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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

DESIGNS BILL 2002

EXPLANATORY MEMORANDUM

(Circulated by authority of the Parliamentary Secretary to the Minister for Industry,
Tourism and Resources, the Hon Warren Entsch MP)

DESIGNS BILL 2002

OUTLINE

The purpose of this Bill is to introduce new designs legislation to replace the *Designs Act 1906*.

The Bill derives from an exposure draft of the Designs Bill 2001, which the Government released and invited public comment on in May 2001. This exposure draft incorporated changes to the designs legislation implementing the Government's response to the 1995 report of the Australian Law Reform Commission Report No. 74, *Designs*.

The proposed changes to the design system include a more streamlined registration system, better enforcement and dispute resolution procedures, stricter eligibility and infringement tests and clearer definitions.

To ensure effective competition in the spare parts market, the Government is excluding spare parts from design protection. The Bill will still allow registration of designs of component parts of complex products, but this will be subject to a 'right of repair' exemption that provides a complete defence against infringement when design registered parts are used (including manufacture and supply) for repair purposes. The use of design registered parts for non-repair purposes would, however, be an infringement of the registered design. This approach recognises that component parts of a complex product can either be used as original equipment or as spare parts, and seeks to strike a balance between providing an incentive for creative activity in design and enabling competition in the spare parts market. It will provide protection for original equipment use by allowing new and distinctive designs of component parts of complex products to be registrable. However, where design registered component parts are used as spare parts for repair or replacement purposes there would not be an infringement.

FINANCIAL IMPACT STATEMENT

The agency that will implement and administer the new designs registration system, IP Australia, operates on a full cost recovery basis so the implementation and administration of the new designs system will be paid for by its users.

REGULATION IMPACT STATEMENT

OBJECTIVES

1. The purpose of the industrial designs system is to encourage innovation by giving designers the exclusive right to exploit their designs for a limited time and prevent competitors free-riding on design innovations. By providing an accessible register of existing designs it also assists the dissemination of the creative ideas of designers which benefits the community as a whole and stimulates further creative activity. The industrial designs registration system protects the appearance of articles, rather than their function. In contrast, the patent system promotes and rewards innovation by giving patentees exclusive rights relating to devices, substances, methods or processes that have a use or function. Thus articles which are innovative because of their visual appearance would qualify for protection under the designs registration system, but not under the patent system.
2. In light of industry concerns with the designs system, the Australian Law Reform Commission (the commission) reviewed the *Designs Act 1906* (The Act) and published its final report in August 1995. It found the designs system provided ineffective protection with registration being too easy to obtain and infringement being too difficult to prove. The 1995 report recommended the government improve the designs system by providing clearer definitions, stricter eligibility and infringement tests, a more streamlined registration system and better enforcement and dispute resolution procedures.
3. The proposed Government response accepts the bulk of the recommendations and is intended to provide a simple, cost effective designs system that provides Australian designers with more effective rights.
4. One of the key issues is whether the Registrar of Designs (the Registrar) should continue to accept applications for spare parts for complex goods, such as motor vehicles, under the designs system. The 1995 report recommended the Registrar refer potentially anti-competitive designs to the Australian Competition and Consumer Commission (the ACCC) who could refuse registration if it found the designs anti-competitive. This issue is considered separately in paragraphs 27 to 91.

OPTIONS AND ASSESSMENTS

5. There are five basic options.
 - (a). Abolish the designs system, so that Australian designers could not protect their designs under a Designs Act but could, to a certain extent, protect particular designs using copyright.
 - (b). Repeal the designs legislation and implement a designs system administered by industry through self-regulation.
 - (c). Retain the existing designs system unchanged.

- (d). Adopt the 1995 report's recommendations for modifications to the designs system.
- (e). Adopt the proposals for a new designs system as set out in the response to the 1995 report's recommendations.

6. The industrial design registration system acts to help designers better protect their innovative design activity from free-riders. By enabling them to better capture the benefits of their innovative designs it helps to ensure an optimal level of design activity. This also means consumers will have access to more innovative and better designed products. As registered designs are published the system also encourages the dissemination of design ideas. This would not occur under option (a). A significant proportion of those who seek design protection are individual designers or small companies and thus might fall into the category of small innovative firms. Adoption of option (a) would be detrimental to these small innovative firms who are in competitive industries. Option (a) would be inconsistent with the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) part of the World Trade Organisation Agreement. This requires Australia to maintain an industrial design registration system. Any breach of this agreement is likely to lead to trade sanctions.

7. The industrial designs system, as with all other types of intellectual property, is a right granted by government as a reward for innovative effort. As such, industry self-regulation as proposed by option (b) is not feasible. However, in order to eliminate its direct involvement in administering the designs system, the government could take one of two approaches to establish a self-regulated design industry. These are: encourage industry to set up a body to maintain a register of designs; or replace the design registration system with an unregistered design right. A body set up by industry to administer a register is not a viable proposal as it is not possible to identify an Australian 'design industry' *per se*. The Registrar accepts an extremely diverse range of products including light fittings, bicycles, extrusions, farm machinery, textiles, toys, fashion garments and statues from applicants involved in a variety of industrial sectors. Another complicating factor is that private individuals file almost half of all design applications. In addition, the government has administered the existing designs system since 1907. Dismantling the public sector system and replacing it with an industry administered scheme would offer users no additional benefits and the costs would be prohibitive. An unregistered design right would eliminate concerns users have with the registration system including the cost and inconvenience of delay in obtaining registration. Under such a system, designs would receive automatic protection no matter their form, function or degree of novelty. However, despite the advantages an unregistered design right has over a conventional registration system it has its own particular problems. It introduces uncertainty for users of the designs system. An unregistered design right will make it more difficult for users to discover whether or not a design is in the public domain. Another issue is proof of ownership. It may be difficult for a design owner to sell, licence or mortgage an unregistered design because it does not clearly define the owner and the limits of the design right. A problem common to both self-regulation proposals is they may prevent Australian designs from receiving protection in other countries under the

Paris or Berne Conventions. For this reason and those discussed above, it would not be in Australia's interests to abandon the design registration system.

8. Industry's concerns with the current designs system led to the review of this system. Designers and manufacturers consider the designs law has not kept up with changes in the scope of their activities. Design is also an integral part of manufacturing and marketing of products but the law tends to treat it as a minor cosmetic aspect. This has been a source of dissatisfaction over many years. The current system also does little to prevent free-riding, because of the low threshold and inadequate infringement test, and many design owners consider it is not cost effective. By adopting option (c) we would be ignoring local industry needs in not providing an effective designs system.

9. Option (d) would provide a simpler cost effective and more certain designs system. It substantially addresses industry concerns and the commission finding that the current system provides ineffective protection. Indeed, the proposed legislation (option (e)) implements the vast majority of the commission's 188 recommendations.

10. Option (d) will implement a new higher threshold test for designs. Currently the threshold requirement is that a design must be either new or original. The current test has proved unsatisfactory because the meaning of the originality test is uncertain and the interpretation of the newness test has led to dissatisfaction because even very minor alterations have been held to constitute a new design.

11. The new threshold test will be a two step test; namely, a design will not be registrable unless it is both new and distinctive. The requirement for a design to be new will be a filter to eliminate identical designs. The term 'distinctive' is intended to require greater differentiation than at present from previously published or used designs. The test of whether a design is distinctive will be one of substantial similarity in overall impression. This test will provide that minor or insignificant changes to a design are irrelevant if the overall impression remains one of substantial or significant similarity.

12. The infringement test will be consistent with the definition of distinctive — if another design is used that is substantially similar in overall impression to a registered design that use will be an infringement. This infringement test is clear and simple and will help to ensure that design rights are enforceable.

13. The threshold for registration will also be raised by expanding the prior art base, which is the body of publicly available information that a design is compared with to determine whether or not it is new and distinctive. Currently, the prior art base consists of information about designs that have been published or used in Australia. Under the new designs system all applications for design registration will be assessed against designs used previously in Australia or published anywhere in the world. Expanding the prior art base means that a design will be compared against more information, thereby increasing the likelihood that the design is both new and distinctive.

14. Option (d) also implements a new streamlined system of post-registration examination. Currently, all design applications are substantively examined to ensure they meet the relevant statutory criteria. If accepted, they are then published and registered. However, examination is time consuming and expensive and, as only a small proportion of design registrations become subject to infringement concerns or litigation, it is not always necessary.

15. Under the new system design applications will only undergo a formalities check prior to being registered and published. This allows design owners to put their claims on the public record without the need to go through the costly substantive examination process. Substantive examination will only be undertaken if requested by the owner or any other person or if the Registrar decides to examine the design. If a third party requests examination, they may give the Registrar any information that is relevant to the decision of whether the design is new and distinctive.

16. If the Registrar finds that the design meets all the requirements of the legislation then a certificate of examination will be issued and the design will remain on the register. If not, it will be removed. A design owner may only take action to enforce their rights if a certificate of examination has been issued. Option (d) still has a number of shortcomings in particular, its proposed treatment of spare parts is not cost effective (see paragraphs 27 to 91), the overlap provision with copyright are uncertain and, the proposed 15 year term is too long. The 1995 report recommended the government reduce the maximum term of registration from 16 to 15 years. TRIPS provides a minimum registration for industrial designs of 10 years. As such it would not be in Australia's interest to provide a period of registration in excess of its international obligations as Australia is a net importer of intellectual property. The 'design/copyright overlap' means that some works may be registrable under the Designs Act, and also protected as 'artistic works' by copyright. The preferred option of the commission was to repeal sections 74-77 and 21(3) of the *Copyright Act 1968* (which it considered too complex) and introduce an 'adaptation right' which it believed simpler and clearer, yet retained the broad aims of those provisions. Replacing the existing overlap provisions with the proposed 'adaptation right' will not overcome the uncertainty of the boundary between designs and copyright protection. The proposed 'adaptation right' would be of uncertain application and could result in an unintentional increase in copyright protection.

17. Option (e) has the benefits of option (d) with a range of definitional improvements, better treatment of copyright/design overlap and a 10 year term.

IMPACT ANALYSIS

18. Detailed impact assessment has been only undertaken for option (c) status quo and option (e) proposed system. Options (a) and (b) are not considered viable. As discussed above Option (e) is largely based on Option (d) with a number of improvements.

19. The key impact groups are:

- (i) any Government Department or agency administering the designs registration system;
- (ii) designers including manufacturers or marketers of registered designs;
- (iii) consumers.

Option c: Retain the existing designs system unchanged

Assessment of Costs

- Government
On-going costs of responding to concerns about the current design registration system.
- Designers
Ineffective protection of designs reducing potential revenue and the incentive to design innovative products. Increased costs due to uncertainty and difficulty in proving infringement of registered designs.
- Consumers
A decrease in revenue for designers because of their inability to effectively enforce their design registration may lessen the incentive to create new designs reducing the number of innovative designs available to consumers. The low threshold for design registration may deter third parties from producing products lessening competition in the market.

Assessment of Benefits

- Government
Establishment costs would be avoided.
- Designers
Any establishment costs passed onto designers through increased IP Australia fees would be avoided.
- Consumers
Nil.

Option e: Adopt the proposals for a new designs system as set out in the response to the commission's 1995 report recommendations

Assessment of Costs

- Government
There would be costs associated with establishment of the new legislation and designs registration system. However, virtually all these would be borne by IP Australia which operates on cost recovery basis by charging fees for its services.

- Designers
Some fee increases may be passed onto those registering designs to meet establishment costs of the new registration system. This would be reduced by the advantages of the new system with, for example, optional examination and other protection options.
- Consumers
As the new design right would be stronger there may be scope for designers to increase prices. The extent of this would depend on other alternative goods available. The higher threshold tests would mean that only truly innovative designs could be protected, reducing the scope for price increases.

Assessment of Benefits

- Government
It would underpin the Government's objective of encouraging innovation
- Designers
Designers would benefit from being able to receive effective protection for their innovative designs. This would enable them to better capture the benefits of their designs leading to a more optimal level of design activity. As the higher threshold test would make it harder to register designs there should be greater certainty in the market for designers and third parties. The proposed administrative system with optional examination, lodgement and publication options should reduce costs for designers.
- Consumers
The greater incentive for designers should help increase the range of innovative products available to consumers. Only truly innovative products will receive protection, limiting the opportunities for products involving minimal innovative design to be registered.

CONSULTATIONS

20. The terms of reference of the review required the commission to consult with designers and manufacturers and any other persons the commission thought fit. In conducting the review the commission consulted with designers, manufacturers, patent attorneys, lawyers, and industry and interest groups in all States and Territories of Australia. Seminars were held in all capital cities, with the assistance of the Australian Academy of Design.

21. The commission published brochures and articles in industry newsletters outlining key issues in designs law. Separate consultations were held with manufacturers and companies that had been directly involved in designs litigation.

22. A survey of the design industry, canvassing about 1000 individual designers and manufacturers throughout Australia, provided a comprehensive picture of industry's views on the Act.

23. The review process also included consultation with relevant federal departments and agencies and considered protection afforded to industrial designs in other countries.

24. The commission sought written submissions on an issues paper and a discussion paper circulated prior to preparing the 1995 report. IP Australia has sought written submissions from all interested parties on the 1995 report and has conducted further consultation with interested parties in Sydney and Melbourne.

25. IP Australia released for comment an exposure draft of the legislation in May 2001.

IMPLEMENTATION AND REVIEW

26. IP Australia will modify the designs system through the introduction and passage of a designs bill and associated regulations. The Attorney-General will implement changes to the design/copyright overlap by amending the Copyright Act.

OPTIONS FOR EXCLUDING SPARE PARTS FROM THE NEW INDUSTRIAL DESIGNS REGISTRATION SYSTEM

PROBLEM OR ISSUE IDENTIFICATION

27. The Government decided to approve a new designs registration system. The Government also decided in principle to exclude spare parts from designs registration, with officials to report back on options for implementing the exclusion. The Government requested that a paper be developed by officials outlining developed options for excluding spare parts from the new designs registration system.

28. A key issue in the broader review and reform of the designs registration system is the competition concern relating to spare parts. The protection of spare parts under the design laws has been the subject of much policy debate over recent years because spare parts have economic features that can be distinctive from other products protected by intellectual property law.

29. The spare parts issue has been examined in some depth in a number of studies and reports, both in Australia and overseas. Some studies recommend excluding spare parts from design protection, while others conclude that the difficulties and administrative complexities could inhibit innovation and competitive entry to the market.

