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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

**DESIGNS AMENDMENT (ADVISORY COUNCIL ON INTELLECTUAL
PROPERTY RESPONSE) BILL 2020**

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Industry, Science and Technology,
the Honourable Karen Andrews MP)

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

Background

The objective of the intellectual property (IP) rights system is to support innovation by encouraging investment in research and technology in Australia, and by helping Australian businesses benefit from good ideas. The Australian Government proposes improvements to Australia's designs legislation to better meet these objectives.

The current designs system has been in operation since the commencement of the *Designs Act 2003* (Designs Act) on 17 June 2004. Concerns have been raised about the effectiveness of the designs system and whether it is meeting its original policy objectives.

In May 2012, the former Advisory Council on Intellectual Property (ACIP) was asked to investigate the effectiveness of the designs system in stimulating innovation by Australian users and the impact the designs system has on economic growth. As part of its investigations, ACIP released an issues paper in September 2013 to seek views from stakeholders, including users of the designs system. ACIP released an options paper for public consultation in December 2014 and a final report in March 2015 ('the ACIP report').¹

On 6 May 2016, the Australian Government responded to the ACIP report and agreed to the majority of the recommendations.² This Bill gives effect to several ACIP recommendations that were accepted by the Government, as well as making other improvements to the designs system.

Outline

The purpose of the Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020 (the Bill) is to provide more flexibility for designers during the early stages of getting registered design protection, and to make several technical amendments that will simplify and clarify aspects of the designs system.

The Bill's proposed amendments to the Designs Act are divided into seven categories, corresponding to the following seven schedules:

- Schedule 1 – Grace period
- Schedule 2 – Infringement exemption for prior use
- Schedule 3 – Registration of designs – removal of publication option
- Schedule 4 – Relief from infringement before registration
- Schedule 5 – Right of exclusive licensee to bring infringement proceedings
- Schedule 6 – Formal requirements
- Schedule 7 – Other amendments

¹ Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 2015.

² Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016.

Schedule 1: Grace period

Recommendation 12 of the ACIP report was: “ACIP recommends introducing a grace period of six months before the filing date, together with a prior user defence. Applicants who rely on the grace period to protect the validity of their design rights should be required to file a declaration to that effect.” The Government accepted this recommendation, noting that the length of the grace period and the requirement to declare any disclosures would be determined following further stakeholder consultation.

This Schedule amends the Designs Act to give effect to that recommendation by providing designers a 12-month grace period to apply for design protection after publishing or using their design, helping protect them from losing their rights through inadvertent disclosure.

Schedule 2: Infringement exemption for prior use

Recommendation 12 of the ACIP report also included a recommendation to introduce a prior use defence for third parties who start using a published design during the grace period. In accepting Recommendation 12 the Government agreed to introduce a prior use defence along with the grace period.

This Schedule amends the Designs Act to give effect to the recommendation by introducing an infringement exemption for prior use, which will protect third parties against infringement proceedings if they start using a design before the priority date of the design registration. This aims to balance the rights of designers and those of third parties that start use of a design that has been disclosed during the grace period but not yet registered, or that is created independently. The amendments in this Schedule are modelled on analogous prior user exemption provisions in the *Patents Act 1990* (the Patents Act).

Schedule 3: Registration of designs – removal of publication option

Recommendation 5 of the ACIP report was: “ACIP recommends removing the option of the publication regime (i.e. without registration) from the designs process.” The Government accepted this recommendation, stating that the amendment to implement this recommendation would be one of a number of changes to streamline IP processes and support small business.

Recommendation 9 of the ACIP report was: “ACIP recommends automatic publication at six months after the filing date, with the possibility to request publication earlier if desired, and with an amendment to the innocent infringer defence in subsection 75(2) of the Designs Act.” The Government noted this recommendation, stating that further consultation with stakeholders is required to consider any unintended consequences.

This Schedule amends the Designs Act to give effect to these recommendations by streamlining the initial steps for registering a design. The changes allow applicants to effectively delay publication of their design for a prescribed period (to be six months) from the priority date. The seldom used “publication only” option is eliminated. Registration of designs is automatically requested after the expiry of a prescribed period from filing a designs application – currently, an application lapses after the expiry of this period.

The overall impact will be to reduce the number of deadlines requiring action by applicants while making it simpler for them to delay publication of a new design until they are ready to launch in the market.

Schedule 4: Relief from infringement before registration

Recommendation 9 of the ACIP report also included a recommendation to amend the innocent infringer defence in subsection 75(2) of the Designs Act. The Government noted the recommendation, stating that further stakeholder consultation by IP Australia was required to consider any unintended consequences.

Following further consultation this Schedule amends the Designs Act to give effect to that recommendation. The amendments will correct an anomaly that means relief for “innocent” infringers has not been available when infringement occurs between filing and registration. The amendments will allow courts to provide discretionary relief to innocent infringers in this period. This will reduce the risk to competitors from infringing a design they could not have found on the Register of Designs, because it was not yet published.

Schedule 5: Right of exclusive licensee to bring infringement proceedings

Recommendation 18(h) of the ACIP report was: “The Designs Act and/or the Designs Regulations 2004 should be amended to ensure exclusive licensees have the right to bring proceedings for infringement.” The Government accepted the recommendation.

This Schedule amends the Designs Act to provide exclusive licensees with the legal standing to take infringement action through the courts without needing to rely on the registered design owner. Currently, only a registered owner of a design has standing to commence infringement action. When an exclusive licence is granted, it is often because the registered design owner is foreign based. A foreign based owner may not be strongly motivated to assist the exclusive licensee in pursuing a local alleged infringer due to associated costs or administrative burden. This proposal would ensure exclusive licensees of registered designs are able to enforce the rights that they have paid for, as is the case for patents, trade marks and plant breeder’s rights.³

Schedule 6: Formal requirements

This Schedule amends the Designs Act to streamline the process for updating formal requirements for a design application in line with the current environment of fast-paced technological change. Currently, the formal requirements are set out in the *Designs Regulations 2004* (Designs Regulations) and are based on a paper filing system. At present 99% of design applications are filed electronically, meaning the formal requirements in the Designs Regulations are no longer fit for purpose.

The amendments will extend the existing power⁴ of the Registrar of Designs (Registrar) to make directions about the form of documents to apply to “approved forms” for designs so that applicants need only to refer to a single source of rules. The amendments will also allow the Registrar to specify formalities requirements for design applications by written determination, which will allow the rules to be easily adapted to keep pace with changing technology.

³ *Patents Act 1990*, s 120(1); *Trade Marks Act 1995*, s 26(1); *Plant Breeders Right Act 1994*, s 54(1).

⁴ *Designs Act 2003*, s 144B.

Schedule 7: Other amendments

Schedule 7 to the Bill will make several minor technical corrections and improvements to the Designs Act in relation to the following accepted ACIP recommendations:

- Part 1: Standard of the informed user (ACIP Recommendation 10)
- Part 2: Revocation of registration of design (ACIP Recommendations 18c and 18f)
- Part 3: Renewal of registration of design (ACIP Recommendation 18i)

Collectively, the measures in this schedule are proposed to address a small number of inconsistencies in the Design Act. The changes will simplify the designs system for users and clarify parts of the system that may be confusing.

Financial impact statement

The Bill is expected to have no financial impact on the Commonwealth.

Statement of compatibility with human rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

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

This Bill is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Bill

The Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020 (‘the Bill’) makes amendments to the *Designs Act 2003* (the Designs Act) to give effect to several recommendations from the former Advisory Council on Intellectual Property (ACIP) that were accepted by the Government. The amendments improve the registered designs system to provide more flexibility for designers during the early stages of getting protection and include a number of technical amendments that will simplify and clarify aspects of the designs system.

The Bill makes the following amendments to the Designs Act:

Schedule 1: Grace period

- Introduces a broad 12-month grace period to help protect designers from losing their ability to register a design due to any inadvertent disclosures made before seeking design protection.

Schedule 2: Infringement exemption for prior use

- Ensures there is balance of the rights of designers and third parties during the grace period by providing for an infringement exemption for prior use if third parties start using a design based on a disclosure that took place during the grace period.

Schedule 3: Registration of designs – removal of publication option

- Streamlines the initial steps for registering a design by removing the option to publish a design without registration, and by making registration of a design automatic six months after filing.

Schedule 4: Relief for infringement before registration

- Amends the Designs Act to correct an anomaly that means relief for “innocent” infringers has not been available when infringement occurs between filing and registration.

Schedule 5: Right of exclusive licensee to bring infringement proceedings

- Provides exclusive licensees of a design with the legal standing to take infringement action without needing to rely on the registered design owner.

Schedule 6: Formal requirements

- Empowers the Registrar of Designs to make directions about the formal requirements for design applications.

Schedule 7: Other amendments

- Makes several minor technical corrections and improvements to the Designs Act to address a small number of inconsistencies in the legislation. The changes will simplify the designs system for users and clarify parts of the system.

Human rights implications

The Bill engages the following human right:

- the **right to benefit from the protection of the moral and material interests** – Article 15(1)(c) *International Covenant on Economic, Social and Cultural Rights* (ICESCR)

Right to benefit from the protection of moral and material interests

Article 15(1)(c) of the ICESCR recognises the right of everyone to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which the person is the author.

Schedule 1 amends the Designs Act to introduce a grace period of 12 months. Currently, the Designs Act provides that designers can seek registration of a design after its disclosure only under very limited circumstances. The amendments made by Schedule 1 will positively engage this right by giving designers 12 months to apply for protection after publishing or publicly using their design. This is particularly important for small and medium-sized enterprises (SMEs) who may lack an understanding of design laws and the benefits of protection at the time of creation and any subsequent inadvertent disclosures.

Remaining parts do not raise any human rights issues

Schedules 2 to 7 do not raise any human rights issues.

Conclusion

The Bill is compatible with human rights. No human rights are limited by the Bill and it promotes the right of a person to benefit from the protection of the moral and material interests resulting from any artistic production of which the person is the author.

The Hon Karen Andrews MP, Minister for Industry, Science, and Technology

Notes on clauses

Clause 1: Short title

1. Upon enactment, the Bill will be known as the *Designs Amendment (Advisory Council on Intellectual Property Response) Act 2020*.

Clause 2: Commencement

2. Schedules 1 to 6 and Part 3 of Schedule 7 to the Bill will commence on a single day to be fixed by Proclamation or 6 months after this Bill receives the Royal Assent. This will give stakeholders time to consider and plan how they will change their designs filing strategies to take advantage of the amendments, and enable the necessary regulation and ICT system changes to be made before commencement.

3. The extended commencement will not apply to Schedule 7, Parts 1 and 2 in the Bill. These items relate to matters that involve minor system and practice changes by the Designs Office, so their immediate commencement will realise their benefits as soon as possible, on the day after this Bill receives the Royal Assent.

Clause 3: Schedules

4. The Designs Act is to be amended as set out below in Schedules 1 to 7 to the Bill.

Schedule 1 – Grace period

Introduction

5. This Schedule amends the Designs Act to implement a broader grace period which applies for the 12-month period prior to the priority date of a registered design in Australia.

