


New Zealand Designs Law: The Case for Reform

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ABSTRACT

This article is about New Zealand designs law, considered in an international and comparative context. It argues that New Zealand designs law is unsustainable and in need of reform. New Zealand is a small jurisdiction with a relatively small manufacturing industry, and New Zealand is a net importer of technology. Yet New Zealand operates a designs regime which is more protective of design than jurisdictions with proportionately much larger manufacturing and design based industries. Designs regimes in the United States, Australia, and the United Kingdom and Europe are all less protective and more conducive to competition and innovation than the existing New Zealand regime. New Zealand operates a designs law regime which is over-protective, which excessively interferes with healthy competition to the disadvantage of consumers, and which imposes excessive burdens on second-comers and follow-on innovation. New Zealand's designs regime also significantly disadvantages New Zealand designers as compared with non-resident designers, and creates obstacles to exporters. The article reviews the international law framework for designs protection, and the regimes in the United States, Australia, and the United Kingdom and Europe. It argues that reform of the New Zealand designs regime is now overdue, and reviews the reform proposals and processes that have been undertaken over the last two decades.

INTRODUCTION

Designs law is an important but neglected area of intellectual property law. Design is both artistic and commercial, and the regulation of designs has real economic and social significance. The choice of designs law regime has implications for industrial and commercial innovation, for competition and consumer access to innovation, for trade and investment, and for the development of design as cultural and social expression.

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At the international level, there remains an unusual level of flexibility in international designs law, allowing for genuine diversity of designs regimes across jurisdictions. Designs law is not harmonised internationally, but the effect of international agreements such as the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention), and the Paris Convention for the Protection of Industrial Property (Paris Convention) is that Member States are required to provide legal protection for applied art and industrial designs, and the Agreement on Trade-related Aspects of Intellectual Property Rights 1994 (TRIPs Agreement) requires protection for independently created industrial designs that are new or original. There are also enforcement and dispute resolution procedures. However there is considerable flexibility as to the subject-matter, nature and scope of required protection, and states retain considerable freedom as to the model or models of designs law they choose to employ. The result is that there are in existence a very wide range of regimes for design protection. Jurisdictions differ widely in the levels of protection offered, in the legal nature of those regimes, in the procedural requirements, in the extent to which protection is cumulative, and in the extent to which competition is accommodated either in the level of protection provided or in the permitted acts and defences on offer.

This article is about New Zealand designs law, considered in an international and comparative context. The New Zealand designs regime is largely based on inherited English copyright and designs law. However, more recent changes in the United Kingdom and Europe mean that New Zealand designs law is now very different from, and more protective than, United Kingdom law or indeed regimes in most comparable jurisdictions. Designs regimes in the United States, the United Kingdom and Europe, and Australia are all less protective and more conducive to competition and innovation than the existing New Zealand regime. This article argues that New Zealand operates a designs law regime which is over-protective, which excessively interferes with healthy competition to the disadvantage of consumers, and which imposes excessive burdens on second-comers and follow-on innovation. New Zealand's designs regime also significantly disadvantages New Zealand designers as compared with non-resident designers, and creates obstacles to exporters. New Zealand is a small jurisdiction with a relatively small manufacturing industry, and New Zealand is a net importer of technology.¹ Yet New Zealand operates a designs regime which is more protective of design than jurisdictions with proportionately much larger manufacturing and design based industries. It is argued that New Zealand's designs regime is unsustainable and that reform is overdue.

DESIGNS PROTECTION: THE INTERNATIONAL LAW CONTEXT

Designs law, unlike other areas of intellectual property law, was not significantly harmonised under the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPs Agreement) of 1994, partly because of the difficulties of agreement on

¹ As an illustration, in 2001, 4,727 New Zealand patents were granted. Of these, 4,351 were to non-residents. See Ministry of Economic Development, *Review of the Patents Act 1953: Boundaries to Patentability* (March 2002), p.6.

what should be protected and how, and partly because of the US tradition of valuing free competition in the area of industrial designs. The TRIPs Agreement requires that members protect designs, so long as they are²:

- independently created; and
- new or original

Member States are limited by these requirements, in that if a design is independently created and new or original, then it must receive legal protection. In addition, art.26(1) provides that a proprietor of a protected industrial design shall have the right to prevent third parties from making, selling or importing for commercial purposes articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design. Article 26(2) allows limited exceptions to the protection of industrial designs:

“... provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties”.

Article 26(3) provides for a minimum term of design protection of 10 years.

The TRIPs Agreement does not specify whether protection is to be through copyright as an artistic property regime, or through sui generis design protection or other industrial property regimes. Member States are free to choose whether to protect through copyright or through a sui generis system requiring registration, or through copyright or unregistered design right. In addition, the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention)³ allows Member States to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected. However, where copyright protection for designs is provided, it is required to last at least 25 years.⁴

International intellectual property law is therefore relatively non-prescriptive. International agreements do impose requirements for design protection, and there are enforcement and dispute resolution procedures. However, there is considerable flexibility as to the subject-matter, nature and scope of required protection, and states remain free to choose design law from a smorgasbord of options. There is no requirement on states to operate a comprehensive regime for registered design protection, and there are not clear rules as to the provision of copyright protection for designs. Perhaps most significantly, cumulation and partial cumulation remain as options. States can offer concurrent protection via both copyright and sui generis system, so that design owners can choose to use either or both. Partial cumulation, where copyright is available only for exceptionally creative designs, is also an option. The problems associated with overlap between copyright and sui generis protection have not been resolved at an

² TRIPs Agreement art.25(1).

³ Berne Convention for the Protection of Literary and Artistic Works 1886 art.2(7).

⁴ Berne Convention art.7(4).

international level.⁵ As a consequence, countries are free to offer generous levels of copyright protection to works of applied art, with the result that designers may prefer this to sui generis design protection, even when it is available, and sui generis design law can come to be seen as little more than an optional extra on top of copyright protection. There is also scope for countries to exclude most works of applied art and industrial designs and models from copyright protection, and such an exclusion can be achieved in a variety of ways using a variety of statutory formulations. Where this is done, sui generis design protection becomes more important to designers. If the requirements of sui generis design protection are rigorous, some designs will actually remain unprotected, or be left to rely only on trade mark protection where this is available.

As a consequence of this flexibility, there exists considerable diversity in approaches to design protection internationally. In part, these divergent approaches represent divergent philosophies and policy approaches to design protection, competition and innovation.

MODELS OF PROTECTION: THE UNITED STATES, THE UNITED KINGDOM AND EUROPE, AND AUSTRALIA

There are a number of possible models of design protection, based on copyright, patent, registered and unregistered design protection and trade mark law. Protection can be cumulative across regimes. Different jurisdictions operate quite different design regimes based on these models. They differ widely in the levels of protection offered, in the legal nature of those regimes, in the procedural requirements, in the extent to which protection is cumulative, and in the extent to which competition is accommodated either in the level of protection provided or in the permitted acts and defences on offer.

United States

The United States provides a relatively low level of design protection. Designs are protected through design patents,⁶ copyright⁷ and trade mark law.⁸

A design patent may be obtained for a new, original and non-obvious ornamental design for an article of manufacture. Purely functional designs do not qualify.⁹ A design patent protects the appearance of the article against use of a substantially similar design by someone other than the design patent holder.¹⁰ It does not protect structural or utilitarian features.¹¹ Relatively few designs qualify for design patents,

⁵ See discussion in J.H. Reichman, "Design Protection in Domestic and Foreign Copyright Law: From the Berne Revision of 1948 to the Copyright Act of 1976" [1983] Duke L.J. 1143, 1167-1170.

⁶ Patent Act (US) 35 USC §171 to §173.

⁷ Copyright Act 1976 (US) Public Law 95-553 17 USCA §101.

⁸ Trademark Act of 1946 (Lanham Act) 15 USCA §2 (15 USC §1052).

⁹ Patent Act (US) 35 USC §171.

¹⁰ Establishing infringement has arguably been made easier by a shift from the "point of novelty" test to the "ordinary observer" test. See the 2008 decision of the United States Court of Appeals for the Federal Circuit in *Egyptian Goddess, Inc v Swisa, Inc* 88 U.S.P.Q. 2d 1658 (TTAB 2008).

¹¹ United States Patent and Trade Mark Office *A Guide to Filing a Design Patent Application*, <http://www.uspto.gov/web/offices/pac/design/index.html> [Accessed June 26, 2009].

because of the thresholds for novelty, originality, ornamentality and non-obviousness.¹² Obtaining a design patent is also costly, and many design patents do not survive a validity challenge.¹³ The term of protection is 14 years. Design patents do meet the TRIPs Agreement minimum requirements for protection of new or original designs.¹⁴ However, the regime does not provide anything close to a regime of comprehensive design protection.¹⁵ Few designs qualify, and even those that do are likely to be overturned if challenged.

Designers and manufacturers generally look to the other intellectual property regimes in seeking protection for their designs. For most designs, copyright or the law of trade dress offer the best opportunities for protection, and some designs will not succeed under either regime. Copyright protects some designs, but discriminates in favour of the traditional arts and will not protect designs that are not physically or conceptually separable from the useful article.¹⁶ This is the test for separability, whereby the ornamental features are only protected if they can be separated from the utilitarian aspects. If the article has an intrinsic utilitarian function, and the ornamental or artistic features cannot be identified separately and independently from the utilitarian article, then there is no protection. This means that features like carving or pictorial features or graphic designs applied to articles are protectable (textiles designs are an important example), but features like shape, where these cannot be identified separately or exist independently as art, are not, or may not be, protectable.¹⁷ The separability test was designed to divide applied art, which is intended to be protected by copyright, from industrial design, which is intended to be excluded from copyright protection.¹⁸ The separability test excludes many designs, and it is also somewhat arbitrary and uncertain in its application, making for unsatisfactory law.¹⁹ It does, however, reflect a policy of not over-protecting industrial design, but rather promoting competition and the interests of consumers.²⁰

¹² Patent Act (US) 35 USC §171.

