principle the defendant should only account for profits relating to the particular component and attributable to the infringement.<sup>1289</sup>

14.12 **Experience in trade practices law.** The Commission considered the difficulty of accurately calculating unjust profits in its 1994 Report on *Compliance with the Trade Practices Act*.<sup>1290</sup> There it recommended that the court should take into account the estimated profits of contravention when imposing a penalty. It recommended that confiscation of profits be included as one available penalty in the Trade Practices Act.

14.13 **Conclusion.** The Commission has received no indications of any preferred method for calculating the account of profits. It is a matter more appropriately left to the courts for assessment in light of the circumstances of the particular case.

#### **Recommendation 152**

**It should continue to be possible for the plaintiff in design infringement cases to obtain an account of profits as an alternative to damages.**

### **Innocent infringement**

#### ***Discretion to reduce or refuse to award damages***

14.14 Under Designs Act s 32B a court may refuse to award damages or to make an order for an account of profits if it is satisfied that, at the time of infringement, the defendant was not aware that the design was registered and that, before that time, the defendant had taken all reasonable steps to find out whether a monopoly in the design existed.<sup>1291</sup> Regardless of the conduct or intention of the defendant the court must either grant the normal remedy or else refuse to make any award. It cannot simply reduce the damages or the payment of profits. Most submissions favoured an expansion of the court's discretion so that the court could also reduce the damages awarded or the profits to be paid over and thereby properly balance the competing interests in the particular circumstances of each case.<sup>1292</sup>

#### **Recommendation 153**

**The discretion to grant remedies set out in Designs Act s 32B should be retained in the new designs legislation and expanded so that the court may reduce damages as well as refuse to award them.**

#### ***Innocence and primary infringement***

14.15 **Taking reasonable steps.** Under Designs Act s 32B the court may only refuse to award damages if the defendant was not aware of the registered design and had taken reasonable steps to ascertain if the design



was registered. The court has a broader discretion in patent and copyright cases. It was suggested that s 32B be replaced with a provision similar to the Patents Act s 123(1).<sup>1293</sup> There the court may refuse to award damages or an account of profits if the defendant was not aware and had no reason to believe that a patent existed.<sup>1294</sup> The Patents Act does not require the defendant to have taken positive steps to avoid primary infringement. In principle, defendants should have to prove not only that they were unaware that a design was registered and had no reason to believe that it was registered but also that they had taken reasonable steps to find out if another person already held a monopoly in the design. Only then should the court exercise its discretion whether to award damages. However the Commission's view is that the Patents Act should not be followed in cases of primary infringement. This approach was generally supported.<sup>1295</sup>

**14.16 *Effect of a search of the register.*** The register provides notice to the world that a design is registered. If a defendant has not searched the register, the court may conclude under s 32B that a search was a reasonable step that the defendant had neglected to take. It should not be mandatory for persons who claim innocence in infringement to search the register. However in exercising its discretion, the court may take into account whether it was reasonable in all the circumstances for a search to have been conducted.<sup>1296</sup>

#### **Recommendation 154**

**In cases of primary infringement, to attract the court's discretion to reduce or refuse to award damages a defendant must prove not only that he or she did not know that a design was registered but that he or she had taken all reasonable steps to find out whether the design was registered. In this respect Designs Act s 32B should be retained in its current form in the new designs legislation.**<sup>1297</sup>

#### ***Innocence and secondary infringement***

**14.17** In the case of secondary infringement a provision such as that found in the Patents Act s 123(1) is more appropriate. For example a retailer is less likely than a manufacturer to be aware that a product bears an infringing design. It would be inappropriate for a retailer or importer, who may deal with a variety of products, to be required to check whether the products' designs have all been registered. The defendant should have to prove only awareness and absence of reason to be aware that the design was registered. This provides a fair balance of the interests of design owners and those of retailers or importers who sell, hire or import products bearing infringing designs without knowing that they are infringing another person's rights.<sup>1298</sup> This approach was supported in submissions.<sup>1299</sup>

#### **Recommendation 155**

**In cases of secondary infringement, to attract the court's discretion to reduce or refuse to award damages a defendant must prove that he or she was not aware and had no reason to be aware, that the design was registered. There should be no requirement that the defendant must take all reasonable steps to ascertain whether exclusive rights in the design existed.**

### **Conversion and detention damages**

**14.18 *Availability in copyright cases.*** The Copyright Act provides for the award of conversion and detention damages in relation to copyright infringement.<sup>1300</sup> Infringing copies and certain goods used to make them are deemed to be the copyright owner's property. Owners can then take civil proceedings in conversion or detinue to recover the goods or their value from the copier. It is a defence to the claim if the defendant can show that he or she was not aware and had no reasonable grounds for suspecting that copyright subsisted in the work or that the copies were infringing copies.<sup>1301</sup> There are no similar provisions in other areas of intellectual property.

**14.19 *Proposals to remove conversion damages.*** TRIPS does not require Australia to provide for conversion damages. The CLRC *Report on Conversion Damages* recommended that the Copyright Act be amended to provide that the court not grant conversion or detention damages where it considers normal damages are



sufficient.<sup>1302</sup> The Lahore report stated that conversion damages may be disproportionate to the injury suffered.<sup>1303</sup> It recommended that, to the extent that designs are protected by copyright, damages for infringement should be awarded on the same basis as in other areas of intellectual property and that conversion and detention damages should be abolished.<sup>1304</sup> Proposed 1995 amendments to the Copyright Act s 116 provide that the court is not to grant conversion damages if it considers that damages awarded under s 115 are sufficient.<sup>1305</sup>

**14.20 *Recommendation against conversion damages.*** The Commission did not receive any indication that conversion and detention damages were required in designs litigation. The IPAA and LCA submitted that neither conversion nor detention should be available as remedies.<sup>1306</sup> AIPO stated that the

risk of unduly harsh damages being awarded as a result of an infringement action can act as a deterrent to defending the alleged infringement. As a consequence of this, and against the background of existing equitable remedies apparently providing effective relief, we would not support conversion damages being available as a remedy for infringement of the existing industrial design registration right.<sup>1307</sup>

There is also the benefit of consistency in light of proposals to amend the copyright provisions. In cases of flagrant infringement where normal damages may be inadequate as an effective deterrent the Commission has recommended that the court should be able to award additional or punitive damages.

#### **Recommendation 156**

**Conversion damages for infringement proceedings should not be introduced into the new designs legislation.**

### **Delivery up**

14.21 The court has an inherent equitable power to order defendants to deliver up goods made in contravention of the plaintiff's rights. This may be ordered together with an injunction. The Copyright Act specifically provides that in a prosecution for infringement a court may order the delivery up and destruction of infringing copies and devices used to make them.<sup>1308</sup> There is no special provision for delivery up in the Designs Act and none is proposed. Submissions did not identify any special factors applying to designs litigation that the court cannot already take into account in its inherent discretion.<sup>1309</sup> There is no need to limit the court's discretion to order delivery up where appropriate.

#### **Recommendation 157**

**Delivery up should continue to be available as a remedy for design infringement when appropriate and when it is within the court's jurisdiction. There is no need for specific provision for this to be made in the new designs legislation.**

### **Anton Piller orders**

14.22 ***What is an Anton Piller order?*** An Anton Piller order is an interim injunction issued by the court upon ex parte application without the defendant's knowledge. The order permits the plaintiff's solicitor to enter the defendant's premises or home to seize evidence of infringement that might otherwise be hidden or destroyed. It may also compel the defendant to deliver up infringing goods or documents or to disclose the names of suppliers.<sup>1310</sup> However their use is limited to protecting the plaintiff's rights and not to punishing the defendant. They are granted only in exceptional circumstances. There must be at least

- an extremely strong prima facie case for relief
- serious potential or actual damage to the plaintiff
- clear evidence of the defendant's possession of the goods and a real possibility that the evidence will be destroyed if notice is given of the application.

14.23 *Is there cause for concern?* Australian courts have inherent jurisdiction to grant such equitable relief and increasing numbers of applications are being made.<sup>1311</sup> The court may also make 'John Doe' orders analogous to Anton Piller orders that require delivery up of infringing goods even though the defendant is not identified at the time the order is made.<sup>1312</sup> Although defendants are not allowed a chance to be heard there is the potential for irreversible damage to the defendant's business. Defendants are also liable for contempt of court should they refuse entry. There is widespread international concern about the execution of Anton Piller orders.<sup>1313</sup> In the US, limits on the scope of search and seizure orders are strictly enforced with damages awarded for wrongful seizure.<sup>1314</sup>

14.24 *UK Practice Direction on Anton Piller orders.* A UK Practice Direction issued in 1994 incorporates a new form of the Anton Piller order.<sup>1315</sup> It is expected to increase the willingness of courts to grant relief. The Direction has been criticised as inflexible and imprecise and as having reduced the significance of procedural safeguards.<sup>1316</sup> Although the Direction increases the role of the supervising solicitor, who is required to produce a written report of the execution, the premises may be searched in the absence of the defendant and items removed before they are listed if otherwise impracticable in the circumstances.<sup>1317</sup> The order also demands compliance by any person in control of the premises.<sup>1318</sup> It can only be executed in business hours but it is unclear as to the permitted duration of the search.<sup>1319</sup> In codifying common law conditions the changes are perceived as having significantly widened the scope of the relief.

14.25 *No demand for statutory safeguards.* The Commission received no indications of substantial injustice in Australia as a result of search and seizure in the designs area. The IPAA submitted that the law in this area is sufficiently developed to prevent injustice occurring without the need for further guidelines.<sup>1320</sup> Similarly Warman International Ltd argued against statute-specific rules to govern the making and execution of Anton Piller orders.<sup>1321</sup> Common law protection was preferred to statutory codification as the best protection against misuse.<sup>1322</sup> The Federal Court has issued a Practice Note setting out conditions that should govern the grant of Anton Piller orders.<sup>1323</sup> For example, prior to grant the Court may impose conditions that

- the orders be executed during business hours only
- the order be served and its execution supervised by a solicitor other than a member of the firm of solicitors acting for the applicant
- the person to whom the order is directed should be advised to obtain legal advice before its execution provided this can be obtained promptly
- safeguards should be included in the order to prevent an applicant in person searching and examining the documents of a trade rival
- a verified inventory of items seized should be prepared
- the seized material may be held by an independent custodian without disclosure to any person pending an *inter partes* hearing.

There can be other problems in the execution of Anton Piller orders which it may be appropriate to consider in subsequent Practice Notes. For example, particular issues arise in relation to access to documents obtained using a computer and the scope of the power to examine, copy and secure goods including documents which may be stored on a computer.<sup>1324</sup> Related issues concern the compensation for loss or damage caused by the use of computers during searches in the execution of Anton Piller orders.

### **Recommendation 158**

**Anton Piller orders should continue to be available for designs infringement. There is no need for specific provision to be made for this in the new designs legislation.**

## Unjustified threat of infringement proceedings

14.26 *Threatening infringement proceedings.* The Designs Act provides various remedies in response to unjustified threats of infringement proceedings.<sup>1325</sup> The section was added in 1990 in response to recommendations of the Franki report. Any person threatened with infringement proceedings may apply to the courts for a declaration that the threats are unjustified, an injunction to prevent the threat continuing and damages for resultant losses. It is a defence if the respondent proves that the design at issue is registered and that acts referred to in the threat are or would infringe the respondent's design monopoly. The respondent can counter-claim for infringement of his or her design rights and the applicant may apply for rectification of the Register by expunging the registration. A number of submissions supported the retention of these provisions.<sup>1326</sup>

14.27 *Relationship between validity proceedings and unjustified threat.* The post grant validity proceedings recommended in chapter 11 have particular relevance where a warning off letter has been issued. A recipient of such a letter could request an examination of the validity of the registration. The recipient and the registered owner can be compelled to attend and give evidence. Should the design be found not to be validly registered it may be removed from the register provided there is no appeal.

### Recommendation 159

**The new designs legislation should continue to provide remedies for unjustified threats of infringement proceedings. In this respect s 32C and s32D of the Designs Act should be retained in their current form.**

## Making infringement a criminal offence

14.28 *Civil or criminal enforcement?* Rights created by the Designs Act are enforceable by civil action between parties. The Commission does not consider that criminal law is necessary or appropriate to enforce the rights of design owners. Apart from the fact that criminal prosecution may possibly deter deliberate or reckless infringement, there are no valid reasons for the Crown to interfere in commercial activities of manufacturers in the absence of fraud or overriding consumer protection issues. Few submissions addressed this issue. Most of these submissions stated that design rights should not be enforced by the criminal law,<sup>1327</sup> although one submission suggested that criminal penalties should generally be more widely available as an alternative to the civil process.<sup>1328</sup>

14.29 *IPAC and Franki reports.* The IPAC procedure report did not recommend the introduction of offences in the enforcement of industrial property rights.<sup>1329</sup> The Franki report noted that offences were infrequently used when available and had the potential to cause lengthy delays in criminal proceedings.<sup>1330</sup> The Franki report also pointed to the risk of injustice if the design registration is subsequently to be found to be invalid.<sup>1331</sup>

14.30 *Offences unrelated to infringement.* It is however necessary for the effective operation of the designs system that there be some offences. These ancillary offences include the offences of making false representations about AIPO, falsely representing that a design is registered and making a false entry in the register. These and a number of related offences are considered in chapter 9.<sup>1332</sup>

### Recommendation 160

**No offence of infringement should be provided in the new designs legislation.**

## Role of marking in obtaining remedies

14.31 *Background.* The Act does not require a product to be marked to indicate that its design is registered. Prior to 1981 amendments it was an offence under the Designs Act for the owner of a registered design to fail to mark the article before delivery for sale.<sup>1333</sup> The Franki report recommended that the offence be

omitted because it was impractical to mark some articles. The requirement also made it difficult to avoid committing the offence of falsely representing that a design was registered where the marked article was sold after registration had expired.<sup>1334</sup>

**14.32 *Marking as a precondition of award of damages.*** In the UK and US marking is a pre-condition of an award of damages. Similar provisions in Canadian law were repealed following the Hayhurst report on design law.<sup>1335</sup> The report considered that marking would contravene Article 5D of the Paris Convention, that it may be impractical or disfigure some articles and that marked labels or packaging may not remain with the article. Some jurisdictions have no form of compulsory marking. The EC proposed Council Regulation does not require it.<sup>1336</sup>

**14.33 *Views on marking.*** The Commission received endorsement for marking provided it was not mandatory or a prerequisite for damages or for an account of profits. Design users indicated their willingness to mark products if this would help prove infringement or prevent infringement.<sup>1337</sup> Many users were concerned about the practical problems of marking, particularly cost and convenience. For example, Dowell Australia Ltd said that

... marking is particularly difficult and onerous in the extrusion business ... It is our belief that it should be incumbent on any person wishing to copy a design to ascertain if the design has been registered ... We do not believe that marking should be compulsory.<sup>1338</sup>

**14.34 *Relevance of marking to infringement.*** A design may be marked voluntarily and this may help to avoid infringement. It may also provide evidence if infringement does occur that the defendant knew the design was registered and more generally marking may promote community awareness of designs and notify potential competitors of the registration.

**14.35 *Recommendation explained.*** The Commission does not propose that marking be compulsory. Design owners who have taken the precaution of registering their design should not be precluded from recovering damages simply because they had not also marked their products.<sup>1339</sup> However marking should be encouraged. A reasonable compromise is to provide that in infringement proceedings the fact that the design is marked will be prima facie evidence that an alleged infringer was aware of the registration. There was strong support for this recommendation.<sup>1340</sup>

## **Recommendation 161**

**The Act should provide that in a proceeding for infringement of a registered design the fact that the product, the label or the packaging is marked is to be prima facie evidence that the defendant was aware that the design was registered. Marking should not be a precondition for obtaining remedies for infringement.**

## **Compulsory licensing**

**14.36 *Current provision.*** Under current designs law the owner of a design may, in certain circumstances, be required to grant another person a licence to apply the design to commercially manufactured goods.<sup>1341</sup> A licence granted as a result of this provision is known as a compulsory licence.

**14.37 *Reasons for compulsory licensing.*** The purpose of the compulsory licence provision in current designs law seems to be to promote the local working of designs. A compulsory licence is available when a design is applied to articles outside Australia but is not applied to a reasonable extent in Australia. More generally, compulsory licensing is also seen as an appropriate remedy where intellectual property protection operates against the public interest. For example, compulsory licensing provisions have been adopted in other countries to meet economic goals such as

- technology transfer
- making an invention available to encourage further innovation

- provision of public access to commonly used works
- assistance to educational, medical and charitable institutions
- increasing the availability of products to meet the reasonable demands of the public
- prevention of monopoly pricing.

14.38 **Types of compulsory licence.** Compulsory licences can take several different forms and the circumstances in which they are granted can vary. The grant of a licence may, for example, depend upon demonstrating that it is necessary on one of the public interest grounds listed above. Alternatively provision may be made for a compulsory licence to be automatically available after a fixed time. Compulsory licences can also take a form that is not, strictly speaking, a licence. The same purpose and effect can be achieved by a provision that deems certain conduct not to be an infringement of the design,<sup>1342</sup> or that allows compulsory use and acquisition of designs by certain bodies (such as Commonwealth and State governments).<sup>1343</sup>

14.39 **Current provision rarely used.** The Commission is not aware of any occasion on which a compulsory licence for a design has been sought or granted under current designs law. Submissions and consultations indicated that the provisions are not of major public concern. The Industry Commission commented that in principle compulsory licensing was of more theoretical than practical use. The LCA agreed with the proposal in the Discussion Paper that no provision should be made for compulsory licensing of designs in the new designs legislation.<sup>1344</sup> However two submissions thought compulsory licensing provisions had value, in one case to ensure consistency with patents law and in the other case as a remedy for anti-competitive practices.<sup>1345</sup>

14.40 **Practical difficulties.** There are considerable practical difficulties in implementing a system of compulsory licensing. Where the grant depends on concepts that address public interest issues the evidence required to support the grant can be detailed and grant procedures can be too cumbersome, time consuming and expensive to be effective. The scope for disputes is considerable and this adds to the cost and inconvenience of design protection. Where the grant of the licence does not depend on establishing those types of grounds the economic rationale for granting the licence can become unclear and questionable.

14.41 **International requirements.** There are no international constraints which would either require Australia to include a compulsory licensing provision in its designs legislation or conversely prohibit its inclusion. Both TRIPS and the Paris Convention require some form of protection of industrial designs, but neither includes an express prohibition on the grant of compulsory licensing. The lack of international constraint on this issue is borne out by international practice. A few countries such as the UK and South Africa have made provision for compulsory licences for designs, but they are a minority. Many other countries make no provision for compulsory licensing of designs in any form.<sup>1346</sup> With one limited exception relating to spare parts designs, the EC proposed Council Regulation also makes no provision for compulsory licensing of designs.

14.42 **Commission's view.** The Commission's view is that there is no need to provide for compulsory licensing of designs in Australia, whether based on particular circumstances, the expiration of a specified time or as non-infringement provisions. It is debatable whether the prime reason, local working, is an appropriate economic goal. Products subject to designs rights in Australia may be manufactured overseas because the owner of the design is resident overseas or because an Australian owner has chosen for economic or practical reasons to manufacture the article overseas. In any case there is no evidence that compulsory licensing is effective in achieving that goal. It is also an unnecessary and inappropriate vehicle for the broader economic concerns. Its main value would be in limiting any anti-competitive effect of design protection. In Australia this seems to be mainly an issue in relation to spare parts. The Commission considers that the referral procedure for spare parts recommended in chapter 16 is a more appropriate and flexible remedy for that issue.

## Recommendation 162

**No provision should be made in the new designs legislation for the compulsory licensing of**

designs.

# 15. Parallel imports

## Introduction

### *The issue*

15.1 **Parallel imports currently allowed.** Current designs law prohibits *pirate imports*. It is an infringement of the design right to import, without the design owner's consent, an article to which a design has been applied without the design owner's consent.<sup>1347</sup> However current designs law does not regulate *parallel imports*. Parallel imports arise where products bearing the design have been released *outside* Australia by, or with the consent of, the owner of the design right in Australia but are imported into or sold in Australia without the owner's consent.

15.2 **Submissions.** Some submissions argued that parallel imports should be prohibited by designs law. They argued that prohibition is needed to support the value of the design right, to enable the design owner to decide where, how and in what quantity the design will be exploited and to remove anomalies between designs law and copyright and patent law.<sup>1348</sup> Others argued that a prohibition is not necessary because there are no inherent free rider problems in the distribution of legitimately produced products with protected designs.<sup>1349</sup> Furthermore introducing a prohibition could promote price discrimination.

### *The Commission's view*

15.3 **General prohibition not accepted.** The Commission' considers that in principle a prohibition on parallel imports is not appropriate. It is an unnecessary barrier to trade and is inconsistent with competition policy. The Commission recognises that this general principle is somewhat arbitrary and may adversely affect some small to medium size Australian enterprises. However on balance it is likely to be of more economic benefit to Australia as a whole than a general prohibition or a more detailed hybrid or tailor made set of rules.

15.4 **Seizure by Customs.** A related issue is whether Customs should have the power to seize products that infringe a design right at the time that they are imported into Australia. Although current designs law prohibits pirate imports, there is no seizure power of this kind in the Designs Act. The Commission's view is that a seizure power is not appropriate because it would be an inefficient method of enforcing design protection. It would be preferable for the design owner to rely on the normal civil remedies for breach of the design right.<sup>1350</sup>

### *This chapter*

15.5 To explain the Commission's recommendations in more detail, and to put them in context, this chapter discusses the current regulation of parallel imports in Australia, the economic issues to be considered, the options for reform, including the Commission's recommended approach and the issues relating to a Customs power of seizure.

## Regulation of parallel imports in Australia

### *Territoriality and exhaustion*

15.6 **Territoriality.** Regulation of parallel imports is guided by two competing principles: 'territoriality' and 'exhaustion'. The principle of 'territoriality' focuses on whether the domestic owner of the intellectual property right has authorised the sale of the imported good in the domestic territory. If not, the import is prohibited. It is irrelevant under this principle whether the domestic owner did or did not authorise the manufacture or sale of the imported good *outside* the domestic territory. The theory behind this principle is that the local market is separate from overseas markets and the design owner is entitled to decide where, how and in what quantity the design will be exploited.

15.7 **Exhaustion.** Under the principle of 'exhaustion' (sometimes called 'international exhaustion') the domestic owner's consent to sales in a foreign company is taken to imply consent to sales in the local market. The theory behind this principle is that, by releasing the product covered by the intellectual property right onto the market anywhere in the world, the owner of the right has obtained the benefit of the right. In

addition there is a concern that any power to block parallel imports could be used to practise price discrimination between overseas markets and the local market, which would be contrary to the interests of the local market.

### ***Designs law***

15.8 ***Current designs law.*** Current designs law only deals with pirate imports, not parallel imports.<sup>1351</sup> In effect it adopts the exhaustion approach. It prohibits the import, without the design owner's consent, of any article to which a registered design has been applied outside Australia without the owner's consent. It also prohibits the sale or hire of any such imported article.

15.9 ***IPAC study.*** The most recent study of parallel imports and designs, the 1985 IPAC Report, concluded that current designs law acted as a disincentive to Australians licensing their registered designs abroad.<sup>1352</sup> It recommended that a provision should be introduced into the designs legislation giving design owners similar rights to those of a patentee under the Patents Act. In particular it recommended that articles to which a design has been applied abroad *by the registered owner* of the design should continue to be able to be imported without the owner's permission. Articles produced abroad *by any other person*, including by a licensee of the registered owner should not be able to be imported without the owner's permission. These recommendations have not yet been implemented.

### ***Copyright law***

15.10 ***Territoriality.*** The Copyright Act effectively reflects a 'territoriality' approach. It is an infringement of copyright in any work or other subject matter in which copyright subsists to import an article into Australia for commercial purposes without the copyright owner's consent where the importer knew or ought reasonably to have known that, if the article had been made by him or her in Australia, it would have infringed copyright.<sup>1353</sup> This basic prohibition on parallel imports has been partly relaxed for books.<sup>1354</sup>

15.11 ***CLRC Computer Software Protection Report.*** The CLRC has recently reviewed the prohibition on parallel imports in copyright law relating to computer software. It had earlier considered relaxing the prohibition in relation to the parallel import of computer software that is specifically requested by a customer or that is unavailable in Australia for longer than a reasonable period.<sup>1355</sup> However after reviewing the likely economic impact of relaxing the prohibition on parallel imports, the CLRC recommended that no change be made to the current prohibition in copyright law. It was influenced in making this recommendation by its conclusions that copyright laws varied across countries, there was no single world market and specific pricing information on computer software did not indicate price discrimination between local and overseas markets.<sup>1356</sup>

### ***Patent law***

15.12 Australian patent law adopts a hybrid of territoriality and exhaustion principles.

- It is infringement of the Australian patent to import into Australia goods that are the subject of the patent where they were first put into circulation *outside* Australia by a *foreign* licensee. This reflects the territoriality principle.
- However if those goods were first put into circulation outside Australia by the Australian patentee or a *domestic* licensee, then there will be no infringement because consent to parallel importing will be implied. This reflects the exhaustion principle.
- The presumption of consent can be defeated if the patentee expressly restricts the parallel import of goods first put into circulation outside Australia by the domestic licensee. In practice, well advised patentees often do this by imposing notices at the time of sale. In those circumstances patent law effectively blocks parallel imports in a similar way to the standard 'territoriality' approach.



## ***Trade marks law***

15.13 ***Exhaustion.*** Trade marks law adopts the exhaustion principle. Importing and selling genuine trade marked goods by an 'unauthorised' Australian importer will not infringe the registered proprietor's trade mark in Australia.<sup>1357</sup> The function of trade marking is to indicate source. Where the goods are the genuine goods of the registered proprietor and are sold as marked by the registered proprietor, the use of the trade mark would not infringe the registered proprietor's rights, even though the distribution in Australia by the importer is unauthorised.

15.14 ***Trade Marks Bill 1995.*** The Commonwealth Parliament is currently considering Trade Marks Bill 1995 to replace the Trade Marks Act 1994 and the Trade Marks Act 1955. That Bill provides that use of a registered trade mark will not infringe the trade mark provisions provided that it is applied by or with the consent of the owner.<sup>1358</sup> This applies regardless of whether the goods are imported or manufactured locally. It effectively follows the exhaustion principle. This preserves the position under current trade marks law.

### ***Inconsistent regulatory structure***

15.15 The Australian regulatory structure for parallel imports of intellectual property is inconsistent. Design protection is more closely related to copyright and patent protection than to trade mark law. Yet while both copyright and patent law impose some restrictions on parallel imports, designs law does not. The rationale for these different approaches is not clear.

## **Economic issues**

### ***The economic objective of parallel import provisions***

15.16 Provisions on parallel imports must be considered in light of the overall objectives of design protection. As discussed in chapter 3 the purpose of design protection is to promote innovation in Australian industry to Australia's net economic benefit. This is fundamentally an economic objective. Therefore the economic implications of parallel imports must guide the options for reform.

### ***The basic analysis***

15.17 Design protection is needed to correct market failure, that is to prevent free riding and to facilitate appropriate investment. In applying this to imports two principles are relevant.

- If the local market is considered as an isolated market, to correct market failure it would be necessary to exclude all competing supplies of products bearing the same design, including parallel imports. If parallel imports are not excluded the benefit of design protection in that isolated market will be lost or reduced. The design owner will only generate the lower returns available from the overseas market not the higher returns available from the local market that design protection provides to address local market failure.
- However if the local market is not isolated but is instead linked to overseas markets, and the design owner is able to exercise its design rights in the overseas markets then in principle it should not be necessary to exclude competing supplies of parallel imports. The design owner would have obtained the benefit of design protection when the goods bearing the design were first manufactured and sold, regardless of where that occurred.

These two principles underlie the economic issues relating to parallel imports, in particular the debates over free riding and price discrimination. They highlight the importance of identifying the markets for Australian designs and of understanding how local and overseas markets are linked.

### ***Free riding***

15.18 ***No inherent free rider problem?*** There are two main economic arguments against including a prohibition on parallel imports in design legislation. First, a prohibition is not necessary because there are no inherent free rider problems in the distribution of legitimately produced products protected as designs.<sup>1359</sup> On this view although the overseas licensor may not be the same as the Australian design owner or its licensee,

in an international system of design registration there would generally be a chain of contractual relationships connecting the two. These contracts and royalty negotiations will take into account the effect of parallel imports on the distribution of income streams across design owners and their licensees.<sup>1360</sup>

**15.19 *Contractual arrangements insufficient?*** The contrary view is that contractual relationships and royalty negotiations are not sufficient to address free riding.

- Designs laws differ across the world. If the design is not protected in the overseas jurisdiction, the design owner will not be able to negotiate royalties or any other return.
- Even if there is some form of corresponding protection, many other factors may affect the design owner's ability to generate a return. For example, the design right in the overseas jurisdiction may be subject to compulsory licensing, relevant products may be subject to price controls or discriminatory taxation regimes, and purchasers in the overseas jurisdiction may have dominant market power.<sup>1361</sup>

### ***Price discrimination***

**15.20 *Parallel imports eliminate price discrimination.*** The second argument against a prohibition is that, where competition is not effective, restrictions on parallel imports may support price discrimination to the detriment of consumers and distort the allocation of resources. On this view restrictions on parallel imports provide design owners with a statutory monopoly over imports. This in turn enables design owners to increase the extraction of a monopoly rent by price discriminating between different markets, according to the elasticity of demand. Parallel imports should therefore not be restricted because they perform the role of arbitrage, eliminating discrimination between national markets.<sup>1362</sup>

**15.21 *Price discrimination rarely an issue?*** The contrary view is that this concern is misplaced and that opportunities for price discrimination using designs are extremely limited. Price discrimination will only arise as an issue where markets are not competitive and the design owner has sufficient market power to extract monopoly rents. It is unlikely that the necessary degree of market power will exist for many, if not most, of the products protected by designs law. As the TPC notes in its submission, a single design will rarely constitute a entire market. Because design rights only protect the appearance of a product and do not protect its function, there is generally scope for other competitors to supply the market with close substitutes.<sup>1363</sup>

### ***Competitive market environment***

**15.22 *Benefits of competition.*** A third argument raised in favour of parallel imports is that they generally promote a more competitive market environment and that this leads to broad economic benefits, particularly in terms of prices. This argument is subject to some debate. In the case of computer software the CLRC *Computer Software Protection* Report concluded that the argument was speculative and disputed and that the expectation of gains to consumers did not outweigh the disadvantages of employment losses and the disincentive to investment by overseas producers.<sup>1364</sup>

**15.23 *Different factors for design protection.*** The conclusions drawn by the CLRC in its *Computer Software Protection* Report are clearly relevant to the regulation of parallel imports under designs law but there is an important qualification. The CLRC was assessing the impact of *removing* an existing prohibition under copyright law. There is no existing prohibition on parallel imports under designs law and hence allowing parallel imports under designs law would not be expected to result in employment losses or additional disincentives to investments. For designs law the issue is the converse, whether there would be employment gains and additional incentive for investment if a restriction on parallel imports was introduced into designs law and whether there would be any counterbalancing disadvantage of increased prices.

### ***Industry specific issues***

**15.24 *Analysing prices.*** At a more detailed level, a further economic issue to consider is the effect of particular sectoral or industry factors. These can significantly influence the effect of parallel imports on local market pricing. For example, in the case of the computer software industry the CLRC *Computer Software Protection* Report received submissions identifying numerous factors that made Australian computer

software prices different from overseas prices, including higher costs of doing business, fewer economies of scale, freight charges and support costs. The CLRC concluded:

A prediction that allowing parallel importation would necessarily result in further lowering of prices of legitimate software in Australia than in other countries remains doubtful, given the existence of numerous other factors which may affect prices such as changing industry structures.<sup>1365</sup>

**15.25 *New Zealand experience.*** Research conducted in New Zealand is a further indication of the need for sectoral analysis. In 1994 the New Zealand government reviewed its blanket parallel importing restriction for copyright. It commissioned from the New Zealand Institute of Economic Research an empirical analysis of the effects of parallel importing on three product markets in New Zealand: the software, vehicle parts and books industries. In essence the study concluded that there was evidence of competition in the markets regardless of the ban on parallel importing remaining in place. This suggested that the opportunities to reduce prices of goods in New Zealand through the removal of the parallel importing prohibition might in fact be limited. The economic arguments applicable to copyright were considered to be generally applicable to other property rights.<sup>1366</sup>

**15.26 *Specific designs research.*** There is little specific designs research to assist this analysis. The LCA notes that such studies as there are indicate that a producer's perception about the likelihood of parallel importation or reimportation is one of the key factors in the producer's decision to exploit product in overseas markets, whether by export or licensing or otherwise.<sup>1367</sup>

**15.27 *Impact on small to medium business.*** The LCA has submitted that parallel imports can also operate as a particular disadvantage for small to medium size enterprises. Larger corporations are often able in practice to avoid the impact of parallel imports by making 'technical' assignments of the design to corporate affiliates and other associates. Small to medium size enterprises are rarely able, or sufficiently well advised, to do this. In practice the exhaustion principle can promote legalistic technicality and artificiality and have a skewed impact on small to medium size enterprises.

**15.28 *Dealing with industry and sectoral issues.*** Various different techniques have been proposed for dealing with the adverse effects that allowing or prohibiting parallel imports might have on specific industries or specific groups like small to medium size enterprises. These include

- prohibiting parallel imports except to the extent that this is inconsistent with competition policy, as applied through rebuttable presumptions about anti-competitive effect<sup>1368</sup>
- allowing parallel imports but also allowing exclusive dealing where it is authorised under the Trade Practices Act or automatically permitted by s51(3) of that Act<sup>1369</sup>
- prohibiting parallel imports subject to control for price discrimination on a case by case basis through, in particular, the Trade Practices Act s 46<sup>1370</sup>
- allowing or prohibiting parallel imports except in particular industries or for particular categories of goods.<sup>1371</sup>

**15.29 *Practical difficulties.*** Although each of these approaches can be used to tailor the parallel import rules to meet specific industry needs, each has significant disadvantages.

- All of them, except for the fourth approach of industry or product specific rules, are likely to require costly, time consuming and unpredictable case by case analysis.
- There may be difficulties in developing a workable framework of rebuttable presumptions since it is not easy to set out clear and easily applied rules, in advance, on who should have the burden of proving that the current market structure is competitive.
- Exclusive dealings can only be used as a mechanism to address free riding or other market failure where the parallel importer agrees to be a party, on a contractual basis, to the exclusive dealing arrangement. This will rarely be the case.

- From a practical point of view s 46 of the Trade Practices Act is a cumbersome provision that imposes a significant evidentiary burden on any one who seeks to enforce it.
- Industry or product specific rules tend to produce distortional and anomalous effects. They need to be continually monitored to ensure that their original rationale is still valid.

### *Conclusion on economic issues*

15.30 The arguments over free riding and price discrimination are equivocal. At this stage the economic issues require a weighing up of the potential employment and investment benefits of restricting parallel imports against the disadvantages of introducing a potential barrier to free trade. The potential benefits are largely speculative. The introduction of a barrier to trade would be inconsistent with competition policy and the general thrust of Australia's trade negotiations.

## **International context**

### *A wide range of approaches to parallel imports*

15.31 There is no international uniformity in laws dealing with parallel imports of designs nor is there at this stage any discernible international trend. Territoriality and exhaustion principles have both been adopted by different countries to varying degrees. For example, in broad terms the UK and Japan each adopt a territoriality approach.<sup>1372</sup> The US adopts a form of the exhaustion doctrine qualified by issues concerning the authority of the first seller in the foreign market to sell in the domestic market and notice of restrictions on import.<sup>1373</sup> The European Union generally adopts an exhaustion approach within the Union but a territoriality approach to imports from other countries, subject to competition law.<sup>1374</sup> The New Zealand provisions are an example of another hybrid approach that has some similarities with the Australian patent law provisions described above.<sup>1375</sup> It is likely that there will be further international debate on parallel imports over the next few years. This will arise partly as a result of the need to implement TRIPS and more generally because there is an underlying issue as to how prohibitions on parallel imports fit into free trade areas.

### *International obligations*

15.32 **TRIPS obligations.** The TRIPS Agreement imposes some limited obligations in relation to parallel imports. Article 26(1) provides that the owner of a protected industrial design shall have the right to prevent third parties, not having consent from making, selling or importing articles for commercial purposes bearing or embodying a design that is a copy or a substantial copy of the protected design. However this should be read in light of art 6.

For the purposes of a dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 above nothing in this Agreement should be used to address the issue of exhaustion of intellectual property rights.

This suggests that any dispute between parties to the TRIPS Agreement concerning parallel imports in respect of designs would need to be settled outside the TRIPS Agreement.<sup>1376</sup> Article 6 of the TRIPS Agreement is generally understood to be the governing provision. Footnote 6 to art 28, dealing with patents and importation, provides

This right, like all other rights conferred under this Agreement in respect of the use, sale or importation or other distribution of goods, is subject to the provisions of Article 6.<sup>1377</sup>

15.33 **The effect of TRIPS.** Within this framework the TRIPS Agreement requires parties to ensure that appropriate action can be taken to restrain abuses of intellectual property rights on a case by case basis.<sup>1378</sup> This suggests that any prohibition on parallel imports would need to be subject to laws controlling restrictive trade practices on a case by case basis. The net effect of the TRIPS Agreement seems to be that parties have a discretion as to whether or not they will provide protection against parallel imports. They could adopt either the territoriality or the exhaustion principle or any mix of those principles. However if protection is provided, fair and equitable procedures must also be included to deal, on a case by case basis, with any anti-competitive effect resulting from the prohibition on parallel imports.

## **Free trade areas**

15.34 **Harmonisation and parallel imports.** A further issue is whether the international trend towards free trade arrangements and harmonisation of trade rules requires Australia either to adopt or to remove restrictions on parallel imports. For Australia this is a particular issue under CER with New Zealand. It is also relevant to APEC.

15.35 **Free trade agreements.** The LCA argued that a free trade agreement does not necessarily require the parties to the agreement to allow parallel imports. It points out that, while parallel imports are allowed within the European Union, this approach has not been adopted by NAFTA or by the European Union in its free trade and association agreements in the past or currently with the former Soviet bloc countries.<sup>1379</sup> The LCA submitted that proper market integration requires more than just *de facto* harmonisation of intellectual property rules through parallel imports. There must also be harmonisation of a range of other government policies such as price controls, labour regulation, and purchasing rules.<sup>1380</sup> The Commission agrees with these submissions.

15.36 **CER.** A special free trade issue for Australia is whether CER requires the introduction or removal of parallel import provisions in designs law. Article 1 of the Agreement states that one of its objectives is to eliminate barriers to trade between Australia and New Zealand in a gradual and progressive manner. Goods protected by Australian designs law may be prevented from being exported from New Zealand to Australia if Australia introduces restrictions on parallel imports. This may constitute a barrier to trade. However art 18 of CER provides that the Agreement shall not preclude the adoption by Member States of measures necessary to protect intellectual or industrial property rights or to prevent unfair, deceptive or misleading practices provided that these measures are not used as a means of arbitrary or unjustified discrimination or a disguised restriction on trade in the free trade area.

15.37 **New Zealand view.** The New Zealand Ministry of Commerce has commented that

[t]o date the parallel importing issue in both Australia and New Zealand has been pursued on a national basis and this has not to our knowledge been considered to be incompatible with CER objectives. Therefore to the extent that the designs legislation of either country contains provisions concerning parallel importing, the Ministry does not regard these as being inconsistent with CER providing these provisions are not used as a means of arbitrary or unjustified discrimination or a disguised restriction on trade in the free trade area.<sup>1381</sup>

The Commission agrees with this analysis.

15.38 **APEC.** The APEC communiqués have not dealt with issues of parallel importing.<sup>1382</sup> Many of the countries in the Asia Pacific region are examining their intellectual property laws, including any design laws, in light of TRIPS. Policies on parallel imports may therefore be developed over time. One current initiative is the work by ASEAN members to develop an Framework Agreement on Intellectual Property Cooperation.<sup>1383</sup>

15.39 **Broader IP issue.** A number of submissions commented that a broader question is the extent to which restrictions on parallel imports should exist in a free trade area and whether for example, the EU approach may be a model for CER to pursue.<sup>1384</sup> This question relates to all intellectual property, not just designs. The Commission considers that this issue requires further analysis as part of a broader review of intellectual property protection under CER rather than in the context of a review of designs law only.

## **Conclusion on international context**

15.40 There is, as yet, no clear international view on the regulation of parallel imports in connection with designs or more broadly on the place of parallel imports in free trade arrangements. At this stage Australia can adopt either a territoriality or an exhaustion approach for designs law without breaching any international obligation or any free trade principles. However it is likely that there will be further international debate and development and that this will take place in the context of regional groups seeking to reduce barriers to free trade. Parallel imports is therefore an issue that will need to be addressed as part of broader negotiations on intellectual property protection in free trade areas.

## Options for reform

### *A range of options*

15.41 There are several options for the regulation of parallel imports under designs law:

- retain the current position - that is, allow parallel imports without restriction
- prohibit all parallel imports
- adopt the hybrid patent law approach<sup>1385</sup>
- provide specific parallel import rules for specific industries or products
- prohibit parallel imports subject to case by case competition analysis<sup>1386</sup>
- allow parallel imports subject to specific restrictions authorised under the Trade Practices Act.<sup>1387</sup>

### *The Commission's view*

15.42 The Commission recognises that the current position is necessarily arbitrary and may be counter productive for particular industries, including in particular small to medium size enterprises, or particular products. However it is not persuaded that the hybrid approach or tailor made options outlined above would in practice adequately address those problems.

- The hybrid approach is easily circumvented and in many cases is simply a prohibition on parallel imports.
- The tailor made options are each likely to raise administrative difficulties and costs that will outweigh their benefits. They are more likely to operate as sources for further dispute than as effective and enforceable guidelines as to which imports are permitted.
- Furthermore, while it is clear that parallel import rules must be assessed in light of their sectoral impact, industry or product specific rules should not be made without a clear and unequivocal indication that these are to be preferred to a general rule. Economic research currently available does not justify or support any particular industry or product rule.

### *Preference for existing position*

15.43 The Commission considers on balance that the position under current designs law - allowing parallel imports - should continue. Only a few submissions called for any change to the existing law. It is not clear that the benefits of prohibiting parallel imports would outweigh the potential disadvantages of creating a barrier to free trade. Current restrictions on parallel imports in other areas of intellectual property law are the subject of debate and may well be reduced in the longer term. Introducing a prohibition on parallel imports under designs law would be inconsistent with that longer term trend.

### **Recommendation 163**

**The new designs legislation should continue to prohibit pirate imports but permit parallel imports.**

## Customs power of seizure

### *Current position*

15.44 There is no provision in the current designs legislation to authorise the seizure by Customs of products bearing infringing designs - pirate imports - at the time they are imported into Australia. This is consistent with patent law. However by contrast both copyright and trade mark law authorise Customs to seize imports which infringe copyright or the trade mark owner's rights.

### *The main issues*

15.45 **Border control.** Those in favour of a Customs power of seizure argue that it is an effective anti-piracy provision needed to protect the legitimate interests of intellectual property owners.<sup>1388</sup> They also note that it is anomalous to afford some intellectual property owners, such as copyright and trade mark owners, the possibility of Customs seizure but not others.<sup>1389</sup>

15.46 **Practical implications.** The main argument against a Customs power of seizure is that it is inefficient and impractical, at least for any right other than copyright and trade marks. For example, the Report to the Prime Minister's Science and Engineering Council *The Role of Intellectual Property in Innovation* recommended against the introduction of a system under which Customs would be empowered to seize imported goods that infringe a patent on the ground that the provision would be impracticable. The report concluded that, while it may usually be a relatively straightforward matter to ascertain whether imported goods bore infringing trade marks, where the task is assessing whether imported goods infringe a patent it would be 'quite inappropriate and unrealistic to ask customs officers and non expert government employees to perform such a task'.<sup>1390</sup>

### *Seizure models*

15.47 **Copyright model.** The procedure for Customs seizure set out in the Copyright Act could be used as a model for a Customs power of seizure of imported goods that infringe a design right. Under copyright law

- the owner of the copyright in a published literary, dramatic or musical work gives written notice to Customs stating that he or she is the owner and objects to the importation of copies of the work into Australia during the period specified in the notice
- the seizure power applies to any printed copy of the work made outside Australia the making of which would have constituted an infringement of the copyright in the work if it had been made in Australia by the person who imported it into Australia
- after the notice has been given, it is prohibited to import copies into Australia for (in broad terms) sale, distribution or trade exhibition
- copies, if imported, may be seized as forfeited to the Commonwealth
- subject to various controls, seized copies may be delivered to the copyright owner or to the importer for export from Australia.<sup>1391</sup>

15.48 **Features of copyright model.** Customs is only required to identify 'printed copies' of the copyright work. This is a fairly narrow test and notably does not extend to artistic works, which is the area of overlap with designs. On the other hand, printed copies of work need not actually be infringing copies within the meaning of the Copyright Act s 37 because Customs does not need to check whether the importer knew or ought reasonably to have known that the copies would infringe copyright. It simply needs to check whether they are copies that have been made without the licence of the copyright owner.<sup>1392</sup> The only step required of the copyright owner is a notice to Customs. The copyright owner does not need to obtain a court order or take any other action.

15.49 **Trade marks model.** The seizure provisions in the Trade Marks Act 1955 s 103 adopt a similar model.

- Like the copyright model, it now applies only to pirate imports. Before 1981 it extended to parallel imports as well.
- Like the copyright model, the only step required from the trade mark owner or user is a notice to customs, not any court action or other procedure.
- The procedures following seizure are more detailed than the copyright model and in particular provide for release of the seized goods after a month in certain circumstances if infringement proceedings are not commenced.

15.50 **ACS submission.** The Australian Customs Service has given the Commission another model that addresses some of the practical issues concerning the need for Customs to determine any misapplication of the design.

- Customs would be empowered to detain identified goods where a complainant has obtained an order *ex parte* from a court on the basis that the court is satisfied of a *prima facie* case of infringement of the complainant's design in respect of those goods.
- These orders would only be made where an appropriate undertaking as to damages is given to the importer and to Customs for any costs arising from the detention.
- Being notified of the order, Customs would be required to detain the goods by retaining them under Customs control and not permitting their entry into home consumption. Additionally, Customs would be required to notify the complainant of the goods' detention and to detain them for a specific period pending further order.
- In the absence of a court order obtained by the complainant within a specified period permitting the complainant to take possession of the goods, Customs would be obliged to allow the goods to enter home consumption subject to all other Customs matters being attended to.<sup>1393</sup>

15.51 **Ex parte court order.** The LCA has submitted that the design owner should not be required to obtain an *ex parte* court order before Customs would be compelled to seize the imported articles.

The provision of a system different to that adopted for copyright and trade marks would arguably be inconsistent with Article 51 of the TRIPS Agreement. It would also be unduly cumbersome, time consuming, expensive and impractical. The preparation of an *ex parte* application is notoriously expensive and time consuming. Further, the design owner may not have sufficient notice of the importation to undertake the necessary preparations. In many cases, the importer may decide not to dispute the seizure.<sup>1394</sup>

### ***International obligations***

15.52 Parties to the TRIPS Agreement are required under art 51 to adopt procedures to enable the owner of a copyright or trade mark to apply for the suspension by Customs authorities of the release of goods into free circulation. Parties are enabled but not required to make similar provision in relation to other intellectual property rights. The procedures required under art 51 are similar to those set out in the ACS model outlined above except that they also include time limits. There are no specific requirements to include or to remove seizure powers under CER.

### ***The Commission's view***

15.53 A Customs power of seizure of imports that infringe design rights is likely to be a costly remedy of little practical value. Submissions did not indicate that it was needed. It is not currently required by TRIPS or any international arrangements. In the Commission's view, even given the anomalies with current copyright and trade mark law, it is preferable for a design owner to rely upon the normal remedies for infringement set out in chapter 14.



**Recommendation 164**

**The new designs legislation should not include a power of seizure by Customs of imported goods bearing infringing designs.**

# 16. Spare parts

## Introduction

16.1 Design protection is available under current designs law for new or original designs for spare parts. The Commission has received a number of submissions that call for the protection of designs for spare parts to be excluded or limited.<sup>1395</sup> They have argued that design protection reduces competition in the supply of repair and replacement parts. This adversely affects consumers and excludes potential competitors. Several other submissions asked for the protection of these designs to be maintained, arguing that protection for spare parts designs is necessary as an incentive for manufacturers to invest in design.<sup>1396</sup> This chapter briefly outlines the background to the spare parts issue. It then sets out the recommended procedure and the factors that need to be considered in developing and implementing it.

## Which spare parts are in issue?

### *Types of spare parts*

16.2 *Components of complex products.* The spare parts in issue are individual components of complex products. When a part of a complex product, such as a car, computer, washing machine or aircraft, needs to be replaced, it is often necessary to replace it with a part that is identical or identical in relevant respects.

16.3 *Interconnections.* In some cases, only a small portion of the part needs to be identical, such as the portion that allows the part to interconnect with other parts and the product as a whole. A replacement exhaust pipe, for example, does not have to be completely identical to the original exhaust pipe to function properly but a buyer must be able to connect it to the vehicle. The connection points must therefore be compatible. Current designs law offers design protection for those connection points. This will also be possible under the Commission's recommended design protection regime.

(12) AUSTRALIAN REGISTERED DESIGN  
(19) AU

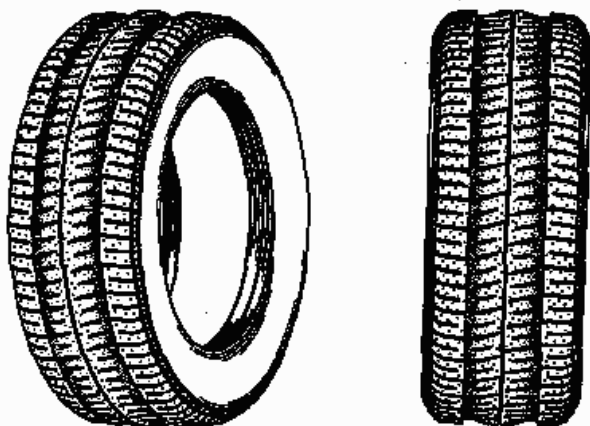
(11) AU-S-122513

(21) Application Number: 1898 / 1984

(54) Article in respect of which the design is registered: A tyre

(57) Statement of Monopoly: Monopoly is claimed in the features of shape and/or configuration of the tread of a tyre as illustrated in the accompanying representations. The same shape and/or configuration of tread is repeated throughout the circumference of the tyre. In considering the extent of the monopoly protection the shape and/or configuration of the side wall of the tyre is to be disregarded.

Statement of Novelty: Novelty is claimed in the features of shape and/or configuration of the tyre tread.



(21) Application Number: 783 / 1993

(54) Article in respect of which the design is registered: Vehicle front fascia

(67) Statement of Monopoly: Monopoly is claimed in the features of shape or configuration of a vehicle front fascia as shown in the representations.

Statement of Novelty: Nil



16.4 **Identical shapes.** In other cases, the shape of the replacement part must be almost identical to enable it to fit into its designated place and to perform its function. A brake pad is an example of this kind of replacement part. The need for an identical part can also go beyond functional requirements. A motor vehicle body panel, for example, is unlikely to be acceptable to the car owner as a replacement part unless its most subtle characteristics of shape and appearance are reproduced identically, regardless of whether a different shaped panel could have been used instead.

16.5 **Must fit and must match.** These kinds of spare parts can be classified in various ways. One commonly used classification is to identify the relevant spare parts as products or parts of a product that

- must fit or connect to another product to enable either product to perform its intended function, usually called 'must-fit' parts, or
- are dependent on the appearance of another product of which the product is intended by the designer to form an integral part, usually called 'must-match' parts.<sup>1397</sup>

#### **Concern about some types only**

16.6 **Not all 'must fit/must match' parts.** Many types of spare parts, in a broader sense, arguably might fall within the must fit or must match categories but are quite different in nature from the car spare parts currently causing concern. They include

- modular furniture
- building block toys (for example lego, meccano)
- tools (for example drill bits)
- hi-fi and other entertainment systems
- building products (for example girders, tiles etc)
- get up and packaging materials
- kits
- sets (for example, a knife and fork).

Submissions and consultations indicate that these types of parts are not in issue.

16.7 **Beyond car parts.** On the other hand, while the issue is currently of concern only in relation to spare parts for cars and mining equipment it is potentially an issue in relation to must fit or must match parts for

any complex product where there is or could be a separate market for repair and replacement parts. In the past spare parts for photocopiers and cash registers have been challenged.<sup>1398</sup> In the future it could apply to other product markets, for example personal computer spare parts and accessories.