6. Currently, subsection 17(1) of the Designs Act and regulation 2.01 of the Design Regulations provide a six-month grace period allowing designers to seek registration of a design after its disclosure only under very limited circumstances.

7. In most circumstances, the disclosure of a design by a designer prevents any subsequent registration of that design. ACIP found that there is a real problem for designers who, either inadvertently or due to ignorance of the requirements of the legislation, publish their design before seeking legal protection, then forfeit all possible rights in that design.⁵

8. The new grace period is intended to help protect designers from losing their rights in this way. For example, a designer who publishes their prototype on social media before filing for a design right may currently lose their opportunity to obtain a useful registration. The grace period will provide designers with 12 months to apply for design protection after publishing or using their design.

9. The new grace period is similar to that in the Patents Act and *Patents Regulations 1991* (Patent Regulations), which provide patent applicants with a 12-month grace period. If a patent application is filed after information is disclosed by the inventor, but within the 12-month grace period, the public disclosure can be disregarded when determining if the patent application is novel and has an inventive step.

10. The design grace period will also align Australian designs legislation with international norms. Internationally many other jurisdictions offer designers a grace period in their design legislation and the new grace period is intended to be compatible with the draft Designs Law Treaty (DLT) being negotiated at the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications under the World Intellectual Property Organization (WIPO).⁶ For this reason the grace period begins from the priority date, to be consistent with the treaty and to ensure it is fair to foreign applicants. Using the priority date avoids the situation where a foreign applicant may be denied protection because of a lack of knowledge of the Australian grace period system.

11. The primary function of the grace period is to protect designers from losing their rights because of inadvertent disclosure, rather than to act as a mechanism to test the market and protect iterative designs. Relying on the grace period to undertake market testing does present some risk for designers as Schedule 2 to the Bill introduces an infringement exemption for prior use. This exemption prevents design owners from taking infringement action against third parties if the third party had used a design, or had taken definite steps to do so, prior to a design application being filed. Furthermore, the exemption against infringement will continue to apply after the design has

⁵ Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015, p 28.

⁶ World Intellectual Property Organisation, *Industrial Design Law and Practice – Draft Articles* Art 6, SCT/33/2, 16 January 2015.

been filed, meaning the third party can continue use of the design after it is registered without infringing it.

Designs Act 2003

Item 1: Subsection 17(1)

[s 17]

12. This item repeals the existing limited grace period provisions in subsection 17(1) and replaces them with a broader grace period. The particulars of the general grace period, including its duration, are to be specified in the Designs Act (rather than prescribed in the Designs Regulations as they currently are) to provide more certainty to designers and third parties.

Subsection 17(1): Establishment of a general grace period for filing a design application

13. New subsection 17(1) creates a grace period for filing a design application, by providing that two categories of publications or uses of a design must be disregarded when considering the newness or distinctiveness of the relevant design (called the “subject design” by the subsection). To be disregarded, the publication or use must have taken place within the period of 12 months before the priority date of the subject design.

14. The two categories of publication or use eligible for the grace period in new subsection 17(1) are set out in new paragraphs 17(1)(a) and 17(1)(b). The publication or use described in both paragraphs may or may not be of the subject design. This is intended to permit a designer to register a slight variation of an earlier published design and rely on the grace period to have the earlier published design disregarded when considering the newness and distinctiveness of the variant. This promotes the innovation objectives of the grace period, by allowing designers to make modifications and improvements of their designs after initial publication.

15. New paragraph 17(1)(a) provides the grace period covers any publications or uses by a “relevant entity”. Relevant entity is defined in subsection 17(1D), and includes registered owners of designs, their predecessors in title, and designers who created the design but are not covered by either of the two previous categories.

16. New paragraph 17(1)(b) further extends the grace period to disregard any publication or use by persons or bodies that derived or obtained the design from a relevant entity. It is not relevant whether or not the derivation was consensual or not. It follows paragraph 17(1)(b) applies both where the design has been misappropriated by a third party, or where a third party has published a design with the consent of a relevant entity such as the designer.

17. “Derived or obtained” are intended to bear their ordinary meanings throughout the Bill.

18. Certain publications derived or obtained from a relevant entity are excluded from the grace period by subsection 17(1B). New subsection 17(1C) provides a presumption of derivation in some circumstances.

Subsection 17(1A): Application of new provisions

19. New subsection 17(1A) provides that the new grace period provided for in new subsection 17(1) only applies to a publication or use that occurs on or after commencement of this Schedule. This is the case regardless of whether the relevant 12-month period would begin before, on or after

commencement of the Schedule. This is intended to provide clarity for users of the design system that any publication or use prior to commencement will not be eligible for the new grace period.

Subsection 17(1B): Publication by certain persons does not enliven the grace period

20. New subsection 17(1B) excludes certain publications from the grace period, where they are made by the Registrar, foreign national designs offices, and international designs offices.

21. Publications by designs offices (whether in Australia or overseas) will not be eligible for the grace period as these are not inadvertent publications that the grace period is intended to exempt from consideration.

22. Paragraph 17(1B)(a) specifies that publications by the Registrar under the Act are excluded from the grace period. The Registrar is required to publish registered designs by making them publicly available under section 60 of the Designs Act. The grace period is not intended to exempt these types of publications from relevance to newness or distinctiveness.

23. Were these types of publication not excluded from the grace period, there would be undesirable effects on the scheme of the Designs Act, including the potential issuance of two exclusive rights over the same design.

24. However, publication by the Registrar not in accordance with the Act (for example, inadvertent disclosure) is not excluded from the grace period. This is to ensure that design owners are not unfairly punished in the unlikely event of an *ultra vires* disclosure.

25. Paragraphs 17(1B)(b) and (c) deal with official publications of designs by national and international designs offices. As with publications by the Registrar, this type of publication is not an inadvertent disclosure, and the grace period is not intended to exempt these kinds of publications from relevance to newness or distinctiveness.

26. If an applicant who filed first overseas wishes to file in Australia, and the office where they filed first has already published their design, they will need to rely on the Designs Act provisions applying the six-month priority period under the Paris Convention⁷ rather than the grace period to ensure the registrability of their design.

27. New paragraph 17(1B)(b) covers publications by a person or body in a foreign country who has functions similar to the Registrar's functions, where the publication is under a law of the foreign country relating to designs. This is intended to apply to foreign designs offices publishing applications for registration of designs, or registrations of designs. As with the Registrar's publications, accidental publications, or publications by a foreign IP office under a law relating to different IP rights, would not be publications under a law relating to designs, and therefore, the grace period may potentially apply to these kinds of publications.

28. New paragraph 17(1B)(c) covers publications by agencies or organisations established under, or in accordance with, international agreements that have functions including publishing

⁷ *Paris Convention for the Protection of Industrial Property* of 20 March 1883. In appropriate circumstances, an applicant who has filed an application for protection of a design in a Convention country may rely on s 27(1)(b) and r 3.06 so that the priority date of their Australian design is the filing date of their application in the Convention country.

designs to the public, where the publication is in accordance with an international agreement relating to designs, or with a law relating to designs. This is intended to reach international organisations publishing applications for registered designs to the public, including WIPO and any regional designs registration bodies such as the European Union Intellectual Property Office.

Subsection 17(1C): Proof of derivation of published design

29. New subsection 17(1C) is intended to adjust the burden of proof on the owner of the subject design to demonstrate that a third party publication or use was derived or obtained from a “relevant entity” for the purposes of paragraph 17(1)(b). Relevant entity is defined in subsection 17(1D), and includes registered owners, their predecessors in title, and designers who created the design but are not covered by either of the two previous categories.

30. A practical example as to why the burden of proof required for derivation needs to be adjusted is that once a design is published on the internet, it can be copied and republished rapidly. Requiring a high level of proof of derivation in such circumstances would impose a heavy burden on design registrants and detract from the intended beneficial effect of the grace period.

31. The effect of the subsection is that a design (the “other design”) that is published (or used) by a third party who is not a relevant entity is *presumed* to be derived or obtained from a relevant entity once the conditions set out in paragraphs 17(1C)(a) and 17(1C)(b) are established. This means that the design publication or use by the third party may be disregarded under paragraph 17(1)(b) for the purposes of the grace period.

32. Paragraph 17(1C)(a) requires the registered owner to show a relevant entity published or publicly used a design (called “the first design” in subsection 17(1C)) before the publication or use of the “other design” (being the design published by another person or body). The registered owner can also rely on a publication or public use authorised by a relevant entity (for example, by a marketing company authorised by the designer).

33. Paragraph 17(1C)(b) requires the other design must be identical, or substantially similar in overall impression, to the first design. The presumption is not intended to operate if the first design and other design are not at least substantially similar in overall impression, since it would be unfair to infer derivation in those circumstances.

34. The first design may or may not be the same as the subject design (as defined in subsection 17(1)), meaning a registered owner can rely on the presumption of derivation even if the design they registered was slightly different to the first design they originally published. This is consistent with the intent of the grace period to apply to the assessment of registered designs that are slight modifications of prior-published or used designs by the registered owner.

35. The presumption is rebuttable, but only if it is established by the person asserting independent creation that the other design was created without reference to, or knowledge of, the first design. In circumstances where the Registrar conducts an examination, it is very unlikely that the Registrar could be satisfied that the other design was created without reference to, or knowledge of, the first design, without presentation of material from the creator of the other design.

36. The presumption is most likely to be rebutted in an examination requested by the creator of the other design, or in a court action, where evidence of the circumstances of the creation of the other design will be more readily obtainable.

Example

37. For example, Alanna designs a product. Alanna publishes her design on 1 January 2023. Chris publishes a design substantially similar in overall impression to Alanna’s design on social media on 1 February 2023. On 1 March 2023, Alanna applies for a design registration, and subsequently registers and certifies her design.

38. On 1 January 2024, Alanna sues Dave for infringing her design, and Dave counterclaims for revocation under section 93, on the basis that Alanna’s design was not distinctive in light of Chris’s publication.

39. For the purpose of subsection 17(1C), Alanna’s 1 January publication is the “first design”, while Chris’s 1 February publication is the “other design”.

40. Dave proves Chris’s publication occurred on 1 February. But Alanna proves her 1 January publication, and that it was before Chris’s publication. Chris’s publication is substantially similar in overall impression to Alanna’s 1 January design.

41. At this point, unless Dave presents further evidence, Chris’s design is presumed to be derived or obtained from Alanna under the new subsection 17(1C), and it must be disregarded for the purpose of deciding whether Alanna’s registered design is new and distinctive under new subsection 17(1).

42. However, Dave may seek to establish that Chris created his design without reference to, or knowledge of, Alanna’s design. If he does establish this, then it has been shown Chris’s design is not derived or obtained from Alanna and must be considered in deciding if Alanna’s registered design is new and distinctive.

Subsection 17(1D)

43. New subsection 17(1D) provides a definition of “relevant entity”. This defined term is used in new subsection 17(1), where only publications or uses of “relevant entities”, or publications or uses derived or obtained from “relevant entities”, are eligible for the grace period. It is also used in new subsection 17(1C), which simplifies proof of derivation for the purpose of subsection 17(1) after publication or use by a relevant entity is demonstrated.