30. While design rights are a generally available means of encouraging innovation, the ability of manufacturers to obtain protection for certain designs also potentially gives them the opportunity to unduly enhance their market power. When spare parts are protected under design legislation, producers who may not have market power in a primary market for the complete goods may be able to charge a monopoly price for spare parts in the after-market in which spare parts are sold. Apart from consumers being charged higher prices for parts, competition may be restricted for the repair and servicing of original equipment.

31. In some instances the market for spare parts may be considered separately from the original market for the equipment. In a submission to the Intellectual Property and Competition Review (IPCR), the Australian Competition and Consumer Commission (ACCC) noted that: 'If consumers consider the relative price of spare parts (as well as the frequency of breakdown etc.) when buying the original equipment, then the two should properly be considered part of the same market; the price of spare parts would not reflect the exercise of any more market power than the manufacturer possessed as a supplier of original equipment, since to do so would adversely affect sales of the latter. However, to the extent that consumers do not make fully informed purchasing decisions (reflecting the high cost of acquiring the information), the price of spare parts may reflect the exercise of a much higher degree of market power in the 'derivative market' for spare parts for that particular brand of original equipment. To the extent that the spare parts are not interchangeable with those used for other brands and if independent suppliers are not able to enter the market, the manufacturer may have an effective monopoly over the supply of those spare parts'.

32. The ACCC further noted that: 'The policy question arises as to the extent of the problem which arise when rights are granted, versus the extent of any dampening of the incentive for innovation which the removal of rights may induce. However, in the case of spare parts, where protection is already provided to the original equipment, the incentive for design of most spare parts already exists. Furthermore, as the Industry Commission pointed out, original equipment manufacturers enjoy a number of competitive advantages, relating to reputation effects, over suppliers of *non-genuine* parts. There is considerable anecdotal evidence in relation to motor vehicle spare parts that suggests design registration can significantly inhibit competition and increase prices. As with access to other intellectual property, it is far from clear that the Trade Practices Act would be able to secure competitive access to spare part designs where problems arise.

33. The Institute of Engineers Australia (IEAust) made a submission to the IPCR, which opposed the prospect of differentiation of spare parts, arguing that it would be illogical to introduce different intellectual property protection regimes for the three classes which encompass spare parts, component parts used for the initial assembly of complete equipment, and the complete assembled finished product.

34. Although the issue applies to all designs in theory, in practice the debate centres on designs for component parts, specifically when they are used to repair complex products (ie. used as spare parts). In particular, past concerns have centred on the price of motor vehicle spare parts, and the potential effect of design registration upon competition. Concerns have also been raised in relation to other industries, such as

toner cartridges for computer printers.

35. In considering the issues raised by the ACCC, the IPCR Committee came to the view that if the original or pre-market is competitive, it is not obvious whether the control of sale of spare parts will give rise to power in other markets. In the specific case of motor vehicles, they noted that while some consumers do not take prices for spare parts into consideration when purchasing a vehicle, many others do. They argued that unless producers can effectively price discriminate between consumers who take spare parts prices into account and those who do not, the conduct of even a relatively small number of consumers in the former category will price protect those in the latter category. They also suggested that market power arising from consumer myopia is at best limited as prices for spare parts are clearly reflected in prices for used vehicles, which in turn constrains prices for which new vehicles can be sold. Finally, they noted that if evidence of market power arises in respect of an aftermarket and producers relied on the design protection to prohibit a potential competitor from selling spares, this action could be subject to s. 46 of the Trade Practices Act.

SPECIFICATION OF THE DESIRED OBJECTIVE(S)

36. The main objective is to provide a new designs registration system that is quick, simple and cost effective. Within this broader objective, there is the subsidiary objective of ensuring that the treatment of spare parts strikes an appropriate balance between the interests of the designs system's users and stakeholders, and the interests of consumers. Users and stakeholders have an interest in a system that is certain and cost effective, and which encourages innovation in relation to designs for component parts. Consumers have an interest in greater competition in the spare parts market, since increased competition would be likely to result in lower prices for spare parts.

37. While there is the need to ensure that competition concerns that have arisen in the past are addressed, there is also the need to ensure that the designs registration system continues to encourage innovation in relation to component parts, particularly in industries where there are no competition concerns.

38. The preferred implementation option must also be consistent with Australia's international obligations, particularly the obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization.

IDENTIFICATION OF OPTIONS

39. The treatment of spare parts under the design registration system has been examined previously in reports of the Industry Commission, the Bureau of Industry Economics, the ALRC and, most recently, the Intellectual Property and Competition Review Committee (IPCR Committee). It has also been examined in a number of overseas reports. This has not revealed a superior option or 'best practice model' for an exclusion — the reports reach varying conclusions and advocate different administrative approaches to an exclusion.

40. The former Industry Commission recommended in their March 1995 report, *Vehicle and Recreational Marine Craft Repair and Insurance Industries*, that design protection should not be given to 'must fit' or 'must match' spare parts which are

intended to repair a larger assembly. The Industry Commission held the view that the exclusion of design protection in those cases where design is dictated solely by function would result in the promotion of economic efficiency. In the event that the 'must fit' and 'must match' exclusions lead to an unacceptable level of uncertainty, then the preferable course of action would be to remove design registration rights from all spare parts.

41. The former Bureau of Industry Economics recommended in a report issued in May 1995, Occasional Paper No. 27 *The Economics of Intellectual Property Rights for Design*, that the repairers of plant, machinery and equipment used by industry, including motor vehicles, should have 'the right to repair'. Thus the Bureau was of the opinion that spare parts used predominantly for repair should be excluded from design protection.

42. The ALRC's final report, Report No 74 *Designs*, published in August 1995, recommended that the Registrar of Designs (the Registrar) refer applications for designs for spare parts for complex goods, such as motor vehicles, that are potentially anti-competitive to the ACCC. Registration could then be refused if it was found that the designs were anti-competitive.

43. The IPCR Committee, which was given the task of assessing the impact of intellectual property laws on competition, noted in its final report of September 2000 that it would be an extremely difficult and administratively complex task to define what would constitute a spare part. The IPCR Committee further expressed concern that even if this were successfully accomplished, it would be likely to result in complex and arcane legislation which in itself may inhibit innovation and competitive entry.

44. The European Union and United Kingdom are currently considering this issue. Although the European Union designs directive of October 1998 proposed to exclude from registration designs which, *inter alia*, had 'must fit' or 'must match' features, the decision was subsequently made that such an exclusion would be too complex and difficult to implement. Thus an amended proposal of June 1999 recommended that the registration and protection of designs for spare parts should be left to the discretion of the member states. A review and further proposal in relation to the designs of components of complex products is due to occur by October 2005.

45. The United Kingdom (UK) had a 'must fit' or 'must match' exclusion in operation until December 2001, when it amended the legislation to use a 'right of repair' provision. However, there appears to be little practical experience in the operation of the 'right of repair' provision.

46. As can be seen from the above, fairly extensive consideration of the spare parts issue, both in Australia and overseas, has failed to reveal a clearly preferred model for excluding spare parts.

47. One of the key reasons for this is the difficulty in defining a spare part. This is because a spare part is defined by the way in which it is used, rather than by any other criterion. The simple example of a car wheel illustrates this dilemma. The wheel is an

essential component in the car, and companies may invest a significant amount in its design in order to improve the car's appearance and performance. An innovative wheel design could significantly increase the value of the overall product (the car). There are two separate markets in which this wheel is sold. In the first market, the consumer is looking for a new or second-hand car, and is attracted to a car which has the innovative wheel design — its presence influences their purchasing decision. The presence of the innovative wheel benefits the seller — whether they are a manufacturer of new cars, or a second-hand car dealer who has substituted the innovative wheels for the original wheels in order to add value to the second-hand car. In this case, the wheel has not been used as a spare part.

48. In contrast, in the second market, the consumer is the owner of a car with the innovative wheels. For whatever reason, the wheel(s) are damaged and need replacement. In this case, the wheel is used as a spare part, and its purpose is to restore the vehicle to its original condition.

49. While the above example relates to the motor vehicle industry, similar examples could be used in a number of different industries. The dilemma in trying to define a spare part is that it is impossible to know before the event whether a product or component will be used as a spare part, rather than as original equipment. The danger in using other criteria to define a spare part is the potential negative effect on innovative products and component parts that are being used as original equipment.

50. The options available for excluding spare parts from design protection involve considering whether and how to change the existing designs legislation.

51. The Government has two main options for excluding spare parts from design protection in order to check potentially anti-competitive conduct. These are:

Option 1

- An interface exclusion, where 'must fit' or 'must match' parts would be excluded from design protection, regardless of whether or not they meet the innovation threshold under the proposed new designs registration system (that is, even if the design were considered to be both new and distinctive). 'Must fit' parts must fit or connect to another product to enable either product to perform its intended function, and 'must match' parts are an integral part of the appearance of another product, for example, a car body panel. This could be achieved by having the Registrar of Designs:
 - refuse to register 'must fit' or 'must match' parts, following an initial formalities check; or
 - revoke registration if later examination found the parts to fall within the interface exclusion

In either case, some additional administrative costs would be incurred.

Option 2

- A right of repair provision. In this case, registration of all new and distinctive designs of component parts of complex products would be permitted, but where used as a spare part the design would be excluded from protection by means of a right of repair explicitly recognised in the legislation as a complete defence against infringement. Thus manufacturers and suppliers of repair or replacement parts would be exempted from any liability for infringement.

Other Options

A number of other options have been identified in previous reports and studies, however these are likely to have high administrative costs and uncertainty, making them unworkable. The two options listed above are clearly superior. The other options are:

- A referral procedure, where spare part designs would be referred to the Australian Competition and Consumer Commission (ACCC) for an assessment of whether the design would potentially have anti-competitive implications — any potentially anti-competitive spare part designs would be excluded from design protection.

52. This option is theoretically attractive. It has the advantage of being a relatively accurate method for implementing an exclusion of spare parts from registration under the new design registration system, as *only* designs that would be likely to have a significant impact on competition would be refused. Nevertheless, the ACCC would still have to make a prospective decision about the use of the designs.

53. The referral option is subject, however, to the substantial limitations of cost and complexity. It is likely to be costly for the ACCC to administer, and for parties involved in the referral procedures to present their cases. It is also likely to be costly for other users of the designs registration system, since the additional administrative costs incurred by IP Australia (a cost recovery organisation) would have to be passed on to users of the system. The referral procedure could also result in lengthy delays, if the decisions of the ACCC and the Registrar in this regard are appealed to the Courts. Its theoretical merit aside, the referral option appears, in terms of its likely practical effect, to be at odds with the intention to implement a new streamlined designs registration system that is quick, simple and cost effective.

- A compulsory licensing provision, where registration of all new and distinctive designs would be permitted, but compulsory formal license agreements between design owners and users would be provided for in the designs legislation. That is, designs could be freely used as spare parts, but the owner would be compensated. In effect it attempts to provide a balance between the rights of those wishing to make or use spare parts and the design owner.

54. This option is likely to be very costly to administer. While it would be a relatively simple matter to include a compulsory licensing provision in the new designs legislation, there would also need to be an administrative procedure in relation to such licenses in order to, for example, determine an acceptable royalty rate. Where design owners and users are unable to negotiate an acceptable rate in the case of royalties under the license agreement, it would be necessary for the Government to set an acceptable rate. Given the large number of small users, this may involve high-cost royalty collection arrangements. Should rates and decisions be subject to appeal, a significant amount of litigation would impose a considerable cost burden on the relevant industries for several years.

- A list of proscribed spare parts to be excluded from design protection could be provided for by regulation.

55. This option is also subject to the limitation of administrative cost. In fact, it is likely to be even more costly to develop and administer than a compulsory licensing arrangement. In developing a list of proscribed parts, it would be necessary to determine which parts should initially qualify for the list. For example, should a distinction be drawn between different kinds of spare parts (in order to provide that only some kinds of designs are to be excluded from protection) or should a distinction be drawn between different industries, or different products (in order to exclude from protection designs in only some of them)?

56. With the list of proscribed parts approach, it would also be necessary to develop an administrative procedure through which the list could be altered, to allow for future changes in technology and to ensure that the list is kept up-to-date and effective. This would, however, leave the Government open to ongoing lobbying from interest groups to have parts removed from, or added to, the list. There could potentially also be legal complications if such a list were to be challenged. For example, where would the onus of proof lie if a manufacturer, with the intention of circumventing the exclusion, changes the name of a part?

- a 'blanket exclusion' for all spare parts.

57. This option was proposed by the Industry Commission as a 'second best scenario', in the event that the 'must fit' and 'must match' exclusions were considered to lead to an unacceptable level of uncertainty. In this scenario, the Registrar of Designs would either initially refuse to register the design application, or revoke registration on later examination of the application. The major difficulty with this proposal is that it would be necessary to make a prospective decision about the use of the designs. A large proportion of designs have the potential to be used as either spare parts or original equipment. A blanket exclusion could therefore largely undermine the intent of design registration to encourage an optimal level of investment in innovative activity. There are also likely to be considerable difficulties in framing an appropriate definition for a spare part. As noted in the IPCR's report, badly framed provisions would need to be interpreted and explained in costly litigation, and poorly conceived definitions using vague language (such as 'spare part') could create new uncertainties.

- A reduced term of protection for spare parts to five years.

58. This option has been proposed by the motor vehicle industry. Providing a limited term of protection for spare parts would not be in line with the Government's decision. Such a proposal would also have the uncertainty and cost associated with the need to define a spare part. It would also likely be in breach of Australia's international obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) which mandates a term of ten years where design protection is afforded.

59. In summary, given the fact that there would apparently be little merit in developing them further, the other options — referral to the ACCC, a compulsory licensing provision, a list of proscribed spare parts or reducing the term of protection — have therefore been eliminated from further consideration in terms of costs and benefits.

ASSESSMENT OF IMPACTS (COSTS AND BENEFITS) OF EACH OPTION

60. Impact group identification

- The same groups would be affected by the implementation of either of the two suggested options. These groups include: any Commonwealth Department or agency involved in the administration of a spare parts exclusion, or the determination of whether a particular registered design is anti-competitive ('Government');
- manufacturers, suppliers and other groups involved in the spare parts industry, particularly motor vehicle manufacturers ('Industry'); and
- consumers and consumer, insurance and motorist organisations such as the Australian Consumers' Association, the NRMA and the Australian Automobile Association ('Community').