**16.8 *Potential to change over time.*** In addition spare parts markets can change over time. A separate market for a spare part may not develop until some time after the market for the product has arisen. Its competitive framework may vary over time as substitutes become more or less available. It may collapse if there are radical changes to the pricing or competitive conditions of the relevant product market. Any anti-competitive effect of a design for a spare part need not be permanent. It may vary with market conditions.

**16.9 *For car parts, it is a recent problem.*** Until recently protection was sought for relatively few automotive spare parts.<sup>1399</sup> Several reasons for the relatively low numbers of automotive spare parts registrations have been suggested.

- Until the 1989 amendments to the Copyright Act, many parts may have been adequately protected by copyright.
- The car industry as a whole was for some time protected from competition by tariffs.
- Until recently it was technically difficult and expensive to reproduce many parts such as panels and doors. Advances in technology now make it easier to reproduce these parts by reverse engineering.
- Car repairs are now commonly carried out by replacing parts rather than by repairing them.

### ***A significant competition issue***

**16.10 *Public interest in spare parts.*** The protection of car spare parts under designs law has generated substantial public interest.<sup>1400</sup> Much of the public debate has focussed on whether protection of spare parts influences the price paid by consumers for spare parts. Consumer groups are concerned about the price and availability of parts and most significantly the differences in price between spare parts manufactured by original equipment manufacturers and spare parts manufactured by others. The key issue is competition. The concern raised about some car spare parts is that if they are protected under the Designs Act no one else will be able to manufacture the part and buyers will have no choice. But for other spare parts the competitive context is quite different and they do not raise the same issues as car spare parts. For some of them the relevant market is not for the part but for the whole product. For others the market for the part is competitive with alternatives readily available.

**16.11 *Economic impact.*** This is a significant economic issue. The market for car spare parts in Australia is large. According to the insurance industry, it amounts to about \$800 million a year.<sup>1401</sup> Equally motor vehicle manufacturing and assembly in Australia is significant for the Australian economy and the effect of changes in design protection on that industry must be taken into account. The potential anti-competitive effect of design protection must therefore be carefully considered.

## **Assessing anti-competitive effect**

### ***Issues in assessing effect***

**16.12 *Complex assessment required.*** The assessment of whether design protection for spare parts has an anti-competitive effect is complex. The starting point is that design protection is intended to be pro-competitive by encouraging competitive innovation. Design protection is intended to overcome market barriers to innovation. However in some markets a product may have so few substitutes that design protection could exclude competition. Determining the effect on competition depends on how the market is defined which is often a complex issue. It is also necessary to identify any further anti-competitive effect design protection can have in non-competitive markets of that kind.

**16.13 *Market power and spare parts designs.*** Those who oppose design protection for car spare parts argue that spare parts designs confer a much higher level of market power than designs generally:

- the spare parts market is separate from the market in which the new car is sold
- demand for motor vehicle parts is not sensitive to price because of the significant disadvantages of not repairing - leaving the car idle and reducing resale value
- consumers do not have good information about spare parts costs when the car is purchased and therefore have difficulty taking them into account in the purchase price of the new car
- given the manufacturers' natural advantages in the spare parts market, lack of competition in the supply of spare parts will result in a captive market with manufacturers being able to over charge on spare parts.<sup>1402</sup>

16.14 ***Are spare parts markets separate?*** A contrary argument is that spare parts designs do not confer any higher level of market power than designs generally because spare parts are not a separate market but merely one part of the new equipment market.<sup>1403</sup> On this view, when a person buys a car, he or she buys a package of goods and services that includes service charges and the cost and availability of spare parts. The price and availability of parts are selling features of a car that can be taken into account at the time of purchase.

16.15 ***Predicting the costs of spare parts.*** However there is disagreement about the extent to which information about spare parts prices is and can be taken into account both in the domestic car industry and in other industries. Domestic car manufacturers sell a significant proportion of their vehicles to fleet owners. Fleet owners take into account information about the cost and availability of parts and service for the life of the vehicles as an important aspect of the negotiations to buy the vehicles. In the mining industry the cost and convenience of repairing and servicing mining equipment is said to be a factor that often determines which of the competing suppliers is preferred.<sup>1404</sup>

16.16 ***Factors influencing prices.*** There is also disagreement about the extent to which design protection influences spare parts prices. Some submissions argue that the prices of parts are high even when their designs are not protected, indicating that intellectual property is not a factor in setting those prices.<sup>1405</sup> Furthermore the issue only relates to the new spare parts market. Second hand spare parts are substitutes and can therefore affect prices. They will only infringe the design if they are manufactured or imported as infringing designs. It is also difficult to distinguish between any increase in spare parts prices resulting from the natural advantages of a manufacturer outlined above and any increase resulting directly from design protection.

### ***Research and submissions***

16.17 ***Industry Commission report.*** Since the release of the Discussion Paper in August 1994 the Industry Commission has published its Draft Report *Vehicle and Recreational Marine Craft Repair and Insurance Industries*.<sup>1406</sup> In that draft report the Industry Commission reviewed competition in the replacement parts market. In relation to motor vehicle replacement parts it commented that

- competition with aftermarket suppliers plays an important role in holding down the price of replacement parts sold by motor vehicle producers
- any free riding on vehicle manufacturers' designs in the absence of design protection is likely to be very small
- none of the vehicle manufacturers claimed that they would engage in substantially less Australian design activity in the absence of design protection.<sup>1407</sup>

16.18 ***Ford and Holden submissions.*** Ford and Holden have both made submissions disputing the Industry Commission's findings and pointing out other economic implications. In particular Holden has commented that

- The high market share that car makers now enjoy for replacement body parts enables the cost of design and tooling to be amortised over a relatively large production run of parts. If non-genuine parts

acquired a larger share of the market the amortisation charge per part would have to be increased. In other words the prices for both new cars and genuine spares would have to rise.

- Free riders will prey on only the most profitable and high volume products. This will affect the efficiency of the distribution system manufacturers must maintain to satisfy consumer demands for availability of parts. Once again, the costs of the distribution system would have to be spread over a smaller volume of parts. Therefore either the price of the parts would need to increase or consumers would suffer reduced availability.<sup>1408</sup>

16.19 **BIE report.** The Bureau of Industry Economics has also published its report on *The Economics of Intellectual Property Rights for Designs* since the release of the Discussion Paper. It reviewed competition in the motor vehicle parts market and concluded that design protection for motor vehicle component parts is inappropriate. It argued that protection should be removed as part of any designs law reform and that not to do so would carry the risk of potentially high social costs.<sup>1409</sup>

### ***Competition issue to be addressed***

16.20 Although the exact effect of design protection on competition in the spare parts market is not clear, the reports of the Industry Commission and the BIE confirm the potential for design registration for car spare parts to have an anti-competitive effect. The issue must be addressed not only for car spare parts but also for any other component parts for complex products that have an anti-competitive effect, either in current circumstances or in the future. This requires a legal solution that addresses the issue in terms of anti-competitive effect.

## **Options for reform**

### ***Various approaches***

16.21 **Discussion Paper options.** The Discussion Paper set out five options for dealing with the spare parts issue. They were:

- retaining the current position, allowing all spare parts designs to be protected without restriction
- totally excluding spare parts from protection under the designs system
- distinguishing between different kinds of spare parts and providing that only some kinds of designs are to be protected
- distinguishing between different industries or different products and protecting designs in only some of them
- allowing protection of all spare parts in principle but taking steps to avoid potential anti-competitive conduct, such as price controls or compulsory licensing.

The Commission's preliminary view in the Discussion Paper was that, in the absence of further economic research or formulation of policy, it was preferable to retain the current position. Given the Industry Commission and BIE research, the Commission no longer considers it acceptable simply to retain the current position. However none of the other options adequately addresses the need to identify anti-competitive effect. A different approach is required.

16.22 **UK and EU approaches.** In some consultations there has been support for the UK and EU approaches. In broad terms since 1988 the *Registered Designs Act 1949* (UK) has excluded 'must fit' and 'must match' designs from registration. The EC proposed Council Regulation for an EU design system excludes 'must fit' designs from registration and limits protection for 'must match' designs to three years. Some of the difficulties with these approaches were discussed in the Discussion Paper.<sup>1410</sup> In the Commission's view it is not sufficient to exclude design protection simply on the basis of product design characteristics, such as 'must fit' or 'must match'. Definitions of that kind are arbitrary, covering categories of spare parts that do not have

any anti-competitive effect. The UK experience is that, where there is not an express competition test, the interpretation of the exclusion is nonetheless affected by market factors. The statutory language develops a technical patina that makes its meaning obscure and increases the scope for confusion and uncertainty.<sup>1411</sup> This is inefficient. It promotes litigation rather than reducing it. A competition test must therefore be included in the exclusion.

16.23 **Existing competition laws.** The Commission has also considered whether existing competition law is sufficient to eliminate anti-competitive design without further provision. Design protection is currently subject to the prohibitions on anti-competitive conduct in the Trade Practices Act except to the extent set out in s51(3). This might be sufficient in principle to prevent an equipment manufacturer taking advantage of its design right to eliminate or substantially damage a competitor. However there is some doubt as to how it applies in practice. In particular exercising a design right will not necessarily involve taking advantage of market power in breach of the Trade Practices Act s 46 even though the effect may be to lessen or eliminate competition.<sup>1412</sup>

### ***Factors to take into account***

16.24 In formulating an appropriate exclusion or test for anti-competitive effect, several factors must be taken into account.

- Most designs will not give rise to any competition issues. In most cases they simply enhance a product and do not define or limit the product market. Those designs should not be subjected to the cost and delay of competition analysis.
- A filtering mechanism, applied by the Registrar of Designs, is essential if design protection is to be cost effective. This will need to separate those designs that need and justify competition analysis from those that do not.
- The filtering mechanism will need to define a category of potentially anti-competitive designs purely by reference to product design characteristics that are evident to the Registrar of Designs from the design application and related documents.
- The category of potentially anti-competitive designs will need to be defined tightly so that competition analysis is strictly limited to those designs that need and justify it.
- The assessment of competitive effect should be undertaken as part of the design registration procedure. This will limit the anti-competitive effect before it arises rather than seeking to address it through the Trade Practices Act after it has arisen.
- To ensure design protection is cost effective the procedure for assessing anti-competitive effect will need to be quick and cheap. A special procedure will be required. Direct application of the prohibition of the Trade Practices Act s46 or similar provisions would be too slow and costly.
- The Registrar of Designs is not equipped to apply a test of anti-competitive effect. The TPC is.

### ***The Commission's view***

16.25 These requirements will best be met if designs are subject to assessment of their anti-competitive effect under a two stage procedure.

- First, the Registrar of Designs should identify whether the design falls within the category of potentially anti-competitive designs, defined by reference to product design characteristics, and if so refer the design to the TPC.
- Second, the TPC should then assess whether the granting of a design right to that design would have the effect, or be likely to have the effect, of substantially lessening competition in a market.<sup>1413</sup>

This approach employs the relevant expertise of both the Registrar of Designs and the TPC in identifying anti-competitive designs. The Registrar's decision acts as the filtering mechanism. The TPC's assessment applies the relevant competition test. Designs identified by the Registrar would be referred to the TPC for expert advice. This creates a streamlined procedure, avoiding the cost and delay of challenges under s 46 of the Trade Practices Act or similar provisions.

### **Recommendation 165**

**The new designs legislation should include a procedure for referral of potentially anti-competitive designs to the TPC.**

## **Stage 1: Identifying potentially anti-competitive designs**

### *Defining the category*

16.26 To make this referral procedure work the category of potentially anti-competitive designs must be defined in a way that

- is not too broad
- is limited to product design characteristics that are able to be identified by the Registrar from the design application and related documents
- does not involve a competition test
- uses criteria that are as objectively verifiable as possible.

### *Features of component parts for complex products*

16.27 **General observations.** The UK and EU experience and information in submissions and other material indicate that design protection is likely to have an anti-competitive effect where:

- the design is of a spare part sold for the repair of a product that is durable, likely to require repair during its expected life, and assembled from many component parts
- the spare part is manufactured by or under licence from the product manufacturer or importer.

16.28 **Natural monopoly.** Those factors are likely to create a natural monopoly in the spare part in favour of the product manufacturer or importer. If there is no ready substitute for that spare part or if, with design registration, there would not be, and accurate information on its availability and price is not available in cost-effective form at the time of purchase of the product, then there is likely to be a captive market for the spare part that will allow monopoly profit taking. Those factors should therefore define an appropriate category of designs for referral to the TPC for assessment of the competitive effect.

### **Recommendation 166**

**A design should be referred to the TPC where**

- **the design is a design of a component part**
- **the component part is to be used to repair a product that is**
  - **durable**
  - **likely to require repair during its expected life and**
  - **assembled from many component parts**
- **the component part is manufactured by or under licence from the product manufacturer or importer.**



## *Applying the approach*

16.29 **Definition.** Component part would need to be defined to exclude in concept modular parts, kits and sets. The other types of potential spare parts listed in paragraph 16.6 are not used to 'repair' a product and therefore should not need to be expressly excluded.

16.30 **Information required for Registrar's decision.** The Registrar of Designs would determine whether a design falls within that category of designs on the basis of information provided by the applicant and the Registrar's own knowledge of the component part and product. The Registrar should be entitled to require relevant information from the applicant for this purpose and to rely without further inquiry on the applicant's statements as to whether the component part is manufactured by or under licence from the product manufacturer or importer. To enable the Registrar to rely upon these statements they should be made in the form of a statutory declaration.

16.31 **Elements in Registrar's decision.** In deciding whether or not to refer a design to the TPC the Registrar must determine a number of issues. These issues are framed in a way that will enable the Registrar to apply the category flexibly to the core concept of spare parts for the repair of complex products.

- First, the Registrar must determine whether the product is durable. 'Durable' is used in the sense of durable consumer goods, but the category is not limited to consumer goods. This allows it to cover commercial goods such as mining equipment. 'Durable' contrasts with perishable or disposable goods. These are unlikely to require repair.
- Second, the Registrar must determine whether the product is one that is likely to require repair during its expected life. 'Likely to require repair' requires an assessment of whether the product is being designed for a use that will or is likely to involve wear and tear or the risk of damage. If so and the product is designed to allow the product's life to be extended by repair or replacement parts, then the product can be considered 'likely to require repair'. Information about whether repair or replacement parts are being or are expected to be manufactured and distributed will be relevant to this issue.
- Third, the Registrar must determine whether the product is composed of many component parts. 'Many component parts' is intended to restrict the category to complex products or larger assemblies without attracting debate over ambiguities such as whether 'complex' means sophisticated or advanced technology and whether 'larger assemblies' refers to the way the product is manufactured.

The language suggested in the proposal should allow the category to extend to developments in products and technology as they occur but also limit the Registrar's assessment to objective, observable criteria.

## **Stage 2: TPC assessment of anti-competitive effect**

### *Trade Practices Act models*

16.32 **Section 50.** In formulating the competition test an initial question is what type of competition analysis the TPC should apply in its assessment of the competitive effect of the design. The concern in relation to automotive spare parts is that the grant of design protection will prevent or hinder competition. If the grant of design protection to a corporate applicant were considered to be an acquisition of an asset by that corporation, the issue could fall squarely within the Trade Practices Act s 50. Section 50(1) provides that a corporation must not directly or indirectly acquire any assets of a person if the acquisition would have the effect, or be likely to have the effect, of substantially lessening competition in a market. The type of analysis undertaken for s 50 would therefore be appropriate for assessing the anti-competitive effect of granting particular design rights.

16.33 **Section 46.** Section 46 of the Trade Practices Act is an alternative model. In broad terms it provides that a corporation that has a substantial degree of power in a market shall not take advantage of that power for the purpose of eliminating or substantially damaging a competitor or a related body corporate, preventing the entry of any person, or deterring or preventing a person from engaging in competitive conduct, in that or any other market. This model could also be appropriate but it involves further elements, for example 'taking

advantage' of market power for a proscribed purpose, and is therefore a more cumbersome test. To ensure that the test is practical it must be kept as streamlined as possible.

16.34 **TPC report.** The assessment by the TPC should take the form of a report in which it advised whether, in its opinion, the grant of the design right to the applicant, by registration of the design in favour of the applicant,

- (1) would constitute a contravention of s 50 of the Trade Practices Act if the grant of that design right were the acquisition by the applicant of an asset of a person, and
- (2) would not have been authorised under s 88 of that Act if the applicant had applied for an authorisation.

This approach is modelled on the *Broadcasting Services Act 1992*, s 96 and s 97.

16.35 **Determination of market and market power.** This approach will require the TPC to determine the relevant market using the principles of substitutability in the Trade Practices Act s 4E. It will therefore need to address directly the various arguments about the market power of spare parts designs canvassed above. The level of market power required is high because s 50 only applies to substantial markets. It would be possible to reduce the required level of market power by directing the TPC to consider the competitive effect on all markets, not just substantial markets. However this would be inconsistent with current competition policy expressed in the Trade Practices Act.

#### **Recommendation 167**

**To determine whether a design is anti-competitive the TPC should determine whether, in its opinion, the grant of the design right in favour of the applicant**

- would constitute a contravention of s 50 of the Trade Practices Act if the grant of that design right were the acquisition by the applicant of an asset of a person and
- would not have been authorised under s 88 of that Act if the applicant had applied for an authorisation.

#### ***Consequences flowing from the TPC opinion***

16.36 **Registration denied or conditional.** The TPC may decide that in the circumstances the registration would contravene of the Trade Practices Act s 50 and would not have been authorised. The design should not then be registrable. If the registration would have been authorised if certain conditions acceptable to the Registrar of Designs were met, and the applicant gives a written undertaking to the Registrar of Designs to comply with those conditions, the design should be registrable.

16.37 **Enforceable conditions.** A provision equivalent to the Trade Practices Act s 87B should be included in the designs legislation to make an undertaking by the applicant enforceable. That provision should make the undertaking binding on all assignees and successors in title to the design right. The conditions should be recorded by the Registrar on a public register of undertakings.

16.38 **Settling the conditions.** The referral procedure should allow the TPC and the Registrar to discuss acceptable conditions with the applicant to enable a flexible application of the designs legislation. Any conditions would need to be easily monitored and enforced by the Registrar. For this purpose the types of conditions that are acceptable may not be of the same kind as the TPC currently accepts for the purposes of s 87B. They may be more limited. These conditions would be developed through informal consultations between the TPC and the Registrar. The TPC's report would only refer to conditions that had been agreed with the Registrar. It would not be necessary therefore for the Registrar formally to accept or reject any conditions.

## Recommendation 168

Where the TPC determines that the grant of a design right would be anti-competitive that design should not be registrable unless

- the TPC and the Registrar of Designs agree upon conditions to apply to the exercise of the design right
- in the TPC's opinion the grant of the design right would have been authorised under s 88 of the Trade Practices Act if those conditions were met and
- gives the Registrar of Designs a written undertaking to comply with those conditions.

## Procedural aspects

### *Initiating and aggregating referrals*

16.39 **Initiation of referral procedure.** The Registrar of Designs will not be required or authorised to determine whether a design falls into the category of designs to be referred to the TPC unless the applicant requests the Registrar to do so or the registration of the design is opposed. This will act as a further filter on the number of designs referred to the TPC.

16.40 **Multiple referrals.** To assist the TPC's analysis and as a further limit on the number of referrals, the Registrar should be able to refer more than one design for consideration in a single report and to ask the TPC to advise in a single report on a category of designs of which the particular design in question is one instance. This power should only be exercised with the TPC's agreement. For example, if the Registrar decided to refer to the TPC a design of a particular car manufacturer's bumper bar, the Registrar could ask the TPC to advise on all designs for that manufacturer's spare parts or all designs for automotive crash repair parts.

16.41 **Referral only at substantive examination stage.** The registration procedure is based on formal examination. Substantive examination is only undertaken in limited cases.<sup>1414</sup> As the referral procedure will only be initiated upon opposition or upon request from the applicant, the Registrar should only need to assess whether a design falls within the category of potentially anti-competitive designs as part of a substantive examination. Formally, if the TPC advises that the registration would contravene s 50 and would not be authorised, the design would need to be removed from the register.<sup>1415</sup>

16.42 **Prospective only.** The referral procedure should only apply to designs set out in design applications made after the new legislation comes into effect. It should not affect existing property rights.

16.43 **Time limits.** The TPC should be required to give its opinion within 30 days of being requested for its report. A provision similar to s 90 (10A) of the Trade Practices Act should be included to allow the 30 day period to be increased while the TPC is waiting for the applicant to provide additional information requested in writing by the TPC.

### *Disputes and review*

16.44 **Registrar's decision to refer.** The scope for disputes over the Registrar's decision to refer or not to refer a design to the TPC should be limited. The elements in the category that are to be independently assessed by the Registrar are defined by reference to the characteristics of the component part and product. They do not require an assessment of competition or market issues. Nonetheless the Registrar's decision should be reviewable by the AAT as part of the normal review procedures.<sup>1416</sup> <sup>22</sup> The Registrar will be consulted on the conditions of any undertaking by the applicant suggested by the TPC in its report. However the Registrar will not formally accept or reject those conditions and therefore the Registrar will not make any decision on those conditions that can or should be subject to review.

16.45 **TPC opinion.** The TPC's opinion should be reviewable by the Trade Practices Tribunal on the same basis that s 88 authorisations are currently reviewable. This would require amendment of Part IX of the Trade Practices Act.

## Recommendation 169

- The referral procedure should be initiated only upon request from the applicant or where registration of the design is opposed.
- The Registrar should be entitled to require the applicant to provide relevant information in the form of a statutory declaration.
- The Registrar should be entitled to rely without further enquiry on the applicant's statements as to whether the component part is manufactured by or under licence from the product manufacturer or importer.
- The Registrar should maintain a public register of undertakings given by applicants under the referral procedure.
- A provision similar to s 87B of the Trade Practices Act 1974 should be included in the designs legislation, making such undertakings enforceable against the applicant and any assignee or successor-in-title to the design right.
- The Registrar should have the power, exercisable only with the TPC's agreement,
  - to refer more than one design for consideration in a single TPC report,
  - to ask the TPC to advise in a single report on a category of designs of which the particular design in question is one instance.
- The TPC should be required to give its opinion within 30 days of being requested for its report, excluding any period during which the TPC is waiting for the applicant to provide additional requested information.
- The Registrar's decision to refer or not to refer a design to the TPC should be reviewable by the AAT.
- The TPC's opinion should be reviewable by the Trade Practices Tribunal.
- The referral procedure should only apply to designs set out in design applications made after the new legislation comes into effect.

## Impact of proposed reform

### *Law*

16.46 *Consistency with competition policy.* The referral procedure does not substantially change the existing relationship between designs law and the Trade Practices Act. The exercise of a design right is already subject to s 46. It is not clear whether the grant of a design right is subject to s 50 - the implication of s 51(3) is that it is not. Nonetheless, even if this is an extension of competition jurisprudence, it is a minor extension and consistent with the underlying economic rationale of both the designs legislation and the Trade Practices Act. No amendments will need be made to the Trade Practices Act, except for review by the Trade Practices Tribunal, because the referral procedure does not require s 50 to apply to the grant of the design right. It simply uses s 50 as a model for the competition test to be applied. This enables the referral procedure to be dealt with within the designs legislation but to borrow the competition jurisprudence and the expertise of the TPC from the Trade Practices Act.

## ***Resources***

16.47 The referral procedure will increase the administrative resources required by the Registrar of Designs and the TPC since it will require them to consider an issue - anti-competitive effect - that was not previously considered as part of the registration procedure. However this extra cost should be outweighed by the benefit of better defined design protection with reduced risk of over or under protection. The procedure is also likely to be less costly in terms of disputes and registration costs than any other option canvassed in the Discussion Paper or this report.

# 17. Design/copyright overlap

## Introduction

17.1 This chapter recommends reform of the area of overlap between designs and copyright protection. It will first describe the current overlap provisions in s 74-77 of the Copyright Act. It recommends that s 74-77 should be replaced by an adaptation right for owners of artistic works, with continued copyright protection for works of artistic craftsmanship, buildings and models of buildings. The chapter then sets out the alternative option for reform of the existing overlap provisions and insertion of transition provisions to clarify the law. Finally it explains why these recommendations are preferred to other options for reform.

## What is the design/copyright overlap?

### *Applying an artistic work*

17.2 The design/copyright overlap means that some works may be registrable under the Designs Act as 'designs' and also protected by the Copyright Act as 'artistic works'. An 'artistic work' under the Copyright Act includes paintings, drawings, sculptures, engravings, buildings and works of artistic craftsmanship. A 'design' under the Designs Act means features of pattern, ornamentation, shape or configuration applicable to an article. A drawing which is an artistic work, when applied to an article as a design, has the possibility of dual protection under copyright and designs law. This is the design/copyright overlap. The application of an artistic work to an article as a design will infringe copyright in that work because it is a reproduction of that work in a material form, in the absence of any statutory provisions preventing this.<sup>1417</sup> Sections 74-77 of the Copyright Act are designed to prevent this overlap.

### *Need for reform*

17.3 There is an unacceptable degree of confusion surrounding the designs/copyright overlap. The Commission was advised that even design professionals have expressed difficulties in advising clients as to whether a design has been 'applied to the surface' of an article or whether it comprises a 'work of artistic craftsmanship'.<sup>1418</sup> The textile industry in particular has expressed concern about protection given to designs applied not to the surface of a fabric but forming part of the material itself.<sup>1419</sup> Problems arise when copyright in a work is indirectly infringed by copying a non-protected article derived from it.<sup>1420</sup> The Victorian Employers' Chamber of Commerce & Industry submitted that the overlap sections added significantly to the business community's costs of obtaining advice and argued that the 'highest priority should be given to removing the ambiguity and confusion in this area'.<sup>1421</sup> The terms of reference require the Commission to recommend ways to remove the difficulties that have arisen. The aim is to provide designers, manufacturers and legal practitioners with clear and simple guidelines for copyright and design protection.

### *CLRC review of the Copyright Act*

17.4 The CLRC has been given a reference to conduct a detailed inquiry into the Copyright Act.<sup>1422</sup> The inquiry will consider which categories of material should be eligible for copyright protection and the need to simplify the structure and wording of the Act to remove ambiguity and inconsistencies. The Committee will also consider the effect of copyright on other intellectual property regimes.

### *Copyright Act s 74-77*

17.5 **Rationale of the overlap provisions.** Sections 74-77 were inserted into the Copyright Act in 1989 to limit the design/copyright overlap.<sup>1423</sup> The Explanatory Memorandum to the 1988 Bill states that the provisions were intended to remove copyright protection for essentially industrial products and eliminate the uncertainty and inequity caused by the overlap. The Government's policy in 1989 was to make a fundamental distinction between different uses of artistic works.<sup>1424</sup> The problem that the overlap provisions were designed to address was the perceived excess of copyright protection for industrial products. Copyright protection is considered inappropriate for certain technological developments.<sup>1425</sup> It is argued that copyright protection for 'derivative reproductions' of artistic works is too long.<sup>1426</sup> Copyright and designs protection are essentially different in nature and scope. In particular, copyright protection is given for a longer term than for

designs and is obtained without formalities. It is also automatically acquired in all countries party to the Berne Convention<sup>1427</sup> and has a broader range of remedies available. Copyright is not registered and its existence and ownership may be difficult to discover, particularly where publication has occurred overseas. The undesirable result is that copyright, when applied to industrial products, may hinder the manufacturing and design industry.

**17.6 Operation of current overlap provisions.** Sections 74-77 provide a defence to a copyright infringement action by providing that some uses of an artistic work do not infringe copyright in that work.<sup>1428</sup> In summary, s 74 defines 'corresponding design', s 75 removes copyright protection when a corresponding design is registered under the Designs Act, s 76 applies where a design has been falsely registered and s 77 provides a defence to copyright infringement where an artistic work has been industrially applied but not registered as a design or is not registrable. The possibility of dual protection is limited to two-dimensional or surface designs. Works of artistic craftsmanship, buildings and models of buildings also retain copyright protection but only if they are not registered as designs. Strictly therefore they do not receive dual protection. The effects of s 74-77 are as follows:

- Two-dimensional designs continue to receive copyright protection as artistic works under the Copyright Act when applied as surface designs to articles, to the extent that those design features reproduce the artistic works. If the design is also registered under the Designs Act then dual protection is given.
- The copyright in a two-dimensional artistic work continues to be infringed by a two-dimensional copy of that work made in the course of industrial application, that is, 'plan-to-plan copying'.<sup>1429</sup>
- Three-dimensional articles retain copyright protection only if they are works of artistic craftsmanship or buildings or models of buildings. However copyright protection is lost if these items are registered as designs.
- In other cases, copyright protection for artistic works applied as three-dimensional designs is effectively forfeited if the corresponding design is commercially produced.

**17.7 The distinction between two and three dimensions.** The right to copyright and design protection for an article need not be linked to whether it has two or three dimensions. However designs applied to the surface of products usually have an aesthetic purpose, while designs applied as the shape of products usually have an industrial purpose. The dimensional criterion is also said to be objective and reasonably certain.<sup>1430</sup> The 'rough justice' of the distinction has largely achieved the policy objective of s 74-77. The widely accepted policy is that artistic works that have been applied as three-dimensional designs should generally be denied copyright. It is also accepted that artistic works that have been commercially exploited in basically two-dimensional form should continue to receive copyright protection as artistic works.<sup>1431</sup> The Commission supports the policy underlying s 74-77 and the level of that protection. However the amendments effected by s 74-77 have proved uncertain in operation and need simplification and legal clarification. The CLRC will also examine the effect of the amendments in the course of its copyright inquiry.

### ***Options for reform***

**17.8** Four options were outlined in the Discussion Paper to address the concerns underlying the rationale of s 74-77 and solve the problems that have arisen in their application.

- Option 1 - full copyright protection for artistic works industrially applied as designs - the Copyright Act s 74-77 would be repealed and dual copyright and design protection would be permitted for all two and three dimensional designs
- Option 2 - retain existing s 74-77 with modifications to clarify existing policy
- Option 3 - remove full copyright protection for artistic works commercially exploited in two dimensions by limiting the term of copyright
- Option 4 - repeal the Copyright Act s 74-77 and s 21(3) and introduce an adaptation right for artistic works into the Copyright Act.

The Commission considered many detailed submissions for reform of the overlap provisions, including the recommendations of the Lahore committee. Option 4 is recommended as the preferred reform. Option 2 is proposed as an alternative if the recommended option is not adopted.

## **Recommended reform of design/copyright overlap**

### ***An adaptation right for artistic works***

17.9 **Option 4.** The Commission considers that the current uncertainty surrounding the overlap provisions is best overcome by repealing the Copyright Act s 74-77 and s 21(3). The broad aim of those sections is preserved by introducing an adaptation right for owners of artistic works.<sup>1432</sup> The adaptation right gives the copyright owner the right to industrially apply a version of the copyright work that is itself an artistic work in three dimensions. The adaptation right should also apply in relation to two-dimensional versions of three-dimensional artistic works.<sup>1433</sup> The amendment would preserve copyright for all artistic works as presently defined but would exclude protection for all three-dimensional products that were not sculptures, works of artistic craftsmanship or buildings or models of buildings. For example, a sculpture made from a drawing of a sculpture would infringe copyright but a pump made from an engineering drawing would not. 'Adaptation' is already defined in the Copyright Act in relation to the existing adaptation rights for literary and musical works.<sup>1434</sup> The effect will be to reserve copyright for artistic works while more functional products receive only designs protection. The adaptation right will have the effect of removing copyright for those functional products whether or not the design is registered or registrable.<sup>1435</sup> The Designs Act s 17A would continue to enable copyright owners to seek design protection without any loss of novelty caused by publication of the copyright work and to take action against infringement once the design was registered.

17.10 **Replacement of the Copyright Act s 21(3).** The current s 21(3) provides that an artistic work in a two-dimensional form is deemed to have been reproduced if a three-dimensional version of the work is produced. For example, copyright in a drawing is infringed by the creation of articles that are illustrated in it. It should be repealed.

17.11 **Support for an adaptation right.** The Commission's consultations indicated that most people had difficulty in understanding Copyright Act s 74-77. The adaptation right is clear and simple and does not introduce any additional layer of protection. Importantly, it preserves the existing policy of copyright protection for two-dimensional artistic works industrially applied. It does not alter the current provision for works of artistic craftsmanship and buildings and models of buildings. This option received wide support in the Commission's consultations.<sup>1436</sup> The IPAA suggested that three-dimensional versions of articles illustrated in engineering drawings and prototypes that were intended for three-dimensional production should not infringe copyright.<sup>1437</sup> It suggested that three-dimensional versions of artistic works that were not intended to provide a plan for three-dimensional production should continue to infringe copyright.<sup>1438</sup> The LCA submitted that commercially exploited three-dimensional articles should not receive copyright protection merely because they are three-dimensional versions of drawings or plans that are protected by copyright.<sup>1439</sup> Ricketson has recommended that copying three-dimensional products derived from artistic works should be a matter for designs protection, not copyright.<sup>1440</sup>

17.12 **Contrary views.** There are views that copyright owners should have exclusive rights over all uses of their artistic works. The LCA submitted that owners should not lose copyright protection until they cease to use their copyright works as artistic works and they begin commercial exploitation of those works as designs. The ACC stated that it would be inequitable if copyright owners, who had not registered or industrially applied a corresponding design, had no rights against a person who manufactured functional articles based on the copyright owner's artistic work.<sup>1441</sup> However the Commission does not perceive that the alternative, the arbitrary test of 'industrial application' in the Copyright Act s 77(4), is any more equitable. There is no equity or logic in providing that copyright in all cases should be effectively lost upon manufacture of an arbitrary number of products.<sup>1442</sup> The concept of 'industrial application' is discussed below.<sup>1443</sup>

17.13 **Policy of design/copyright.** The preferred view is that copyright is inappropriate to prevent more than copying the drawing. For example, using copyright in a drawing of a pump to prevent the pump's manufacture. The question is whether it is appropriate and equitable to deny copyright protection where what has been copied is not an artistic work but a design. The answer is yes. Copyright in the plan of a pump



should not attach to the pump itself. Copyright should not be used to control marketing and merchandising of products.<sup>1444</sup> The obligation should be on the copyright owner to register the design. This accords with the Government's policy underlying the 1989 amendments to the Copyright Act.<sup>1445</sup>

17.14 **Remaining gap in protection.** Unfortunately the adaptation right will not cover a gap in protection described in *Glamagard Pty Ltd v Enderslea Productions Pty Ltd*.<sup>1446</sup> Copyright protection is withdrawn from works that are not 'artistic works' at the time of industrial application. If the owner commences production of the design and then applies for registration of the design, there may be a substantial period of time before the article is registered and receives design protection. During this time the work will not receive any protection. Even if the copyright owner applies for design registration immediately upon industrialisation, a period of six months must elapse before the design may be registered. The design owner will not be able to sue for infringing acts that occurred during this period or at any time prior to registration.<sup>1447</sup> This gap may only be addressed by a pre-registration period of protection, a form of UDR or the concept of unfair copying discussed in chapter 2. A separate gap exists in relation to protection of designs that have lost copyright protection as a result of being industrialised but which are unregistrable because they do not fit within the definition of 'design' under the Designs Act or are not new or original.<sup>1448</sup>

### Recommendation 170

**The Copyright Act s 74-77 and s 21(3) should be repealed and an adaptation right should be introduced for artistic works. It should be expressly provided that it is not a reproduction of a work in a two-dimensional form to make a version of the work in a three-dimensional form.**

### Plan-to-plan copying

17.15 **Copying incidental to industrial application.** 'Plan-to-plan copying' arises where an artistic work, such as a design drawing or plan, is reproduced by a drawing or plan being made in the course of the industrial application of the design. This 'plan-to-plan' copying is often essential in making the product. If the plan substantially reproduces the artistic work it will infringe copyright in it.<sup>1449</sup> The IPAA stated that

The essential problem is that whilst it may be permissible to reproduce in three dimensions the artistic work for purposes of industrial application, it is not permissible to produce either a plan or drawing of the article, or possibly a mould from which the article is made. Unless these actions are permissible, the whole purpose of avoiding dual protection for three dimensional articles is null and void.<sup>1450</sup>

The mould referred to by IPAA will not infringe copyright because it is not an 'artistic work' subject of the recommended adaptation right. However an accurate drawing made in the course of manufacture will reproduce the original artistic work so as to infringe copyright in it.<sup>1451</sup> This has resulted in the over-extension of copyright protection to functional articles which should not receive copyright protection in their own right, as in *Amalgamated Mining Services Pty Ltd v Warman International Ltd*.<sup>1452</sup> The legislation should provide that the indirect reproduction of an artistic work in the course of and incidental to non-infringing industrial application does not infringe copyright in that artistic work. It should remain an infringement to copy the drawing directly. The intention should be to ensure that copyright protection does not frustrate the manufacture of goods that should be protected as designs.<sup>1453</sup>

17.16 **Advertising and publications representing the product.** A related problem arises when an artistic work industrially applied in a three-dimensional article is subsequently reproduced or pictured in a two-dimensional form. A sketch or photograph of the manufactured product in an advertisement or catalogue will infringe copyright in the original artistic work. This indirect reproduction of the artistic work in the course of industrial application should not infringe copyright in it.

## Recommendation 171

The Copyright Act should be amended to include as a non-infringing act the incidental reproduction of the artistic work in two-dimensions in the course of or for the purposes of industrial application.

### *Character merchandising*

17.17 'Character merchandising' refers to the marketing of products based on or derived from two-dimensional characters such as those created in cartoon strips, books or films. IPAA submitted that drawn characters, such as in cartoon strips, should continue to enjoy copyright protection when produced in three dimensions provided that industrial application was not authorised.<sup>1454</sup> The Commission considers that character merchandising does not require special provision and can be adequately protected by the Commission's recommended reform. Characters applied to articles in two-dimensions will continue to be protected by copyright. Under the adaptation right, three-dimensional artistic works will also continue to receive copyright protection. The articles of three-dimensional merchandise which are not artistic works may form the subject of a multiple application for registration as designs.<sup>1455</sup>

#### (12) AUSTRALIAN REGISTERED DESIGN

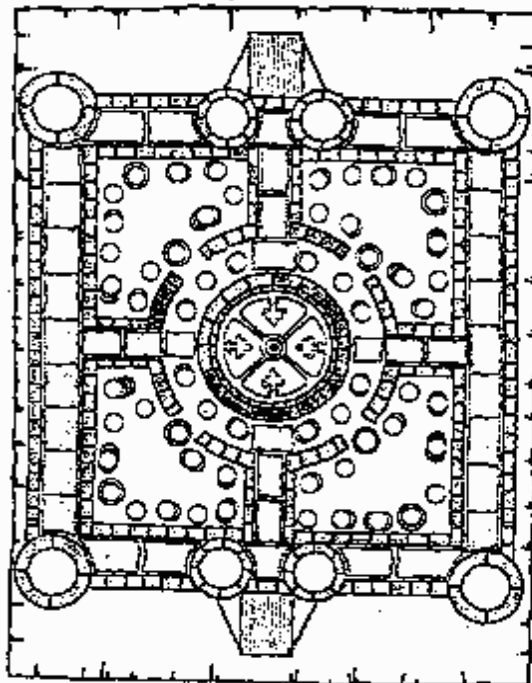
(11) AU-S-114302

(21) Application Number: 3204 / 91

(54) Article in respect of which the design is registered: A GAME PLAYING BOARD

(57) Statement of Monopoly: Monopoly is claimed in the features of pattern and ornamentation of a game playing board as illustrated in the drawings.

Statement of Novelty: Nil



Under both the proposed adaptation right and the current Copyright Act s 74-77, the illustrated registered design for a game playing board would retain dual design and copyright protection. The original drawing for the playing board is an artistic work which receives copyright protection. The playing board is registered as a design and may be industrially applied, but retains copyright because the playing board as produced is itself an artistic work.

## Categories exempt from the loss of copyright

### Continued exemptions from s 77

17.18 Under s 77 copyright protection for functional articles is withdrawn where design protection overlaps. However under s 77(1) works of artistic craftsmanship, buildings and models of buildings are exempted from loss of copyright protection. Three-dimensional reproductions of these specified works will therefore infringe the copyright. It is a defence to infringement of these works if a corresponding design is registered under the Designs Act.<sup>1456</sup> An 'artistic work' is defined by the Copyright Act s 10(1) as

- (a) a painting, sculpture, drawing, engraving or photograph, whether the work is of artistic quality or not;
- (b) a building or model of a building, whether the building or model is of artistic quality or not; or
- (c) a work of artistic craftsmanship to which neither of the last two preceding paragraphs applies.

The effect of this design/copyright overlap on works of artistic craftsmanship and buildings and models of buildings needs to be considered so that the impact of the Commission's recommended reforms can be assessed.

### *Works of artistic craftsmanship*

17.19 **What is a 'work of artistic craftsmanship'?** There is currently no clear definition of a 'work of artistic craftsmanship'. It is a composite term referring to the process of creation of the work and including notions of artistic quality and aesthetic appeal. The Lahore report described these works as 'the visual arts and crafts'.<sup>1457</sup> The Commission has considered the nature of its preferred definition, discussed in the following paragraphs.

17.20 **Dual protection for works of artistic craftsmanship.** The Commission recommends, on the basis of wide support, that works of artistic craftsmanship continue to receive copyright protection upon industrial application.<sup>1458</sup> There is a need to identify this category of works because the Copyright Act does not distinguish protection on the basis of artistic merit.<sup>1459</sup> However there is a view that craft is not properly part of the concept of design.<sup>1460</sup> The LCA did not consider it justified to exclude these works from loss of copyright under s 77, partly because under s 75 they would not be exempt from loss of protection if registered and because of the uncertainty of definition. The LCA suggested, that if the exemption is retained for works of artistic craftsmanship, retention of copyright should be conditional upon a certificate identifying the work being deposited with AIPO.

17.21 **ACC view.** The ACC considers that works of artistic craftsmanship should not be excluded from copyright protection under any overlap provisions. The ACC objects, as contrary to Government policy, to any reduction in the rights of owners of works of artistic craftsmanship.<sup>1461</sup> It has argued that craftspeople are unlikely to be aware of the designs overlap and unlikely to have the means to register their works. The process of craft work is likely to result in multiple copies being made that would qualify as 'industrial application' of a corresponding design, with consequent loss of copyright protection unless exempted. The Commission agrees that works of artistic craftsmanship should be retained as a category of copyright protected works.

### *Definition of 'artistic craftsmanship'*

17.22 **Need for clear guidance.** A definition of 'artistic craftsmanship' should be included in the Copyright Act. The Commission received strong calls for a clear statutory definition of the term.<sup>1462</sup> The current uncertainty has made it difficult for the courts to provide guidance to craft workers and competitors who need to know whether or not a product is derived from a copyright protected work. Clarifying the term will help the courts to apply the adaptation right recommended by the Commission.

17.23 **Requirement of aesthetic or artistic quality.** It is difficult for the court to objectively apply an aesthetic test in defining works of artistic craftsmanship, particularly where they are utilitarian or mass produced.<sup>1463</sup> The emphasis is primarily on the intention of the author creating the work rather than on the

objective merit of the work. If the objective test cannot be clearly applied, then the creator's intention becomes relevant. The courts have developed tests.

The true test, I think, is whether the author, in making the article in which the copyright is alleged to subsist, was applying his skill and taste to its production with the main object of creating an article which, even if it be utilitarian, nevertheless would have a substantial appeal to the aesthetic tastes of those who observe it.<sup>1464</sup>

The New Zealand High Court has described works of 'artistic craftsmanship' as made by craftsmen and artists, not necessarily being the same person in each case but in a joint effort. Craftsmen make objects using their skill, experience and effort and with pride in their workmanship, while artists use creative ability to produce objects with aesthetic appeal. The Court applied an objective test of 'sufficient' artistic quality.

That is not to make the Court an arbiter in comparative terms of the merits of an allegedly artistic product. It simply recognises that for a work to be one of artistic craftsmanship it must, in my judgement, have some artistic quality.<sup>1465</sup>

**17.24 Suggested definition.** The IPAA submitted that

a work of artistic craftsmanship is a manifestation in either two or three dimensions of the creative efforts of a craftsman author, which manifestation has substantial artistic merit.<sup>1466</sup>

The Commission sees advantages in a definition of 'artistic craftsmanship' directed to the creative work of craftsmanship rather than to any criterion of artistic quality or merit. There should be no criterion of artistic merit that would involve the court in a subjective judgement of artistic quality. There should be no distinction based on the method or reproduction of the work, whether by hand or machine. The CLRC copyright inquiry may consider reform of the description of artistic craftsmanship as a category of protected works.

**17.25 Clarification of copyright legislation.** The Copyright Act should clarify that a work can be both a work of 'artistic craftsmanship' and an artistic work under s 10(1)(a) and (b).<sup>1467</sup> For example, a sculpture is both an artistic work and arguably a work of artistic craftsmanship and so should be entitled to retain copyright after industrial production in the same way as pottery. Watermark submitted that there is no rational distinction between sculpture, to which the overlap provisions do apply, and works of artistic craftsmanship, which are exempt.<sup>1468</sup> However the LCA submitted that there is no justification for distinguishing between artistic works which qualify under judicial criteria as 'works of artistic craftsmanship' simply on the basis that the artistic work is also included in s 10(1)(a) of the definition of 'artistic work'.<sup>1469</sup>

## **Recommendation 172**

**Works of artistic craftsmanship produced in multiple quantities should continue to be protected by copyright. 'Artistic craftsmanship' should be defined in the Copyright Act. The Copyright Act should make clear that a work can be both a work of 'artistic craftsmanship' and an artistic work under s 10(1)(a) and (b).**

### ***Buildings and models of buildings***

**17.26 Dual protection for buildings and models of buildings.** Buildings and models of buildings should continue to be exempt from loss of copyright protection under s 77.<sup>1470</sup> The Lahore report recommended that architectural and building designs for housing that are industrially applied and not registrable for designs protection should retain full copyright protection.<sup>1471</sup> The Commission agrees with the Lahore committee finding that small portable buildings and other 'structural articles', that are registrable under the Designs Act should not receive copyright protection.<sup>1472</sup>

**17.27 Why protect buildings?** There is wide support for continued copyright protection for buildings and models.<sup>1473</sup> The Australian Council of Building Design Professionals stated that architectural and engineering design is a difficult art that involves 'a great deal of intellectual energy to arrive at a successful result' and deserves the same copyright protection as literature and music.<sup>1474</sup> However the Commission recommends that buildings and other structural articles that can be protected as designs should not also receive copyright

protection. The ACC supports this exclusion for registrable structures.<sup>1475</sup> The LCA, however, could not justify copyright protection of any buildings or models industrially applied, whether registrable or not.<sup>1476</sup>

17.28 **Berne Convention requirements.** Australia is required to provide copyright protection for 'works of architecture' under the Berne Convention.<sup>1477</sup> The ACC considers that the s 77 defence to copyright infringement for works of architecture may not comply with the Berne obligation. The Council stated that if the reference to a 'building' is removed from s 77, it may be necessary to provide that making models of a building is deemed not to be an 'industrial application' and so will continue to infringe copyright.<sup>1478</sup> The Commission considers that Australian protection for buildings meets the requirements under the Berne Convention.

### Recommendation 173

**The exemption for building and models of buildings from the effect of s 77 should continue. In accordance with the Lahore report recommendation it should be made clear that structural articles, such as small portable buildings, registrable under the Designs Act should not receive copyright protection.**

## Alternative option to modify existing provisions

### *Retain existing overlap provisions with modifications*

17.29 The second option for reform is to retain the present overlap sections, with amendments necessary to clarify the policy of denying copyright protection for some artistic works applied industrially as designs. Works of artistic craftsmanship, buildings and models of buildings retain copyright protection despite industrialisation. This option is the preferred alternative should the federal government not adopt the Commission's recommended adaptation right. This section discusses the amendments necessary to implement this option.

### Recommendation 174

**If the Commission's recommended repeal of the Copyright Act s 74-77 and s 21(3) is not accepted, these provisions should be modified to clarify existing policy.**

### *Corresponding design*

17.30 **Defence to copyright infringement.** A 'corresponding design' describes certain artistic works applied as three-dimensional designs. It is a concept used to provide a defence to copyright infringement in certain cases when a corresponding design is used. The Copyright Act s 74 provides

'Corresponding design', in relation to an artistic work, means a design that, when applied to an article, results in the reproduction of that work, but does not include a design consisting solely of features of two-dimensional pattern or ornament applicable to a surface of an article.

Although 'design' is not defined it is considered to have the same meaning as in the Designs Act.<sup>1479</sup>

17.31 **Resulting problems.** The result of this interpretation of the term is that if the work in question is not a 'design' as defined in the Designs Act<sup>1480</sup> then it cannot be a 'corresponding design'. It would fall outside the reach of the overlap provisions and retain full copyright protection. This is contrary to the intention of the legislation. A further difficulty arises in respect of the Designs Act s 17A. The purpose of s 17A is to preserve the novelty and hence registrability of a design which has been published as an artistic work. However, because the Designs Act s 4 incorporates the definition of 'corresponding design', s 17A does not apply to a design that consists of a two-dimensional pattern or ornament applicable to the surface of an article. The possibility of dual protection for such artistic works is lost upon publication of the work. For example, a published drawing for a fabric design that has not yet been manufactured cannot be registered because the design is no longer novel. It is unclear whether this result was intended.

17.32 ***Suggested solutions.*** The Lahore report recommended a new definition of 'corresponding design'<sup>1481</sup> or alternatively that the concept be deleted from the Copyright Act and s 75 and s 77 amended to provide that

- when articles that result in the reproduction of an artistic work are produced and commercialised and
- circumstances exist equivalent to those that would at present be a condition for the operation of provisions excluding copyright protection against reproduction under s 77 then
- copyright protection against reproduction ceases to apply in respect of other articles that reproduce the artistic work not substantially different from the first mentioned articles.<sup>1482</sup>

The LCA submitted that the Lahore report's proposed definition did not fully address the problems.<sup>1483</sup> The Commission sees advantages in the definition proposed by the ACC to the Lahore report which focuses on the three-dimensional aspects of the design. The ACC proposed that

'Corresponding design' in relation to an artistic work, means features of shape or configuration, whether registrable under the Designs Act or not which, when (applied to, or) incorporated in, an article, results in a reproduction of that work.

Submissions made to the Commission, to the extent that they addressed the modification of s 74-77 rather than their replacement, expressed support for the ACC definition.<sup>1484</sup> The Commission prefers it for its clarity and uniformity with the proposed definition of design.

#### **Recommendation 175**

**A definition of 'corresponding design' should be adopted to the effect that 'corresponding design' in relation to an artistic work, means features of shape or configuration, whether registrable under the Designs Act or not, which when applied to or incorporated in an article results in a reproduction of that work.**

#### ***Designs 'applied to a surface'***

17.33 The definition of 'corresponding design' excludes designs which consist 'solely of features of two-dimensional pattern or ornament applicable to the surface of an article'. The definition is unclear where designs are not strictly *applied to the surface* but may form part of an article, such as textured designs, bas-relief, embroidery, weaves and knits. Designers and textile manufacturers are uncertain as to whether their designs will receive copyright protection or should be registered as designs.<sup>1485</sup> The ACC submitted that the focus should be on whether a design *appears* on the surface of an article, without necessarily being applied to it.<sup>1486</sup> The Commission's recommended definition of 'corresponding design' focuses on shape, so that features of pattern or ornamentation are consequently excluded. However if that definition is not adopted, the legislation should provide a definition of 'applied to' along the lines of that proposed for a different purpose in the Trade Marks Act 1994.

[A] representation of a trade mark is taken to be **applied to** any goods, material or thing if it is woven in, impressed on, **worked into**... the goods, material or thing.<sup>1487</sup>

#### **Recommendation 176**

**If the proposed definition of corresponding design is adopted, there will be no need to include a definition of 'applied to'. If that definition is not adopted, a definition of 'applied to' should be inserted to the effect that a corresponding design will be taken to be 'applied to' any goods, material or thing if it is woven in, impressed on or worked into any goods, material or thing. There should be no reference to surface application.**



## ***Industrialisation overseas***

17.34 ***Effect on copyright protection.*** Currently the copyright owner of an artistic work loses copyright protection in Australia when a foreign copyright owner sells or industrialises the work in three dimensions outside Australia. The Copyright Act s 77 provides a defence to an infringement action within Australia in the event of overseas sales or industrialisation with the licence of the foreign copyright owner. This section reflects the recommendations of the Franki report.<sup>1488</sup> Warman International submitted that the effect of s 77 was unfair to Australian copyright owners and should be limited to industrialisation by or with the licence of the Australian owner.<sup>1489</sup> The Commission recommends that s 77 should be amended so that the owner of the Australian copyright must have consented to the overseas industrialisation for it to affect Australian copyright protection.