44. Paragraph 17(1D)(a) provides that a relevant entity is the registered owner.

45. Paragraph 17(1D)(b) provides that relevant entities include any predecessors in title of the registered owner.

46. Paragraph 17(1D)(c) provides that a relevant entity is the person who created the design, if not covered by paragraphs 17(1D)(a) and 17(1D)(b). The person who created the design is called the “designer” in paragraph 13(1)(a) of the Designs Act. Often, the person who created the design will be the registered owner of the design, or a predecessor in title.

47. However, under paragraph 13(1)(b) of the Designs Act, when the designer or designers created the design in the course of employment, or under a contract, with another person, the other person is entitled to be the registered owner (unless otherwise agreed). Paragraph 17(1D)(c) ensures that, even in this case, the designer remains a relevant entity, and disclosures by that designer are considered for the purposes of the grace period.

Subsection 17(1E)

48. New subsection 17(1E) is intended to clarify the relationship between the grace period and Section 18 of the Designs Act.

49. Section 18 applies where copyright subsists in an artistic work under the Copyright Act, and an application is made by, or with the consent of, the owner of the copyright for registration of a corresponding design.⁸ In those circumstances, section 18 prevents the design being treated as other than new or distinctive by reason only of the use of the artistic work, *unless* the previous use consisted of or included certain conduct set out in paragraphs 18(2)(a) and 18(2)(b).

50. New subsection 17(1E) provides that where a use is to be disregarded because of subsection 17(1), it must also be disregarded for the purposes of section 18. This is intended to dispel any doubts that may exist as to the relationship of the two sections. Once a use or publication is to be disregarded under section 17(1), it is simply not relevant to section 18 (including paragraphs 18(2)(a) and (b)).

51. Section 18 will still need to be considered where uses of the artistic work occurred before the 12-month grace period.

Item 2: At the end of subsection 18(2)

[s 18]

52. This item inserts a note at the end of subsection 18(2) to assist the reader by providing a cross-reference to subsection 17(1E), which explains the relationship of subsection 17(1) and section 18.

Item 3: Saving provisions

53. This item provides for the circumstances in which the provisions repealed by this Schedule continue to apply.

54. The item provides that repealed subsection 17(1) and related regulations as in force immediately before commencement will continue to apply on or after commencement in relation to a publication or use that occurred before the commencement. As with subsection 17(1A) the priority date of the registered design is irrelevant. Any publications or uses that take place before commencement of the Schedule will be covered by the previous grace period provisions in repealed subsection 17(1) and the related regulations, despite the introduction of the new grace period.

55. The circumstances in which the new provisions apply are set out in new subsection 17(1A) (item 1, above).

⁸ For “corresponding design”, see *Copyright Act 1968* s 74.

Schedule 2 – Infringement exemption for prior use

Introduction

56. This Schedule amends the Designs Act to introduce an exemption from infringement as a result of prior use of a registered design.

57. Currently, if a person starts to publicly use a published design where there is no application for registration of that design, there is no possibility that a person could ever infringe that design. Any disclosure of the design prior to filing an application would be considered part of the prior art base. Therefore, the design would not be considered new or distinctive, preventing the design from being registrable.

58. The grace period introduced by Schedule 1 to this Bill changes this situation as disclosures made up to 12 months prior to the priority date of a design may be disregarded when assessing a design's newness and distinctiveness. This may introduce uncertainty into the market as a disclosure of a design during the grace period will no longer necessarily prevent the registration of a design. Third parties will be unable to predict if a design will later be registered, and therefore whether they have freedom to use a disclosed design. This could result in increased costs and risks to third parties.

59. To address this concern, ACIP recommended the introduction of a prior use infringement defence to ensure that a balance will be maintained between the rights of design owners and third parties.⁹

60. Schedule 2 implements that recommendation by providing a prior use infringement exemption. The introduction of an infringement exemption provides statutory protection for third parties against any infringement action being taken in the first place, as opposed to a prior use defence that would need to be relied on in court proceedings. The infringement exemption model reduces court costs for both designers and third parties and is modelled on section 119 of the Patents Act.

61. The new provisions aim to protect third parties who begin using a design after a disclosure (such as during the grace period), but before the priority date of a registered design. The provisions also protect third parties who take definite steps towards using, or secretly use, an independently created design, but either choose not to obtain a design registration, or choose to file too late, after someone else has filed for an identical design (or one substantially similar in overall impression).

62. The new infringement exemption will continue to apply after the design is registered, meaning that the third party can continue to use the design without fear of infringement proceedings being launched after a design is registered. It ensures that third parties who act on disclosures without the knowledge that a design right may subsequently be filed are not disadvantaged. This is particularly important for solo designers and small and medium-sized enterprises (SMEs) who may lack knowledge of the IP system and the benefits of obtaining design protection.

⁹ Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015, pp 27-28.

63. Third party use that commences between the priority date and registration is not encompassed by the prior use infringement exemption provisions. Any third-party use that commences during this period will not be exempt from infringement proceedings should it continue after the registration of the design. However, the innocent infringer defence (Schedule 4 to this Bill) may apply in those circumstances.

Designs Act 2003

Item 1: At the end of subsection 71(1)

[s 71]

64. Item 1 adds a note to subsection 71(1) indicating that section 4 should be referred to for application of the Act. Section 4 extends application of the Act to the external Territories, the continental shelf, the waters above the continental shelf, and the airspace above Australia, the external Territories, and the continental shelf.

65. The note is intended to be a reminder to the reader that the location where the act of infringement occurs must be considered, since the Act (even given the extended operation provided by section 4) does not generally apply to overseas acts.¹⁰

Item 2: After section 71

[s 71A]

66. Item 2 inserts new section 71A, which provides a complete exemption to infringement when a person has used a design before the priority date of the registered design.

67. Section 71A is structured as follows:

- Subsection 71A(1) provides the general infringement exemption for prior use.
- Subsection 71A(2) limits the infringement exemption by preventing it applying if the triggering prior use had come to an end before the priority date of the registered design.
- Subsection 71A(3) limits the infringement exemption by excluding certain uses if the design was derived from the registered design's owner.
- Subsection 71A(4) extends the infringement exemption to assignees of the entitlement to infringe.
- Subsection 71A(5) extends limited aspects of the infringement exemption to persons who obtain products from someone entitled to infringe.

Subsection 71A(1): Infringement exemption for prior use

68. Subsection 71A(1) provides a complete exemption from infringement of a registered design if a person has done one or more acts before the priority date of the registered design (acts “triggering prior use”) or taken definite steps to do an act triggering prior use.

¹⁰ See s 21(1)(b) *Acts Interpretation Act 1901*; *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* [2008] FCA 1588 at [77]; *Led Technologies Pty Ltd v Elecspeess Pty Ltd* [2008] FCA 1941 at [89].

Application of the section

69. The prior use exemption applies only in respect of infringement of registered designs that have a priority date on or after commencement of this Schedule. The exemption will apply even if the act triggering prior use, or definite steps to take such an act, took place before commencement.

70. The exemption from infringement for prior use alters the rights of the owner of a registered design right, and therefore the exemption will not apply to designs with a priority date before commencement, even if infringement of those designs occurs after commencement.

Acts triggering prior use

71. Acts triggering prior use are listed in paragraph 71A(1)(c). These are acts that would have infringed the design that became registered (supposing it had been registered at the time). The acts are:

- Making a product (subparagraph (i))
- Importing a product into Australia for sale or for use for the purposes of trade or business (subparagraph (ii))
- Selling, hiring or otherwise disposing of a product (subparagraph (iii))
- Using a product for the purposes of any trade or business (subparagraph (iv))
- Keeping a product for the purpose of doing any of the things listed in subparagraphs (iii) and (iv) (subparagraph (v))

72. Offering to make, sell, hire or otherwise dispose of a product does not trigger prior use, even though offering to make, sell, hire or otherwise dispose of a product can infringe a registered design. This is because, given modern technology, offers can be made with very limited effort, and so to provide the benefit of the prior use exemption based on only an offer would be disproportionate.¹¹

Variations between designs

73. Each act in paragraph 71A(1)(c) is described in terms of a product that embodies a design (called the “comparable design” in the section) that is identical to, or substantially similar in overall impression to, the design that became registered.

74. For a person (prior user) to qualify for the infringement exemption the comparable design used by the prior user need not be identical to the registered design: it need only be substantially similar in overall impression. After the priority date, subsection 71A(1) does not require the design actually used by the prior user to be identical (or even substantially similar in overall impression) to the comparable design for their subsequent use to be eligible for the infringement exemption.

¹¹ Rather than rely on mere offers, a prior user might seek to establish prior use by showing definite steps to make a product. Further, unless the grace period introduced in Sch 1 applies, an offer to make before the priority date of the design may be a publication in the prior art base, meaning that the registered design is unregistrable as it lacks newness or distinctiveness when compared to the prior art base (see s 15).

75. This is intended to ensure that access to the infringement exemption for prior use remains available even if there are slight variations and minor differences between the prior used design and the registered design, or between the prior used design and the product made after the priority date. This is a corollary to the amendments in Schedule 1 that provide that the grace period can apply in respect of a published design that is substantially similar in overall impression to the design that is subsequently registered (see notes on new subsection 17(1)).

Definite steps

76. Paragraph 71A(1)(d) provides that the exemption from infringement is also available if a person had taken definite steps (contractually or otherwise) to do an act covered by paragraph 71A(1)(c).

77. The term ‘definite steps’ is intended to have the same meaning as the equivalent provision in paragraph 119(1)(b) of the Patents Act, and is intended to require the same high standard of proof.¹² The burden of establishing definite steps lies on the alleged infringer.

78. Case law has required a high standard to be reached before concluding that “definite steps” have been taken to make a product under the Patents Act. The Federal Court of Australia (FCA) has indicated that definite steps could be established if an alleged infringer had drawings depicting the product, and had either made all the components, had the raw materials to make the components, or had at least ordered the raw materials to make all the components. However, if decisions about even how part of a product is to be manufactured are still being made, definite steps have not yet been taken to making the product as a whole.¹³ The FCA commented on preparatory steps, stating that “in the normal course of events making preparations for the making of a product would be something that occurs prior to steps in the actual making”, so definite steps to make come *after* mere preparations are complete.¹⁴

79. It follows that to show “definite steps” to make a product, the plans to make it must be finalised, and the process of acquiring or making all components must have started. This is much more than demonstrating a mere intention to make a product. Initial preparations towards making a product, or ongoing product development¹⁵, are not definite steps either. Where preparations coalesce into definite steps to making the product *after* the priority date, that does not give the preparations occurring before the priority date the character of definite steps.

Authorisation

80. Authorising one of the acts in paragraph (c) is not, in itself, prior use triggering the exemption. However, in many cases, authorising one of the acts in paragraph (c) will be a definite step to do an act in paragraph (c) and therefore may enliven the exemption.