¹³ Thomas B. Lindgren, "The Sanctity of the Design Patent: Illusion or Reality? Twenty years of Design Patent Litigation Since *Compco v Day-Brite Lighting, Inc.*, and *Sears, Roebuck & Co v Stiffel*" (1985) 10 Okla. City U. L. Rev. 195. See also Gerard N. Magliocca, "Ornamental Design and Incremental Innovation" (2003) 86 Marq. L. Rev. 845, 853.

¹⁴ TRIPs Agreement art.25.

¹⁵ Reichman noted that design patent law, through judicial construction, had come to protect very few ornamental designs from the 1920s. Reichman, "Design Protection in Domestic and Foreign Copyright Law" [1983] Duke L.J. 1143, 1170.

¹⁶ Copyright Act 1976 (US) Public Law 95-553, 17 USCA §101.

¹⁷ See discussion in Robert C. Denicola, "Applied Art and Industrial Design: A Suggested Approach to Copyright in Useful Articles" (1983) 67 Minn. L. Rev. 707, 715.

¹⁸ Denicola, "Applied Art and Industrial Design" A Suggested Approach to Copyright in Useful Articles' (1983) 67 Minn. L. Rev. 707, 720.

¹⁹ See discussion in Eric Setliff, "Copyright and Industrial Design: An 'Alternative Design' Alternative" (2006) 30 Colum. J.L. & the Arts 49.

²⁰ District Judge Weinstein summarised the policy concerns in his dissenting opinion in *Keiselstein-Cord v Accessories by Pearl Inc* 632 F. 2d. 989, 999 (2d Cir.1980), saying that: "Important policies are obviously at stake. Should we encourage the artist and increase the compensation to the creative? Or should we allow cheap reproductions which will permit our less affluent to afford beautiful artifacts? . . . Thus far Congress and the Supreme Court have answered in favor of commerce and the masses rather than the artists, designers and the well-to-do. Any change must be left to those higher authorities. The choices are legislative not judicial."

In the United States, the law of trade marks/trade dress is the last resort for those designs that do not receive copyright protection, but it does not, and was not designed to, offer comprehensive design protection. Nevertheless, the law of trade marks and unfair competition has been used to provide protection for otherwise unprotectable designs, although this protection is only against deception and confusion of customers, not protection against all copying. The resulting body of law has arguably stretched trade mark law beyond the purposes for which it was designed.²¹

US design protection is therefore among the least protective internationally. The policy has been to rely on competition as a driver for design innovation, placing a high value on maintaining domestic competition. This is despite ongoing efforts to persuade legislators to pass design protection legislation.²² It remains arguable that the relatively low level of protection available in the United States does actually offer sufficient incentive to innovation while also facilitating competition and promoting the interests of consumers. It is certainly true that designers continue to design in the United States under this regime. Ironically, of course, products of US industrial design may commonly receive greater protection in export markets than they do within their own domestic market.

The United Kingdom and Europe

In the United Kingdom, designs are protected through copyright and through UK and European Community registered and unregistered design rights.

Copyright protection is available for artistic works. However, the Copyright, Designs and Patents Act 1988 introduced the unregistered design right, with the intention of removing industrial designs from copyright protection, so that copyright protected only genuinely artistic works.²³ Copyright protection now applies to design drawings only if they depict a three-dimensional object that is itself an artistic work.²⁴ Many industrial designs involve articles that will not qualify as three-dimensional artistic works, and for these works copyright protection is effectively removed²⁵ and replaced by the unregistered design right. This exclusion from copyright applies only to three-dimensional articles, and not to surface design and ornamentation, (including

²¹ See for example Mark Thurmon, "The Rise and Fall of Trademark Law's Functionality Doctrine" (2004) 56 Fla. L. Rev. 243, arguing that "Trademark law's functionality doctrine is a mess".

²² For example, there has been extensive lobbying in recent years seeking introduction of legislation to protect fashion apparel, and the Design Piracy Prohibition Bill H.R. 5055 was introduced into the United States House of Representatives in 2006 and into the Senate in August 2007, after lobbying by the Council of Fashion Designers of America.

²³ The change was recommended in a 1986 White Paper (Department of Trade and Industry, *Intellectual Property and Innovation* (HMSO, Cmnd. 9712, April 1986). See discussion in Kevin Garnett, Gillian Davies and Gwilym Harbottle, *Copinger and Skone James on Copyright*, 15th edn 2005), Vol.1, p.724.

²⁴ See discussion in Martin Howe, *Russell-Clarke and Howe on Industrial Designs*, 7th edn (2005), pp.254–255.

²⁵ Copyright, Designs and Patents Act 1988 (UK) s.51 provides:

"51 Design documents and models

(1) It is not an infringement of any copyright in a design document or model recording or embodying a design for anything other than an artistic work or a typeface to make an article to the design or to copy an article made to the design.

decorative surface design which is raised so as to have a three-dimensional aspect), which remain subject to artistic copyright.

The unregistered design right provides automatic protection without formalities, and protects against copying.²⁶ However the protection is more limited than copyright protection. The term is a maximum of 15 years,²⁷ and competitors are entitled to seek licences of right in the last five years of the term.²⁸ There are important exclusions from the right, of which arguably the most important are the "must fit" and "must match" exclusions.²⁹ These exclusions are designed to allow competition in situations where particular design features are required, for example in design of spare parts and accessories.³⁰ The "must fit" exclusion³¹ excludes from protection features of shape or configuration of an article which enable the article to be connected to, or placed

- (2) Nor is it an infringement of the copyright to issue to the public, or include in a film, broadcast or cable programme service, anything the making of which was, by virtue of subsection (1), not an infringement of that copyright.
- (3) In this section—
'design' means the design of any aspect of the shape or configuration (whether internal or external) of the whole or part of an article, other than surface decoration; and
'design document' means any record of a design, whether in the form of a drawing, a written description, a photograph, data stored in a computer or otherwise."

²⁶ Copyright, Designs and Patents Act 1988 (UK) s.213 provides:
"213 Design right

- (1) Design right is a property right which subsists in accordance with this Part in an original design.
- (2) In this Part 'design' means the design of any aspect of the shape or configuration (whether internal or external) of the whole or part of an article.
- (3) Design right does not subsist in—
 - (a) a method or principle of construction,
 - (b) features of shape or configuration of an article which—
 - (i) enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function, or
 - (ii) are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part, or
 - (c) surface decoration.
- (4) A design is not 'original' for the purposes of this Part if it is commonplace in the design field in question at the time of its creation.
- (5) Design right subsists in a design only if the design qualifies for design right protection by reference to—
 - (a) the designer or the person by whom the design was commissioned or the designer employed (see sections 218 and 219), or
 - (b) the person by whom and country in which articles made to the design were first marketed (see section 220), or in accordance with any Order under section 221 (power to make further provision with respect to qualification).
- (6) Design right does not subsist unless and until the design has been recorded in a design document or an article has been made to the design.
- (7) Design right does not subsist in a design which was so recorded, or to which an article was made, before the commencement of this Part."

²⁷ Copyright, Designs and Patents Act 1988 (UK) s.216.

²⁸ Copyright, Designs and Patents Act 1988 (UK) s.237.

²⁹ Copyright, Designs and Patents Act 1988 (UK) s.213(b).

³⁰ See discussion in *Copinger and Skone James on Copyright*, 2005, Vol.1, pp.736–744.

³¹ Copyright, Designs and Patents Act 1988 (UK) s.213(b)(i).

in, around or against, another article so that either article may perform its function. It therefore allows competitors to copy these features for such items as spare parts where functionality requires this. However only these features are excluded, not necessarily the whole design. The "must match" exclusion³² excludes from protection features of shape or configuration of an article which are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part. This exception allows competitors to copy these features for aesthetic reasons, where a component must be made in a certain way to suit the overall appearance of the article of which it is part.

Since 2002, the European Community has had a harmonised system of national protection for registered designs, and also a system of Community-wide design protection. The harmonised system of national protection applies only to registered designs. Unregistered design rights, copyright and other regimes of design protection are not harmonised. The Community registered design right is available for designs that meet the requirements and are registered at the Community Registry at the Office for Harmonisation of the Internal Market (OHIM), which began registering designs in April 2003. Unregistered Community design rights protect designs first made public in the Community or put on the market from March 2002. The European harmonisation initiatives have thus harmonised only registered designs law. Each European Member State remains free to offer copyright protection in some form, and to protect designs under other regimes. Considerable variation in designs law therefore remains across Europe.

In the United Kingdom, the result is five different regimes for design protection, existing in parallel, with cumulative protection. In addition, there is the possibility of protection through trade mark law, passing off and breach of confidence. The result is an extremely, and unnecessarily, complex area of law. For designers seeking legal rights, and for competitors seeking to create new designs without infringing existing rights, the system creates substantial costs, and these costs are likely to be passed on to consumers. The system is unwieldy. However, the system does have some desirable features. The legislative removal of much industrial design from copyright avoids the difficulties faced by judges in the United States, where the separability test has created so much uncertainty. The removal of copyright also avoids over-protecting industrial designs through copyright, and it avoids the potential over-protection available in systems where there is dual protection of copyright and sui generis designs law.

The introduction of the unregistered design right in the Copyright, Designs and Patents Act 1988 also offers a simple system of short-term automatic protection, tailored to the needs of industrial design, and with some safeguards for competition. The success of this right is evidenced by the creation of the European unregistered design right. Registered design protection is also available, in two forms, and also with some safeguards for competition. It is nevertheless arguable that the result of these parallel systems is over-protection, and that competition is unnecessarily restricted by comparison with other jurisdictions, most notably the United States. Many designs that would be protected in the United Kingdom are not eligible for protection in the United

³² Copyright, Designs and Patents Act 1988 (UK) s.213(b)(ii).

States. However, the UK system is less protective than New Zealand, which does not exclude designs from copyright protection, and also offers registered and unregistered design protection on a cumulative basis.