61. The following qualitative analysis considers the impact in terms of costs and benefits for the identified groups for each of the two main options.

Option 1: Adopt an interface exclusion (exclusion of 'must fit' or 'must match' parts)

Assessment of costs (Option 1)

Government

- The objectives of the new industrial designs registration system — namely that the registration procedures should be streamlined, simple and cost effective — would be jeopardised, as in many cases the Registrar of Designs would need to make a decision about whether a product falls within the interface exclusion.
- The cost to Government of this option would be limited. While there would be an increase in overall administration costs, these would be passed on to users of the design system through fee increases, since the system is administered on a 'user pays' or cost recovery basis¹. In the same way, any costs resulting from court appearances when administrative decisions are challenged, would be passed on to all users of the system ([Appendix 1](#) provides an estimate of the costs incurred by IP Australia to administer the interface exclusion). The onus would be placed on the owner of the design to monitor infringements.

Industry

- An interface exclusion along 'must fit' or 'must match' lines would be likely to impact on designs that have no potential anti-competitive effect, and industries in which there are no concerns in relation to anti-competitive behaviour. An interface exclusion could deny protection for manufacturers where design innovation is crucial to their product's efficient operation and market viability. Examples include industrial pump impellers, the blades of a turbine, cavity closers

¹ IP Australia is required to recover all of its costs by charging customers for the provision of goods and services, and is obliged to set its prices in accordance with its published pricing policy. Consistent with government policies and international obligations, IP Australia uses price structures that facilitate entry to the IP system; spreads fees over the potential life of IP rights; and does not use its status as a government agency to compete unfairly with others providing similar or related services.

for cavity walls and many other mechanical components for engines, gearboxes and machine tools. With regard to the motor vehicle industry, an interface exclusion would tend to also catch items not used for normal crash repair or replacement purposes, such as special fairings, bumpers, rear spoilers, mud guards, alloy wheels and other ‘sports parts’ for specialised racing vehicles. This could have a negative impact on the levels of investment in innovative design, leading to negative effects for consumers.

- As mentioned under ‘Government’, any additional administrative and court costs incurred by the Registrar of Designs would be passed on to all users of the design system in the form of fee increases.
- Firms choosing to challenge the Registrar’s decision would incur legal costs.

Consumers

- If manufacturers were unable to obtain design protection for ‘must fit’ or ‘must match’ components, they would be reluctant to invest money in this area, leading to less choice and potentially lower quality products for the consumer. This would be the case even for products where anti-competitive behaviour is not a concern.
- Additional costs incurred by industry may be passed on to consumers through price increases.

Assessment of benefits (Option 1)

Government

- There are no significant benefits to Government associated with this option.

Industry

- Other businesses will be able to compete with the original manufacturer in the provision of ‘must fit’ or ‘must match’ parts to consumers, thereby providing income and jobs in those businesses.

Consumers

- The exclusion of design protection for spare parts may lead to benefits for consumers such as a decrease in the cost of parts where there is greater competition in their supply, leading to a decrease in the cost of servicing and repairs, and consequently a decrease in insurance premiums. However, the extent of this effect will depend on a range of factors operating in each market for spare parts.

Option 2: A right of repair provision

Assessment of Costs (Option 2)

Government

- There are no significant costs to Government associated with this option. The onus would be placed on the owner of the design to monitor infringements.

Industry

- There are definitional concerns about using right of repair. These include whether right of repair would include ongoing maintenance (replacing worn or deteriorating parts, rather than damaged ones); replacement of incidental items (eg. clips, seals etc) during replacement of a damaged item; preventive maintenance; upgrading; and parts substitution to improve efficiency or appearance. The wording of the legislation would be critical. Uncertainty as to the scope of a ‘right to repair’ could increase compliance costs for industry. Litigation would then be necessary to sort out definitional issues and determine the scope of the exclusion provisions.

Nevertheless, definitional concerns are common to all the exclusion options, because all the options necessarily involve changes to the legislation. For example, in the case of a blanket exclusion for all spare parts, it would be necessary to define a spare part. Due to the difficulty of defining a spare part it is likely that a blanket exclusion (for example) would impact on a much broader range of designs - potentially any design for a component part. This means that many more users of the design system would be adversely affected by a blanket exclusion, even when their component parts are never used as spare parts. In order to clarify their position, many of these users would need to resort to litigation.

The right of repair option is at least focused towards component parts that are used as spare parts, so far fewer users of the design system would be affected. Naturally, it is still important to minimise the definitional issues arising from right of repair, because it is important for this smaller subset of affected users to have confidence and certainty.

- There is a risk that the owner of a design could deter competitors from manufacturing and/or supplying it for use as a spare part, due to the threat of costly litigation. This is despite the fact that a right of repair would be explicitly recognised in the legislation as a complete defence against infringement. However, protection would be built into legislation against unjustified threats. In addition, manufacturers of such parts could not be expected to police the use of the parts once they have passed out of their control. These factors could cause them to think twice before entering the spare parts market.
- Owners of a registered design could argue that this option is too onerous. They could argue that it would be difficult to prove that manufacturers or suppliers of parts were distributing parts for non-repair purposes, as they would always use as their defence that the parts were solely intended for repair purposes. This could discourage investment in innovative design.

Consumers

- As previously mentioned, manufacturers could be discouraged from entering the market for spare parts, resulting in a loss of competition in the market — a net loss for consumers.

- If manufacturers were unable to effectively protect their designs because of their potential use as spare parts, they may be reluctant to invest money in this area, leading to less choice and potentially lower quality products for the consumer.
- Additional costs incurred by industry as a result of litigation may be passed on to consumers through price increases.

Assessment of benefits (Option 2)

Government

- The policy underlying the exclusion of spare parts would be readily apparent on the face of the legislation, resulting in the generally desirable outcome of legislation that is clear and accessible to users and stakeholders.
- The right of repair option would be administratively simple and would avoid the Registrar of Designs becoming involved in costly disputes in relation to definitional issues and the scope of the exclusion which could significantly add to costs for all users of the designs system. It would mean that the costs of settling any dispute would be borne directly by those involved. As such, one of the Government's objectives — to provide industry with a quick, simple and cost effective designs registration system — would be realised.

Industry

- An exclusion based on a right of repair would preserve the incentive to innovate by allowing all designs to be registered if they meet the innovation threshold, without introducing any risk of subsequent anti-competitive behaviour. This would provide protection for original components while enabling the use of the same components for repairs without the risk of infringement. Component suppliers would be protected in their dealings with larger manufacturers of original equipment, such as motor vehicle manufacturers (without design protection there would be nothing to stop the larger manufacturers from free-riding on the design innovations of the independent suppliers). Items that show innovation in design and do not, in practice, give rise to competition concerns (such as the specialised parts associated with the Holden HSV and Ford Tickford range of vehicles) would also be protected, where they are used in the practice of 'fitting-up' a standard model (but not when they are used for genuine repair). This overcomes one of the major shortcomings of Option 1.

Consumers

- The exclusion of design protection for spare parts may lead to benefits for consumers such as a decrease in the cost of parts where there is greater competition in their supply, leading to a decrease in the cost of servicing and repairs, and consequently a decrease in insurance premiums. However, the extent of this effect will depend on a range of factors operating in each market for spare parts.

IMPLICATIONS FOR SMALL BUSINESS

62. Options 1 and 2 both have implications for small business. Small business has a potential role as consumers and manufacturers/suppliers in the spare parts market.

63. In their role as consumers, and to the extent that either option leads to a more competitive market in spare parts, small business will benefit from the proposal to exclude spare parts from design protection. This is because any increase in competition is likely to result in lower prices for spare parts. A small business running a fleet of vehicles, for example, may benefit from any resulting drop in fleet maintenance costs.

64. Nevertheless, option 1 is likely to have a less significant impact than option 2 in delivering benefits to small business in their role as consumers. Indeed, some small businesses could be worse off. This is because the increased administrative and court costs incurred by the Registrar of Designs as a result of option 1 would be passed indirectly to consumers via fee increases imposed on all users of the design system. As a result, small businesses could encounter price rises for products other than spare parts. In contrast, any costs resulting from option 2 would be quarantined to the interested parties in an infringement action, and indirectly only to their consumers.

65. There is also a potential role for small business as manufacturers/suppliers in the spare parts market. It is the intention of either exclusion option to achieve a more competitive market in spare parts, with new players entering the market. Both options therefore provide an opportunity for small business to enter the market for spare parts, either as manufacturers or suppliers. While option 2 could deter some new entrants to the market due to the potential threat of costly litigation by larger manufacturers/suppliers, this is only one of many factors that any small business would consider before deciding whether it was a worthwhile venture.

66. Small business already involved in manufacturing or supplying goods may encounter difficulties with option 1. This is because it is likely to exclude innovative designs in other markets as well as the spare parts market. A small business may have entered a market with a single innovative product, but if they are unable to obtain effective protection from infringement by their larger and more diversified competitors, they will be unable to remain competitive. In contrast, option 2 would enable them to retain exclusivity in the original equipment market.

67. One of the key industries that is likely to be affected by the treatment of spare parts is the motor vehicle industry. However, it is unlikely that there would be a significant impact on small business in this industry. This is because the high level of capital required in the industry is likely to discourage smaller firms from moving into the production of spare parts alone. Existing component suppliers would not wish to place at risk their relations with Australian motor vehicle manufacturers by using the manufacturers' intellectual property to compete against them in the spare parts market.

CONSULTATION

68. The terms of reference of the review required the commission to consult with designers and manufacturers and any other persons that the commission thought fit. In conducting the review, the commission consulted with designers, manufacturers, patent attorneys, lawyers and industry and interest groups in all States and Territories of Australia. Seminars were held in all capital cities, with the assistance of the Australian Academy of Design.

69. The ALRC published brochures and articles in industry newsletters outlining key issues in designs law. Separate consultations were held with manufacturers and companies that have experienced designs litigation. A survey of the design industry, canvassing about 1000 individual designers and manufacturers throughout Australia, provided a comprehensive picture of industry's views on the *Designs Act 1906*. The commission also sought written submissions on an Issues Paper and a Discussion Paper that was circulated prior to preparation of the 1995 final report.

70. IP Australia sought written submissions from all interested parties on the commission report and has conducted further consultations with interested parties in Canberra, Sydney and Melbourne specifically on the spare parts issue.

71. The review process also included consultations with relevant Federal Departments and agencies, and considered protection afforded to industrial designs in other countries.

72. The IPCR Committee sought written submissions from interested parties on an Interim Report circulated prior to the preparation of its final report of September 2000.

73. An Exposure Draft of the legislation to repeal the *Designs Act 1906* and implement the new designs registration system, the Designs Bill 2001, was released for public comment on 4 May 2001. Interest groups sought additional time to comment on the exposure draft and the Bill was not introduced into the previous Parliament. The release of the exposure draft was accompanied by the announcement of the Government's decision to exclude spare parts from design protection.

74. Since the release of the exposure draft, IP Australia has conducted further consultations with interested parties in Canberra, Sydney and Melbourne specifically on the spare parts issue. Comments were sought from the Law Council of Australia, the Institution of Engineers Australia, the Australian Pump Manufacturers' Association Ltd and the Australian Aluminium Council on the list of exclusion options. Meetings were held with representatives from the Institute of Patent and Trade Mark Attorneys of Australia and the Australian Federation of Intellectual Property Attorneys (representing the Australian patent attorney profession), the Australian Automotive Aftermarket Association Ltd, the Australian Consumers' Association and the NRMA, Ford and Holden. Comments were also received from the Federal Chamber of Automotive Industries and Allens Arthur Robinson.

75. Consumer and insurance groups support the Government's decision. Motor vehicle manufacturers are opposed to the Government's decision to exclude spare parts from design registration, and continue to push for a shorter period of protection. Patent attorney groups disagree with the Government's decision to exclude spare parts, although they have expressed strong support for the right of repair exclusion over the other exclusion options available.

CONCLUSION AND RECOMMENDED OPTION

76. An interface exclusion or a right of repair provision both appear, from an administrative cost perspective, to be workable ways to exclude spare parts from protection under the proposed new designs registration system. There are, however, different limitations associated with either of these options. One limitation with an interface exclusion is that *all* 'must fit' or 'must match' parts would be excluded from design protection, regardless of whether or not they are innovative or whether they give rise to any competition concerns in practice.

77. For example, an interface exclusion would be more likely to capture items not used for normal crash repair or replacement purposes, such as special fairings, bumpers, rear spoilers, mud guards, alloy wheels and other 'sports parts' for specialised racing vehicles. Parts of this nature are at the centre of innovative design activity, which the design system is meant to protect, and there is no evidence of competition-related concerns with such parts.

78. An advantage of the right of repair provision in comparison with an interface exclusion is that it would preserve the incentive to innovate by allowing all designs to be registered if they meet the innovation threshold, without introducing any risk of subsequent anti-competitive behaviour. This could provide protection for original components while enabling the use of the same components for repairs without the risk of infringement. This is an important consideration. First, it would provide protection to component suppliers in their dealings with larger manufacturers of original equipment, such as motor vehicle manufacturers — without design protection there would be nothing to stop the larger manufacturers from free-riding on the design innovations of the independent suppliers. Secondly, it would provide protection for items that show innovation in design and do not, in practice, give rise to competition concerns, such as the specialised parts associated with the Holden HSV and Ford Tickford range of vehicles. A right of repair would allow these parts to be replaced for repair purposes without infringing the design right but the practice of 'fitting-up' a standard model with specialised parts to enhance the vehicle's value would constitute an infringement.

79. The right of repair provision enjoys one particularly significant advantage over a must fit or must match exclusion — with the right of repair option the legislation would be far clearer and more accessible. The underlying policy of the exclusion for spare parts would be readily apparent on the face of the legislation. The desired policy objective is to open up the spare parts market to greater competition, and thus secure benefits for consumers in the form of lower prices. A right of repair provision would make this abundantly clear. In contrast, provisions to implement an interface exclusion would be likely to be far more obscure, however carefully they are conceived and drafted.

80. With a right of repair explicitly recognised in the legislation as a complete defence against infringement, the competition concerns that have arisen in the past would be satisfactorily addressed. At the same time, all eligible designs would continue to be registered, including designs that have the potential to be used as spare parts.