Location of acts triggering prior use

81. The acts listed in new paragraph 71A(1)(c) must occur in Australia. As with section 71, a note is provided indicating that section 4 should be referred to for application of the Act. Section 4

¹² See for example *Welcome Real-Time SA v Catuity Inc* [2001] FCA 445.

¹³ [2001] FCA 445 at [94].

¹⁴ [2001] FCA 445 at [97].

¹⁵ [2001] FCA 445 at [100].

extends application of the Act to the external Territories, the continental shelf, the waters above the continental shelf, and the airspace above Australia, the external Territories, and the continental shelf. The note is intended to be a reminder to the reader that the location of the act of prior use must be considered, since the Designs Act (even given the extended operation provided by section 4) does not generally apply to overseas acts.¹⁶

82. However, if definite steps are relied upon, paragraph 71A(1)(d) provides, in an exception to the general rule, that the definite steps may trigger prior use whether or not they occur in Australia. Nevertheless, the definite steps must be to do an act listed in paragraph 71A(1)(c), (that is, to do an act in Australia).

83. For example, a company in Australia contracts with a factory in New Zealand to manufacture a product embodying a comparable design and makes definite preparations to import it into Australia once manufactured. These are definite steps to do an act in paragraph (c), in particular sub-paragraph (ii) (that is, to import the product into Australia). Therefore, the prior use exemption applies.

84. The exemption still applies if the contractual arrangement was made entirely in New Zealand, since the definite steps need not occur in Australia.

85. On the other hand, merely manufacturing the product in New Zealand would not, on its own, demonstrate definite steps to do an act in paragraph (c), and would not establish prior use.

Subsection 71A(2): Limitation of the prior use exemption where use had stopped

86. Subsection 71A(2) provides that the exemption from infringement of a registered design for prior use in subsection 71A(1) does not apply if the act triggering prior use had come to an end before the priority date of the registered design. This reflects the approach of subsection 119(2) of the Patents Act.

87. As discussed above, the prior use exemption is intended to preserve third parties' ability to adopt use of a design in the time leading up to the priority date of a registered design and continue that use thereafter. It is unnecessary and inappropriate to protect merely historical prior use (that the prior user therefore has no interest in at the time of the priority date) in order to achieve this purpose, and would disproportionately affect the rights of the registered design owner to do so.

88. Either the act triggering prior use or the definite steps to do such an act must still have been occurring at the priority date (subparagraphs 71A(2)(a)(i) & 71A(2)(b)(i)), or if not still occurring, that must have been because they had temporarily stopped at the priority date (subparagraphs 71A(2)(a)(ii) & 71A(2)(b)(ii)).

89. The protection of temporary stops is intended to ensure that access to the infringement exemption for prior use remains available even if a pause in use happened to coincide with the priority date of the registered design. This is not intended to provide a general permission to restart any use that ceased before the priority date and resumed afterwards. The user must have been intending that the stop be only temporary and planned prior to the priority date to restart use. The

¹⁶ See s 21(1)(b) *Acts Interpretation Act 1901*, *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* [2008] FCA 1588 at [77], *Led Technologies Pty Ltd v Elecspeess Pty Ltd* at [89].

onus is on the person claiming the infringement exemption to demonstrate that the stop was temporary.

90. For example, a third party who ceased preparing to use the design – without ever advancing so far as to publish or publicly use their design – might conclude that merely because a design had been registered, it would be valuable to restart use. This would not be considered a temporary stop, as the third party would only be using the design due to its registration. Allowing use to resume under these circumstances would unfairly impinge on the rights of the registered owner. It would also impinge on the public interest in disclosure of designs, by reducing the third party's incentive to make the design public.

91. On the other hand, a third party who had started importing and selling the design in Australia before the priority date, and had contracted to continue to do so in the future, but who was not selling immediately before the priority date due to a disruption in the supply chain, would reasonably be able to claim that they had stopped selling only temporarily. The infringement exemption would apply in this case.

Subsection 71A(3): Limitation of the prior use exemption if comparable design derived from registered owner

92. Subsection 71A(3) provides that the exemption from infringement of a registered design for prior use in subsection 71A(1) does not apply if a person claiming the prior use infringement exemption has derived the comparable design from the person who later became the registered owner (or from a predecessor in title, or from the design's creator) unless the derivation was based on information made publicly available by, or with the consent of, the registered owner (or from a predecessor in title).

93. This is intended to prevent the exemption applying to a person who derives information about a design when the person who later became the registered owner has kept the design private. The limit also extends to designs derived from the registered owner's predecessors in title and to the creator of the design, in the same way as the grace period applies to designs derived from the registered owner, any predecessors in title, or creators of the design (see new subsection 17(1D)). As such, a person who misappropriates a design from its owner or creator would not benefit from a right to infringe that design.

94. The limit does not apply where the derivation was based on information made publicly available by, or with the consent of, the person who became the registered owner, or one of their predecessors in title. Publication with the consent of such a person includes third party publication that is authorised by them (for example, by a marketing company authorised by the person who would become the registered owner). This protects the public interest in being able to freely use publicly disclosed designs which are not the subject of a design application or registration.

95. Where the creator of the design is not a predecessor in title or the registered owner, their public disclosures that are made without consent of a person who becomes the registered owner (or their predecessor in title) are not excluded from the limit in subsection 71A(3). This is because it is not appropriate for the registered owner to suffer the consequences of unauthorised disclosures by an employee or contractor.

96. The subsection (in combination with subsection 71A(1)) therefore balances the relief given to registered owners provided by the grace period in Schedule 1 with the rights and interest of third parties who start using a design after its publication, but before an application for registration.

Subsection 71A(4): Prior use exemption can apply to user's successor in title

97. Subsection 71A(4) provides for a limited right to dispose of the entitlement to infringe (whether under subsection 71A(1) or, after an earlier disposal, under subsection 71A(4)). The entitlement may be disposed of, but the whole entitlement must be disposed of at once, and it must be disposed to “another person”, not a number of other persons.

98. The right may be disposed of more than once. For example, Ali is the original prior user, and disposes their entitlement to Brad who disposes their entitlement to Chen. Ali has an entitlement to infringe under subsection 71A(1). After the first disposal, Brad has an entitlement under subsection 71A(4) to infringe. Brad disposes of this entitlement to Chen, who then has an entitlement to infringe under subsection 71A(4).

99. The limited right of disposal is intended to permit prior users reasonable flexibility in transferring their business, while not permitting the prior use right to be licensed and partially assigned as if it were a registered property right.

Subsection 71A(5): Exemption for persons who obtain products

100. Subsection 71A(5) provides for protection from infringement for third parties who obtain products from a prior user.

101. A prior user may be entitled (whether under subsection 71A(1), 71A(4), or this subsection) to sell or otherwise dispose of a product that would otherwise infringe a registered design. When they do so, the person who obtains the product is also able to do the following without infringing the registered design:

- Sell, hire, or otherwise dispose of the product (after which, the person who obtains the product may also be able to receive protection under this subsection)
- Offer to sell, hire or otherwise dispose of the product
- Use the product in trade or business; and
- Keep the product for one of the above purposes.

102. The person who obtains the product need not do so before the priority date of the registered design. However, it is important to note that unlike a prior user, the person who obtains the product acquires only a very limited right – they may only sell (or hire) the particular products they obtain from the prior user. Further, they do not obtain a right to make or import the product.

103. The limited right is intended to permit prior users reasonable flexibility in distribution chains, but without permitting prior users to “license” what would otherwise be infringements as if they owned a registered property right.

104. For example, Alan begins definite preparations to manufacture a product on 1 January 2025. Beth registers a design for an identical product on 1 March 2025. Alan makes the product, and then sells a bulk quantity of the products to Carlos on 1 June 2025. Carlos may resell the product, hire them out, or use them in trade, without infringing Beth's registered design. On the other hand, Carlos may not make new products to the same design, nor sell products made to Beth's design obtained from a source other than Alan or Beth.

Item 3: Section 72 (heading)

[s 72]

105. This item repeals the heading for section 72 and substitutes it with a new heading to better identify that section 72 also provides an infringement exemption. Section 72 provides an infringement exemption for repairs.

Schedule 3 – Registration of designs – removal of publication option

Introduction

106. This Schedule amends the Designs Act to streamline the initial steps for registering a design. The overall impact will be to reduce the number of deadlines requiring action by applicants, reduce the risk of design applications lapsing, and make it simpler for publication of a new design to be delayed until the applicant is ready to launch in the market.

Automatic requests for registration and delayed publication

107. Some jurisdictions allow design applicants to defer publication of their designs. This allows the designer to keep new designs confidential until they are ready to launch in the market.

108. The ACIP report considered deferral of publication. It concluded that the appropriate period of deferral, balancing the interests of applicants and third parties, was six months. The ACIP report also recommended that deferral should be accommodated in a way that minimises red tape and complexity for users of the design system.¹⁷

109. While not providing an explicit deferral system, this Schedule, consistent with the ACIP report's recommendations, amends the Designs Act to allow applicants to effectively delay publication of their design for a prescribed period from the priority date, with minimal red tape and complexity. The period will be prescribed in the Designs Regulations, and will be six months.

110. Following the changes introduced by this Schedule, when an applicant files, they can either:

- Request registration – seeking registration as soon as possible, referred to as an “actual” request for publication.
- Not request registration – effectively delaying registration for the prescribed period from the priority date, with the application proceeding automatically to registration (subject to a formalities check) at the end of the prescribed period, referred to as a “deemed” request for publication.