17.35 ***Loss of novelty.*** The Designs Act s 17A provides that an artistic work will not lose novelty if it has not been industrially applied as a design even though it may have been publicly exhibited or published, for example as an illustration. The Franki committee was concerned that s 17A may enable the copyright owner of an artistic work to register a corresponding design that had been industrially applied, if that industrialisation took place overseas. The committee considered that design protection should not be available if industrialisation and publication had taken place in Australia or elsewhere before the priority date of the registration application. Its recommendations were not implemented. The Lahore report also considered it anomalous that the same policy did not apply to s 17A as to the Copyright Act s 77.

17.36 ***Consent of Australian copyright owner required.*** The Commission received wide support for the Lahore report's recommended amendments to s 17A.<sup>1490</sup> The ACC accepted those recommendations, submitting that the possibly unjust effects of the current s 17A needed review.<sup>1491</sup> The LCA also favoured an amendment to s 17A such that industrialisation overseas would result in loss of the benefit of s 17A only if the corresponding design had been published in Australia before the priority date of the design application.<sup>1492</sup> The Commission considers that the Lahore report proposals be adopted as they would harmonise the copyright and designs provisions and enable the copyright owner in Australia to retain appropriate control over the work.

### **Recommendation 177**

#### **In relation to overseas industrialisation**

- **the Copyright Act s 77 should be amended so when a foreign copyright owner sells or industrialises an artistic work in three dimensions outside Australia the owner of the Australian copyright in the artistic work will lose copyright protection in Australia only if he or she consented to the overseas industrialisation,**
- **the Designs Act s 17A should be amended to mirror this provision,**
- **Section 17A should also make it clear that two-dimensional designs are not excluded from the operation of s 17A.**

### ***What is industrial application?***

17.37 ***Deemed to be more than 50 articles.*** The Copyright Act s 74-77 provide that copyright protection is lost when a work is industrially applied. 'Industrial application' is deemed to have occurred when a design is applied to more than 50 articles or to one or more articles (other than hand-made articles) manufactured in lengths or pieces.<sup>1493</sup> The courts' interpretation of 'industrial application' is not uniform as the deeming provision is not exhaustive.<sup>1494</sup> In certain circumstances, the courts have decided that less than 50 articles may constitute industrial application.<sup>1495</sup> In others the articles have been counted.<sup>1496</sup> It is difficult for lawyers and patent attorneys to advise clients with any certainty whether industrial application has occurred when less than 50 articles have been produced.<sup>1497</sup> One alternative may be to set the requisite number at more than 50.<sup>1498</sup> However the Commission recommends that the current provisions should remain to retain flexibility. This will enable the courts to take account of changes in manufacturing processes and the different practices of various industries.

17.38 ***When does industrial application occur?*** The Copyright Act s 77(1)(b) is unclear whether it refers to the act of industrialisation or the state of having been industrialised at the time the articles are sold. It should be clarified that it is the fact of industrialisation that is critical rather than the state of industrialisation. The Federal Court has held that infringement of copyright is a day-to-day phenomenon.<sup>1499</sup> Section 77 only applies when articles are sold after 1 October 1990. To change the provision to apply to the first industrial application, as suggested by Warman International,<sup>1500</sup> would create anomalies where industrialisation took place before that date. Transitional provisions, which were not included in the 1989 amendments, would be required.<sup>1501</sup>

#### **Recommendation 178**

**Section 77(1)(b) should be amended to make it clear that it refers to the fact of industrialisation, not the first industrial application.**

#### ***Copyright in drawings***

17.39 ***Limitation of copyright for design registrations and patent specifications.*** Copyright protection should be limited for corresponding designs relating to artistic works contained in any Australian or foreign patent or utility model specification, or representation in an application for a registered design published in Australia. This will prevent foreign applicants from obtaining Australian patent or registered design protection because copyright protection in the drawings has prevented a corresponding design or patent from being developed in Australia.

17.40 ***Lahore report recommendations.*** The Lahore report recommended that publication of a patent or utility model specification or design representation in Australia, whether Australian or foreign, should be deemed to be an authorised industrial application of a 'corresponding design' and offering for sale of articles to which the 'corresponding design' has been applied. The result would be that the manufacture of such articles would not constitute an infringement of copyright.<sup>1502</sup> The Franki report made a similar recommendation.<sup>1503</sup> Submissions made to the Commission supported the recommended provisions.<sup>1504</sup> The LCA agrees, except that it considers amendments should be made to the Copyright Act s 77 as opposed to the Regulations.<sup>1505</sup>

#### **Recommendation 179**

**The publication of a patent or utility model specification or design representation in Australia, whether Australian or foreign, should be deemed to be an authorised industrial application of a 'corresponding design' and offering for sale of articles to which the 'corresponding design' has been applied. The manufacture of such articles should not constitute infringement of copyright in the specifications or representations.**

#### ***Reproduction for the purposes of industrial application***

17.41 Copyright in an artistic work, such as a design drawing or plan, will be infringed by its reproduction in the course of industrial application of the design. The problems of indirect and plan-to-plan copying, discussed in para 17.15, will need to be addressed if s 74-77 are retained.

#### **Recommendation 180**

**The Copyright Act s 77(2) should be amended to include as a non-infringing act the reproduction of the artistic work in the course of or for the purposes of non-infringing industrial application.**

#### ***Transitional provisions in 1989 Copyright Act amendments***

17.42 ***Uncertainty due to lack of provisions.*** The current overlap provisions in the Copyright Act came into effect on 1 October 1990. There are no transitional provisions to address the effect of the amendments on



copyright infringements occurring before and after 1 October 1990.<sup>1506</sup> There is considerable uncertainty in the application of the law in this respect. In *Ametex Fabrics Inc v C & F Fabrics Pty Ltd* the copyright owner was held to be entitled to claim infringement of a work copied after 1 October 1990, even though it had been industrialised before that date.<sup>1507</sup> This finding was contrary to an earlier ruling in *Roland Corp v Lorenzo & Sons Pty Ltd*.<sup>1508</sup>

17.43 ***Need for clarification.*** Transitional provisions need to be introduced to clarify the law.<sup>1509</sup> The LCA submits that this need is urgent, particularly with regard to two-dimensional surface designs that fall within the definition of 'corresponding design'.<sup>1510</sup> The ACC has argued that the fact that the old s 77 provided a defence to infringement in relation to certain acts occurring before 1 October 1990, should not mean that copyright owners are precluded from enforcing their rights in relation to acts occurring after that date if the new s 77 does not provide a defence.<sup>1511</sup>

17.44 ***Support for Lahore report's recommendations.*** The Commission considers that transitional provisions should be introduced into the Copyright Act in accordance with the recommendations of the Lahore report. These provisions should clarify the law relating to manufacturers who deal with products industrially applied or sold before 1 October 1990. There should also be savings provisions to cover cases where the defence against infringement in industrially applied products, as it existed before the 1989 amendments, still applies to sales made before 1 October 1990.<sup>1512</sup> If the Copyright Act s 77 does not provide a defence in relation to acts occurring before 1 October 1990, then the defence under the old s 77 should continue to be available. These recommendations are essential to fill gaps in the law, rather than to alter it. The CLRC copyright inquiry is to have regard to the need to introduce transitional provisions into the Act.<sup>1513</sup>

## **Recommendation 181**

### **In relation to transitional provisions**

- **specific transitional provisions should be introduced to put beyond doubt the legal position of manufacturers and traders dealing with products that were industrially applied or sold before 1 October 1990,**
- **savings provisions should be introduced to cover cases where the defence against infringement of copyright in industrially applied products, as it existed before the Copyright Amendment Act came into operation, still applies,**
- **if the Copyright Act s 77 does not provide a defence in relation to acts occurring before 1 October 1990 the defence that was available under the old s 77 should continue to be available.**

## **Options not recommended**

### ***Option 1 - Full copyright protection for industrial designs***

17.45 The Commission does not support the policy of dual protection. This would mean full copyright protection for all artistic works, including those applied as designs. Under this option, Copyright Act s 74-77 would be repealed and designs that can be defined as 'artistic works' would enjoy design protection as well as copyright protection for the life of the author plus 50 years.<sup>1514</sup> However submissions made to the Commission indicated no support for this option as the term and scope of copyright protection is considered excessive for industrial designs.<sup>1515</sup> The Franki report found no convincing argument for dual protection.<sup>1516</sup> Although both copyright and design rights seek to encourage and reward creativity, the rationales for protection are different. Art and industrial design should continue to receive different legal treatment.<sup>1517</sup> The extended duration, low threshold test of originality and international conformity make full copyright protection for all industrial designs inappropriate.

### ***Option 3 - No copyright protection for artistic works commercially exploited***

17.46 The Commission does not recommend the removal of full copyright protection for artistic works that are commercialised. Ricketson has argued that copyright principles are not appropriate for applied art, which does not require the width and length of protection given to copyright.<sup>1518</sup> Ricketson has identified a category

of 'applied art', created when a copyright work is industrially applied to the surface of an article so as to become a separate or derivative work. 'Applied art' would include the following.

- Two-dimensional works, such as paintings, drawings and photographs that are applied to manufactured products would become 'works of applied art'. They must be original in terms of the Copyright Act s 32(1) and (2). The underlying artistic work would continue to receive full copyright protection.
- Three-dimensional works such as sculpture, buildings and models of buildings that are applied to the shape or configuration of an article would also be 'works of applied art'. Originality would be required.
- Products that qualify as artistic work in their own right (formerly works of artistic craftsmanship) would also be 'works of applied art' Originality would be required and the author would have the intention to create such a work.

Submissions made to the Commission do not indicate support for this option. Most supported the rationale of the present legislative scheme even though the result is that artists receive commercial advantages which are denied to designers working in three dimensions. The ACC has argued that works which satisfy the criteria for protection under each scheme should *prima facie* be protected under both unless cogent policy reasons dictate otherwise.<sup>1519</sup> The Commission is not aware of empirical evidence that copyright protection is excessive in these circumstances. While cumulative design/copyright protection is generally accepted for applied art, it is considered that Option 3 would create uncertainty for creators and their professional advisers.

# 18. Administration

## Introduction

### *Contents of this chapter*

18.1 This chapter is concerned with a number of matters relating to the administration of the Designs Office. It contains recommendations on the power of the Registrar to obtain information, to award costs and to exercise a discretionary power. It also covers the regulation of situations in which there is a potential conflict of interest for AIPO officers.

## The administration of the Designs Office

### *No substantive change*

18.2 The Commission does not recommend any substantive changes to the administrative provisions in the Designs Act s 8-10,<sup>1520</sup> which cover the Designs Office,<sup>1521</sup> the Registrar and Deputy Registrar of Designs,<sup>1522</sup> delegations<sup>1523</sup> and the seal of the Designs Office.<sup>1524</sup> The Commission received few views on these matters. The administrative provisions of the Designs Act were recently amended to separate the position of Registrar of Designs from that of the Commissioner of Patents and to confer powers and functions on the Registrar of Designs.<sup>1525</sup> The amendments also provide for the delegation of the Registrar's powers to Australian Public Service officers performing duties in the Designs Office and to prescribed employees under the Australian Public Service Act employed in the Designs Office.<sup>1526</sup>

### **Recommendation 182**

**No substantive changes should be made to the administrative provisions creating the Designs Office and the positions of the Registrar and Deputy Registrar of Designs or to the provisions conferring powers, including the power to delegate, and providing for the seal of the Designs Office.**

### *False representations about the Designs Office*

18.3 The existing offence contained in the Designs Act s 11(2) should be retained. It should continue to be an offence for a person to place, or allow to be placed, on the building in which the person's office is situated or to use when advertising the person's office or business or to put on a document, as a description of the person's office or business, the words 'Designs Office' or 'office for registering designs' or similar words. It should also continue to be an offence to use in any other way, in connection with the person's office or business, words that would reasonably lead another person to believe that the office or business is connected with the Designs Office. The mental elements should be brought into line with comparable Commonwealth offences. The existing penalty of 30 units should be retained.<sup>1527</sup>

18.4 **Representation should be false.** However the terms of the offence should be amended so that it is only an offence if the representation is in fact false. The prohibition currently could catch those who are in some legitimate way officially connected with the Designs Office.<sup>1528</sup> It should not do so. Alternatively this may be avoided either by a delegation or by an express defence that the person was authorised by the Registrar to do so.<sup>1529</sup>

18.5 **Impersonating a Designs Officer.** It is unnecessary to provide that it is an offence for a person to falsely represent that the person is an AIPO officer. Impersonating an AIPO officer is covered by the *Crimes Act 1914* (Cth) s 75.

### **Recommendation 183**

**There should continue to be provision for an offence of making false representations about the Designs Office.**

## **Registrar's powers to obtain information and award costs**

### *Conferral of power*

18.6 **Section 42A.** The Registrar's powers to summon witnesses, receive evidence on oath and require the production of documents and articles are set out in the Designs Act s 42A. They are limited to receiving evidence on oath orally or otherwise and do not extend to receiving evidence by way of affirmation. The powers are currently directed at the Registrar's proceedings but they should also apply to the validity proceedings recommended in chapter 11. Where evidence is not given orally at a hearing the evidence should be by way of statutory declaration, as required under the Regulations.<sup>1530</sup> The Regulations should make it clear that parties who appear and give evidence on oath or affirmation may be cross examined.

### **Recommendation 184**

**The powers of the Registrar to obtain information should be retained but extended to allow the receiving of evidence on affirmation. Parties who appear and give evidence on oath or affirmation should be able to be cross examined.**

### *Failure to comply with summons to appear or to produce a document*

18.7 Section 42B makes it an offence for a person to disobey a summons to appear or to fail to produce a document where the person has been offered the payment of reasonable expenses. This provision should be retained. The mental elements should be brought into line for other comparable Commonwealth offences. The current maximum penalty of six months imprisonment is too high and should be reduced to 10 penalty units<sup>1531</sup> consistent with the penalty for similar offences in the trademarks<sup>1532</sup> legislation.

### **Recommendation 185**

**The existing offence in Designs Act s 42B concerning the failure to comply with a summons to appear or to produce a document should be retained in the new designs legislation.**

### *Persons appearing as witnesses in Registrar's proceedings*

18.8 Section 42C makes it an offence for a person who appears before the Registrar to refuse to be sworn or make an affirmation or to refuse to answer a question or refuse to produce a document or thing that the person is lawfully required to answer or produce without lawful excuse. This provision should be retained.<sup>1533</sup> Persons who give false answers to questions or who tender documents are likely to have committed an offence under a number of other Commonwealth Acts.<sup>1534</sup> The mental elements should be brought into line for other comparable Commonwealth offences. The maximum penalty of six months imprisonment contained is too high and should be reduced.<sup>1535</sup>

### **Recommendation 186**

**The existing offence in Designs Act s 42C concerning the refusal to appear as a witness should be retained in the new designs legislation in the same terms.**

### ***Power to award costs***

18.9 The Registrar's power to award costs against a party to a Registrar's proceedings are set out in Designs Act s 42A and s 42D. They do not expressly allow the Registrar to take a security for the costs from the person requesting an opposition hearing and, if a security is not given, to decline to agree to the request. The question of costs awards is currently under review by the Commission.<sup>1536</sup> The Registrar should retain a general power to award costs but it should only be able to be exercised in accordance with the more detailed general principles applying to the award of costs in comparable federal proceedings.

#### **Recommendation 187**

**The Registrar's existing power to award costs should be retained in the new designs legislation.**

### **Exercise of discretionary power by Registrar**

#### ***Background***

18.10 The Registrar's discretionary powers are set out in the table Appendix B. They include the power to grant an extension and the power to correct the register. The current requirement for the Registrar to give persons adversely affected by the exercise of a power a reasonable opportunity to be heard is somewhat wide.<sup>1537</sup> The Registrar will not always know who is adversely affected by the exercise of a power. For example, the Registrar will not always know the range of third parties who could be affected by restoration.

#### ***Persons with an interest in the design***

18.11 The Trade Marks Act 1994 s 212 requires that the person who has applied for the exercise of the power be given a reasonable opportunity to be heard. This is unduly narrow. For example, the person applying for the exercise of the power may not be the registered owner and may not be a person such as a licensee or mortgagee who has advised the Registrar of a legitimate interest in the design. Before the Registrar exercises a discretionary power in relation to a design the following persons should be notified and given a reasonable opportunity to be heard

- the person applying for the exercise of that power
- the person(s) named on the register as owner of the design
- the person(s) who have requested the Registrar to register their interest in the design.<sup>1538</sup>

This requirement should exist regardless of whether they are considered to be persons who will be adversely affected by the exercise of the power.

#### ***Third parties adversely affected***

18.12 In principle third parties adversely affected by the exercise of a discretionary power who request a hearing should be given a reasonable opportunity to be heard. Whether or not there are additional persons who may be affected by the exercise of the power will vary according to the discretionary power to be exercised. Therefore the persons who should be given an opportunity to be heard are spelt out in the different contexts in which they arise in this report, together with the necessary notice provisions.<sup>1539</sup> In principle the Registrar should give reasonable notice of the exercise of a discretionary power in the Official Journal or an appropriate electronic medium.

## **Recommendation 188**

**The legislation should provide that before the Registrar exercises a discretionary power in relation to a design the following persons should be notified and given a reasonable opportunity to be heard**

- **the person applying for the exercise of that power**
- **the person(s) named on the register as owner of the design**
- **the person(s) who have given the Registrar a notice of their interest in the design, that is, a mortgagee or licensee who has requested an entry to be made recording its interest.**

**Third parties adversely affected by the exercise of a discretionary power who request a hearing should be given a reasonable opportunity to be heard. The Registrar should give reasonable notice of the exercise of a discretionary power in the Official Journal or an appropriate electronic medium.**

## **Liability of officers**

### ***Introduction***

18.13 There is potential for a conflict of interest for AIPO officers who may wish to use information obtained in the course of their work or who may wish to trade in designs. This is a matter for internal regulation or for regulation under existing Commonwealth offences.

### ***Unlawful disclosures***

18.14 Crimes Act s 70. The unlawful disclosure offence in the Crimes Act 1914 (Cth) s 70 applies to disclosures by Commonwealth officers including AIPO officers and the Registrar or Deputy Registrar.<sup>1540</sup> A similar offence is not required in the Designs Act.

### ***Trading in designs***

18.15 The Designs Act does not currently make it an offence for the Registrar, Deputy Registrar and AIPO officers to buy, sell, acquire or otherwise trade in a design or a right to, or a licence under a design. Such an offence was supported by the LCA.<sup>1541</sup> It is however likely that this can be adequately dealt with under internal disciplinary measures for breaches of the Public Service Regulations. These regulations provide that an officer shall not take advantage of his or her functions in order to obtain a benefit and that an officer shall not take any improper advantage of information acquired or of documents to which the officer has access as a consequence of his or her employment.<sup>1542</sup>

### ***Private use of material obtained unlawfully***

18.16 AIPO officers should not use privately for their own gain material obtained unlawfully. The prohibition on disclosure under the *Crimes Act 1914* (Cth) s 70 does not extend to cover the private use of information obtained unlawfully. The matter can probably be adequately dealt with under internal disciplinary measures for breaches of the Public Service Regulations mentioned above.<sup>1543</sup>

### ***Preparing documents or searching without authority***

18.17 The Patents Act<sup>1544</sup> and the Trade Marks Act 1994<sup>1545</sup> contain provisions which make it an offence for an AIPO officer to prepare or help prepare a document to be filed or to search records unless authorised to do so. The Designs Act contains no such offence at present. It is questionable whether such an offence is necessary. The question was raised in the Discussion Paper but few submissions commented on it.<sup>1546</sup> The

offence provisions of Part VIA of the *Crimes Act 1914* (Cth) would apply to the searching of the computer records of the Designs Office. These provision include the offences of unauthorised access to or interference with<sup>1547</sup> data stored on a Commonwealth computer.<sup>1548</sup>

### ***Protection of officers***

18.18 The Patents Act s 20(2) provides that the Commonwealth, the Registrar of Designs or an officer is not liable because of or in connection with the doing of any act under the Act or in any proceedings in consequence of doing such an act. It is not recommended that such a provision be incorporated into the new designs legislation. The existing liability of the Commonwealth and of public officers should be retained.<sup>1549</sup> In particular there should be no special immunity for AIPO officers from any liability for negligence, breach of statutory duty or the tort of misfeasance in public office.<sup>1550</sup>

# 19. List of recommendations

## 3. Reform of designs law

1. Australian law should continue to provide statutory protection for industrial designs.
2. Reform of designs law that can be achieved within the current framework of intellectual property law should be implemented through new designs legislation. Broader reform should be implemented outside that legislation.
3. The new designs legislation should continue to focus on the visual appearance of a product.
4. The new designs legislation should be titled the 'Designs (Visual Features) Act'.
5. ACIP should take the new designs legislation recommended in this report into account in its review of the petty patent system. ACIP should address any gap in the protection of function in its recommendations for reform of the petty patent system.
6. The Attorney-General should commission a review of the advantages and disadvantages of introducing a broad anti-copying right into Australia's intellectual property law. The review should consider unfair copying and unfair competition laws. It should be conducted jointly by bodies with expertise in economic policy and legal policy.

## 4. What is a design?

7. A design should be defined as one or more visual features of a product.
8. The definition of design should specify that the visual features of a product include its shape, configuration, pattern, ornamentation, colour and surface.
9. The reference to 'surface' in the definition of design should be taken to mean that the look of the surface is protectable, not the surface material or the feel of the surface.
10. The word 'product' should replace the word 'article' in the definition of design. 'Product' should mean anything that is manufactured including something hand-made.
11. There should be no reference in the definition of 'design' to a design being applied to or incorporated in a product.
12. A design of a product that consists of a number of component parts should be able to be registered as one design. A component part may itself be a product.
13. A design of a portion of a product will only be registrable in relation to the whole product, not in relation to the portion separately.
14. A design of a building or a model of a building should be capable of protection under the designs legislation provided that the building or model satisfies the definition of a product. There is no need to make separate provision for buildings in the definition of product.
15. The design of a product with one indefinite dimension should be able to be protected. The design of a product with more than one indefinite dimension should be able to be protected provided that the product or the part of the product which has the indefinite dimension satisfies at least one of the following
  - a cross-section taken across any indefinite dimension varies according to a regular pattern
  - its dimensions remain in proportion



- its cross-sectional shape remains the same throughout whether or not the dimensions of that shape vary according to a regular pattern or according to a ratio or series of ratios
- it has a pattern or ornamentation that incorporates repeats.

16. A design of packaging or get up should be capable of protection under the designs legislation. It is not necessary to include a special provision in the new designs legislation to this effect.

17. A design of a parts of a kit, a design of the product assembled from a kit and the packaging for a kit should each be capable of protection under the new designs legislation. It is not necessary to include a special provision in the legislation to this effect.

18. A design of the external housing of an integrated circuit should be capable of protection under the new designs legislation. It is not necessary to include a special provision in the legislation to this effect.

19. The exclusion of specified literary or artistic works under Regulation11 should not be retained. There should however be a general regulation power that would allow items such as medals to be excluded from registration as a design.

20. Screen displays should not be able to be protected as designs. It is not necessary to include any special provision in the new designs legislation to confirm this.

21. References to 'judged by the eye' should be omitted from the definition of design.

22. There should be no requirement for designs to be distinguished on the basis of attractiveness, sensory perceptions or aesthetic sensation.

23. There should be no requirement of consumer or eye appeal in the definition of design.

24. New and distinctive visual features of a product should be able to be protected regardless of whether those features serve or serve only a functional purpose. S 18(1) should be retained.

25. The new designs legislation should not provide that designs 'dictated by function' should be expressly excluded from protection, either in the definition of design or otherwise.

26. There should be no reference to 'methods or principles of construction' in the definition of design.

27. A design of the internal shape a product should be capable of protection under the designs legislation. It is not necessary to include a special provision in the legislation to the effect.

28. Designs should not be differentiated on the ground of the level of care, skill or labour expended in creating them.

## **5. The innovation threshold**

29. Originality should not be retained as a prerequisite for design protection.

30. The current novelty test for design protection should be replaced with a test with stricter eligibility requirements.

31. The tests of immaterial detail, trade variants and obvious adaptations should not be retained.

32. There should continue to be a requirement for registrable designs to be new but this should only be a filter for identical designs. A two-step test of novelty *and* distinctiveness should be adopted to assess the eligibility of a design for registration.

33. Distinctiveness should be assessed by considering the overall impression of the design.

34. Distinctiveness should be assessed by the standard of an informed user.
35. The infringement and distinctiveness tests should be the same.
36. Distinctiveness should be assessed by a test of 'substantially similar in overall impression'.
37. The new designs legislation should give guidance to the courts in assessing distinctiveness. It should be specified that
- common elements are to be given more weight than differences and
  - the freedom of the designer is to be taken into account.
38. *Minority recommendation.* The test of distinctiveness should require the design to be distinctive for the purposes of the relevant product market.
39. A design should be taken to have been 'used' for the purposes of determining the prior art base only if it has been used in trade or commerce.
40. In relation to the prior art base
- a design will be taken to be *new* unless at any time before the priority date for the application for registration of the design
    - an identical design has been used in Australia or
    - an identical design has been published anywhere in the world
  - a design will be taken to be *distinctive* unless the priority date for the application for registration of the design
    - a substantially similar design was being used in Australia or
    - a substantially similar design was currently registered anywhere in the world or
    - a substantially similar design had been published in Australia within the previous 15 years under the optional publication and registration system.
41. Lapsed applications should not form part of the research material for the prior art base.
42. The provisions regarding disclosure of a design without consent should stipulate the period within which an application for registration must be made.
43. The definitions of an official exhibition and of an international exhibition should be brought into line with those contained in the Patents Act.
44. No provision for a grace period should be made in the new designs legislation.

## **6. When is a design infringed?**

45. Infringement should be assessed by a test of 'substantially similar in overall impression'.
46. In determining infringement the court should assess competing designs from the position of an informed user.
47. Statements of monopoly and novelty should not be required in the registration process under the Designs Act. Instead, applicants should be required to identify the new or distinctive features of a design on the application form for registration.

48. In infringement proceedings the court should be directed to consider whether the allegedly infringing design is substantially similar in overall impression to the registered design, having regard to the whole of the product in relation to which the design is registered.

49. In assessing infringement the court should pay particular attention to any visual features of the product that are claimed to be new and distinctive in the application for registration of the design.

50. Where a visual feature that is claimed to be new and distinctive relates to only part of the product, the court should pay particular attention to that part of the product but only in the context of the whole of the product.

51. When an applicant does not isolate and identify any particular new or distinctive features of a design, the court should consider the overall appearance of the whole product in determining whether the design has been infringed.

52. In determining whether a design was infringed the court should, as a matter of principle, give more weight to the similarities between competing designs than to their differences.

53. It should be an infringement of the design of a product to sell a complete or substantially complete kit which is intended to be assembled to make the product.

54. A non exclusive list of factors to be considered in determining infringement should be specified in the new designs legislation.

55. In determining infringement the court should consider

- the nature and use or uses of the product, or the relevant part or portion of the product, as these affect the designer's freedom to innovate
- the relevant prior art
- any features of the design identified on the application form for registration as being new and distinctive
- when only a part or portion of the registered design is substantially similar to the alleged infringing design, the amount, the quality and importance of that part or portion in relation to the whole of the registered design.

56. Market confusion should not be specified as a factor to be considered in determining infringement. However, the new designs legislation should not expressly exclude it as a factor that may be taken into account.

57. Fraudulent imitation should be removed as a ground of infringement.

58. An alleged infringer's level of awareness should not be relevant in determining whether a later design is substantially similar in overall impression to a registered design. The level of awareness should be considered by the court in awarding damages and in exercising its discretion to grant an injunction.

59. The secondary grounds of infringement, selling, hiring and importing, should remain.

60. There should be no exemption from infringement proceedings for non-commercial use of designs.

61. There should be no provision in the new designs legislation that the owner has the exclusive right to exploit the design, as defined in the Patents Act.

62. Moral rights should not be included in the rights granted to design owners under the new designs legislation.

63. The Attorney-General should commission a review of s 51(3) of the Trade Practices Act 1974 to assess whether the policy reflected by the exemption in that provision is appropriate and, if so, whether it is expressed with sufficient precision and consistency regarding the range of intellectual property rights affected or potentially affected.

## **7. Ownership of designs**

64. The legislation should provide that it is the person who creates the design - the designer - who is the owner of the design and who may apply for registration. The current requirement that the creator must be a natural person should be retained.

65. It is not necessary to include in the new designs legislation any specific guidelines on the ownership of a computer generated design.

66. A person who commissions or employs a designer to make a design should continue to be regarded as the owner of the design. Similarly where a design has been assigned, the assignee should be the owner of the design and entitled to apply for registration. The new designs legislation should make it clear that these principles may be excluded or modified by agreement.

67. The new designs legislation should continue to allow but not require joint applications to be made.

68. There should be no change to the existing law that the owner of the registered design is the person who is registered as owner.

69. The new designs legislation should provide that the Registrar is not required to record an assignment or an interest in a jointly owned design without the consent of all the joint owners.

70. The new designs legislation should provide that an infringement action can only be brought by the currently registered owner of the design, not a former registered owner.

71. The designs register should continue to record security interests in designs. The situation should be reviewed if a central personal property securities register is established.

72. A decision of the Registrar to record or not to record an interest should be able to be reviewed under administrative review procedures but not as part of opposition proceedings.

73. On receiving an application to amend the register the Registrar should be required to make changes to the register unless he or she is of the opinion that the changes should not be made. The references to 'proof' that now appear in s38, 38AA and 38A should be omitted.

74. The Act should expressly allow the register to be amended after a registered design has expired or lapsed to record changes in the ownership of, and interests in, the design that took place during the design's period of registration.

75. The Crown use provisions in Designs Act Part VIA should not be retained in the new designs legislation.

## **8. The registration system**

76. The design right in the new designs legislation should continue to be based on registration.

77. 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 be made within the six month period the application should be regarded as lapsed.

78. The legislation should make it clear that an application for registration or other document is filed when it is delivered to AIPO or one of its State offices either personally or by post or by any other prescribed means, such as delivery by facsimile and electronic lodgement. Where the Registrar is satisfied the application reaches certain minimum requirements the Registrar is to give the application a filing date.

79. The application for design registration should comply with the following

- It should be in a form approved by the Registrar of Designs. The regulations should list specified matters that must be contained on registration application forms.
- It should contain the following
  - information that identifies the applicant, the designer and sets out the reason the applicant is entitled to make the application
  - information that identifies the product bearing the design
  - the prescribed number of representations, suitable for reproduction, of the design
  - a description of the design identifying any particular features that the applicant considers to be new and distinctive
  - an indication of the intended use or uses of the product to which the design is applied or in which it is incorporated.
- It should contain a statement to the effect that the applicant has no reason to believe the design is not new or distinctive.
- For priority claims, such as Convention applications, multiple applications and divisionals, it should contain such additional information as is required.

80. AIPO should provide make pamphlets readily available that give advice on

- how to register, including examples of statements of distinctiveness and representations
- multiple applications, divisional applications and Convention applications
- the different forms of intellectual property and on the rights they confer, including the rights arising from the registration of a design
- the registration/publication options
- how to challenge the validity of a registered design
- what to do if a design may have been infringed, including proceedings for unjustified threats, infringement opinions and mediation options.

81. Where the Registrar receives a request to register a design, then before the design can be registered AIPO should examine the application for registration to ensure that the formalities have been complied with. In particular AIPO should examine the application to ensure that

- the documents are in the required form and contain the required number of representations
- the documents are sufficient to identify the design and the product or part of a product embodying the design and the priority date

- the information contained in the application is sufficient to establish that the applicant is entitled to make the application.

## 9. Registration procedures

82. Procedures relating to the decision to register should be as follows

- Where the Registrar is satisfied as to the formalities the Registrar must register the design.
- An applicant for registration should, when notified by the AIPO, be allowed three months in which to correct any formal deficiencies in the registration application. Failure to correct within the required time will mean the application will lapse. Extensions can be granted in certain circumstances.
- The Registrar may refuse to register designs that are clearly not registrable. There should be the right to seek AAT review of decisions to refuse to register.

83. The ability of applicants to amend applications as set out in Designs Act s22B should be retained in the new designs legislation.

84. The ability to preserve priority by making a subsequent application should not be retained.

85. The new designs legislation should retain provision for preserving the priority of designs that have been divided out from the initial application for registration. Priority may only be preserved where the design described in the later 'divisional' application does not increase the scope of the initial application. The new designs legislation should make it clear that the priority date can be preserved whether or not the initial application ever proceeds to registration or whether or not an request for registration is made in relation to the initial application.

86. The requirements regarding Convention applications should not be amended - to gain Convention priority the person making the application under Australian law must be the applicant in the Convention country or the assignee or legal representative of the applicant in the Convention country or the legal representative of the applicant's assignee.

87. Provision should not be made for the deferment of acceptance of an application for registration.

88. Provision should be made for withdrawn applications to be disregarded in certain circumstances.

89. Provision should be made to allow two or more designs to be registered in a single application (a 'multiple application'). Each additional design included in a multiple application should be charged a reduced fee.

90. There should be no limit to the total number of designs to be included in a multiple application.

91. A multiple application may be made for the design of one or more than one product provided that all of the products belong to the same sub-class of the classification of designs provided for in the Annex of the Agreement Establishing an International Classification for Industrial Designs, signed at Locarno on 8 October 1968.

92. A multiple application may be made for the design of more than one product provided that the design is a common design for each product identified in the application.

93. No separate rules should be made for kits. However the individual components of kits should be registrable in one multiple application, provided

- all products in the kit fall within the same sub-class of the Locarno Classification, or
- there is a common design for each product identified in kit.

94. Where the registration of a multiple application is refused, an applicant should be given three months to file an application to preserve priority for any design that may not be included in the original application but for which registration is sought. The Registrar should have a discretion, reviewable on the merits, to refuse an application for the registration of a design for more than one product.

95. The description of the design contained in an application should not be published at the time of the filing of the application. The legislation should require that at the time the application is filed there should be publication of the fact that an application has been filed and of the bibliographical details. There should be public notification of the fact that an application for registration has lapsed. Design details should only be published once the registration is granted.

96. There should be no provision for publication of designs to be deferred. Design details should be made available for public inspection once registration has been granted.

97. The new designs legislation should continue to provide for the register to be

- kept at the AIPO
- kept in whole or in part by using a computer
- available for inspection during business hours or alternatively accessible through a computer terminal so that the register can be read on the screen or a print out obtained.

98. The new designs legislation should not continue to provide that certificates of registration are prima facie evidence of the validity of registration. Instead the legislation should provide that

- the register is evidence of any particular or other matter entered on it
- a copy of, or an extract from, the register that is certified by the Registrar to be a true record or extract is admissible in any proceedings as if it were the original
- a document certified by the Register as reproducing in writing or a computer record of all or any of the particulars comprised in the register, is admissible in any proceedings as evidence of those particulars.

99. The Registrar should continue to have the power to correct clerical errors and obvious mistakes on the register, either on application by a design owner or on his or her own initiative.

100. The Registrar should have a wider power to correct the register only in specified limited circumstances. The Registrar may not exercise this power unless there has first been the opportunity for a hearing and for appeal to the AAT.

101. The new designs legislation should include the offences set out in Designs Act s 45 (1) but should also extend those offences to include

- false representations that a design is registered made by any person about the design of any product, and
- false representations made by any person about the ownership of a registered design.

102. The existing offences contained in the Designs Act s 36 should be retained in the new designs legislation with some amendments. It is not necessary to retain the offence of making a writing that falsely purports to be a copy of an entry in the register. The mental elements should be brought into line with those for similar Commonwealth offences.

103. It is not necessary to introduce into the new designs legislation a more general offence of making a false statement or of filing an application for a design the applicant knew was not new and distinctive.

## **10. Duration of the design right**

104. There should be no initial short term period of registration for designs.

105. The maximum duration of protection for registered designs should be 15 years. The existing maximum 16 year period of protection should remain unchanged except for the removal of the initial one year period.

106. Design registration should be available for three discrete periods of five years. Entitlement to protection after the initial period should be based on applications for renewal. Renewal should be automatic if the design owner complies with formalities and, subject to the six month grace period, pays the fees.

107. Design owners should continue to be responsible for ensuring that applications to renew their designs are made within the specified time. Whether AIPO sends reminder notices to owners before a design expires should be a matter for AIPO.

108. The existing grounds for granting an extension should be retained in the new designs legislation but should not be expanded.

109. The Registrar should advise the registered owner where a design is restored to the register after an extension is granted.

110. The existing right of appeal to the AAT for review of refusals to grant an extension should be retained.

111. No remedy should lie for infringement that occurred while the design was not registered.

112. If a lapsed registration is restored a person who took action or definite steps to exploit the design commercially during the period in which the design had lapsed shall have the right to continue to do the infringing act but the right does not extend to granting a licence to another person to do the act.

113. If a lapsed registration is restored a person who took action or definite steps to exploit the design commercially during the period in which the design had lapsed should not be entitled to compensation from the owner for any loss suffered as a result of the registration being restored.

114. Third parties should not have the power to oppose the grant of an extension of time to renew a design's registration.

115. The legislation should require the Registrar to advertise in the Official Journal the fact that

- an application for an extension exceeding three months has been lodged
- as a result of an error or omission by AIPO an extension of more than three months will be granted
- a design's registration has been restored.

116. Specific provision should be made in the new designs legislation for the surrender of a design registration.

## **11. Challenging the registration of a design**

117. Opposition proceedings should not be available before registration of the design.

118. It should be possible to challenge the validity of a registered design at any time after the grant of registration by initiating examination proceedings.

119. A request for examination may ask the Registrar to examine

- whether the application for registration



- met the minimum requirements for an application
- claimed protection for the visual appearance of a product
- was for a design of a product that was registrable
- was for a design that was not new or not distinctive
- had been amended contrary to the Act.
- whether or not
  - the applicant was entitled to make the application for registration or the application to change the name of the owner on the register
  - the design should be referred to the TPC in accordance with the component parts referral procedure.

120. The mechanism for challenging the validity of a registered design before the Registrar is to be as follows.

- A registered design owner or any other person may request the Registrar to examine the validity of a registered design at any time.
- On receipt of a request, the Registrar must conduct an examination, come to a decision about validity of the design and advise the affected parties of the decision and the reasons for the decision and of the fact that they have a given period in which they may request a hearing.
- The parties are then given the opportunity to reply in writing and if requested by a party a hearing is to take place before the Registrar.
- The Registrar is to advise affected parties of the decision from the hearing and of the reasons for the decision. The parties are to be advised that they may appeal against the decision.
- If there is no subsequent appeal the register is to be amended.
- Where legal proceedings are commenced the hearing is to be discontinued.

121. If a challenge is upheld and no appeal is lodged within the prescribed period the register should be amended accordingly. A registered design that is found not to have been validly registered should be taken to be removed. A design that is taken to have been removed should be regarded as never having been registered, but intervening court decisions and contracts should not be affected.

122. The Registrar should be empowered to amend the register to remove a design on the Registrar's own motion provided that there has first been the appropriate opportunity for a hearing and appeal and no application has been made for a hearing or appeal.

## **12. Review of Registrar's decisions**

123. The AAT should be designated the primary body of review of decisions of the Registrar of Designs, with retention of the right of appeal to the Federal Court on questions of law.

124. The appointment of AAT members should reflect the increase in AAT jurisdiction over industrial property issues.

125. A separate industrial property jurisdiction should not be established within the AAT at present.

126. The existing provision for AAT review under the Designs Act of certain decisions of the Registrar should be retained in the new designs legislation.

127. The Registrar's decision to grant an extension or refusal to grant an extension should continue to be subject to review by the AAT.

128. In accordance with the agreed principles of non-reviewability, the following decisions should continue to be non-reviewable by the AAT under the new designs legislation

- refusal to accord a priority date to applications (s 21)
- refusal to accord a basic application the status of a Convention Application (s 49(1))
- refusal to cancel registration upon voluntary surrender by the design owner
- refusal to register interest of mortgagee or licensee upon proof of title (to the extent the decision does not form part of opposition proceedings) (s 38A)
- decision to amend the Register where the applicant has died or body corporate ceased to exist (s 22A).

129. The new designs legislation should provide that where the Act requires that the Registrar 'must' complete an action then the Registrar must comply as soon as practicable.

130. As a general principle administrative decisions of the Registrar of Designs should be subject to external merits review.

131. The Registrar's decision to refuse to register a design and the Registrar's refusal to amend an application should be reviewable by the AAT.

132. The Registrar's refusal to allow a multiple application and to require instead a divisional application in relation to a set should be subject to review by the AAT.

133. The decision whether a design should be removed from the register and related decisions should be subject to further review by the AAT after opposition proceedings.

134. Decisions currently made by application to a prescribed court should be made by the Registrar in opposition proceedings with provision for review by the AAT.

### **13. Enforcement and dispute resolution**

135. AIPO should ensure that basic information on design protection and registration is freely available and accessible to assist potential applicants for design registration and registered design owners.

136. A new court with limited jurisdiction to hear industrial property disputes, including designs disputes, should not be established.

137. The current jurisdiction of the Federal Court and State and Territory Supreme Courts with respect to matters arising under the Designs Act should be retained in the new designs legislation.

138. The Federal Court of Australia should continue to be the court of appeal in designs matters but there should also be appeal from the Federal Court to the High Court with special leave.

139. A tribunal made up of a panel of AIPO officers to hear disputes involving designs is not appropriate and should not be established.

140. At the request of the parties the Registrar should provide an opinion on any issue related to the validity of designs. The courts should increase their use, where appropriate, of existing powers to request a preliminary technical opinion from the Registrar on any question of fact.

141. The courts should increase the use, where appropriate, of informative neutral expert advice in the course of pre-trial proceedings in designs matters.

142. The new designs legislation should not specify particular procedural rules of design matters . Instead courts should apply their rules of procedure flexibly to designs matters and give consideration to adapting their procedures to the specific needs of design disputes where appropriate.

143. The courts should increase their use, where appropriate, of active pre-trial judicial case management in designs matters.

144. Courts exercising designs jurisdiction should continue to develop and increase the use, where appropriate, of legislative court-annexed arbitration and mediation schemes.

145. No special rules should govern the application of the laws of evidence in designs disputes.

146. AIPO should co-ordinate a service to provide design applicants and owners with information on the availability and suitability of ADR to design disputes.

147. Lawyers and patent attorneys should advise clients of the availability and suitability of ADR to resolve design disputes wherever it becomes apparent that a dispute has arisen or is likely to do so.

148. AIPO, the courts, lawyers and patent attorneys should recognise in their procedures and advice that

- alternative dispute resolution including in particular, negotiation, mediation and early neutral evaluation, should be considered as a first option in the resolution of all design disputes that do not absolutely require a court adjudication on the validity of a design right
- arbitration of designs disputes involving international elements should be considered as an option before commencing litigation
- court-annexed arbitration and mediation schemes should be considered as an option wherever a design dispute has already entered the courts.

## **14. Remedies and offences**

149. The court should continue to have a power to grant an injunction in all cases of infringement. No special rules should apply to govern the availability of injunctions in designs litigation.

150. The court should continue to have a power to award damages in all cases of infringement.

151. Provision should be made for additional damages in cases of flagrant infringement in terms similar to the Copyright Act s115(4).

152. It should continue to be possible for the plaintiff in design infringement cases to obtain an account of profits as an alternative to damages.

153. The discretion to grant remedies in s 32B should be retained in the new designs legislation and expanded so that the court may reduce damages as well as refuse to award them.

154. In cases of primary infringement, to attract the court's discretion to reduce or refuse to award damages a defendant must prove not only that he or she did not know that a design was registered but that he or she had taken all reasonable steps to find out whether the design was registered. In this respect Designs Act s 32 B should be retained in its current form in the new designs legislation.

155. In cases of secondary infringement, to attract the court's discretion to reduce or refuse to award damages a defendant must prove that he or she was not aware and had no reason to be aware, that the design was registered. There should be no requirement that the defendant must take all reasonable steps to ascertain whether exclusive rights in the design existed.

156. Conversion damages for infringement proceedings should not be introduced into the new designs legislation.

157. Delivery up should continue to be available as a remedy for design infringement when appropriate and when it is within the court's jurisdiction. There is no need for specific provision for this to be made in the new designs legislation.

158. Anton Piller orders should continue to be available for designs infringement. There is no need for specific provision to be made for this in the new designs legislation.

159. The new designs legislation should continue to provide remedies for unjustified threats of infringement proceedings. In this respect s 32C and s 32D of the Designs Act should be retained in their current form.

160. No offence of infringement should be provided in the new designs legislation.

161. The Act should provide that in a proceeding for infringement of a registered design the fact that the product, the label or the packaging is marked is to be prima facie evidence that the defendant was aware that the design was registered. Marking should not be a pre-condition for obtaining remedies for infringement.

162. No provision should be made in the designs legislation for the compulsory licensing of designs.

## **15. Parallel imports**

163. The new designs legislation should continue to prohibit pirate imports but permit parallel imports.

164. The new designs legislation should not include a power of seizure by Customs of imported goods bearing infringing designs.

## **16. Spare parts**

165. The new designs legislation should include a procedure for referral of potentially anti-competitive designs to the TPC.

166. A design should be referred to the TPC where

- the design is a design of a component part
- the component part is to be used to repair a product that is
  - durable
  - likely to require repair during its expected life and
  - assembled from many component parts
- the component part is manufactured by or under licence from the product manufacturer or importer.

167. To determine whether a design is anti-competitive the TPC should determine whether, in its opinion, the grant of the design right in favour of the applicant

- would constitute a contravention of s 50 of the Trade Practices Act if the grant of that design right were the acquisition by the applicant of an asset of a person and
- would not have been authorised under s 88 of that Act if the applicant had applied for an authorisation.

168. Where the TPC determines that the grant of a design right would be anti-competitive that design should not be registrable unless

- the TPC and the Registrar of Designs agree upon conditions to apply to the exercise of the design right
- in the TPC's opinion the grant of the design right would have been authorised under s 88 of the Trade Practices Act if those conditions were met and
- the applicant gives the Registrar of Designs a written undertaking to comply with those conditions.

169.

- The referral procedure should be initiated only upon request from the applicant or where registration of the design is opposed.
- The Registrar should be entitled to require the applicant to provide relevant information in the form of a statutory declaration.
- The Registrar should be entitled to rely without further enquiry on the applicant's statements as to whether the component part is manufactured by or under licence from the product manufacturer or importer.
- The Registrar should maintain a public register of undertakings given by applicants under the referral procedure.
- A provision similar to s 87B of the Trade Practices Act 1974 should be included in the designs legislation, making such undertakings enforceable against the applicant and any assignee or successor-in-title to the design right.
- The Registrar should have the power, exercisable only with the TPC's agreement,
  - to refer more than one design for consideration in a single TPC report,
  - to ask the TPC to advise in a single report on a category of designs of which the particular design in question is one instance.
- The TPC should be required to give its opinion within 30 days of being requested for its report, excluding any period during which the TPC is waiting for the applicant to provide additional requested information.
- The Registrar's decision to refer or not to refer a design to the TPC should be reviewable by the AAT.
- The TPC's opinion should be reviewable by the Trade Practices Tribunal.
- The referral procedure should only apply to designs set out in design applications made after the new legislation comes into effect.

## **17. Design/copyright overlap**

170. The Copyright Act s 74-77 and s 21(3) should be repealed and an adaptation right should be introduced for artistic works. It should be expressly provided that it is not a reproduction of a work in a two-dimensional form to make a version of the work in a three-dimensional form.

171. The Copyright Act should be amended to include as a non-infringing act the incidental reproduction of the artistic work in two-dimensions in the course of or for the purposes of industrial application.

172. Works of artistic craftsmanship produced in multiple quantities should continue to be protected by copyright. 'Artistic craftsmanship' should be defined in the Copyright Act. The Copyright Act should make clear that a work can be both a work of 'artistic craftsmanship' and an artistic work under s 10(1)(a) and (b).

173. The exemption for building and models of buildings from the effect of s 77 should continue. In accordance with the Lahore report recommendation it should be made clear that structural articles, such as small portable buildings, registrable under the Designs Act should not receive copyright protection.

174. If the Commission's recommended repeal of the Copyright Act s 74-77 and s21(3) is not accepted, these provisions should be modified to clarify existing policy.

175. A definition of 'corresponding design' should be adopted to the effect that 'corresponding design' in relation to an artistic work, means features of shape or configuration, whether registrable under the Designs Act or not, which when applied to or incorporated in an article results in a reproduction of that work.

176. If the proposed definition of corresponding design is adopted, there will be no need to include a definition of 'applied to'. If that definition is not adopted, a definition of 'applied to' should be inserted to the effect that a corresponding design will be taken to be 'applied to' any goods, material or thing if it is woven in, impressed on or worked into any goods, material or thing. There should be no reference to surface application.

177. In relation to overseas industrialisation

- the Copyright Act s 77 should be amended so when a foreign copyright owner sells or industrialises an artistic work in three dimensions outside Australia the owner of the Australian copyright in the artistic work will lose copyright protection in Australia only if he or she consented to the overseas industrialisation,
- the Designs Act s 17A should be amended to mirror this provision,
- Section 17A should also make it clear that two-dimensional designs are not excluded from the operation of s 17A.

178. Section 77(1)(b) should be amended to make it clear that it refers to the fact of industrialisation, not the first industrial application.

179. The publication of a patent or utility model specification or design representation in Australia, whether Australian or foreign, should be deemed to be an authorised industrial application of a 'corresponding design' and offering for sale of articles to which the 'corresponding design' has been applied. The manufacture of such articles should not constitute infringement of copyright in the specifications or representations.

180. The Copyright Act s 77(2) should be amended to include as a non-infringing act the reproduction of the artistic work in the course of or for the purposes of non-infringing industrial application.

181. In relation to transitional provisions

- specific transitional provisions should be introduced to put beyond doubt the legal position of manufacturers and traders dealing with products that were industrially applied or sold before 1 October 1990,
- savings provisions should be introduced to cover cases where the defence against infringement of copyright in industrially applied products, as it existed before the Copyright Amendment Act came into operation, still applies,
- if the Copyright Act s 77 does not provide a defence in relation to acts occurring before 1 October 1990 the defence that was available under the old s 77 should continue to be available.

## **18. Administration**

182. No substantive changes should be made to the administrative provisions creating the Designs Office and the positions of the Registrar and Deputy Registrar of Designs or to the provisions conferring powers, including the power to delegate, and providing for the seal of the Designs Office.

183. There should continue to be provision for an offence of making false representations about the Designs Office.

184. The powers of the Registrar to obtain information should be retained but extended to allow the receiving of evidence on affirmation. Parties who appear and give evidence on oath or affirmation should be able to be cross examined.

185. The existing offence in Designs Act s 42B concerning the failure to comply with a summons to appear or to produce a document should be retained in the new designs legislation.

186. The existing offence in Designs Act s 42C concerning the refusal to appear as a witness should be retained in the new designs legislation in the same terms.

187. The Registrar's existing power to award costs should be retained in the new designs legislation.

188. The legislation should provide that before the Registrar exercises a discretionary power in relation to a design the following persons should be notified and given a reasonable opportunity to be heard

- the person applying for the exercise of that power
- the person(s) named on the register as owner of the design
- the person(s) who have given the Registrar a notice of their interest in the design, that is, a mortgagee or licensee who has requested an entry to be made recording its interest.

Third parties adversely affected by the exercise of a discretionary power who request a hearing should be given a reasonable opportunity to be heard. The Registrar should give reasonable notice of the exercise of a discretionary power in the Official Journal or an appropriate electronic medium.

# Appendix A - Draft clauses

## Design

1. (1) A design is one or more visual features of a product.
- (2) The visual features of a product include its shape, configuration, pattern, ornamentation, colour and surface.
- (3) A feature is not to be disregarded for the purpose of subsection (2) merely because it serves a functional purpose.
- (4) In subsections (1) and (2), *product* includes a proposed product.

## Product

2. (1) A product is any thing that is manufactured.
- (2) *Manufacture* means made wholly by the use of machinery, partly by the use of machinery and partly by hand, or wholly by hand.
- (3) Where a product is assembled from two or more component parts, each of those component parts is also a product.
- (4) One or more of the dimensions of a product may be of indefinite extent provided that where more than one of the dimensions is indefinite the product, or the part of the product which has the indefinite dimensions, satisfies at least one of the following requirements:
  - (a) a cross-section taken across any indefinite dimension varies according to a regular pattern; or
  - (b) at every point the dimensions in 2 axes are definite and the dimensions in those 2 axes are in the same proportional relationship; or
  - (c) the cross-sectional shape remains the same throughout (whether or not the dimensions of that shape vary according to a regular pattern or according to a ratio or series of ratios); or
  - (d) it has a pattern or ornamentation which incorporates repeats.
- (5) *Product* does not include
  - (a) an integrated circuit, or part of an integrated circuit, within the meaning of the Circuit Layouts Act 1989; or
  - (b) a mask used to make such a circuit.

## What is a registrable design?

4. A design is registrable if it is new and distinctive.

## Priority date

5. The priority date for an application for registration of a design is:
  - (a) in the case of an application other than a Convention application - the date on which the application was filed under this Act; or
  - (b) in the case of a Convention application - the date fixed by sectionXR.