Australia

Australia protects designs using a different mix of regimes from those used in the European Union, but the level of protection is not dissimilar, and both the European Union and Australian regimes include important defences for components and repair. In Australia, designs are protected through a combination of copyright law and registered designs law. The Designs Act 2003 provides for a system of registered design protection. In the Australian designs regime there is an evident legislative intention that designs protection under the Designs Act 2003 should not be cumulative with copyright protection, and that industrial designs should be protected through the designs legislation and not through artistic copyright.³³ There is a policy against dual protection in general, and this policy is put into effect by ss.74–77A of the Copyright Act 1968.³⁴ The effect of ss.74–77A is that where a corresponding design has been either registered or industrially manufactured and commercialised, this operates as a defence to copyright infringement, and copyright will not be infringed. Where copyright subsists in an artistic work and a “corresponding design” either is registered or had been registered as a registered design, then it is not an infringement of copyright to reproduce the work by embodying it in a product. In addition, the effect of s.77 is that copyright in an artistic work is not infringed where an unregistered “corresponding design” has been applied industrially, or where a complete specification or representation is published in Australia. The section does not apply if the artistic work is a building, a model of a building, or a work of artistic craftsmanship. Section 77A extends s.77 so that it now operates where the reproduction is in the course of, or incidental to, making or selling or letting for hire the product if making the product didn’t or wouldn’t infringe because of these provisions.

The legislative intent behind these provisions is clearly a desire to avoid dual protection for industrial designs, and to ensure that registered designs law rather than copyright is the regime to be used for protection. This underlying policy has been relatively uncontroversial in Australia.³⁵ However, the implementation of the policy and the drafting of the provisions has created some difficulty. The current provisions are the result of extensive amendments in 2003, in effect from 2004.³⁶ Section 77A was introduced in this reform. Among other things, s.77A extended the exceptions to infringement to cover the making of drawings, where these are made from the three-dimensional product in the course of making products that will not themselves infringe. Previously the defences did not cover “plan-to-plan” copying, so that if a

³³ Warwick A. Rothnie, “The Vexed Problem of Copyright/Design Overlap” (2005) 60 *Intellectual Property Forum* 33.

³⁴ Copyright Act 1968 (Cth).

³⁵ Rothnie, “The Vexed Problem of Copyright/Design Overlap” (2005) 60 *Intellectual Property Forum* 33.

³⁶ Designs (Consequential Amendments) Act 2003 (Cth), amending the Copyright Act 1968 (Cth) ss.74–77.

defendant made drawings in the course of applying the design to an article, then those drawings could be found to infringe copyright in the plaintiff's drawings, by indirect copying.³⁷ Arguably, the fact that indirect copying of drawings still infringed copyright in the drawings despite the exception was a drafting error. However, the removal of protection for plan-to-plan copying has led to some concern by designers that designs have less protection than previously, and there have been arguments for a grace period during which the designers can publish their designs without destroying novelty if they then choose to register the designs.³⁸ The European Community harmonised registered designs law has an equivalent provision.³⁹

The 2003 reforms were a response to criticism of the previous provisions as being confusing and uncertain.⁴⁰ The reforms were intended to clarify and simplify the provisions. However there remain some areas of uncertainty. For example, there remains scope for interpretation in relation to designs that are on the borderline between two-dimensional and three-dimensional, such as embossed wallpapers and raised surface designs. If these designs qualify as "corresponding designs" and are not registered, then they are unprotected. To be "corresponding designs", they must be "visual features of shape or configuration" and on this there will always be scope for argument as to whether the features are shape and configuration or surface ornamentation. If they are two-dimensional artistic works, they are, of course, protected by copyright.

Another area of potential uncertainty is in the meaning of "work of artistic craftsmanship" in s.77(1)(a).⁴¹ If a design is a "work of artistic craftsmanship", then the defence to copyright infringement where an unregistered "corresponding design" has been applied industrially does not apply. The underlying policy is that works of artistic craftsmanship, like buildings or models of buildings, are more appropriately protected by copyright, whether industrially applied or not.⁴² The policy behind the special status for works of artistic craftsmanship has been described as follows⁴³:

"... recognition that the real artistic quality that is an essential feature of such works and the desirability of encouraging real artistic effort directed to industrial design is sufficient to warrant the greater protection and the accompanying stifling effect on manufacturing development that long copyright gives".

For designers, much therefore hinges on whether a design can be shown to be a work of artistic craftsmanship. No clear test for what qualifies as a work of artistic craftsmanship

³⁷ *Muscat v Le* (2003) 60 I.P.R. 276; *Digga Australia Pty Ltd v Norm Engineering Pty Ltd* [2008] F.C.A.F.C. 33 at [9]–[19].

³⁸ Rothnie, "The Vexed Problem of Copyright/Design Overlap" (2005) 60 *Intellectual Property Forum* 33, 35.

³⁹ European Council Regulation on Community Designs, Regulation 6/2002 art.7(2); Registered Designs Act 1949 (UK) s.1B(6)(c) and (d).

⁴⁰ See for example Australian Law Reform Commission, *Designs*, Report No.74 (1995), para.17.3.

⁴¹ See discussion in Rothnie "The Vexed Problem of Copyright/Design Overlap" (2005) *Intellectual Property Forum* 33, 36–37.

⁴² Copyright Amendment Bill 1988 (Cth), House of Representatives, Explanatory Memorandum at para.24, quoted in *Burge v Swarbrick* [2007] H.C.A. 17 at [42].

⁴³ *Coogi Australia Pty Ltd v Hysport International Pty Ltd* (1998) 86 F.C.R. 154 at 168, quoted in *Burge v Swarbrick* [2007] H.C.A. 17 at [43].

emerges from the UK case law,⁴⁴ and the Australian cases have been similarly unclear.⁴⁵ Ultimately, the issue as to whether a particular design has the required elements of artistry and craftsmanship has tended to be a question of fact in each case, and the results are not necessarily entirely predictable.⁴⁶

Australia also provides registered design protection, through the Designs Act 2003, which provides for a system of registered design protection. Under the Designs Act 2003, designs may be registered under the Act in the Designs Office, for a term of five years, renewable to a maximum of 10 years.⁴⁷ "Design" in relation to a product means the overall appearance of the product resulting from one or more visual features of the product.⁴⁸ "Visual feature", in relation to a product, includes the shape, configuration, pattern and ornamentation of the product.⁴⁹ Functional designs may be registered, but where a design is solely dictated by function it may not be registrable.⁵⁰ To be registrable, a design must also be new and distinctive when compared to the prior art base.⁵¹ A design is new unless it is identical to a design that forms part of the prior art base for the design, and is distinctive unless it is substantially similar in overall impression to a design that forms part of the prior art base for the design.⁵² In assessing substantial similarity in overall impression more weight is to be given to similarities than to differences.⁵³

The owner of a registered design has exclusive rights in relation to the design, including the right to make, import, sell or hire the product in relation to which the design is registered.⁵⁴ The owner of a registered design can bring an action for infringement if someone else does one of a range of things in relation to a design that is identical or substantially similar to the registered design.⁵⁵

There are defences to infringement. There is a defence of consent, potentially covering parallel imports, where a person imports a product embodying a registered design and the product embodies the design with the licence or authority of the registered owner of the design.⁵⁶ There is also a spare parts defence,⁵⁷ introduced for the first time in the 2003 Act, in response to concerns about designs protection preventing competition

⁴⁴ See for example *George Hensher Ltd v Restawile Upholstery (Lancs) Ltd* [1976] A.C. 64; [1974] 2 All E.R. 420 HL. See also the New Zealand decision *Bonz Group (Pty) Ltd v Cooke* [1994] 3 N.Z.L.R. 216 HC, discussed in relation to the United Kingdom legislation.

⁴⁵ See for example *Sheldon v Metrokane* (2004) 61 I.P.R. 1.

⁴⁶ See *Burge v Swarbrick* [2007] H.C.A. 17, *George Hensher v Restawile* [1976] A.C. 64; [1974] 2 All E.R. 420..

⁴⁷ Designs Act 2003 (Cth) ss.46–47.

⁴⁸ Designs Act 2003 (Cth) s.5.

⁴⁹ Designs Act 2003 (Cth) s.7.

⁵⁰ "If the shape exists solely to make the article work or function then it is not within the concept of a registered design": *Dart Industries Inc v Décor Corp Pty Ltd* (1989) 15 I.P.R. 403, 408, decided under the Designs Act 1906 (Cth).

⁵¹ Designs Act 2003 (Cth) s.15.

⁵² Designs Act 2003 (Cth) s.16.

⁵³ Designs Act 2003 (Cth) s.19.

⁵⁴ Designs Act 2003 (Cth) s.10.

⁵⁵ Designs Act 2003 (Cth) s.71(1).

⁵⁶ Designs Act 2003 (Cth) s.71(2).

⁵⁷ Designs Act 2003 (Cth) s.72.

in markets for repairs and spare parts, for example in the motor vehicle industry. A lack of competition was perceived as leading to reduced choice and increased prices to consumers.⁵⁸ Generally, in order to be covered by the defence, the repair must apply to a decayed or damaged part or maintenance and the repair is to restore the overall appearance of a complex product in whole or in part. Where the overall appearance is not restored, for example where the repair is not visible, the defence will not apply. The defence applies to use for the purpose of repair. Use of a part may still infringe if it is used for purposes other than repair of the complex product as defined. This defence is similar in policy to defences for spare parts in European jurisdictions.⁵⁹

In summary, the Australian designs protection regime is based generally on a philosophy of non-cumulation of protection. There is a legislative intention that copyright protection should not be available for three-dimensional industrial designs, but that it should be available for two-dimensional designs. Registered design protection is available for both two-dimensional and three-dimensional designs, so long as the criteria of novelty, distinctiveness and other requirements are met. Two-dimensional works may still be protected by copyright, and works of artistic craftsmanship also retain copyright protection. These works may also be eligible for design registration, with the result that for some designs dual protection remains available. However, some industrial designs will not be eligible for protection under either regime. Generally these are three-dimensional designs that do not meet the criteria for registration. Significant numbers of designs, for example items of fashion clothing, are likely to fall into this gap in protection. These works remain to be protected, if at all, by trade mark and trade practices law and the law of passing off.