111. Once a design application is registered, the Registrar must make it available for public inspection, leading to its publication.¹⁸

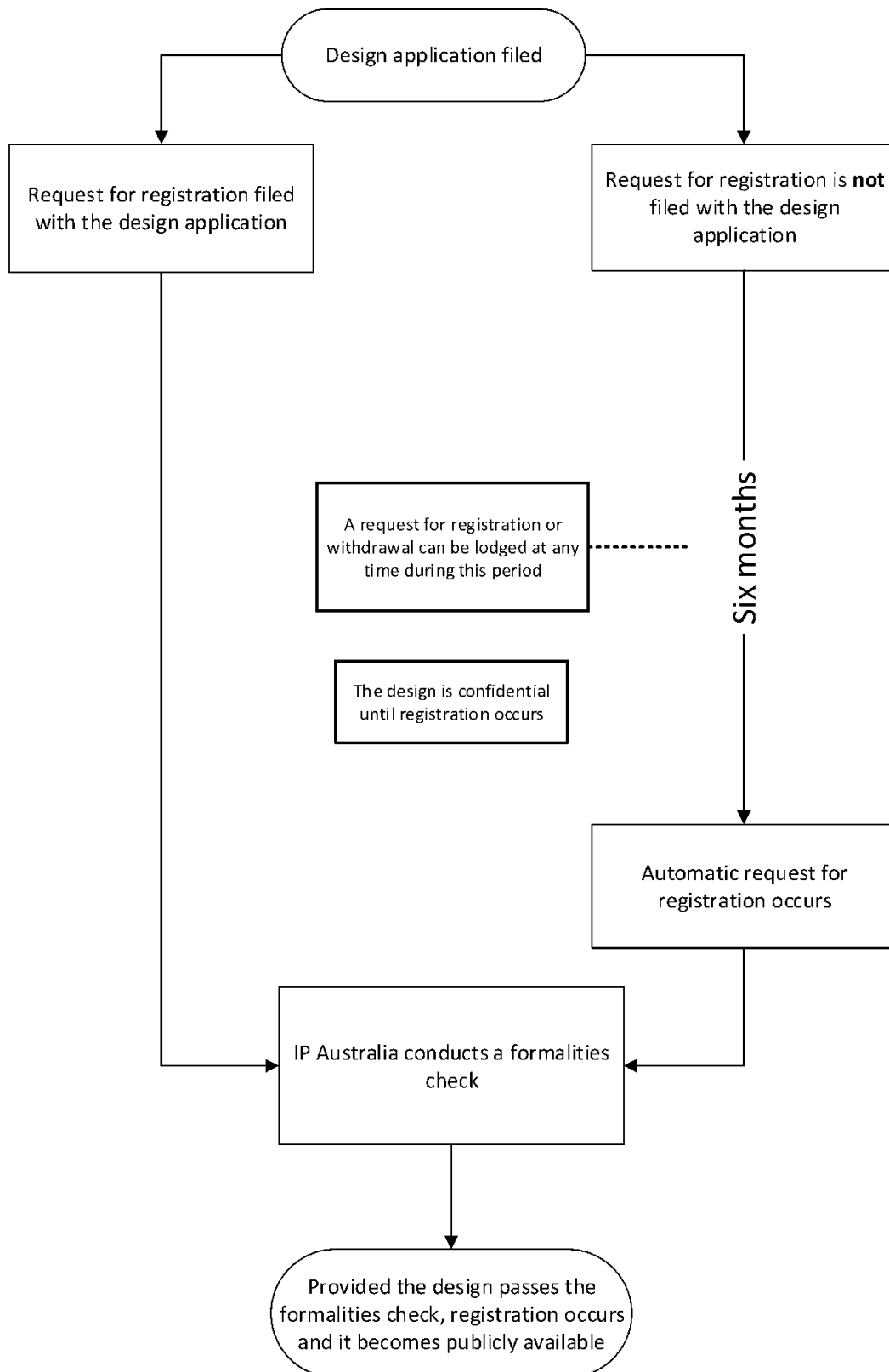
112. Applicants who have not requested registration will still be able to request registration at any time prior to the prescribed period of six months expiring. Applicants might choose this option if they had initially wanted to delay publication but now wish to pursue protection urgently.

113. Applicants who do not want their application registered must now request withdrawal before the end of the prescribed period.

¹⁷ Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015, p 24.

¹⁸ *Designs Act 2003*, s 60.

114. The following diagram illustrates an applicant's options during the initial stages of their application:



Publication only option

115. Currently, an applicant may request either publication or registration of a design upon or after filing a design application.

116. However, the option to request publication instead of registration has been rarely used by applicants, meaning it is providing minimal benefits to users of the design system, while adding complexity to the legislation and to administration processes.

117. Therefore, this Schedule removes the publication option.

118. Applicants who would like to strategically publish their design application in future could choose to register their design without requesting examination and certification, noting that examination of a registered can also be requested by a third party, or at the direction of the Registrar, which can result in a design being removed from the register.

Summary of changes in the Schedule

119. This Schedule reforms the initial steps for registering a design by:

- Permitting an applicant to request registration of a design upon filing a design application or during the prescribed period.
- Removing the option to request publication only, as it was rarely used.
- Deeming an applicant to have requested registration if a request is not made within the prescribed period, so, subject to a formalities check, registration is the default outcome for applications.
- Simplifying the process for registration of multiple designs. Where a design application contains multiple designs, requesting registration of some or only one of the designs will not affect the remainder of the designs. The applicant may subsequently request registration of the remaining designs, allow them to proceed to a deemed request for registration after expiry of the prescribed period, or withdraw or exclude them.

Designs Act 2003

Items 1 – 4, 6, 9, 11-14, 16, 24, 25, 28 – 35: Removal of reference to publication

[ss 20, 23, 24, 32, 34, 35, 60, 61, 108, 136, 137, 146, 149]]

120. These items remove references to “publication” and “Part 4” (of Chapter 4 of the Designs Act) in sections 20, 23, 24, 32, 34, 35, 60, 61, 108, 136, 137, 146, 149, and in the Part headings of Chapter 4 of the Designs Act, as a consequence of the option for publication of a design application being repealed by this Schedule.

Item 5: At the end of paragraph 24(1)(c)

[s 24]

121. Subsection 24(1) of the Designs Act requires that, if a design application meets the minimum filing requirements under the Act, the Registrar must notify the applicant. Currently, if

the applicant does not request registration at the time of filing, the Registrar must include in that notification certain information about how to request registration as per current paragraph 24(1)(c).

122. This item adds a requirement to subsection paragraph 24(1)(c) that the Registrar must inform the applicant that a request for registration may be deemed to have taken place after the prescribed period under subsections 35(4) and 35(5), as introduced by item 18 of this Schedule.

Item 7: Subsection 33(1)

[s 33]

123. This item repeals and replaces subsection 33(1) of the Designs Act. Under new subsection 33(1), an application will not lapse because the applicant did not request registration within the prescribed period, as is currently the case under paragraph 33(1)(a). Instead, under new subsections 35(4) and 35(5) introduced by item 18 of this Schedule, if an applicant does not request registration within the prescribed period, the applicant will be deemed to have requested registration.

124. Under new subsection 33(1), a design application will only lapse if the applicant fails to respond to the Registrar’s notification under section 41 to amend the design application within the prescribed period. This is the same as under current paragraph 33(1)(b), and under new subsection 33(1), the requirement for the applicant to respond to the Registrar’s notification to amend the application under section 41 are unchanged.

Item 8: Subsection 33(3)

[s 33]

125. This item repeals subsection 33(3) as a consequence of item 7 amending subsection 33(1) and repealing and replacing paragraph 33(1)(a).

Item 10: Section 34

[s 34]

126. This item updates the simplified outline of Chapter 4 of the Designs Act to reflect the changes made by this Schedule.

Item 15: Before subsection 35(1)

[s 35]

127. This item inserts a new heading before subsection 35(1) of the Designs Act to assist the reader. The new heading identifies that subsections 35(1) – 35(3) refer to “actual” requests for registration of a design – i.e. those where the applicant has made a request to the Registrar, rather than being “deemed” to have made a request under new subsections 35(4) and 35(5) inserted by item 18 of this Schedule.

Item 17: Paragraph 35(2)(b)

[s 35]

128. This item repeals redundant cross-references to sections 37 and 38 of the Designs Act, consequential to the repeal of those sections by item 19 of this Schedule.

Item 18: At the end of section 35

[s 35]

129. This item inserts new subheadings and new subsections 35(4) to (6), which provide for what happens when an applicant has either not requested registration of a design under subsections 35(1) – (3) or withdrawn their design application under section 32, and the prescribed period to do those actions has elapsed.

130. Under these new subsections, the applicant will be taken to have requested registration of the design.

131. Making registration the default result at the end of the prescribed period, subject to a formalities check, will simplify the application process and thereby reduce the administrative burden on applicants, and the likelihood of applications unintentionally lapsing.

132. Applicants who want to be assured of their entire application not proceeding to registration will now need to request withdrawal of the design application under section 32 before the end of the prescribed period.

133. Applicants who want to be assured of a particular subject design in their application will not proceed to registration will also need to request its withdrawal under section 32 or its exclusion under section 28 before the end of the prescribed period.

Subsection 35(4): Deemed request for registration for applications in respect of a single design

134. New subsection 35(4) covers design applications containing a single design. At the end of the prescribed period for making a request for registration, if the application has not been withdrawn under section 32 and the applicant has not requested registration under subsections 35(1) – (3), then the applicant is taken to have requested registration of the single design.

Subsection 35(5): Deemed request for registration for applications in respect of multiple designs

135. New subsection 35(5) covers design applications containing multiple designs. As the note to the subsection explains, each design disclosed in the application (‘subject design’) is to be considered separately to determine whether a request for registration is taken to have been made.

136. For each subject design, at the end of the prescribed period for making a request for registration, the applicant is taken to have requested registration of that subject design, if:

- The subject design has not been excluded or withdrawn from the design application;
- The design application as a whole has not been withdrawn; and
- The applicant has not already requested registration of the subject design under subsections 35(1) – (3)

Subsection 35(6): Relationship with section 36

137. New subsection 35(6) provides that section 35 is subject to new section 36 (as substituted by item 19 of this Schedule). New section 36 provides for requests for registration to be taken to have been made where the design application is in respect of designs excluded from an initial application.

Item 19: Sections 36 to 38

[ss 36, 37, 38]

138. This item repeals sections 36 to 38 and inserts a new section 36.

139. Currently section 36 makes special provision for requesting registration or publication of one or more designs in an application disclosing multiple designs. Once registration of one or more designs has been requested, restrictions are imposed on requesting registration of the remainder of the designs. This section is no longer necessary, as it is replaced by the new simplified approach in section 35 as amended by item 18 of this Schedule.

140. Existing section 23 makes special provision for a design application (a ‘further application’) to be filed in respect of designs excluded from an earlier application (an ‘initial application’). New section 36 provides that, where a further application is filed, the applicant is taken to have requested registration of all the designs disclosed in the further application when it is filed. This replaces the repealed section 37, which currently achieves the same outcome by requiring that the applicant makes a request for registration of all the designs disclosed in a further application when it is filed.

141. Currently section 38 deals with substituting requests for registration with requests for publication. This section is repealed as the publication option is removed by this Schedule.

Items 20 & 21: Formalities checks

[ss 39, 40]

142. These items amend paragraphs 39(1)(b) and 40(1)(b) to clarify that in relation to formalities checks for the registration of designs, the current provisions for actual requests for registration under subsections 35(1) – (3) also extend to deemed requests for registration under new subsections 35(4) and 35(5).

Item 22: Paragraph 41(c)

[s 41]

143. This item updates section 41 to correct the reference to section 33 as a consequential amendment to the change to section 33 in item 7.

Item 23: Part 4 of Chapter 4

[Part 4 of Chapter 4]

144. This item repeals Part 4 of Chapter 4. Combined with the other amendments in this Schedule, this repeals the option of requesting publication of a design without registration.

Item 26, 27

[s 60]

145. These items remove references to “publication” in subsection 60(4) as a consequence of the repeal of the option for publication of a design application by this Schedule.

146. These items also clarify the wording of subsection 60(4), as a consequence of the repeal of section 36 by item 19 of this Schedule, and the addition of new subsection 35(5) to simplify the process of requesting registration of two or more designs in the same application at different times. Currently, where a design application is made disclosing more than one design, subsection 60(4) prevents the publication of any part of that application in respect of a design that has not been registered. The clarification ensures that if the design is later registered, the prohibition in subsection 60(4) will no longer apply and the portions of the application relating to that design must be made publicly available.