## Meaning of publish and use

6. In this Act
- (a) *publish* means make available to the public in a document
  - (b) *use* means use in commerce.

## What is a new design?

7. Subject to section 9, a design is to be taken to be new unless, at any time before the priority date for the application for registration of the design:
- (a) an identical *design* had been used in Australia; or
  - (b) an identical design had been published anywhere in the world.

## What is a distinctive design?

8. Subject to section 9, a design is taken to be distinctive unless:
- (a) on the priority date for the application for registration of the design:
    - (i) a substantially similar design was being used in Australia; or
    - (ii) a substantially similar design was registered anywhere in the world under a law relating to the registration of designs, provided that the registration has not ceased to have effect.
  - (b) a substantially similar design had been published under section XR\* within 15 years before the priority date.

\* Section XR refers to publication under the optional publication or registration system.

## Designs taken not to have been published or used

9. (1) A design (the *first design*) that is identical with, or substantially similar to, another design (the *relevant design*) is not to be taken, for the purpose of section 7 or 8 (as the case may be), to have been published in Australia or to have been used only because:
- (a) the first design has been published in conjunction with the holding of a recognised exhibition; or
  - (b) the first design or the product for which that design was created has been exhibited at a recognised exhibition;
- if the exhibition commenced within 6 months before the application for registration of the relevant design was filed under this Act.
- (2) If
- (a) a design (the *first design*) that is identical with, or substantially similar to, another design (the *relevant design*) was published or used without the consent of the owner of the relevant design; but
  - (b) that owner, as soon as practicable after he or she became aware of the publication or use, and in any event within 6 months after the relevant design's creation, applied for the registration of the relevant design under this Act,

then, for the purpose of section 7 or 8 (as the case may be), the first design is not to be taken to have been published or used only because of the publication or use referred to in paragraph (a).

(3) If a design is disclosed to a person on terms that expressly or impliedly required the person not to disclose the design to any other person, then for the purpose of section 7 or 8 (as the case may be) the design is not to be taken to have been published or used only because of the disclosure of the design to the first-mentioned person.

(4) In this section:

*recognised exhibition* means:

- (a) an official or officially recognised international exhibition within the meaning of Article 11 of the Paris Convention or Article 1 of the Convention relating to International Exhibitions done at Paris on 22 November 1928, as in force for Australia on 27 September 1973; or
- (b) an international exhibition declared by the Registrar, by notice published in the Official Journal before the beginning of the exhibition, to be a recognised exhibition for the purposes of this Act.

## **Infringement of a registered design**

**10. (1)** A person infringes a registered design if, without the consent of the owner of the registered design the person:

- (a) makes; or
- (b) sells, or offers or keeps for sale; or
- (c) hires, or offers or keeps for hire;

a product made according to a design that is identical with the registered design or substantially similar to the registered design.

(2) A person infringes a registered design if, without the consent of the owner of the registered design, the person imports into Australia for sale or use a product made outside Australia, without the consent of the owner of the registered design, according to a design that is identical with the registered design or substantially similar to the registered design.

(3) A person infringes a registered design if, without the consent of the owner of the registered design, the person does an act in relation to a kit which, if done in relation to an article assembled from the kit, would constitute an infringement of the registered design.

(4) Subsection (3) only applies if there are reasonable grounds for believing that an informed person who examined the kit would have concluded that the kit was intended to be assembled into a product having a design identical with, or substantially similar to, the registered design, whether or not the person would have concluded that the kit was also intended to be used for other purposes.

(5) For the purposes of subsection (4), an informed person is someone who is reasonably familiar with products of the kind or kinds that include the products for which the designs referred to in that subsection were created.

(6) In this section, *kit* means a complete or substantially complete number of parts that can be assembled to constitute a finished product.

## **Substantial similarity**

**11. (1)** This section sets out the test to be applied by the Court or Registrar for the purpose of deciding whether a design is substantially similar to another design.

**(2)** A design is substantially similar to another design if the Court or Registrar is satisfied that, in spite of any differences between the designs, an informed user who compared the designs and had regard to the overall impression created by each of the designs could reasonably conclude that the designs were substantially similar.

**(3)** For the purposes of subsection (2), an informed user is someone who is reasonably familiar with

- (a) the nature, appearance and use of products of the kind or kinds that include the products for which the designs were created; and
- (b) any other design for products of the kind or kinds mentioned in paragraph (a) that have been publicly available and of which evidence is before the Court or Registrar.

**(4)** In applying the test in subsection (2), the Court or Registrar, for the purpose of deciding on the weight to be given to any similarity or difference between designs:

- (a) must have regard to the following:
  - (i) any other design that at the relevant date was then being used in Australia, or that or that was then registered anywhere in the world under a law relating to the registration of designs provided that the registration was still in force or that had been published under section XR within 15 years before the relevant date
  - (ii) the range of design options that were available to the designers concerned;
  - (iii) any features of a design that are specified in the register as new and distinctive and the qualitative significance of those elements in relation to the whole product; and
- (b) may have regard to any other matter the Court or Registrar considers relevant.

**(5)** To the extent that an application for the registration of a design does not specify any colour:

- (a) the application is taken to specify every colour in relation to the design; and
- (b) if the design is registered in accordance with the application, the registration has effect as if it specified every colour.

**(6)** The relevant date is

- (a) for determining distinctiveness - the priority date for the application for registration of the design,
- (b) for determining infringement - the date of the alleged infringing act.

## **What is a registered design?**

**12.** A registered design is a design that is registered under this Act.

## **Ownership of design**

**13. (1)** Subject to this section, the creator of the design is the owner of a design.

(2) Unless otherwise agreed:

- (a) if a person enters into a contract (other than a contract of employment) to create a design for another person (the *principal*), the design, on its creation, is owned by the principal, and
- (b) except where paragraph (a) applies, if a design is created by a person in the course of his or her employment, the employer is the owner of the design.

(3) If the owner of a design assigns his or her interest in the design to another person, the other person becomes the owner of the design.

## **Exclusive rights of owner of registered design**

14. The person named in the Register as the owner of a registered design has the exclusive right:

- (a) to make and
- (b) to sell, or offer or keep for sale, or hire, or offer or keep for hire,

a product made according to a design that is identical with the registered design or substantially similar to the registered design.

## **Commencement and duration of registration**

15. (1) If a design is registered under this Act:

- (a) the registration is taken, for the purposes of this Act, to have commenced on the day on which the application for registration was made; and
- (b) unless renewed, the registration ceases to have effect at the end of the period of 5 years that commenced on the day referred to in paragraph (a).

(2) Each renewal of registration extends by 5 years the period for which the registration would otherwise have lasted.

(3) Registration cannot be renewed more than twice.

(4) Paragraph (1)(a) does not operate so as to render an act done before the day on which a design is registered under section XR an infringement of the registered design.

## Appendix B - System of review of Registrar's decisions

Decision	Report Paragraph	Recommended Review	Designs Act Provision	Current Review
<i>Decisions regarding applications</i>				
Decision whether to accord a filing date to applications	5.17 12.21-12.24 12.32-12.33	ADJR potential opposition proceeding then AAT	s 21 reg 13 s 39	ADJR and prescribed court
Decision whether to accord a basic application the status of a Convention Application	5.19 12.22-12.24	ADJR	s 49(1) s 39	ADJR and prescribed court
Decision to refuse to amend an application	5.44 12.28	AAT	s 22B(2)	Federal Court
Decision whether to accord the status of a divisional application	5.55 12.21-12.24 12.32-12.33	ADJR potential opposition proceeding then AAT	s 22C s 39	ADJR and prescribed court
Decision upon formal examination of a Convention application	5.61 12.32-12.33	opposition proceeding then AAT	s 49 s 39	ADJR and prescribed court
<i>Decisions whether to register</i>				
Decision whether to register a design application	5.38-5.42 12.28	AAT	s 23 (1) & s 24(3)	Federal Court
Decision whether to register an application for a set as a multiple application or to require a divisional	5.86 12.29	AAT	s 20(6) s 39	ADJR and prescribed court
<i>Decisions as to renewals and extensions</i>				
Refusal to grant an extension of time where error or omission of applicant	5.110 12.20	AAT	s 27B(2) s 40K	AAT
Refusal to grant an extension of time where error or omission of AIPO	5.110 12.20	ADJR with potential opposition proceeding and AAT	s 27B(1) s 40K	AAT
Decision to grant an extension of time where error or omission of applicant	5.113 12.20	AAT	s 27B(2) s 40K	opposition proceeding then AAT
Decision to grant an extension of time where error or omission of AIPO	5.113 12.20	ADJR with potential opposition proceeding and AAT	s 27B(1) s 40K	AAT
Refusal to grant an extension of period of registration under	5.113	no longer relevant as 12 mth initial period not retained	s 27A(11)	Federal Court

27A(2) at the discretion of the Registrar				
Decision to grant a licence subject to any conditions to continue any act following restoration which would otherwise constitute infringement of the design	5.119 12.21-12.24	ADJR	s 27B(7) reg 29, 29AA, 29B	AAT
<b><i>Decisions relating to opposition proceedings</i></b>				
Decision to amend or alter the Register at the request of the owner or the Registrar' own initiative	5.98-5.100  7.16  12.19	AAT	s 37(1), (1A) & (1B)  reg 21(8)(a)  reg 61	AAT
Decision to register interest of mortgagee or licensee upon proof of title	4.18-4.22  12.21-12.24  12.33	ADJR	s 38A  s 39	ADJR and prescribed court
Application to a prescribed court for cancellation of registration on the ground of prior publication	7.15  12.32-12.33	opposition proceeding then AAT	s 28(a)	prescribed court
Application to a prescribed court for rectification of the register	7.27  12.32-12.33	opposition proceeding then AAT	s 39	prescribed court
Decision in opposition proceedings as to validity or ownership  Decision upon hearing which confirms or overturns decision upon re-examination as to validity	7.26  12.32-12.33	opposition proceeding then AAT	-	Federal Court and AAT
Decision to remove a registered design from the register at the Registrar's own motion following rehearing	7.28  12.8  12.25-12.27	re-examination hearing then AAT	s 28(1)  s 39	Federal Court

# Appendix C — Report of the results of a survey of persons who use the designs registration system under the Designs Act

This survey was conducted by Alexis Brajtman of ALRC with the assistance of background material supplied by the Australian Intellectual Property Organisation

## 1. Introduction

### Introduction

1.1 In the second half of 1993 the Commission conducted a survey of 930 individual designers and manufacturers throughout Australia, all of whom had had recent experience with the registration system under the Designs Act. The survey was confined to persons and companies resident in Australia. Those that were not resident were disregarded because their reasons for participating in the Australian designs system were not necessarily relevant to the issues of interest to the Commission. Nor did the Commission consider that it was likely that the number of responses it could expect to receive from overseas would be large enough to be regarded as representative.

#### *Background: earlier industry consultations*

1.2 During the first half of 1993, the Commission's consultations with industry focused on some 30 manufacturers throughout Australia who

- regularly registered their designs and who had substantial experience with the operation of the Designs Act
- had been involved in litigation for infringement under the Designs Act.

Seminars were also held in all capital cities (except Darwin) and Launceston. These were attended by more than 350 participants, the majority of whom were individual creative designers who, the Commission discovered, did not register their designs and were generally unaware of the existence of the Designs Act.

#### *Aims of the survey*

1.3 These case studies and seminars provided the Commission with valuable information with which to start formulating some proposals for reform. They did not, however, provide the Commission with an overall picture about the use of protection afforded by the Designs Act. More widely based and more systematic information about the way in which the design protection system operates in Australia, as well as the needs and expectations of those who use, it was needed if the Commission was to arrive more confidently at policy proposals. The aim of the survey was to therefore to find out, among other things:

- the kinds of persons and companies that use the current registration system
- whether design protection is regarded as more suitable for particular products
- the aspects of design that persons and companies are seeking to protect by registering
- the value that users of the designs system place on the protection it provides
- the difficulties that registrants face in using the registration process
- why many applicants fail to proceed with their registration applications
- why many registrants fail to apply for second and third renewals
- what steps are taken to resolve disputes.

The survey was not intended to examine the circumstances in which each individual design was registered. It was meant rather to provide the Commission with a large-scale impression of industry use of the Act, industry's perceptions of its value and the difficulties it may experience in its use. It does not purport to be a scientific study and the results obtained are not meant to support economic or statistical conclusions. The results of the survey confirmed many of the views that emerged during the Commission's industry consultations.

### *The survey categories*

1.4 Questionnaires were sent to persons and companies in four categories. The categories were

- all persons or companies that had registered a design during a 3 month period beginning in mid August 1993 (**recent registrants**)
- persons or companies that had recently allowed their applications for registration to lapse (**lapsed applicants**)
- all persons or companies that had applied for renewal of a design registration in the three month period (**renewed registrants**)
- persons or companies that were entitled to apply for renewal of their registrations in the 3 month period but who failed to do so (**lapsed registrants**).

In all, questionnaires were sent to 370 recent registrants, 135 lapsed applicants, 220 renewed registrants and 205 lapsed registrants. Many of the persons and companies that participated in the survey registered more than one design, or applied for more than one registration. However only one response was sought from each registrant or applicant. Most of the questions asked in the questionnaires were common to all categories. Questions specific to each category were also asked.

### *High rate of response*

1.5 The Commission received a very high level of response to the survey. As at 31 January 1994 the Commission had received replies from

- 53% of recent registrants to whom questionnaires had been sent (196 replies)<sup>1551</sup>
- 37% of lapsed applicants to whom questionnaires had been sent (50 replies)<sup>1552</sup>
- 53% of renewed registrants to whom questionnaires had been sent (117 replies)<sup>1553</sup>
- 42% of lapsed registrants to whom questionnaires had been sent (86 replies)<sup>1554</sup>

The high response rate was partly due to the methodology employed. When no response to a questionnaire was received, an attempt was made to contact the person or company by telephone. The Commission attempted to contact by telephone 95% of those who had failed to respond in writing to the questionnaire. As a result many of the questionnaires were answered by telephone rather than in writing. Approximately one third of the replies of recent registrants, one quarter of the replies from the renewed registrants and one half of the replies from the lapsed registrants were taken over the telephone.

### *Lapsed applicants/registrants*

1.6 The Commission was, however, unable to trace over 65% of the lapsed applicants and lapsed registrants who had been sent a questionnaire. A large number of these questionnaires sent out by the Commission were returned marked 'return to sender'. This would appear to be one of the factors that has resulted in a lower response rate for these two categories.



### ***Response rate higher for individual designers***

1.7 Individual designers and small companies were far more likely to respond to the survey than were larger organisations, who usually failed to respond even after a follow-up telephone call. Many of the larger companies said they were not able to devote resources to completing the questionnaire. However the individuals and companies that did respond frequently volunteered that they were grateful for the opportunity to express views on matters that had been, according to some, long neglected. A survey of this kind had never been undertaken before. It should be borne in mind that the results of the survey will reflect the fact that there was a higher response rate from individual designers and small companies. The Commission has not attempted to quantify this impact in any general way nor has it yet attempted to quantify this impact on any of the results for any specific question.

### ***Results explained***

1.8 The results detailed below are compiled from both written and telephone responses that the Commission had received at 31 January 1994. The responses to questions that were asked in all categories were almost identical between the categories. Thus where recent registrants and renewed registrants, and lapsed applicants and lapsed registrants were asked similar questions, the answers corresponded closely. Any striking differences between the categories and between written and telephone responses have been indicated. Where the percentages do not total 100%, the shortfall represents those who did not respond to the question. Where the percentages exceed 100%, this is due to the fact that participants were asked to fill in as many boxes as applied to them.

### ***Many comments received***

1.9 While many of the comments reproduced in this report were made in response to a request for comment — an equal number were volunteered. The Commission had not anticipated the extent to which participants would volunteer comments about their experiences in using the registration system. Because a large number of comments were received, it has been possible to include only a small selection.

### ***Methodology***

AIPO provided the Commission with the names and addresses of persons and companies that fell into the four categories of survey groups. Each was sent a brochure explaining the current law in simple terms, a questionnaire and a letter. When a response to the questionnaire had not been received within a fortnight a follow-up telephone call was made and when possible the questions on the questionnaire were asked by telephone.

## 2. Use of the registration system

### Introduction

2.1 Some of the aims of the survey were to provide the Commission with an overall picture of:

- those who used the current Designs Act registration system
- the number of designs that these design owners have registered and
- the kinds of products that were registered over the three month survey period.

### *Who registers designs*

2.2 The results indicate that many users of the registration system are either individual creative designers or part of a small company. It should be borne in mind that individual designers and small companies were far more likely to respond to the survey than were larger organisations. Many larger companies said they were not prepared to spend time completing the questionnaire.

Of the recent registrants who responded to the questionnaire:

- 47% said they were individual creative designers
- 51% said they were not individual designers but part of a company

Of the recent registrants (51%) who said they were part of a company

- 24% said they were part of a company that had between 1 and 20 employees
- 5% said the company had between 21-50 employees
- 3% said the company had between 51 and 100 employees
- 7% said the company had between 101 and 200 employees
- 4% said the company had between 210 and 500 employees
- 5% said the company had between 501 and 1000 employees
- 5% said the company had more than 1000 employees.<sup>1555</sup>

These results were mirrored in the survey of renewed registrants.

### *How many designs are registered by each registrant?*

2.3 The participants in the survey were asked to state how many designs they had registered in total. Many individual designers had never previously registered a design. Those who had done so usually owned a maximum of two registered designs. Companies made up the whole of the 14% that said they owned the rights to more than 20 registered designs. The results suggest that individual creative designers do not make as much use of the registration system as companies. Many individual designers expressed concerns about the costs of registering designs and about the enforceability of their rights. This may be one reason why individual designers often fail to register their designs.

Of all the respondents

- 33% said they had either registered no other designs or only 1 other design. Almost all of these were individual designers.
- 41% of respondents said they had registered between 2 and 10 designs.
- 8% said they had registered between 11 and 20 designs.
- 5% said they had registered between 21 and 50 designs. All of these were part of a company.
- 4% said that they had registered between 51 and 100 designs. All of these were part of a company.
- 5% said they had registered more than 100 designs. All were part of a company.

#### ***How many designers acquire the intellectual property rights to another person's registered design?***

2.4 The participants were asked whether they had ever acquired the rights to a design from another registered owner. No respondent who was an individual designer or member of a small company had ever acquired the rights to a design from another registered owner. Many who answered the survey questions over the telephone did not understand what it meant to acquire another person's design. Most individual creative designers said they would like to assign or licence their designs because they themselves lacked the financial resources and facilities to manufacture and promote industrial products made to their designs. Individual designers were generally not interested in acquiring the rights to any other persons' designs. Only a small number of larger organisations said that they had acquired the rights to one or more designs from a registered owner. Most of the respondents said they did their own research and development and designing.

- 89% of respondents had never acquired the design rights to a design from the registered owner.
- Of the 10% who had acquired another person's design rights, none were individual designers.

These results were mirrored in all categories.

#### ***For what kind of products are designs registered?***

2.5 Designs for an extremely diverse range of products were registered over the three month survey period, including light fittings, bicycles, extrusions, farm machinery, textiles, toys, fashion garments and statues. Most of the designs that were registered appear to be dictated by function to some extent. This is confirmed by the comments made by registered design owners about the kind of protection they were seeking. The type of protection that respondents wanted did not depend on the respondent's particular industry. Attempts were made to assess whether the nature of the product had any influence on the answers to the subsequent questions. However, no conclusions could be drawn from the type of products that were registered over the three month period.

### 3. What value do registrants place on design protection?

#### Introduction

3.1 Respondents were asked a series of questions aimed at providing the Commission with a picture of the value they place on the design protection that is available under the current registration system, the reasons why people register their designs and what uses they make of the registration system. The survey also sought to discover the type of protection that designers are seeking and whether registrants understand the type of protection that is currently available under the design registration system.

#### *Would an absence of protection have any effect?*

3.2 A large number of respondents across all categories indicated that the absence of designs protection would have no effect on either their research and development or capital investment in Australia. Many of the respondents indicated that this was because they had doubts about the value of registering their designs and the enforceability of their rights. Almost half of lapsed registrants indicated that the absence of design protection would not affect the level of their research and development or capital investment in Australia.

3.3 The number of lapsed registrants who indicated that if there was no designs protection there would be no difference to the levels of their capital investment and research and development was about the same as the number who said that if there was no designs protection their capital investment and research and development would decrease.

#### *Would a complete absence of legal protection for designs under the Designs Act have an effect on:*

##### *(a) capital investment*

If there was no protection for designs:

- 21% of recent registrants said that their capital investment would not change. 81% of these were companies.
- 4% of respondents said that the level of their capital investment would increase. All were companies.
- 57% of respondents said that the level of their capital investment would decrease.
- 15% of respondents said they were unsure what effect an absence of protection would have on their capital investment.

##### *(b) research and development in Australia*

If there was no protection for designs:

- 24% of recent registrants said that there would be no change to the level of their research and development in Australia. Of the 24% who indicated that the level of their research and development would not change, 18% were companies.<sup>1556</sup>
- 5% of respondents said that the level of their research and development in Australia would increase. Almost all were companies.
- 53% of respondents said that the amount of research and development they performed in Australia would decrease.
- 15% of respondents said they were unsure what effect an absence of protection would

have on the level of their research and development in Australia.

These results were mirrored in the survey of renewed registrants. Less than 10 lapsed applicants responded to this question.

***For what purpose is the Designs Act registration system mainly used?***

3.4 Although a large majority of respondents stated that they use the registration system to protect the appearance of their products, many indicated that they also use the registration system for other purposes. Over a third of respondents stated that they used the registration system to find out what other designs had been registered already. More than half of the respondents used the registration system to assure themselves that they were not infringing someone else's registered designs. More than 40% of respondents indicated that they use the registration system to create intellectual property rights that they can then assign or licence to another person.

- Over 80% of recent registrants indicated that they mainly used the registration system to protect the appearance of their products. The percentage dropped to below 70% for renewed registrants and was significantly lower for lapsed applicants and lapsed registrants.

***Are people aware that registration under the Designs Act protects only the 'new look' of a product?***

3.5 More than three-quarters of respondents said they were aware they were only getting protection for the appearance of the article to which the design was applied. Most of those who were not aware that design protection covered appearance only had responded to the survey after being contacted by a follow-up telephone call. Many assumed that because they were able to register a design largely dictated by its function, it meant they were getting protection for those functional features. Of the 20% who said they were not aware that design registration only gave them protection for the appearance of the article to which the design was applied, almost all were individual designers.

***Comments received from respondents***

- I couldn't get a patent and so I thought that I better do something to try and protect my product, though now that I know that I am only getting protection for what the thing looks like, I don't know if it's worth it. I wanted protection for what it does, how it works.
- I was under the impression that because it was a functional item I was getting protection for function. If I am not, then I don't know if I will use the registration system again.
- I was under the impression that I had protection for the internal workings of my product. If I don't, I don't know why I have this registration.

***What do registrants seek to protect by registering their designs?***

3.6 Participants were asked what they wanted to protect by registering their designs. Although registration under the Designs Act registration system only allows for the protection of the appearance of a product, many people are looking for wider protection, particularly for the functional aspects of an article and the way it works.

- 74% of respondents across all categories said that they wanted registration to protect the overall appearance of the article bearing the design.

3.7 Across all categories, 102 individuals and companies (24%) said they only wanted to protect the appearance or visual features of the article bearing their design. Many of these people commented that they were concerned about the protection currently offered by the Designs Act registration system due to problems of enforceability and the narrow definition of protection that has developed.

### ***Identifying precisely what people want to protect***

3.8 Although a large majority of respondents were seeking protection for the appearance of their products through designs registration, respondents across all categories emphasised the fact that most individuals and companies are seeking more than just protection for an item's appearance. The responses and comments received indicate a high degree of dissatisfaction with the limits of protection currently available, with many respondents commenting that they felt the type of protection they needed was just not available in Australia.

3.9 A striking number of the respondents who answered the survey questions over the telephone volunteered comments on the protection they were seeking to get from registration. Designers who wanted protection for the appearance of their products commented that this protection needed to extend beyond the one individual appearance of the article bearing the design. Concern was expressed that if the law permitted a competitor to slightly modify an original design without infringing it, the protection offered under the registration system was worthless.

Of those who wanted protection for something more than just the appearance of the article bearing the design:<sup>1557</sup>

- 51% wanted protection for the actual article bearing the design (ie both the article's appearance and function)
- 58% wanted protection for the uniqueness of the article bearing the design.
- 41% wanted protection for the way the article worked
- 31% wanted protection for one specific functional feature of the article bearing the design.

These results are mirrored in the surveys of renewed registrants and lapsed registrants. A very small number of lapsed applicants answered this question.

### ***Comments received from respondents***

3.10 As mentioned above, many respondents indicated a great deal of concern about the kind of protection that registration gave them. Due to the large number of comments the Commission received it is not possible to print them all. The following comments are representative of the views expressed:

- We especially wanted to protect the FUNCTION.
- We are not getting the protection we need ... The protection we receive is not worth the paper it is written on.
- There should be greater protection for functional aspects of the article through the Designs Act, and the parameters of protection should be broadened and extended to cover more than just the actual look of the article bearing the design, as often this is not so important.
- ... often what you want protection for falls somewhere between a design and a patent ... You take out design protection because it is better than nothing at all.
- You need to have some type of protection whereby you can protect the uniqueness of function. Something somewhere between a patent and design protection.
- I really want to protect my ideas.
- The shape is often important too, but it is the way it works that I am often looking to protect.

- I could not get a patent for this product, but I want to protect the way it works. I think there needs to be some type of protection that allows me to do this.
- You cannot get patent protection but you need something more than just protection for the appearance of the article. You take out design protection because it is better than nothing at all.
- We need to be able to protect what the article does, not only what it looks like. With my product it would be simple for someone to copy the innovative function and make it look quite different. If I can't stop that then I certainly can't get the protection I am after.
- It really doesn't matter so much what this product looks like, its a secondary consideration. If someone changed the appearance of the article (and I know they only have to do so very marginally) but copied the innovative functional aspects of it, then my research and development have been wasted, because that is what is novel and original.
- Design protection needs to encompass functional protection. If not then there needs to be protection in Australia for articles and innovations that cannot be patented but are functionally dictated. We only register as we cannot get patents on most of our goods, but are well aware of the limitations of the so-called protection we receive under the Designs Act.

### ***Why do people register their designs?***

3.11 Although companies and individual designers are generally registering designs to get some form of protection for their products, in almost all cases there is also some further reason for obtaining design protection.

- 79% of respondents stated that they apply for design protection in order to prevent potential competitors from entering the market.
- 44% of respondents register their designs to assist them in recouping their investment in innovation.
- 17% of respondents were advised to register by patent attorneys or other independent professionals.
- 27% of respondents said they apply for registration as part of their export strategy. Few of these are individual designers.<sup>1558</sup>

### ***Monopoly protection or protection against copying***

3.12 Participants were asked whether they preferred design registration to give them an exclusive right or protection against copying. It was clear that many respondents did not understand the difference between these forms of protection, despite the fact that an attempt was made to explain the difference in the brochure accompanying the questionnaire. The results of this part of the survey may therefore not be completely reliable.

3.13 Although 79% of respondents indicated that they hoped to prevent competitors from entering the market through design registration, the follow-up telephone calls indicated that nearly all registered owners were most concerned with preventing competitors from copying their original designs without having to invest time and money. More than three-quarters of individual designers were more concerned with preventing their competitors copying their original designs than with obtaining exclusive rights to their designs. Although most of the larger companies were also concerned with preventing copying, they were more likely to be interested in obtaining exclusive rights than were individual designers.

3.14 The questionnaires did not specifically ask whether respondents were using the registration system as a means of preventing competitors and others from copying their designs, almost all who answered the survey

over the telephone and almost half who responded by mail indicated that they were registering their design in an attempt to prevent others from copying their innovations.

### ***Comments received from respondents***

3.15 The following comments are representative of the many that were received.

- I registered my design to prevent copying by my much larger competitors. It doesn't.
- To scare off copiers.
- To prevent new ideas from being copied'.
- To prevent someone copying my idea.
- To prevent rampant copying that takes place in the market.
- To TRY and stop copying.
- To prevent copying.
- To prevent competitors from copying our design (this is not the same as excluding them from the market as they may have their own designs).
- To prevent copying by competitors using inferior quality materials and mass producing these copies. I found out about the *Designs Act* after 4 of my most successful and lucrative designs were copied by a large company who mass distributed through cut price chain stores. I now encourage other small competitors of mine to register their designs as well, as even though the system is far from perfect, unfortunately it is the only defence we have against the large companies who copy and refuse to even pay a royalty or licence fee.
- My partner and I spent a great deal of time on research and development. In the end we came up with a very clever, innovative but simple idea. It would be very easy to copy, and the copiers would not have to go through the expensive and lengthy creative process. We registered to try and stop people taking advantage of this.
- To prevent copying, even though I know its like having a watch dog that barks when someone comes to the door, but everyone knows will never bite. You can just hope that the person who tries to steal from you is one of the few who haven't yet heard that your dog doesn't bite!
- To try and prevent unscrupulous members of industry from stealing my ideas rather than having the honesty and integrity to come up with their own.

To try and stop people copying it, but I have since found out that designs registration will not stop anyone copying whatever they want to.



## 4. The registration process

### Introduction

4.1 This chapter looks at the process of registering a design and examines the reasons why so many people allow their design registrations to lapse, either at the application stage or the renewal stage. It also discusses some of the problems that applicants and registrants face when using the current registration system.

#### *What difficulties do registrants face with the registration process?*

4.2 Many of the respondents who admitted to having experienced difficulties with the registration process expressed dissatisfaction with the type of information and advice they were able to obtain from AIPO.

4.3 More than 75% of the respondents who admitted to having had some difficulty with registration had answered the survey questions over the telephone. This may indicate that there are many more registered design owners who have concerns or have experienced difficulty during the registration process, but have failed to articulate this.

#### *Participants were asked if they had experienced any problems registering their designs*

37% of recent registrants said they had experienced difficulties registering their design.

Of these:<sup>1559</sup>

- 42% of respondents said they had experienced difficulties with the cost of registration. Almost all respondents who said cost was of concern were either individual designers or part of a company with less than 20 employees.
- 48% of respondents said that the approximately six month delay between the date of application and the date of registration was of concern. Companies and individual designers were equally concerned by this but companies were more likely to pay an additional fee to have the application expedited.
- 40% of respondents said they had difficulties with documentation or other formalities when registering a design. Almost all were individual designers or small companies.
- 42% of respondents had problems with objections from the Registrar to their designs. Most of these objections concerned the drawings or photographs that accompanied the application. Some indicated that they had difficulty wording the statement of monopoly, especially the first time they registered a design.

#### *Comments received from respondents*

4.4 The following comments are representative of those the Commission received.

- It would be very helpful if AIPO provided some basic information about what the *Designs Act* protects, and what you get when you register a design, as many people get very confused about the differences between trade marks, patents and designs. They are often rather unhelpful if you ask for some basic assistance. I was advised to see a patent attorney, but that is very expensive and often unnecessary. It would be very helpful if there were pamphlets or something with examples of stock answers as the Office is very particular as to how they want the questions answered and how to word statements of monopoly. Once you've done it once its okay, but it can be very daunting that first time.
- I did not understand the documentation and what they wanted, how to word the statement of monopoly. It would be very useful if they had some examples — some form of instruction sheet so that first-timers who cannot afford to use the services of a patent attorney would be able to complete

the forms without difficulty and without having to be faced with objections because you have not filled in the forms as they require'.

- I found the large number of photos required rather irksome as suitable photographs for a technical object are expensive and difficult to produce.
- We found the registration system to be very cumbersome and archaic. Possibly more frequent usage of the system may unravel some of the esoteric procedures which appear anachronistic.
- ... The antiquated system for checking and searching — Is this the 1990's?
- The searching process is terrible. I was trying to conduct my own searches and the categorising was unbelievable. I don't know how they are able to conduct effective searches — maybe they don't.
- I do have some concerns as to whether designs are properly scrutinised to ensure they are registrable (not resembling other designs) after having tried to work out the searching system and failed.
- There is absolutely no information available on how to register in Australia and also how to do so overseas. There also should be some information available on the dispute process. I feel very unsure about what I have actually got from registration. There should be information provided in AIPO about what type of protection you receive when you register a design, what it actually means and what your rights are.
- I don't really know what the protection I have actually means. I know it is for the appearance of my article, but what if someone made the board look a bit different, but their game had the same rules — is that infringement? I think they should provide us with details of what registration means and what rights it gives us.
- ... The formal wording of documents — not easy to understand gobbledegook!

#### ***Were the problems resolved?***

4.5 Respondents who indicated that they had experienced difficulties with the registration process were asked whether the problems had been resolved to their satisfaction. Almost half of those who said they had experienced problems with registration said that matters were not resolved to their satisfaction. Many indicated that costs were the main reason for this dissatisfaction.

#### ***Comments received from respondents***

4.6 The following comments are representative of those received by the Commission.

- The problems were solved but it cost me \$1000 to register.
- The costs are expensive since renewal is required one year later.
- The problem was we had it dealt with by a patent attorney which was ridiculously expensive.
- Costs of using a patent attorney were very high — \$600 to get the item registered. I recently got a bill for more than \$200 from them to pay for renewing the design but they never asked me in the first place if I wanted it renewed.
- I suppose it was resolved but at substantial time and cost'.
- It all got done but using a patent attorney made it even more expensive.

### ***Renewed registrants***

4.7 The results of the questionnaires sent to 220 renewed registrants indicate that very few registered design owners are utilising the maximum period of protection available to them. Reasons for this included expense of renewal, dissatisfaction with the type of protection available and the short market life of the product to which the design was applied.

Of the 117 replies received from renewed registrants

- 55% of respondents said that it was their first extension.
- 24% said this it their second extension.
- 7% said it was their third extension.

### ***What difficulties do design owners face when renewing their registered designs?***

4.8 Renewed registrants were asked to identify the difficulties they had experienced with the process of renewal. Most of the problems arose out of the fact that registrants are not notified that the design registration was due for renewal. Many people commented that the process of renewal could be improved significantly if reminder notices were issued as a matter of course. Individual designers mentioned that the costs of renewal were of concern to them. Large companies were far less likely to be concerned with either the costs of registration or renewal.

- Of the 55% who had applied for their registration to be renewed for the first time:
  - 35% said they had had a problem with the lack of notification that the registration was due for renewal
  - 14% had difficulties with the costs of renewal
  - 14% had difficulties with the speed of processing the application for renewal
  - 5% had difficulties with the documentation or formalities required in the application for renewal.
- of the 24% who said that this was their second renewal application:
  - 33% said that the lack of notification that the registration was due for renewal had been a problem.
  - 23% had difficulties with the costs
  - 8% said the speed of processing the application had been a problem
  - 8% said the documentation or formalities were a problem.
- Of the 7% who had applied for a third renewal, only 1 respondent had experienced a difficulty with the process of renewal. In this case the problem concerned the lack of notification that the registration was due for renewal. Only one person had not yet manufactured, licensed or assigned the rights to their design at the third period of renewal.

### ***Comments received from respondents***

4.9 A few respondents praised the service they had received from AIPO.

- I overlooked the date (of renewal) and missed it by a few days. I went straight to the Adelaide Office and they were most helpful and allowed me to renew it without paying the extra fee for forgetting to do so.
- I performed the application myself. There was a minor objection to the pictorial representation of the design. I suspected this would happen in any case and the examiner was very helpful and the objection easily resolved.
- AIPO misplaced my documents but were then very efficient in rectifying the mistake.

Many respondents commented that the renewal process could be improved if letters were sent to remind registrants that their design registrations were due for renewal.

- It would be good if a letter of reminder that your renewal fees were due could be sent out.
- Its basic common sense that reminder notices should be sent out. No-one keeps a five year diary or will remember amongst everything else that in five years time they must renew their design. It should be like the dentist, when they want you to come again they send you a reminder that you are due to have your teeth checked.
- A courtesy letter reminding you that the renewal fee is due would be of great assistance.
- We had no notification and in fact had to re-instate it (at extra cost) before renewing.

Similar views were expressed by the renewed registrants.

#### ***Why are designs registrations allowed to lapse?***

4.10 Many lapsed registrants said that they had in fact intended to renew the registration but had simply overlooked the renewal date. This was particularly true for individual designers and small companies that were not computerised and could not afford the services of a patent attorney.

#### ***Comments received from respondents***

- When you don't have secretaries and fancy computer systems, it is very easy to lose track of time and forget that your design needs renewing. It seems illogical to me that AIPO is quite capable of sending me a letter saying that I have failed to renew and that the registration has lapsed. To restore it I have to pay them a lot of money and sign a statutory declaration explaining my reasons for failing to renew. Its a bureaucratic nightmare that could simply and cheaply be avoided. I know that they work at recovering their costs, so I am sure that sending reminder letters would not cost anything for them, as the cost would be passed to us. I also realise that they wouldn't be getting extra revenue from people like me who forget and then are up for extra fees for re-instatement.
- It is most important to receive a reminder of renewal. As I have a number of registrations and patents and some trade marks, everything due at different times, so many different dates — I have sometimes forgotten to renew because I have accidentally failed to realise due expiry dates.
- I got a letter saying it had lapsed. I didn't realise that it was due for renewal so soon as the registration only came through a few months before that. Maybe they could send us a letter notifying us that renewal is due in a few weeks, with a bill — kind of like lawyers do, or the gas company. You owe AIPO \$X. If you do not pay this fee within X days then your design will no longer be registered.
- To decipher the renewal date proved to be difficult for me. I keep a record in order to know when to renew, but until recently my understanding of the date due was always different to that of the Patent Office. I was notified well past the expiry date that I had failed to renew. It cost a great deal to have it restored. Then again it expired due to misunderstanding of the renewal date.

- On receipt of your letter and questionnaire I realised that I had forgotten to renew my registration. I had every intention of renewing. Had I received a follow up notice my registration would now still be in force.
- My patent attorney forgot to renew it and it will now cost me quite a few hundred dollars to have it restored and I don't think it is worth the money. Everyone in this industry copies bits and pieces from everyone else, and I don't think a registered design is going to stop that in any way.

### ***Lapsed applicants***

4.11 Of the 135 questionnaires sent to lapsed applicants, approximately 30 were returned to the Commission because the registrant was not known at that address. Of the 135 questionnaires sent out by the Commission only 20 companies and individuals returned their completed copies. The Commission was unable to find contact telephone numbers for approximately 2/3 of the lapsed registrants to whom questionnaires were sent after reasonable effort was made. Almost none of these people participated in the survey.

4.12 The 20 lapsed applicants who did participate in this survey indicated that they had allowed their applications to lapse for one of the following three reasons:

- the cost involved in registering designs was too high.
- there was no longer any commercial demand for the article bearing the registered design
- the applicant was disillusioned with the type of protection.

### ***Lapsed registrants***

4.13 Of the 205 questionnaires sent out to lapsed registrants, 51 were answered either over the telephone or received by post, 35 were returned to the Commission because the applicant was not known at that address. The Commission was unable to find a contact telephone number for almost two-thirds of the lapsed registrants who were sent questionnaires after reasonable effort was made. As with the lapsed applicants, most lapsed registrants did not respond to the survey. AIPO sends out letters informing design owners that their registrations have lapsed but the Commission assumes that these letters are not reaching their destination as all addresses for the survey have been provided to the Commission by AIPO. The onus is on the registered owner to inform AIPO of any change in address. Clearly many people are failing to do so. There is no reason to assume that those who could not be traced had any different reasons for allowing their registrations to lapse than those with whom the Commission made contact.

4.14 When larger companies have allowed their registrations to lapse, the reason often appears to be employee turnover. Several larger organisations requested that the Commission provide them with further details of the design in question because the company and its employees had no record or recollection of the initial registration.

### ***Why are designs registrations allowed to lapse?***

4.15 The 51 lapsed registrants who responded to the questionnaire, either by telephone or mail, indicated that they had allowed their registrations to lapse for one of the following reasons:

- there was no longer any commercial demand for the article bearing the registered design
- the costs of renewal were too high
- they had forgotten to renew their registration
- they were disillusioned with the type of protection afforded under the *Designs Act*, or

- the design or article bearing the design had been further developed, making it unnecessary to keep the registration on foot.

## 5. Disputes

### Introduction

5.1 All respondents who had been involved in a dispute concerning a registered design were asked questions about their experiences. This chapter examines why few disputes proceed to litigation and the level of satisfaction about the outcome of litigation felt by those who have been involved in a dispute. The chapter also asks whether some alternative method of dispute resolution for designs cases is preferred.

Over the four categories, 76 respondents answered the questions on disputes.

#### *Persons who were not the registered design owner in a dispute over a registered design*

5.2 Only ten respondents said an action had been taken against them by a registered design owner in a dispute over a registered design. All these disputes arose because the respondents were accused of having copied a competitor's registered design. Four of the ten said they had been aware of the registered design that they had been accused of copying. None of the actions were successful and none resulted in litigation.

#### *Registered owners who were in a dispute over their registered design*

5.3 Most people who answered the questions on disputes said that they were the registered owner of the design in question. Many people who answered the questions over the telephone stated that their designs were being copied but said that they had taken no action against either the person who had allegedly copied it or a retailer who sold allegedly infringing copies. Almost all these people were either individual designers or small companies with less than 5 employees. Their reasons for failing to take action against alleged infringers were always related to cost. Some mentioned that they had sought legal advice but after having had the legal position explained to them, had decided that they were in no financial position to take action. A great deal of dissatisfaction was expressed about the dispute resolution situation and the costs associated with enforcing design rights.

#### *Of those who had been involved in a dispute over a registered design, how many were the owner of the design?*

- 87% of respondents (66 people) said they had been involved in a dispute over a registered design in which they were the registered owner.
- 79% of those who were the registered owner of the design said that the dispute had arisen because someone had copied their registered design or applied it to an article.
- 74% of persons who had been involved in a dispute over a registered design knew the identity of the person who copied their registered design and 38% knew the identity of the person or company that was selling articles bearing their registered design.
- 51% said that the infringing design was exactly the same as their registered design and 37% of design owners said they had evidence that the alleged infringer knew of their registered design.
- 59% of the alleged copying or application took place in Australia. Where the copying had taken place overseas, over 90% had taken place in Asia.

#### *Against whom did the registered owner take action against?*

When a registered owner took steps to enforce a design:

- 54% took action against the person who applied the infringing design to manufactured

articles.

- 49% took action against the person or company that sold articles bearing the design.
- 36% took action against both the copier and the person who was selling the infringing items.
- 13% took action against the person or company that imported articles bearing the design.
- 5% took action against the person or company that hired out articles bearing the design.

### ***Why do few disputes proceed to litigation?***

5.4 Respondents were asked to state the reasons why their disputes had not proceeded to litigation. In most cases there was more than one reason. Those who responded to the questions on disputes indicated a high level of dissatisfaction and frustration with the process. Many who thought that they had a very strong case said they would not litigate in any circumstances under the current law. The costs involved and the risk of failure were cited as the most common reasons for not seeking either an injunction, damages or account of profits. Design owners expressed a great deal of frustration with the law's inability to prevent copying of registered designs.

Of the 87% who said they had been involved in a dispute and were the registered owner of the design.<sup>1560</sup>

- 26% of the disputes were said to have been resolved by a warning off letter.
- 33% of the disputes were said not to have proceeded to litigation because the costs of enforcement were too high
- 17% of respondents said that they did not proceed to litigation because of uncertainty in the law.
- 9% of respondents had been advised by their solicitors not to litigate.
- 17% of respondents said that a settlement had been negotiated.

### ***Comments received from respondents***

5.5 The following comments are representative of the reasons why registered owners are reluctant to litigate.

- Unless you have a lot of money, you can't afford to risk it (litigation), especially as our solicitor told us that even though it was pretty clear that we were in the right, there could be no guarantees of an outcome in the courts.
- In one dispute I was involved in, a large multi national copied one of my designs. It was so identical in every way, that if I was called out to repair something, I would have a very hard time distinguishing between one of my own articles and that of the copier. I contacted the company in question who told me that they would fight any action I took and that this would involve considerable expense. After speaking with my attorney, I realised that even in my situation I would be taking a big risk, and would inevitably be left out of pocket in some way.
- My solicitor sent a warning off letter but it made no difference. He told me that I would need a lot of money before I could take them to court and that it was not certain that I would win. The copiers are a bit shaky financially and so would end up saying they couldn't pay any damages, declare themselves bankrupt and start up again in the son or daughter's name.



- Warning off letters were sent to both toy companies that had copied my design. Both denied that they had and invited me to take the matter further if I so desired. We are very, very small operators, one of them is one of America's largest toy manufacturers — naturally I declined their offer.
- The matter was not really resolved. A competitor copied one of my designs and added a couple of grooves onto the back of it in the area that would be cemented into a wall. So there is no difference at all between the two designs in what people will actually see. Letters were sent back and forth but my attorney advised me that the courts would say the two designs were different. Because of that I decided not to bother taking it any further, but this really showed me how worthless the protection we are getting from registration really is.
- After a warning off letter was sent to the company, they slightly modified their copy and our advice was that it no longer infringed our design!
- The *Designs Act* is not what I consider a basis on which to take anybody to court.
- My solicitor sent the warning off letter but told me that if they didn't take heed of the warning then I would be very naive to take the matter any further because my chances of success in a court would be 50/50, even though I had evidence of the copying, and could prove they knew of our registration.

### ***Litigation***

5.6 Only 14 of the disputes (18%) proceeded to litigation.

Of these 14 disputes that proceeded to litigation:

- 6 (43%) respondents said they obtained an injunction against the infringing party.
- 2 (14%) respondents said the court had ordered damages.
- 2 (14%) respondents said the court had ordered an account of profits.
- 2 (14%) respondents said they had lost the case in court.
- 2 (14%) respondents said the case was still in progress.

In no case was both an injunction and subsequently damages or an account of profits ordered.

### ***Registered owners are dissatisfied with the outcome of designs disputes***

5.7 More than half of the registered owners expressed dissatisfaction with the outcome of their disputes. Only 19 respondents said they were happy with the way the dispute had been resolved. The others made no comment. Many of those who answered the questions over the telephone expressed anger about the outcome of their disputes. Very few respondents felt that justice had been done. Individual designers and small companies expressed anger and concern that the law failed to protect them, especially against large companies. Those who had sought legal advice were astounded by the costs of taking action against infringers and the uncertainty of winning due to the way the courts have interpreted the scope of protection available under the current law.

- About 25% of respondents who had been involved in disputes were satisfied with the outcome.

### ***Comments received from respondents***

5.8 The following is representative of the reasons for the dissatisfaction.

- Outcome was probably the best we could achieve but the damage was already done.
- Extremely long lead time. Extremely expensive. Decision was a lottery rather than on evidence. Tedious presentation of evidence.
- The person/company still makes copies of this particular design, and because it is particularly innovative and profitable, I am losing a significant amount of money because of the inadequate protection the law gives me.
- It would be financial suicide to take the matter any further.
- Costs of legal action means that even when you win you lose.
- Total lack of experience of judge in intellectual property law made the case a farce.
- He copied my design, I got nothing, and all I can do is hope he won't do it again.
- Due to legal costs we still suffered a substantial loss. Also one party failed to fulfil their undertakings.
- We were advised that to take it further and go to court and try and get an injunction we would have to come up with \$30 000. Who has that amount of money to lose? We didn't and there was nothing we could do to stop him copying. We soon realised that the registration is as good as the money you have to back it up.
- The person who copied my design came from Queensland, purchased a couple of my products, made a mould of them and proceeded to manufacture blatant copies. I had photographs and videos of his copying. I had evidence from my salesperson that this man had bought the article from him. I was certain I could win in court and so began litigation. Every time we had a date in court I had to go down to Sydney (pay all the associated expenses like travel and accommodation, accept that I would lose business while I was away), but his solicitors would say their case hadn't been fully prepared, and request a six month delay. They kept getting it. After this carrying on over years, and having already accumulated \$70 000 in bills, I had no choice but to pull out or risk losing everything.

***Would registered owners who had been involved in a dispute get involved in a dispute again?***

5.9 Although many respondents said they would take a similar course of action if someone infringed their registered designs, concern was expressed about the process of dispute resolution. Many felt that they had no choice but to take action, as failure to do so would sanction copying of their products in the future. Some respondents expressed fear that if they did not take action they would be perceived by competitors as weak or an easy target for copying. For this reason many felt that they had to take some stand against infringers, despite the frustration involved.

- |   |
|---|
| <ul style="list-style-type: none"> <li>• 39 respondents said that if they were involved in a dispute concerning a registered design again, they would take the same course of action.</li> <li>• 19 said they would not take the same course of action again</li> </ul> |
|---|

***Comments received from respondents***

5.10 The following is representative of the reasons why respondents who had been involved in a dispute would take the same course of action again, despite the obvious concern about the process of dispute resolution in designs cases.

If a company is not prepared to develop products of its own, you are duty bound to take action.

- There is nothing else you can do but take action, otherwise you are condoning what they are doing.

- No choice — my business is based on my designs.
- Yes, but only because it was resolved by a warning off letter and I consider myself very lucky. If I was not successful with the warning off letter I would not take the matter any further.

5.11 The following comments were made by some of the 19 respondents who said they would not get involved in another dispute.

- Not with the present law and patent attorney costs. We have to challenge the copiers in the market place. Our patent attorney on being shown our original toy and one of the copies, had difficulty telling them apart — but still he stated he could argue either way in a case like this — depending on who hired him! Would you waste your money proceeding in court with this attitude? We didn't!
- Legal costs are too high. So too is the emotional drain of another party saying they created almost the exact design you laboured over and worked to perfect, knowing they deliberately copied your toy and tried to call it their creation.
- The expense related to the outcome is not worth it.
- Too hard to gain a technical win.

#### *Alternative dispute resolution for designs disputes*

5.12 Many respondents who said they had not been involved in a dispute concerning a registered design or had chosen to ignore infringement of their registered designs nevertheless commented on the need to improve the mechanisms for dispute resolution and enforceability. Cost was the factor most often cited as a deterrent to taking action against alleged infringers, both by those who had been involved in disputes and those who had not.

5.13 Respondents were asked whether, for disputes involving a question of the similarity between a registered design and an alleged infringing design, it would help to have the dispute decided by someone other than a judge?

- 57% of respondents who had been involved in a dispute as a registered owner said that it would have helped if the question of similarity between a registered design and the alleged offending design had been decided by someone other than a judge.
- 7% were not in favour of persons other than judges making such decisions.

5.14 Respondents were asked whether, when a dispute involves the question of whether a registered design was sufficiently novel or original to have been registered, it would help to have the dispute decided by someone other than a judge.

- 47% of respondents who had been involved in a dispute were in favour of persons other than judges making decisions on questions of novelty and originality.
- 5% were not in favour of persons other than judges making such decisions.

5.15 Respondents were asked, if decisions are not to be made by a judge, who should make them.

- 26 people mentioned they were in favour of experts from their industry being involved in the decision making process.
- 25 people said they favoured a combination of experts from industry, members of their industry and consumers being involved in the decision making process.

- 8 people said that there was a need for some legal input as well.

### ***Compulsory marking of products***

5.16 Some people commented that they would have difficulty marking their products, and expressed concern that this would have an adverse effect on any action they may seek if compulsory marking were introduced. Overall, most people said they would be prepared to mark their products, but only if it had a positive effect in determining infringement questions.

5.17 On the assumption that marking products to indicate the existence of a registered design would make it easier to prove infringement, respondents were asked if they would you be prepared to mark their products.

- About 65% of respondents who had been involved in a dispute said they would be prepared to mark their products if this would make it easier for them to prove infringement.
- Over 50% of respondents would be prepared to mark their products if it made it easier to get an injunction or damages.

## 6. Would registered owners register their designs again?

### Introduction

6.1 Registered design owners expressed a great deal of dissatisfaction with several aspects of the law and procedures surrounding the registration process. Participants were asked whether they would register their designs again in the future and their reasons.

#### *Would registered owners use the registration system again to protect the appearance of their products?*

6.2 Although concern was expressed about the type of protection available under the current system and the enforcability of design rights, almost all registered owners said they would continue to register designs in the future. Respondents said that this was not because of satisfaction with the current system or the scope of protection it offers, but rather because most respondents had no other way to protect their designs.

6.3 Almost 90% of those who answered the questions over the telephone said that although they would use the registration system again, they had reservations about it. Approximately a third of those who answered the questions by mail also indicated that although they would use the registration system again, they held reservations about it.

6.4 About 80% of these reservations were related to the type of protection that registration gave them.

- 87% of recent registrants said they would use the registration system to protect the appearance of their products in the future. This result was mirrored for renewed registrants.
- 72% of lapsed registrants said they would use the registration system again. This result was mirrored for lapsed applicants.

