

3 September 2020

Paul Gardner
Director, Domestic Policy & Legislation
IP Australia

By email: paul.gardner@ipaustralia.gov.au

Dear Mr Gardner

Response to IP Australia public consultation: ACIP Designs Bill

This submission in response to IP Australia's public consultation concerning the exposure drafts of the Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020 (**Draft Bill**) and the Designs Amendment (Advisory Council on Intellectual Property Response) Regulations 2020 (**Draft Regs**) (collectively the **draft legislation**) along with the accompanying draft Explanatory Memorandum and draft Explanatory Statement, is made by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia (the **Committee**).

The Committee particularly commends the following simple but important reforms:

- allowing for an exclusive licensee to institute proceedings for design infringement;
- removing additional unnecessary steps for businesses in the form of the necessity for an applicant to request publication; and
- the introduction of a grace period of six months before the filing date, together with a prior use defence.

Some of the proposed amendments are more complex and hence are subject to more expansive discussion below.

Schedule 1 – Grace period

General observations

The Committee considers that the preferable formulation for paragraph 17(1)(a) is:

“a publication or use of a design (which may or may not be the subject design) by or with the consent of ~~the~~ a person entitled to be entered on the Register as ~~the~~ registered owner of the subject design or any ~~the~~ registered owner's predecessor in title of that person”.

The Committee notes that the term “registered owner” is already defined in section 14. Specifically, the registered owner at a particular time is the person who, at that time, is entered on the Register as the registered owner (s 14(1)).

Although section 46 provides that the term of registration is backdated to the filing date, the grace period operates in relation to publications or uses occurring prior to filing. At that time, self-evidently there will be no application, let alone anyone recorded on the Register as the registered owner.

For these reasons, the Committee suggests the adoption of the wording “a person entitled to be entered on the Register as the registered owner” (which would cover applicants and registered owners as well as their predecessors in title) (see s 13).

It also needs to be clear that the grace period covers publication or use by the designer, even though the designer may never have any proprietary rights in the design. Subject to the contractual terms between the parties, the rights of a designer who is an employee or contractor may merge with the applicant/registered owner upon creation of the design by virtue of paragraph 13(1)(b), such that there was never a separate right owned by the employee or contractor which was then assigned to the applicant/registered owner. It is noted that paragraph 13(1)(a) includes a specific reference to the person who created the design. A drafting note could be added directing the reader to section 13 which sets out the circumstances in which a person may be entitled to be entered on the Register as the registered owner.

The reference to “consent” is consistent with section 24 of the *Patents Act 1990* (Cth) (**Patents Act**). It appropriately captures acts performed with the imprimatur of the design applicant or registered owner, albeit not directly by the design applicant or registered owner. This could then encompass publications or use by employees or contractors.

Further, the Committee considers that the grace period should be a period of 12 months calculated from the *filing* date (rather than the priority date, as currently proposed). While the Committee acknowledges that the draft Designs Law Treaty refers to “the date of filing of the application or, if priority is claimed, the date of priority”, the Designs Law Treaty is only in draft form. If the priority date is chosen as the reference point, Convention applicants will potentially have a grace period of up to 18 months. Australian designers will not generally have reciprocal treatment overseas. As such, the Committee considers that the most equitable approach is to use the filing date as the point of reference when calculating the grace period until Australia accedes to the Designs Law Treaty.

Consultation questions

- 1. *In the new provisions, and in existing provisions, the expression “the registered owner’s predecessor in title” is used. Will this cover, as we intend, any predecessors in title where the right has had more than two owners?***

The Committee considers that this would be open to doubt. As such, as noted above, the Committee proposes that the provision refer to “any” predecessors in title.

However, the term “predecessor in title” is not apt to cover all relevant persons – e.g. an employee designer may never have any proprietary right. See further above.

- 2. *Under s13(1)(b), where a person creates a design in the course of employment, or under a contract with another person, the person entitled to registration is the employer or the other person under the contract. If the employee/contractor***

designer were to publish or use the design, would that disclosure be covered by the grace period, either by treating the designer as a “predecessor in title”, or under doctrines of agency, or otherwise? If not, is this a problem?

The Committee considers that this would be open to doubt. See further above.

3. ***Does the proposed exclusion of the Registrar’s publications (in combination with the language of the remainder of the subsection) ensure that two design registrations with different priority dates but covering the same design will not both be registrable? Will it have any unintended consequences?***

The Committee has no concerns regarding this issue.

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

The Committee suggests that subsection 17(1A) refer to “a person or a body”.

5. ***Will the subsection [s17(1B)] effectively simplify proof of derivation for registered owners of designs? Does it strike an appropriate balance between facilitating proof for registered owners and permitting rebuttal by third parties? Are there any unintended consequences, or gaps in proof for registered owners?***

Subject to one qualification set out below, the Committee considers that this subsection is justified and strikes an appropriate balance.

Proof of independent creation under paragraph 17(1B)(b) and its possible rebuttal by a design owner may lead to difficulties of proof.

A preferable solution is that the final words of paragraph 17(1B)(b) read:

“unless it is established by the person asserting independent creation that the other design was created without reference to, or knowledge of, the first design.”