Item 36: Application provisions

147. This item provides for the circumstances in which the amendments in this Schedule apply.

148. Existing section 23 makes special provision for design applications (‘further applications’) to be filed in respect of designs excluded from an earlier application (‘initial application’). Paragraph 23(1)(d) provides that in order for an applicant to file a further application under section 23, none of the designs in their initial application may have been registered or published.

149. Subitem 36(1) provides that the amendments to section 23 made by this Schedule apply to initial applications filed on or after commencement. For initial applications filed before commencement, the existing section 23 will continue to apply.

150. The effect of this is that where an initial application is filed before commencement, it will be possible that designs in it will be published under Part 4 of Chapter 4, whether before or after commencement. Subitem 36(1) ensures that, in that case, despite the repeal of the publication option, it will not be possible to file an application under section 23, since the existing section 23 will continue to apply to the relevant initial application.

151. Subitem 36(2) provides the general rule. The changes listed in subitem 36(2) provide for the removal of the publication option and other streamlining measures. They apply to design applications filed on or after the commencement of the item.

152. It follows that design applications filed before commencement that have not been either registered or published at commencement will be subject to the current system. In particular, publication may still be requested, and if no request is filed in the prescribed period, the applications will lapse.

Schedule 4 – Relief from infringement before registration

Introduction

153. This Schedule amends the Designs Act to correct an anomaly in the Act that means relief for “innocent” infringers has not been available between filing and registration. It reduces the risk to competitors of infringing a design that they could not have found on the Register, because it was not yet published.

154. The Designs Act currently provides some relief for ‘innocent infringers’. Existing subsection 75(2) allows a court to provide discretionary relief from damages or an account of profits. To be eligible for relief, the infringer must show they were not aware the design was registered at the time of infringement. In addition, primary infringers¹⁹ must demonstrate they had taken all reasonable steps to ascertain whether the design was registered. Secondary infringers must instead show they could not reasonably have been expected to know the design was registered.

155. While infringement actions may only be brought in respect of registered designs, the period for which relief is available is the entire term of registration,²⁰ which dates back to the filing date of the application first disclosing the design.²¹ However, the existing innocent infringer relief is not available for infringement between filing and registration.²²

156. This causes a problem because a design only becomes publicly available after it is registered.²³ This can be nine months or more after the filing date (six months to request registration and then another three months or more may be required to resolve any formality issues). Accordingly, a third party who happens to begin use of that design (or a substantially similar one) during this period may infringe the design registration, even though it was not publicly available and there was, therefore, no way that due diligence could have uncovered the risk of infringement.

157. As noted in the discussion of Schedule 2 above, the general grace period in Schedule 1 will likely result in some costs to third parties. It may introduce uncertainty into the market, as third parties are unable to predict if a published design will later be registered. In addition, the simplified process in Schedule 3 may facilitate applicants receiving later registrations (relative to their filing dates).

158. This Schedule therefore extends innocent infringer relief so that it is available for infringement between filing and registration. To be eligible for relief, an infringer must show they did not know, and could not reasonably be expected to know, of the application disclosing the infringed design.

159. The changes here are intended to reduce third party uncertainty and complement those in Schedule 2. Third party use that occurs before the priority date is protected by the prior use infringement exemption in Schedule 2. The changes here mean innocent third-party use between the filing date and registration may not result in the award of damages or an account of profits.

¹⁹ Primary infringement and secondary infringement are defined in s 75(5).

²⁰ *Designs Act 2003*, s 71(1).

²¹ *Designs Act 2003*, s 46(1).

²² *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd* (2008) 166 FCR 358; [2008] FCA 74 at [45].

²³ *Designs Act 2003*, s 60.

160. Importantly, however, the changes here differ from Schedule 2 in that a party who uses a design during the period between filing and registration does not obtain an ongoing infringement exemption. This could unfairly curtail the period of protection for the design owner. Instead, the ‘innocent’ infringer defence will no longer apply as soon as the infringer is put on notice of the existence of a design application for the relevant design, either through publication by the Registrar, (although the existing defence under subsection 75(1) may still apply) or notification by the applicant.

161. For example, if a designer were to file an application for registration of the design, then display the design at a show or exhibition before its registration, a third party may have no way of knowing that the design may be protected. However, if the display is accompanied by a notification that the designer has applied to IP Australia for design registration then third parties who see the design at the show could reasonably be expected to be aware of the application for registration, and the innocent infringer defence is unlikely to apply.

162. The changes in this Schedule do not affect when an infringement action may be commenced. That can only occur after a design has been examined under Chapter 5 and a certificate of examination has been issued.²⁴

Designs Act 2003

Item 1: After subsection 75(1)

[s 75]

163. This item adds a new subsection 75(1A), which provides relief where infringement has occurred before the date on which the design was registered.

164. In order to be eligible for relief, the defendant must establish that, at the date of the infringement, both that:

- They were not aware of the application for the infringed design; and
- They could not reasonably have been expected to be aware of the application for the infringed design.

165. If infringement has taken place, the onus will be on the defendant to demonstrate that the defence applies.

166. Unlike subsection 75(2), it is not necessary, even in the case of “primary” infringement,²⁵ that the defendant show they had taken all reasonable steps to locate the application. This is because before registration of the design, the application is not publicly available,²⁶ and so often there will be no reasonable steps that could be taken to identify the application.

167. However, where the defendant has conducted a search of the Register of Designs in an effort to take all reasonable steps to identify a *registration* of the infringed design, this is likely to be

²⁴ *Designs Act 2003*, s 73(3).

²⁵ For “primary infringement”, see s 75(5).

²⁶ See ss 60 and 61.

strong evidence that the defendant could not reasonably have been expected to be aware of the application for the infringed design.

168. On the other hand, if the applicant has taken steps to bring its application to the attention of the defendant, it may be difficult for the defendant to show they could not reasonably have been expected to be aware of the application for the infringed design.

169. As with relief under subsection 75(2), any relief for the defendant is discretionary, and, if granted, may take the form of the court refusing damages, reducing the amount of damages that would otherwise be awarded, or refusing to make an order for an account of profits.

Item 2: Before subsection 75(2)

[s 75]

170. This item adds a sub-heading to subsection 75(2), to improve the clarity of section 75.

Item 3: Subsection 75(2)

[s 75]

171. This item amends subsection 75(2), which provides relief from infringement, so that it clearly only applies to infringement that occurs on or after the date on which the design is registered.

172. Relief for infringements that occur before the date on which the design is registered is to be available under new subsection 75(1A), as discussed in item 1 above.

173. The Federal Court has previously held that, given its wording, the relief in subsection 75(2) is only available where the design was in fact registered at the time of infringement.²⁷ The amended subsection 75(2) will make this temporal limitation explicit.

Items 4 – 6: Sub-headings

[s 75]

174. These items add sub-headings to subsections 75(3), (4) and (5), to improve the clarity of section 75.

Item 7: Application provision

175. This item provides for the circumstances in which the amendments in this Schedule apply.

176. The provisions apply only in respect of infringement of registered designs that were filed on or after commencement of this Schedule.

²⁷ *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd* (2008) 166 FCR 358; [2008] FCA 74 at [45].

177. The relief from infringement reduces, to some extent, the rights of the owner of a registered design right, and therefore to ensure fairness the relief will not apply to designs filed before commencement, even if infringement of those designs occurs after commencement.

Schedule 5 – Right of exclusive licensee to bring infringement proceedings

Introduction

178. This Schedule amends the Designs Act to allow an exclusive licensee of a registered design to commence a legal action against third parties for any alleged infringement of the registered design.

179. Currently, under subsection 73(1) of the Designs Act, a registered owner has standing to commence an infringement action, but no other person. If a registered owner grants a licence to another party to exploit the registered design, the licensee is unable to commence an infringement action. However, when an exclusive licence is granted, it permits the exclusive licensee to exploit the registered design to the exclusion of all others, including the licensor or registered owner.²⁸ In the case of other IP rights, an exclusive licensee (or similar person) does have standing to commence a legal action.²⁹

180. An inability to commence infringement proceedings hampers the ability of exclusive licensees to enforce the design rights that they have licensed. When an exclusive licence is granted, it is often because the registered owner resides outside of Australia. A foreign based owner may not be strongly motivated to assist in pursuing a local alleged infringer due to cost or administrative burden.

181. ACIP recognised this problem and recommended that the Designs Act be amended to include that infringement proceedings can be brought by an exclusive licensee.³⁰ The Government accepted that recommendation.³¹

182. This Schedule implements this recommendation by giving exclusive licensees standing to commence infringement proceedings under the Designs Act. It is appropriate that an exclusive licensee have this standing, because as the party with the exclusive right to exploit the design in Australia, the exclusive licensee will suffer the most harm from any infringement of that design.

Designs Act 2003

Items 1-2: Definition of exclusive licensee

[s 5]

²⁸ That is, an exclusive licensee has the right to exercise the exclusive rights contained in paragraphs 10(1)(a)-(e) of the *Designs Act 2003*. The exclusive licensee is an exclusive licensee even if they are not licensed to exercise the right contained in paragraph 10(1)(f).

²⁹ *Copyright Act 1968*, s 119; *Patents Act 1990*, s 120(1); *Trade Marks Act 1995*, s 26(1); *Plant Breeder's Rights Act 1994*, s 54(1).

³⁰ Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015, p 39 (Recommendation 18h).

³¹ Australian Government, *Government response - ACIP Review of the Designs System*, May 2016, (Recommendation 18h)

183. Items 1 and 2 amend section 5 by inserting a new definition for an exclusive licensee and inserting a new section 5B which describes in detail the meaning of an exclusive licensee.

184. New subsection 5B(1) defines an exclusive licensee as a licensee who has been granted the same exclusive rights of the rights owner provided under paragraphs 10(a)-(e), to the exclusion of the registered owner (and all other persons).

185. New subsection 5B(2) provides that to meet the definition of an exclusive licensee under subsection 5B(1), a person need not have licenced the exclusive right under paragraph 10(1)(f) to authorise others to exercise the rights under paragraphs 10(a)-(e) to exercise these rights to the exclusion of the rights holder and all other persons.

Item 3: Section 70

[ss 70]

186. Items 3 amends section 70 (Simplified outline of Chapter 6) by inserting a reference to an exclusive licensee where the registered owner is mentioned in the provisions. This amendment ensures the simplified outline reflects the other amendments made by this Schedule.

Items 4-5: Section 71

[ss 71]

187. Items 4 and 5 amend subsections 71(1) and 71(2)(b) by inserting a reference to an exclusive licensee where the registered owner is mentioned in the provisions. These amendments ensure that, consistent with the definition of exclusive licensee provided in items 1-2 above, the actions that would otherwise infringe a registered design are not infringements if they are done with the licence or authority of an exclusive licensee of the registered design.

Items 6-7, 9: Section 72

[s 72]

188. Items 6-7 and 9 amend subsection 72(2) to clarify the provisions relating to the repair defence provided under section 72. The repair defence specifies that a person does not infringe a registered design under certain circumstances where the use or authorisation of a product is for the purpose of repair of a product embodying that registered design.