DESIGN PROTECTION IN NEW ZEALAND

New Zealand law is highly protective of industrial design. Cumulative protection is available, and the same design may be protected concurrently by three different regimes—copyright, registered designs and trade marks and/or passing off and trade practices law. Most designers rely on copyright protection, which is available for all industrial designs. New Zealand has no other unregistered design right, because copyright protection is available. Registered design protection is also available, but is not as heavily used as in other jurisdictions, because of the availability of copyright protection without registration or other formalities. Concurrent protection under copyright and registered designs law is also available. In addition, designers may rely on registered trade mark protection under the Trade Marks Act 2002, or unregistered protection relying on the tort of passing off and/or the Fair Trading Act 1986.

⁵⁸ IP Australia, *Review of the "Spare Parts" Provision in the Designs Act 2003* (December 2005), <http://www.ipaustralia.gov.au/media/resources/Report%20-%20%20Review%20of%20Designs%20Spare%20Parts%20Provision.pdf> [Accessed June 29, 2009]; Intellectual Property and Competition Review Committee, *Review of Intellectual Property Legislation under the Competition Principles Agreement* (2000).

⁵⁹ See discussion in IP Australia, *Review of the "Spare Parts" Provision in the Designs Act 2003* (December 2005), pp.6–7, <http://www.ipaustralia.gov.au/media/resources/Report%20-%20%20Review%20of%20Designs%20Spare%20Parts%20Provision.pdf> [Accessed June 29, 2009].

Copyright

Copyright protection is generally available for industrial designs in New Zealand. There are no copyright/design overlap provisions equivalent to those in comparable jurisdictions, although there are limits to the available term of protection.

Subsistence of copyright

The Copyright Act 1994 protects artistic works.⁶⁰ Graphic works, photographs, sculptures, collages, or models are protected “irrespective of artistic quality”. This includes drawings, diagrams and plans which are protected as graphic works and prototypes protected as models.⁶¹ A design may also qualify as a sculpture or a work of artistic craftsmanship.⁶² Packaging may also be protected.⁶³ Copyright protection of artistic works, particularly drawings and models, includes designs with no artistic quality, and designs that are purely functional or for purely functional objects.⁶⁴ Functional designs are not excluded from copyright, and copyright law is routinely used in New Zealand to protect entirely or partly functional designs and industrial objects, relying particularly on underlying drawings and plans, and prototypes as models.⁶⁵

The term of copyright in New Zealand is generally life of the author plus 50 years.⁶⁶ The term of protection for industrially applied artistic works is limited to 25 years for works of artistic craftsmanship, and to 16 years for other artistic works.⁶⁷

A landmark case in relation to functional works was that of *Johnson (PS) & Associates Ltd v Bucko Enterprises Ltd*⁶⁸ in which copyright in the drawings for a rubber lavatory pan connector was infringed by copying the plaintiff’s connector. In another case, before the category of “model” was introduced into the statutory definition of “artistic work”, the New Zealand Court of Appeal stretched the definition of “sculpture” to provide protection for an industrial design, in this case a wooden model for a frisbee.⁶⁹ More recently, the Supreme Court of New Zealand held that a design drawing for packaging was capable of being an artistic work within the graphic work sub-category.⁷⁰ When copyright in artistic works was first widely used for functional industrial products, it

⁶⁰ Copyright Act 1994 (NZ) s.14 provides that copyright is a property right that subsists in original artistic works. Section 2 defines “Artistic work”.

⁶¹ See for example *Thornton Hall Manufacturing Ltd v Shanton Apparel Ltd (No.2)* [1989] 1 N.Z.L.R. 234.

⁶² See for example *Wham-O MFG Co v Lincoln Industries Ltd* [1984] 1 N.Z.L.R. 641; *Bonz Group (Pty) Ltd v Cooke* [1994] 3 N.Z.L.R. 216 HC.

⁶³ *Henkel KgaA v Holdfast New Zealand Ltd* [2006] N.Z.S.C. 102; [2007] 1 N.Z.L.R. 577.

⁶⁴ New Zealand followed United Kingdom authority in this. See *Dorling v Honnor Marine* [1964] R.P.C. 160 CA.

⁶⁵ See *AHI Operations v New Lynn Metalcraft Ltd (No.1)* (1982) 1 N.Z.I.P.R. 381 HC; *Beckmann v Mayceys Confectionary Ltd* (1995) 33 I.P.R. 543 CA; *Lakeland Steel v Stevens* [1996] 2 N.Z.L.R. 749.

⁶⁶ Copyright Act 1994 (NZ) s.22(1).

⁶⁷ Copyright Act 1994 (NZ) s.75.

⁶⁸ *Johnson (PS) & Associates Ltd v Bucko Enterprises Ltd* [1975] 1 N.Z.L.R. 311. See also *UPL Group Ltd v Dux Engineers Ltd* [1989] 3 N.Z.L.R. 135; (1988) 13 I.P.R. 15; (1988) 2 T.C.L.R. 687 CA which also dealt with designs for toilets.

⁶⁹ *Wham-O Manufacturing Co v Lincoln Industries Ltd* [1984] 1 N.Z.L.R. 641 CA.

⁷⁰ *Henkel KgaA v Holdfast New Zealand Ltd* [2006] N.Z.S.C. 102; [2007] 1 N.Z.L.R. 577 at 588.

attracted considerable surprise and criticism.⁷¹ Concerns were raised that copyright law was being used to protect functional industrial objects with no aesthetic qualities, and that this was not the purpose of the “artistic work” category in copyright law, and was not envisaged by the legislature.⁷² Copyright law, it was argued, was designed to protect “pure” art. Even if there was justification to extend this protection to applied art, there was no justification for extending it to purely functional objects such as connectors for toilets. Purely functional items should be protected, if at all, through industrial property regimes—patents or designs law, and then only if they reach the required innovation threshold by being inventive and/or new. Copyright was not designed to be a regime for protecting industrial property that didn’t reach these thresholds. In addition, copyright generally offered a longer period of protection than did the industrial property regimes, although this has since been addressed in the New Zealand copyright legislation.

Copyright in drawings for functional objects does raise important issues of competition. It is arguable that functional objects are designed principally because they have functional uses. Copyright protection is therefore not required as an incentive to creativity. Competitors will also wish to make similar functional objects in order to compete, and it is generally in the interests of consumers that such competition takes place.⁷³

Copyright protects the drawing from copying, and it protects not the idea but only the expression of the idea.⁷⁴ Proponents of copyright protection argue that competitors are free to make their own functional objects so long as they do not copy the copyright drawing, and if they do copy, so long as they take only the idea and not the expression of the idea. If the drawing has a low level of originality, then a low level of originality will be required to effect a non-infringing departure.⁷⁵ This solution to competition concerns is superficially appealing, but there are notorious difficulties in clearly distinguishing idea from expression, and in identifying exactly what constitutes the originality in a drawing.⁷⁶ There is no register in which the novelty is identified, as there is in the registered designs regime, and the invention is not clearly described in a specification as is required by patent law. The result is uncertainty for competitors as to the scope of protection. In relation to any given drawing, a competitor may have no way of knowing what constituted the unprotectable idea, and what constituted originality, until the matter has been heard by a court. This uncertainty has a potentially chilling effect on competition, as competitors wish to avoid the possibility of expensive litigation with an uncertain outcome.

⁷¹ See discussion in Ken Moon “A Functional View of Copyright, Designs and Patents” (1975–78) 8 *Victoria University of Wellington Law Review* 300.

⁷² Moon “A Functional View of Copyright, Designs and Patents” (1975–78) 8 *Victoria University of Wellington Law Review* 300, 315. See also Laddie J., “Copyright: Over-strength, Over-regulated, Over-rated?” [1996] E.I.P.R. 253.

⁷³ As reflected in New Zealand’s competition law legislation, the Commerce Act 1986 (NZ).

⁷⁴ *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2001] 1 All E.R. 700; [2000] 1 W.L.R. 2416 HL.

⁷⁵ *Henkel KgaA v Holdfast New Zealand Ltd* [2006] N.Z.S.C. 102, [2007] 1 N.Z.L.R. 577 at 593; *Land Transport Safety Authority v Glogau* [1999] 1 N.Z.L.R. 257.

⁷⁶ See *Nichols v Universal Pictures Corp* 45 F. 2d 119 (2nd Cir. 1930); *L B (Plastics) Ltd v Swish Products Ltd* [1979] R.P.C. 551 HL; *Green v Broadcasting Corp of NZ* [1988] 2 N.Z.L.R. 490 CA, [1989] 3 N.Z.L.R. 18 PC; *Bleiman v News Media (Auckland) Ltd* [1994] 2 N.Z.L.R. 673; *Bonz v Cooke* [1994] 3 N.Z.L.R. 216; *Beckmann v Mayceys* (1995) 33 I.P.R. 543; *Designers Guild* [2001] 1 All E.R. 700, [2000] 1 W.L.R. 2416.

Infringement of copyright

The Copyright Act 1994 provides that copyright is infringed if a person, without the licence of the copyright owner, does any restricted act.⁷⁷ The restricted acts are the acts that are the exclusive right of the copyright owner,⁷⁸ and copying is the most significant in this context. The definition of copying includes, in relation to an artistic work, the making of a copy in three dimensions of a two-dimensional work and the making in two dimensions of a three-dimensional work.⁷⁹ Copying can therefore be two-dimensional to three-dimensional and vice versa, so that a drawing is infringed by copying an object based on the drawing, and the object infringed by copying the relevant drawing. Copying is a restricted act in relation to every description of copyright work.⁸⁰ For industrial designs, direct plan-to-plan copying is not permitted without the consent of the copyright owner, and the term of protection is not limited in this situation.⁸¹ Plan-to-plan copying is therefore an infringement for the full term of protection, generally life of the author plus 50 years.