The burden of proof in respect of alleged independent creation shall fall on the person asserting it and shall be the ordinary civil burden of proof, that is, on the balance of probabilities.

If the exception is not so limited it could place an undue burden of proof on the registered design owner making it too difficult to rebut the allegation of independent creation.

If this were not the case it may be all too easy for an alleged independent creator to, for example, point to an undated drawing and then give oral or affidavit evidence (otherwise unverified by any documents) to the effect that it was created at the relevant (convenient) time.

6. ***Does subsection 17(1C) satisfactorily address the relationship between section 17 and section 18?***

Yes.

Schedule 2 – Prior use exemption

General observations

Subject to the matters noted below, the Committee is content with the drafting of these provisions.

Consultation questions

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

In this respect, the *Designs Act 2003* (Cth) (**Designs Act**) operates differently to the *Patents Act* (Patents Act s 57 – rights accrue from the OPI date). In contrast, rights under the *Trade Marks Act 1995* (Cth) (**Trade Marks Act**) accrue from the filing date (ss 20(3), 72(1)). Of course, in contrast to both patents and designs, a trade mark application is published very shortly after the filing date.

The Committee considers that the anomaly arising from *Review v Innovative Lifestyle* – that the innocent infringement defence does not operate in the period before registration¹ – needs to be corrected. The Committee puts forward two possible approaches.

Currently, publication of a design follows very shortly after registration under s60 of the *Designs Act*. Prior to publication, a competitor cannot undertake any proper risk assessment when undertaking design activities and considering product launches.

The *Designs Act* could be amended to provide that an infringement claim cannot be brought in relation to acts occurring prior to registration. This would effectively align the approach with that adopted under the *Patents Act*. While conceptually the date of publication (rather than the date of registration) more closely aligns with the approach under the *Patents Act*, the gap between the two dates is minimal and the date of registration of a design is more readily ascertainable than the date on which it was published.

An alternative approach is to bring forward the date of publication, so that it occurs as soon as possible after filing. In this scenario, the *Designs Act* could be amended to provide that an infringement claim cannot be brought in relation to acts occurring prior to publication. The date of publication would need to be clearly made available to users of the designs system. This alternative approach is explained further below.

Given the need for businesses for:

- as much certainty as possible prior to making investment decisions concerning new designs;
- timely information on what designs are subject to prior claims by competitors;
- allocation of scarce resources to the most commercially promising designs,

¹ *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd* [2008] FCA 74, [45].

the Committee encourages IP Australia to publish applications for registered designs, including all pictorial representations of the design in question, at the earliest available opportunity. This would effectively be an early registration system.

The early registration together with the business owner's own knowledge of what is "new and distinctive" in their area of trade, should assist businesses in avoiding bad investment decisions concerning investment in designs that are subject to other trader's prior claims for proprietorship.

In this respect the Committee suggests that the registered designs system more closely align with registered trademarks in terms of early publication of the fact of an application having been made.

Given the modern technology available to, and used by, IP Australia, publication of a registration for a registered design (including a "formalities check" by way of automatic computer generated rejection of non-compliant forms) ought to be available to a business within a week (or close thereto) of the date of making the application.

Of course, there would be a longer period in respect of treaty applications, but applications made directly within Australia could be given this additional benefit.

The early publication would effectively mean the early "registration" of those designs subject to the need to obtain certification of the design before commencing infringement proceedings.

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

As noted above, the Committee supports the approach that relief should not be available for infringements occurring prior to registration.

The Committee does not support any changes in relation to infringements occurring after registration) and considers that the ordinary civil standard of proof should apply.

9. *The concept of a "temporary" cessation is reused from the Patents Act s 119(2). Is the expression "temporary cessation" sufficiently clear? If not, what would be a better standard?*

The Committee suggests that the Patents Act wording be adopted rather than the words "temporary cessation", that is, "ceased, other than temporarily" as those words are clearer and consistency between the IP statutes, where possible and sensible, would be helpful to practitioners and their clients.

10. *The expression "derived the relevant design from the registered owner" is adapted from the Patents Act s119(3), and reflects, to some extent, the standard used for the grace period in Schedule 1. Is the expression "derived the relevant design from the registered owner" sufficiently clear? If not, what would be a better standard?*

The Committee reiterates the comments made in respect of the grace period above.

11. *Subsection 71A (4) does not permit licensing of the prior use right (in a similar way to subsection 119(4) of the Patents Act). Some designers rely on third*

parties to manufacture, import, retail and distribute their products. Would the narrowness of subsection 71A (4) prevent use of ordinary supply or distribution chains by designers relying on the prior use defence? If so, how should the defence be modified?

The Committee agrees that it is generally desirable to strive for consistency with the prior use defence in the Patents Act. In *Vehicle Monitoring Systems v Sarb* [2013] FCA 395, Yates J held (at [103]) that the subsection 119(1) defence in the Patents Act does not extend to “authorising” another person to exploit an invention.