81. With the right of repair option, the Registrar of Designs would not become involved in disputes in relation to definitional issues and the scope of the exclusion, which would be in accordance with the 'user pays principle' adopted by Government in relation to the supply of services. It would also retain the streamlined, simple and cost effective registration procedures proposed for the new designs registration system. In particular, costs would be borne directly by interested parties, and not by other users of the IP system.

82. An exclusion in the nature of a right of repair would thus strike an appropriate balance between the consumer benefits and costs (compliance costs for business and industry, administration costs for IP Australia) associated with an exclusion. It would also be in conformity with our international obligations under the TRIPS Agreement.

83. There is, however, some 'downside' potential with a defence against infringement, in the sense that there is a possibility that smaller competitors might be deterred from exercising against a larger incumbent their right to compete (that is, their right to repair) by the threat of expensive and protracted litigation. It is also possible that innovative design might be reduced, if designers consider that it is administratively too cumbersome to protect their work.

84. On balance, it is recommended that the Government endorse option 2 (a right of repair as a complete defence against infringement) as the preferred option for implementing an exclusion. This recommendation takes into account the objective of providing a simple, cost effective designs registration system, and also considers the costs and benefits outlined above.

IMPLEMENTATION AND REVIEW

85. IP Australia will monitor the effectiveness of the provisions for excluding spare parts from design protection after it comes into effect. A formal review will be undertaken before the end of 2005, to assess how well the exclusion provisions have met the policy objectives. This will take into account the EC experience where a review of the spare parts issue is due to be completed in 2005.

86. It is also proposed that IP Australia, in conjunction with the ACCC, should conduct an information campaign to publicise the introduction of the new designs registration system. This would include a specific awareness campaign to inform all users and stakeholders of their obligations under the *Trade Practices Act 1974*, and to explain how those obligations interact with the new designs system and the exclusion provisions in particular.

ESTIMATED COSTS FOR IP AUSTRALIA TO ADMINISTER AN INTERFACE EXCLUSION FOR SPARE PARTS

87. The Deputy Registrar identified the following costs for administering the interface exclusion. The costs vary, depending on how the exclusion is administered. The exclusion could be achieved by having the Registrar of Designs either:

- refuse to register ‘must fit’ or ‘must match’ parts, following an initial formalities check; or
- revoke registration if later examination found the parts to fall within the interface exclusion.

88. The cost of refusing to register would be higher than that of revoking registration, because all applications would need to be scrutinised for the interface exclusion. However, once a potential interface exclusion case was identified, the costs would be the same for either administration option.

Training costs for staff

89. The Designs Section comprises one EL2 (@ \$120.17 per hour), 1 APS 6 (@ \$79.69 per hour) and 4 APS 5s (@ \$68.01 per hour). Assume a one day (7.35 hours) training course for every employee. The EL2 will present the course.

$$(120.17 + 79.69 + 4 * 68.01) * 7.35 \\ = \$3\,468.47$$

Also allow for preparation time [three days for one EL2 and two days for one APS 6 from the IP Australia Corporate Learning and Skills Development Section (CLSD)].

$$(120.17 * 3 * 7.35) + (79.69 * 2 * 7.35) \\ = \$\,3\,821.19$$

IP Australia also evaluates the success of all training, taking typically about half a day. A representative from CLSD will conduct the evaluation, which will involve every employee who received the training.

$$[(2 * 79.69) + (4 * 68.01)] * 3 \\ = \$1\,294.26$$

Total: \$8 583.92

90. This total represents a start up figure, but allowing for staff turnover, refresher courses and additional training to account for changes to the system, it is reasonable to assume (discounting the development costs) that IP Australia could spend this figure annually.

Scrutiny of case files

- Refuse to register: IP Australia receives approximately 4200 design applications per year. Allow half an hour per application (also assuming that the APS 6s will examine 20% of applications, and the APS 4s 80%).

Refuse to register Total: \$147 726.60

- Revoke registration: Assume 300 applications per year (the approximate number of design applications registered by the Designs Office for motor vehicle spare parts, plus an allowance for other designs falling within the interface exclusion) are considered. Allow half an hour per application (also assuming the APS6s examine 20% of applications, and the APS 4s 80%).

Revoke registration Total: \$10 551.90

In either case, assume 300 applications per year proceed to the following steps:

- Advising applicants

Advise applicants, assuming half an hour for each applicant.

Total: \$10 551.90

- Considering the applicant's response

Consider the applicant's response, assuming half an hour for each applicant.

Total: \$10 551.90

- Possible hearing with applicant

Assume 10% of applicants request a hearing (30 applicants). 30 hearings @ two hours per hearing for EL2.

Total: \$7 210.20

- Issue decision

Assume three days to prepare a decision. 30 decisions @ 22 hours per decision for EL2.

Total: \$79 312.20

- Court/AAT appearance

Assume 15 hearings go to appeal. Recent experience indicates that legal fees for an AAT action are about \$10 000.

Total: \$150 000

91. This figure represents legal fees for AAT hearings and assumes that IP Australia is successful in the hearings. If IP Australia were to lose the hearings, and/or there were subsequent appeals to the courts, this figure would increase significantly.

Refuse to Register Grand Total: \$413 936.72
Revoke registration Grand Total: \$276 762.02

NOTES ON INDIVIDUAL CLAUSES

CHAPTER 1 — INTRODUCTORY

Part 1 — Preliminary

Clause 1 — Short title

1. This clause provides that the Act may be cited as the *Designs Act 2002*.

Clause 2 — Commencement

2. This clause provides for commencement of the Act. Sections 1 and 2 of the Act are to commence on the day on which the Act receives the Royal Assent. The other provisions of the Act are to commence on Proclamation, failing which they will commence 6 months after the Act receives the Royal Assent.

Clause 3 — Crown to be bound

3. This clause binds the Crown in right of the Commonwealth, each of the States and Territories, and Norfolk Island. The clause also prevents the Crown being liable to be prosecuted for an offence.

Clause 4 — Application of the Act

4. This clause provides for the area of application of the Act. The Act is to extend to each external Territory, the continental shelf, the waters above the continental shelf and the airspace above Australia, each external Territory and the Australian continental shelf.

Part 2 — Interpretation

5. Clauses 5 to 8 provide for the interpretation of a number of expressions that are used in the Act.

Clause 5 — Definitions

6. This clause 5 defines, unless a contrary intention appears, a number of expressions used in the Act, often by reference to provisions elsewhere in the Act, or in other Acts namely:

- the *Copyright Act 1968* (definitions of *artistic work* and *corresponding design*);
- the *Patents Act 1990* (definition of *registered patent attorney*);
- the *Public Service Act 1999* (definition of *Agency*);
- the *Seas and Submerged Lands Act 1973* (definition of *continental shelf*); and
- the *Trade Marks Act 1995* (definition of *registered trade marks attorney*).

Clause 6 — Definition of *product*

7. This clause defines the expression *product* that is used throughout the Act. The definition is intended to emphasise the industrial nature of design protection, and to exclude naturally occurring things from design protection.

Clause 7 — Definition of *visual feature*

8. This clause defines the expression *visual feature* that is used throughout the Act. It is intended that design protection should not extend beyond the *appearance* of a product — the look or finish of a product is to be protectable, but not the material that the product is manufactured from. A visual feature may, but need not, serve a functional purpose.

Clause 8 — References in this Act to a design

9. This clause provides for the interpretation of references to the expression *design*. A reference to a design is a reference to a design in relation to a product.

CHAPTER 2 — DESIGN RIGHTS, OWNERSHIP AND REGISTRABLE DESIGNS

Part 1 — Simplified outline of Chapter 2

Clause 9 — Simplified outline

10. This clause provides a simplified outline of Chapter 2 to assist the reader.

Part 2 — Design Rights

Clause 10 — Exclusive rights of registered owners

11. This clause provides for the exclusive rights of a registered owner of a registered design during the term of its registration. The exclusive rights relate to a wide range of actions, extending from offering to make a product to using a product in any way for the purposes of any trade or business (but see clause 72 for an exception relating to repair of complex products).

Clause 11 — Assignment of interest in a design

12. This clause provides for the assignment of a registered design and how such an assignment is to be made. Clause 114 provides for the recording of an assignment in the Register of Designs.

Clause 12 — Power of registered owner to deal with registered design

13. This clause enables a registered owner of a registered design, subject to any rights appearing in the Register, to deal with the registered design as absolute owner of it and give good discharges for any consideration for such dealing.

14. This clause also protects a person who acquires a registered owner's interest in a registered design — so long as that person is a purchaser in good faith for value without notice of any fraud on the part of the registered owner.

Part 3 — Ownership of designs

Clause 13 — Who is entitled to be registered as the registered owner of a design

15. This clause sets out an exclusive list of persons who are entitled to be entered on the Register of Designs as the registered owner or owners of a design. Each such person is an *entitled person*, as defined in clause 5.

Clause 14 — Ownership of registered designs

16. This clause provides that a registered owner of a registered design is the person or persons entered in the Register as the owner or owners. Clause 5 defines the expression *registered owner* by reference to this clause. This clause also provides for the rights of registered owners of a registered design as between those owners. Additionally, clause 114 provides for the registered owners to be informed of, and to object to, a request made by any of them to record an assignment in the Register of Designs.

Part 4 — Registrable Designs: Validity

Division 1 — Registrable designs

Clauses 15 to 18

17. Clauses 15 to 18 set out the requirements for a design to be a registrable design.

Clause 15 — Registrable designs

18. This clause introduces a two-step threshold test for a registrable design — the design must be new *and* distinctive when compared with the prior art base as it existed before priority date of the design (see clause 27). This new test for registrability is intended to raise significantly the eligibility threshold for registration above that which applied under section 17 of the *Designs Act 1906*.

Clause 16 — Designs that are identical or substantially similar in overall impression

19. This clause sets out the standards for newness and distinctiveness.

Clause 17 — Certain things to be disregarded in deciding whether a design is new and distinctive

20. This clause sets out a range of matters that must be disregarded in deciding whether or not a design is new and distinctive.

Clause 18 — Certain designs not to be treated as other than new and distinctive

21. This clause provides that the newness and distinctiveness of a *corresponding design* (a design that embodies an artistic work; see clause 5) is not to be vitiated by previous use of the artistic work — unless that use was industrial application of the design (as defined by the regulations made under section 77 of the *Copyright Act 1968*).

Division 2 — Substantial similarity in overall impression

Clause 19 — Factors to be considered in assessing substantial similarity in overall impression

22. This clause provides factors for assessing whether a design is substantially similar to another design. These factors are to be used by the Registrar or a court to assess the distinctiveness of a design under clause 16. They are also to be used by a court to determine whether a registered design has been infringed under clause 71. These factors are used in both clauses 16 and 71 to ensure that the tests for distinctiveness and infringement are the same. The clause also provides that a *statement of newness and distinctiveness* included in a design application, identifying particular visual features of the design as new and distinctive, can be used in ascertaining whether the design is new and distinctive. Any person using these factors is to apply the *standard of the informed user*.

CHAPTER 3 — DESIGN APPLICATIONS

Part 1 — Simplified outline of Chapter 3

Clause 20 — Simplified outline

23. This clause provides a simplified outline of Chapter 3 to assist the reader.

Part 2 — Design Applications

Division 1 — Applications

24. Clauses 21, 22 and 23 in this Division provide for the making of design applications.

Clause 21 — Person may file a design application

25. This clause sets out the requirements for a design application, including the minimum requirements that a design application must meet for it to be accorded a filing date under clause 26.

Clause 22 — A design application may be in respect of more than one design

26. This clause provides that a design application may be in respect of several designs in relation to several products.

Clause 23 — Design applications covering excluded designs

27. This clause provides for the making of an application for a design that has been excluded from a previous application at the request of the applicant by means of an amendment under clause 28.

Division 2 — How Registrar must deal with a design application**Clause 24 — Design applications that meet the minimum filing requirements**

28. Where a design application meets the minimum filing requirements set out in subclause 21(2), subclause 24(1) requires the Registrar of Designs to advise the applicant of several matters including the filing date of the application. Where a purported design application does not meet the minimum filing requirements, subclause 24(2) requires the Registrar to notify the design applicant of this. Clause 136 provides for review by the Administrative Appeals Tribunal of the Registrar's refusal of an application that does not meet the minimum filing requirements.

Clause 25 — Publication of receipt of application

29. The clause requires the Registrar to publish prescribed details of each design application that meets the minimum filing requirements.

Division 3 — Filing date and priority date

30. This Division provides for two important dates applying to a design application and the design(s) disclosed in the application.

Clause 26 — Filing date

31. This clause provides that a design application has a filing date determined in accordance with the regulations. The filing date is important because the term of registration of any design disclosed in a design application is generally counted from that date (see clause 46).

Clause 27 — Priority date

32. This clause provides for a priority date to be accorded to *each design* disclosed in a design application (i.e. one application may disclose designs with several different priority dates). This date is important when determining whether the design is registrable. For example a design disclosed in a design application will not be a registrable design if a substantially similar (or identical) design was publicly used in Australia before the priority date of the first-mentioned design (see clause 15).

Part 3 — Amendment or withdrawal of design applications

33. This Part provides for amendment of design applications, including changing the identity of the applicant or an *entitled person* (see clause 13) appearing in the design application. It also provides for withdrawal of a design or an entire design application.

Clause 28 — Amendment of design applications

34. This clause provides for the amendment of design applications at the request of the design applicant. Subclause 28(5) provides a right of appeal to the Federal Court against a decision of the Registrar of Designs under this clause.

Clause 29 — Disputes between applicants

35. This clause allows the Registrar of Designs to determine disputes between the applicant and another person who asserts that the person is an *entitled person* (see clause 13) in relation to a design disclosed in the application. The Registrar may determine which person is an entitled person in respect of the application, and may regulate how the application is to proceed. Clause 136 provides for review by the Administrative Appeals Tribunal of the Registrar's decision to make or refuse to make a determination under this clause.

Clause 30 — Persons may ask for design application to proceed in the person's name

36. This clause applies where a person becomes entitled to a design disclosed in a design application (or an interest in it), before that design is registered (Part 3 of Chapter 4) or published (Part 4 of Chapter 4). In such a case, the Registrar can direct that the application specify the person as the applicant, or an entitled person for that design. Clause 136 provides for review by the Administrative Appeals Tribunal of the Registrar's refusal of an application under this clause.

