

12 June 2019

Australia-European Union Free Trade Agreement
Office of Trade Negotiations
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
BARTOB ACT 0221

By email: a-eufta@dfat.gov.au

Dear Sir/Madam

Proposed Australia-European Union Free Trade Agreement Submission Concerning Designs Law Issues

The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (the **Committee**) welcomes the opportunity to comment upon intellectual property law issues relating to the proposed Australia-European Union Free Trade Agreement (**EU FTA**).

European Union Negotiating Text

The Committee makes the following observations regarding the designs law issues raised in the European Union's negotiating text for the intellectual property chapter of the proposed EU FTA. The Committee is in the process of preparing submissions in relation to copyright and trade marks / geographical indications and will provide those submissions separately once they have been finalised.

Article X.25 - Hague Agreement

Earlier this year, IP Australia published an economic analysis regarding the impact of Australia joining the Hague Agreement.¹ It concluded that the costs of acceding to the Hague Agreement outweighed the benefits, but that a "tipping point" may be reached as further countries accede to the Hague Agreement which make it desirable for Australia to do likewise. The Committee understands that the economic analysis is being treated as simply one aspect of Australia's consideration as to whether it should accede to the Hague Agreement, rather than as a complete answer to that question.

IP Australia called for submissions in relation to the economic analysis. The Committee lodged such a submission and supported Australia acceding to the Hague Agreement. As far

¹ <https://www.ipaustralia.gov.au/about-us/public-consultations/consultation-hague-agreement-designs>

as the Committee is aware, no decisions have been made following this consultation process.

For the reasons set out in our submission to IP Australia (a copy of which is **attached**), the Committee supports Australia acceding to the Hague Agreement and therefore considers that Australia could agree to the inclusion of Article X.25 in the EU FTA.

Article X.27 - Duration of protection

The current maximum term of protection for registered designs in Australia is 10 years. The EU negotiating text seeks a much longer increase in the term of protection - to 25 years.

If Australia acceded to the Hague Agreement, it would be necessary to increase the term of protection to 15 years. This was the key factor behind the economic analysis relating to the Hague Agreement concluding that the costs of accession outweighed the benefits. In essence, the economic analysis noted that non-residents file almost three times as many design applications in Australia as residents. As such, it was found that the benefits of an increased term of protection would flow disproportionately to non-residents, and that the costs would be imposed disproportionately on residents.

The EU negotiating text seeks a very significant extension of term which is not required by the Hague Agreement. The conclusions reached in the economic analysis (if accepted) would seem to apply a fortiori to a 25 year term. As noted, the Committee supports an increase in term to 15 years on the basis that this is a developing international standard under the Hague Agreement.

For these reasons, the Committee would support a modified version of Article X.27 that requires Australia to introduce a maximum 15 year term for registered designs, but would not support a 25 year term unless there are substantial benefits flowing to Australia in other areas as a trade-off.

Article X.28 - Protection conferred to unregistered designs

In 2015, the Advisory Council of Intellectual Property (**ACIP**) recommended that no change be made to the designs system to include protection for unregistered designs.² However, ACIP did note that the majority of submissions favoured the introduction of an unregistered designs right (**UDR**).³

In its recent inquiry into Australia's IP system, the Productivity Commission concluded that ACIP's recommendation not to introduce a UDR system remained valid.⁴

Notwithstanding these recommendations by ACIP and the Productivity Commission, for the reasons which follow the Committee supports a UDR system modelled on the one in Europe, with a limited 3 year term of protection (rather than the much longer term applicable in the United Kingdom - being the earlier of 10 years from first sale or 15 years after the creation of the design).

The current registered designs system does not meet the requirements of many SMEs. In particular, it is generally accepted that the current registration system does not meet the

² Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015, p41

³ Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report, March 2015, p65

⁴ Productivity Commission, *Intellectual Property Arrangements*, Inquiry Report No. 78, September 2016, p361

needs of those industries which produce a large number of designs, many of which will have a short commercial life.

In its report in relation to Australia's designs system, the Australian Law Reform Commission concluded that "[t]here are particularly powerful arguments in favour of the third option - giving designers the right to prevent others from copying their designs for a certain period (say, five years) without requiring them to register their design or satisfy an innovation threshold".⁵ The Australian Law Reform Commission found that the numerous benefits of a UDR system included the following:

- it would address the major problem faced by designers - copying;
- it would provide a cheap and accessible means of protecting designs;
- it would be less legalistic than the registered designs system; and
- it would reduce complexity in the relationship between copyright and design laws.

The Committee agrees that these would be significant benefits flowing from the introduction of a UDR system in Australia. More particularly, the Committee considers that a UDR system would address the shortfalls of the registered designs system for many businesses where designs are fast-moving and too costly to keep registering, for example in industries such as fashion.

The concerns which have been expressed (for example, by retailers) in relation to the uncertainty caused by the introduction of a UDR system can be addressed by ensuring that (like copyright) a UDR right only provides protection against copying (and not independent creation). In addition, the existing innocent infringer limitations in relation to awards of damages which apply to registered designs should be replicated in any UDR system which Australia introduces.

For these reasons, the Committee supports the introduction of a limited UDR right and considers that Australia could agree to the inclusion of Article X.28 in the EU FTA.

Article X.30 - Relationship to copyright

The negotiating text would require Australia to ensure that a design (whether registered or not) was also eligible for protection under copyright law - but with the flexibility to determine "[t]he extent to which, and the conditions under which, such a protection is conferred".

This would require Australia to abolish (or, at least, substantially amend) its existing copyright/design overlap laws (sections 74-77A of the *Copyright Act* 1968). Over many years these laws have given rise to anomalies and uncertainties which have led to a number of attempts to revise the drafting of the relevant provisions. However, the laws remain difficult to apply in practice.

Repeal of sections 74 – 77A of the *Copyright Act* 1968 would be a fundamental change to the system for protection of industrial designs in Australia, the basic premise of which since at least 1912 has been that industrially applied designs should be protected through designs law rather than copyright law with its very long term of protection. Moreover, as New Zealand experience shows, the utility and need for a registered design system would be questionable if sections 74-77A were repealed.

⁵ Australian Law Reform Commission, Designs, Report No. 74, 1995

This is a highly complex area and careful consideration is warranted before Australia commits to any changes to the law. This could usefully be a matter for consideration as part of the forthcoming Designs Bill. However, until the matter has been given further careful consideration and affected stakeholders have been consulted, the Committee considers that Australia should reject Article X.30.

If Australia agreed to introduce a UDR system (Article X.28), this would address in part the objectives behind Article X.30 (albeit admittedly for a much shorter term of protection).

Other Matters

The Committee supports the approach proposed to be taken by Australia in relation to intellectual property law issues which is outlined in the *Summary of Negotiating Aims and Approach*.⁶

Should you require further information in the first instance please contact John Collins Chair of the Intellectual Property Committee on jcollins@claytonutz.com or 02 9353 4119.

Yours sincerely,



Rebecca Maslen-Stannage
Chair, Business Law Section

⁶ <https://dfat.gov.au/trade/agreements/negotiations/aeufta/Pages/summary-of-negotiating-aims-and-approach.aspx>