Indirect copying

Copying can be direct or indirect.⁸² Indirect copying covers the situation where copying of a three-dimensional object also constitutes copying of the design drawings for that object. The copying of the three-dimensional object is itself a copy of the two-dimensional work. Copying of the object therefore indirectly infringes copyright in the underlying two-dimensional work. The provision for indirect copying means that copyright in the underlying work is infringed, irrespective of whether the infringer had access to the original work in relation to which copying was alleged or found.⁸³

Indirect copying has been recognised as an infringement in New Zealand law since well before the passing of the 1994 Act. New Zealand courts have followed the lead of UK authority⁸⁴ in finding indirect copying, for example in the case of *Thornton Hall Manufacturing Ltd v Shanton Apparel Ltd* where the court found that the defendant, in copying a dress, had copied the plaintiffs' sketches and patterns, and a prototype of the dress which constituted a model. Copying was found despite the defendants not having access to any of these works.⁸⁵ More recently, the Supreme Court of New Zealand has confirmed that copying may be direct or indirect, and that making a copy of packaging would amount to indirect copying of the graphic work on which the packaging was based.⁸⁶

⁷⁷ Copyright Act 1994 (NZ) s.9.

⁷⁸ Copyright Act 1994 (NZ) s.16.

⁷⁹ Copyright Act 1994 (NZ) s.2 definition of "copying".

⁸⁰ Copyright Act 1994 (NZ) s.30.

⁸¹ Copyright Act 1994 (NZ) s.75(3).

⁸² Copyright Act 1994 (NZ) s.29(2)(b).

⁸³ *Thornton Hall Manufacturing Ltd v Shanton Apparel Ltd (No.2)* [1989] 1 N.Z.L.R. 234; *Frank M Winstone (Merchants) Ltd v Plix Products Ltd* [1985] 1 N.Z.L.R. 376, (1985) 5 I.P.R. 156, (1985) 1 T.C.L.R. 259.

⁸⁴ *King Features Syndicate Inc v O & M Kleeman Ltd* [1941] A.C. 417 HL; *L B (Plastics) v Swish* [1979] R.P.C. 551.

⁸⁵ *Thornton Hall* [1989] 1 N.Z.L.R. 234. See also *Johnson (PS) v Bucko Enterprises* [1975] 1 N.Z.L.R. 311.

⁸⁶ *Henkel KgaA v Holdfast New Zealand Ltd* [2006] N.Z.S.C. 102; [2007] 1 N.Z.L.R. 577 at 592.

Indirect copying has particular significance in cases of industrial design. Since most designs will be based on underlying works such as drawings and/or models, most designs will have copying from these underlying works protected. This is the case whether or not the three-dimensional object resulting from the design work itself constitutes an artistic work capable of copyright protection. The prohibition on indirect copying therefore offers designers powerful protection against competitors who copy the finished commercial product and it prevents reverse engineering by competitors. This is the case even where copying a design or a description of a design is a requirement imposed externally.⁸⁷ The term of protection is limited by action of s.75, but copyright protection in underlying works nevertheless subsists for at least 16 years. The provision of protection from indirect copying, especially in a commercial context, remains a controversial aspect of copyright protection, as it has extended protection into commercial arenas never envisaged by the original architects of copyright legislation.⁸⁸

Substantial part

In order to constitute infringement, copying must be of either the whole copyright work or of a substantial part of that work.⁸⁹ Whether copying is direct or indirect, the part taken must constitute a substantial part. The copied features must be a substantial part of the copyright work, but they need not form a substantial part of the defendant's work.⁹⁰ In relation to artistic works/designs, determining whether a substantial part has been taken can be difficult.⁹¹

Objective similarity and causal connection

The other requirements for a finding of copying in cases of artistic copyright are that there is sufficient objective similarity between the copyright work and the allegedly infringing work, and that there is a causal connection between the works such as to suggest copying.⁹² The Supreme Court of New Zealand considered proof of copying in the *Henkel* case, and said that⁹³:

“The closer the similarity between the two works the stronger the inference is likely to be that the one was copied from the other. If the alleged infringer has had access to, and therefore an opportunity to copy, the copyright work, and the similarity between the works supports an inference of copying, it may well be appropriate for the Court

⁸⁷ Copyright Act 1994 (NZ) s.29(2)(b) and *Frank M Winstone v Plix* [1985] 1 N.Z.L.R. 376 CA.

⁸⁸ See for example Laddie J., “Copyright: Over-strength, Over-regulated, Over-rated?” [1996] E.I.P.R. 253; D. Vaver, “Creating a Fair Intellectual Property System for the 21st Century” (2001) 10(1) *Otago Law Review* 1, 7–10.

⁸⁹ Copyright Act 1994 (NZ) s.29(2)(a). See also *Francis Day & Hunter Ltd v Bron* [1963] Ch. 587 CA; *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 W.L.R. 273 HL; *Bleiman v News Media (Auckland) Ltd* [1994] 2 N.Z.L.R. 673, (1994) 6 T.C.L.R. 56 CA; *Designers Guild* [2001] 1 All E.R. 700, [2000] 1 W.L.R. 2416; *Henkel v Holdfast* [2006] N.Z.S.C. 102, [2007] 1 N.Z.L.R. 577.

⁹⁰ *Designers Guild* [2001] 1 All E.R. 700 at 708 per Lord Millet.

⁹¹ See for example *Wham-O Manufacturing Co v Lincoln Industries Ltd* [1984] 1 N.Z.L.R. 641 CA; *Designers Guild* [2001] 1 All E.R. 700, [2000] 1 W.L.R. 2416; *Henkel v Holdfast* [2006] N.Z.S.C. 102, [2007] 1 N.Z.L.R. 577.

⁹² *Francis Day & Hunter v Bron* [1963] Ch. 587 CA; *Wham-O Manufacturing* [1984] 1 N.Z.L.R. 641.

⁹³ *Henkel v Holdfast* [2006] N.Z.S.C. 102; [2007] 1 N.Z.L.R. 577 at 592.

to conclude, on the balance of probabilities, that there was indeed copying. This, of course, is subject always to the evaluation of any evidence there may be that no copying actually took place.”

Altered copying

For works of artistic copyright, altered copying is particularly important. Altered copying takes place where a defendant borrows from the copyright work in producing a new work. The defendant makes substantial alterations to the plaintiff’s original work, and produces a new copyright work. In these cases it is for the court to determine whether a substantial part has been taken and whether the plaintiff’s copyright has been infringed. In some cases, courts have appeared more influenced by the fact that the defendant has borrowed (or reaped where they have not sown), and have found infringement despite significant alterations.⁹⁴ In other cases, courts have focused on the distinction between merely taking ideas, which are not protectable, and taking the protectable expression of those ideas. In some cases, courts have found that only an idea has been taken, and have strongly resisted the suggestion that objective similarity should be inferred from the mere fact of causal connection.⁹⁵

Altered copying was considered in some detail by the House of Lords in the *Designers Guild* case, and the Lords had some differences of approach. Lord Millett emphasised that deliberate variations would not necessarily allow a defendant to avoid a finding of copying, and that the fact that the overall appearance of the defendant’s work is very different from the plaintiff’s does not necessarily mean there has been no infringement.⁹⁶ Lord Scott of Foscote also considered the issue of altered copying, describing it as “copying with modifications”.⁹⁷ He favoured a test taken from Laddie for altered copying cases⁹⁸:

“Has the infringer incorporated a substantial part of the independent skill, labour, etc contributed by the original author in creating the copyright work?”

Lord Scott went on to emphasise that it is not a breach of copyright to borrow an idea and to translate that idea into a new work. However, the difficulty in altered copying cases was in drawing the line between permissible borrowing of an idea and impermissible piracy. In his view, the extent and nature of similarities between the two works plays a critical and often determinative role in drawing that line.⁹⁹

There have been suggestions that one approach to determining whether a substantial part has been taken in altered copying cases is to inquire whether the defendant

⁹⁴ *Bleiman v News Media (Auckland) Ltd* [1994] 2 N.Z.L.R. 673; (1994) 6 T.C.L.R. 56 CA, although not an artistic copyright case, is an example here.

⁹⁵ *Beckmann v Mayceys* (1995) 33 I.P.R. 543 is an example here. See also Ken Moon, “The Court of Appeal and Design and Copyright Infringement: Is the Plaintiffs’ flood tide of the mid-1980s Receding?” (1996) 1 *New Zealand Intellectual Property Journal* 110.

⁹⁶ *Designers Guild* [2001] 1 All E.R. 700 at 708–709.

⁹⁷ [2001] 1 All E.R. 700 at 714.

⁹⁸ Referring to H. Laddie, P. Prescott and M. Vitoria, *The Modern Law of Copyright and Designs*, 2nd edn (1995), pp.92–93; *Designers Guild* [2001] 1 All E.R. 700 at 714.

⁹⁹ *Designers Guild* [2001] 1 All E.R. 700 at 715.

had shortcut the design process, similar to the springboard doctrine in breach of confidence.¹⁰⁰ However, this approach would itself shortcut the established approach to determining copyright infringement, and especially the important distinction between ideas and expression. It remains an important principle that copyright does not protect ideas or concepts or facts or methods, and anyone is entitled to borrow the idea from a work. This is an especially important principle in artistic copyright and design cases, where copyright in a drawing cannot be taken to give a patent-like monopoly on all of the features represented in the drawing, many of which will themselves inevitably be borrowed from earlier designs, common practice and the public domain. In this context also, design constraints can dictate particular features which should then be categorised as idea rather than expression, because of the absence of design freedom.