Clause 31 — Publication of certain details of amended application

37. This clause requires the Registrar to publish details of an application amended under Part 3.

Clause 32 — Withdrawal of designs and design applications

38. This clause provides for the withdrawal of one or more designs from an application for several designs, or for the complete withdrawal of any design application. The notice of withdrawal must be given by the applicant, or with the consent of all applicants, if there are several. The effect of withdrawing a design is that it cannot be registered or published under the Act unless the applicant(s) make a new application under clause 21 including the withdrawn design, and request registration or publication of the design. Where an application is withdrawn wholly, the applicant(s) may make a subsequent application under clause 21 for the design(s) in the withdrawn application.

Part 4 — Lapsing of design applications

Clause 33 — Lapsing of design applications

39. This clause specifies circumstances in which a design application lapses. The circumstances are specified in the clause, and relate to failure of the application or a design disclosed in it to comply with the requirements of the Act. A lapsed application has no further effect for the purposes of the Act. No design in a lapsed application can proceed to registration or publication under Chapter 4, however, the applicant(s) will be able to make a further application under clause 21 for a design or designs in the lapsed application, and seek registration of the design or designs.

CHAPTER 4 — REGISTRATION OR PUBLICATION OF DESIGNS

40. This Chapter provides for the registration or publication of a design disclosed in a design application, at the request of the applicant. The effect of registration is that the registered owner (see clause 14) enjoys the exclusive rights provided by clause 10, although the registered owner cannot proceed under clause 71 against infringers of the registered design before obtaining a certificate of examination (see Chapter 5). Publication does not give the applicant any exclusive rights in the design, but will prevent other persons from obtaining exclusive rights in the design — allowing all persons to use the design without infringing it. Publication may be of advantage to those industries developing large numbers of short-lived designs for which registration could be too costly, for example, the textile industry.

Part 1 — Simplified outline of Chapter 4

Clause 34 — Simplified outline

41. This clause provides a simplified outline of Chapter 4 to assist the reader.

Part 2 — Requests for registration or publication

Clauses 35 to 38

42. These clauses provide for an applicant to request registration or publication of a design or designs disclosed in a design application. Clauses 35 and 36 set out how an applicant may request registration or publication of design applications.

43. Clause 37 requires that a design application in respect of excluded designs must include a request for registration or publication of all the designs disclosed in the application.

44. Clause 38 provides that the applicant can convert a request for registration of a design to a request for publication, but not the other way.

45. It is necessary that the applicant request registration or publication of all designs disclosed in an application. Failure to do this will result in the application lapsing under clause 33, and none of the designs will proceed to registration or publication.

Part 3 — Registration

46. This part applies to a design, or designs, disclosed in an application where the applicant has requested registration of that design, or those designs. The design must be registered if it meets certain basic requirements. There is no requirement for the Registrar to undertake substantive examination before registering a design. Substantive examination of a design may be requested by any person *after* registration (see Chapter 5 below). This allows designs to proceed to registration without the expense and delay of substantive examination. Post-registration examination provides a cost-effective means of examining the validity of those registrations that may be the subject of litigation.

Division 1 — Formalities check

Clauses 39 to 42

47. Clauses 39 and 40 both require the Registrar of Designs to conduct the formalities check of the design application specified in the regulations, and to check that the design is not a design that must not be registered (see discussion of clause 43 below). Clause 39 applies to design applications in respect of one design only and clause 40 to applications in respect of more than one design. Where the application claims that the design is a common design in relation to several products, the Registrar must confirm this (under either clause 39 or 40). Also under clause 40, where the application discloses several designs that are to be registered for several products, those products must belong to the same class specified under the *Locarno Agreement* (an international agreement for the classification of designs; see clause 5).

48. If the application and the design(s) meet those requirements, then the Registrar must register the design(s) — under clause 39 for the sole design in an application, or under clause 40 for design(s) disclosed in an application for several designs.

49. Under clause 41 the Registrar must notify the applicant of the matters in relation to which the Registrar is not satisfied, giving the applicant an opportunity to address them. If the applicant fails to respond to the notice within the period prescribed in the regulations, the application lapses (see paragraph 33(1)(b)).

50. The Registrar must consider any response by the applicant (including a request for amendment under clause 28), and if the Registrar is satisfied as required under clauses 39 or 40, the Registrar must register the design under the appropriate clause. If the Registrar is still not satisfied, the Registrar may refuse to register the design under clause 43, or may give the applicant a further notice under clause 41. The applicant may respond again, and so on. However, the design application will lapse at the end of the period prescribed under paragraph 33(1)(b) — unless the applicant responds in that period to the satisfaction of the Registrar as required by clauses 39 or 40.

Clause 43 — Registrar must refuse to register certain designs

51. Subclause 43(1) prescribes the categories of designs that must be refused registration. These include:

- designs protected under the *Olympic Insignia Protection Act 1987*;
- integrated circuits, parts of such circuits, or masks for making such circuits — as defined in the *Circuit Layouts Act 1989*;
- designs subject to orders under clause 108 — which prohibit or restrict publication of information about a design, in the interests of the defence of the Commonwealth; and
- designs or classes of designs prescribed in the regulations — to allow additional designs to be excluded from registration, as necessary (for example, designs for medals).

52. Subclause 43(2) requires the Registrar to refuse to register a design where the Registrar is not satisfied by the applicant's response to a notice under clause 41. Subclause 43(3) requires the Registrar to notify the applicant of the reasons for the refusal in writing. Clause 136 provides for review by the Administrative Appeals Tribunal of the Registrar's refusal under this clause.

Clause 44 — Registrar must register certain designs after refusal

53. This clause requires the Registrar to register a design previously refused registration under clause 43 solely because of an order under clause 108 — where the order is subsequently revoked.

Division 2 — Registration procedures

Clause 45 — Registrar must notify applicant of registration and give public notice

54. This clause prescribes what the Registrar must do to register a design. The Registrar must enter particulars of the registration in the Register of Designs in accordance with clause 111, issue a certificate of registration to the applicant and publish a notice stating that the design has been registered.

Division 3 — Term of Registration

55. This Division provides for the term of registration of a design (clause 46), the renewal of registration of the design (clause 47), the ceasing of registration of a design (clause 48) and the revocation of a registration on surrender by the registered owner(s) (clauses 49 and 50).

Clause 46 — Term of registration

56. This clause provides for an initial term of registration of 5 years, and on renewal under clause 47, for an extended term of 10 years (also including the initial term of 5 years). Both the initial and extended term run from the filing date of the design application in which the design was first disclosed. Generally, that filing date will be the filing date of the design application in which the design was disclosed. In some cases it will be the filing date of a previous application — where the design was first disclosed in a previous application, was excluded from that application by an amendment under clause 28, and was then the subject of a subsequent application under clause 21 (as provided by clause 23).

Clause 47 — Renewal of registration

57. This clause provides that the registered owner of a registered design may apply for renewal of a registration. The Registrar will have no discretion in renewing the registration provided the application is made in the prescribed form within the prescribed period.

Clause 48 — Ceasing of registration

58. This clause provides for the ceasing of the registration of a design. Generally, the registration will cease at the end of the initial term of registration of 5 years, or, if the registration is renewed, at the end of the extended term of 10 years (subclause 48(2)). This clause also provides for the registration to cease in three special cases.

59. Two of those cases occur where the design is being examined under Chapter 5:

- where the registered owner has not paid the examination fee by the end of the payment period, the registration will cease at the end of that period (paragraph 48(1)(b)); or

- where the Registrar is not satisfied by the end of the examination period (as prescribed by paragraph 65(3)(b)) that the registered design must be certified as validly registered, or, that it must be revoked as invalidly registered — the registration will cease at the end of that period (paragraph 48(1)(a)).

60. The case in the first dot-point is intended to prevent registered owners from obtaining the benefit of examination without paying for it. It is proposed that where a third-party requests examination, both the third-party and the registered owner(s) will be obliged to pay a fee in respect of the examination. If the registered owner does not pay the relevant fee, the design registration ceases, rather than requiring that the third party pay the full cost to have the design examined.

61. The case in the second dot-point arises where the Registrar is satisfied that there is a ground for revocation of the design (see the discussion of clauses 66 and 68 below). The Registrar must advise the registered owner of this ground. If the registered owner fails to respond at all during the examination period, or the registered owner's response(s) do not address the ground of revocation satisfactorily, the registration will generally cease at the end of the examination period.

62. There is a further special consequence on ceasing in these cases — under subclause 48(4) any certificate of examination previously issued is taken to be revoked. This is intended to have the effect that no new legal proceedings can be brought in respect of the registered design — a number of provisions including clauses 73, 90, 93 and 120 require a certificate of examination to have been issued before proceedings may be commenced. It is not intended to affect current proceedings, since clause 63 prevents the Registrar from examining a design while legal proceedings are pending, except at the order of the court.

63. The third case arises where the design is a corresponding design to an artistic work (as that expression is defined in Division 8 of Part III of the *Copyright Act 1968*), and the design was registrable only by virtue of clause 18 — because of previous use of the artistic work. If the copyright in the artistic work expires before the end of term of the design registration, the design registration ceases at the same time as the copyright expires.

Clauses 49 and 50

64. These clauses allow a registered owner, or the registered owners, of a registered design to offer to surrender the registration of the design. Before the Registrar may accept the offer and revoke the registration of the design, the Registrar must notify the persons prescribed in the regulations of the offer and provide them with an opportunity to make submissions on the proposed revocation of the design. Those persons, as well as the registered owner(s), have a right of appeal to the Federal Court (subclause 50(6)). Where the design is the subject of court proceedings at the time that the offer to surrender is made, the Registrar must not accept the offer without the consent of the court, or of all parties to the proceedings.

Division 4 — Revocation on grounds relating to entitled persons

Clauses 51 to 56

65. This Division provides for the resolution of disputes as to who was an *entitled person* (see clause 13) at the time the design was first registered and who was in fact registered as an *original registered owner* (see clause 56) of that design.

66. This Division provides for the Registrar (clauses 51 and 52), or a prescribed court (clause 53), to revoke the registration of the design and to declare that a person or persons are entitled persons. Additionally, under clause 54 the Registrar can make a declaration of entitlement, following the revocation on surrender of a registered design (clause 50).

67. Under clauses 52 and 54 the Registrar must give certain persons a reasonable opportunity to be heard before revoking a registration, or making a declaration of entitlement. Appeals lie to the Federal Court from decisions under this Division by the Registrar.

68. Clause 55 provides that following the revocation (or declaration of entitlement under clause 54), one or more persons declared to be an entitled person (under clauses 52, 53 or 54) can file an application in respect of the design under clause 21, with the design keeping its priority date. This will enable the design to be registered, regardless of the use or publication of the design before the filing date of this subsequent application.

Clause 56 — Meaning of *original registered owner*

69. This clause defines the term *original registered owner* for the purposes of the Division.

Part 4 — Publication

70. This Part applies to a design where the applicant has requested publication of that design under clauses 35, 36, 37 or 38.

Clauses 57 to 59

71. Clause 57 provides that the Registrar must publish the design, if the Registrar is satisfied that the documents provided with the design application meet any prescribed requirements in relation to publication. Otherwise the Registrar must notify the applicant of the matters in relation to which the Registrar is not satisfied, giving the applicant an opportunity to address them (clause 58). If the applicant fails to respond to the notice within the period prescribed in the regulations, the application lapses (see paragraph 33(1)(b)).

72. The Registrar must consider any response by the applicant (including a request for amendment under clause 28), and if the Registrar is satisfied as required under subclause 57(2), the Registrar must publish the design. If the Registrar is still not satisfied, the Registrar may refuse to publish the design under clause 59, or may give the applicant a further notice under subclause 57(3). The applicant may respond again, and so on. However, the design application will lapse at the end of the period prescribed under paragraph 33(1)(b) — unless the applicant responds in that period to the satisfaction of the Registrar as required by subclause 57(2).

73. Under clause 59, if the applicant responds to the notice, but the Registrar is still not satisfied about the notified matters, the Registrar must refuse to publish the design. The Registrar must notify the applicant of the reasons for the refusal in writing. Clause 136 provides for review by the Administrative Appeals Tribunal of the Registrar's refusal under this clause.

Part 5 — Certain documents to be available for public inspection

Clause 60 — Design applications for registered designs and associated documents to be open for public inspection

74. Under this clause, after a design has been registered or published, almost all documents relating to the design must be made available for public inspection. This is to include documents filed before, and after, the registration or publication of the design. It is also to include not only a document as originally filed, but also any version of that document amended under clause 28.

75. Subclause 60(2) specifies the documents that are not to be made available for public inspection in any case.

76. Subclause 60(4) provides several further classes of documents that cannot be made available for public inspection under this clause.

Clause 61 — Certain documents not to be published

77. This clause provides generally that, prior to the registration or publication of a design, documents relating to a design must not be published or be open to public inspection, and are not liable to be inspected or produced before the Registrar or in a legal proceeding. This is to ensure that the applicant is not to be disadvantaged by details of the design becoming available to competitors before the design is registered or published at the request of the applicant.

CHAPTER 5 — EXAMINATION OF DESIGNS

78. This Chapter provides for the substantive examination of a registered design at any time after its registration. Any person may request this examination (clause 63). This is to provide a cost-effective means for the registered owner of the design or a third-party to have an administrative determination of the validity of a registration. This would be particularly useful where the registered design is the subject of a

dispute that could lead to litigation. Before any legal proceeding for infringement, revocation or rectification can be taken under the Act in respect of a registered design, it must be examined and found valid by the Registrar of Designs. If the Registrar finds that the registration is invalid, the Registrar is to revoke the registration — preventing any litigation on the registration other than a challenge to the Registrar’s decision to revoke the registration (subclauses 67(4) and 68(6)).

Part 1 — Simplified outline of Chapter 5

Clause 62 — Simplified outline

79. This clause provides a simplified outline of Chapter 5 to assist the reader.

Part 2 — Requests for examination

Clause 63 — Examination of design

80. This clause requires the Registrar to examine *a design that has at any time been a registered design*, at the request of any person, by order of a court or on the Registrar’s initiative. The expression *a design that has at any time been a registered design* is defined in subclause 63(5) as including a design whose registration has ceased under subclauses 48(2) or (3) — this permits examination of a design that has ceased on expiry of its term of registration, after the end of that term. This allows examination to be deferred until there is a dispute regarding the design, or someone wishes to take legal action in respect of the design. So, where infringements have occurred during the term of the registration, but the registered owner only becomes aware of them after the end of the term, the registered owner (or, for example, the alleged infringer) can request examination to determine whether the registration was valid. If the Registrar finds that the registration is valid, the registered owner can bring the infringement action.