#### *Comments received from respondents*

6.5 The following comments are a representative selection of the concerns held by respondents about design registration.

- Protection is very limited. Only 'just' would use the system again as is none other.
- Feedback from others indicates that design registration affords little worthwhile protection against copies which are not identical.
- Type of protection you get from registration is inadequate.
- Only just and only because there is no other way of protecting our designs. The system needs to be changed because you really do not get any protection.
- I would like to express my concern that having gone through all this process, the registration may be worth little as I have no resources with which to defend it. If the law is only for the rich and powerful, is it just?
- I am very concerned at the narrow definition of protection afforded by the courts. Very little is needed to modify existing designs to sidestep the protection supposed to be afforded by design registration.
- I do not feel the type of protection you get is adequate...I feel very unsure about what I have actually got from registration. What would my chances of success be in a dispute? What is the success rate for registered design owners? I know disputes can become very expensive, but how expensive?
- We don't have faith in the 'protection' offered under this system.

- You really can't stop people copying under the current system. You threaten them sure, and hope they stop, but there isn't much more you can do as everyone knows how expensive litigation is, and how uncertain victory is.
- Protection needs to be more enforceable and cost effective. I have spent over \$50000 on R&D which I would not have the funds to defend in court, and as my attorney said, the protection is as good as the weight of your back pocket — the more money you have the stronger your protection is. I would like to see real protection that is not dependent on you having loads of cash to lose.
- I will continue to use the registration system because there is no other type of protection available to me. However, I have a number of reservations about the current system, particularly concerns about enforceability of your rights and the scope of designs protection. The scope of protection needs to be broadened and tightened up to prevent the rampant copying going on.
- Better protection is vital. Protection is worthless if it is not enforceable. I might be able to afford a warning off letter if I needed to try and enforce my rights, but I certainly wouldn't have the money to enforce my rights beyond that.
- Many retailers want you to register before they will take the product. For us that is really the only incentive to continue with registration in the future as we have found that there is no way to prevent the rampant copying that goes on. If registration is meant to give you a monopoly right over that design, then it is certainly failing to do so. From my perspective it just seems to alert copiers that hey, there is something new on the market to copy! Sure you have the choice of going to court, but you have many choices in life that you know would be foolish to take, and that is certainly one of them. I can think of many better places to spend tens of thousand of dollars!
- I don't register because I think I can enforce my rights, I know from experience that the piece of paper means very little. I continue to register my designs in the hope that competitors will do searches of the system as I did before developing new designs, and then see my registration and hopefully not copy it. If someone does copy it I can only hope they will be scared off if I send them a warning off letter. If they decide to go ahead and copy anyway, I know from having lost a lot of money, I can't do much. If the registration certificate doesn't give you any real rights, then AIPO should be obligated to inform you of this. You should be told what you are paying for.
- It is not immediately clear what protection you have while waiting for the registration to come through ie what can I do if someone infringes my design before my registration comes through....There should also be some guidelines on how the courts have interpreted the legislation so that you have some idea of where you stand and what protection you are actually getting.

### ***Reasons for not registering designs again***

6.6 Over 10% of those who responded to the survey said that they would not register designs again under the current system. This seemed to be largely due to the reservations they had about the type of protection afforded by the Designs Act. Many respondents felt that even if there was no other form of protection available to them, there was still no value in registering their designs due to the type of protection that was available.

### ***Comments received from respondents***

- I have been told about the type of protection you actually end up getting and realise now that design protection is not worth the money you pay for the piece of paper.
- If the protection isn't real, why have it and why bother paying for something that gets you nothing?
- In my opinion there IS no protection under the *Designs Act* therefore I am not prepared to waste my money paying for the registration.

- I don't believe it is worth the paper it is written on.
- I regard it (designs registration) as a nuisance because of the gross uncertainty surrounding designs. With designs you never know if you are infringing someone else's registered design or if they are infringing yours. You would be crazy to go to court over a design dispute — there is as much certainty in the result as there is in winning tatts lotto.
- No longer rely on registered design protection for our industrial designs. Recent court decisions indicate rights are unenforceable. No value in continuing with registrations.
- I wouldn't register designs anymore. Not the way it (the system) stands. It is a worthless rip off.
- The *Designs Act* is a useless thing that gives you nothing. Once I found out what I get from registration, I didn't bother with renewing it anymore and I won't ever register anything again.
- The lack of actual help from the employees at the desk resulted in me having to use the very expensive services of a patent attorney.
- I needed some simple advice and no-one at AIPO would answer the questions I had. I think there should be someone there to answer questions, legal and otherwise, otherwise there is real discrimination against the people who do not have a lot of money and cannot afford a patent attorney.
- The design was eventually registered, however after promises of action and many calls to Canberra the speed did not match the dates promised. I was also very unhappy with the attitude of the people in my local office as it was their advice that I seek the services of a patent attorney. This was completely unnecessary and would have been ridiculously expensive for a small operator like myself. The current system is not conducive to progress or ease of business.
- The searching system needs to be updated, put on computers. I did my own searching at AIPO and it was an absolute nightmare. I couldn't believe how outdated the system was.
- The registration form looks like a six class certificate for best effort.
- In many cases we had difficulty with AIPO through arrogance of that office and a 'big brother' attitude.

# Appendix D: List of submissions and select consultations

## Submissions

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Aboriginal Legal Service (Tas)	179
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## Select list of consultations

26 November 1992	Meeting H Daniels, Attorney-General's Department	Canberra
7 April 1993	Meeting LCA	Sydney
5 May 1993	Seminar Design Institute of Australia	Melbourne
5 May 1993	Meeting LCA	Melbourne
6 May 1993	Meeting R Strickland, N Brett and G Hack	Melbourne
7 May 1993	Meeting Automatic Technology Australia Pty Ltd	Melbourne
10 May 1993	Meeting J Kaldor, John Kaldor Fabricmaker Pty Ltd	Sydney
12 May 1993	Meeting LCA	Sydney
14 May 1993	Seminar Design Academy (Melbourne chapter)	Melbourne
17 May 1993	Meeting Dr J Walker, TPC	Sydney

18 May 1993	Meeting Dr W Rothnie	Melbourne
18 May 1993	Meeting D Ryan and J Luck, Davies Collison Cave	Melbourne
18 May 1993	Seminar Royal Australian Institute of Architects	Sydney
20 May 1993	Seminar Ryan Davies Deboos	Melbourne
20 May 1993	Meeting Dr D Williamson, DIST	Canberra
21 May 1993	Meeting L Duncan and M Richardson, University of Melbourne	Melbourne
27 May 1995	Seminar Design Academy (Sydney chapter)	Sydney
31 May 1993	Meeting M Kay, AAMI	Sydney
9 June 1993	Meeting F Old, Spruson & Ferguson	Sydney
9 June 1993	Meeting D Wilson, Shelston Waters	Sydney
16 June 1993	Meeting P Conrick, AMPICTA	Sydney
17 June 1993	Seminar Professor J Ginsburg	Sydney
17 June 1992	Meeting AIPO	Melbourne
23 June 1993	Consultation Arts Law Centre of Australia Ltd	Sydney
24 June 1993	Meeting Ogden Industries Pty Ltd	Melbourne
24 June 1993	Meeting Telecom Research Laboratory	Melbourne
24 June 1993	Meeting Pacific Dunlop Ltd	Melbourne
24 June 1993	Meeting G Houston, Comalco Aluminium Ltd	Melbourne
25 June 1993	Meeting F Chin, BTR Nylex	Melbourne
1 July 1993	Meeting Minister for Science and Small Business, Senator Schacht	Canberra
1 July 1993	Meeting Philips Ormonde Fitzpatrick	Sydney
1 July 1993	Meeting F Brannigan, Kambrook Industries Pty Ltd	Melbourne
2 July 1993	Meeting D Berryman Australian Industrial	Melbourne

## Research Group

2 July 1993	Meeting J Calligia, Ericsson Australia Pty Ltd	Melbourne
6 July 1993	Seminar Design Centre of Tasmania	Launceston
7 July 1993	Meeting Hunter Island Design Centre	Hobart
7 July 1993	Meeting NRMA	Sydney
13 July 1993	Consultation Gerard Industries (Adelaide)	Sydney
13 July 1993	Consultation D Mitchell, DIST (Canberra)	Sydney
20 July 1993	Meeting AMPICTA	Sydney
27 July 1993	Meeting Cullen & Co	Brisbane
27 July 1993	Meeting Techni Interiors Pty Ltd	Brisbane
28 July 1993	Meeting Dr Clive Turner University of Queensland Law School	Brisbane
28 July 1993	Assistant Professor of Law, Bond University	Brisbane
28 July 1993	Meeting National Panels Pty Ltd	Brisbane
28 July 1993	Meeting Bondor Pty Ltd	Brisbane
28 July 1993	Seminar Queensland Institute of Technology, Design Institute	Brisbane
29 July 1993	Meeting Brisbane Aluminium Fabricators	Brisbane
30 July 1993	Meeting Australian Consumers Association	Sydney
3 August 1993	Meeting I Crawford, AIPPI	Perth
3 August 1993	Meeting D & W School Supplies	Perth
4 August 1993	Meeting T Nathan, AC Mobility	Perth
4 August 1993	Seminar Curtin University of Technology	Perth
4 August 1993	Meeting Assoc. Professor Dr K Cutbush-Sabine Curtin University of Technology and International and Commercial Law Centre	Perth
5 August 1993	Meeting DITARD, Federation of Automotive Canberra Parts Manufacturers and Federal Chamber of Automotive Industries	

6 August 1993	Meeting R Hind, AIPPI	Sydney
11 August 1993	Meeting Professor D Lamberton ANU and member IPAC Committee	Canberra
11 August 1993	Meeting B Ward, Brian Ward & Associates	Melbourne
11 August 1993	Meeting J Rose, Rosebank Plastics Pty Ltd	Melbourne
11 August 1993	Meeting C Sandercock, Inventors Association	Melbourne
12 August 1993	Meeting L Eakin, Retailers Council of Australia	Melbourne
12 August 1993	Attendance at AIPO Registrar's hearing	Melbourne
13 August 1993	Meeting P Vallis, Click Industries Pty Ltd	Melbourne
17 August 1993	Meeting Maddern & Associates	Adelaide
17 August 1993	Meeting R Catt	Adelaide
17 August 1993	Seminar Design Institute of Australia and University of South Australia	Adelaide
18 August 1993	Consultation Email Ltd	Sydney
18 August 1993	Seminar BLEC Intellectual Property Review	Sydney
19 August 1993	Meeting Dr P Williams, Melbourne University Graduate School of Management	Melbourne
19 August 1993	Meeting Australian Automotive Aftermarket Association and REPCO	Melbourne
20 August 1993	Seminar BLEC Intellectual Property Review	Melbourne
24 August 1993	Meeting OPC and AIPO	Canberra
14 September 1993	Meeting Warman International Ltd	Sydney
15/16 September 1993	Meeting AIPO	Canberra
20 September 1993	Meeting Tupperware Australia Pty Ltd	Melbourne
21 September 1993	Meeting Retailers Council of Australia	Melbourne
23 September 1993	Meeting Active Leisure Sports Co	Melbourne
23 September 1993	Meeting Decor Corporation Pty Ltd	Melbourne

13 October 1993	Meeting Federal Chamber of Automotive Industries	Canberra
28 October 1993	Meeting S Aquilina, Envirotech Corporation	Sydney
28 October 1993	Meeting Ken Done Art & Design	Sydney
11 November 1993	Meeting R Durie, J Brown, Linklaters & Paines	London, UK
12 November 1993	Meeting C Fellner	London, UK
13 November 1993	Meeting A Sugden, Comptroller & Director Intellectual Property Policy, UK Patents Office	London, UK
15 November 1993	Consultation C Lees,Chartered Institute of Patent Attorneys	London, UK
15 November 1993	Consultation DRA (UK)	London, UK
17-18 November 1993	Meeting Max Planck Institute for Intellectual Property and Competition Law	Munich, Germany
19 November 1993	Meeting B Posner, EC designs committee	Brussels, Belgium
22 November 1993	Meeting Professor W Cornish,University of Cambridge	Cambridge, UK
6-7 December 1993	Meeting Consultants appointed to ALRC Designs reference	Melbourne
8-9 December 1993	Meeting Consultants appointed to ALRC Designs reference	Sydney
16 December 1993	Consultation H Pyke, Designer and manufacturer	Sydney
20 January 1994	Meeting Minister for the Arts, D Kerr	Melbourne
23 February 1994	Meeting H Daniels, Attorney-General's Department	Sydney
28 February 1994	Meeting Justice Sheppard and Justice Gummow Federal Court of Australia	Sydney
19 May 1994	Meeting Industry Commission	Sydney
27 May 1994	Consultation J McKeough, University of NSW	Sydney
27 May 1994	Meeting F Old, Spruson & Ferguson	Sydney



30 May 1994	Meeting Phillips, Ormonde & Fitzpatrick	Melbourne
31 May 1994	Consultation Dr W Rothnie	Sydney
31 May 1994	Meeting AMPICTA, Alcatel and P Conrick	Sydney
31 May 1994	Meeting Griffith Hack & Co	Melbourne
31 May 1994	Meeting S Ricketson, Monash University	Melbourne
1 June 1994	Meeting T Golder, Arthur RobinsonHedderwicks	Melbourne
1 June 1994	Consultation J McKenzie	Sydney
1 June 1994	Meeting Professor C Nielsen, UTS School of Industrial Design, Design Academy	Sydney
1 June 1994	Meeting M Richardson, University of Melbourne Law School	Melbourne
1 June 1994	Meeting D Ryan and J Luck, Davies Collison Cave	Melbourne
3 June 1994	Meeting J Redmond, University of NSW School of Industrial Design	Sydney
23 June 1994	Meeting P Smith, former Director-General of AIPO	Sydney
6 July 1994	Meeting AIPO	Canberra
23 August 1994	Seminar University of Melbourne	Melbourne
29 September 1994	Meeting DIST	Canberra
5 October 1994	Meeting R Hind, Patent Attorney	Melbourne
5 October 1994	Meeting LCA, Intellectual Property Committee	Melbourne
5 October 1994	Meeting Dr W Rothnie	Melbourne
10 October 1994	Seminar International Bar Association	Melbourne
31 October 1994	Meeting N Gruen, Industry Commission	Sydney
1 November 1994	Meeting AIPO	Canberra
10 March 1995	Meeting N Gruen, Industry Commission	Canberra
20 March 1995	Meeting M Hoellering, American Arbitration	New York, US

Association

23 March 1995	Meeting Dr J Walker, TPC	Sydney
28 March 1995	Meeting K Curtis, DIST	Sydney
6 April 1995	Meeting H Anderson, BIE	Sydney
6 April 1995	Consultation Door Store (Perth)	Sydney
19 May 1995	Meeting New Zealand Ministry of Commerce	Sydney
30 May 1995	Meeting DIST	Canberra
11 May 1995	Meeting ACIP	Melbourne
12 May 1995	Meeting AIPO	Melbourne
15 June 1995	Meeting R Gould, AIPO	Sydney
21 June 1995	Seminar Air & Mine Equipment Institute	Sydney

# Appendix E - Participants

## The Commission

The Division of the Commission constituted under the *Law Reform Commission Act 1973* for the purpose of this reference comprises the following members of the Commission:

### *President*

Justice Elizabeth Evatt AO, LLB (Syd) LLM (Harv) (to November 1993)

Alan Rose AO, BA, LLB (Hons) (Qld), LLM (LSE) (from June 1994)

### *Deputy President*

Susanne Tongue BA, LLB (Hons) (ANU) (from September 1993)

### *Commissioners*

Christopher Sidoti BA, LLB (Syd) (from February 1992)

Professor James Lahore BCL, MA (Oxon), LLM (Penn), LLD (Melb)

Stephen Mason BA, LLB, MTCPC (Syd) (to October 1993)

Michael Ryland BA (Hons), LLB (UNSW) (from July 1994)

### *Project Manager*

Mary Fisher LLB (Hons) (Adel)

### *Principal Law Reform Officer*

Chris Peters BJuris LLB (Monash) (to July 1994)

### *Senior Law Reform Officers*

Michael Barnett BA, LLB (Macq), LLM (Hons) (Syd) (to August 1994)

Kim Pettigrew BA (Hons), LLB (Hons) (Melb), LLM (UTS) (to February 1995)

### *Law Reform Officers*

Alexis Brajtman BA, LLB (UNSW) (from April 1994 to September 1994)

Lucinda Jones BA, LLB (Hons) (Syd), LLM (Hons) (Cantab) (from January 1995)

### *Research Assistants*

Alexis Brajtman BA, LLB (UNSW) (from July 1993 to April 1994)

Sture Rygaard LLM (Uni of Copenhagen) (from July 1993 to January 1994)

Jonathan Morrow BA (Hons)(Syd) LLB (Syd) (from September 1994 to December 1994)

### *Project Assistant*

Maureen Carter

## ***Library***

Joanna Longley BA (Lib) (CCAEC)

Louise Levido (to December 1993)

Anna Peden BEc (Macq), Grad Dip App Sc (Info) (UTS) (from March 1994 to January 1995)

Raeanne Davis BA Grad Dip App Sc (Info) (UTS) (from January 1994 to January 1995)

Emma Joneshart BA (Uni of Newcastle) Grad Dip App Sc (Info) (UTS) (from April 1995)

## ***Typesetting***

Anna Hayduk

Maria Capitani

## **Consultants**

Sasha Alexander, Design Institute of Australia, Director of Industrial Design NSW Chapter

Peter Banki, solicitor, Phillips Fox and Australian Copyright Council

Libby Baulch, Executive Officer, Australian Copyright Council

Stephen Bott, General Manager Legal Services Myer Grace Bros Department Stores

David Catterns QC, Barrister

Terry Collins, Patent Attorney, Phillips, Ormonde & Fitzpatrick and IPAA

Patrick Conrick, Alcatel Australia Ltd and AMPICTA

Ian Crawford, Solicitor, Blake Dawson Waldron

Chris Cresswell, Business Division, Attorney-General's Department

Anthony Fox, Executive Director, Tasmanian Design Development Corporation

Tim Golder, Solicitor, Arthur Robinson Hedderwicks

The Hon Justice WMC Gummow, Federal Court of Australia

Raymond Hind, Patent Attorney, Davies Collison & Cave and AIPPI

John Kaldor, John Kaldor Fabricmaker Pty Ltd

The Hon Mr Justice JS Lockhart, Federal Court of Australia

Janice Luck, Patent Attorney, Davies Ryan DeBoos

John MacKenzie, Civil Aviation Authority

Associate Professor Jill McKeough, Faculty of Law, University of New South Wales

Dr Peter Miller, Institution of Engineers

Associate Professor Carl Nielsen, Faculty of Design, University of Technology Sydney

Fraser Old, Patent Attorney, Spruson & Ferguson

Thomas Pettigrew, Industry Consultant, formerly of Ford Australia

Professor John Redmond, Head of Department of Industrial Design, University of New South Wales

Megan Richardson, Senior Lecturer, University of Melbourne

Professor Sam Ricketson, Faculty of Law, Monash University

Dr Warwick Rothnie, Solicitor, Mallesons Stephen Jaques

Des Ryan, Patent Attorney, Davies Collison & Cave

Harry Sebel, The Harry Sebel Consultancy and Australian Academy of Design

The Hon Mr Justice IF Sheppard, Federal Court of Australia

Pat Smith, former Registrar of Designs and Commissioner of Patents and former Director-General of AIPO

Robert Strickland, Patent Attorney, Griffith Hack & Company and IPAA

Dr Jill Walker, Economic Specialist, Trade Practices Commission

Allan Wightley, General Manager Group Development, Warman International Ltd

David Wilson, Patent Attorney, former President IPAA

## Appendix F — Abbreviations

AAD	Australian Academy of Design
AAT	Administrative Appeals Tribunal
AAT Act	<i>Administrative Appeals Tribunal Act 1975</i> (Cth)
ACC	Australian Copyright Council
ACIP	Advisory Council on Industrial Property
ACIP petty patents review	Advisory Council on Industrial Property <i>Draft Report of the Review of the Petty Patent System</i> ACIP Canberra, March 1995
ADJR Act	<i>Administrative Decisions (Judicial Review) Act 1977</i> (Cth)
AIPPI	International Association for the Protection of Industrial Property
AIPO	Australian Industrial Property Organisation
ALRC	Australian Law Reform Commission
AMPICTA	Australian Manufacturers' Patents, Industrial Designs, Copyright and Trade Mark Association
ARC patents inquiry	<i>Administrative Review and Patents Decisions</i> Issues Paper, January 1994
Berne Convention	<i>Convention for the Protection of Literary and Artistic Works</i> signed at Berne on 9 September 1886
BIE report	Bureau of Industry Economics <i>The Economics of Intellectual Property Rights for Design</i> AGPS Canberra, May 1995
CER	Australia and New Zealand Closer Economic Relations Trade Agreement signed at Canberra on 18 March 1983 and amended on 24 December 1987, 19 June 1992 and 6 October 1992
Circuit Layouts Act	<i>Circuit Layouts Act 1989</i> (Cth)
CLRC	Copyright Law Review Committee
Copyright Act	<i>Copyright Act 1968</i> (Cth)
CSIRO	Commonwealth Scientific and Industrial Research Organisation
Designs Act	<i>Designs Act 1906</i> (Cth)
DIA	Design Institute of Australia
Discussion Paper	ALRC Discussion Paper 58 <i>Designs</i> ALRC Sydney, August 1994
DIST	Department of Industry, Science and Technology
DITARD	Department of Industry, Technology and Regional Development (now known as the Department of Industry, Science and Technology: DIST)
EC proposed Council Regulation	Commission for the European Communities Proposal for a Council Regulation on the Community Design
EC Explanatory Memorandum	Explanatory Memorandum to the Commission for the European Communities Proposal for a Council Regulation on the Community Design
EC Green Paper	Commission for the European Communities <i>Green Paper on The Legal Protection of Industrial Design</i> Brussels, June 1991 III/F/5131/91-EN
EU	European Union
Franki report	Designs Law Review Committee <i>Report on the Law Relating to Designs</i> First Term of Reference AGPS Canberra 1973
GATT	<i>General Agreement on Tariffs and Trade</i>
Hague Agreement	<i>Agreement Concerning the International Deposit of Industrial Designs</i> signed at the Hague on 6 November 1925

IPAA	Institute of Patent Attorneys of Australia
IPAC procedure report	Industrial Property Advisory Committee <i>Practice and Procedures for Enforcement of Industrial Property Rights in Australia</i> Presented to the Hon Ross Free MP Minister for Science and Technology, 12 March 1992
IPAC patents report	Industrial Property Advisory Committee <i>Patents, Innovation and Competition in Australia</i> Presented to the Hon Barry O Jones MP Minister for Science and Technology, 29 August 1984
Issues Paper	ALRC Issues Paper 11 <i>Designs</i> ALRC Sydney, April 1993
Johnston report	<i>Report of the Departmental Committee on Industrial Designs</i> Presented to UK Parliament by the President of the Board of Trade London, August 1962
Justice Statement	Attorney-General's Department (Cth) May 1995
Lahore report	<i>Inquiry into Intellectual Property Protection for Industrial Designs</i> Presented to Senator the Hon John Button Minister for Industry, Technology and Commerce, September 1991
LCA	Law Council of Australia in this report means the Intellectual Property Committee of the Law Council of Australia
Locarno Agreement	<i>Locarno Agreement Establishing an International Classification for Industrial Designs</i> signed at Locarno on 8 October 1968
MPI	Max Planck Institute
Official Journal	Australian Official Journal of Designs
Paris Convention	<i>Convention for the Protection of Industrial Property</i> signed at Paris on 20 March 1883
Patents Act	<i>Patents Act 1990</i> (Cth)
PSA	Prices Surveillance Authority
TPC	Trade Practices Commission
Trade Marks Act	<i>Trade Marks Act 1994</i> (Cth)
Trade Practices Act	<i>Trade Practices Act 1974</i> (Cth)
Trade Practices	Trade Practices Commission <i>Application of the Trade</i>
Background Paper	<i>Practices Act to Intellectual Property</i> AGPS Canberra, July 1991
TRIPS	<i>Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods</i> signed at Uruguay 15 December 1993
UCC	<i>Universal Copyright Convention</i> signed at Geneva on 6 September 1952
UDR	Unregistered Design Right (UK)
UK White Paper	<i>Intellectual Property and Innovation</i> Presented to UK Parliament by the President of the Board of Trade Cmnd 9712 London 1986
Whitford report	<i>Copyright and Designs Law - Report of the Committee to Consider the Law on Copyright and Designs</i> Presented to UK Parliament by the Secretary for State for Trade Cmnd 6732 London, March 1977
WIPO	World Intellectual Property Organization

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<sup>1</sup> ALRC IP 11 para 9.9-9.16.

<sup>2</sup> ALRC DP 58 para 2.37-2.39

<sup>3</sup> C McDermott *Essential Design* Bloomsbury London 1993, 1-3.

<sup>4</sup> Standard Design Forum *Design in the Contemporary World* Pentagram Design AG New York 1989, 19-21.

<sup>5</sup> BIE report.

<sup>6</sup> H Conway (ed) *Design History* Routledge New York 1994, 5.

<sup>7</sup> J Heskett 'Industrial Design' in H Conway id, 11.

<sup>8</sup> *ibid.*

<sup>9</sup> J Doblin *One Hundred Great Product Designs* Van Nostrand Reinhold Company New York 1970, 9.

<sup>10</sup> National Design Review Steering Committee Report *Competing by Design* prepared for Senator The Hon Peter Cook, March 1995, 31.

<sup>11</sup> C McDermott *Essential Design* Bloomsbury London 1993, *supra* 1-38.

<sup>12</sup> para 2.5 and 2.13.

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J Redmond *Submission 57* Appendix 2, 4.  
J Redmond *Submission 57* Appendix 2, 2.  
Standard Design Forum *Design in the Contemporary World* Pentagram Design AG New York 1989, 19.  
id 17.  
C McDermott *Essential Design* Bloomsbury London 1993, 29.  
id 33-4.  
Broadband Services Expert Group *Networking Australia's Future* AGPS Canberra 1995, 32-36.  
See, for example, the survey of designers and manufacturers in Appendix C.  
Designs Act s 18 (1).  
para 4.43-4.55.  
Copyright Act s 33.  
A number of the amendments to the traditional scope of trade marks law have already been enacted in the Trade Marks Act 1994 (Cth). The Trade Marks Bill 1995 is intended to replace the Trade Marks Act 1994.  
B Godwin 'Entertainment Services on the Superhighway' a paper presented at a seminar *Telecommunications 94 Regulation of the Information Superhighway and Multimedia Law* held at the University of Sydney Faculty of Law on 7 June 1994, 5.  
AGPS Canberra 1987.  
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See also the reports of the Designs Law Review Committee (Franki report) entitled *The Law relating to Designs 1973* and *The Report relating to Utility Models 1973*.  
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A report to the Hon Ross Free MP Minister for Science and Technology, 12 March 1992.  
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ALRC DRP1 Sydney 1995. See also Australian Law Reform Commission Report No 64 *Personal Property Securities* ALRC Sydney 1992 (ALRC 64) and Australian Law Reform Commission Report No 68 *Compliance with the Trade Practices Act* ALRC Sydney 1994 (ALRC 68).  
As part of the work towards the federal government's Innovation Statement, the Department of Industry, Science and Technology has outlined consultations that have taken place to date in *Innovate Australia - Developing an Innovative Culture - Outcomes of the National Consultation Program - February to 1 April 1995*. Released by Senator the Hon Peter Cook Minister for Industry Science and Technology AGPS Canberra, May 1995.  
BIE report.  
Occasional Paper 21 Canberra, January 1994.  
November 1994.  
AGPS Canberra 1992. See also the report of the Senate Standing Committee on Science and the Environment *Industrial Research and Development in Australia* May 1979.  
AGPS Canberra, May 1993.  
A report to the Hon Ross Free MP Minister for Science and Technology, 12 March 1992.  
Background Paper July 1991.  
See the Report of the Joint Standing Committee on Public Accounts *Commonwealth Support for Private Sector Investment in Research and Development* AGPS Canberra 1992 para 5.61; the LCA submission to the inquiry by the House of Representatives Standing Committee on Legal and Constitutional Affairs into the role and function of the Australian Law Reform Commission; and the Report prepared for the Prime Minister's Science and Engineering Council on *The Role of Intellectual Property in Innovation* AGPS Canberra, May 1993.  
The Commission also raised this with the interdepartmental committee that considered the recommendations made by the Prime Minister's Science and Engineering Council.  
Appendix C para 3.15.  
The costs of litigation vary as to the complexity of the case, time taken to hear the case, the seniority and quality of legal representation and whether there is an appeal. Cases quoted to the Commission ranged in costs from around \$200 000 for a Supreme Court or Federal Court hearing to \$1 million  
*Innovate Australia - Developing an Innovative Culture - Outcomes of the National Consultation Program - February to April 1995*. Released by Senator the Hon Peter Cook Minister for Industry Science and Technology AGPS Canberra, May 1995, 2, 37. See also National Design Review Steering Committee *Competing by Design* Report to Senator The Hon Peter Cook, March 1995, 10.  
*Innovate Australia*, 6.  
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BIE report, 5.  
para 2.13.  
W Pengilly 'Patents and Trade Practices - Competition Policies in Conflict' [1977] *Australian Business Law Review* 172, 178-9.  
BIE report, 81-90.  
Prime Minister's Science and Engineering Council Discussion Paper *The Role of Intellectual Property in Innovation*. Prepared by an independent working group for the Prime Minister's Science and Engineering Council 8th Meeting on 7 June 1993 AGPS Canberra, May 1993.  
*Innovate Australia*, supra 7-9.  
*The Role of Intellectual Property in Innovation*, supra 20-21.  
BIE report, 44.  
Appendix C para 2.2.  
BIE report, 45-47.  
BIE report, 46. Australian Academy of Design *Submission 253*.  
Trade Practices Commission Background Paper *Application of the Trade Practices Act to Intellectual Property* July 1991, para 2.18.  
US Department of Justice Draft DOJ Antitrust Guidelines for the Licensing and Acquisition of Intellectual Property - 8th August 1994 Vol 67 *Antitrust & Trade Regulation Report* 204.  
W Pengilly 'Patents and Trade Practices - Competition Policies in Conflict' [1977] *Australian Business Law Review* 172, 178-9. TPC, supra para 2.19-2.21.  
Released 3 November 1994, 121-126.  
BIE report, ch 7.  
para 4.55.  
IPAC procedure report, para 1.

68 Hague Agreement draft new Act 1995.

69 See for example *Ford Motor Company Ltd's Design Applications* [1994] RPC 545. Taken to its extreme, as in the US, the exclusion of function will limit design protection to purely cosmetic variations in visual appearance. A design protection of that kind would not support the innovations in the visual appearance of products that have arisen since the decorative and ornamental approach in the nineteenth century. See also para 2.11-2.14.

70 *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353.

71 See para 2.44.

72 eg A Nicotra, Blake Dawson Waldron for LEGO *Submission 217*.

73 TPC *Submission 246*, 78.

74 eg Warman International Ltd *Submission 83*.

75 eg AMPICTA *Submission 211*; IPAA *Submission 205*; H Sebel *Submission 180*; K Leslie, Davies Collison Cave *Submission 215*; KR Handscombe *Submission 217*; LCA *Submission 225*.

76 See ALRC DP 58 para 12.16.

77 See para 8.8.

78 See para 8.7.

79 J H Reichman 'Legal Hybrids Between the Patents and Copyright Paradigms' (1994) 94(8) *Columbia Law Review* 2432, 2453-2455.

80 C Fellner *The Future of Legal Protection for Industrial Design* Report commissioned by the Common Law Institute of Intellectual Property, and the Intellectual Property Unit ESC Publishing Ltd Oxford 1985.

81 (1984) 156 CLR 414.

82 D S Karjala 'Misappropriation as a Third Intellectual Property Paradigm' (1994) 94(8) *Columbia Law Review* 2594.

83 Report of the Committee to consider the Law on Copyright and Designs. Presented to UK Parliament by the Secretary of State for Trade, March 1977, Recommendation 202(i).

84 *Copyright, Designs and Patents Act 1988* (UK) Pt III s 213-264.

85 US Bill HR 1790.

86 In consultations textile and furniture manufacturers expressed some interest. Equipment manufacturers commented that a general anti-copying right was required but that a UDR restricted to the protection of visual features was not sufficient for this purpose.

87 TPC *Submission 78*, 3.

88 See ch 4.

89 See ch 5 and ch 6.

90 See ch 8.

91 See ch 11 and ch 13.

92 For support see LCA *Submission 224*; KR Handscombe *Submission 216*. In which case it is not strictly necessary to refer to any of the specific features.

93 In this respect, the current Australian definition is largely borrowed from the *Registered Designs Act 1949* (UK) s 1(3). The AIPPI unanimously adopted the following definition at its Tokyo conference in 1966.

The appearance of an industrial object may be protected as a design; this appearance may result among other things from an assembly of lines or colours, from the shape of the article itself or from its ornamentation: *Annuaire* (1966) pt II Tokyo Congress, 22.

94 See ALRC DP 58 Proposal 3.1.

95 eg IPAA *Submission 204*; AMPICTA *Submission 210*.

96 See ALRC DP 58 Proposal 3.2. 'Shape' and 'configuration' are intended to refer to the three-dimensional aspects of design. See *Kestos v Kempat* (1935) 53 RPC 139, 152.

97 See para 5.15-5.16.

98 For example, AMPICTA *Submission 210*, 3 said that 'shape' and 'configuration' can have different meanings eg a telephone subset may have a particular shape but the keypad may be re-located to change the configuration.

K Leslie, Davies Collison Cave *Submission 214*, 2 made the point that Products do not necessarily have only one configuration. There are a number of products which whilst having a single shape, can be manipulated into two or more configurations.

Transformer toys were frequently raised as an example of the difference between shape and configuration; eg advice from P Smith on 12-13 October 1994; advice from AIPO on 12-13 October 1994.

99 See *Gramophone Company Ltd v Magazine Holder Co* (1911) 28 RPC 221.

100 *Submission 241*.

101 *Submission 224*.

102 *Submission 204*.

103 *Submission 210*.

104 *Submission 214*.

105 *Submission 216*.

106 See draft clauses in Appendix A.

107 In *Rollason's Registered Design* (1898) 15 RPC 441, 446 'the word pattern very often includes ... what you might ordinarily speak of as "ornament", or an element of it may be certain "shapes" and "configurations" in parts of the design'.

108 ALRC DP 58 Proposal 3.3.

109 eg AMPICTA *Submission 210*; LCA *Submission 224*; LD Pippard *Submission 199*; advice from P Smith on 12-3 October 1994; K Leslie, Davies Collison Cave *Submission 214*; advice from AIPO on 12-13 October 1994.

110 eg LD Pippard *Submission 199* said the 'common ordinary dictionary definition requires that a "pattern" display some form of repetition'.

111 *Submission 162*, 1.

112 See also IPAA *Submission 65* to the effect that pattern is normally taken to imply some repeating arrangement of surface decoration, and ornamentation may be taken to mean any surface decoration which does not easily fit within the concept of a pattern. For example the decorations may not be regular or repeating.

113 *Submission 204*, 1.

114 LD Pippard *Submission 199*, 1. KR Handscombe *Submission 216*, 1 said that ornamentation embraces the word 'pattern' whilst allowing for non repeating decoration. Ornamentation also does not imply two-dimensional decoration as does the word 'pattern'.

115 See draft clauses in Appendix A.

116 *Submission 204*, 1. Often the distinctiveness of a design will be the combination of colour with other design elements. In some cases colour may be a sufficiently distinctive element in relation to a certain product to constitute a registrable design in itself.

LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*; PN Franke, Watermark *Submission 63*; A Wiss and S Rofe *Submission 136*; KR Handscombe *Submission 34*, 9 and 216, 1; Design Associates *Submission 195*; Fisher & Paykel *Submission 81*. The EC proposed Council Regulation art 3(a) includes colour as one of the specific elements that may be protected as a design.

See Johnston report para 58 which was referred to with approval by the Franki report. See Franki report para 86.

See Magnetic Image and Design Service *Submission 219*. The advantage of using standard colour codes is that they remove the risk that the samples might not be identical with the original colours of the design.

See *Re Application by Bourjois Ltd* (1988) 11 IPR 625; *Re Application by Nigel Louez Graphic Design Pty Ltd* (1989) 15 IPR 570. Colour is relevant to questions of novelty or originality. For example a change in a colour or colours in a design that is not substantially different to a prior design would not necessarily impart the required novelty necessarily to constitute a validly registered design.

See draft clauses in Appendix A.

eg clothing, furnishings and rugs. Texture is often connected with durability or quality. In some cases the texture is the valuable quality of an item and gives it a significant economic value; J Wilson *Submission 72*.

The Commission's recommendations to cover this difficulty are set out in para 4.10-4.12.

Some submissions said that texture was covered by the word ornamentation and therefore texture did not have to be referred to in the definition of design: eg IPAA *Submission 65*; AMPICTA *Submission 210*. See also *Butterworths Intellectual Property in Australia: Patents Designs & Trade Marks* para 2.2.003. Others considered that texture may fall within a three dimensional pattern: Design Institute of Australia (Qld Chapter) *Submission 241*.

See draft clauses in Appendix A. See LCA *Submission 224*; advice from P Smith on 12-13 October 1994; KR Handscombe *Submission 216*. See Design Institute of Australia (Qld Chapter) *Submission 241*.

Johnston report para 58; see Franki report para 86. Clearly a drawing or photograph may not always adequately depict texture. Samples could be submitted but this would cause difficulties in the context of an absolute novelty test.

LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*; KR Handscombe *Submission 216* said that To substitute the word 'material' in place of the word 'surface' is to enter the world of manufacture. A cedar table may in fact be pine which has been veneered with cedar. It is the surface that we are interested in.

id 10. See EC Green Paper para 5.4.7.2.

J Wilson *Submission 72* pointed out that if one considers the broadest possible definition of 'texture', one would include both physical and visual texture (as for example, texture is defined in the art and graphic design world). ... One thing we will have to consider is whether texture is what we feel when we touch a surface, or the actual structure of that surface. In the fabric industry the word 'handle' refers to the actual 'feel' of a fabric, while 'texture' refers to its physical form.

s 4(1).

The EC proposed Council Regulation uses the word 'product' and defines it in art3(b) as 'any industrial or handicraft item'. 'Handicraft' means the manufacture of a few, or unique, items akin to the British and Australian term 'work of artistic craftsmanship'; see para 7.22-7.25.

eg Fisher & Paykel *Submission 81*. See also PN Franke, Watermark *Submission 63*. Cf KR Handscombe *Submission 34*, 9 who submitted that a definition of 'article of manufacture' was needed.

Manufacture has as its broadest meaning the act of making something.

eg K Leslie, Davies Collison Cave *Submission 214*; LCA *Submission 224*; advice from P Smith on 12-13 October 1994; Design Institute of Australia (Qld Chapter) *Submission 241*. But cf the IPAA *Submission 204*, 1 which regarded the change as 'mere window dressing. ... the benefit of many years judicial precedents without gaining any advantage'. KR Handscombe *Submission 216* did not support the change.

*Weir Pumps Ltd v CML Pumps Ltd* (1983) 2 IPR 129, 132.

J Redmond *Submission 57* described the process thus.

Whilst the functionalist product is designed from a basis of function, beauty tends to occur if the designer can achieve an overall gestalt which transcends the functional roots of the product. The design skill lies in the integration of all aspects of the product and the creation of this gestalt. The product does not have a 'design' applied to it because the design is intrinsically part of the product. Beauty arises from the integration of all aspects of the product and the balance and relationship of visual elements within that overall design.

The definition of design proposed by J Redmond acknowledges that the product and the perception of the product cannot be separated in the understanding of the appearance of an object. Nevertheless, his proposed definition still refers to 'a prescription for a visual ordering to be applied to an article'.

*Submission 241*.

Warman International Ltd *Submission 83*.

Lahore report para 4.11.

eg Design Associates *Submission 195* which considered that the words could be removed 'only for applied patterns or logos' and that 'the definition needs expanding to include the form of an article'.

*Submission 218*.

For support for the Lahore reports' preferred wording of 'incorporated in or applicable to' see ALRC DP 58 para 3.25. KR Handscombe *Submission 216* submitted that [f]ar more difficult to cover is the notion of a designer applying himself to a task and creating a product wherein his design is a fundamental part of the product ... Surely designs such as these are 'incorporated in a product'.

The IPAA *Submission 204* disagreed.

See para 8.21.

Consequential changes will have to be made to the Copyright Act s74-77, which refer to designs being 'applied to' to 'applicable to' articles: see para 17.33.

See para 4.21-4.22, 6.26-6.27 and 9.36.

s 4(1).

eg the LCA *Submission 75* sought protection for the design of part of an article that would otherwise meet all the criteria for registration and constitutes the real commercial attractiveness of the article in the market place, but is not made separately.

See EC proposed Council Regulation art 3(b) and art 4(2).

For extrusions see para 4.16-4.19.

The courts are to decide whether the design has been infringed and not whether the product has been infringed.

See *Re Collier & Co's Application* (1937) 54 RPC 253, 255 in which an application for registration of a design for a petrol station was refused; also *Re Concrete Ltd's Application* (1940) 57 RPC 121 (air-raid structure) and *Inala Industries Pty Ltd v Associated Enterprises Pty Ltd* [1960] Qld R 562 (reinforced concrete walls). For further examples see J Phillips *Protecting Designs, Law and Litigation* Law Book Company Sydney 1994, 177-180.

It is difficult to explain why a building and not a design should be protected as a work for the purposes of copyright. Certainly it is hard to see why they should be treated differently to works of artistic craftsmanship, which may be registered. Portability is not the issue, but rather the number of products made: see para 7.26-7.28.



Design Associates *Submission 195*; KR Handscombe *Submission 216*; LCA *Submission 224*; advice from P Smith on 12-13 October 1994. Design Institute of Australia (Qld Chapter) *Submission 241*. The IPAA took the view that portable buildings only, not being structures, should be registrable as designs and that conventional buildings should continue to be protected by copyright: *Submission 204*, 2.

s 18(2). An application for registration of a design must not be refused, and a registered design is not invalid, by reason only that an article or part of an article is of indefinite extent in one or two dimensions.

*Bondor Pty Limited v National Panels Pty Limited* (1991) 102 ALR 65; *Brisbane Aluminium Fabricators and Supplies Pty Ltd v Techni Interiors Pty Ltd* (1991) 23 IPR 107.

eg PN Franke, *Watermark Submission 63*.

eg F Old, Spruson & Ferguson *Submission 162* said there was no justification for excluding from registration expanded metal meshes and textiles. Dowell Australia Ltd *Submission 201*, 2 said that

if there is an extrusion of generally U-shape transverse cross-section and each upstanding leg has a particular shape which is new and original, then varying the width of the base should not alter the protection given by registration.

eg KR Handscombe *Submission 216*.

This would not be a consistent cross-section.

For support see also advice from P Smith on 12-13 October 1994.

K Leslie, Davies Collison Cave *Submission 214*, 3.

See draft clauses in Appendix A.

The Trade Marks Bill 1995 cl 5 excludes 'aspects of packaging'.

eg first aid kits, testing kits and vehicle repair kits.

Provided there is a common design for all the individual products or provided the products all fall within the one Locarno sub-class.

Design Institute of Australia (Qld Chapter) *Submission 241*; AMPICTA *Submission 210*; LCA *Submission 224*.

A circuit layout is defined in the Circuit Layouts Act s 5

a representation, fixed in any material form, of the three-dimensional location of the active and passive elements and interconnections making up an integrated circuit.

The Circuit Layouts Act s 5 defines 'integrated circuit' as

a circuit, whether in a final form or an intermediate form, the purpose, or one of the purposes, of which is to perform an electronic function, being a circuit in which the active and passive elements, and any of the interconnections, are integrally formed in or on a piece of material.

The Circuit Layouts Act s 49 provides for consequential amendments to other Acts. The Schedule provides that

in spite of any other provision of this Act, where before the commencement of Part II of the Circuit Layouts Act a design applicable to an integrated circuit, or part of an integrated circuit, within the meaning of that Act, or a design applicable to a mask used to make such a circuit, was registered under this Act, that registration shall not be renewed at any time on or after that commencement.

Paragraph 90 of the Notes on clauses of the Bill stated

it is intended that any registrations already made under that Act of circuit layouts or masks not be renewed after the commencement of the Bill. This removal of a right to renew is unusual. It is included because this Bill provides sui generis protection in place of the rights removed, and because, following consultation with affected interests, there was no objection to removal of the right to renew.

*Submission 65*.

F Old, Spruson & Ferguson *Submission 162*. External housings are not protected under the Circuit Layouts Act since they are not integrally formed with the integrated circuit.

*Submission 210*.

*Submission 48*. See also Alcatel Australia *Submission 2*.

K Leslie, Davies Collison Cave *Submission 43*, 3 stated that there seems to be no real reason for the exclusion of design rights in circuit layouts.

What constitutes a circuit layout is sufficiently nebulous as to make it difficult to distinguish circumstances where design registration might be possible from those where it might not, leading to needless uncertainty and expense.

P Knight, Clayton Utz *Submission 156*.

ALRC DP 58 para 341-344.

*Submission 252*, 2.

The submission also commented that no consideration was given by international experts to the protection of the outer casing of integrated circuits under the Washington Treaty and that the subject matter being protected by the treaty was not considered to extend to housings of integrated circuits: *Submission 252*, 3.

*Submission 252*, 4.

For support of this recommendation see also the LCA *Submission 224*; Design Associates *Submission 195*.

Previously the Registrar had a discretion to exclude such products from registration. Presumably any literary or artistic article not included on the current list could be registered. It is not clear, however, whether the words 'primarily', 'artistic' and 'literary' have the same meaning as in the Copyright Act.

ALRC DP 58 para 3.41-3.47.

id para 3.46.

reg 11(1)(a).

See the *Copyright Amendment Act 1989* (Cth). IPAA *Submission 65* raised the question whether reg 11 should be repealed.

The IPAA *Submission 204*; advice by P Smith on 12-13 October 1994; advice by AIPO on 12-13 October 1994. As the LCA submitted 'Regulation 11, and its predecessor, have given rise to needless problems of construction'. However AMPICTA *Submission 210*, 5 disagreed on the basis that

... many of the problems which have arisen in relation to the loss of copyright under s 77 would have been better resolved by extending the reg 11 exclusion to cover tea-towels and clothing and the like. The tinkering with the s77 provisions has served only to muddy the waters... s 17(2) should be amended to exclude from design protection articles whose primary distinguishing characteristics are in the field of the fine arts. These articles should more properly be protected by copyright. See further chapter 17.

See *Olympic Insignia Protection Amendment Act 1993* (Cth). See further the exclusions for the purposes of national security para 7.27.

*Re Applications by Comshare Incorporated* (1991) 23 IPR 145.

id 147.

*TDK Electronic Co Ltd Application* (1983) 1 IPR 529.

eg *KK Suwa Sewikosha's Designs Application* [1982] RPC 166.

*Report on Computer Software Protection* para 9.43. The majority considered that in so far as the icon is a registered mark it can be adequately protected under the Trade Marks Act 1955.

*Report on Software Protection* para 9.50.

Recommendation 2.10. The transitory nature of the display is likely to mean that it will not be a reproduction in material form for the purposes of copyright protection. See S Ricketson, 'The Use of Copyright Works in Electronic Data Bases' (1989) 63 *LII* 480, 482; J Phillips *Protecting Designs, Law and Litigation* Law Book Company Sydney 1994.

eg see Attorney-General's Department Discussion Paper *Copyright Protection for Artistic Works Industrially Applied* where the authors contend that there are three categories of functional articles: those with artistic or aesthetic appeal; articles designed solely to carry out a function and which have no aesthetic appeal to the lay person and articles that have required a great deal of time and effort to design but which display little inventive step or originality.

This phrase was inserted by the *Designs Amendment Act 1981* (Cth).

Franki report para 37. The report actually recommended that a design be 'judged by the eye of the Court', but this was not taken up by the government.

eg *Stenor Ltd v Whiteside (Clitheroe) Ltd* (1946) 63 RPC 81, 88 but cf the decision of the House of Lords in the same case, (1947) 65 RPC 1. See para 5.17-5.21.

See para 6.32-6.35.

eg K Leslie, Davies Collison Cave *Submission 43*; I Crawford, Blake Dawson Waldron *Submission 158*; IPAA *Submission 204*; AMPICTA *Submission 210*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*. But cf Fisher & Paykel *Submission 81* submitted that judgment should be in the eye of an interested member of the general public and that the eye should be unassisted. KR Handscombe *Submission 216* submitted that the words 'judged by the eye' should not be omitted but rather 'expanded to include appropriate assistance to the eye in order for a judgement to be made'. See also the Queensland Guild of Furniture Manufacturers Ltd *Submission 47*. Phillips considered that a design that cannot be discerned by the naked eye should not be registrable: *Protecting Designs, Law and Litigation* Law Book Co Ltd Sydney 1994.

For example, the EC proposed Council Regulation definition of design makes no reference to judgment or appeal to the eye: art 3(a). *Submission 253*.

eg I Crawford, Blake Dawson Waldron *Submission 158*; IPAA *Submission 204*; AMPICTA *Submission 210*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*.

s 1001(a). The US design patent protects ornamental rather than useful designs.

See Draft European Design Law - presented by the MPI for Foreign and International Patent, Copyright and Competition Law of 1 August 1990, art 4(1).

See para 4.8.

eg Design Associates *Submission 195*; IPAA *Submission 204*; Design Institute of Australia (Qld Chapter) *Submission 241*; AMPICTA *Submission 210*; LCA *Submission 224*; Warman International Ltd *Submission 83*. See also J Panagakis *Submission 194*.

eg Design Associates *Submission 195*; IPAA *Submission 204*; Design Institute of Australia (Qld Chapter) *Submission 241*; AMPICTA *Submission 210*; LCA *Submission 224*. See also J Panagakis *Submission 194*. However KR Handscombe *Submission 216* suggested that 'sensory perception should be retained as certain products, for blind people as an example cannot be adequately assessed by the eye'.

As amended by the *Copyright, Designs and Patents Act 1988* (UK). The UK Whitford report had previously recommended that there be two categories. of designs. Category A designs were limited to surface pattern and the shapes of three-dimensional articles of which the aesthetic appearance would influence a person buying the product. At least the appearance of aesthetic elements of category A designs should be given protection under copyright for 25 years after marketing. Category B designs were to consist of the shape of three-dimensional articles whose appearance did not influence the buyer. No consensus was reached in respect of category B designs. See ALRC DP58 para 4.8.

P Groves *Copyright and Design Law: A Question of Balance* Graham & Trotman London 1991, 239.

id 317.

eg IPAA *Submission 204*; KR Handscombe *Submission 216*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*. See also advice from P Smith 12-13 October 1994; advice from AIPO 12-13 October 1994.

See Commission's design users survey, Appendix C para 3.4-3.15. Not all submissions shared the misunderstanding eg IPAA *Submission 65* and 204; F Old, Spruson & Ferguson *Submission 162*; AMPICTA *Submission 1*. Other submissions stated that s 18(1) was not broad enough, and should be expanded eg KR Handscombe *Submission 34* and 216.

Franki report para 14.

F Old, Spruson & Ferguson *Submission 162*.

eg LCA *Submission 224*; H Sebel *Submission 180*; A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217*; K Leslie, Davies Collison Cave *Submission 214*.

art 25(1).

KR Handscombe *Submission 216*, 3 pointed out that 'to suggest that such designs be excluded on the grounds of restricting competition is to put oneself in a contradictory position as regards patents'.

In the Benelux Designs Law for example, a design is invalid if the product may achieve the same technical result in no other form.

See M Perot-Morel 'The French Conception of Industrial Designs Compared With Other Systems of Protection' WIPO/DMI/AMB/90/1, 20. French case law seems to be moving more in this direction, with a large number of designs invalidated in recent years because their shape has been too closely connected with the functional result. Examples include a sailboard design, a comb design, plastic boxes for storing photographic slides and heating appliances.

art 9(1). Where a design is not dictated by function the relative freedom of the designer is to be taken into consideration: art 6(3) and see art 11(2). See further para 6.30.

(1990) 97 ALR 615.

Advice to the Commission from P Smith 12-13 October 1994. K Leslie, Davies Collison Cave *Submission 43* stated that it is difficult for users of the design system to comprehend the requirements of the 'dictated solely by function' test.

Warman International Ltd *Submission 83*.

art 3(a).

T Russell *Submission 35*.

N Gruen, Industry Commission *Submission 230* (oral submission).

Franki report para 45.

eg LCA *Submission 224*; IPAA *Submission 204*; AMPICTA *Submission 210*; Design Institute of Australia (Qld Chapter) *Submission 241*. LEGO went further and submitted that the current s 18 of the Designs Act be amended so that it is clear that designs which are dictated solely by function, rather than appearance, are not explicitly excluded from protection: A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217*, 3.