In New Zealand, the Court of Appeal considered the issue of altered copying in a 2007 case, *Steelbro NZ Ltd v Tidd Ross Todd Ltd*,¹⁰¹ which involved an allegedly altered copying of a design for a sideloading trailer. The court said that it came down to a question of fact as to whether the judge was correct in finding that the defendant had illegitimately crossed the line into copying not only the concept but also the expression of that concept. The court said that in considering whether expression rather than just ideas had been taken, and in whether there had been copying of a substantial part, the factors the court would commonly have regard to included the “starting point” of the defendant’s work; the extent of the defendant’s alteration (i.e. whether a substantial part of the plaintiff’s work survived in the defendant’s so as to appear to be a copy of the original work); and generally the way in which the defendant had taken advantage of the plaintiff’s work. Whether there had been a substantial copying was thus “a major tool for giving expression to the Courts’ sense of fair play”¹⁰² or, “where the courts find that a work B is not an infringement of the copyright in a work A because it is ‘original’ what they really mean is that B owes so little to A that it ought not to count as piracy”.¹⁰³ On the facts, the court found that the defendant had started with the plaintiff’s product distinctly in mind, and then endeavoured to replicate the plaintiff’s model, in the sense of building a better model of that kind. From time to time the defendant “checked back” against what the plaintiff had done. There was no question the defendant did a great deal of work itself, but an inference of copying was possible, indeed probable, unless it could negative it by establishing that the similarity was not due to the copying.

The *Steelbro* decision appears based on the view that copying is wrong, and that a defendant who uses the plaintiff’s work as a starting point is in some sense “taking advantage” of the plaintiff’s work and that this is not “fair play”.¹⁰⁴ The court seemed

¹⁰⁰ See Ian Finch (ed.), *James & Wells Intellectual Property Law in New Zealand* (2007), p.212. There was also argument on this point in *Steelbro NZ Ltd v Tidd Ross Todd Ltd* (Court of Appeal, CA7/06 [2007] N.Z.C.A. 486, November 2, 2007, Hammond, Arnold and Wilson JJ.).

¹⁰¹ *Steelbro* [2007] N.Z.C.A. 486.

¹⁰² W. Cornish and D. Llewelyn, *Intellectual Property*, 5th edn (2003), para.11-06.

¹⁰³ Laddie, Prescott and Vittoria, *The Modern Law of Copyright*, 2000, p.135.

¹⁰⁴ There are New Zealand cases in which courts have been strongly influenced by this view also; *Bleiman v News Media (Auckland) Ltd* [1994] 2 N.Z.L.R. 673, is a notable example. However, in other cases courts have focused much more on what has been borrowed, rather on the mere fact of borrowing; see for example *Beckmann v Mayceys* (1995) 33 I.P.R. 543; *Henkel v Holdfast* [2006] N.Z.S.C. 102, [2007] 1 N.Z.L.R. 577. See also Ken Moon, “The Court of Appeal and Design and Copyright Infringement:

little concerned about issues of competition and innovation, although these were raised in argument, and it did not give detailed consideration to idea/expression issues. The court did refer briefly to the broader policy questions in relation to New Zealand copyright and designs law. The court said that if on the facts the defendant substantially copied the design, there were no valid policy reasons for upholding that conduct, and conversely, if the defendant's design represented an innovative development drawing upon but further developing existing technology, it should be welcomed and encouraged. The court said that there was a difficult issue in New Zealand as to whether the so-called copyright/design overlap, which allowed potential copyright protection in this sort of area, was appropriate, but there was no doubt as to the present state of the law, and it was not argued that the court should endeavour to deal with this issue judicially, by somehow recasting the appropriate boundaries of copyright and design law. The overall effect of the decision was therefore to uphold a protective approach to artistic copyright, rather than an approach that favoured competition and innovation.

Copying, and especially indirect and altered copying, therefore remain areas of difficulty in New Zealand law, especially as relates to artistic copyright cases. These cases are frequently cases between commercial competitors, and they generally involve courts in drawing a line between idea and expression, between the unprotectable idea or concept, and the protectable expression of that idea or concept. The focus then is on the similarities between the two, and on whether what is taken is a substantial part. Where courts shortcut this traditional copyright analysis by focusing simply on causal connection, or the fact that a competitor has borrowed from another competitor's design, the result is a very high level of protection at the expense of competition and follow-on innovation. Borrowing is not unfair competition in itself; it is standard behaviour both in competitive design environments and in the creative industries more generally. The mere fact of borrowing should not be determinative of a copyright action. It is also important that courts take the established approach of first identifying the copyright work, and considering whether the work as a whole or a substantial part is infringed.¹⁰⁵ The level of originality of the copyright work can be relevant here.¹⁰⁶ The focus should, however, remain on the relationship between the part taken and the plaintiff's copyright work as a whole, and whether the part taken is more than an idea, and is a substantial part.¹⁰⁷ In design cases, there is a risk that courts will focus more on individual design features said to have been taken, rather than on the issue of substantial part, and this, too, can lead to over-protection.¹⁰⁸

Is the Plaintiffs' flood tide of the mid-1980s Receding?" (1996) 1 *New Zealand Intellectual Property Journal* 110.

¹⁰⁵ *Ladbroke v William Hill* [1964] 1 W.L.R. 273; *Henkel v Holdfast* [2006] N.Z.S.C. 102, [2007] 1 N.Z.L.R. 577 at 591.

¹⁰⁶ *Henkel v Holdfast* [2006] N.Z.S.C. 102; [2007] 1 N.Z.L.R. 577 at 591, 594.

¹⁰⁷ The *Henkel* decision is open to criticism on this point, as the court said that if the defendant's work was of sufficient originality to amount to a copyright work, there would have been no infringement of the plaintiff's copyright. This approach focuses on the defendant's work, when the focus should be the plaintiff's work.

¹⁰⁸ An example is the case of *Electroquip Ltd v Craigco Ltd* (High Court, Auckland, CIV 2006-404-006719, September 3, 2008, Rodney Hansen J.), in which the judge focused on design features, and found that each had been copied, without considering whether each feature, or combination of features, constituted

It is not uncommon for a defendant's design to actually represent an advance or improvement on the plaintiff's design, as argued in *Steelbro*. Where the defendant's design is nevertheless held to be an infringement, the defendant must then seek a licence from the plaintiff, or the technology may be cross-licensed. In the event of a refusal to licence or no agreement, consumers will not have access to the relevant improvements and innovations. The provision of copyright protection, and of robust interpretation of plaintiffs' rights by the courts, then leads to a potentially inhibiting effect on subsequent innovation, in direct opposition to the purpose of copyright law.

Other forms of infringement

In addition to copying, the Copyright Act 1994 provides that copyright in a work is infringed by a person who, other than pursuant to a copyright licence, does any restricted act.¹⁰⁹ This means that primary infringement covers not only copying but the doing of any of the s.16 restricted acts, including issuing copies of the work to the public, showing the work in public, making an adaptation of the work, and to authorise another person to do any of the restricted acts. In relation to artistic copyright, the provision in relation to authorisation is particularly significant. Authorisation can also relate to indirect and altered copying. This means that a person may infringe by authorising another to make a copy of an object which is not itself a copyright work, but where the copying will infringe copyright in underlying drawings. This means that actions, such as the commissioning the making of a product by another person where the making of that product infringes copyright, may infringe copyright by authorisation.¹¹⁰ Unlike secondary infringement, there is no knowledge requirement for authorisation. It is arguable that the potential for liability by authorisation has a further potential chilling effect on competition and innovation by second-comers, over and above the effects of imposing liability for indirect and/or altered copying on the people who actually do the copying.

Defences and permitted acts

The New Zealand Copyright Act does provide a number of specific defences to infringement—these are technically acts permitted in relation to copyright works.¹¹¹ However, few of these defences are applicable to industrial design. There is no exception allowing for the manufacture of spare parts, or for the right to repair. There is no "must fit" or "must match" exception as in the European Union, and no spare parts exception as in Australia. The only exceptions relevant to artistic works that are industrial designs are ss.73–75. Section 73 permits the making and distribution of two-dimensional copies

a substantial part of the work in question. He did not consider whether ideas or the expression of those ideas had been taken. The risk with this approach is that infringement might be found where only ideas, or something less than a substantial part, have been taken.

¹⁰⁹ Copyright Act 1994 (NZ) s.29.

¹¹⁰ *Heinz Wattie's Ltd v Spantech Pty Ltd* (Court of Appeal, CA198/04, December 5, 2005, Anderson P., Glazebrook and O'Regan JJ.); *Pensher Security Door Co Ltd v Sunderland CC* [2000] R.P.C. 249 CA (Civ Div).

¹¹¹ Copyright Act 1994 (NZ) Pt III ss.35–39.

of three dimensional works permanently on public display.¹¹² This may have some limited application to works of industrial design—for example industrial or outdoor equipment permanently in a public place, such as playground equipment in a public park. However since it only permits two-dimensional copying, it does not permit competitors to produce the object, and so is not a defence that significantly protects competition. Section 74 limits protection for works that have been registered as patents or designs. It provides that it is not an infringement of copyright to reproduce articles from drawings in an expired patent or design specification that has been published. This is not a blanket permission to manufacture articles for which a design was registered but has expired. It does provide that to do so will not infringe the copyright in the specification. Section 75 limits the term of protection for artistic works that have been applied industrially.

Copyright protection: summary

The Copyright Act 1994 offers strong protection for industrial design, and in New Zealand designers have tended to rely more on copyright protection than on registering designs.¹¹³ Copyright has been used in New Zealand to protect fashion designs,¹¹⁴ design of packaging for kiwifruit,¹¹⁵ the design of a lavatory pan connector,¹¹⁶ crocodile shaped jubes¹¹⁷ and office furniture.¹¹⁸ More recent cases involving industrial design drawings protected by copyright have involved machines for spraying sheep,¹¹⁹ packaging for glue,¹²⁰ pregnancy testing devices,¹²¹ toy swords and trumpets¹²² and sideloading trailers.¹²³ Few other jurisdictions would provide automatic copyright protection for all of these items on the basis that the underlying drawings or models are artistic works. Copyright protection is automatic, registration is not required and protection arises immediately without associated costs. Copyright protection is available for designs that would qualify for, or have, registered design or patent protection. Copyright is also available for works that might be registered as trade marks, so long as they otherwise qualify as works.¹²⁴

Copyright has therefore become the preferred method of protecting designs in New Zealand, and copyright in New Zealand is one of the most protective regimes for

¹¹² See also *Radford v Hallensteins Bros Ltd* (High Court, Auckland, CIV 2006-404-004881, February 22, 2007, Keane J.).

¹¹³ Ministry of Economic Development, *Registered Design Protection in New Zealand* (2008), p.1.