81. The expression *a design that has at any time been a registered design* excludes a design whose registration has been revoked, unless a declaration of entitled persons is made under clause 52, 53 or 54. As a result, a registered design that is revoked cannot be examined — unless the Registrar or a court makes a declaration of entitlement (under clause 52, 53 or 54), a new application is made under clause 21 including that design (as provided in clause 55), and the design is registered.

82. It is intended that a registered design can be examined any number of times — unless it is ceased under subclause 48(1) or revoked without a declaration of entitlement being made, after which it cannot be examined again. This is to allow the validity of the registration to be re-opened as new evidence comes to light. The imposition of a reasonable fee on requesting examination is intended to discourage frivolous or vexatious requests for examination.

83. Examination cannot proceed if *relevant proceedings* (see clause 5) are commenced or pending before a court — except at the order of the court (subclauses 63(3) and (4)). This is to allow the court to make its own final determination of validity. Additionally, at the court’s discretion, it may use the Registrar’s expertise in

designs matters to assist it in making its determination by directing that the Registrar examine the design.

Clause 64 — Requirements for request for examination of design

84. This clause prescribes the requirements for requests for examination of designs in accordance with the regulations. Material regarding the newness and distinctiveness of the design can be submitted with the request. If provided, the Registrar must make this material available for public inspection.

Part 3 — Examination

85. This Part provides for the: examination of a registered design (clause 65); proposing of amendments to the registration (clause 66); issuing of a certificate of examination in respect of the design where its registration is valid (clause 67); and revocation of the registration where it is invalid (clause 68).

Clause 65 — What Registrar must do in examining a design

86. This clause provides for the examination of a registered design. The Registrar must consider whether there is a ground for revocation of the registered design. The principal ground for revocation is that the design is not a registrable design — the design must be new and distinctive when compared with the prior art base as it existed before priority date of the design (see clauses 15 and 27). Other grounds may be prescribed in the regulations. The material that the Registrar may consider in determining what is the prior art base includes material filed under subclause 64(2) and clause 69.

87. The examination must be completed within the period prescribed in the regulations under paragraph 65(3)(b). Paragraph 48(1)(a) provides that the registration will cease if the Registrar has not completed an examination within that period — i.e the Registrar is not satisfied that the design must be certified as validly registered, or, that it must be revoked as invalidly registered.

Clause 66 — Amendment of registration

88. Where the Registrar is satisfied, in the course of examining the registered design, that a ground for revocation of the registration is made out, the Registrar must give written notice to the registered owner of the design (subclause 66(2)). The registered owner may address the ground by disputing its validity, or by requesting an amendment to the Register to remove the ground (subclause 66(3)) — provided that the requested amendment meets the requirements of subclause 66(6).

89. If a proposed amendment is refused, the registered owner can propose another amendment. No amendment will be made immediately — amendments will not be made unless all grounds of revocation can be removed, so the Registrar can proceed to issue a certificate of examination under clause 67. It would be nugatory for any amendment to be made where the registration is not certified — the registration would either cease under subclause 48(1), or be revoked under clause 68.

Clause 67 — Certificate of examination where registration valid

90. This clause provides for the Registrar to certify the validity of a registration, where examination of the registered design confirms its registration is valid, or can be made valid by an appropriate amendment — i.e. the Registrar is satisfied in the course of examining the registered design that a ground for revocation of the registration has not been made out, or that any ground can be removed by an amendment requested by the registered owner under clause 66.

91. This must occur within the period prescribed under paragraph 65(3)(b) for completing the examination — certification cannot occur where the registration has ceased under subsection 48(1).

92. Subclauses 67(1) and (2) provide that where the Registrar is satisfied as required, the relevant parties must be advised:

- that the design has been examined;
- of any proposed amendments; and
- that a certificate of examination is to be issued.

93. The relevant parties must be given a reasonable opportunity to be heard (clause 67(3)) — this is intended to allow a third party who requested examination to argue against certification, or to allow a person entered on the Register as having an interest in the design to argue against proposed amendments that could affect their interest.

94. If, after giving relevant parties a reasonable opportunity to be heard, the Registrar is still satisfied that a ground for revocation of the registration has not been made out, or that any ground can be removed by an amendment requested by the registered owner under clause 66, then the Registrar must:

- issue a certificate of examination to the registered owner;
- record the issue of the certificate and any applicable amendments on the Register; and
- publish a notice stating that the registered design has been examined, and that infringement proceedings can now be commenced.

95. An appeal lies to the Federal Court against a decision of the Registrar under this clause.

Clause 68 — Revocation of registration after examination

96. This clause provides for the Registrar to revoke a registration, where examination of the registered design reveals that its registration is invalid, and that it cannot be made valid by any amendment proposed by the registered owner under clause 66 — i.e. the Registrar is satisfied in the course of examining the registered design that a ground for revocation of the registration has been made out, and that the ground would not be removed by amending the Register as requested by the registered owner under clause 66.

97. The Registrar will only proceed to revoke the registration where the registered owner has been notified of the ground(s) of revocation under subclause 66(2), and been given reasonable opportunity to make submissions disputing the ground(s), or to request amendment of the registration under subclause 66(3). If the Registrar is not persuaded by the submissions, or considers that any amendments proposed could not remove the ground(s) of revocation, then the Registrar must proceed to give the registered owner a reasonable opportunity to be heard (paragraph 68(4)(a)).

98. If, after any hearing, the Registrar is still satisfied that the registration is invalid, and that it cannot be made valid by any amendment proposed by the registered owner, then the Registrar must:

- give the relevant parties a notice stating that the registration is to be revoked; and
- make an entry in the Register under clause 115, and publish a notice. Both must state that the registration has been revoked and that the design is taken never to have been registered.

99. The Registrar must not revoke the registration while relevant proceedings are pending (subclause 68(5)). An appeal lies to the Federal Court against a decision of the Registrar under this clause.

Part 4 — Material may be provided to Registrar

Clause 69 — Certain material may be provided to Registrar

100. This clause allows a person to provide material to the Registrar relating to the newness or distinctiveness of a registered design (see clause 16), without being required to request examination under clause 63. This provides an opportunity for members of the public to provide information that could be relevant to the validity of the registration, without incurring the expense of involvement in examination proceedings. The Registrar must:

- inform the registered owner of the design that the material has been provided and give the registered owner a copy of the material;
- retain the material for the prescribed period; and
- make a copy of the material available for public inspection.

CHAPTER 6 — INFRINGEMENT

101. This Chapter provides for legal proceedings against any person who infringes a registered design during the term of its registration (Part 2). It also provides for relief from unjustified threats of infringement proceedings (Part 3).

Part 1 — Simplified outline of Chapter 6

Clause 70 — Simplified outline

102. This clause provides a simplified outline of Chapter 6 to assist the reader.

Part 2 — Infringement of Registered Design

103. This Part provides for: what constitutes infringement of a design (clause 71); a right-of-repair exception to infringement (clause 72); the bringing of infringement proceedings (clause 73); counter-claims by a defendant to infringement proceedings (clause 74); remedies for infringement of the design (clause 75); and intervention by the Registrar in infringement proceedings (clause 76).

Clause 71 — Infringement of design

104. This clause prescribes that infringement of a registered design is:

- doing any of the range of actions set out in subclause 71(1);
- without the licence or authority of the registered owner;
- during the term of registration of the design (see clause 46);
- in relation to a product for which the design is registered;
- where that product embodies the registered design, or a substantially similar design.

105. The infringing actions are the same actions that the registered owner has an exclusive right to perform in respect of the registered design under paragraphs 10(1)(a)-(e), but it is also an infringement to do those actions in relation to a product that embodies a design that is substantially similar in overall impression to the registered design. The broader scope of infringement, as compared with the exclusive rights of the owner, is intended to make the infringement distinctiveness tests the same (see subclauses 16(2) and 71(3)). A person copying the registered design will not be able to avoid a finding of infringement merely by making minor or insignificant changes to the registered design if the overall impression of the copied design remains substantially similar.

106. Subclause 71(4) sets out the limitation period for commencing infringement proceedings as 6 years from the date of the infringing act.

Clause 72 — Certain repairs do not infringe registered designs

Subclause 72(1)

107. This subclause provides a complete defence against infringement where a component part embodying a registered design is used for repair purposes without the authorisation of the design owner. It includes the use of a component part embodying a design that is substantially similar in overall impression to a registered design. To satisfy this subclause, the complex product needs to be repaired (as defined in subclause 72(5)), and to have its overall appearance restored in whole or in part (as defined in subclause 72(3)). However, this subclause does not provide a defence against infringement where the use of a component part embodying a design results in the enhancement of the appearance of the complex product. This approach preserves the incentive to innovate by allowing all designs of component parts of complex products to be registered if they meet the innovation threshold, without introducing any risk of subsequent anti-competitive behaviour. This enables original component parts to be protected, while the same or substantially similar component parts may be used for repairs without the risk of infringement.

Subclause 72(2)

108. This subclause provides that the onus is placed on the owner of the registered design to prove that parts were being made, supplied or used for non-repair purposes. To place the onus on the suppliers or manufacturers of spare parts would act as a disincentive for new participants to enter the spare parts market. It would force suppliers and manufacturers of spare parts to track their entire inventory to see whether they all are being used for genuine repair purposes.

109. Nevertheless, if suppliers or manufacturers are knowingly participating in using parts for non-repair purposes, or should have reasonably known that they are doing so, then they should not be able to hide behind the right of repair defence.

Subclause 72(3)

110. This subclause provides that in general, where there is a material difference between the original overall appearance of the complex product and its appearance immediately after repair, infringement would be considered to have occurred. The only exception to this is when the difference is solely the result of having only partially repaired the complex product.

111. For example, a complex product may contain several component parts, two of which are damaged. Only one of the component parts is replaced or repaired, while the other damaged component part is left as it is. This might occur for a number of reasons — for example, because the second component part is to be replaced at a later date when a part becomes available; or because the cost of repairing or replacing the second component part is considered to be excessive. In such a scenario, infringement would not have occurred if the only material difference in appearance is due to the fact that the second component part has not been repaired or replaced.

112. However, any other material difference in appearance would be considered to result in infringement. For example, upgrading the complex product by replacing the damaged or decayed component part with a different or updated component part, resulting in material changes to the overall appearance of the complex product, would be considered to infringe the design protection for that component part.

Subclause 72(5)

113. This subclause provides definitions for certain terms used in subclauses 72(1), (2) and (4), specifically ‘repair’, ‘standard of the informed user’ and ‘use’. In particular, the term ‘repair’ is defined to include a number of different scenarios:

- restoring or replacing a faded or otherwise deteriorated or decayed component part;
- replacing incidental items at the same time as a damaged component part is being repaired or replaced — for example, replacing undamaged clips that hold the component part in place;
- maintaining the complex product by replacing component parts during a routine maintenance program — this might occur even if no visible damage was apparent, because the component part was nearing the end of its useful life.

114. Upgrading or enhancing the look of the complex product would not be considered to be a repair. For example, adding accessory items that are protected by a registered design in order to enhance the appearance of the complex product, would not fall within the scope of the term ‘repair’.

Clause 73 — Infringement proceedings

115. This clause provides that the registered owner of a registered design can bring proceedings in *prescribed courts* — the Federal Court and the Supreme Courts of the States, the Territories and Norfolk Island (clause 5) — or in another court with jurisdiction. Infringement proceedings cannot be brought until the design has been examined under Chapter 5 and a certificate of examination has been issued (i.e. the Registrar must have determined that the registration is valid).

116. Subclause 73(4) provides for a special restriction on infringement proceedings where a registration has been revoked by the Registrar under clauses 50 or 52, or where a court has revoked a registration. Following the Registrar or the court making a declaration of entitlement under clauses 52, 53 or 54, a subsequent application may be made under clause 21 for registration of the revoked design, keeping its priority date (see clause 55). Although the design has previously been registered, infringement proceedings may only be brought in respect of infringements occurring after the date of making the subsequent application. This is intended to ensure that a person who was a previous registered owner, but who is subsequently found not to be entitled, will not be liable for their use of the revoked design. It is also intended to protect a person who used the revoked design with the authority of the previous registered owners.

Clause 74 — Counter-claims

117. This clause provides that the defendant in infringement proceedings can counter-claim for revocation of the registration of the design under clause 93.

Clause 75 — Remedies for infringement

118. This clause provides that in infringement proceedings, the relief that a court may grant includes an injunction, and at the option of the plaintiff, either damages or an account of profits. The court is to be given discretion in the award of damages or ordering an account of profits (subclause 75(2)), depending on the defendant's knowledge of the registration, and the reasonableness of the extent of that knowledge. In that context, the clause applies a more stringent test to *primary infringement* (making or offering to make a product embodying the design etc. (see paragraph 71(1)(a)), than it does to *secondary infringement* (all other infringing acts under subclause 71(1)). The court will also be able to award additional damages where the infringement is flagrant (subclause 75(3)).

Clause 76 — Intervention by Registrar

119. This clause provides that a court may grant the Registrar leave to intervene in infringement proceedings.

Part 3 — Relief from unjustified threats

120. This Part provides for relief from unjustified threats of infringement proceedings or other similar proceedings. The Part provides:

- that an application may be made to a court for relief from such unjustified threats (clause 77);
- the circumstances in which a court may grant relief (clause 78);
- for counter-claims by the person making the threat, and by the person threatened (clause 79);
- that mere notification of a registration is not a threat (clause 80); and
- for immunity of legal practitioners and registered patent and trade marks attorneys (clause 81).

Clause 77 — Application for relief from unjustified threats

121. This clause provides that where a person threatens another person with infringement proceedings (or other similar proceedings) in respect of a design, the threatened person can apply to a court for the following relief: a declaration that the threats are unjustified; an injunction against the continuation of the threats; and the recovery of damages sustained by the applicant resulting from the threat. Any threat to bring infringement proceedings in respect of a design that has not been examined and had a certificate of examination issued will be unjustified (subclause 77(3)). It should be noted that this Part provides for relief against unjustified threats made by any person — it is not necessary that the person making the threats have any connection to the design or its owner.

Clause 78 — Court’s power to grant relief

122. This clause provides that a court may grant the relief sought by the threatened person, unless the person making the threats satisfies the court that the design is validly registered (i.e. a certificate of examination has been issued) and that the threats were aimed at acts that infringe, or would infringe, the registered design. This is intended to discourage any person making threats unless successful infringement proceedings could be brought against those acts.