See also K Leslie, Davies Collison Cave *Submission 214*. This is covered by the draft clauses in Appendix A.

See para 3.48.

Trade Marks Act 1994 s 39(b).

See LCA *Submission 224*.

See para 5.24.

See para 6.30.  
s 4(1).  
*J Rapee & Co Pty Ltd v KAS Cushions Pty Ltd* (1989) 15 IPR 577, 583.  
Lahore report para 3.23.  
eg *AMPICTA Submission 1*; *IPAA Submission 65*; *LCA Submission 75*; *IPAA Submission 204*; *AMPICTA Submission 210*; *Design Associates Submission 195*; advice from P Smith 12-13 October 1994; advice from AIPO 12-13 October 1994; *Design Institute of Australia (Qld Chapter) Submission 241*; *LCA Submission 224*.  
PN Franke, *Watermark Submission 63*.  
eg *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353; *Warman International v Envirotech Australia Pty Ltd* (1986) 6 IPR 578. See also *Malleys Ltd v JW Tomlin Pty Ltd* (1961) 35 ALJR 353, *Stenor Ltd v Whitesides (Clitheroe) Ltd* [1948] AC 107, *Kestos Ltd v Kempat Ltd* (1935) 53 RPC 139. See also *Phillips Protecting designs, Law and Litigation* Law Book Company Sydney 1994, 198-208.  
K Leslie, *Davies Collison Cave Submission 43*.  
*Warman International Ltd Submission 83*.  
See ch 5.  
*KR Handscombe Submission 216*; *LCA Submission 224*; *Design Institute of Australia (Qld Chapter) Submission 241*.  
*KR Handscombe Submission 216*; *LCA Submission 224*; *Design Institute of Australia (Qld Chapter) Submission 241*.  
C Fellner *The Future of Legal Protection for Industrial Design* A Report commissioned by the Common Law Institute of Intellectual Property, and the Intellectual Property Unit ESC Publishing Ltd, Oxford 1985. Class B designs included the putative Class C designs solely dictated by function.  
*IPAA Submission 204*; *AMPICTA Submission 210*; *KR Handscombe Submission 216*; *LCA Submission 224*; *Design Institute of Australia (Qld Chapter) Submission 241*.  
BIE report, 10.  
id 15-21.  
s 17. The phrase 'new and original' was replaced in the Designs Act in 1934 by the phrase 'new or original'.  
s 17(1)(a).  
s 17(1)(b).  
*Dover Ltd v Nurnberger Celluloidwaren Fabrik Gebruder Wolff* (1910) 2 Ch 25, 29. Cited with approval by Justice Dixon in *Macrae Knitting Mills Ltd v Lowes Ltd* (1936) 55 CLR 725, 730. This would seem most unlikely, however, given that most designs are created by persons with a keen knowledge of the relevant prior art.  
*IPAA Submission 65* stated that  
it would be desirable to remove the confusion in the mind of the lay reader which arises because of the use of the words 'new or original'. In our submission, the intended meaning of the word 'original' is 'uncopied' or 'the work of the author'. In our submission the use of the words 'the work of the author' would be much more clearly understood by the general public.  
In the US Bill HR 1790  $\approx$  1001(b)(1), a design is described as original 'if it is the result of the designer's creative endeavour that provides a distinguishable variation over prior work pertaining to similar articles which is more than merely trivial and has not been copied from another source'.  
eg *IPAA Submission 204*; *LCA Submission 224*; *Design Institute of Australia (Qld Chapter) Submission 241*. The *LCA Submission 75* had previously recommended to the Lahore committee that the words 'or original' be removed from s17(1). But *KR Handscombe Submission 216* was of the view that original should be retained and new should be omitted because the 'word original contains new whereas new does not contain original ... Original is a stronger word'.  
There was a widely-held view that AIPO rarely, if ever, refuses to register a design on the ground that it lacks novelty. Recommendations relating to the searches that are conducted by AIPO in determining novelty are set out in para 8.28.  
See Commission's design users survey Appendix C para 5.7. See also interview with O Malone, General Manager Intellectual Property and Information Research Laboratories Telecom Melbourne, 24 June 1993.  
EC Green Paper para 5.5.1.2.  
See further para 5.32-5.46. See also C Fellner *The Future of Legal Protection for Industrial Design* ESC Publishing Ltd Oxford 1985, para 656.  
As Ricketson explained  
In effect, to be registrable a design must be *substantially different* from any design which precedes it. On the other hand, it should be noted that in some areas in which designs proliferate it may be that quite small differences will be regarded as 'substantial', rather than 'immaterial'. This will be a question of judgment in each case, but the fact that a design contains a number of elements of similarity to a previous design should not exclude it from registration if there are other elements which are different. Indeed it may be that a combination of old shapes or patterns, or even the deletion of one or more components from an old combination, results in a registrable design on the basis that an *overall appearance* that is new or original is produced; *The Law of Intellectual Property* Law Book Company Sydney 1984, para 18.9 (emphasis added).  
A design may be adapted if it is applied to the same article or any other article in a modified or unmodified form. If it would be obvious to make the adaptation, it is an obvious adaptation. 'Obviousness' appears to be borrowed from patent law. It was favoured in the Franki report para 68.  
S Ricketson *The Law of Intellectual Property* Law Book Company Sydney 1984, para 18.13.  
*Dart Industries Inc v Decor Corporation Pty Ltd* (1989) AIPC 90-569, 38, 975. In another case, relating to furniture design, it was said that design in such a field is a subtle thing and, provided it is distinctive to the trained eye, I think that registration should not be denied in view of the element of subtlety which is involved in the combination of old features in a particular way and the manner in which they are combined: *D Sebel & Co Ltd v National Art Metal Co Pty Ltd* (1965) 10 FLR 224, 227; approved in *Australian Building Industries Pty Ltd v Woodman McDonald (Glass) Pty Ltd* [1986] AIPC 90-302.  
*Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) AIPC para 37, 634, 638.  
*Aluminium Specialities Pty Ltd v Ibis Building Products Pty Ltd* (1982) 42 ALR 127, 133.  
*Turbo Tek Enterprises Inc v Sperling Enterprises Pty Ltd* [1989] AIPC para 90-616, 39, 334, 348.  
*Fisher LJ & Co Ltd v Fabtile Industries Pty Ltd* (1979) 49 AOJP 3611.  
para 4.15.  
eg EC proposed Council Regulation art 4; AIPPI Tokyo Conference April 1992.  
The requirement that a design have distinctive character is considered in para 5.7-5.8 below. In November 1993 Commission staff held discussions with Max Planck staff responsible for drafting proposed designs law for the EC.  
art 4.

I Crawford, Blake Dawson Waldron *Submission 158*; AMPICTA *Submission 210*; Design Institute of Australia (Qld Chapter) *Submission 241*; A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217*; KR Handscombe *Submission 216*; N Gruen, Industry Commission *Submission 230* (oral submission); PSA *Submission 205*.

*Submission 224*.

'Distinctive' in the trade mark sense means that a mark must be capable of distinguishing the goods or services of one person from those of another.

*Submission 204*. F Old, Spruson & Ferguson *Submission 162* considered that it was probably inevitable that the word distinctive would be construed in the same way as the in trade mark law unless there was a specific definition.

*Lift Verkaufsgerate Gmbh v Fischer Plastics Pty Ltd* [1993] AIPC 91-015.

*Malleys Ltd v JW Tomlin Pty Ltd* (1961) 35 ALJR 352.

The AIPPI stated that the notion 'distinctive' does not seem to be well-chosen as it is normally used with regard to distinctive signs such as trademarks. In this case, however, the word is used for a legal protection of new creations. Observations presented by the AIPPI Q108 Tokyo 1992, 4. This expression is said to be an interpretation of the French expression 'physiognomy propre'.

See draft clauses in Appendix A.

And to discourage the practice of counting the differences: see para 6.23-6.24.

*Wanem Pty Ltd v John Tekiela* (1990) 19 IPR 435, 440 summarising the decision in *Dart Industries Inc v Decor Corp Pty Ltd* [1989] AIPC 90-569.

See para 6.4-6.5.

eg AMPICTA *Submission 210*; KR Handscombe *Submission 216*; Design Institute of Australia (Qld Chapter) *Submission 241*. The LCA *Submission 224* disagreed with the recommendation.

art 4.

art 6.

The MPI states

An industrial design is distinctive if it has an overall appearance which distinguishes it from any subject matter known at the relevant priority date by the different impression which it gives. Explanatory Memorandum.

Observations presented by AIPPI, amendments to the draft text of the EC Green Paper (Annex 1).

See para 6.22. The AIPPI referred to 'the eyes of the person for which the design or products incorporating the design are intended'.

art 4(2).

The test was considered lenient, since specialists would be in a position to spot differences that an untrained eye may miss: EC Green Paper para 5.5.5.2-3.

While in many cases the judge can be placed in the position of the consumer to assess distinctiveness, it is said that there may be cases in which the characteristics of the relevant public are 'so peculiar that an expert opinion could have to be ordered also for the second element of the test': EC Green Paper para 5.5.6.2.

In discussions with the Commission, the EU revealed that in adopting the expression user it was attempting to avoid a consumer assessment test. Discussions held in Brussels with EU staff in November 1993.

For reasons why consumer appeal and eye appeal are not supported see para 4.41-4.42.

Queensland Guild of Furniture Manufacturers *Submission 47*.

eg I MacPhail *Submission 206*; AMPICTA *Submission 210*; KR Handscombe *Submission 216*; Design Institute of Australia (Qld Chapter) *Submission 241*; advice by P Smith on 12-13 October 1994. ANicotra, Blake Dawson Waldron (for LEGO) *Submission 217*, 3 added that

The test for establishing novelty and distinctiveness should reflect industry standards ... Such a standard should be flexible enough to incorporate the views of consumers, experts, specialists and skilled tradespersons.

The LCA *Submission 224* disagreed with the recommendation.

H Sebel *Submission 180*.

A Horton 'European Design Law and the Spare Parts Dilemma: The Proposed Regulation and Directive' (1994) 2 *EIPR* 51, 52.

[1989] AIPC 90-569.

ie 'as infringement proceedings will only protect a plaintiff to the extent that the plaintiff has advanced the prior art': *Submission 224*. See para 6.30. See also FK Beier 'Protection for Spare Parts in the Proposals for a European Design Law' (1994) 25 *IIC* 840, 854.

See para 6.19.

See para 6.19-6.22. Support for this broader scope was received from industry, eg Ogden Industries was in favour of a test of 'substantially similar', interview Melbourne, 24 June 1993.

AMPICTA *Submission 210*; KR Handscombe *Submission 216*; Design Institute of Australia (Qld Chapter) *Submission 241*; advice by P Smith on 12-13 October 1994.

See para 6.6-6.7. But the LCA *Submission 224* took the contrary view and was concerned that the expression would 'inevitably provoke substantial uncertainty, unless and until there is a clear judicial pronouncement'.

In copyright law substantial reproduction is a qualitative rather than quantitative test. See further para 6.8.

For an explanation of the 'rule of thumb' test in relation to the development of the prior art see *Firmagroup Aust Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353.

Conversely where the prior art base is less developed larger differences will be required before the court will be likely to find that there is substantial similarity. The state of development of the prior art will always be relevant. Completely new designs will be now under the first step of the novelty test. However

Whilst there are some circumstances where a product is completely new and fresh, this 'quantum leap' in design is unusual. Most new products are the result of an 'evolutionary' design process where gradual improvements or changes are afforded by research, technology or fashion: van der Beld Holdings Pty Ltd *Submission 80*.

Draft Design Bill cl 11.

EC Green Paper 5.5.8.3. See also art 6(3).

The EC Green Paper art 6(3) recommends that when assessing distinctive character common features are to be given more weight than differences. The AIPPI takes a similar position. The EC proposed Council Regulation art 6 also states that 'as a matter of principle be given more weight than differences and the degree of freedom of the designer in developing the design shall be taken into consideration'.

Deputy President Tongue and Commissioner Ryland.

Designs Act s 21(2).

Designs Act s 49.

See draft clauses in Appendix A.

This recommendation allows designers to register a whole range other designs provided they were not substantially similar to old design.

See para 8.11-8.17.

Draft clauses in Appendix A. This broad definition subsumes the category of prior registrations. 'Document' is to have the same meaning as in the *Acts Interpretation Act 1901* (Cth) s 25.

Dowell Australia Ltd *Submission 201*.

art 5 is silent but see the Explanatory Memorandum, 12.

art 6(2)(b).

art 6(2)(a).

ALRC DP 58 para 6.43-6.53; Proposal 6.8. See the Designs Act s 17(1).

eg IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; the International Federation of Industrial Property Attorneys *Submission 203*; LCA *Submission 224*.

See draft clauses in Appendix A.

ALRC DP 58 para 6.43-6.53. Proposal 6.8.

eg AMPICTA *Submission 210*; Design Institute of Australia (Qld Chapter) *Submission 241*; advice from P Smith; van der Beld Holdings Pty Ltd *Submission 80*.

eg H Sebel *Submission 180*; the International Federation of Industrial Property Attorneys *Submission 203*; IPAA *Submission 204*; LCA *Submission 224*.

eg K Leslie, Davies Collison Cave *Submission 214*; the International Federation of Industrial Property Attorneys *Submission 203*.

LCA *Submission 224*; C Sandercock interview Melbourne 11 August 1993.

See para 8.39.

including a publication in the last 15 years under the optional publication or registration system.

eg the International Federation of Industrial Property Attorneys *Submission 203*.

CER signed on 1 July 1983.

Advice from the NZ Ministry of Commerce 19 May 1995.

S Bott interview Melbourne 21 September 1993.

Observations presented by the AIPPI amendments to the draft text of the EC Green Paper (Annex1), 5.

'Prior art base' means information made publicly available through doing an act anywhere in Australia, and when the invention is the subject of a standard patent or an application for a standard patent it includes information in a document publicly available outside the patent area.

Bibliographic details are however published see para 9.41. AIPO practice is to publish the design details only of those designs that are registered. This was generally supported in submissions eg PNFranke, Watermark *Submission 63*. IPAA *Submission 65* stated that on the basis that an unsuccessful design application is not published by AIPO, the application itself should not constitute prior publication. 'If some action taken by the applicant between the date of application and the date of lapsing should publish the design, then this should continue to remain a publication'.

See para 9.42.

*Submission 204*; see also Design Institute of Australia (Qld Chapter) *Submission 241*.

Their submission was however made dependent on the assumption that 'publication of the application will not prejudice the designer in respect of any confidential information or provide a premature guide to competitors'. LCA *Submission 224* pointed out that if the grace period was accepted, then designs will not necessarily be the subject of applications for registration until a later stage in the development of a design ... Therefore the issue of confidentiality with publication of applications would not be a problem. See further para 5.49-5.52.

reg 2.3(2). The time specified is 12 months.

For in principle support see LCA *Submission 224*; IPAA *Submission 204*; Design Institute of Australia (Qld Chapter) *Submission 241*.

*Submission 65*.

IPAA *Submission 204*; see also Design Institute of Australia (Qld Chapter) *Submission 241*; LCA *Submission 224*.

ALRC DP 58 Proposal 6.14. Disclosures of an identical or substantially similar design by an independent third party during the grace period will defeat the novelty and distinctiveness of the design. The grace period is not a priority period as occurs in patent law.

eg France, Germany. See also S Ladas *Patents, Trademarks and Related Rights - National and international protection* vol II Harvard University Press Cambridge Massachusetts 1975, 877. In German design law there is a six month grace period.

NZ report para 7.3.4.

art 8(1).

US Bill HR 1790 s 1010.

D Flynn, Bayley Design speech at a forum organised by the Designs Institute Australia Melbourne 5 May 1993.

eg Design Institute of Australia (Qld Chapter) *Submission 241*; Design Associates *Submission 195*; Textile Distributors Association *Submission 228*; Email Ltd *Submission 218*; ID4 *Submission 59*; Warman International Ltd *Submission 83*; PN Franke, Watermark *Submission 63*; I Crawford, Blake Dawson Waldron *Submission 158*; supported a grace period but were concerned how it would work in practice in relation to unregistered protection. See also P Whiting *Submission 38*; KR Handscombe *Submission 34*; C Sandercock, patent attorney, interview Melbourne 11 August 1993; P Vallis, Click Industries interview Melbourne 13 August 1993; R Catt and C Vinall, patent attorneys interview Adelaide 17 August 1993.

ID4 *Submission 59*.

State Chamber of Commerce (NSW) *Submission 198*, 2.

Provided that a grace period cannot give rise to any priority claim and that no infringement by independent development by a third party can occur during the grace period. K Leslie, Davies Collison Cave *Submission 214*, 5.

Twelve of the 15 national groups were in favour.

*Submission 203*.

LD Pippard *Submission 199*; IPAA *Submission 65*.

eg Japan and the USA. For Convention applications see para 8.19 and 9.17-9.20. For this reason the IPAA *Submission 204* considered that if a grace period were to be introduced, it should only be done so 'as part of an international treaty in order that the introduction may be carried out simultaneously in a large number of countries'. See also LD Pippard *Submission 199*; AMPICTA *Submission 210*.

F Old, Spruson & Ferguson *Submission 162*. F Old also submitted that if the design is copied by another and sold during the grace period, novelty of the design is lost in the absence of some provision in the Australian Designs Act equivalent to section 24 of the Patents Act 1990.

Fisher & Paykel *Submission 81*. See also H Sebel *Submission 180*, 6 who took the view that on the basis that a 'DUX or a similar unexamined low-cost, very fast registration scheme is my answer to this proposal!'. AMPICTA *Submission 210*, 6. See further the copyright overlap ch 17.

LD Pippard *Submission 199*, 4.

See para 8.11-8.17.

See draft clauses in Appendix A.

Seventeen percent of survey respondents who had been involved in a dispute did not proceed to litigation because of uncertainty in the law. Litigants consulted include Automatic Technology Australia (formerly Firmagroup), Rosebank Plastics Pty Ltd, Duncan & Wigley, Fisher & Paykel, Avion Engineering, Brisbane Aluminium Fabricators, Techni Interiors, Bondor Pty Ltd, National Panels, Warman International Ltd and Envirotech Australia. See Appendix C para 5.4.

*Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353. See para 6.5.

eg LJ Dyson, Watermark *Submission 211* noted that in 70% of design infringement trials conducted between 1980-1991 (25 reported cases) the Court had found that differences between the articles in dispute were sufficient to avoid a finding of infringement. Several recent cases have been decided in favour of the plaintiff; see *Lift Verkaufgerate GmbH v Fischer Plastics Pty Ltd* [1993] AIPC 91-015, *Wanem Pty Ltd v John Tekiela* (1990) 19 IPR 435 and *Elconnex Pty Ltd v Gerard Industries Pty Ltd* [1992] AIPC 90-848.

J Phillips *Protecting Designs: Law and Litigation* Law Book Company Sydney 1994, 13. While advocating a reformulated test for infringement, the author states that much of the difficulty in proving infringement results from restrictive judicial interpretation rather than s 30(1) itself.

See Appendix C para 6.5.

*Submission 92.*

*Submission 204.*

See M Fysh *Russell-Clarke on Copyright in Industrial Designs* 5th ed Sweet & Maxwell London 1974, 27. Similar problems are also described in the US system where 'despite the trouble and expense of qualifying for exclusive rights, successful applicants are rarely protected against anything more than slavish imitation', see J Reichman 'Legal Hybrids Between the Patent and Copyright Paradigms' (1994) 94(8) *Columbia Law Review* 2432.

eg *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353.

*ibid.*

See draft clauses in Appendix A.

The court has commented that in assessing infringement it should not be overly technical but should assess competing designs based on the overall impressions made, see *Wanem Pty Ltd v John Tekiela* (1990) 19 IPR 435.

See para 5.7. However criticism has been made of the dual use of the terms in US copyright law, see D Goldberg and B Celedonia 'Substantial Similarity - What Do the Courts Mean?' *NYLJ* 21 May 1993.

LCA *Submission 224* said that new words will cause uncertainty.

eg see *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353.

eg see decisions in *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466, *Edwards Hot Water Systems v SW Hart & Co Pty Ltd* (1983) 81 FLR 101, *Enzed Holdings Ltd v Wynthea Pty Ltd* (1984) AIPC 90-131, *Turbo Tek Enterprises Inc v Target Australia Pty Ltd* (unreported) Federal Court, 17 December 1988, *Turbo Tek Enterprises Inc v Sperling Enterprises Pty Ltd* (1989) AIPC 90-616, *Avion Engineering Pty Ltd v Fisher & Paykel Healthcare Pty Ltd* (1990) 20 IPR 23, *Nintendo Co Ltd v Centronics Systems Pty Ltd* (1992) 23 IPR 119, *Ametex Fabrics Inc v C & F Fabrics Pty Ltd* (1992) 38 FCR 415, *Interact Machine Tools (NSW) Pty Ltd v Yamazaki Mazak Corp* (1993) 27 IPR 83 and *Carnival Cruise Lines Inc v Sitmar Cruises Ltd* (1994) 120 ALR 485. Supreme Court decisions include *Glamagard Pty Ltd v Enderslea Productions Pty Ltd* (1985) 1 NSWLR 138 and *Officine Meccaniche Toschi v Cosco Holdings* (1992) 2 QdR 418.

Email Ltd *Submission 218* said that the test should clearly be expressed as qualitative to ensure that design protection is widened.

A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217* disagreed with 'obvious imitation'.

See ALRC IP 11 Appendix B for the full text of the Lahore report recommendation.

eg H Sebel *Submission 180*; LCA *Submission 75* and Warman International Ltd *Submission 83.*

*Submission 65* and Warman International Ltd *Submission 83.*

See para 6.35. However if the Lahore recommendation is supported, the Commission agrees the court should take into account whether the registered design was copied, directly or indirectly. This should be the only relevance of copying in design infringement.

eg meetings held in Melbourne and Sydney, 5-6 December 1993.

art 11. The EC test would also consider the degree of freedom of the designer in developing the design.

The US Bill HR 1790 proposed unregistered anti-copying protection.

*Copyright, Designs and Patents Act 1988* (UK) s 226(2). The owner of the design has the exclusive right to reproduce the design for commercial purposes, s 226(1).

See *C & H Engineering v F Klucznik Ltd* (1992) 26 IPR 133.

See the *Registered Designs Act 1949* (UK) s 1(3).

PN Franke, Watermark *Submission 63* supported an aesthetic element.

See para 4.40.

IPAA *Submission 204* stated that the tests for distinctiveness and infringement should be linked.

See para 5.15-5.21. The draft clauses in Appendix A define distinctiveness by reference to whether any 'substantially similar' design was elsewhere available.

See draft clauses in Appendix A.

The scope of protection conferred by a Community Design shall include any design which produces on the informed user a significantly similar overall impression, art 11(1).

See para 5.17.

The recommendation is for an absolute novelty test for publication and a local novelty test for use, see para 5.40-5.45.

See para 5.19-5.21. Infringement of a US design patent is determined from the point of view of the ordinary observer, not an expert, see *Frantz Mfg Co v Phenix Mfg Co* DC Wis, 970, 307, F Supp 1257. See EC proposed Council Regulation Explanatory Memorandum art 6 para 1.

Designs Regulations Schedule 1 Form and reg 5, 7. A 'representation' is defined as meaning 'a drawing, tracing or specimen of the article to which the design is applied or a photograph of such a drawing, tracing or specimen', Designs Act s 4(1).

The optional publication/registration system may reduce this problem, see para 8.11-8.17.

Designs Act s 4(1).

s 20(4).

Designs Act s 4(1). A statement of novelty can be provided only upon request by the Registrar under s 20(5). However in practice no objection is made to entry of a statement in advance of such request.

Advice from LD Pippard *Submission 199*; LJ Dyson, Watermark *Submission 211* and K Leslie, Davies Collison Cave *Submission 214.*

See the Official Journal and LD Pippard *Submission 199* which said that the 'Statement of Novelty performs little function'.

See *Bondor Pty Ltd v National Panels Pty Ltd* (1991) 102 ALR 65, *Brisbane Aluminium Fabricators and Supplies Pty Ltd v Techni Interiors Pty Ltd* (1991) 23 IPR 107 and *Warman International Ltd v Envirotech Australia Pty Ltd* (1986) 6 IPR 578. Also KR Handscombe *Submission 216.*

eg LD Pippard *Submission 199.*

eg LD Pippard *Submission 199* and K Leslie, Davies Collison Cave *Submission 214.*

eg K Leslie, Davies Collison Cave *Submission 214*.

LD Pippard *Submission 199* stated that it should be left to applicants whether or not to identify the scope of rights claimed and so to choose whether broad or specific protection was sought.

See para 8.21-8.22.

See and para 8.24 where it is recommended that AIPO provide accessible information on the registration process. The application forms should be in plain English, give examples of correct ways to identify features and optional information that may be included.

*Submission 211*.

eg LJ Dyson, Watermark *Submission 211*. However LCA *Submission 224* expressed concern that too much attention could be focused on specific identified features that may only be minor changes to the prior art.

*Submission 204*. Also K Leslie, Davies Collison Cave *Submission 214*.

The issue of when a part of a product can be a product in its own right is discussed further in para 4.14.

Dowell Australia Ltd *Submission 201*.

eg H Sebel *Submission 180*; IPAA *Submission 204*; LCA *Submission 224* and Design Institute of Australia (Qld Chapter) *Submission 241*.

Art 11(2) provides

in order to assess the scope of protection, common features shall as a matter of principle be given more weight than differences and the degree of freedom of the designer in developing his design shall be taken into consideration.

*Submission 224*.

H Sebel *Submission 180* said that a single difference between designs could be critical in determining that a competing design was distinctive.

One survey respondent said, 'A competitor copied one of my designs and added a couple of grooves onto the back of it in the area that would be cemented into a wall. So there is no difference at all between the two designs that people will actually see ... but my attorney advised me that the courts would say the two designs were different ... this really showed me how worthless the protection we are getting from registration really is'. See Appendix C para 5.5.

See draft clauses in Appendix A.

1985 (Can) s 2 and s 11.

See *Dart Industries Inc v Decor Corporation Pty Ltd* (1989) AIPC 90-569 and *Wanem Pty Ltd v John Tekiela* (1990) 19 IPR 435. The EC proposed Council Regulation art 11(2) specified only that the courts must consider the freedom of the designer in developing the design.

See draft clauses in Appendix A.

H Sebel *Submission 180*; IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; ANicotra, Blake Dawson Waldron (for LEGO) *Submission 217*; Email Ltd *Submission 218*; Dowell Australia *Submission 201*; LCA *Submission 224* and Design Institute of Australia (Qld Chapter) *Submission 241*.

*Submission 75*.

The form will state that the information provided does not determine the scope of protection and will not affect the applicant's exclusive rights in any infringement action, see para 8.21.

K Leslie, Davies Collison Cave *Submission 214*. See para 4.46-4.49.

LCA *Submission 224* stated that the Act should explain how the prior art should be used, as in the Lahore report. The LCA also said that the inclusion of prior art as a relevant factor would reduce the need for a higher threshold test for registrability. The 'rule of thumb' test in the factor referring to the relevant prior art, see *Firmagroup Aust Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 9 IPR 353.

See para 6.15-6.18.

eg as to their origins, designers, manufacturers or quality.

IPAA *Submission 204*; Design Institute of Australia (Qld Chapter) *Submission 241*; Queensland Guild of Furniture Manufacturers *Submission 47* and KR Handscombe *Submission 34*.

F Old, Spruson & Ferguson *Submission 162*.

*Submission 224*.

PN Franke, Watermark *Submission 63*.

Consumer survey evidence is expensive and time-consuming to obtain and its use in court is problematic, see para 5.19-5.21.

s 30 (1).

eg if it is alleged that the design is an obvious imitation of the registered design then the test is currently whether the designs have the same essential features and the resemblance is striking and immediately apparent to the eye, see *Malleys Ltd v JW Tomlin Pty Ltd* (1961) 35 ALJR 352, 354.

Provided only that the designs are not 'distinctly different', see *Turbo Tek Enterprises Inc v Sperling Enterprises Pty Ltd* [1989] AIPC 90-616.

A finding of fraud may be based on assessment of conflicting evidence as to credit and intention, see *Lift Verkaufsgerate Gmbh v Fischer Plastics Pty Ltd* [1993] AIPC 91-015.

*Submission 65*. Also I Crawford, Blake Dawson & Waldron *Submission 158* and Design Institute of Australia (Qld Chapter) *Submission 241*. Although some submissions expressed qualified support for the current grounds of infringement, most said that 'fraudulent' and 'imitation' would need to be defined in the Act, eg K Maddern *Submission 29* and Fisher & Paykel *Submission 81*.

Warman International Ltd *Submission 83*.

The purpose suggested by the Franki report para 129. It is considered that these provisions may conversely reward astute copyists, see J Phillips *Protecting Designs: Law and Litigation* Law Book Company Sydney 1994, 322-330, 332.

Supported by IPAA *Submission 204*; AMPICTA *Submission 210*; LCA *Submission 224* and Design Institute of Australia (Qld Chapter) *Submission 241*.

The EC proposed Council Regulation does not refer to innocent infringement, while New Zealand and the UK have innocent infringement provisions similar to s 32B.

Designs Act s 32B and see para 14.15-14.16.

IPAA *Submission 204* stated that there should be no distinction or alternatively that the only infringement should be 'exploitation' of a design.

See draft clauses in Appendix A.

eg IPAA *Submission 65*; AMPICTA *Submission 210*; LCA *Submission 224* and Design Institute of Australia (Qld Chapter) *Submission 241*.

Fisher & Paykel *Submission 81*.

The right to take action against retailers gives design owners a tool to obtain information about suppliers where retailers are reluctant to inform on their supplier or have colluded in the infringement.

This is consistent with the EC proposed Council Regulation which provides design owners with exclusive rights over secondary uses without any need to prove the infringer's knowledge or intention. The exclusive rights include the making, offering, putting on the market or using of a product in which the design is incorporated or to which it is applied as well as importing, exporting or stocking such products for these purposes, art. However the *Copyright, Designs and Patents Act 1988* (UK) s 227 provides that secondary infringement can only occur where defendants know or have reason to believe they are dealing with infringing articles.

eg AMPICTA *Submission 210*; LCA *Submission 224* and Design Institute of Australia (Qld Chapter) *Submission 241*.  
 Designs Act s 45(1). The Commission has recommended the expansion of this provision, see para 9.53.  
*Copyright, Designs and Patents Act 1988* (UK) s 7. However 'business' has been interpreted widely to include any occupation or duty requiring attention, see *Rolls v Miller* (1994) 27 Ch 71, 88.  
 eg IPAA *Submission 204*; KR Handscombe *Submission 216*; LCA *Submission 224* and the Design Institute of Australia (Qld Chapter) *Submission 241*.  
 eg Ithaca College of TAFE *Submission 137*; Gold Coast Institute of TAFE *Submission 138*; Australian Medical Association (Qld) *Submission 139*; Australian Medical Association (Vic) *Submission 141*; Arthritis Foundation of Australia *Submission 142*; Medical Scientists Association *Submission 143*; Department of Employment, Education & Training *Submission 145*; The Association of Heads of Independent Schools of Australia *Submission 148*; World Vision Australia *Submission 149*; Department of Education & the Arts (Tas) *Submission 150*; Education Department of Western Australia *Submission 151*; Department for Education & Children's Services (SA) *Submission 153*.  
 IPAA *Submission 65*.  
 Not every use by an educational, medical, scientific or charitable organisation will be non-commercial.  
 Schedule 1. The EC proposed Council Regulation art 21 refers to the right to 'use' a design which covers the 'making, offering, putting on the market or using of a product in which such a design is incorporated or to which it is applied, and the importing, exporting or stocking of such a product for those purposes'.  
 eg LCA *Submission 224*; KR Handscombe *Submission 216*; LD Pippard *Submission 199*. H Sebel *Submission 180* commented on the desirability of harmonising design and patent protection.  
 KR Handscombe *Submission 216*.  
 eg WD Kavanagh *Submission 69*.  
 Copyright Act s 189-195AA.  
*Proposed moral rights legislation for copyright creators* Discussion Paper released by the Hon Duncan Kerr, Minister for Justice and the Hon Michael Lee, Minister for the Arts: see Attorney-General's Department Canberra, June 1994 para 3.3-3.12. Suggested criteria for establishing what is reasonable in the circumstances include

- the nature of the work
- the purpose or character of the use of the work
- any industry practice relevant to the work or the use of the work
- whether the work of the author is identifiable or is part of a collective work: para 3.25-3.67.

See ch 17.  
 eg WD Kavanagh *Submission 69*.  
 KR Handscombe *Submission 34*.  
*Submission 195*.  
*Submission 206*, 2.  
 IPAA *Submission 65*, 18.  
 LCA *Submission 224*.  
 One suggestion is to allow alterations to be made subject to the payment of a fee to the designer.  
 See ALRC DP 58 para 17.32.  
 A Fels, TPC *Submission 78*  
 LCA *Submission 75* and D Denby, The Law Institute of Victoria *Submission 92*.  
 See Designs Act s 25C. Registered designs are choses in action, see s 25C(2). It was proposed in the Discussion Paper that designs should continue to be treated as personal property and this was supported in submissions. See IPAA *Submission 204*; KR Handscombe *Submission 216*; LCA *Submission 224*.  
 They should still be able to be assigned, eg sold, licensed, mortgaged and bequeathed, and to be transmitted by operation of law, eg they may be dealt with by liquidators and trustees in bankruptcy in the same way as other personal property.  
 s 19(1) and 20(1).  
 In one instance, the court defined the author as the natural person responsible for conceiving the design and reducing it to material form. See *Chris Ford Enterprises Pty Ltd v BH & J Badeshop Pty Ltd* (1985) 4 IPR 485, 491. The position is less clear, however, when one person conceives a design but another person reduces it to visible form. KR Handscombe saw the designer or designers as those that have conceived the product in their mind and have rendered such a conception to a manufacturer: *Submission 216*.  
 See para 7.6-7.9.  
 See the IPAA *Submission 204*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*.  
 See draft clauses in Appendix A.  
*Copyright, Designs and Patents Act 1988* (UK) s 178.  
*Registered Designs Act 1949* (UK) s2(4) provides 'in the case of a design generated by computer in circumstances such that there is no human author, the person by whom the arrangements necessary for the creation of the design are made shall be taken to be the author'. Similar provision is made for copyright works.  
 I MacPhail *Submission 206*.  
 KR Handscombe *Submission 216*.  
*Submission 65*. The IPAA proposed definition is 'the natural person who creates the design or operates computer equipment which generates a representation of the design'.  
 PN Franke, Watermark *Submission 63*.  
 eg Queensland Guild Furniture Manufacturers *Submission 47*; KR Handscombe *Submission 34*.  
 Fisher & Paykel *Submission 81*. This applies when the circuit is specified or when the specifications of the end product are specified and the computer generates both the circuit and the layout. If a CAD type of program is used, which requires a number of selections to be made by the person operating the computer to reach the end result, and if a significant number of such choices depend on judgements made or opinions held by the operator, then the person operating the computer should be held to be the author of the design.  
 P Whiting *Submission 38*.  
 LCA *Submission 224*.  
 Draft Report *Computer Software Protection* Canberra 1993.  
 Report *Computer Software Protection Report* AGPS Canberra 1995, Recommendation 2.05; para 7.03-7.05.  
 The distinction between an author and a person who is employed or commissioned to create a design is emphasised by the fact that such persons are not described as authors but are said to 'make' a design in s19(2) and (3).  
 In many countries designs made by employees in the course of their employment are regarded as owned by the employer. See *Copyright Designs and Patents Act 1988* (UK) s 215; EC proposed Council Regulation Art 4(2). See the US Bill HR 1790 cl 1020; *Designs Act 1993* (South Africa) s 1 made similar provision. Under the EC proposed Council Regulation designs developed by an employee belong to the employer, unless otherwise provided by contract.



AMPICTA *Submission 48*. See also IPAA *Submission 65*; Fisher & Paykel *Submission 81*; KRHandscombe *Submission 34*; Queensland Guild of Furniture Manufacturers *Submission 47*, which all stated that designs made by employed or commissioned designers should belong to the employer or person who commissioned the design.

eg H Sebel *Submission 180*, 17

... I imagine that in a company ... the designer of a given product would rarely have 'authored' the work in question entirely on his or her own! ... [O]bviously if a designer is a full-time employee, or is specifically commissioned to carry out a given design project, then there is no question of who owns the design - surely the employer or the design commissioner. But if a free-lance designer actually designs something first, and then offers to sell or licence the design to a company, the terms of the arrangement will obviously be set up in any way that can be mutually agreed. Otherwise there would be 'no deal'. See further NSW Public Works Dept *Submission 212*.

Reasons given were that designers' creations are intellectual property that designers should be entitled to retain. See also Design Associates *Submission 195* who sought a 50/50 division of ownership between the designer and employer or commissioner.

s 35(4).

But contracting out is not excluded given the effect of applying s 19(4) to commissioned or employee created designs.

See draft clauses in Appendix A. Contracting out may potentially be possible under the Designs Act by applying s 19(4) to commissioned or employee created designs.

eg see NSW Public Works Dept *Submission 212*.

I MacPhail *Submission 206* criticised the Discussion Paper's draft ownership clause for attempting to cover in the legislation matters that are adequately covered by contractual arrangement and for failing to allow for contractual provisions which would clarify, for example, who owned the preliminary proposals presented for consideration as part of a commissioned work.

Ownership of the copyright in a work made by an employee is vested in the employer: Copyright Act s 35(6).

s 35(2), (5). The Copyright Act 35(3) provides that these ownership rules may be excluded or modified by agreement.

eg G Levy, Clayton Utz *Submission 70*; D Freeman, AAD *Submission 41*; LCA *Submission 75*.

L Baulch, ACC *Submission 95*, 2. According to ACC this would have the benefit of recognising the creative contribution of the designer, with the designer made aware that the commissioning fee includes the acquisition of that design right. The submission also stated that [a]lthough the Designs Act has a more directly commercial focus than the Copyright Act the underlying rationale of both regimes is related. Both Acts seek to encourage and provide reward for creative endeavour. The fact that the Designs Act will usually have a commercial application does not mean that the value of the contribution of the creator should be ignored or undermined.

ACC *Submission 95*, 2 stated that

[m]any artists and other creators are aware that the commissioning of a work does not affect the ownership of copyright in that work. Few would be aware that a contrary result currently occurs in relation to the design rights in that same commissioned work. The potential problem created by this difference is that artists and creators may inadvertently lose design rights over their commissioned works where they assume that the only rights they give away are those set out in the commissioning agreement.

Fisher & Paykel *Submission 81*.

The Commission also received submissions calling for the repeal of the Copyright Act s35(5): ACC *Submission 95*.

The CLRC has in fact suggested that it would be fairer if the general rule in the Copyright Act was that the owner of a commissioned work should be the person who commissions the work; see CLRC Report *Computer Software Protection* AGPS Canberra 1995, para 7.03-7.07.

If there is more than one owner, all of the persons owning such interests are entitled to apply for registration see s20(2). The effect of s 4(1) and s 19 is that each person who is an author of an unregistered design is taken to be the owner.

For sanctions for false statements see para 9.53-9.58.

See s 20B and 22A and see para 9.8.

s 20 (s).

s 26.

s 4(1). This will not necessarily be the creator of the design because creators may assign their rights in designs before registration s19(4) or the design may have been transferred by devolution of law.

s 30(2).

eg a person who has purchased a design but who is not on the register.

s 25A(2).

*Submission 224*. It was also supported by LD Pippard *Submission 199*, 9 because it is the responsibility of the current owner of the design to ensure that it is his name on the Register so that he may actively enforce his exclusive rights. For example if a registered proprietor were to go into liquidation immediately after paying a renewal any receiver or manager appointed should immediately be able to place his name on the register so that the registration may be sued upon and/or sold so as to recoup monies for the creditors of the former registered proprietor.

Some submissions took a contrary view, eg the IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*.

See para 7.22.

s 28A.

See para 11.20-11.25.

In 1993 only two design mortgages were registered and in 1992 there were none. If an security mortgage is not registered, the validity of the assignment or licence between the parties is not affected but rights against third parties may be affected: see Australian Law Reform Commission Report No 64 *Personal Property Securities* ALRC Sydney 1992 (ALRC 64), para 2.27-2.41.

ALRC 64 Recommendation 1. The Design Institute of Australia (Qld Chapter) *Submission 241* welcomed the establishment of a central register on the basis that the value of design will greatly increase in the future and become more quantifiable and that this value will in turn be reflected within a company's annual report.

See also Recommendation 44.

On the basis that the value of design will greatly increase in future and will become more quantifiable and that this value will in turn be reflected within a company's annual report: *Submission 241*.

*Submission 224*.

See Appendix B.

s 37(1).

s 38 and s 38AA. Failure to register an interest in a design acquired by assignment, transmission or other operation of law should not affect the validity of the assignment or licence as between the parties. Unregistered documents are not however generally admissible in evidence to prove title to a design: s 38B. It may be the case that only a registered ownership of the design after the first assignment: *CCH Australian Industrial and Intellectual Property* para 33-100. See also ALRC 64 para 2.27-2.41.

See also the Patents Act, under which the Commissioner may take certain action if 'satisfied' that particular circumstances have arisen: eg s 75.

s 25B.

AIPO has told the Commission that some design owners expect the Registrar to ensure that all financial conditions mentioned in an assignment are met before the assignment is registered.

AIPO *Submission 102* and *103*. The IPAA *Submission 204* stated that it is essential that the Registrar be provided with some sort of documentary evidence to support the change requested to the register. AIPO *Submission 102* and *103*.

See eg the Trade Marks Act 1994 s109 and s 110, which provide that the Registrar of Trade Marks *must* register assignments and transmissions of trade marks if the applications comply with the prescribed requirements.

*Submission 224*.

Alternatively the Registrar may conduct an examination on his own motion, see para 11.31.

*Registered Designs Act 1949* (UK) s 20.

See art 16 and the combined effect of art 14, art 15, art 27 and art 57.

This view of the Designs Act is derived from obiter dicta in the decision in *In re Usines de Melle & Firmin Boinot's Patent* (1954) 91 CLR 42 as interpreted in *Re Sanofi's Patent Extension Petition* (1981) AOJP 2142.

See para 7.15-7.16.

AIPO *Submission 103*.

IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*; cf LD Pippard *Submission 199*.

s 40A(1).

s 40A(8).

s 40A(4).

s 40D.

cf the ability to sell the article to which the design is applied; s 40A(8).

s 40F.

s 40F(2).

s 40F(3).

Franki report para 222. At that time the Designs Act contained no reference to Crown use or acquisition.

AIPO *Submission 124* stated that the privilege granted to the design owner by registration is a statutory privilege having a parallel in the formerly royal privilege of the granting of a patent for an invention. It is fundamental to any industrial design system based on the grant of a statutory privilege that the Crown should retain a right to qualify its initial grant.

eg The Office of the Cabinet (Qld) *Submission 111* said that Part VIA may have been necessary because of the introduction of s18 which allows functional designs to be registered. The federal Department of Health, Housing, Local Government and Community Services *Submission 114* said Part VIA may have been introduced out of caution when the Act was amended to bind the Crown in 1981.

And the Copyright Act.

*Submission 204*, 14.

*Submission 124*.

*Submission 226*, 2.

eg the federal Department of the Arts and Administrative Services *Submission 107* thought that it was possible that it might wish to use historic designs as part of the centenary of federation celebrations.

Made under the *Defence Transition (Residual Provisions) Act 1952* (Cth).

eg K Leslie, Davies Collison Cave *Submission 214*; LCA *Submission 224*.

This information is needed by design users, especially competitors of design owners, who wish to know whether they face infringement proceedings if they copy some other person's design.

A design is probably easier to buy, sell, license or mortgage if it is registered, because the limits of the property are clearly delineated. This does not seem to be a problem for copyright.

The first to register a design rather than the first to create it has priority over competing designs.

Appendix C para 3.4. The Commission's design users survey showed that more than three-quarters of those who register designs do so at least partly to prevent potential competitors from entering the market. Appendix C para 3.11.

ALRC DP 58 Proposal 9.1.

eg I Crawford, Blake Dawson Waldron *Submission 158*; H Sebel *Submission 180*; IPAA *Submission 65, 204*; AMPICTA *Submission 210*; K Leslie, Davies Collison Cave *Submission 214*; KR Handscombe *Submission 216*; LCA *Submissions 75* and *224*; Design Institute of Australia (Qld Chapter) *Submission 241*; PNFranke, Watermark *Submission 63*; A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217, 6* disagreed preferring instead the introduction of unfair copying legislation combined with a wholly or partly unregistered design protection system ... The high costs, lack of certainty and delay of the registration process act as a deterrent to innovators:

The TPC *Submission 78* opposed any system based on registration.

eg US, Japan, South Africa. This is the case even in countries such as Germany where protection is given as anti-copying rather than exclusive rights. However, the recently lapsed US Bill HR 1790 on designs proposed an anti-copying law that was not based on registration.

For further discussion of Convention applications see para 9.17-9.22.

Despite this, more than 80% indicated that they would continue to register their designs in the future. Almost all of these were individual designers or small companies. According to the Commission's design users survey, more than 75% of individual designers are more concerned with protection against copying than with obtaining the exclusive rights currently available as a result of registration.

*Submission 78*.

The Commission has been told that patent attorney costs for conducting a search of previous registrations are usually between \$300 and \$600.

ALRC DP 58 para 9.24.

See para 8.11-8.17.

But see para 8.36.

Department of Industry Technology and Commerce *Annual Report 1990 - 1* AGPS Canberra 1991, 108.

See John Kaldor Fabricmaker Pty Ltd *Submission 32*; TPC *Submission 78*; Textile Distributors Association *Submission 39*; Queensland Guild of Furniture Manufacturers Ltd *Submission 47*.

See para 8.37. This will not remove the problem that registrations completed within six months may lose priority to a foreign Convention application for registration of the same design. Foreign Convention applications may be registered in Australia within six months after the original application was filed overseas. The priority date for such Convention applications is the date of application overseas. See para 8.19.

DE Barr *Submission 33* said that, if registration is to be retained, it should be simplified so that smaller players are not disadvantaged. P Whiting *Submission 38*; Minale, Tattersfield Bryce & Partners Pty Ltd *Submission 55*; Design Institute of Australia (Qld Chapter)

*Submission 58* stated that 'registration is fine in principle but it should be the second level of copyright protection'. In response to the Commission's design users survey, numerous criticisms were made about the lack of certainty arising out of registration.

See para 8.29-8.31.

See para 11.16.

TRIPS art 25(2) requires that members ensure that requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection. Members may meet this obligation either through industrial design law or through copyright law.

These concerns also led the Commission to consider whether an additional unregistered right should be created for those industries where the delays and costs meant that protection was of limited value; see para 3.62.

See para 9.23-9.38.

Except for Convention applications see para 8.18.

This fact should be notified in the Official Journal or, when the register is accessible by CD-ROM or other electronic means, then on the register itself. Lapsed applications will be destroyed after a prescribed time and will not be used as part of the data base for novelty and distinctiveness searches.

Advice from AIPO December 1994.

Or in the relevant electronic medium.

Or a substantially similar design.

Advice from AIPO 12 April 1995.

Alternatively the applicant can let the application lapse and submit a new application. This is because neither the original application nor the request for registration will be made public and so will not affect priority.

See para 5.36-5.38.

To operate in conjunction with registered protection; see ALRC DP 58 Proposal 12.1. See ALRC DP58 para 12.16, 12.22; see further Textile Distributor's Association *Submission 39* and 120; Queensland Guild of Furniture Manufacturers Limited *Submission 47*.

ALRC DP 58 Proposal 6.14.

See para 3.71 and 5.5.2.

Information provided by AIPO 8 November 1994.

See para 7.17.

Provided the products fell within the one Locarno sub-class or else the designs were of a common design; see para 9.32-9.33.

Advice from AIPO 12 April 1995.

See para 9.12-9.16.

If the applicant wished the 'first three fees could be paid at filing stage and could be paid in any combination'. Advice from AIPO 12 April 1995.

eg see EC proposed Council Regulation art 49.

art 4.

See para 8.19.

See para 9.22.

Although it may be necessary to examine the content of the application during the course of validity proceedings; see para 11.16. The application may be required under the Paris Convention art4D(3) to produce a certified copy of the application previously filed.

This means that 'the foreign applicant will be treated in Australia as Australian applicants are treated overseas - any development work prior to filing must be done in their own country'. Advice from AIPO 12 April 1995.

ie as well as the six month election period, the applicant would have the six months period allowed under the Convention for registration in another jurisdiction after the date of the original application; see para 9.12-9.16.

ALRC DP 58 Proposal 19.1-2.

LD Pippard *Submission 199*; IPAA *Submission 204*; Design Institute of Australia (Qld Chapter) *Submission 241*. Warman International Ltd *Submission 83* suggested that it may be necessary to specify the dimensions of the product to which the design is to be applied, the scale of the drawings attached to the application, the material from which the product is to be made and the function that the product is to perform.

See also LD Pippard *Submission 199*.

ALRC DP 58 Proposal 19.1-2.

See further para 6.17-6.18.

IPAA *Submission 204*. The Designs Act s 20(3) provides that an application for registration of a design must be in accordance with the prescribed form and accompanied by the prescribed number of representations. The application may be accompanied by a statement of monopoly, a statement of novelty or both. For statements of monopoly or novelty see para 6.15. A description of the proposed EC proposed Council Regulation requirement and the Hague Agreement requirements are set out in the Discussion Paper. See ALRC DP 58 para 19.2-19.4.

See para 9.58.

See para 9.22, 9.37 and 9.16.

This information will be used for classification purposes.

Appendix C para 4.2-4.6.

id para 4.3.

Public Service Regulations reg 8(f)(h).

See para 9.19.

See para 8.18.

For refusals to register see para 9.6.

art 48.

ibid.

The Hague Agreement is a system of international deposit designed to put all designs in the same position as if they had been separately deposited/registered in each of the Hague Union member States.

See AIPPI Congress Tokyo April 1992.

art 4.

Advice provided AIPO. AIPO also advised that less than 1% of all applications for registration that lapse have had the novelty or originality of the design questioned by the AIPO.

AMPICTA *Submissions 159* and 210; KR Handscombe *Submission 216*. The IPAA *Submission 65* suggested that to increase certainty AIPO should publish in relation to every application the three closest examples of prior art discovered by the search.

AMPICTA *Submission 210*, 7.

eg H Sebel *Submission 180*.

Although once the same or a substantially similar designs was discovered AIPO would not be required to search further,

Access to accurate up to date overseas computerised data bases is fundamental to an effective international design protection system In this context there are obvious advantages in the development of a system of international deposit as proposed under the Hague Agreement.

K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*; advice from P Smith 12-13 October 1994; H Sebel *Submission 180*; A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217*.

Dowell Australia Ltd *Submission 201*; MA Wakeham, Carter Smith and Beadle *Submission 209*; IPAA *Submission 204*; AMPICTA *Submission 159, 210*; KR Handscombe *Submission 216*; LCA *Submission 224*.

This is reflected in the draft clauses in Appendix A.

*Submission 203*, 1. See also Alpha Foot Orthotics Co Pty Ltd *Submission 231*.

*Submission 201*, 4.

*Submission 204*, 7. See also LCA *Submission 224*; MA Wakeham, Carter Smith and Beadle *Submission 209*.

eg I Crawford, Blake Dawson Waldron *Submission 158*.

See para 11.29-11.30.

*Submission 224*. It is relevant that the LCA supported local rather than absolute novelty for prior publication.

Designs Act s 26; see also reg 57. See further para 9.48.

See para 7.17-7.18.

The Commission's consultations indicate that the average cost of a search undertaken by a patent attorney prior to registration is currently between \$300 and \$600.

reg 10.

For the reason for this see para 9.18.

With the exception of the search of identical designs, the recommendation that there be formal examination only is compatible with the DUX system proposed by H Sebel, which is a system of design deposit or registration without examination. The proposal was put forward by H Sebel to the Lahore Committee and endorsed by the AAD *Submission 41*. Under the DUX scheme protection would be against copying only.

ALRC DP 58 para 10.4-10.6.

eg PN Franke, Watermark *Submission 63*; K Maddern *Submission 29*; KR Handscombe *Submission 34, 216*; International Federation of Industrial Property Attorneys *Submission 203*; LCA *Submission 224*.

eg LD Pippard *Submission 199*; LCA *Submission 224*.

See ch 11.

A document includes an electronic record; see *Acts Interpretation Act 1901* (Cth) s 25.

For joint applications see para 7.10-7.11.

For joint applications see para 7.10-7.11.

See para 9.43. The Registrar should also notify the applicant of the decision to register.

For support for this recommendation see K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*.

See para 10.11-10.12.

But the amendment of an application that did not comply with the requirements of para 8.18-8.19 (filing date para) would affect the priority date.