In the designs context, Jessup J in *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd* [2008] FCA 74 said (at [21]):

“I do not accept the distinction, sought to be made by the respondents, between a product made by those directly employed by a company, on the one hand, and a product made by an independent contractor at the behest of a company, on the other hand. In the policy context of the Designs Act, I consider that the reference, in s 71(1)(a) thereof, to a person who “makes” a product includes a reference to a person who directs, causes or procures the product to be made by another, whether or not an employee of the person.”

While this observation is made in the context of infringement, rather than in construing a defence, it does suggest a more expansive approach.

While a general right to license is not appropriate as part of the prior user defence (as it could be used indiscriminately to undermine the registered owner’s rights entirely), it does not seem logical that a prior user cannot engage a contract manufacturer to, for example, supply it with products embodying the design but could manufacture the products itself.

To resolve the uncertainty, the Committee considers that the introductory words to subsection 71A(1) be amended as follows:

A person may, without infringing a registered design, do, or authorise to be done, an act that...

The Committee suggests that the same change also be made to section 119 of the Patents Act.

As a corollary, the Committee proposes that the act of authorisation also be expressly included within the acts of infringement specified in section 71, which would introduce a consistency of language across patents, copyright and designs legislation.

The Committee also considers that it is desirable to clarify the position of downstream customers – e.g. a wholesaler, retailer or end user customer of a product manufactured by the prior user. In many cases, a prior use defence would be effectively narrowed out of existence unless downstream customers of the prior user were also protected. It may be that the current prior user defence would be interpreted to cover such transactions, but this is uncertain and it is appropriate that this uncertainty is resolved in order to ensure that the policy objective underlying the prior user defence is not undermined.

Consideration needs to be given to the scope of the protection conferred by the prior user defence. In particular, should someone who has taken “definite steps” to set up

a manufacturing plant in Australia to make the product be allowed to continue manufacturing after the priority date, or should that person only be permitted to sell products already manufactured or in production before the priority date? The Committee considers that the former course would seem to follow from paragraph 71A(1)(b). Certainly, the Committee considers that this is the most straightforward position and also least likely to lead to unintended consequences.

As such, the Committee proposes that the following be added as subsection 71A(5):

“The:

- (a) sale, hiring or otherwise disposing of, or offering to sell, hire or otherwise dispose of, a product;*
- (b) use of a product for the purposes of any trade or business; or*
- (c) keeping a product for the purpose of doing any of the things mentioned in (a) and (b),*

is not an infringement of a registered design if the product was acquired, directly or indirectly, from a person who, at the time that person disposed of the product, could sell, hire or otherwise dispose of the product pursuant to s71A(1) without infringing the registered design.”

Again, the Committee suggests that it would be desirable for the same change to also be made to section 119 of the Patents Act.

Schedule 3 – Design registration process

General observations

The Committee is content with the drafting of these provisions.

Consultation questions

12. *Are there any unintended consequences or problems you foresee in applications being deemed to have requested registration?*

No.

Schedule 4 – Exclusive licensees

The Committee has previously observed that differing approaches are taken to whether an exclusive licensee has standing under the *Copyright Act 1968 (Cth) (Copyright Act)*, the Patents Act and the Trade Marks Act. Under the Copyright Act, an exclusive licensee can bring infringement proceedings even if its licence is exclusive only in relation to particular acts, particular places or parts of Australia, or for a particular period of time – in other words, it is sufficient if the licensee is a partial exclusive licensee. In contrast, the authorities in relation to the Patents Act have found that standing is limited to a party which is an exclusive licensee for all purposes.

A consistent approach across the intellectual property regime is preferable, unless there is a clear reason for a distinct approach. In this instance, there is no apparent justification in principle for this different approach. The Committee considers that the Copyright Act approach is to be preferred.

As such, the Committee considers that the definition of “exclusive licensee” in section 5B should be amended to encompass a party which has a licence which is exclusive in relation to any of the particular acts that the registered owner is entitled to carry out under section 10 of the Designs Act, particular places or parts of Australia in which those acts may be carried out, or for a particular period of time in which those acts may be done.

The Committee also strongly urges that the same approach be taken in relation to standing for exclusive licensees under the Patents Act and that these changes be made at the same time as the changes in relation to the Designs Act.

The Committee notes that the transitional provisions provide that:

- an exclusive licensee can only commence proceedings and seek relief in respect of conduct occurring after commencement; and
- where the infringing acts are ongoing, the exclusive licensee may bring infringement proceedings but cannot seek relief for conduct prior to commencement.

The Committee considers that the amendments should apply to proceedings brought on or after commencement, regardless of when the infringing acts occurred. The changes do not render unlawful any conduct which was previously lawful, but merely alter the procedural mechanism by which a claim in respect of that conduct may be brought.

Schedule 5 – Formal requirements

The Committee is content with the drafting of these provisions.

Schedule 6 – Other amendments

The Committee is content with the drafting of these provisions.

Conclusion and further contact

The Committee would be pleased to discuss any aspect of this submission.

Please contact the chair of the Committee, Matthew Swinn, on 03 9643 4389 or by email at matthew.swinn@au.kwm.com, if you would like to do so.

Yours faithfully



Greg Rodgers
Chair, Business Law Section