Clause 79 — Counter-claim

123. This clause allows the respondent (i.e. the person making the threat) to respond to the application under clause 77 by the applicant (the threatened person), by counter-claiming for relief for infringement of the design by the applicant. This provides the respondent with the opportunity to have any alleged infringements examined by the court, without the necessity of bringing separate infringement proceedings. As with general infringement proceedings (see clause 74), the applicant (i.e. the threatened person) can respond to the respondent’s application for relief for infringement, by counter-claiming for revocation of the registration of the design (subclauses 79(2) and (4)). It should be noted that although the applicant can make the application under clause 77 at any time, neither the applicant nor the respondent can proceed to make a counter-claim under this clause unless the design has been examined under Chapter 5 and a certificate of examination has been issued.

Clause 80 — Mere notification of registration not a threat

124. This clause provides that notification of the existence of a registered design does not constitute a threat of infringement proceedings for the purposes of clause 77.

Clause 81 — Legal practitioners, registered patent attorneys and registered trade marks attorneys

125. This clause provides that a legal practitioner, *registered patent attorney* or *registered trade marks attorney* (see clause 5) is not liable to proceedings under clause 77 in respect of an act done in their professional capacity.

CHAPTER 7 — JURISDICTION AND POWERS OF COURTS

126. This Chapter provides for the jurisdiction and powers of the *prescribed courts* — the Federal Court and the Supreme Courts of the States, the Territories and Norfolk Island (clause 5). It also provides for these courts to issue compulsory licences for the use of registered designs, and to revoke invalid registrations (Parts 3 and 4).

Part 1 — Simplified Outline of Chapter 7

Clause 82 — Simplified outline

127. This clause provides a simplified outline of Chapter 7 to assist the reader.

Part 2 — Jurisdiction

Clauses 83 to 89

128. These clauses:

- confer jurisdiction on the Federal Court, including the jurisdiction to hear and determine appeals from decisions of the Registrar — exclusive of the jurisdiction of any other court except that of the High Court under section 75 of the Constitution (subclauses 83(1) and (2));
- prevent a prosecution for an offence against the Act being brought in the Federal Court (subclause 83(3));
- confer jurisdiction on prescribed courts other than the Federal Court (clause 84);
- provide that the jurisdiction conferred on the Federal Court and on other prescribed courts by clauses 83 and 84 respectively, is to be exercised by a single judge (clause 85);
- enable proceedings to be transferred from one prescribed court to another, on application of a party (clause 86);
- provide for appeals from a judgement or order of a court to the Federal Court, or to the High Court (clause 87);
- set out the powers of the Federal Court on hearing an appeal against a decision or direction of the Registrar (clause 88); and
- permit the Registrar to appear and be heard at the hearing of an appeal to the Federal Court against a decision or direction of the Registrar (clause 89).

Part 3 — Compulsory licences and revocation of registration

129. This Part provides for a prescribed court to grant compulsory licences for registered designs (clauses 90 and 91), and for the revocation of a registered design where the design is the subject of a compulsory licence (clause 92).

Clause 90 — Person may apply to court for compulsory licence

130. A compulsory licence is a non-exclusive license granted to a specified person to do any of the acts that are the subject of the exclusive rights of the registered owner of a registered design. The acts include making, importing or selling products embodying the design, but do not include authorising another person to do any act (see clause 10 and subclause 90(1)).

131. A person may apply to a prescribed court for a compulsory licence only after the registered design has been examined under Chapter 5, and has been found valid (subclause 90(2)).

132. Subclause 90(3) provides that an order for a compulsory licence will only be granted where the court is satisfied that:

- products embodying the design have not been made in Australia to the extent that is reasonable in the circumstances of the case;
- the registered owner has given no satisfactory reason for failing to do in Australia the acts that are the subject of the exclusive rights in the design (i.e. making, importing, selling etc. products embodying the design); and
- the registered owner has not given the applicant authorisation, on reasonable terms and conditions, to do the acts that are the subject of the exclusive rights in the design as listed in paragraphs 10(1)(a)-(e) — although the applicant has tried for a reasonable period to obtain that authorisation.

Clause 91 — Terms of compulsory licence

133. This clause provides that an order under clause 90 granting a compulsory licence has effect as if it was in a deed executed by all necessary parties, but cannot give the licensee any right to exclude other persons from using the design. The compulsory licence can be assigned to another person, but only in connection with the enterprise or goodwill in connection with which the licence is used. The applicant must pay the registered owner for the licence. If the applicant and the registered owner cannot agree on the amount, the court can determine the amount that is just and reasonable having regard to the licence's value. The clause also provides the circumstances in which a compulsory licence can be revoked.

Clause 92 — Revocation of registration after grant of compulsory licence

134. Following the grant of a compulsory licence under clause 90, an interested person can apply to a prescribed court under this clause for revocation of the registration. The court will revoke the registration if it is satisfied that the reasonable requirements of the public with respect to the design have not been satisfied and the registered owner has given no satisfactory reason for failing to do in Australia the acts that are the subject of the exclusive rights in the design (i.e. making, importing, selling etc. products embodying the design).

Part 4 — Revocation of registration by court in other circumstances

Clause 93 — Revocation of registration in other circumstances

135. This clause provides that any person may apply to a prescribed court for the revocation of the registration of a design on several grounds relating to the validity of the registration. As with other legal proceedings relating to registered designs, revocation proceedings cannot be brought until the design has been examined under Chapter 5 and a certificate of examination has been issued.

CHAPTER 8 — THE CROWN

136. This Chapter provides for the Commonwealth, the States and the Territories to use designs for their purposes (Part 2); for the Commonwealth to acquire a design (Part 3); and for the Registrar of Designs to prohibit or restrict the publication of information about a design (Part 4).

Part 1 — Simplified outline of Chapter 8

Clause 94 — Simplified outline

137. This clause provides a simplified outline of Chapter 8 to assist the reader.

Part 2 — Use by the Crown

Clause 95 — Meaning of terms

138. This clause provides that for the purposes of this Part, the term ‘State’ includes the Territories.

Clause 96 — Use of design by the Commonwealth or a State

139. This clause provides for use of a registered design, or use of a design that is included in a design application by:

- the Commonwealth, the States and Territories;
- the Commonwealth, State and Territory authorities; and
- any person authorised in writing by the Commonwealth, a State, a Territory or an authority of the Commonwealth, a State or Territory.

140. The use allowed under this clause is doing of any of the acts that are the subject of the exclusive rights of the registered owner of the registered design (i.e. making, importing or selling products embodying the design: see clauses 95 and 10(1)(a)-(e)), or that would be the subject of the exclusive rights of the registered owner were the design to be registered. The use must be for the services of the Commonwealth, a State or a Territory — i.e. the use is necessary for the proper provision of those services in Australia (but see also clause 105).

Clause 97 — Applicants, entitled persons and registered owners to be informed of use

141. Under this clause, where the Commonwealth, a State or a Territory uses a design, it must notify the following person(s) of the use:

- each applicant for registration and each entitled person (see clause 13) — where the design has not been registered; or
- the registered owner or owners — where the design is registered.

142. Additionally, the Commonwealth, the State or Territory must give each notified person information about the design that they reasonably require from time to time — unless it appears that it would be contrary to the public interest to do (subclause 97(2)).

Clause 98 — Terms of use

143. Under this clause, a prescribed court can determine the terms of use of the design, including compensation for the use — if the entitled person(s) or the registered owner(s) cannot reach agreement with the Commonwealth, State or Territory. No one can apply to the prescribed court for a determination, unless the design has been examined under Chapter 5 and a certificate of examination has been issued.

Clause 99 — Previous agreements inoperative

144. This clause renders inoperative an agreement or licence that would otherwise govern use of a design under clause 96 by a person other than the Commonwealth, a State or a Territory — unless the agreement or licence has been approved by the Commonwealth Minister responsible for the designs legislation, or by the Attorney-General of the State or Territory. This is to ensure that a person authorised to use the design under clause 96 will not also be subject to obligations under a previous agreement or licence.

Clause 100 — Infringement

145. This clause provides that the use of the design under clause 96 does not constitute an infringement of the design.

Clauses 101 and 102

146. Under clauses 101 and 102, a prescribed court can:

- declare that a design has been used under clause 96;
- revoke the registration of a design (if the Commonwealth, a State or a Territory has made a counter-claim under clause 93);
- on application by the registered owner, declare that the use of the design is not, or is no longer, necessary for the proper provision of services of the Commonwealth, or a State or a Territory; or

- order the Commonwealth, the State or Territory to cease using the design.

147. As with setting the terms of use, no-one can apply to a prescribed court for a declaration under clause 101 or 102, unless the design has been examined under Chapter 5 and a certificate of examination has been issued.

Clause 103 — Sale of products

148. This clause provides that where the Commonwealth, a State or a Territory sells products embodying the design, the person buying the product, and any person claiming through the buyer is entitled to deal with the product as if the Commonwealth, State or Territory was the registered owner of the design.

Clause 104 — Forfeited products

149. This clause provides that the power of the Commonwealth, States and Territories to use or sell products forfeited under their laws, and to give good title to the forfeited products is not to be affected by this Part.

Clause 105 — Supply of products by the Commonwealth to foreign countries

150. Under this clause the Commonwealth can supply products embodying the design to a foreign country for the defence of that country. The supply can be by sale or otherwise. The use of the products by the Commonwealth, or by an authorised person, for the purpose of supplying them to the foreign country is taken to be for the services of the Commonwealth (e.g. this includes making and supplying the products to an exporter for export). Any products not required for supply to the foreign country can be sold to any person (paragraph 105(3)(b)).

Part 3 — Acquisition by and assignments to the Crown

Clause 106 — Acquisition of design by the Commonwealth

151. This clause empowers the Commonwealth to acquire a design disclosed in a design application, or a registered design. The Commonwealth must compensate each entitled person or the registered owners, and each person with a registered interest in the design (e.g. licensees). If the Commonwealth and those interested persons cannot agree on the amount of compensation, a prescribed court can determine the amount. No-one can apply to the prescribed court for a determination, unless the design has been examined under Chapter 5 and a certificate of examination has been issued (subclause 106(5)).

Clause 107 — Assignment of design to the Commonwealth

152. This clause empowers an entitled person in relation to a design, or the registered owner, to assign to the Commonwealth the person's interest in the design and in the exclusive rights obtained, or to be obtained, in the design. Valuable consideration is not necessary for the assignment to be valid and effectual. The assignment may be enforced by action or other appropriate proceeding in the name of the Minister.

Part 4 — Prohibition orders

Clause 108 — Prohibition of publication of information about designs

153. This clause empowers the Registrar to prohibit or restrict the publication of information about the subject matter of a design application where this appears necessary or expedient to secure the defence of the Commonwealth. In exercising this power, the Registrar is subject to any directions by the Minister responsible for the designs legislation. Clause 136 provides for review by the Administrative Appeals Tribunal of the Registrar's decision to prohibit or restrict publication under this clause.

154. The immediate effect of an order restricting or prohibiting publication is that a design disclosed in the application cannot be registered or published (see also paragraph 43(1)(d)). Any design in the application can only proceed to registration or publication after the order is revoked (see clauses 108(4) and 44).

Clause 109 — Publication of information about designs

155. This clause creates an offence of contravening an order issued under subclause 108(1), with a maximum penalty of 2 years imprisonment. It is a complete defence to this offence that the person contravening the order has the Registrar's written consent to the contravening conduct.

CHAPTER 9 — THE REGISTER

Clause 110 — Simplified outline

156. This clause provides a simplified outline of Chapter 9 to assist the reader.

Clauses 111 to 114

157. These clauses:

- require the Registrar to keep a Register of Designs at the Designs Office (subclause 111(1));
- require the Registrar to enter in the Register particulars of registered designs (subclause 111(2); see also subclause 45(2)), and to make all documents filed in connection with the registration of those particulars available for public inspection at the Designs Office (subclause 111(3));
- permit the Register to be kept wholly or partly by use of a computer (clause 112);
- require the Register to be available for inspection at the Designs Office by any person at the times prescribed by the regulations, and to provide public access to a computer terminal, where the Register is computerised (clause 113);
- provide for the Registrar to record the assignment of an interest in a registered design, at the request of the registered owner assigning the interest, or the assignee of the interest (subclause 114(1)); and

- provide for the Registrar to record the devolution of the design by will or operation of law, at the request of the new owner (subclause 114(2)).

Clause 115 — Amendments of Register made to give effect to certain decisions

158. This clause applies where the Registrar decides to revoke the registration of a design under clauses 50, 52 or 68, or where a court orders the revocation of a registered design. In each case, the Registrar must make an entry in the Register stating that the registration of a design has been revoked, and that the design is taken never to have been registered. The legal effect of court decisions, or of actions taken under contracts, is preserved by clause 143.

Clauses 116 to 120

159. These clauses:

- require the Registrar, after amending the Register (for example under clause 114), to issue a new certificate of registration, and publish a notice specifying the amendments and, if appropriate, publish the design (clause 116);
- prevent the Registrar receiving notice of a trust or entering it in the Register (clause 117);
- provide that the Register is prima facie evidence of any particulars entered in it, including where the Register is kept wholly or partly by use of a computer (clause 118);
- provide that a document or instrument for which an entry has not been made in the Register is not admissible in a court as proof of title to a design or an interest in a design — except in the case of an application for rectification of the Register (see next dot-point), or at the direction of the court concerned (clause 119);
- empower a prescribed court to order rectification of an error, omission or wrongly-made entry in the Register — on the application of a person aggrieved (clause 120).

CHAPTER 10 — ADMINISTRATION

Clause 121 — Simplified outline

160. This clause provides a simplified outline of Chapter 10 to assist the reader.

Clauses 122 to 128

161. These clauses:

- establish the office of Registrar of Designs, and provide that the Registrar's powers and functions are those conferred by this or any other Act (clause 122);
- establish the office(s) of one or more Deputy Registrars of Designs, and provide for their powers and functions (clause 123);

- empower the Registrar to delegate the Registrar's powers or functions to prescribed employees, or to a prescribed class of employees (clause 124);
- establish the Designs Office and provide for sub-offices in each State (clause 125);
- provide for the seal of the Designs Office and for impressions of that seal to be judicially noticed (clause 126);
- provide the Registrar with powers necessary for the conduct of proceedings before him or her, including awarding costs against a party (clause 127); and
- provide that costs awarded by the Registrar against a party are recoverable as a debt (clause 128).