See EC proposed Council Regulation art 49.

An application for registration lapses if no request for registration is made within six months from the priority date. They can also lapse where there is a failure to renew the registration.

*Submission 204*.

For extensions see para 10.11-10.14.

This is necessary so that the applicant has then choose to elect publication.

For example because it is a circuit layout; see para 4.23-4.27.

But there is no requirement on AIPO to examine applications to ensure that they meet the subject matter of a registrable design; see para 8.39. The registration of a design that does not accord with the subject matter for registrability may be challenged in a validity hearing; see ch 11.

s 24.

See ch 12 and see Appendix B.

s 22B(2).

The Commission's recommendations for review are set out in ch 12. See para 12.28 and see Appendix B.

See para 11.16.

See effect of s 27A.

The Registrar must allow registration of this kind when the prerequisites are met. No registration renewal fees are payable in relation to applications for registration of this kind and extensions of the registration cannot be opposed.

K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*; advice from AIPO and P Smith. See too Dowell Australia Ltd *Submission 201*, 4 which supported the proposal but also held the view that any term should be for the full term of any design and not limited to the term of the original registration. Small changes to a design can be significant in our business and greatly improve the quality of the end product.

*Submission 204*, 16; see also F Old, Spruson and Ferguson *Submission 174*.

See para 9.35.

Advice from AIPO and P Smith.

ie where the original application has not been registered; see para 9.8.

s 22C(1).

s 22C(2).

Where the application is found not to contain all of these items of information, the Registrar must immediately inform the applicant so that any deficiencies can be rectified. For review of the Registrar's decision not to accord priority see ch 12 and see Appendix B. For opposition proceedings in relation to issues of priority see para 11.16.

The country must be a 'Convention country', ie a country that is a party to the Paris Convention. The Governor General may by regulation declare a country to be a Convention country for the purposes of the Designs Act: see s 48. AIPO has stated that approximately 30% of applications for registration are Convention applications from overseas. Most Convention applications come from the UK, US, New Zealand, Germany and Canada. AIPO provides each year between 300 and 400 certified copies of registration documents for registrants who wish to make a Convention application overseas.

s 49(1).

ibid. If registration of the design has been applied for in a number of countries, the six month period is counted from the date of earliest filing s 49(3).

s 49(1). In the US for example, the applicant for registration is not the owner of the design. In the US an employee who has created the design may file an application in other countries, as required in the US. The employer, being the owner of the design, is entitled to file an application in Australia but would not be able to claim Convention priority, so a separate assignment from the employee to the employer would appear to be necessary: see *CCH Australian Industrial & Intellectual Property* Sydney vol 1 para 31-950.

eg the IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*. ALRC IP 11 para 14.16.

KR Handscombe *Submission 34* stated that the process could be simplified but this requires the co-operation of the Convention countries. The IPAA *Submission 65* stated that the Act should allow a design applicant in Australia to claim Convention priority merely by having the overseas applicant consent to it.

*Submission 204*, 16.

Theoretically even with a substantive examination as occurs now, it is possible for an application filed in Australia (application A) to proceed to registration and yet be defeated by a Convention application filed after the date of filing of application A but entitled to an earlier priority date than application A.

ALRC DP 58 Appendix C para 3.61. At present the Designs Act does not allow for deferment of acceptance of an application for registration. Under Paris Convention applications wishing to claim Convention priority must be made within six months of the initial application for registration.

*Submission 199*.

*Submission 241*.

*Submission 214*.

*Submission 204*.

Advice from AIPO and P Smith.

eg see Patents Act s 96.

For review of the Registrar's decision on the issue of priority see ch 12 and see Appendix B. For opposition proceedings in relation to issues of priority see para 11.16.

s 20(7); see further para 9.34.

The Designs Act s 20 (6) only applies to designs of more than one article.

K Leslie, Davies Collison Cave *Submission 214*; A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217*; Magnetic Image & Design Service *Submission 219*; Design Institute of Australia (Qld Chapter) *Submission 241*; LJ Dyson, Watermark *Submission 211*.

Though the permissible number of designs per multiple application varies from 10 to 100.

Under the Hague Agreement 1960 Act, up to 100 designs may be included in one application.

art 4(4).

art 40. No limit is set for the number of designs that may be included in an application; cf the limit of 100 proposed in the EC Green Paper.

EC proposed Council Regulation Explanatory Memorandum Article 40 July 1993.

*Submission 204*, 14 and 15.

eg a single design basic fee is 352 Swiss francs. The fee for each additional design in that application is 16 Swiss francs. See the Hague Agreement Regulations Rule 33.

art 12; cf the EC proposed Council Regulation art 40(2) for multiple applications to be subject to payment of an additional registration fee and an additional publication fee which is to correspond to a percentage of the basic fee for each additional design.

Made in relation to sets and multiples: ALRC DP 58 para 18.38-18.40.

For the definition of a composite see para 9.35.

K Leslie, Davies Collison Cave *Submission 214*.

K Leslie, Davies Collison Cave *Submission 214*; A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217*; Magnetic Image & Design Service *Submission 219*; Design Institute of Australia (Qld Chapter) *Submission 241*; LJ Dyson Watermark *Submission 211*.

eg LJ Dyson, Watermark *Submission 211*, 4 gave qualified support provided that there is no ambiguity as to the scope of protection provided by the different drawings of each design, or in the case of several designs within a single article, a series of clear statements setting out the scope of protection sought.

See para 8.21.

At the Tokyo congress held in April 1992 the working committee in discussing the proposed new draft Treaty said that it may be too broad to permit multiple applications for any articles in the same class.

Advice from B Machado, Director International Registrations Division WIPO, 8 May 1995. The application number will also be unique.

The Commission has been advised that the subject will be considered in the implementing regulations which can only be finalised once the Regulation itself is adopted. However, the EU has stated that it considers it to be important that individual designs in multiple applications be clearly identifiable and that the only realistic way of identifying individual designs would appear to be by an appropriate numbering system. This could possibly be by some subordinate numbering within a single main registration number.

Or publication where an election for publication has been made.

Article 4(4) (a) of the 1995 Draft provides

wo or more industrial designs may be the subject of the same international application, provided that they relate to the same class of the International Classification.

art 40.

See further EC proposed Council Regulation Explanatory Memorandum July 1993 art 40. It goes without saying that the registration is only for the products specified in the application and not for all the products in the Locarno subclass.

art 4(4).

See the Explanatory Memorandum to the draft new Act 1994.

art 40(1).

On January 31 to February 4 1994, WIPO held a meeting of experts to discuss the draft new Act of the Hague Agreement. The EU delegation indicated that the question of limiting multiple applications to products that belong to the same sub-class may be reconsidered in view of the discussion at this meeting. The textile industries put forward a proposal that pointed out the need to allow designs belonging to the same class to be contained in a multiple application. See W Fryer *The US Companies Use Hague Agreement Now A Report on the Hague Agreement* WIPO 4th Meeting of Experts.

Hague Agreement draft new Act 1995, art 4(4)(a).

The Hague Agreement 1960 Act art 5(4) states '(4) A multiple deposit may include several designs intended to be incorporated in articles included in the same class of the International Design Classification'. The Third Model Law committee proposed that multiple applications that include up to 50 designs be permitted, providing they belong to the same class of the Locarno Classification. Earlier pre 1994 versions of the Hague Agreement, the draft new Treaty on the International Registration of Industrial Designs art 3(4) and the EC Green Paper proposed that all products should belong to the same class of the Locarno Agreement.

It was supported by the Design Institute of Australia (Qld Chapter) *Submission 241*. The IPAA *Submission 204*, 15 considered that the proposal is  
 f itself unobjectionable, however, the same effect can be achieved by having a reduced application fee for second and subsequent design applications lodged by the same party at the same time, without introducing all the complexities inherent in multiple applications.  
 In the *Re Application by Porcelain Products Pty Ltd* (1986) 7 IPR 367 case, for example, the items in the set would not fall into the same sub-class. The jug, mug and bowl registered as a set would not all belong to the same sub-class and therefore could not obtain registration as a multiple application under the Commission's proposal.  
 EC *Submission 160*.  
 art 40(1).  
 eg LD Pippard *Submission 199*, 10  
 .. a single application could be made in respect of a composition of items each of which incorporating the same features of design. In this manner, only one set of representations need be filed but official fees can be paid in respect of each Statement of Monopoly and each corresponding registration where appropriate.  
 he IPAA *Submission 204*, 15 argued that  
 i)It is illogical ... not to permit a composition of items having a unitary design concept whilst simultaneously requiring ... that sets should display a common design.  
 Hague Agreement draft new Act 1995, art 4(4)(b).  
 s 4(1) defines a set as  
 number of articles that are of the same general character and ordinarily on sale, or intended to be used, together, being articles to each of which there is applied a design that is the same as, or that differs only in immaterial details or in features commonly used in the relevant trade from, the design applied to the other articles or to any of them.  
 ee the interpretation of this section in *Re Application By Porcelain Products Pty Ltd* (1986) 7 IPR 367. This case was examined in ALRC DP 58 para 18.30-18.37. The EC proposed Council Regulation does not define sets. The EC *Submission 160* advised the Commission that a set could normally cover a number of articles of the same general character, normally used or sold together, to each of which the same design (or at least the same design with modifications or variations not sufficient to alter the character thereof) is applied.  
 eg R Hind *Submission 166*, 6 considered that  
 he articles are intended normally to be *used* together with a common design *theme* (as opposed to, necessarily, a common design) running through the group to unify the individual articles and thereby distinguish the articles which are not so unified and demonstrably do not form a set.  
 In the *Re Application by Porcelain Products Pty Ltd* (1986) 7 IPR 367 case the hearing officer stated  
 ecause the availability of registration of designs for sets of articles is seen to be a fiscal matter, the Registrar has, since 1 April 1982 when the 1981 amendments came into force, adopted a narrower interpretation of what constitutes a set of articles.  
 The UK Johnston report concluded that  
 lthough we feel that the present definition... [of a set]...is narrow, we have... come to the conclusion that it is impossible to arrive at a satisfactory definition that would include all the collections of articles which are (commonly)...referred to as 'sets'. The grievance of those who find themselves unable to obtain registration for a set is largely based on inability to save fees and...saving of fees can only be justified if there is also a saving of work at the Patent Office: para 97.  
 art 25(2) requires members to ensure that requirements for protecting textiles, such as cost examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection.  
 ALRC DP 58 Proposal 18.4.  
 See *Designs Act 1993* (South Africa) s 1(2) and the Hague Agreement draft new Act 1995.  
 IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*.  
 See definition of product para 4.13. The *Industrial Design Act 1985* (Canada) s 2 provides that there can be a multiple application for kits which are defined as a number of products that can be assembled to construct a finished article. Where the kit has been registered as a finished article, then it will be an infringement of the design of the finished article if a person, instead of selling the finished article, sells a kit of the parts that someone else will assemble into the finished article: *Industrial Design Act 1985* (Canada) s 164. See further para 6.26-6.27.  
 IPAA *Submission 204*; Design Institute of Australia (Qld Chapter) *Submission 241* and K Leslie, Davies Collison Cave *Submission 214* agreed.  
 See advice from B Machado, Director International Registrations Division, 8 May 1995.  
 See para 12.29 and see also Appendix B.  
*Submission 204* and see Design Institute of Australia (Qld Chapter) *Submission 241*.  
 IPAA *Submission 65*.  
 See para 9.18-9.20.  
 Advice from AIPO and P Smith.  
 This problem is exacerbated as the microfiche used for searching at the designs sub-offices in State capitals are only up-dated twice a year. Although the sub-offices receive hard copies of design registrations within a week of publication in the Official Journal, this format of searching is cumbersome and largely unhelpful for the public.  
 eg K Leslie, Davies Collison Cave *Submission 214* and advice from AIPO and P Smith. IPAA *Submission 65* said for example that the indexes of names of applicants and titles of designs, the application date and allocated application numbers should continue to be published.  
 cf Patents Act s 53; reg 4.  
 Applications may lapse because the required formalities are never complied with or because a request to register is not made within six months after the priority date.  
 s 27.  
 See para 6.17.  
 Article 51 states that the publication is to contain  
 information identifying the right holder of the Registered Community Design  
 the number and the date of filing and, if a priority has been claimed, the priority date  
 the citation of the designer or the indication of the team  
 the reproduction of the representation of the design  
 where a specimen or a sample has been filed, a reference to such filing  
 any other particulars prescribed by the Implementing Regulation.  
 The Green Paper apparently recommended publication of the application before registration but this was unclear: see EC Green Paper para 8.10.  
 In Germany the application for registration is published.  
 The Hague Agreement: Regulations Rule 16.  
 ibid.

s 27.

art 52(1). The request for deferral must be filed at the same time as the application for registration. Further details of the process described in the EC proposed Council Regulation Explanatory Memorandum are set out in ALRC DP 58 para 19.42-19.45.

art 8. The Hague Agreement 1934 Act enabled an international deposit to be under sealed cover during the first period of protection of five years. and the Hague Agreement 1960 Act provided deferment for up to twelve months from the date of the deposit. See further ALRC DP 58 para 19.43.

See further ALRC DP 58 para 19.43.

Letting competitors know in advance of a general line for a future fashion collection could jeopardise the success of a commercial operation based on the exclusive character of such a line, as the know-how protection would not be sufficient in such cases to prevent competitors from putting similar (possibly 'intelligently similar') designs on the market at the same time or even before the right holder: See EC proposed Council Regulation Explanatory Memorandum art 52. See also WT Fryer 'More Bang for your Design Protection Money' *Journal of the Patent and Trademark Office Society* February 1994.

IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*.

IPAA *Submission 204*; Alpha Foot Orthotics Co Pty Ltd *Submission 231*; Design Institute of Australia (Qld Chapter) *Submission 241*.

See para 6.6.

cf s 27.

s 33(1).

s 33(2).

s 35.

See also reg 57.

eg see EC proposed Council Regulation art 89.

'Franki report para 146, 166-8.

s 37(2).

See s 37(1)A as amended by the *Industry, Technology and Regional Development Legislation Amendment Act 1994* (Cth).

IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*; PN Franke, Watermark *Submission 63*; Fisher & Paykel *Submission 81*. An 'obvious mistake' is an error that is obvious and clear on its face what the correction should be. If an applicant makes repeated reference in an application to a design being applied to a container with a lid but on one occasion makes reference to a container but no mention of the lid, the omission of the lid is likely to be a clerical error.

Including where a person has changed his or her name or address.

See also Appendix B. See Designs Act s 37, reg 21(8) and reg 61. Before exercising a power to amend the Registrar would need to provide a reasonable opportunity to be heard, see para 18.10-18.12. For opposition proceedings to challenge the validity of an amendment see ch 11.

s 39.

IPAA *Submission 65*; KR Handscombe *Submission 34* stated that the Registrar should have the power to correct all types of errors in the register because it was necessary to ensure that searching is more effective. See also the Franki report para 148.

See chapter 11.

See para 11.29-11.31.

See para 18.3-18.5 and 18.13-18.17.

See Designs Act s 40F.

eg K Leslie, Davies Collison Cave *Submission 214*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*.

*Submission 224*.

s 178.

Trade Marks Act 1994 s 159. It is not considered necessary for it to be an offence to represent that the registration gives exclusive rights as in Trade Marks Act 1994 s 159(4).

*Submission 224*.

Designs Act s 45.

Under the *Crimes Act 1914* (Cth) s 4B(2) and 4B(3) the court can impose a fine instead of or in addition to the sentence for a term of imprisonment.

The penalty for forgery in the *Crimes Act* s 67 is a maximum of 10 years imprisonment. Comparable offences under the Trade Marks Act 1994 s 160; the Trade Marks Bill 1995 cl 152 attract the same penalties.

*Submission 224*.

See Designs Act reg 46.

See para 11.25.

Advice from AIPO.

See para 8.21.

s 27A.

s 27A(4).

This process introduced in 1981 is considered further in para 10.8 below; cf the procedures in the Patents Act s 27, s 28, and s 68.

A similar provision applies in the UK see *Registered Designs Act 1949* (UK) s 11.

If a design is regarded as not eligible for protection, it should be possible for it to be removed from the register at any time without the need for expensive legal proceedings. This proposition was supported by many submissions; eg the International Federation of Industrial Property Attorneys *Submission 203*; the IPAA *Submission 65, 204*; K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*.

Advice from AIPO 18 November 1994.

eg H Sebel *Submission 172*.

eg advice from P Smith 18 November 1994.

Appendix C para 4.7-4.15. The survey indicated that some of the reasons why design owners failed to renew their design registration were the short market life of the products to which the design was applied or that the design had been further developed making it unnecessary to keep the registration.

This requirement is reflected in recent amendments to the Patents Act.

IPAA *Submission 204*; Dowell Australia Ltd *Submission 201*; I Crawford, Blake Dawson Waldron *Submission 196* (oral submission).

*Submission 203, 2*.

A Nicotra, Blake Dawson Waldron (for LEGO) *Submission 217, 6*.

*Submission 228, 1*.

eg KR Handscombe *Submission 34*; Fisher & Paykel *Submission 81*.

eg TPC *Submission 78*.

eg Warman International Ltd *Submission 83*.

See further ALRC DP 58 para 11.8-11.14.

Canada.

New Zealand, Japan, Ireland, Italy, Belgium, the Netherlands, Luxembourg, Switzerland, Vietnam and Israel.

France.

See draft clauses in Appendix A.

eg F Old, Spruson & Ferguson *Submission 174*; K Leslie, Davies Collison Cave *Submission 214*; KR Handscombe *Submission 216*; Business Law Section, LCA *Submission 225*; Minter Ellison Morris Fletcher (for J Kaldor Fabricmaker Pty Ltd) *Submission 233*; Design Institute of Australia (Qld chapter) *Submission 241*. LJ Dyson, Watermark *Submission 211* argued that the term of 16 years is adequate.

See ALRC DP 58 para 11.28-11.30.

The UK, the Nordic countries and Germany have an initial five year period of registration followed by renewals in five year units. Japan has protection based on payment of a yearly fee. South Africa has a full period of registration to operate from the initial registration (15 years for aesthetic designs and 10 years for functional designs). Canada has an initial period of protection of five years with renewal for five additional years or any shorter period: *Industrial Design Act 1985* (Can) s 10(1).

EC proposed Council Regulation art 53.

art 13.

See para 8.39.

eg Germany.

Alternatively a refund of fees could be made on surrender; see below para 10.22.

See draft clauses in Appendix A.

eg Business Law Section, LCA *Submission 225*; K Leslie, Davies Collison Cave *Submission 214*.

See Appendix C.

art 54(2).

art 13(5).

eg van der Beld Holdings Pty Ltd *Submission 80*; I Crawford, Blake Dawson Waldron *Submission 196* (oral submission).

eg LD Pippard *Submission 199*.

Business Law Section, LCA *Submission 225*; IPAA *Submission 65* and *204*; F Old, Spruson & Ferguson *Submission 174*; International Federation of Industrial Property Attorneys *Submission 203*.

eg the difficulty of locating owners who have changed address which was a problem the Commission experienced when conducting its own survey.

eg IPAA *Submission 65* and *204*.

A surcharge may apply; see Paris Convention art 5 bis (1).

Designs Act s 27B(1) and s 27B(2).

eg IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*.

*Submission 65*.

AIPO considered that there should be no AAT appeal in this instance.

eg *Henkel Kommanditgesellschaft Auf Aktien v Fina Research Societe Anonyme* [1993] AIPC 90-999.

See para 8.11.

See para 9.5.

Where a design is restored to the register, the Registrar must make an entry in the register to the effect that all particulars relating to the design that were removed are restored.

The fact of restoration should also be advertised in the Official Journal, see para 10.21.

s 40K. See also ch 12 and Appendix B.

See ch 12 and Appendix B.

Designs Act s 27(8).

eg K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*. See also IPAA *Submission 65*.

See also s 29AA and s 29B.

See also s 29AA and s 29B.

The Commission has been advised by AIPO that the first application has only recently been made under s 27B(7).

*Patents Act 1994* (Singapore) s 39(10).

K Leslie, Davies Collison Cave *Submission 214*.

*Submission 241*.

*Submission 204*, 17-18.

*Submission 199*, 13.

Though this may have been due to the wording of the proposal in the Issues Paper; see ALRC IP 11 para 14.25.

Unless of course the licensee had taken serious steps to exploit the design prior to restoration.

Or in the relevant electronic form.

AIPO has suggested that this be restricted to those applications for extensions longer than six months.

s 27B (4).

This proposition was supported by LD Pippard *Submission 199*; LCA *Submission 224*; KR Handscombe *Submission 216*.

The Copyright Act s 137 is not followed in this respect.

Suggested by LD Pippard *Submission 199*.

See para 13.25-13.30.

See para 8.37.

But the Patents Act s 32 allows for pre-grant opposition.

Franki report para 117.

IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*.

MA Wakeham, Carter Smith & Beadle *Submission 209*.

Designs Act s 27A(4).

s 27A(9). The owner must be notified in writing (s 27A(10)) and can appeal to the Federal Court (s 27(11)).

It has been used approximately 12 times since 1992. Advice from AIPO 3 March 1995.

s 28 and s 39.

s 32 and s 32E(3).

eg F Old, Spruson & Ferguson *Submission 162*; The International Federation of Industrial Property Attorneys *Submission 203*; IPAA *Submission 204*. For general support of post grant opposition procedures see also AMPICTA *Submission 210*; LCA *Submission 224*; Textile Distributors Association *Submission 228*; Design Institute of Australia (Qld Chapter) *Submission 241*.



Appendix C ch 5.

Many respondents who believed that they had a very strong case said that they would not litigate in any circumstances under the current law. Small and medium sized enterprises and individuals desire a quick and cost effective forum to resolve design disputes. This is especially so where the likely life of the design is short and design and development costs are relatively low.

TJ Collins, Phillips Ormonde & Fitzpatrick *Submission 173*; IPAA *Submission 65* and *204*; Design Institute of Australia (Qld Chapter) *Submission 241*.

s 97.

See para 14.26-14.30.

*Copyright, Designs and Patents Act 1988* (UK) s 11. The Comptroller has powers to make decisions in disputes about the subsistence, term or ownership of an unregistered design right.

*Guide to the International Deposit of Industrial Designs* WIPO Publication Geneva, January 1986 (1994 update) 68.

art 56(1) and see art 66-80 for the procedures to be followed. The procedure can be initiated after registration or at any time during the registered life of the design or once the registration has expired.

art 116.

B Posner 'Protection of Car Designs and Component and Spare Part Designs Under Future Community Law' *International Business Lawyer* March 1994, 108, 113.

EC proposed Council Regulation Explanatory Memorandum 33.

The Commission says it will take upon itself the burden of litigation where a more general interest so requires. B Posner 'Protection of Car Designs and Component and Spare Part Designs Under Future Community Law' *International Business Lawyer* March 1994, 108, 113.

Except that the proposed Council Regulation also provides for challenge on the ground that exploitation of the design would be contrary to public policy or accepted principles of morality and limited questions relating to ownership: art 27 and art 57.

*Copyright, Designs and Patents Act 1988* (UK) s 11.

eg IPAA *Submission 204*; Design Institute of Australia (Qld Chapter) *Submission 241*; LD Pippard *Submission 199*.

See EC proposed Council Regulation art 27 and art 57.

This may require production of a copy of the Convention application.

This issue is explained more fully in para 7.19-7.21. For this reason the EC proposed Council Regulation provided a limited right to challenge on questions of ownership that applied only where the registered owner had been held by the court not to be the real owner of the design because the registered owner had been employed to create the design: see the combined effect of art 14, art 15, art 27 and art 57.

See para 16.39-16.43. For challenge to validity on interconnections see EC proposed Council Regulation, art 9, art 27 and art 57.

The alternative of requiring an application for examination to be made within a specified time of the grant of registration was raised in the Discussion Paper: ALRC DP 58 para 11.24 and received some support: TJ Collins, Phillips Ormonde & Fitzpatrick *Submission 173*. While providing time limits for challenges would mean that examination proceedings could not be used to hinder or delay proceedings it would result in protection for designs that do not meet the prerequisites for protection.

The required number of copies would need to be provided.

See para 17.17-17.18.

A design found to be validly registered in one hearing may nonetheless later be found to be invalid on the basis of new information provided to the Registrar in a later request.

Or in other appropriate official publication including electronic form.

See para 8.24 and para 13.66.

For support for the Registrar's power to conduct a hearing see K Leslie, Davies Collison Cave *Submission 214*.

Where the registered owner or the original applicant is not also the person applying for the hearing.

This material is to be made available on request.

Or in other appropriate official publication including electronic form.

The Registrar would, for example, be able to call an informed user. However AIPO has indicated that it would be unlikely to do so.

See para 18.6-18.9. For recommendations about maintaining the confidentiality of 'commercial in confidence' material presented during hearings see para 18.13-18.16.

AIPO has informed the Commission that there have been two cross-examinations in the last 12 months, but on average there is one every five years.

See para 10.11-10.12.

See ch 12 and Appendix B.

See the Patents Act s 97(4); EC proposed Council Regulation art 95.

See Designs Act s 32A and see EC proposed Council Regulation art 58.

Under the EC proposed Council Regulation art 95(2) a third party can request the national court to stay the infringement proceedings until the Office has decided the validity question.

See Designs Act s 32C. That is s 32C would remain but the hearing would be stayed until the s 32C proceeding had been completed.

The issue whether a statutory officer such as a Registrar exercises judicial power in removing a design from the register has been dealt with by the High Court in relation to trade marks. See *R v Quinn; Ex parte Consolidated Foods Corporation* (1977) 138 CLR 1 where the Court held that the exercise of the Registrar's power to remove a trade mark from the register was the exercise of an administrative power. See also *Farbenfabriken Bayer Aktiengesellschaft v Bayer Pharma Pty Ltd* (1959) 101 CLR 652.

The Registrar must also publish the details of the amendment in the Official Journal or in other appropriate official publication including electronic form.

See also para 18.10-18.12.

The Registrar will be exercising an administrative power in removing a design from the register; see *R v Quinn; Ex parte Consolidated Foods Corporation* (1977) 138 CLR 1

Non-reviewable decisions include the requirement to furnish a statement of monopoly and/or novelty, s 20(5); the decision to register a design, s 20(5); the decision as to searches of whether a design is new or original, s 23(2); the decision to amend or alter the register to correct an error or change a name or address, s 37(1).

eg the refusal by the Registrar to register a design, s 24(3); the refusal by the Registrar of an application to extend the period of registration, s 27A(11); the refusal by the Registrar to amend an application, s 22B(2).

eg cancellation of a registration because of prior publication or grant of a compulsory licence, s 28; rectification of the register by correcting any error or defect in it, s 39; compensation and declaration where a design has been used for the service of the Commonwealth or the States, s 40.

eg Registrar's direction as to whom the applicant for registration should be, s 20B; Registrar's decision to give or not to give directions to co-owners of a design, s 25B; Registrar's decision whether to allow an extension of time to do an act, s 27B.

See the ARC Discussion Paper *Review of Commonwealth Merits Review Tribunals* September 1994.

Patents Act s 10, 17, 32, 33, 66, 103(2), 113, 137(3), 142(2)(b), 150(2), 151(2), 152(2), 152(3), 173(a), 173(b), 215, 223 and Regulations 3.24(1)(b), 3.25(2), 5.5(3), 5.6(3), 6.2(1)(b)(ii), 22.21(5).

Patents Act s 35, 36, 42, 49, 50, 51, 60, 69, 72, 75, 81, 82, 101, 104, 106, 107 and 108 and Patents Regulations reg 6.6, 10.3, 10.4 and 10.5.

ARC Issues Paper *Administrative Review and Patents Decisions* ARC Canberra, January 1994.

ACIP *Draft Report of the Review of the Petty Patent System* March 1995.

eg see the operation of the Social Security Appeals Tribunal, Student Assistance Review Tribunal and Veterans' Review Board.

eg in the migration jurisdiction the Immigration Review Tribunal and Refugee Review Tribunal operate independently subject to referral to a specially constituted panel of the AAT. However the referral mechanism has not been utilised to date.

Approach adopted by the ARC patents inquiry *Issues Paper*.

AIPO submission to ARC patents inquiry *Issues Paper*.

As to proposals to enable the AAT to award costs in limited circumstances, refer to the Commission's review of litigation costs in ALRC DRP 1, ch 11.

Submissions in support of AAT review included the Law Societies of SA and NSW, Attorney-General's Department (Civil Law Division), the IPAA and Watermark.

The Victorian Bar Association and LCA.

With respect to review by the Federal Court see the ARC Discussion Paper *Appeals from the Administrative Appeals Tribunal to the Federal Court* ARC Canberra, May 1995.

IPAC procedure report para 6.30. Note the recommendations of the Committee advising the Attorney-General on enforcement of human rights determinations of HREOC following the High Court decision in *Brandy v Human Rights and Equal Opportunity Commission* (1995) 127 ALR 1 as it affects the constitutional validity of the exercise of AAT powers.

AAT Act s 43(1).

A court assesses whether the Registrar's decision was reached in a lawful process and is within the range of decisions permitted by law. It cannot reach its own decision on the merits.

Note the wide powers of the Federal Court under the ADJR Act s 16 to make such orders as are appropriate to do justice between the parties. The Court will also substitute its decision if upon remission there would be only one decision the AAT could make, see *Truchlik v Repatriation Commission* (1989) 87 ALR 261, 269.

See ARC patents inquiry *Issues Paper* para 19-35.

The IPAC procedure report ch 8 recommended continuation of the existing right of appearance of patent attorneys before the AAT and that this right be recognised specifically in the industrial property legislation.

See para 13.70.

IPAC procedure report para 4.7 and 4.16.

Reforms follow the AAT's adoption in 1990-92 of a Corporate Plan aimed at achieving 'inexpensive and prompt, but effective and high quality, review of decisions': see *Administrative Appeal Tribunal Annual Report 1991-92* AGPS Canberra 1992, 5.

The Federal Court has also implemented many of these reforms eg pre-trial resolution of disputes is facilitated by *Courts (Mediation and Arbitration) Act 1991* (Cth) s 53A and the Federal Court Rules Order 72 r 1, Order 1 r 4.

The Victorian Bar Association submission to the ARC patents inquiry.

The AAT may award costs against a government decision maker in some matters eg under the *Freedom of Information Act 1982* (Cth). See ARC patents inquiry *Issues Paper* para 22 and the discussion in the Commission's review of litigation costs in ALRC DRP 1, ch 11.

Law and Justice Amendment (No 2) Bill 1995 (Cth) cl 2(2) and see The Justice Statement, 34.

See ALRC DRP 1 ch 6 and ch 11.

(1995) 127 ALR 1.

The AAT Act s 44(1) and 45(1) respectively.

*Commissioner of Taxation v Roberts* (1992) 37 FCR 246.

ARC Discussion Paper *Appeals from the Administrative Appeals Tribunal to the Federal Court* ARC Canberra, May 1995.

id para 5.5 and 6.8-9. Circumstances include where very limited further evidence is sufficient to finalise the matter or where both parties consent and only so as to supplement rather than overturn the AAT's findings.

id para 6.14. The AAT has power to refer a question of law of its own motion or at the request of a party, AAT Act s 45.

Advice received from Ogden Industries, Rosebank Plastics Pty Ltd, Brisbane Aluminium Fabricators, AC Mobility, Kambrook Industries, Maddern & Associates, D Berryman and C Sandercock.

eg in patents matters, refer to ARC patents inquiry *Issues Paper* para 35. The proposed Trade Marks Bill 1995 (Cth) does not increase the scope of AAT review. However this may be subject to change pending final recommendations of the patents inquiry.

eg Law Society of South Australia submission to the ARC patents inquiry.

By 1994 appeals to the AAT were available under 264 separate Commonwealth enactments, see *Administrative Appeals Tribunal Annual Report 1993-4* AGPS Canberra 1994.

Refer to the statistics to be found in the annual reports of the ARC (pre-1991) and of the AAT (post-1991) which record 4198 lodgments in 1989-90, 4370 in 1990-91 and 4794 in 1991-92, 5543 in 1992-93 and 6009 in 1993-94.

eg the Veterans' Appeals division, Taxation Appeals division and Taxation Small Claims division.

Consultations with Kambrook Industries, H Pyke, Rosebank Plastics Pty Ltd and Maddern & Associates.

Applications for AAT review related to patents, trade marks and designs numbered three out of 5543 applications in 1992-93 and two out of 6009 applications in 1993-94, see *Administrative Appeals Tribunal Annual Report 1992-93 and 1993-94* AGPS Canberra 1993 and 1994.

See para 36.

eg the decision to correct the register under s 37 and reg 21(8)(a) and reg 61. Refer to the table in Appendix B.

s 27B (2).

reg 28(2).

s 27B(1).

eg the refusal to accord a priority date to applications, s 21.

eg where an application for registration meets the prescribed conditions the Registrar 'must' give the application a priority date, although review is available under the ADJR Act. See para 9.3.

Patents Act s 44(2), 44(3), 75(3), 97(1), 219 and Regulations 3.2(3), 3.2(4), 3.16(1), 3.17(2), 3.20(4), 3.25(4)(b)(d)(e)(f)(g), 5.9, 5.10, 6.7(1), 8.1(2)(e), 12.3(4), 22.6, 22.7, 22.8, 22.14, 22.16, 22.25, 23.16.

ARC patents inquiry *Issues Paper*, Appendix 6 para 25-37.

This does not accord with the AIPO suggestion that the Registrar be given a power to grant an extension of time under special circumstances, which decision is not reviewable.

See para 11.28.

eg s 39.

ie no AAT review and no review by a prescribed court as in s 39.

s 16. Grounds for review include that a breach of natural justice occurred in making a decision, that procedures required by law were not observed or that the decision was affected by fraud, see ADJR Act s 5.

This may suit a party not wishing to disturb favourable findings of fact by the Registrar.

See the limited definition of 'decision' adopted in *Australian Broadcasting Tribunal v Bond* (1990) 170 CLR 321. See also the *Judiciary Act 1903* (Cth) s 39B which allows the Federal Court to review actions and decisions of the Registrar as an 'officer of the Commonwealth' under the Constitution s75(v).

s 10(2).

Patent attorneys who may have represented their clients before AIPO cannot appear in the Federal Court.

eg the decision to register a design once all formalities have been satisfied, see para 9.3. Similar provisions prescribe time for compliance in the Trade Marks Bill 1995 (Cth) s 68(1).

ADJR Act s 7.

See para 12.27.

The Justice Statement, 32.

ARC patents inquiry *Issues Paper*, Appendix 6 para 6.

The AAT Act s 27 provides that persons whose interests are affected by the decision may apply to the Tribunal for review of that decision.

ARC patents inquiry *Issues Paper* para 36-42.

Submissions to the ARC patents inquiry by Watermark, IPAA, the Law Society of NSW, the Victorian Bar, the LCA and the University of Tasmania Law School. The Law Council of SA proposed a general right of AAT review of all decisions under the Patents Act not specifically excluded. The Attorney-General's Department (Civil Law Division) described the role of Federal Court review as 'puzzling'.

AIPO submission to the ARC patents inquiry.

Refer to proposed opposition proceedings in designs matters, see ch 11 and in particular para 11.3.

IPAC procedure report Recommendation 5 para 6.30.

The parallel provisions in the Patents Act s 49-50 are currently reviewable by the Federal Court. Submissions by Watermark, the Law Society of SA and the IPAA to the ARC patents inquiry argued that these decisions are most frequently appealed and that it was particularly important they be reviewed by the AAT.

s 20(6) and (7).

Although some decisions are currently reviewable by the Federal Court, eg the decision to remove a design from the Register at the Registrar's own motion s 28(1), and some are currently made only by application to a prescribed court, eg application for rectification of the register s 39.

See ch 11 and in particular para 11.28. See also para 6.11-6.18. The principles discussed in para 12.9-12.11 which determine the precedence of AAT review apply equally to review of decisions resulting from opposition proceedings.

s 28(a).

See para 6.15.

See para 6.15.

s 37(1), (1A), (1B) and see para 6.16.

Currently upon application to a prescribed court, s 39.

See para 6.11-6.14.

See *Brandy v Human Rights and Equal Opportunity Commission* (1995) 127 ALR 1.

(1977) 138 CLR 1.

The Watermark submission to the ARC patents inquiry argued that revocation of a patent involved taking away an existing right and so should only be reviewable by the Federal Court. It may also constitute a compulsory acquisition of property with a right to just terms compensation.

See ch 11.

Although LCA *Submission 224* argued that the absence of substantive examination will impose an onerous burden of proof upon plaintiffs in infringement actions, the proposal will not significantly alter the requirements of proof under the present system.

Note that decisions in opposition proceedings under the Patents Act s 60 (pre-grant) and s 101 (post-grant) are reviewable by the Federal Court. The IPAA submission to the ARC patents inquiry argued that this review was time-consuming, expensive and being based on entirely different evidence provided no future guidance for the decisions of the Commissioner.

Note that certain provisions are not proposed to be retained eg the decision to grant a compulsory licence s 28(b) para 14.42, the fixing of compensation for use of a design for the services of the Commonwealth or the States s 40A and a Declaration that a design has been used for the service of the Commonwealth or the States s 40B para 7.28.

s 39.

s 28(c). Instead this question will be dealt with in opposition proceedings, see ch 11.

s 192 and s 138 respectively. However s 101 allows the Commissioner to revoke a patent following a re-examination under s 97(2), with provision for appeal to the Federal Court.

Trade Marks Bill 1995 (Cth) s 85-89.

LCA submission to the ARC patents inquiry. See also the suggestion of a Federal Magistracy, para 13.20

The role of the Registrar in disputes involving issues of validity of a designs registration are discussed in ch 11.

The Justice Statement, Foreword.

art 41.

art 41(2).

art 41(2), (3), (4).

Appendix C ch 5.

Appendix C para 5.7. One respondent stated that 'it would be financial suicide to take the matter any further'.

The Commission is reviewing one aspect of costs, the litigation costs rules. This review will be completed by October 1995.

Appendix C para 5.8.

Identified as a major problem in the ACIP petty patents review *Draft Report* para 5.9.1.

See para 1.3-1.4 and 2.35-2.37.

W Cornish *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* 2nd ed Sweet & Maxwell London 1989, 25.

Interview with AC Mobility, 4 August 1993.

Of the disputes disclosed by the survey, 33% did not proceed to litigation because the costs of enforcement were considered too high, 17% were not litigated because of uncertainty in the law, 9% of plaintiffs were advised by their solicitors not to litigate and 17% of cases were settled by negotiation. See Appendix C para 5.4-5.

IPAC procedure report ch 2.

See para 13.44-13.54.

Thirty seven percent of recent registrants had experienced difficulties registering their design and 40% had difficulties with documentation or other formalities of registration. See Appendix C para 4.2-4.4.

eg consultations with Ogden Industries and the Australian Industrial Research Group.

eg C Sandercock favoured expanded use of existing venues and described the UK Patents Court proceedings as complex, costly and lengthy. Also advice received from Comalco, B Ward & Associates and D Berryman. Alternative proposals for specialist divisions in the Federal Court are discussed at para 13.42 and in the AAT at para 12.17.

The IPAC procedure report also recommended procedural reform in existing forums.

The court was established in response to the UK White Paper and to the subsequent Oulten Committee Report on patent litigation. See DGladwell 'Patent Litigation' (1989) 4 *EIPR* 128 and P Ford 'Patent Litigation: A Better Deal for Litigants?' (1990) 12 *EIPR* 435.

Order 48A r 4(2) of the County Court (Amendment No 2) Rules 1990 (UK) requires the statement of the case to include all facts, matters and arguments relied on and see requirements of Order 104 r 6(2)-(5) and r 23.

CCR Order 48A r 7(1)(a) and Rules of Supreme Court Order 104 r 15.

CCR Order 48A r 7(1)(b).

Statistics provided in correspondence from the Lord Chancellor's Department, 3 October 1994. Sample figures for June 1993 show that of 296 cases examined 147 had been disposed of by settlement, 30 by adjudication and 8 by transfer to other courts.

J Reynolds (1994) 8 *WIPR* 203. It is said that 'front loading' of costs in proceedings before the UK Patents Court has meant that it can be more expensive to commence proceedings there than in the High Court.

A Webb 'Patent Litigation in the UK - The New Patents County Court' (1991) 6 *EIPR* 203.

R Lawrence 'Patent Litigation Reform - In Europe?' (1989) 2 *EIPR* 39.

See J Reynolds 'Patents Court Sets Up 'Simplified Trial' Procedure' (1994) 8 *WIPR* 203.

D Egan 'Design Fault' October 1993 *Legal Business* 44, 47.

The Federal Patent Court has exclusive jurisdiction to evaluate the validity of patents after grant, with a right of appeal to the Federal Court of Justice. The civil courts are bound by decisions of the German Patent Office and Federal Patent Court as to validity of the patent.

German Patent Law ss 73 - 80, 86-99. As to judicial composition of the Senate, see s 67. See generally W Stockmair *The Protection of Technical Innovations and Designs in Germany* VCHWeinheim, Germany 1994.

There is a rarely used right to appeal to the Federal Court of Justice on a point of law with leave of the Federal Patent Court, or without leave in the event of a specified procedural error: *Patentgesetz (PatG)* Patents Law (Germany) s 100-09.

28 USC ss 1295(a)(1), 1338 (1982). Decisions of the Patent Examiner are first appealed to the Board of Patent Appeals before further appeal to the Court of Appeals.

28 USC s 1295(a)(1), (4) (1982 & Supp IV 1986).

28 USC s 1295(a)(5)-(6) (1982).

There are criticisms of procedural complexities and pro-patent bias caused by the specialist nature of the Court, see R Dreyfuss 'The Federal Circuit: A Case Study in Specialised Courts' (1989) 64 *New York University Law Review* 1.

EC proposed Council Regulation, 33. Articles 83-98 deal with the litigation system.

art 85. Appeals lie to the Community Design Courts of second instance, art 96.

para 6.37. See also R Dreyfuss 'The Federal Circuit: A Case Study in Specialised Courts' (1989) 64 *New York University Law Review* 1.

IPAA submission to ARC patents inquiry.

eg few matters are commenced in the Intellectual Property List of the Federal Court, para 13.42.

IPAC procedure report ch 6.

LCA Sub-committee, see IPAC procedure report para 6.9.

s 4(1).

s 40G(1), (1B).

s 40G(1A) and s 40J which makes special provisions as to the procedure on hearing of appeals.

s 40I(2).

s 40I(3).

AAT Act s 44.

The AAT Act s 45 gives the Tribunal power, of its own motion or at a party's request, to refer a question of law arising in a proceeding before it to the Federal Court for decision. The AAT remains the final decision maker on the facts. The ARC patents inquiry is currently considering proposals to broaden the referral power to enable the AAT to refer a whole case to the Federal Court for full merits review and final decision.

This jurisdiction is exercised by a single judge, s 40G(3). Specific constitutional limitations apply to the jurisdiction of Territorial Supreme Courts, s 40G(2).

s 28.

s 39. Refer to table at Appendix B.

s 40G(1C).

s 40I(1).

s 40I(3).

s 31.

The AIPO submission to the ARC patents inquiry refers to problems of forum shopping, inconsistency, duplication and variance in expertise and attitude among judges, compounded by concurrent AAT jurisdiction.

The AIPO submission to the ARC patents inquiry states that the Federal Court has the appropriate expertise to develop legal principles with certainty, clarity, uniformity and consistency.

The Federal Court has exclusive jurisdiction to hear disputes relating to Part IV of the Trade Practices Act. See IPAC procedure report para 6.36.

para 6.36.

s 31.

Jurisdiction in industrial property matters is vested in inferior courts including under the *District Court Act 1973* (NSW) s 44(1), *County Court Act 1958* (Vic) s 37(1), *Magistrates Court Act 1989* (Vic) s 100, *District Court Act 1967* (Qld) s 66(1), *Magistrates Court Act 1921* (Qld) s 4, *District Court Act 1969* (WA) s 50, *Local Courts Act 1904* (WA) s 30, *District Court Act 1991* (SA) s 8(1), *Magistrates Court Act 1991* (SA) s 8(1), *Magistrates Courts (Civil Division) Act 1992* (Tas) s 7, *Magistrates Court (Civil Jurisdiction) Act 1982* (ACT) s 5, *Small Claims Act 1974* (ACT) s 4 (1)(a), *Local Courts Act 1981* (NT) s 27.

IPAC procedure report para 6.51.

One alternative to establish a Federal Magistracy at an inferior court level, would ensure accessibility while maintaining consistency in designs matters advice.

eg the District Court of NSW *Annual Review 1990* states 12 months as the acceptable delay period from filing of praecipe to hearing, whereas the NSW Department of Courts Administration *Key Performance Summary 1993* notes an average delay of 42 months. The Brisbane District Court cites a delay of 4-5 months from readiness for trial to hearing.

IPAC procedure report para 6.20-6.21.

LCA submission to the ACIP petty patents review *Draft Report* para 5.9.1.

Injunctive powers are available under the *District Court Act 1973* (NSW) ss 46(1) and 141, *County Court Act 1958* (Vic) s 49, Magistrates Court (Civil Proceedings) Rules (Vic) r 35.04, *District Court Act 1967* (Qld) s 67(1), *District Court Act 1969* (WA) s 53, *Local Courts Act 1904* (WA) s 33, *Magistrates Court Act 1991* (WA) s 25, *District Court Act 1991* (SA) s 30, *Magistrates Courts (Civil Division) Act 1992* (Tas) s 9, *Magistrates Court (Civil Jurisdiction) Act 1982* (ACT) s 6, *Small Claims Act 1974* (ACT) s 4 (2B), *Local Courts Act 1981* (NT) s 32D.

IPAA *Submission 204* proposed that jurisdiction should be amended to allow designs actions to more readily be brought at District or County Court level.

See para 13.22-13.24.

eg IPAA and FICPI submissions to the IPAC procedure report para 6.4.

LJ Dyson, Watermark *Submission 211* states that the law gives rise to most dispute in design litigation. See also the Victorian Bar submission to the ARC patents inquiry.

See *R v Quinn; Ex parte Consolidated Foods Corporation* (1977) 138 CLR 1 and the discussion relating to opposition procedures, para 11.29.

See *Brandy v Human Rights and Equal Opportunity Commission* (1995) 127 ALR 1 as to the unenforceability of HREOC determinations.

See ARC Review of Commonwealth Merits Review Tribunals *Discussion Paper* September 1994, para 3.84-3.91 and IPAC procedure report para 6.36.

See ch 11.

s 97(3), which has not to date been used.

The Patent Office must give both parties the right to be heard and opportunity to provide evidence before issuing its Report under the second tier right system proposed by the Chartered Institute of Patent Agents, July 1994.

European national courts trying infringement actions can ask the European Patent Office to give a technical opinion under the European Patent Convention, art 25. The EC proposed Council Regulation art 90 provides that a Community Design Court may stay proceedings pending an application for a declaration of invalidity from the Community Design Office.

ACIP petty patents review *Draft Report*, para 5.9.1.

See *Brandy v Human Rights and Equal Opportunity Commission* (1995) 127 ALR 1.

The judge can order the UK Patent Office to enquire into and report on any question of fact or opinion including on technical background or analysis of the issues in dispute, either at the Court's own motion or at the request of the parties: Order 48A r 7(1)(b) of the County Court (Amendment No 2) Rules 1990 (UK).

eg under the Federal Court Rules Order 10 rule 1(2)(j) the Court may

in proceedings in which a party seeks to rely on the opinion of a person involving a subject in which the person has specialist qualifications, direct that all or part of such opinion be received by way of submission in such manner and form as the Court may think fit, whether or not the opinion would be admissible as evidence.

The Court may also appoint an expert witness to report to the Court on its own motion or at the application of a witness: Order 34. The report is admissible in evidence and the court expert may be called for cross-examination. As to difficulties related to the use of court appointed experts, see Australian Law Reform Commission Report No 38 *Evidence* AGPS Canberra 1987 (ALRC 38).

eg Supreme Court Rules 1970 (NSW) provide that the Court may require an expert to enquire and report on any question at any stage of proceedings and may cross-examine on the report: Part 39. Procedures for admission and examination of expert evidence are dealt with in the *Evidence Act 1995* (Cth) s 177.

eg where there is significant disparity in the size and means of the parties. Advice given by B Ward & Associates, H Pyke and A C Mobility.

Of the disputes disclosed by the survey, 33% did not proceed to litigation because the costs of enforcement were considered too high, 17% were not litigated because of uncertainty in the law, 9% of plaintiffs were advised by their solicitors not to litigate and 17% of cases were settled by negotiation. See Appendix C para 5.4-5.5.

Similar concerns were raised in the ACIP petty patents review *Draft Report* para 5.9.

IPAC procedure report, referring to LCA Sub-committee submission, para 4.15.

IPAC procedure report para 6.20-6.21. The Government is considering the appointment of additional judicial resources in the Federal Court: see The Justice Statement, 61.

Advice received from Ogden Industries, Click Industries Pty Ltd, Door Store, B Ward & Associates, H Pyke, Australian Industrial Research Group, National Panels Pty Ltd, AC Mobility and Automatic Technology Australia.

See para 13.41-13.42.

The survey indicated that 2/3 of respondents favoured expert involvement in the decision making process, see Appendix C para 5.15. Also advice received from Ogden Industries, Click Industries, B Ward & Associates, National Panels Pty Ltd, AC Mobility, Maddern & Associates and D Berryman (Australian Industrial Research Group).

Advice from Kambrook Industries, Click Industries, Door Store, B Ward & Associates, D Berryman (Australian Industrial Research Group), C Sandercock, Maddern & Associates, Brisbane Aluminium Fabricators and National Panels Pty Ltd.

Advice from H Pyke.

IPAC procedure report para 5.31.

The Litigation Reform Commission of Queensland has argued that the courts should appoint a single expert from a panel and preclude parties from calling expert witnesses: 'Reform the Civil Litigation System' *Discussion Paper* published in October-December 1994 *Proctor*. However real and perceived injustice could result if relevant evidence is excluded and the proposals have received criticism: P Carter 'Reform or Deform?' April 1995 *Proctor* 9.

See *Colls v Home and Colonial Stores Ltd* [1904] AC 179, 192.

Federal Court Rules Order 34 and see *Newark Pty Ltd v Civil and Civic Pty Ltd* (1987) 75 ALR 350.

ALRC 38. See also Justice Sheppard 'Court Witnesses - A Desirable or Undesirable Encroachment on the Adversary System' (1982) 56 *ALJ* 234 and Justice Marks 'The Interventionist Court and Procedure' (1992) 18(1) *Monash University Law Review* 1, 6-8.

See para 13.71.

The Court may limit the number of expert witnesses that may be called, Order 10 r 1(2)(d).

IPAA *Submission 204*.

The County Court (Amendment No 2) Rules 1990 (Order 48A) r 8 (1) and (2) and IPAC procedure report para 7.13.

For discussion of court appointed experts.

The County Court (Amendment No 2) Rules 1990 (Order 48A) r 7(1)(b) and IPAC procedure report Recommendation 13. See discussion of the role of AIPO opinions, para 13.25-13.30.

Refer to *CCH Australian Industrial & Intellectual Property* Sydney Vol 1 para 37-950.

Order 2 rule 4(4). Costs will only be allowed where the Court has certified that the issues to which they relate were reasonable and proper, Order 5.

Order 6.

eg the Law Institute of Victoria submission to the IPAC procedure report para 6.5.

In 1993-94 in the Federal Court (NSW Registry) Intellectual Property List there were 2 design, 10 patent, 26 trade mark and 65 copyright related matters filed.

Order 58 Pt I applies to intellectual property cases generally, Pt II deals with appeals from decisions of the Registrar of Designs, Pt III Division 4 deals with applications under the Designs Act and Pt IV deals with evidence.

See IPAC procedure report para 2.21, 4.16.

LJ Dyson, *Watermark Submission 211* and advice received from B Ward & Associates and CSandercock. The Litigation Reform Commission of Queensland has proposed modifications to the 'outmoded' adversarial system in 'Reform the Civil Litigation System' *Discussion Paper* published in October-December 1994 *Proctor*.

IPAC procedure report para 5.6-5.11. Inquisitorial judging operates in civil jurisdictions such as Germany and France, relying on written rather than oral trials and expert decision-makers rather than generalist judges. See C Ngwasiri 'Pre-trial Civil Proceedings in England and France' (1991) 10 *Civil Justice Quarterly* 289 and J Longbein 'The German Advantage in Civil Procedure' (1985) 52 *University of Chicago Law Review* 823, 861-2. The US Federal Courts' 'Manual for Complex Litigation' outlines a dominant fact-gathering role for the managerial judge.

Justice J Wood 'The Changing Face of Case Management: The New South Wales Experience' (1995) 4 *Journal of Judicial Administration* 121.

Justice D Ipp 'Judicial Intervention in the Trial Process' (1995) 69(5) *ALJ* 365, 384.

County Court (Amendment No 2) Rules 1990 (UK) Order 48A and IPAC procedure report para 6.40.