¹¹⁴ *Thornton Hall Manufacturing v Shanton Apparel* [1989] 1 NZLR 234.

¹¹⁵ *Frank M Winstone v Plix Products* [1985] 1 N.Z.L.R. 376; (1985) 5 I.P.R. 156; (1985) 1 T.C.L.R. 259.

¹¹⁶ *Johnson (PS) v Bucko* [1975] 1 N.Z.L.R. 311.

¹¹⁷ *Beckmann v Mayceys* (1995) 33 I.P.R. 543.

¹¹⁸ *AHI Operations v New Lynn Metalcraft Ltd (No.1)* (1982) 1 N.Z.I.P.R. 381 HC.

¹¹⁹ *Electroquip Ltd v Craigco Ltd* (High Court, Auckland, CIV 2006-404-006719, September 3, 2008, Rodney Hansen J.).

¹²⁰ *Henkel v Holdfast* [2006] N.Z.S.C. 102; [2007] 1 N.Z.L.R. 577.

¹²¹ *Inverness Medical Switzerland GmbH v MDS Diagnostics Ltd* (High Court, Auckland, CIV 2007-404-00748, December 21, 2007, Potter J.).

¹²² *Tiny Intelligence Ltd v Resport Ltd* [2009] N.Z.S.C. 35.

¹²³ *Steelbro v Tidd Ross Todd* [2007] N.Z.C.A. 486.

¹²⁴ See for example *Sunlec International Pty Ltd v Electropar Ltd* (High Court, Auckland, CIV 2007-404-005044, September 24, 2008, Wylie J.).

designs internationally. However, there is also provision for cumulative protection, as registered designs law and trade mark and trade practices law are also available.

Registered designs

New Zealand has a regime of registered design protection, under the Designs Act 1953. Protection is available for designs, as defined in the Designs Act 1953.¹²⁵ To be registrable, a design must involve features of shape, configuration, pattern, or ornament, appealing to and judged solely by the eye, not being a method or principle of construction or features dictated solely by function.¹²⁶ The features of appearance must have eye appeal in the sense that they appeal to and are judged by the eye of the prospective customer in making a selection.¹²⁷ Pattern and ornamentation generally covers two-dimensional features, and shape and configuration covers three dimensional features. Purely functional aspects are not protected by registered design protection, unless they contribute to external appearance. The features of shape, configuration, pattern, or ornamentation must be applied to an article, and "article" is separately defined.¹²⁸ The article must have some function other than having the design applied to it.¹²⁹

The design must be new or original.¹³⁰ Novelty in the registered designs regime means local novelty, in the sense that the design is new if it has not been made available to the public in New Zealand before the application date.¹³¹ Although novelty is a local novelty standard, the standard of novelty is nevertheless higher than that in copyright law. It is not enough that the design originates from the author; it must actually qualify as novel, as being "new or original". The term "new or original" is not separately defined in the Act.¹³² However it is clear from the section that a design is not novel if it is the same as a design registered or published in New Zealand before the date of application. Prior registration or publication destroys novelty even if it has been applied in the past to another article, not the article for which registration is sought. The prior art design need not be identical; it will still destroy novelty if it differs from the design only in immaterial details or in features which are variants commonly used in the trade. A design application must include a statement of novelty, which sets out the features in which novelty is claimed.

Some designs are excluded from registration under the Designs Regulations 1954, because of the category of articles to which they are applied, particularly where the

¹²⁵ Designs Act 1953 (NZ) s.2.

¹²⁶ The provision that "design" does not include a method or principle of construction or features of shape or configuration which are dictated solely by the function which the article to be made in that shape or configuration has to perform has caused some difficulty for the courts. See *Interlego AG v Tyco Industries Inc* [1989] 1 A.C. 217 PC (Hong Kong).

¹²⁷ *AMP v Utilux Pty Ltd* [1972] R.P.C. 103 HL at 108–109.

¹²⁸ Designs Act 1953 (NZ) s.2.

¹²⁹ *Littlewoods Pools Ltd's Application* (1949) 66 R.P.C. 309. See also discussion in Ian Finch (ed.), *James & Wells Intellectual Property Law in New Zealand* (2007), pp.275–276.

¹³⁰ Designs Act 1953 (NZ) s.5(2).

¹³¹ Designs Act 1953 (NZ) s.5(2).

¹³² The term was considered in *Bruce Sutton v Bay Masonry Ltd* (High Court Tauranga, CIV 2003 470 000260, May 28, 2004, Williams J.).

article operates merely as a vehicle for the design. These include works of sculpture, wall plaques and medals, and printed matter primarily of a literary or artistic character, such as bookjackets and dressmaking patterns.¹³³

Registration of a design gives the owner of the design exclusive rights broader than those provided by copyright.¹³⁴ A registered design gives the proprietor exclusive rights to make, import, sell or offer to sell and hire or offer to hire, and these rights cover not only protection against copying but also protection against independent creation of the same or a not substantially similar design in relation to any article in respect of which the design is registered. Design registration also prevents imports of the design, including parallel imports.

Registration requires application and the payment of fees, making it less attractive than copyright. Design protection lasts for a term of 15 years in total.¹³⁵ This term of protection is shorter than the copyright term, even the copyright term for artistic works applied industrially, another reason for the preference for copyright protection.

A registered design is infringed when the article alleged to be an infringement has substantially the same appearance as the registered design.¹³⁶ This involves a comparison of the alleged infringement with the registered design.¹³⁷ Courts may also apply an imperfect recollection test.¹³⁸

Defences to infringement are limited generally to challenging the validity of the design registration or claiming no infringement.¹³⁹ Commonly plaintiffs seek an interim injunction on a serious question to be tried basis, and challenges to validity are rarely strong enough at this stage to persuade the court against issuing an interim injunction.¹⁴⁰

Trade marks, passing off and the Fair Trading Act 1986

Designs may also be protected under the Trade Marks Act 2002, the law of passing off and against misleading conduct in trade under the Fair Trading Act 1986.

The Trade Marks Act 2002¹⁴¹ provides for registration, in relation to particular goods or services, of a sign or combination of signs, capable of being represented graphically and capable of distinguishing the goods or services of one person from those of another person. It provides that a "sign" includes a brand, colour, device, heading, label, letter, name, numeral, shape, signature, smell, sound, taste, ticket, or word; and any

¹³³ Designs Regulations 1954 reg.33.

¹³⁴ Designs Act 1953 (NZ) s.11.

¹³⁵ Designs Act 1953 (NZ) s.12.

¹³⁶ *UPL Group Ltd v Dux Engineers Ltd* [1989] 3 N.Z.L.R. 135 CA.

¹³⁷ See discussion in Finch (ed.), *James & Wells Intellectual Property Law in New Zealand*, 2007, pp.293–294.

¹³⁸ *UPL Group v Dux Engineers* [1989] 3 N.Z.L.R. 135.

¹³⁹ *Bruce Sutton v Bay Masonry* (High Court Tauranga, CIV 2003 470 000260, May 28, 2004, Williams J.) is an example.

¹⁴⁰ See discussion in Clive Elliot, "Form over Function: A Review of Recent Developments in Designs Law" (2005) 62 *Intellectual Property Forum* 10, 13–14.

¹⁴¹ Trade Marks Act 2002 (NZ) s.5(1).

combination of signs. A registered trade mark may include the shape of the product or the shape of the packaging, allowing scope for trade mark protection of industrial designs. However, trade mark law offers only limited protection to designs. There are restrictions on what is registrable; for example a trade mark the use of which would be likely to deceive or cause confusion is not registrable.¹⁴² A trade mark must also be distinctive, and can be removed if it becomes generic.¹⁴³ Use of the trade mark is also required.¹⁴⁴

Trade mark registration gives the owner the exclusive right to use the trade mark in New Zealand, or to authorise others to use it, in relation to the goods or services for which it is registered.¹⁴⁵ Generally a trade mark is infringed when the mark or a similar mark is used without the owner's permission in relation to goods and services for which it is registered or in relation to goods and services which are similar, and where there is likely confusion.¹⁴⁶

Trade mark law can therefore offer some protection for designs, but it is an area of law designed to protect marks as badges of origin and identifiers of the source of goods. While designers can obtain some protection by this means, the nature of the protection means that it can never be a complete solution for designers.

In a similar way to trade mark law, the tort of passing off and action under the Fair Trading Act 1986 can be used to protect designs. The tort of passing off can be used to protect unregistered trade marks. A plaintiff needs to show that there is some reputation or goodwill attached to its name, mark or get-up, that the defendant has used the same or a deceptively similar name, mark or get-up so as to confuse or deceive the relevant public or if unrestrained is likely to do so, and that as a result damage has been or is likely to plaintiff's business.¹⁴⁷ However, passing off has an important limitation from a designs perspective in that it cannot be used to protect functional features.¹⁴⁸

The Fair Trading Act 1986 is consumer protection legislation, but it is used by traders against misleading or deceptive conduct by other traders.¹⁴⁹ Designs can therefore be protected against misleading or deceptive conduct in trade under the Fair Trading Act, in a similar way to passing off protection. Commonly actions are brought in both passing off and under s.9 of the Fair Trading Act 1986 in New Zealand. However, as with trade marks law, protection is limited to protection against misrepresentations. Protection does not provide a designer with a broad exclusive or monopoly right to make or use a particular design, and protection under passing off and the Fair Trading Act cannot be used to perpetuate copyright.¹⁵⁰

¹⁴² Trade Marks Act 2002 (NZ) s.17(1)(a), and see *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd* [1978] 2 N.Z.L.R. 50.

¹⁴³ Trade Marks Act 2002(NZ) s.66.

¹⁴⁴ Trade Marks Act 2002 (NZ) s.66.

¹⁴⁵ Trade Marks Act 2002 (NZ) s.10.

¹⁴⁶ Trade Marks Act 2002 (NZ) ss.89–91. There are also dilution provisions for well-known marks.

¹⁴⁷ *Tot Toys Ltd v Mitchell* [1993] 1 N.Z.L.R. 325 HC at 334.