189. The amendments provide that the person who uses or authorises another person to use a product for the purposes of a repair should be referred to as the ‘first person’ in subsection 72(2) so as to avoid any confusion with other relevant parties as a result of the amendments made by items 4-5 and 8 of this Schedule.

Item 8: Subsection 72(2)

[s 72]

190. Item 8 amends subsection 72(2) to remove the reference to the registered owner, and replace it with a reference to ‘the person bringing the infringement proceedings’. This reflects the amendments made by items 10 and 11 of this Schedule to allow an exclusive licensee to bring

infringement proceedings, and ensures that an exclusive licensee has the same obligations imposed on a registered owner-plaintiff in any court proceedings where the repair defence is raised.

Items 10-11: Section 73

[s 73]

191. These items amend subsection 73(1) and insert new subsections 73(2A) and 73(2B) to allow an exclusive licensee to bring infringement proceedings, and provide additional requirements for the proceedings. These requirements are modelled on the provisions of other IP rights that allow exclusive licensees to bring infringement proceedings (for example, subsections 120(2) and 120(3) of the Patents Act).

192. Item 10 amends subsection 73(1) by inserting a reference to an exclusive licensee where the registered owner is mentioned in the provisions. This amendment enables an exclusive licensee to have the same standing as the registered owner in the context of infringement.

193. Item 11 inserts new subsections 73(2A) and 73(2B). Subsection 73(2A) specifies that if an exclusive licensee commences an action for infringement, the licensee must make the registered owner a defendant in the proceedings, unless they are joined with the exclusive licensee as a plaintiff. By doing so, it puts the registered owner on notice that an infringement proceeding has commenced in relation to the registered design, and gives the registered owner an opportunity to answer any of the claims raised in the proceedings.

194. Subsection 73(2B) provides that if a registered owner is joined as a defendant, they should not be liable for costs unless they enter an appearance and take part in proceedings. Joining the registered owner to an infringement proceeding serves to notify the owner of the alleged infringement and provide them with an opportunity to take part in the proceedings. However, the registered owner should not be disadvantaged by additional costs if the proceedings were commenced by an exclusive licensee.

Item 12: Subsection 73(3)

[s 73]

195. Item 12 amends subsection 73(3) by removing the term ‘however’ to simplify the language used in this subsection.

Item 13: Application and transitional provisions

196. This item provides for the circumstances in which the amendments in this Schedule apply.

197. The infringement provisions apply to registered designs regardless of their priority or filing date. However, the provisions increase the protection provided to exclusive licensees of registered designs, so it is not equitable that they apply in respect of conduct that took place prior to the commencement of this Schedule. As such, exclusive licensees may only seek relief for infringing conduct that occurs after commencement.

198. Subitems 13(1) and 13(3) provide that the amendments to sections 71 and 73 will apply to infringement actions where the alleged infringing conduct occurs on or after commencement. This

means that exclusive licensees will not be able to commence infringement proceedings in relation to conduct that occurs prior to commencement of this Schedule.

199. Subitem 13(2) provides that the amendments to section 72, relating to the burden of establishing that the repair defence does not apply to an alleged infringing act, only apply to infringement proceedings brought on or after commencement. This reinforces the fact that prior to the commencement of this Schedule only the registered owner can bring infringement proceedings against a third party. As a result, exclusive licensees do not have to deal with the consequences of subsection 72(2) prior to commencement.

200. Subitem 13(4) provides that where the alleged infringing conduct occurs before and after commencement, the infringement proceedings are still able to be brought by an exclusive licensee, but relief may only be granted in respect of the conduct that took place on or after commencement. This covers the situation where the alleged infringing conduct may have occurred over a period of time prior to the commencement of this Schedule, but has continued past this date, and will allow an exclusive licensee to seek relief in relation to the alleged infringing acts post commencement.

Schedule 6 – Formal Requirements

Introduction

201. This schedule amends the Designs Act to repeal the formal requirements for design applications from the Designs Regulations, and instead empowers the Registrar to determine the formal requirements for design applications by a non-legislative instrument.

202. If registration of a design is requested, under sections 39 and 40 of the Designs Act the design must meet a formalities check before registration can take place. Currently the content of the formalities check is set out in the Designs Regulations which includes that the application substantially complies with the formal requirements set out Schedule 2 of the regulations.

203. Schedule 2 sets out the formal requirements which are largely based on a paper filing system. However, 99% of design applications filed with IP Australia are received electronically. Consequently, aspects of Schedule 2 are outdated, and are no longer fit for purpose as they are irrelevant to modern electronic filing practices.

204. Prescribing formal requirements in the regulations also limits IP Australia's flexibility to update the formal requirements as technologies change, which has contributed to the requirements becoming outdated.

205. The amendments will address these issues to enable the formal requirements to be more readily updated and kept up to date as technology advances, and will give greater flexibility to the Registrar to manage design filings in a manner that meets the needs and expectations of design applicants.

206. An analogous change was made in the Patents Act and Patents Regulations in the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018*.³²

Designs Act 2003

Items 1 and 2: Compliance with formalities

[ss 39, 40]

207. These items insert new paragraphs 39(2)(aa) and 40(2)(ca) as a consequence of the amendments made by item 4 of this Schedule. The new paragraphs require that as part of a formalities check for registration of a design, that the Registrar must determine if the design application complies with the formalities determined by the Registrar in a non-legislative instrument made under new section 149A.

Item 3: Subsection 144B(2)

[s 144B]

³² See Part 7 of Schedule 2 to the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018*.

208. This item repeals subsection 144B(2) to create additional flexibility for the Registrar to make general document filing rules. Subsection 144B(1) empowers the Registrar to give written directions specifying the form in which a document is to be filed under the Designs Act or Regulations. Subsection 144B(2) specifies that this power does not extend to documents that are required, under the regulations, to be in an ‘approved form’ as defined in subregulation 1.04(1).

209. The directions to be issued under subsection 144B(1) are high level rules about how documents are to be filed. Even where an “approved form” has been issued by the Registrar, the electronic file format rules should still remain the same in many cases.

210. The repeal of subsection 144B(2) will extend the Registrar’s power to determine the formal requirements to include general provisions that apply to all documents, including approved forms, so that applicants need only to refer to a single source of rules. This will help provide clarity about filing requirements for designs applicants.

Item 4: At the end of Part 6 of Chapter 11

[Part 6 of Chapter 11]

211. This item inserts new section 149A, to allow the Registrar to determine the formal requirements that a designs application must comply with for the purposes of a formalities check under sections 39 and 40.

212. Subsection 149A(1) empowers the Registrar to make a written determination for the purposes of a formalities check under paragraphs 39(2)(aa) and 40(2)(ca) and any provision of the regulation referring to section 149A.

213. Subsection 149A(2) requires the Registrar to publish a notice setting out the determination in accordance with the requirements of the Design Regulations.

214. Subsection 149A(3) is included to assist readers, as it clarifies that a determination made under subsection 149A(1) is not a legislative instrument for the purposes of the *Legislation Act 2003*.

Item 5: Application provision

215. This item provides for the circumstances in which the amendments in this Schedule apply.

216. The amendments made to sections 39 and 40, which relate to the formalities check provisions, only apply to design applications filed on or after commencement. This ensures procedural fairness for design applications filed before commencement but for which registration, and therefore a formalities check, takes place after commencement will be subject to the formality requirements that were in place at the time of filing.

Schedule 7 – Other amendments

Part 1: Standard of the informed user

Introduction

217. This Part amends the Designs Act to clarify the standard of the ‘informed user’. This standard creates a notional person, the ‘informed user’, whose characteristics are used by an examiner, a hearing officer, or a court to assess factors affecting whether one design is substantially similar in overall impression to another. The relevant legal question therefore becomes whether the ‘informed user’ would consider that those designs are substantially similar. The question of substantial similarity in overall impression is relevant to both design registrability and infringement.

218. Currently, there are two approaches to the ‘informed user’ standard which have emerged in the Australian case law.

European approach

219. This approach adopts case law interpreting the European standard of the ‘informed user’. It requires identifying potential ‘users’ of the product to which the design relates first, and then selecting users from that group who are ‘informed’ as to the product to which the design relates to. It is essential that the persons involved must be *users*.³³

Multisteps approach

220. This approach considers that the language of the Designs Act in Australia is significantly different to that used in the European Union law. Specifically, the expression ‘standard of the informed user’ is merely a label in the Designs Act, and the standard itself is ‘a person who is familiar with the product to which the design relates, or products similar to the product to which the design relates’. This approach does not require a person to be a user of the product (or similar product) to which the design relates. The person need only be *familiar* with the product.³⁴

Summary of proposed changes

221. While more recent case law suggests the *Multisteps* approach is the correct one, the European approach has never been authoritatively rejected. The ACIP report noted the Law Council of Australia (LCA) IP Committee’s concern on the need to clarify section 19 to provide more guidance and recommended that the LCA’s suggested revisions to the standard of the informed user be considered.³⁵

222. The uncertainty regarding the correct approach creates litigation risk when developing expert testimony and calling witnesses. As there is a limited volume of designs litigation, it may be many years before an appellate court confirms the correct approach to the interpretation of the standard of the informed user. Explicitly adopting the *Multisteps* approach will remove this

³³ For example, *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* (2008) 173 FCR 450; [2008] FCA 1588.

³⁴ *Multisteps Pty Ltd v Source & Sell Pty Ltd* (2013) 309 ALR 83; [2013] FCA 743 at [63].

³⁵ Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 2015, pp 25-26.

uncertainty and avoid unnecessarily restricting the range of expert witnesses that could be called to provide an expert testimony.

223. The amendments clarify that the standard does not require that the person be a *user* of the products in question, consistent with the concept elucidated by the *Multisteps* approach. Instead, the standard is that of a person who is *familiar* with the product, or products similar to that product. The changes emphasise that the standard imposed is not higher than familiarity or limited by how that familiarity is acquired. Familiarity may be gained through use, but the standard does not require that the notional person be a user of the products in question. The changes make it clear that the intended standard is to be flexible enough to incorporate where relevant the views of consumers, experts, specialists, and skilled tradespersons.

Designs Act 2003

Items 1 and 2: Subsection 19(4)

[s 19]

224. Items 1 and 2 amend subsection 19(4) to clarify the standard applied when a person (an examiner, a hearing officer or a court) assesses whether a design is substantially similar in overall impression to another design using the criteria outlined by subsections 19(1), (2) and (3).

225. Item 1 inserts a new label of the standard as ‘the familiar person’ to clarify that the standard is not to be higher than familiarity. Item 2 removes the existing label to the ‘standard of the informed user’ and replaces this with a description of the intended approach to make it clear that the informed user does not have to be an actual user of the product in question.

Items 3 and 4: Subsection 72(4) and 72(5)

[s 72]

226. These items amend section 72 to clarify the standard applied in determining eligibility for the repair defence.

227. Section 72 provides a defence against infringement (repair defence) whereby otherwise infringing acts do not infringe a registered design if the acts are for the purpose of repairing a complex product so as to restore its overall appearance, in whole or in part. When assessing whether an act to repair a product is covered by the repair defence, subsection 72(3) requires that the repair must be such that the overall appearance of the complex product after the repair must not be materially different from its original appearance. Further to this, current subsection 72(4) requires that in determining whether an appearance is ‘materially different’, a court must apply the ‘standard of the informed user’.