LCA Sub-committee submission to the IPAC procedure report para 4.15.

Federal Court Rules, Order 10. See *Lenijamar Pty Ltd v AGC (Advances) Ltd* (1990) 98 ALR 200, 206.

Order 10 rule 1(2) (g)-(i). Mandatory pre-trial conferences or mediation conferences may be held before Registrars of the courts eg in the Supreme Court WA. See Justice French 'Hands on Judges, User-Friendly Justice' Ninth Annual Australian Institute of Judicial Administration Conference, 18-19 August 1990.

See IPAC procedure report para 7.13 and the Rules of the UK Patents County Court, r 8. However the Chief Justice of the Federal Court has emphasised that the appropriateness and need for a narrative statement should be a matter for the judge to decide in each case.

Procedures for preparing survey evidence are set out in Federal Court Practice Note 11, 8 April 1994. See IPAC procedure report para 7.22.

*Federal Court of Australia Act 1976* (Cth) s 43 and see *Cummings v Lewis* (unreported) Wilcox J Federal Court, 29 May 1992. The Court also has the power to award indemnity costs in cases of substantial public interest, see *Ragata Developments Pty Ltd v Westpac Banking Corporation* (unreported) Davies J Federal Court, 5 March 1993. The Commission has proposed widening the basis for awards of disciplinary and case management costs in its litigation costs review, see ALRC Draft Recommendation Paper 1 *Litigation Cost Rules* (ALRC DRP 1) June 1995.

The Committee was established to reduce backlogs by case management techniques including settlement conferences prior to call over, requirement of detailed particulars and supporting documents. See *Civil Issues Bulletin* No 4, August 1994.

eg matters in the Supreme Court of Victoria Civil List are first referred to a mandatory pre-trial conference, Supreme Court Rules Order 48.12. The procedure does not apply to intellectual property matters which are separately listed.

See Justice K Marks (Supreme Court of Victoria) 'The Interventionist Court and Procedure' (1992) 18 *Monash University Law Review* 1, 14.

Rules of the Supreme Court of Victoria, Order 50.

See Justice K Marks (Supreme Court of Victoria) 'The Interventionist Court and Procedure' (1992) 18 *Monash University Law Review* 1, 7.

Supreme Court of NSW Common Law Division Practice Note 81, 20 December 1993.

See discussion relating to costs of early preparation in the UK Patents County Court, para 13.10-13.11.

Hearings are conducted by a professional panel of arbitrators with a right of appeal against the award at penalty of costs unless the final result is materially better for the appellant. Only about 6% of arbitrated matters need to be resolved by a judge, see Justice J Wood 'The Changing Face of Case Management: The New South Wales Experience' (1995) 4 *Journal of Judicial Administration* 121, 127.

As one Australian Federal Court Judge has been reported as having said

There is a major difference between judicial activism in pre-trial preparation, so as to ensure that the issues are clear and that the evidence is all on the table (a situation which is most conducive to meaningful negotiation) and activism which has the judge expressing opinions about the merit of a case, whether of fact or law, before those merits have been adequately canvassed: Survey reported in A DeGaris 'The Role of Federal Court Judges in the Settlement of Disputes' (1994) 13(2) *University of Tasmania Law Review* 217, 229.

See Justice K Marks (Supreme Court of Victoria) 'The Interventionist Court and Procedure' (1992) 18 *Monash University Law Review* 1, 2.

*Courts (Mediation and Arbitration) Act 1991* (Cth) ss 19B, 19D. Cases may also be referred to an arbitrator or mediator with parties' consent under the *Federal Court of Australia Act 1976* (Cth) s 53A and the Federal Court Rules Order 72.

s 19H.

ss 19D(5), 19E(2).

Proposed amendments to the *Federal Court of Australia Act 1976* (Cth) and refer to the discussion in The Justice Statement, 32.

IPAC procedure report Recommendations 8 and 14.

*Courts Legislation (Mediation and Evaluation) Amendment Act 1994* (NSW). Parties must consent to the use of ADR and agree on the choice of mediator or evaluator and allocation of costs.

*Courts Legislation Amendment Act 1995* (Qld).

Rules of the Supreme Court of Western Australia r 49, 56A and Practice Direction 12.

See para 13.78.

eg the Federal Court Rules Order 33 r 3(b) allows judges to dispense with the rules of evidence where compliance might involve 'unnecessary or unreasonable expense or delay'. Similar powers reside in Supreme Court judges eg *Supreme Court Act 1970* (NSW) s 82 and the Rules of the Supreme Court of Victoria, r 40.

The LCA submission to the ACIP petty patents review argued against special standards in industrial property litigation.

Consultations with Warman International Ltd, H Pyke, Brisbane Aluminium Fabricators and Duncan & Wigley Pty Ltd.

Consultations with National Panels Pty Ltd, Avion Engineering Pty Ltd and H Pyke.

ALRC DRP 1 *Litigation Cost Rules* June 1995. The Government announced a review of fee scales in the Federal Courts, see The Justice Statement, 47-48. See also the Litigation Reform Commission of Queensland 'Reform the Civil Litigation System' *Discussion Paper* published in October-December 1994 *Proctor*.

IPAC procedure report para 7.28-7.34.

The Government stated that fee scales should be simpler and more accurate, in accordance with recommendations of the Justice Advisory Committee, see The Justice Statement, 47.

eg the Federal Costs Advisory Committee of the Federal Court.

eg Federal Court Rules Order 62 allows judges an unfettered discretion to award costs, see *Trade Practices Commission v Nicholas Enterprises Pty Ltd* (1979) 28 ALR 201.

Advice received from Duncan & Wigley Pty Ltd, Brisbane Aluminium Fabricators, National Panels and Avion Engineering Pty Ltd. *Submission 249*.

IPAC procedure report para 7.28-7.34.

ALRC DRP1 *Litigation Cost Rules* June 1995, ch 6.

id ch 13.

eg advice received from the Queensland Institute of Technology, Comalco Aluminium, Brisbane Aluminium Fabricators, Door Store, Techni Interiors, AC Mobility and the Arts Law Centre of Australia.

Avion Engineering Pty Ltd, a party in the Federal Court case *Fisher & Paykel Healthcare Pty Ltd v Avion Engineering Pty Ltd* (1991) 22 IPR 1.

Oral advice from the Door Store and K Leslie, Davies Collison Cave *Submission 214*. Typifying this general dissatisfaction, Kambrook Industries Pty Ltd commented that the legal profession simply does not understand the types of remedies the design industry wants to achieve.

IPAC procedure report ch 5 and see ACIP petty patents review *Draft Report* para 5.9.2.

A specialist Advisory Council will be established to develop and regulate alternative dispute resolution, see The Justice Statement, 23. The 1991 Senate Standing Committee on Legal and Constitutional Affairs *Discussion Paper No 4* also emphasised the importance of non-judicial methods of dispute resolution to ensure that a system of 'second-class justice' does not apply to sectors of the community.

IPAC procedure report para 7.6.

Warman International Ltd *Submission 168* stated that most designs cases involved alleged deliberate copying by competitors that could only effectively be adjudicated by an authoritative and enforceable judicial order.

eg Warman International Ltd *Submission 168*.

Consultation with M Hoellering General Counsel American Arbitration Association, 13 May 1995.

E Schwartz Secretary General, ICC International Court of Arbitration, 3 April 1995.

In 1990-92 of 787 new cases, 149 had intellectual property content of which 17 involved designs. See J Lew 'ICC Working Party on Intellectual Property Disputes and Arbitration' in *Objective Arbitrability: Antitrust Disputes: Intellectual Property Disputes* Swiss Arbitration Association Special Series No 6, March 1994, 44.

eg advice received from the Arts Law Centre of Australia which operates a mediation program dealing mainly with copyright disputes, from the Law Society of NSW and from the American Arbitration Association.

F Gurry 'Objective Arbitrability: Antitrust Disputes: Intellectual Property Disputes' *Objective Arbitrability: Antitrust Disputes: Intellectual Property Disputes* Swiss Arbitration Association Special Series No 6, March 1994, 110.

Based on a Hawaiian study reported in R Collins 'Alternative Dispute Resolution - Choosing the Best Settlement Option' (1989) 8 *Australian Construction Law Newsletter* 17, 18.

H Astor and C Chinkin *Dispute Resolution in Australia* Butterworths Sydney 1992, 43.

eg advice received from Kambrook Industries. Advice from the Door Store indicated that in one negotiation a public apology was satisfactory to resolve the dispute.

For discussion of the advantages of ADR refer to H Astor and C Chinkin *Dispute Resolution in Australia* Butterworths Sydney 1992, ch 2-4.

Advice received from Comalco, Warman International Ltd, Techni Interiors Pty Ltd, AC Mobility Pty Ltd, Door Store, The Design Institute of Australia (Qld Chapter) and C Sandercock.

One example is Barrister Services Pty Ltd, connected to the Bar Association of Queensland which has introduced a scheme to provide a wide range of ADR privately, quickly and cheaply through customised procedures agreed upon by disputants. The Law Society of NSW conducts a Settlement Week mediation program.

eg the Australian Commercial Dispute Centre, Mediate Today Pty Ltd, the University of Technology Sydney Centre for Dispute Resolution, the Queensland National Dispute Centre, the Law Society of NSW Dispute Resolution Committee and the Arts Law Centre of Australia Mediation Service.

Consideration is also being given to a national ADR database, see The Justice Statement, 31.

See Appendix C para 4.4. One respondent commented

I feel very unsure about what I have actually got from registration. There should be information provided in the AIPO about what type of protection you receive when you register a design, what it actually means and what your rights are.

Advice should be provided when applicants are advised of the availability of a validity hearing and also when unjustified threats have been made, see para 8.24 and 14.26-14.27.

ACIP petty patents review *Draft Report*, para 5.9.2. Note the commitment to improve community access to mediation in The Justice Statement, 23.

eg WIPO Arbitration Rules, effective 1 October 1994 and see para 13.76.

Advice received from Comalco Aluminium Ltd, Door Store, Avion Engineering Pty Ltd, Techni Interiors Pty Ltd and D Berryman.

eg Mediate Today Pty Ltd, Arts Law Centre of Australia and Australian Commercial Disputes Centre Ltd. The Law Society of NSW Dispute Resolution Section includes the Ongoing Mediation Program, early neutral evaluation and arbitration as well as monitoring court-annexed mediation and evaluation programs. The Society administers a panel of 62 skilled mediators, including those experienced in intellectual property. Between 1991-1995, 900 matters were mediated with a settlement rate over 70%, see B Sordo 'Ongoing Mediation Program's future assured in Law Society restructuring' (1995) 33(4) *Law Society Journal* 78.

*Courts (Mediation and Arbitration) Act 1991* (Cth) s 19B and Federal Court Rules Order 72. Mediation is more commonly used than arbitration, see *Trade Practices Commission v Collings Construction Co Pty Ltd* (unreported) Federal Court Wilcox J, 16 September 1994. The Federal Court's *Annual Report 1993-94* records that 81% of the 920 matters referred to mediation in the reported year were completed. For discussion of mediation in the Supreme Court (Vic) see S Caspi 'Mediation in the Supreme Court - Problems with the Spring Offensive Report' (1994) *Australian Dispute Resolution Journal* 250.

AAT Act s 34A. AAT mediation has successfully resolved 82% of cases referred and significantly reduced the duration of applications. The AAT is developing a national mediation policy. See J Handley 'Mediation in the Commonwealth Administrative Appeals Tribunal' (1995) 6(1) *Australian Dispute Resolution Journal* 5.

The Justice Statement, 23.

Advice received from Comalco, 24 June 1993.

H Astor & C Chinkin *Dispute Resolution in Australia* Butterworths Sydney 1992, 170.

In the Federal Court (Perth Registry) in 1993-94 there were only 3 or 4 requests for ENE. Despite the support of the Bar Association and Law Society of WA, the study showed that practitioners were reluctant to use the scheme. Advice received from J Howard, former Registrar of the Federal Court.

eg service of the Australian Commercial Disputes Centre, Sydney.

See para 7.24.

See H Astor & C Chinkin *Dispute Resolution in Australia* Butterworths Sydney 1992, 141. Also the US *Guide to Patent Arbitration* 1987 T L Creel ed, 50. See also the *Report of the NSW Chief Justice's Policy and Planning Sub-committee on Court Annexed Mediation (New South Wales)* 1992, para 2.3.

H Astor & C Chinkin *Dispute Resolution in Australia* Butterworths Sydney 1992, 142.

*Commercial Arbitration Act* 1984 (ACT), 1984 (Qld), 1986 (NSW), 1986 (NT) 1990 (SA), 1985 (Tas), 1986 (Vic) and the UNCITRAL Model Law 1985, 24 International Legal Materials 1302 (1985) in the *Arbitration Act* 1974 (Cth) Sch 2.

s 20, although the arbitrator may grant leave for alternative representation.

eg the court can set aside an award for misconduct of the arbitrator, *Commercial Arbitration Acts* s 4(1).

There is currently no appeal from awards resulting from court-referred arbitration in the Federal Court. However proposed amendments to the *Federal Court of Australia Act* 1976 (Cth) allow for appeal with leave of the arbitrator to the Federal Court for decision on a question of law during an arbitration. See The Justice Statement, 32.

eg the Institute of Arbitrators Australia, the Australian Centre for International Commercial Arbitration and the Sydney Arbitration Centre.

Advice received from AC Mobility supported the use of a panel of arbitrators in designs disputes as faster and fairer to smaller parties. See F Gurry 'Specific Aspects of Intellectual Property Disputes' *Objective Arbitrability: Antitrust Disputes: Intellectual Property Disputes* Swiss Arbitration Association Special Series No 6, March 1994, 110 and B Niblett 'Intellectual Property Disputes - Arbitrating the Creative' (1995) *Dispute Resolution Journal* 64.

eg LCA submission to the AIPO petty patents review and see S Keilitz 'Court-annexed arbitration' a working paper for the National Symposium on Court-Connected Dispute Resolution Research, 15-16 October 1993, 38, 41.

Arbitration has been criticised as no more than 'private sector litigation' in *Northern Regional Health Authority v Derek Crouch Construction Co Ltd* (1984) 1 QB 644, 670. See generally H Astor & C Chinkin *Dispute Resolution in Australia* Butterworths Sydney 1992, ch 6.3. However there are initiatives to reform and fast-track arbitration, see Justice Rogers 'A Very Fast-Track Arbitration' (1989) 5 *Building and Construction Law* 236.

LJ Dyson, *Watermark Submission* 211.

eg J Riekert 'Alternative Dispute Resolution in Australian Commercial Disputes - Quo Vadis?' (1990) 11 *Australian Construction Law Newsletter* 17. High rates of appeal may add to court administration costs as US studies show appeal rates in most jurisdictions between 40 and 60%, see S Keilitz 'Court-annexed Arbitration' a working paper for the National Symposium on Court-Connected Dispute Resolution Research, 15-16 October 1993, 38, 42.

See F Gurry 'Specific Aspects of Intellectual Property Disputes' *Objective Arbitrability: Antitrust Disputes: Intellectual Property Disputes* Swiss Arbitration Association Special Series No 6, March 1994, 114-117.

In the US validity of title may be arbitrated pursuant to 35 USC s 294 and the Registrar will strike out a Register entry pursuant to an arbitration award, see *Patent Trade Mark Model and Design Reporter* (1976), 10. In Switzerland validity is arbitrable but in France and Italy it is generally not. See D Plant 'Arbitrability of Intellectual Property Issues in the United States' *Objective Arbitrability: Antitrust Disputes: Intellectual Property Disputes* Swiss Arbitration Association Special Series No 6, March 1994, 121.

eg the Board of Arbitrators of the Diamond Dealers Club (NY). See L Kaplan 'Arbitration and Intellectual Property: A Survey of Arbitration in Patent, Trademark and Copyright Cases' (1984) 48 *Albany Law Review* 797.

Advice received from M Hoellering, General Counsel, American Arbitration Association, 20 March 1995.

eg power to award interim forms of relief including injunctions under International Chamber of Commerce Rules of Conciliation and Arbitration Art 8, WIPO Arbitration Rules Art 46, American Arbitration Association Rules Art 22, UNCITRAL Arbitration Rules Art 26, UNCITRAL Model Law Art 9 & 17 and London Court of International Arbitration Rules Art 13. A US District Court may enforce an arbitral award including injunctive relief in an intellectual property dispute, 9 USC s 9.

Effective from October 1994.

art 13.

art 55.

art 46.

art 63.

*International Arbitration (Amendment) Act* 1989 (Cth) which established the *International Arbitration Act* 1974 (Cth). There is an Australian Centre for International Commercial Arbitration.

Advice received from E Schwartz, Secretary General, ICC Court of International Arbitration. Note that international arbitral awards are generally more easily enforceable internationally than domestic courts' judgments. More than 100 countries have signed the *New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards* 1958 (1959) 330 United Nations Treaty Series 3. The Convention was implemented in Australia by the *Arbitration (Foreign Awards and Agreements) Act* 1974 (Cth).

s 19D(5). It is expected that use of court-annexed arbitration will increase if the Court is permitted to review an arbitral award on a question of law under legislative amendments to the *Federal Court of Australia Act* 1976 (Cth) s 53A proposed in The Justice Statement, 32.

See the Victorian 'Attorney-General's Working Party on Alternative Dispute Resolution' *Report* 1990 para 2.36-2.38.

See for example E Lind et al *The Perception of Justice Tort Litigants' Views of Trial, Court-Annexed Arbitration and Judicial Settlement Conferences* 1989 The American Institute for Civil Justice RAND Santa Monica R-3708-ICJ. See also the 1994 study of the Civil Justice Research Centre referred to in M Delaney 'Plaintiff's perceptions of procedures: Perceptions of trial, arbitration and pretrial conference in the New South Wales District Court and private mediation' (1994) 5 *Civil Issues* 1.

eg 'Legislation and Policy Division Paper' Attorney-General's Department (NSW) extracted in (1990) *Australian Dispute Resolution Journal* 158.

Since its inception in 1987 over 920 matters have been referred to mediation (165 in 1993-94) and 81% have been completed. The Court reports the program to be largely successful and is conducting an evaluation, see *Federal Court of Australia Annual Report 1993-1994*, ch 3.5.

The Senate Standing Committee on Legal and Constitutional Affairs *Discussion Paper No 4* 1991 and the Litigation Reform Commission of Queensland 'Reform the Civil Litigation System' *Discussion Paper* published in October-December 1994 *Proctor*.

The Supreme Court of NSW has power under the Rules Pt 72 to refer a question of fact to a special referee without the consent of the parties. The Family Court of Australia may refer proceedings to arbitration with or without the consent of the parties under of the *Family Law Act* 1975 (Cth) s19D(2). However in *AT & NR Taylor & Sons Pty Ltd v Brival Pty Ltd* [1982] VR 762, 765 the Victorian Supreme Court said 'Where a party to litigation wishes the sort of dispute which normally calls for judicial determination to be tried by judicial tribunal, it will only be in cases of an exceptional nature that his wishes will be disregarded and the matter referred to an arbitrator or special referee.'

See R Broderick 'Court annexed compulsory arbitration' (1989) *Judicature* 217. In Hawaii, difficulties of mandatory court-annexed arbitration are overcome by its being non-binding.

In 43% of disputes that proceeded to litigation, survey respondents said they had obtained an injunction against the infringing party. See Appendix C para 5.6-5.10.

B Ward & Associates.



IPAA *Submission 65* and *204*.

eg *Duncan & Wigley Pty Ltd* and *B Ward & Associates*.

TRIPS art 44 requires that judicial authorities shall have the right to order a party to desist from an infringement.

In *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 it was held necessary to enquire whether there is a serious question to be tried and, if so, where the balance of convenience lies. However in *Beecham Group Pty Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618, the High Court held that the first test was to establish whether the plaintiff had a prima facie case in the sense that there was a probability of success at trial. Additional issues include the likelihood of the defendant repeating the conduct and the equitable bars to relief such as fraud, unclean hands, delay or acquiescence.

Note that some of the inferior 'prescribed courts' do not have injunctive powers. However the inferior courts provide an important alternative for parties seeking urgent relief. B Ward & Associates commented that the Federal Court was increasingly reluctant to hear urgent applications, 11 August 1993.

See *Safe Sport Australia Pty Ltd v Puma Australia Pty Ltd* [1985] AIPC 90-210 and *Smith v Grigg Ltd* (1924) 41 RPC 149.

eg if infringement of one article in a set has damaged the integrity of the whole set then any such loss could be taken into account in assessing damages.

Although IPAA *Submission 65* did state that damages did not provide effective compensation for losses.

Refer to the Australian Law Reform Commission Report No 68 on *Compliance with the Trade Practices Act 1974* ALRC Sydney 1994 (ALRC 68) ch 7 for discussion regarding the appropriate way to assess damages.

eg advice received from Door Store, Warman International Ltd, Brisbane Aluminium Fabricators, AC Mobility and H Pyke.

*Submission 204*.

eg Door Store *Submission 74*.

IPAA *Submission 65*.

See para 13.59-13.79.

In this case an injunction, damages or account of profits are unlikely to be adequate.

However cultural considerations have been held to be relevant in assessing additional damages under the Copyright Act s 115(4) in *Milpurrru v Inforn Pty Ltd* (1995) 30 IPR 209.

IPAC procedure report para 7.35.

*Copyright, Designs and Patents Act 1988* (UK) s 229(3) provides for additional damages. US courts have a discretion to award punitive damages for wilful infringement.

Design Institute of Australia (Qld Chapter) *Submission 241*; LCA *Submission 224*; K Leslie, Davies Collison Cave *Submission 214*; Dowell Australia Ltd *Submission 201*.

IPAA *Submission 65* and *204*.

H Sebel *Submission 180*.

LCA *Submission 224*; K Leslie, Davies Collison Cave *Submission 214*.

*Dart Industries Inc v Decor Corporation Pty Ltd* (1993) 116 ALR 385, 390. Refer to *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 for the difference between profits and damages.

IPAA *Submission 204*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*. IPAA *Submission 65* agreed but stated that account of profits may not offer effective compensation.

See L Bentley 'Account of Profits for Infringement of Copyright' (1990) 3 *EIPR* 106, P Blayney and M Wyburn 'The Remedy of an Account of Profits in a Patent Infringement Action: The Difficulties in Determining a "True" Product Cost' (1994) 5 *AIPR* 77.

(1993) 116 ALR 385. LCA *Submission 224* and see 'Account of profits: The High Court rules' (1993) 6 *AIPLB* 102.

See *Apand Pty Ltd v The Kettle Chip Company Pty Ltd* [1994] ATPR 41-353.

K Callinan, Freehill Patent & Trade Mark Services *Submission 243*.

The Commission considered the confiscation of profits as one aspect of penalties for offences. See ALRC 68 ch 8.

In exercising its discretion to grant an injunction, the court will take into account all relevant circumstances, including the balance of convenience and the relative innocence of the defendant.

H Sebel *Submission 180*; IPAA *Submission 204*; K Leslie, Davies Collison Cave *Submission 214*; KR Handscombe *Submission 216*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*.

G Levy, Clayton Utz *Submission 70*. See also Copyright Act s 115 where the plaintiff will not be entitled to damages if the defendant establishes that he or she was not aware, and had no reasonable grounds for suspecting, that the act complained of was an infringement.

The Patents Act s 123 provides

(1) A court may refuse to award damages, or to make an order for an account of profits, in respect to an infringement of a patent if the defendant satisfies the court that, at the date of the infringement, the defendant was not aware and had no reason to believe that a patent for the invention existed.

(3) Nothing in this section affects a court's power to grant relief by way of an injunction.

H Sebel *Submission 180*; K Leslie, Davies Collison Cave *Submission 214*; KR Handscombe *Submission 216*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*.

Note that ease of searching will improve with AIPO's proposal to establish computer access to the register.

For primary infringement see para 6.35-6.39.

See para 6.40-6.45.

AMPICTA *Submission 210*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*.

s 116.

s 116(2).

AGPS Canberra 1990.

If, for example, copyright was infringed by placing certain marks on the surface of an article, the award of conversion damages would enable the plaintiff to recover the full value of the article: see *WH Brine Co v Whitton* (1981) 37 ALR 190.

Lahore report para 2.28.

Amendments in accordance with s 10(1C) of the Copyright Amendment Bill 1992 are expected to be introduced in the Spring 1995 sitting of Parliament.

*Submission 204* and *224*. See also H Sebel *Submission 180*; I Crawford, Blake Dawson Waldron *Submission 196*; K Leslie, Davies Collison Cave *Submission 214*; Design Institute of Australia (Qld Chapter) *Submission 241*.

*Submission 102*.

s 132. Similar provisions appear in s 99 and s 100 of the *Copyright, Designs and Patents Act 1988* (UK) and TRIPS art 59 and art 46 provide that authorities shall have authority to order delivery up and destruction of infringing goods and the materials used to create them.

LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*. IPAA *Submission 204* agreed whilst acknowledging that an express statement in the legislation might act as a deterrent to potential infringers.

As to pre-conditions of grant of order see *Anton Piller K G v Manufacturing Processes Ltd* [1976] Ch 55, 167.

See *Simsek v MacPhee* (1982) 148 CLR 636. As to Federal Court jurisdiction, see *Federal Court of Australia Act 1976* (Cth) s 23 and the Federal Court Rules Order 25 r 2.

*Tony Blain Pty Ltd v/a Acme Merchandising v Jamison* [1993] AIPC 90-990.

J Hull 'Anton Piller abuses' (1989) 10 *EIPR* 382. See also the Canadian Federal Court decision *Atari Inc v Video Amusements of Canada Ltd and D'Allesandro* 8 December 1982 (unreported) [1983] *EIPR* 349.

The US Trademark Counterfeiting Act permits ex parte seizure of counterfeit goods with damages awarded for wrongful seizure, see *General Electric Co v Speicher* US District Court, ND Ind 21 January 1988. Similar pre-judgment remedies have been held to be unconstitutional and are severely restricted, see the Supreme Court decision in *Fuentes v Shevin* 407 US 67, 92 S Ct 1983 (1972) and *CBS v Robinson* (1986) 6 *EIPR* 187.

Issued by the Lord Chief Justice, 28 July 1994, to apply to the Queen's Bench Division. See S Hall 'Anton Piller Orders: A Doorstep Too Far?' (1995) 1 *EIPR* 50.

In response to widespread concern as expressed in *Universal Thermosensors Ltd v Hibben* [1992] FSR 361.

para 2(8).

para 1(2).

para 2. The permitted hours of entry are weekdays 9.30am-5.30pm, which may cause problems in service on domestic premises that are likely to be unattended during these hours.

*Submission 204*.

*Submission 168*.

Consultation with B Weekes, CEO of Warman International Pty Ltd. The common law principles are set out in *Bhimji v Chatwani* (1991) 1 WLR 989.

Practice Note 10, 8 April 1994. See also *Polygram Records Pty Ltd v Monash Records (Australia) Pty Ltd* (1985) 10 FCR 332.

Particularly access to documents which are situated at a place other than where the computer is located. See ALRC Report No 60 *Customs and Excise* Vol 1 ALRC Sydney 1992 (ALRC 60) para 373, 385-6, 390, 392, 394-5, 400-402 and 470.

Patents Act s 128-129 contains similar provisions. An unjustified threat of infringement proceedings may also contravene the Trade Practices Act s 53(g).

eg LCA *Submission 224*; I Crawford, Blake Dawson Waldron *Submission 196*.

eg IPAA *Submission 65*; Fisher & Paykel *Submission 81*.

Anti-Counterfeiting Group *Submission 88*.

The Trade Marks Bill 1995 cl 145-1605 provides for a number of offences relating to counterfeiting and forgery of trade marks, false representations regarding trade marks and the trade marks office and certain illegal acts related to the Register and registration process. The Copyright Act s 132-133 also provides for a number of offences relating to dealings with infringing copies and performances of copyright works.

Prior to 1973 the Designs Act s 32 provided that it was an offence knowingly to infringe the copyright in a registered design. Owners could sue for and recover the penalty under s 31. See Franki report para 136-137.

Registration is only prima facie evidence of validity, see para 8.28-8.31.

See para 9.52-9.58.

Designs Act 1906 to 1973 s 29(1).

See Franki report para 171-3.

Department of Consumer and Corporate Affairs *Report on Revision and Clarification of the Copyright and Industrial Design Laws to Exclude from Copyright the Appearance of Many Utilitarian Articles* Canada, April 1986.

eg the Benelux countries, Germany and Denmark.

Of those who responded to the design users survey about 65% of those who had at some time been involved in a dispute said that they would be prepared to mark their products. See Appendix C para 5.17.

*Submission 201*, 3.

Even compulsory marking will not prevent infringement actions. Competitors may be aware of the marked design but may genuinely believe that their design does not infringe it.

H Sebel *Submission 180*; K Leslie, Davies Collison Cave *Submission 214*; KR Handscombe *Submission 216*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 241*; IPAA *Submission 204*; AMPICTA *Submission 210*; Dowell Australia Ltd *Submission 201*.

Designs Act s 28(b).

See para 10.16-10.17.

Designs Act Part VI A.

ALRC DP 58 para 15.39 Proposal 15.3. N Gruen, Industry Commission *Submission 230* and LCA *Submission 260*.

IPAA *Submission 204* and K Leslie, Davies Collison Cave *Submission 214*.

eg the US, Italy, the Benelux countries, Germany, Canada, Spain, Switzerland, Thailand, China, Israel, Austria, Sri Lanka, North Korea and France.

Designs Act s 30 (1)(b).

LCA *Submission 260*, attachment 1, 1.

TPC *Submission 78*, PSA *Submission 205*.

See ch 14.

Designs Act s 30.

IPAC *Report of the Provisions of the Designs Act 1906 - Relating to Infringement by Articles Imported from Abroad*, 1985.

s 37 and s 102.

s 44A.

CLRC *Computer Software Protection* AGPS Canberra 1995, para 11.06.

*ibid* para 11.18, 11.21, 11.41.

*Champagne Heidsieck et Cie Monopole Societe Anonyme v Buxton* (1930) 1 Ch 330; cf *Colgate Palmolive Ltd v Markwell Finance Ltd* [1989] RPC 497.

cl 123.

TPC *Submission 78*, 2.

*ibid*.

LCA *Submission 260*.

TPC *Submission 78*.

TPC *Submission 78*. See also LCA *Submission 260*.

CLRC *Report Computer Software Protection* AGPS Canberra 1995, para 11.56-11.58.

*ibid* para 11.33.

Ministry of Commerce, New Zealand *Submission 259*.  
LCA *Submission 260*.  
This is proposed by Dr Warwick Rothnie in his book *Parallel Imports* Sweet & Maxwell London 1993, 593-4.  
TPC *Submission 78*, 3. See also para 16.55-16.58.  
LCA *Submission 260*.  
This is an application of the copyright model for parallel imports of books.  
*Copyright, Designs and Patents Act 1988* (UK) s 228. *Designs Law 1959* (Japan) art 23.  
35 USC s 171 and s 271. See also W Rothnie *Parallel Imports* Sweet & Maxwell London 1993, 170-185.  
EC proposed Council Regulation art 21(1), 24. See also *Keurkoop BV v Nancy Kean Gifts BV* [1982] ECR2853.  
*Designs Act 1953* (NZ) s 11.  
This is also the view of the New Zealand Ministry of Commerce *Submission 259*, see para 15.37.  
See also the explanation of art 51 provided in Footnote 13 to the TRIPS Agreement.  
See art 8(2) and 40.  
LCA *Submission 260*.  
*ibid.*  
Ministry of Commerce (NZ) *Submission 259*, para 3.4  
APEC Secretariat *Selected APEC Documents 1989-1994* APEC Secretariat Singapore, January 1995.  
(1995) 9 *WIPR* 63. The ASEAN members include Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.  
*ibid.*  
See para 13.12 and see also the similar New Zealand approach in para 13.36.  
See para 13.30-13.31.  
See para 13.30-13.31.  
PSA *Submission 205*.  
LCA *Submission 261*.  
*Perspectives* vol 2 a paper prepared by the independent working group for consideration by the Prime Minister's Science and Engineering Council Office of the Chief Scientist AGPS Canberra 1993, para 6.2.9.  
Copyright Act s 135.  
Copyright Act s 36.  
ACS *Submission 250*.  
LCA *Submission 260*.  
eg Exhaust Systems Professional Association Ltd *Submission 191*; Ausman Engineering *Submission 193*; NRMA/ACA *Submission 197*; Queensland Friction Materials Pty Ltd *Submission 202*; IAME *Submission 214*; RAC (Qld) *Submission 216*; Consumer Affairs (ACT) *Submission 221*; Consumer Affairs (NSW) *Submission 233*; Industry Commission *Submission 250*.  
eg H Sebel *Submission 180*; IPAA *Submission 204*; K Leslie *Submission 214*; LCA *Submission 224*; Australian Pump Manufacturer's Association Ltd *Submission 237*; Air & Mine Equipment Institute of Australia *Submission 247*; Ford Motor Company of Australia Ltd *Submission 257*; General Motors-Holden's Automotive Limited *Submission 263*.  
This definition is adapted from the *Copyright, Designs and Patents Act 1988* (UK) s 213(3).  
TPC *Submission 78*.  
The Federal Chamber of Automotive Industries (FCAI) does not agree that registration of car part designs is a recent development. It says that one manufacturer has been registering designs since the mid 1970s. The statistics supplied by the Designs Office show that 244 automotive designs, of which 94 were for tyres, were registered in 1987, 116 in 1988, 148 in 1989, 126 in 1990, 122 in 1991, 130 in 1992 and 164 in 1993, of which 43 were for tyres. Although it is not possible to be certain, it seems that designs for a number of must-fit parts have also been registered. Designs have been registered in categories that include articles such as frames, wheels, body panels, mudguards, bumper bars, mirrors, windcreens, brake parts and exhaust systems. In addition, numerous applications for registration of spare parts designs are pending.  
eg *Wheels* September 1993 'The case of the shattered stoppers' and an article in *Choice* the magazine of the Australian Consumers' Association, March 1994. See also *The Investigators*, 5 October 1993 and *Real Life*, 12 October 1993.  
eg NRMA *Submission 4*; RACV *Submission 64*. The accuracy of this figure has not been tested but it is common ground that the market for spare parts is very large.  
BIE report, 106-107.  
For an analysis suggesting that spare parts are part of the new equipment market see NR Norman and PL Williams 'The analysis of market and competition under the Trade Practices Act: towards the resolution of some hitherto unresolved issues' (1983) 11 *Australian Business Law Review* 396, 403-404.  
AMEI *Submission 97*.  
FCAI *Submission 87*.  
Released 3 November 1994.  
Industry Commission Draft Report *Vehicle and Recreational Marine Craft Repair and Insurance Industries* November 1994, 122-23.  
General Motors-Holden's Automotive Limited *Submission 263*.  
BIE report, 128.  
para 14.38-14.45.  
See *Ford Motor Co Ltd's Design Applications* [1994] RPC 545 and the interpretation of 'made and sold separately'.  
See ALRC DP 58 para 14.53.  
If the TPC and Trade Practices Tribunal are replaced by a new Competition Commission and Competition Tribunal their functions under this procedure could be undertaken by those new bodies. This was the suggestion of the *National Competition Policy Review* Report (Hilmer Report) by the Independent Committee of Inquiry to the Heads of Australian Governments AGPS Canberra, August 1993.  
See ch 8.  
As to constitutional issues see para 11.29.  
See ch 12.  
The copyright artistic work may be two or three dimensional eg a two-dimensional engineering drawing for a pump or a three dimensional prototype or carved chair which is a work of artistic craftsmanship, see Copyright Act s 21(3).  
F Old, Spruson & Ferguson *Submission 174* and see para 17.22-17.25.  
eg Textile Distributors Association *Submissions 39, 115, 120* and 228 and John Kaldor Fabricmaker *Submission 32*. See para 17.33.  
See para 17.15-17.16.  
Victorian Employers' Chamber of Commerce & Industry *Submission 234*.  
The final CLRC Report is due November 1997.

The *Copyright Amendment Act 1989* (Cth) substantially implemented the recommendations of the Franki committee, which stated at para 255 'We think it would be highly undesirable for a manufacturer to be placed in a position where, having found no current letters patent or registered design would prevent him from manufacturing an article, it would nevertheless be unsafe for him to proceed because there might be in existence an artistic work in which copyright might subsist'.

*Hansard (Sen)* 12 April 1989, 1408.

See Attorney-General's Department *Discussion Paper on Copyright Protection for Artistic Works Industrially Applied* AGPS Canberra, March 1987.

See *Kolozsy v K Biro & Co Pty Ltd* (1971) 2 NSWLR 444 and S Ricketson *The Law of Intellectual Property* The Law Book Company Ltd Sydney 1984, 513.

art 3.

'Artistic work' is defined in the Copyright Act s 10(1).

See para 17.15-17.16.

By contrast some overseas tests require a subjective assessment of intention, functionality and aesthetics eg *Designs Act 1993* (South Africa) s 1.

However AMPICTA *Submission 210* stated that a printed circuit board is a substantially two-dimensional design but is a purely industrial product.

The federal government's policy, as expressed in the *Copyright Amendment Act 1989* (Cth), was to retain copyright protection for what are regarded as artistic works but not to retain copyright protection for functional products.

Arts Law Centre of Aust *Submission 242*.

s 10(1)(c).

See *Amalgamated Mining Services Pty Ltd v Warman International Ltd* (1992) 24 IPR 461.

eg Arts Law Centre of Australia *Submission 242* supported this option 'for its simplicity of application and for encouraging uniformity in the rights available to owners of copyright in all four categories of works. The introduction of the adaptation right would remove the confusion and conceptual difficulties many practitioners - and lawyers for that matter - have with the present definition of "corresponding design"'. IPAA *Submission 65* said that copyright would still subsist in the underlying work so that two-dimensional copying would still infringe.

eg a cartoon strip.

LCA *Submission 75* and 224.

S Ricketson 'Towards a rational basis for the protection of industrial design in Australia' Paper delivered at the 28th Australian Legal Convention Hobart 1993. Ricketson proposed s 21 be amended by adding

(4A) Subsection (3) shall not apply to a three-dimensional version of an artistic work that is an article.

ACC *Submission 95*.

It is illogical that there should be a defence to copyright infringement if 55 products are made but no defence if 45 are made.

See para 17.37-17.38. In *Safe Sport Australia Pty Ltd v Puma Australia Pty Ltd* [1985] AIPC 90-210 it was decided that, where less than 50 applications of the design had taken place, whether 'industrial application' had occurred was a question of fact to be proven in each case. See also *Press-Form Pty Ltd v Hendersons Ltd* [1985] AIPC 90-210.

The Berne Convention art 9(2) provides

It shall be a matter for the legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

*Hansard (Sen)* 12 April 1989 1408 and see para 17.5.

(1985) 4 IPR 113, 117 and see *Butterworths Intellectual Property in Australia: Copyright Law Service* Butterworths Sydney 1994 para 7.18.55.

No action for infringement of the design may be brought for acts occurring before the actual date of registration.

*Hansard (Sen)* 12 April 1989 1409.

Copyright Act s 14(1), 21(3), 31(1) and 36(1). See *Shacklady v Atkins* (1994) 126 ALR 707.

IPAA *Submission 204*.

See *Amalgamated Mining Services Pty Ltd v Warman International Ltd* (1992) 24 IPR 461, 470.

(1992) 24 IPR 461.

AMPICTA *Submission 210*. See also LCA *Submission 224* and Design Institute of Australia (Qld Chapter) *Submission 58*.

IPAA *Submission 65* pointed to the example of the Copyright Act s 21(1) which deems recordings and films of a copyright work to be a reproduction of that work.

See para 9.23-9.38.

Copyright Act s 75.

Lahore report para 2.25.

eg IPAA *Submission 204*; AMPICTA *Submission 210*; LCA *Submission 224*; Design Institute of Australia (Qld Chapter) *Submission 58*.

IPAA *Submission 65* said there was a need for a category of 'real works of art'.

DE Barr *Submission 33* said 'A craft is something where the art is in the skill. The skill with which the product is formed is more significant than the actual design'. PN Franke, Watermark *Submission 63* submitted that works of artistic craftsmanship should not be exempt from overlap provisions because no rational distinction could be drawn between those works and other artistic works such as sculptures which were not exempt.

ACC response to the Lahore committee.

eg LCA *Submission 224*; F Old, Spruson & Ferguson *Submission 174*; IPAA *Submission 65*. However the ACC in its response to the Lahore committee argued that the term is sufficiently flexible to deal with problems that arise and does not require further definition.

A de Jong 'Unresolved Issues in Copyright and Design Overlap' (1993) 6(2) *AIPLB* 16, 20.

eg in deciding whether coloured rods used as mathematical teaching aids qualify as works of 'artistic craftsmanship' in *Cuisenaire v Reed* [1963] CR 719, 730 and see also *Komesaroff v Mickle* (1986) 7 IPR 295. The test was applied by the Federal Court in *Commissioner of Taxation v Murray* (1990) 92ALR 671 to find that items of dinnerware were works of artistic craftsmanship.

In *Bonz Group (Pty) Ltd v Cooke* (1994) 3 NZLR 216, 222-224 under the *Copyright Act 1962* (NZ), handknitters of garments were craftsmen and the designer was an artist who had brought sufficient artistry and aesthetic appeal to the garment.

IPAA *Submission 65*.

eg IPAA *Submission 204* and Design Institute of Australia (Qld Chapter) *Submission 58*. See also GFulton 'Designs/Copyright Overlap: ALRC Proposals for Reform' (1995) 12(3) *Copyright Reporter* 15, 10.

PN Franke, Watermark *Submission 63*.

LCA *Submission 224*.

s 77(1)(a).

See para 2.24. Fixed buildings, to the extent that they are not 'articles' under the Designs Act, are not registrable as designs, see para 4.15.

See G Fulton 'Copyright/Designs Overlap: ALRC Proposals for Reform' (1995) 12(3) *Copyright Reporter* 10, 19.  
 eg IPAA *Submission 204*; AMPICTA *Submission 210*; Design Institute of Australia (Qld Chapter) *Submission 58*.  
 Australian Council of Building Design Professionals Ltd *Submission 68*.  
 However the ACC *Submission 95* did not consider it necessary to exempt buildings specifically from loss of copyright under s 77  
 Under the current law, it seems that a fixed building may be a corresponding design, but not be eligible for design registration because it is not an "article"... It seems that copyright protection for "fixed" buildings would not be affected, on our understanding of the current law, if the reference to "buildings" is removed from s 77. If a "fixed" building is not an "article", it seems that the s 77 defence does not apply, as the corresponding design is not applied to an article.  
 LCA *Submission 224*. See also K Maddern *Submission 29*.  
 art 2(1).  
 The ACC suggests amendment to the Copyright Regulations, reg 17.  
*Edwards Hot Water Systems v SW Hart & Co Pty Ltd* (1983) 81 FLR 101.  
 eg because it is a method or principle of construction.  
 ie 'features of shape, configuration, pattern or ornamentation, whether registrable under the Designs Act or not, which when applied to, or incorporated in, an article result in reproduction of that work, but does not include a design consisting solely of features of substantially two-dimensional pattern or ornamentation applicable to, or incorporated in, a surface of an article'.  
 Lahore report para 2.19.  
 LCA *Submission 75* suggested a definition that  
 'Corresponding design' in relation to an artistic work, means a design or any features of shape, configuration, pattern or ornament (whether or not such design or any such features is or are registrable as a 'design' under the Designs Act) that, when applied to an article, results or result in a reproduction of that work but does not include a design or any such features consisting solely of features of substantially two-dimensional pattern or ornament applicable to, over or under or constituting a surface of an article.  
 The LCA acknowledged that a class of industrialised works would fall outside copyright and designs protection and, if not patentable, would not be protected at all eg the drawings described as a method or principle of construction in *Warman International Ltd v Envirotech Australia Pty Ltd* (1986) 6 IPR 578.  
 eg Design Institute of Australia (Qld Chapter) *Submission 58*. However the LCA *Submission 224* suggested that it may be difficult to distinguish a feature as one of shape as opposed to pattern or ornament.  
 eg Textile Distributors Association *Submission 39, 115, 120 and 228* and John Kaldor Fabricmaker *Submission 32*.  
 ACC *Submission 16*.  
 s 8(1)(a). This provision closely follows the Trade Marks Act s 107(1).  
 See para 280-281.  
 Warman International Ltd *Submission 83*.  
 eg IPAA *Submission 204*; LCA *Submission 224* and the Design Institute of Australia (Qld Chapter) *Submission 58*.  
 ACC *Submission 95*. The ACC also noted the lack of provision for situations where an overseas country did not offer similar copyright protection for the work eg because it did not protect Australian works or offered a shorter period of protection.  
 LCA *Submission 75*. The Commission has proposed an absolute novelty test for publication and a local novelty test for use.  
 Copyright Regulations reg 17(1). Any two or more articles of the same general character and intended to be used together are taken to constitute a single article, reg 17(2). A design is taken to be 'applied to an article' if 'applied' by a process (whether a process of printing, embossing or otherwise) or the design is reproduced on or in the article in the course of production of the article', reg 17(3).  
 In *Press-Form Pty Ltd v Hendersons Ltd* (1993) 112 ALR 671 Gummow J accepted that reg 17 was not an exhaustive deeming provision.  
*Safe Sport Australia Pty Ltd v Puma Australia Pty Ltd* [1985] AIPC 90-210.  
*Coonan and Denlay Pty Ltd v Superstar Australia Pty Ltd No. 2* (1982) 37 ALR 155.  
 Compounded by uncertainty whether the work is protected by copyright as 'artistic craftsmanship'.  
 eg if a plate, engraving or cast is used to produce more than 50 products, as under the *Copyright Act 1989* (Canada) s 64(1)(2)(a) and (b).  
 IPAA *Submission 65* said that reg 17 should refer to more than 50 articles, or to one or more articles if the article is either manufactured in lengths or pieces, or if the article is a die or mould used to produce other articles.  
*Ametex Fabrics Inc v C & F Fabrics Pty Ltd* (1992) 38 FCR 415.  
 Warman International Ltd *Submission 83*.  
 See para 17.42 and see *Shacklady v Atkins* (1994) 126 ALR 707, 714 where the Copyright Act s 77 was applied to a single sale of an article prior to 1 October 1990 where the sale was held to be a continuation of the industrial application of the design after that date.  
 para 17.30.  
 para 283.  
 eg IPAA *Submission 204*; AMPICTA *Submission 210* and the Design Institute of Australia (Qld Chapter) *Submission 258*.  
 LCA *Submission 75*. The Franki report supported inclusion in s 77, the Lahore report supported inclusion in the regulations.  
 Senate debate on the 1989 Amendment Bill indicates that retrospective effect was not intended.  
 (1992) 38 FCR 415.  
 (1991) 33 FCR 111.  
 See IPAA *Submission 204*; LCA *Submission 224* and the Design Institute of Australia (Qld Chapter) *Submission 58*.  
 For designs industrialised before 1 October 1990, to which the old s 77 applies, it was not an infringement of copyright to reproduce, import or sell the articles. Since 1 October 1990 the making, importing and selling of industrialised designs is an infringement of copyright.  
 ACC *Submission 95* supported legislative confirmation of the decision in *Ametex Fabrics Inc v C & F Fabrics Pty Ltd* (1992) 38 FCR 415.  
 Lahore report para 5.7.  
 See para 17.4.  
 The Berne Convention art 7(4) provides that Australia must not reduce the term of copyright protection for applied art to less than 25 years after making of the work.  
 eg PN Franke, *Watermark Submission 63* and K Maddern *Submission 29*.  
 In the absence of a definition of 'works of applied art' or evidence that Australian manufacturers would obtain reciprocal copyright protection overseas, see Franki report para 262.  
 There are differences in the registration formalities, monopoly as opposed to anti-copying rights and remedies available under the different Acts. For a description of the reasons underlying the creation of copyright and design works see A Kur 'The Green Paper's "design approach" - what's wrong with it?' (1993) 10 *EIPR* 374, 377.  
 The Berne Convention art 7(4) permits a minimum period of 25 years protection for applied art as opposed to the life of the author plus 50 years for copyright. The AIPPI Executive Committee favoured 25 years protection for applied art at its 1985 Rio de Janeiro meeting.  
 eg ACC has stated that 'Our main concern is to ensure that owners of copyright in artistic works do not prejudice their copyright rights by producing, or authorising the production of, 'artistic articles'.  
 As amended by the Industry Technology and Regional Development Legislation Amendment Act 1994 (Cth).

s 9.  
s 8.  
s 8A and see reg 50AA.  
s 10 and reg 57. The seal is used for certification purposes: see para 9.48.  
See the Industry, Technology and Regional Development Legislation Amendment Act 1994 (Cth).  
s 8A does allow for delegation to persons other than those who hold or perform the duties of an Australian Public Service office or who are employee's within the meaning of the Public Service Act 1922 (Cth).  
This is consistent with similar penalties in other intellectual property legislation. See Trade Marks Act 1994 s 165; Trade Marks Bill 1995 cl 157; Patents Act s 177. The penalty is a maximum penalty see Crimes Act 1914 (Cth) s 4D. The LCA Submission 224 suggested that the maximum penalty of \$3,000 should be substantially increased.  
For example, it is conceivable that in the future AIPO may wish to use an external agency for say the dissemination and receipt of material relating to the registration of designs including perhaps a CD-ROM of the Register.  
Any such delegation to a person who did not hold or perform the duties of an Australian Public Service office or who was not an employee within the meaning of the Public Service Act 1922 (Cth) would require amendment of the Designs Act s 8A; see para 18.2.  
See reg 46.  
A penalty unit is \$100, see the Crimes Act 1914 (Cth) s 4AA. Under s 4B(3) a body corporate may be liable to a fine of up to five times the amount imposed on a natural person. The penalty is a maximum penalty see Crimes Act 1914 (Cth) s 4D.  
Trade Marks Act 1994 s 161, Trade Marks Bill 1995 cl 153.  
But it may be more appropriate if it related to a failure rather than a refusal to produce a document or thing.  
See for eg the Statutory Declarations Act 1958 (Cth) s 11, the Crimes Act 1914 (Cth) s 36 and see para 9.52-9.58.  
eg to 30 penalty units consistent with the penalty for similar offences in the trademarks and patents legislation. See Trade Marks Act 1994 s 162; Patents Act s 180. A penalty unit is \$100, see Crimes Act 1914 (Cth) s 4AA. Under s 4B(3) a body corporate may be liable to a fine of up to five times the amount imposed on a natural person. The penalty is a maximum penalty, see Crimes Act 1914 (Cth) s 4D.  
See Australian Law Reform Commission Draft Recommendations Paper 1 Litigation Costs Rules (ALRC DRP 1) ALRC Sydney 1995.  
Designs Act s 46. See also reg 51 and Patents Regulations reg 22.22.  
ie a mortgagee or licensee; see para 7.17-7.18.  
See para 10.21 and para 11.20-11.25. Merits review of the exercise of a discretionary power is considered in ch 12.  
See Crimes Act 1914 (Cth) s 5 for the definition of Commonwealth Officer. The Patents Act s 183 provides for unlawful disclosure.  
Submission 224. The possibility of such an offence was raised in ALRC DP 58 para 6.31.  
See Public Service Regulations reg 37(1) and see reg 8A(h).  
See Public Service Regulations reg 37(1) and see reg 8A(h).  
s 185.  
s 166. See Trade Marks Bill 1995 cl 158.  
ALRC DP 58 para 6.31. The LCA Submission 224 supported the introduction of an offence.  
s 76C.  
Crimes Act 1914 (Cth) s 76. For definition of Commonwealth computer see s 76A.  
For the liability of the Commonwealth and public officer see the High Court's decision in *Northern Territory of Australia v Mengel* (1995) 129 ALR 1.  
Governments and public officers are liable for their negligent acts in accordance with the same general principles that apply to private individuals and, thus, there may be circumstances, perhaps very many circumstances, where there is a duty of care on governments to avoid foreseeable harm by taking steps to ensure that their officers and employees know and observe the limits of their power. Mason CJ, Dawson, Toohey, Gaudron and Mc Hugh JJ, 23.  
There is no action for breach of statutory duty unless the legislation confers right on the injured person to have the duty performed: see *Northern Territory of Australia v Mengel* (1995) 129 ALR 1.  
An additional 5 replies were received after the cut off date.  
An additional 2 replies were received after the cut off date.  
An additional 17 replies were received after the cut off date.  
An additional 10 replies were received after the cut off date.  
The above figures do not add to 51% (recent registrants who said they were part of a company) due to rounding up.  
ie 75% of the recent registrants who indicated that their level of research and development would be unaffected by an absence of design protection were companies.  
Respondents were given a list of options and were permitted to tick as many choices as they felt appropriate.  
Respondents were given a list of options and were able to tick as many choices as they felt appropriate.  
Respondents were given a list of options and were asked to tick as many choices as they felt appropriate.  
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