CHAPTER 11 — MISCELLANEOUS

162. This Chapter provides for miscellaneous matters including: prescribed fees (Part 2); criminal offences (Part 3); review of the Registrar's decisions by the Administrative Appeals Tribunal (Part 4); extensions of time to do acts (Part 5); and other matters (Part 6).

Part 1 — Simplified outline of Chapter 11

Clause 129 — Simplified outline

163. This clause provides a simplified outline of Chapter 11 to assist the reader.

Part 2 — Fees

Clause 130 — Fees

164. This clause provides that the regulations may prescribe the fees to be paid, and that they may prescribe different fees in respect of the doing of an act or the filing of a document, according to the time when the act is done or the document is filed.

165. Subclauses 130(4)-(6) allow the regulations to provide for flexible, streamlined fee-payment methods, including the issuing of an invoice for payment of a fee after the relevant act or filing of the document has taken place. A range of consequences of non-payment of a fee are set out in subclause 130(5), including that an act is not taken to be done, that a document is taken not to have been filed or that an application for registration is taken to have lapsed. This will provide a sanction for failure to pay a fee and will prevent a person gaining the benefit of an action under the design system without having made the necessary payment.

Part 3 — Offences

166. This Part establishes a number of offences relating to the designs registration system. The offences relate to misrepresentations, making false entries and failure to assist the Registrar.

Clause 131 — False entries in Register

167. This clause creates two offences with a maximum penalty of imprisonment for 12 months. Those offences are:

- making or causing to an entry to be made in the Register — where the person knows the entry is false or is reckless as to whether it is false; and
- tendering a document in evidence — where the person knows that the document falsely purports to be a copy of or an extract from an entry in the Register or is reckless as to whether it so falsely purports.

Clause 132 — False representation that a design is registered

168. This clause creates three offences with maximum penalties of 60 penalty units. Those offences are:

- representing that a design is registered — where the person knows that the representation is false or is reckless as to whether it is false;
- representing that some person is the registered owner of a design — where the person knows that the design is not registered or is reckless as to whether the representation is false; and
- selling a product that embodies a design, and the product has applied to it words expressing or implying that the design is registered — where the person knows that the design is not registered or is reckless as to whether it is registered.

Clause 133 — False representations about the Designs Office

169. This clause creates an offence with a maximum penalty of 30 penalty units. The physical elements of the offence are using words in connection with an office or business, that would lead a reasonable person to believe that the office or business is the Designs Office, or is officially connected with that Office. The fault element is that the person knows or is reckless as to whether their office or business is the Designs Office, or is officially connected with that Office.

Clause 134 — Failure to comply with requirements of Registrar

170. This clause creates an offence with a maximum penalty of 30 penalty units. Under clause 127, the Registrar has a number of powers for the conduct of proceedings before him or her. Clause 134 provides a sanction for a person who does not comply with a requirement of the Registrar to:

- appear as a witness, once offered reasonable expenses;
- answer a question put by the Registrar;
- produce a document or article to the Registrar; or
- be sworn or make an affirmation in proceedings before the Registrar.

171. The offence consists in engaging in conduct (including failing to do an act), where the person knows or is reckless as to whether the conduct contravenes the requirement. A defence of lawful excuse applies generally to the offence and a person is excused from a requirement where it might tend to incriminate the person or expose the person to penalty.

Clause 135 — Officers not to traffic etc. in designs

172. This clause creates an offence with a maximum penalty of 60 penalty units. The clause prohibits the Registrar, a Deputy Registrar or an employee from buying, selling, acquiring or trafficking in: a registered design, wherever granted; or a right in or licence under, a registered design, wherever granted. Subclause (2) voids any transaction entered into in contravention of this provision. These provisions are intended to prevent conflicts arising between the duties of employees in the Designs Office and any interest they might have in buying or selling other persons' registered designs. To ensure that employees in the Designs Office are not discriminated against unfairly, subclause (3) protects the rights of employees to register their own designs, or to acquire a registered design by devolution by will or by operation of law.

Part 4 — Review of the Registrar's decisions

Clause 136 — Review by Administrative Appeals Tribunal

173. This clause provides for review by the Administrative Appeals Tribunal of certain listed decisions of the Registrar. This clause also provides that a written notice in respect of a listed decision must advise the affected person(s) of their right to apply to have the decision reviewed. Nevertheless, a decision is not invalidated because of a failure to give that notice.

Part 5 — Extensions of time

Clauses 137 to 140

174. These clauses provide for the Registrar to extend the time to do a *relevant act*. As a result of the definition of this expression in subclause 137(7), these clauses apply to all actions under the Act, other than actions in relation to judicial proceedings, or actions prescribed under the regulations — the time for doing a prescribed action cannot be extended.

175. Clause 137 also sets out the circumstances in which an extension of time may be granted, and that a person may be able to oppose the extension of time where the application is made for an extension of more than 3 months. Clause 136 provides for review by the Administrative Appeals Tribunal of the Registrar's refusal of an application made under this clause.

176. Clause 138 provides for the restoration of a lapsed design application or ceased registration where an extension of time is granted.

177. Clauses 139 and 140 protect the interests of third parties who take action to use a design after its registration is ceased, but the registration is restored under clause 138. Clause 139 enables a person who took definite steps to use the design commercially, in the period between the registration ceasing and its restoration, to continue to use the design or to sell it to another person after the restoration — without infringing the design. Clause 140 provides that no infringement proceedings can be brought for any infringement committed in that period, or in the period between the lapsing of the design application and its restoration.

Part 6 — Other

Clauses 141 to 148

178. These clauses:

- provide that an agent may do any act in connection with the registration of designs on behalf of any other person (clause 141);
- give a registered patent attorney or a registered trade marks attorney a right of lien over their clients' documents and property relating to designs matters (clause 142);
- provide that revocation of a design does not affect the operation of a court decision made before the revocation, or things done under a contract before the revocation (clause 143);
- set out the means of filing documents at the Designs Office (clause 144);
- permit service of documents on a person at their address in Australia for service of documents (clause 145);
- provide that a deceased person's legal personal representative may proceed with an application for registration or publication (clause 146);
- provide for correction of the name of the registered owner in the Register — where the Registrar is satisfied that the registered owner had died, or had ceased to exist (in the case of a body corporate), before the design was registered (clause 147); and
- provide that the Registrar must give a person an opportunity to be heard, before exercising a discretionary power adversely to that person (clause 148).

Clause 149 — Regulations

179. This clause allows the Governor-General to make regulations relating to the Act and the Designs Office.

CHAPTER 12 — REPEAL, TRANSITIONAL AND SAVINGS PROVISIONS

Part 1 — Repeal of Designs Act 1906

Clause 150 — Repeal

180. This clause repeals the *Designs Act 1906* (the *old Act*: clause 161). Consequently, no new applications may be made under the provisions of the old Act, on or after the *commencing day* (the day on which this Act commences: clause 161). Applications made *before* the commencing day can continue under the provisions of the old Act (see clause 153), but they cannot in any circumstances give rise to any new application under the provisions old Act, on or after the commencing day.

Part 2 — Transitional provisions

181. This Part provides for the transitional operation of the Act in respect of certain registrations and proceedings under the old Act; and the continued operation of the old Act for certain applications made and proceedings commenced under the old Act.

Clause 151 — Application of this Act to certain designs

182. This clause provides that a design that was registered under the old Act immediately before the day on which the Act commences is taken to be registered under the Act. There is to be no requirement to re-enter these design registrations on the Register (clause 158) and no new certificate of registration will be issued in respect of these design registrations.

183. Design registrations to which this clause applies are taken to have been examined under Part 3 of Chapter 5 and to have been issued a certificate of examination under section 67. No certificate of examination is to be issued in respect of these registrations, nor will any entry be made in the Register to that effect.

184. These design registrations will not be subject to examination under Chapter 5 as they will have previously been examined under the old Act (paragraph 151(3)(c)). Nor will these registrations be required to satisfy in any legal proceedings the stricter tests for validity applying to design registrations under this Act — the old Act will continue to apply for the purposes of determining the validity of such registrations (paragraphs 151(3)(a) and (b)).

Clause 152 — Term of registration of certain designs

185. This clause provides that the term, renewal and ceasing of a registration to which clause 151 applies will continue to be determined under section 27A of the old Act rather than clauses 46, 47 and 48 of this Act. This is to ensure that design registrations to which clause 151 applies can enjoy the term that would have been available had the old Act not been repealed — a maximum term of 16 years.

Clause 153 — Applications made before the commencing day

186. This clause provides that an application for registration of a design made before the commencing day will continue under the provisions of the old Act unless the applicant requests that the application be treated as a converted application (see clause 159). So the priority date of the application, consideration of the registrability of the design, amendment of the application etc. will all be done under the provisions of the old Act, with two exceptions:

- an application for an extension of time must be made, considered and granted under clause 137;
- registration of the design is made in the Register of Designs established under this Act, under the provisions of clause 45 and, by reference, clause 111.

187. Paragraph 151(1)(b) provides that a design registered as a result of such an application, is to be subject to the provisions of this Act, with the modifications as provided by this Part.

Clause 154 — Other applications and proceedings

188. This clause provides that this Act applies to any application, request, action or proceeding made or started under the old Act that was pending before the commencing day, as if the application, request, action or proceeding had been commenced under a corresponding provision of this Act.

189. This clause does not apply to proceedings relating to applications for registration made before the commencing date (governed by clause 153), or to pending legal proceedings (governed by clause 155).

Clause 155 — Pending proceedings

190. This clause provides that proceedings before a court under the old Act, pending immediately before the commencing day, are to be determined under the provisions of the old Act — but any order for rectification of the Register must relate to the new Register. This will ensure that existing matters can be determined without a change in statutory basis during proceedings.

Clause 156 — Infringement under old Act

191. This clause provides for a range of actions for infringement of a registered design to be brought under this Act, but with several matters in the action being determined under the provisions of the old Act:

- infringement of the monopoly in the design; and
- the remedies for any infringement.

The registered designs that are governed by this clause are:

- designs that were registered under the old Act at any time, but which had not been expunged from the Register (i.e. for invalidity); and
- designs registered under this Act as provided under subclause 153(3) i.e. the design was included in an application made before the commencing day.

192. As a result, actions for the following infringements of monopoly in a design occurring *before* the commencing day may be brought under this clause:

- infringement of a design registered under the old Act that had ceased before the commencing day;
- infringement of a design registered under the old Act, to which paragraph 151(1)(a) applies; and
- infringement of a design registered under this Act as provided under subclause 153(3) — the commencement of its term will pre-date the commencing day.

193. Additionally, actions for the following infringements of monopoly in a design occurring *on or after* the commencing day may be brought under this clause:

- infringement of a design registered under the old Act to which paragraph 151(1)(a) applies; and
- infringement before the commencing day of a design registered under this Act as provided under subclause 153(3).

194. It should be noted that this clause does not relate to infringements that were the subject of actions pending immediately before the commencing day (paragraph 156(2)(b)). That case is governed by clause 155. Also, the clause does not override any law limiting the time period in which an infringement action may be brought (subclause 156(4)).

Clause 157 — Registrar and Deputy Registrar

195. This clause provides for the persons currently holding office as Registrar or Deputy Registrar immediately before the commencing day to continue in their offices on and after that day. The incumbents on the commencing day may be replaced at any time from that day forward.

Clause 158 — The Register

196. This clause provides that the Register of Designs under the old Act is taken to be the Register of Designs for the Act, obviating the need to establish a new separate register.

Converted applications (clauses 159 and 160)

197. Under clause 159, a person who has made a *transitional application* (see clause 161) can request that it be treated as a *converted application*. This is a special class of application that can result *not* in a design registration governed by this Part, but in a design governed by the general provisions of this Act. The request is a *conversion request* (subclause 159(1)).

198. If the application under the old Act had lapsed, been registered or been refused, it is not a transitional application, and so cannot be the subject of a conversion request. The lapsing, the registration or the refusal of registration that prevents a conversion request being made can have occurred before or after the commencing day — under the old Act, or the old Act as applied by clause 153. It is not intended that the lapsing of an application at any time will prevent a conversion request being made — provided that the application is not in a state of lapse at the date of making the conversion request (i.e. the application may have been restored under subsection 27B(6) of the old Act or clause 138 of this Act).

199. The transitional application may have been the subject of examination, and may already have received adverse report(s) from the Registrar before the conversion request is made. Nevertheless it can be converted, provided that it has not been refused under section 24 of the old Act, as applied by clause 153.

200. A conversion request must be made before the end of the prescribed period (paragraph 159(2)(a)).

201. If a conversion request is validly made, the transitional application proceeds as a converted application from the date of the conversion request (subclause 159(4)). A converted application is taken to be an application under this Act with several modifications (clause 160):

- the converted application will retain the filing date of the transitional application (subclause 160(2)), i.e. it will have a filing date that pre-dates the commencing day, but see the discussion on term below;
- a design will retain the priority date that it had in the transitional application (subclause 160(3)), i.e. it will have a priority date that pre-dates the commencing day;
- the converted application will be taken to meet the minimum filing requirements for an application under this Act (subclause 160(4));
- the converted application will be taken to include a request for registration of each of the designs disclosed in it (subclause 160(5)). If the applicant wishes to merely publish a design in the converted application, this can be done under clause 38;
- any amendment to the transitional application requested under section 22B of the old Act applies to the converted application as if it had been requested under clause 27 (subclause 160(7)). This is to ensure that the transitional application is converted along with all amendments previously requested, including those that

narrow the scope of any possible registration of a design disclosed in the application;

- the term of registration of a design disclosed in a converted application is to be counted from the date of the conversion request, *not* the filing date of the transitional application. This is to be the case whether the design in the converted application is registered directly (subclause 160(6)), or is excluded by amendment under clause 28 of this Act and included in a new application under the provisions of clause 23 of this Act (subclause 160(8)).

202. The counting of the term of registration from the date of the conversion request is intended to ensure that no rights or causes of action under the new Act arise *before* the commencing day (to the detriment of third parties) and to give the registered design the possibility of achieving the full term available under the new legislation.

Clause 161 — Definitions

203. This clause defines the terms *commencing day*, *old Act* and *transitional application* for the purposes of Chapter 12.