

# SUPPORTING INNOVATION

## alrc report on designs law

***Designs* (ALRC 74) released by the Australian Law Reform Commission in September 1995, contains recommendations to modernise and simplify Australian designs law. These recommendations are aimed at improving the rights of those who design the innovative visual features of manufactured products — from cut-glass to textiles to garage doors.**

The report is the result of a wide ranging and detailed consultation process with those who use and are affected by designs law. The ALRC received submissions from over 250 designers, manufacturers, patent attorneys and lawyers, surveyed 1000 designers and held seminars around the country which were attended by up to 350 people.

The recommendations that have been developed aim to create a system that provides real incentives for designers. **Mary Fisher**, the Team Leader for the project, provides an overview.

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*Designs* is about encouraging innovation in the design of products.

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

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

In short the recommendations suggest that it should be harder to get design protection but easier to enforce it.

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

### What sort of designs law is required?

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

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

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

In striking a balance there are many factors to take into account. The range of activities undertaken by contemporary designers has changed and

## Supporting innovation

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

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

### The registered design right

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

- A design should be defined as one or more visual features of a product. A product's visual features include its shape, configuration, pattern, ornamentation, colour and surface. A product is anything that is manufactured, including something hand made. A component part is itself a product but not a portion of a product.
- To qualify for protection a design must be sufficiently innovative. A new test is proposed to determine this. The design must be 'new and distinctive'. To be distinctive it must differ substantially in overall impression from previous designs.
- The test for when a design is infringed is effectively the same. A design will infringe a registered design if it is substantially similar in overall impression to the registered design. This is determined by the court from the perspective of the 'informed user' of the product.
- Only the owner of the registered design can take action for infringement of the design. The owner of the design is the person or persons who created it but the owner of the registered design is the person or persons registered as the owner.

- Some new procedures are recommended for the registration system. To streamline the system an application for a design will only be examined in the first instance to check that it complies with formal requirements (a 'formal examination'). The examination of whether it is new and distinctive (the 'substantive examination') will only be undertaken if the applicant requests it or the registration is opposed. Applicants will also be given a 6 month period to test and refine their design after they have first lodged the application. At any time within that period an applicant can ask for the design to be published or registered. It will also be possible to submit multiple applications for registration.



*Toy kits pose special problems for designs law. ALRC President, Alan Rose and Commissioner Michael Ryland met with Lego directors from Denmark on 25 January 1995 as part of the designs consultations.*

- The design right will last for a period of 15 years, but it will require renewal each five years.
- The current limited opportunity to oppose the first 11 month extension of a design's registration on the grounds of novelty will not be retained. Instead it will be possible to challenge administratively the validity of a design's registration on a wide range of grounds at any time after registration. Should the Registrar find that a design is not validly registered then provided there is no appeal, the design will be removed from the register or any other necessary amendments to the register will be made.

- As a general principle decisions of the Registrar of Designs will be able to be reviewed on their merits by the Administrative Appeals Tribunal. Appeals on questions of law will be heard by the Federal Court. Some decisions of the Registrar will be reviewable only for their legal validity.
- A number of measures are proposed to encourage alternative dispute resolution so that enforcement issues do not always require litigation. It is not considered necessary at this stage to establish a special industrial property tribunal or a special list in the AAT or Federal Court to deal with designs issues.
- A range of remedies should be available for infringement of designs including injunctions, damages and an account of profits.
- Current designs law prohibits pirate imports but permits parallel imports. This approach should be maintained in the new designs law.
- Current designs law allows protection for spare parts. This should continue subject to a special procedure for referring potentially anti-competitive spare parts designs to the Trade Practices Commission. If the TPC finds that a grant of a design right would contravene s 50 of the Trade Practices Act, given certain assumptions, then the design will not be registrable.
- The provisions in the Copyright Act dealing with the overlap between designs and copyright should be simplified. The current provisions should be repealed and an adaptation right for artistic works should be introduced as part of copyright protection. It should also be expressly provided that it is not a reproduction of a work in a two dimensional form to make a version of the work in a three dimensional form.

## Special issues

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

### Spare parts and designs law

#### *Do design rights equal monopoly?*

*Designs* contains recommendations to address the particular problems created by design rights given to car parts and other spare parts.

Consumer groups have expressed concern about price and availability and claim that in this area, design rights have an anti-competitive effect.

In the ALRC's view any potential anti-competitive effects should be addressed, not by removing design rights for car parts and other spare parts, but by special procedures which will allow Australia's competition law — the *Trade Practices Act* — to counter any anti-competitive effects quickly and effectively.

The ALRC recommends procedures to refer potentially anti-competitive designs of certain component parts to the Trade Practices Commission (now called the Australian Competition and Consumer Commission — 'ACCC'). The procedures would apply to component parts of products that are durable, assembled from many component parts and likely to require repair during their working life.

Car spare parts are an obvious example of these but the category is formulated in such a way that it can be extended to include developments in products and technology as they occur.

Initially the Registrar of Designs would identify whether the design falls within the category of potentially anti-competitive designs. These designs would then be referred to the ACCC which would assess whether the granting of a design right is likely to substantially lessen competition in any given market. If this were the case, registration of the design would be refused or granted subject to conditions which would remove the anti-competitive effect.

This approach would employ the relevant expertise of both the Registrar of Designs and the ACCC to create a streamlined procedure to minimise costs and delays.