¹⁴⁸ [1993] 1 N.Z.L.R. 325.

¹⁴⁹ Fair Trading Act 1986 (NZ) s.9.

¹⁵⁰ *Tot Toys* [1993] 1 N.Z.L.R. 325 at 371.

REFORMING NEW ZEALAND DESIGNS LAW

Protection under all of the New Zealand regimes is cumulative. There are no restrictions on cumulative protection, and some designs will be protected under a number of different regimes simultaneously. The result is over-protection, especially because copyright protection is so comprehensive in itself. All designs are automatically protected by copyright, and the owner need not make the decision to seek protection. Protection under copyright protects both appearance and functional aspects of design. The scope of infringement is wide, and there are no counter-balancing defences to protect competition. Competitors using similar designs may find that they are infringing copyright in drawings to which they have had no access, and copyright cases involving infringement of industrial designs, including functional designs, appear regularly before the courts. Design protection rather than competition is relied on as an incentive for innovation, and the extent and breadth of protection has the potential to chill competition.

New Zealand's current design regime is over-protective. It is much more protective than the protection available in comparable jurisdictions. The extent of the difference is difficult to justify in an increasingly global marketplace, in which most areas of intellectual property are harmonised to some extent. Although there is currently no immediate proposal for reform, there have been a number of proposals for reform of New Zealand design laws over recent decades.¹⁵¹ The then New Zealand Ministry of Commerce¹⁵² proposed detailed reforms in the early 1990s. The Ministry of Commerce issued proposals for reform in 1992, with stated policy objectives of providing appropriate incentives to invest in design creation and taking into account the desirability of promoting competition.¹⁵³ In 1994 the Copyright Act was passed, and it contained provisions in s.75 to partially address the problem of dual protection by limiting the term of protection for artistic works applied industrially.¹⁵⁴ This was clearly not a complete solution to the problems of dual protection, and the Ministry of Commerce explicitly stated that copyright protection for industrially applied artistic works was only dealt with on an interim basis in the Copyright Act 1994, and that the changes were made to conform to the TRIPs Agreement 1994 and the Berne Convention.¹⁵⁵

In February 1995 the Ministry of Commerce and Ministry of Justice said that it was appropriate to review the entire approach to the protection of industrial designs,

¹⁵¹ See for example New Zealand Ministry of Commerce, Competition Policy and Business Law Division, *Review of Industrial Property Rights, Patents, Trade Marks, and Designs: Possible Options for Reform* (1990), 2 Vols; New Zealand Ministry of Commerce Business Policy Division, *Reform of the Designs Act 1953 and Other Issues: Proposed Recommendations* (1992); New Zealand Ministry of Commerce Business Policy Division, *Key Features of a Proposed Scheme for the Protection of Designs: Issues for Discussion* (February 1995); New Zealand Ministry of Commerce Business Policy Division, *Ministry of Commerce Position Paper on the Copyright/Designs Overlap* (December 1995).

¹⁵² The Ministry of Economic Development is now the responsible ministry.

¹⁵³ Ministry of Commerce Business Policy Division, *Reform of the Designs Act 1953 and Other Issues: Proposed Recommendations*, 1992.

¹⁵⁴ Similar to those in the Copyright Amendment Act 1985 (NZ).

¹⁵⁵ New Zealand Ministry of Commerce Business Policy Division, *Key Features of a Proposed Scheme for the Protection of Designs: Issues for Discussion* (February 1995), para.1.1.

including the overlap between design and copyright and issues surrounding protection for three-dimensional designs, with the same policy objectives as specified in the 1992 proposals.¹⁵⁶ In February 1995 the Ministry proposed the removal of copyright protection for the majority of industrially applied designs, the introduction of a five-to seven-year unregistered design right, and amendments to the Designs Act 1953 to allow, *inter alia*, for registration of functional designs.¹⁵⁷

In December 2005 the Ministry of Commerce released a position paper on the copyright/design overlap¹⁵⁸ in which it set out its concerns about the current system of protection and re-stated its view that its February 1995 proposals would substantially address its concerns with that system. The particular concerns expressed about the current system of dual protection included¹⁵⁹:

- Concerns that the copyright term for industrially applied artistic works was too long, causing difficulties for competitors in relation to highly functional or mundane products, and limiting further innovation.
- Concerns that the threshold for copyright protection was low, with a consequent risk of property rights in functional features, and difficulties in distinguishing idea from expression, inhibiting innovation.
- Concerns that it is difficult as a matter of practical reality for defendants to deny copying, especially for functional products and those with specific trade requirements,
- Concern that interim injunctions are often granted because the court finds a serious question to be tried, and that this leads to over-protection.
- Concerns that a large number of New Zealand designs are protected only by copyright, meaning that there is no searchable register and there is consequent uncertainty about copyright ownership and duration.
- Concerns about the need for New Zealand designers and exporters to be aware that automatic copyright protection is not available in other jurisdictions. Greater use of registered design protection would facilitate obtaining protection in other jurisdiction.
- Concerns about the desirability of harmonisation with Australia under the Australia–New Zealand Closer Economic Relations Free Trade Agreement (CER).

The Ministry's December 2005 paper set out five options for protecting designs, preparatory to a further round of consultation. These options were:

1. The February 2005 proposal.
2. The status quo.

¹⁵⁶ Ministry of Commerce Business Policy Division, *Key Features of a Proposed Scheme for the Protection of Designs*, 1995, para.1.1.

¹⁵⁷ Ministry of Commerce Business Policy Division, *Key Features of a Proposed Scheme for the Protection of Designs*, 1995, para.1.3.

¹⁵⁸ Ministry of Commerce Business Policy Division, *Ministry of Commerce Position Paper on the Copyright/Designs Overlap*, 1995.

¹⁵⁹ Ministry of Commerce Business Policy Division *Ministry of Commerce Position Paper on the Copyright/Designs Overlap*, 1995, pp.2–3.

3. The status quo but with a reduction in the term of copyright protection.
4. Repeal of the Designs Act 1953 with reliance solely on copyright protection.
5. A common New Zealand/Australia scheme for design protection.

However, no significant progress has been made in reforming design protection since that time.

Reform of New Zealand designs law is now overdue. New Zealand designs law is highly protective. Designers in New Zealand, or their employers, have the option of design registration for new and original designs. However, through copyright, they also obtain immediate and automatic property rights in their designs, no matter how mundane or functional, and irrespective of whether the designs are genuinely new or original. Protection is automatic, and designers do not make a choice whether to protect their designs or not, the only choice is whether to enforce protection. For designers who are employees, this choice will be made by an employer.

The nature of the rights provided in New Zealand also creates difficulties. The use of copyright creates uncertainty for competitors and for follow-on innovation. There is no register, so that there is no way to ascertain whether rights exist, the scope of those rights, and who owns them. This uncertainty inevitably increases transaction costs in licensing. But more significantly, it has a chilling effect on subsequent innovation.¹⁶⁰ Supporters of copyright protection argue that copyright only protects against copying, and that works of low originality obtain thin copyright protection, so that subsequent designers who do not copy or take only ideas need not be concerned. In reality, however, the prospect of copyright litigation, and the need to rebut a presumption of copying where there is objective similarity, can act as a deterrent to even non-infringing conduct.

The use of copyright also provides rights for nothing. In registered designs law, like patent law, there is a requirement that the innovation be disclosed in a specification, in return for a property right. Copyright has no disclosure or publication requirement, so that the design need not be disclosed to competitors or subsequent innovators, and the scope of the new or original design as claimed is not publicly defined. This means that the public interest gets no consideration for the grant of a right, and designers themselves have no guarantee that their design will be published and made available to other designers. Under copyright, designers have no access to the work of other designers, and are unable to discern whether their own designs are indeed new.

New Zealand is providing an unjustified level of designs protection, using a system that does not facilitate subsequent innovation. New Zealand provides extensive property rights that are not provided in similar jurisdictions. There is no empirical evidence to justify such extensive rights, which also result in extensive derogations from the public domain.¹⁶¹ There are also few exceptions, limitations and defences to the rights as compared to other jurisdictions. The absence of any spare parts exception is an important example.

The situation for New Zealand vis-à-vis foreign designers is also troubling from the perspective of local innovation. Within New Zealand, designers obtain automatic

¹⁶⁰ See discussion in Ministry of Commerce Business Policy Division, *Ministry of Commerce Position Paper on the Copyright/Designs Overlap*, 1995, p.8.

¹⁶¹ See discussion in James Boyle, *The Public Domain: Enclosing the Commons of the Mind* (2008).

protection. This means that New Zealand designers obtain automatic protection, but the same also applies to almost all foreign designers, who obtain automatic protection whether or not their designs are created in New Zealand.¹⁶² New Zealand law therefore provides copyright protection to overseas designs, with no reciprocal protection provided to New Zealand designers in foreign jurisdictions. New Zealand designers wishing to export must comply with designs requirements in the markets they are entering, which may mean a need to register, or may mean that there is simply no equivalent design protection.¹⁶³ The effect for a country like New Zealand, which is overwhelmingly a net importer of technology including design, is that most protected designs belong to non-residents, with a consequent outflow of royalties. New Zealand designers do not, however, benefit from equivalent protection in overseas markets.

CONCLUSION

There is a strong case for reform of New Zealand designs law, with reference to international law and international models. Given the flexibility available under international intellectual property law, New Zealand is not required to adopt any particular international model, or indeed to adopt any model at all. New Zealand now has an opportunity to develop a designs law regime suited to its own social and economic conditions, and to take forward the work commenced in the 1990s to develop a regime that better promotes innovation.

¹⁶² Copyright Act 1994 (NZ) ss.17–20.

¹⁶³ The Ministry of Commerce expressed concern about the lack of awareness among New Zealand designers as to the need to obtain intellectual property protection when exporting. Ministry of Commerce Business Policy Division *Ministry of Commerce Position Paper on the Copyright/Designs Overlap*, 1995, pp.7–8. See also Elliot, "Form over Function" (2005) 62 *Intellectual Property Forum* 10, 21.