228. Item 3 amends subsection 72(4) to clarify that, consistent with the amendments made by items 1 and 2 above, the standard for this assessment does not require that the person be a *user* of the complex product (or similar product). Instead, the standard to be applied is simply whether a person who is *familiar* with the complex product, or products similar to that product, would consider that the appearance of the repaired product is not materially different from the original product.

229. Item 4 amends subsection 72(5) to repeal the definition of the standard of the informed user as the new definition of a user familiar with the product has been moved to subsection 72(4).

Item 5: Application provisions

230. This item provides for the circumstances in which the amendments in Part 1 of this Schedule apply.

231. Subitem 5(1) provides that the amendments of section 19 concerning the standard of ‘the familiar person’ will apply to design applications filed on or after commencement when assessing whether a design is substantially similar in overall impression to another design. It follows that design applications filed before commencement will continue to be subject to the current definition of the ‘standard of the informed user’. This ensures procedural fairness, as design applications filed before commencement will be subject to the current system by having only to comply with the standard in place at the time of filing.

232. The familiar person standard will also apply to an application for excluded designs filed under section 23. The effect will be that an application filed under section 21 before commencement (the initial application) will continue to apply the current standard when assessing substantial similarity. However, an application filed after commencement for an excluded design from that initial application would apply the new, clarified standard of the familiar person when assessing substantial similarity, although both the initial application and application for the excluded design will share the same priority date. This will clarify that the standard applied is determined by when a design application filed, rather than the type of design application being filed.

233. Subitem 5(2) provides that the amendments of section 72 concerning the standard of a person who is familiar with the complex product (or similar products) will apply to designs that are registered on or after commencement when assessing eligibility for the repair defence. It follows that assessment of eligibility for the repair defence for infringement of designs registered before commencement will continue to be subject to current definition of the ‘standard of the informed user’. This ensures procedural fairness, as owners of designs registered before commencement will not have their rights in respect of infringement changed after that registration.

Part 2: Revocation of registration of design

Introduction

234. This Part amends the Designs Act to clarify the circumstances when a registered design can be revoked, to ensure greater certainty and procedural fairness.

235. Under subsection 93(1), any person can apply to a prescribed court for an order to revoke a registered design based on certain grounds. As with other legal proceedings relating to registered designs, revocation proceedings cannot be brought until the design has been examined and a certificate of examination has been issued (see subsection 93(2)).

Revocation for fraud or false suggestion

236. Current paragraph 93(3)(d) provides that the registration of a design may be revoked if the registration of the design was obtained by an act of fraud, false suggestion or misrepresentation. Acts of fraud, false suggestion or misrepresentation could equally occur at other stages of the registered design process, including during certification of a design, where the Registrar must report on the newness and distinctiveness of a design, and give the registered owner the opportunity to respond to grounds for revocation and make amendments.³⁶

237. ACIP recommended³⁷ that the ground of revocation on the basis of fraud, false suggestion or misrepresentation contained in subsection 93(3) of the Designs Act be extended to, for example, relevant acts committed during certification of a design, and not just at registration. The Government accepted this recommendation in its response to the ACIP review.³⁸

238. This Part implements that recommendation, making it clear that all relevant acts of fraud, false suggestion or misrepresentation are grounds for revocation of a registered design.

Revocation for lack of entitlement

239. Section 13 of the Designs Act identifies who is the first owner of a design before registration and therefore entitled to apply for the registration of that design. If a dispute arises regarding entitlement to own after a design has been examined and certified, a person can seek revocation of a registered design on the grounds that one or more registered owners is not an entitled person, by making an application to a prescribed court under section 93 of the Designs Act.

240. While the current provisions for revocation due to lack of entitlement under subsection 93(3) of the Designs Act appear to be permissive, jurisprudence relating to equivalent provisions in the Patents Act (prior to their amendment by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012*) suggests it would not be interpreted as a discretion.³⁹

³⁶ *Designs Act 2003*, s 65 and s66.

³⁷ Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015, p 39.

³⁸ Australian Government, *Government response - ACIP Review of the Designs System*, May 2016.

³⁹ *Conor Medsystems, Inc. v The University of British Columbia (No 2)* [2006] FCA 32 at [22].

241. ACIP recommended⁴⁰ that courts should have a discretion, similar to that available under section 138 of the Patents Act, to refuse to revoke a design registration on the basis of entitlement.⁴¹ Specifically, paragraph 138(3)(a) of the Patents Act states that a court may revoke a patent on the basis “that the patentee is not entitled to the patent”. Section 138 is then qualified by subsection 138(4) which provides the court with the discretion to refuse revocation as a result of lack of entitlement. The Government accepted the recommendation.⁴²

242. This Part implements that recommendation, giving the court discretion not to revoke a design, and providing a standard for the court to consider when applying its discretion.

Designs Act 2003

Item 6: Paragraph 93(3)(d)

[s 93]

243. This item amends paragraph 93(3)(d) to extend the ground of revocation on the basis of fraud, false suggestion or misrepresentation to relevant acts committed during certification of a design and not just registration.

244. The amendment extends the court’s power to revoke a design registration based on acts of fraud, false suggestion, or misrepresentation beyond the time of registration, to include relevant acts during examination or certification.

Item 7: After subsection 93(3)

[s 93]

245. This item inserts a new subsection 93(3A) that clarifies that a court can only refuse to revoke a design registration on the basis of lack of entitlement of one or more registered owners if it is just and equitable to do so. This standard is suitable for entitlement and ownership issues since errors in entitlement are often no more than an honest mistake by the designers and applicants. If the ground for revocation on the basis of entitlement is made out and the court chooses to revoke registration, it can make an order under subsection 53(2) to declare another person an entitled person.

246. This approach is consistent with that taken in the patents legislation. The effect of this amendment is that the default remedy for a defect in entitlement is not revocation of the design. If the correctly entitled persons are available and willing to be recorded as the designers and have acted in good faith, the intention is that the design would not be revoked. In this situation, a declaration of who is entitled to the design and an order for the rectification of the Register under section 120 would be more appropriate.

⁴⁰ Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 2015, p 38 (Recommendation 18c).

⁴¹ Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016, p 8 (Recommendation 18c).

⁴² Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016 (Recommendation 18c).

Item 8: Application provision

247. This item provides for the circumstances in which the amendments in Part 2 of this Schedule apply.

248. The amendments made by this Part apply to applications for a court order to revoke a design registration made on or after commencement, regardless of whether the design was filed or registered before or after commencement. This is appropriate because the basis of revocation for either of these grounds relates to how the right for protection is obtained. A certification that is obtained by fraud invalidates the certificate of examination, which should not have been issued in the first place. This allows the court to ensure that a certification that should never have been issued can be revoked.

249. The provisions provide procedural fairness, as applications for a court order to revoke a design registration made before commencement will be subject to the current system, where compliance is based on the criteria in place at the time an application is made for a court order.

Part 3: Renewal of registration of design

Introduction

250. This Part clarifies the status of registered designs that are renewed during the renewal grace period available under the Designs Act.

251. The registration of a design ceases after five years from the filing date, or 10 years from the filing date if renewed within the prescribed period (see section 47, and subsections 46(1) and 48(2) of the Designs Act). The prescribed period to apply for renewal is within five years and six months of the filing date (see subsection 47(2) of the Designs Act and regulation 4.09(1) of the Designs Regulations). The six-month period after the initial five-year term of registration for paying a late renewal fee is also known as the renewal grace period. A six-month grace period for renewal payments is a requirement under the Paris Convention for the Protection of Industrial Property, to which Australia is a signatory.

252. The status of a design registration during the grace period for payment of the renewal fee is uncertain. It is not clear whether it is to be treated as registered or ceased. Under section 140 of the Designs Act, infringement proceedings cannot be brought in respect of an infringement that was committed between a design application lapsing or registered design ceasing, and the day it is restored. It is therefore unclear if third parties are protected from infringement proceedings during the renewal grace period if the renewal fee has not been paid by the registered owner.

253. ACIP recommended⁴³ that the status of a design right during the grace period for late payment of the renewal fee be clarified as proposed in IP Australia's streamlining proposals in 2015⁴⁴, which included alignment with other IP rights. The Government accepted this recommendation in its response to the ACIP review.⁴⁵ However, IP Australia postponed several streamlining proposals and the status of the other IP rights during the renewal grace period continues to be treated differently.

254. These amendments clarify and resolve the uncertainty over the status of design registration in the period after the five-year anniversary date and before the date renewal is made in the renewal grace period.

Designs Act 2003

Item 9: Section 47

[s 47]

255. This item inserts a new subsection 47(4) to clarify that a registered design does not cease in the period occurring after the renewal anniversary date and before the date renewal occurs during the renewal grace period unless the design registration is not renewed by the end of the prescribed renewal period under paragraph 46(1)(a).

⁴³ Advisory Council on Intellectual Property, [Review of the Designs System](#), Final Report, March 15, p 38 (Recommendation 18i).

⁴⁴ [Public Consultation: Proposals to streamline IP processes and support small business](#), February 2015, pp 7-12.

⁴⁵ Australian Government, [Government response - ACIP Review of the Designs System](#), May 2016 (Recommendation 18i).

256. If a design owner pays the renewal fee during the renewal grace period, the registered design remains in force and does not cease. Failure to pay the renewal fee within the grace period would result in the design registration ceasing on the anniversary date, not on the expiry of the grace period. Consequently, the renewal fee must be paid within the renewal grace period for design owners to bring infringement proceedings against acts of infringement committed during the renewal grace period. The operation of section 140 to protect third parties from infringement proceedings would not apply, as the design registration is treated as having always been in force.

257. As a result, if renewal fees have not been paid by the design owner, third parties would have to assume the design registration remains live during the renewal grace period and wait for the renewal grace period to end before they can be certain that the design cannot be infringed. This is consistent with the way registrations within the renewal grace period are currently shown on the Register as ‘registered – in grace period’. It is also consistent with the treatment of granted patents during the renewal grace period for patents under section 143 of the Patents Act and regulation 13.6 of the Patents Regulations.

258. However, section 140 would apply where an application for an extension of time has been allowed under section 137 and the design registration is consequently *restored*, to protect the rights of third parties or competitors who may have changed their position on the assumption that the design is no longer protected.

Item 10: Application provision

259. This item provides for the circumstances in which the amendments in Part 3 of this Schedule apply.

260. The amendments made by this part apply to a registered design where the five-year term of registration (five years from the filing date of the design application where it was first disclosed) ends on or after commencement. The changes will apply to an application for renewal of the registration of the design made before, on or after commencement. This will ensure that the design will remain actively registered throughout this period if an application for renewal is made before commencement and is not processed until after commencement, but before the renewal anniversary date. The changes will provide clarity and certainty to third parties and design owners by confirming the existing practice applied to registered designs within the renewal grace period.