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Dimitrios G Eliades
Barrister - B Th. LLB LLM

Level 5
Bank of N.S.W Chambers
22 Queen Street
Brisbane QLD 4003

P.O Box 13375
George Street P.O 4003

deliades@qldbar.asn.au
Fax: (07) 3211 0021
Ph: (07) 3211 0020
Mobile: 0414 304 446
www.odyssey.ez.ro

ODYSSEY update

K-Aire Pty Ltd v Polyaire Pty Ltd [2003] FCAFC 310 (Mansfield, Emmett & Bennett JJ, 22 December 2003)

Appeal

This was an appeal against the finding of a judge of the Supreme Court of South Australia that the respondent's registered design in respect of outlet director parts for air conditioning units, had been infringed by the application of a fraudulent imitation of the design by articles manufactured and sold by certain of the appellants.

The designs

The designs were part of an air conditioning unit which directed air flow. The part was sometimes known as the “grille”.

An illustration of the Design appears in Schedule 1 to the reasons.

The primary judge had referred to the accused articles as KA1 and KA2. Representations of these appear in Schedules 2 and 3 respectively of the full court's reasons.

The *Designs Act 1906*

The Act provided under:

- s 4 (1) that, the term ‘*design*’ meant features of shape, configuration, pattern or ornamentation applicable to an article, being features that, in the finished article, can be judged by the eye. However, the term did not include a method or principle of construction.
- s 25, the owner of a registered design had a monopoly in the design, being the exclusive right to apply the registered design to an article in respect of which the design is so registered.

- s 30(1) that (in the circumstances of this case), a person was deemed to infringe the monopoly in a registered design if he, without the licence or authority of the owner of the design applied the design or any fraudulent or obvious imitation of it to any article in respect of which the design was registered;
- s 30(2) that if any person infringed the monopoly in a registered design, the owner of the design could bring an action for infringement of the monopoly in the design.

Facts

K-Aire plans a design

The third appellant, (Mr Colebatch), asked an industrial designer, if he would be interested in designing a new air conditioning outlet for the second appellant, ('Kenalex'). In response the designer told Mr Colebatch that, before accepting instructions, he would need to speak to an old client, the fourth appellant, (Mr Benfield), for whom the designer had produced a design for an outlet director, known as '*the China Outlet*'. Mr Benfield told the designer that he had no objection to Mr Rogers working for Kenalex on the development of an outlet director.

Instructions to the designer

Mr Colebatch and the designer met and discussed the design for the proposed outlet director. The designer told Mr Colebatch about the China Outlet. Mr Colebatch required certain features for the design of the proposed new outlet director.

Some adjustments were suggested by the designer.

Upon agreement as to the design, technical drawings were commenced, the tool that had been made for the manufacture of the China Outlet was provided to Kenalex without cost. The computer drawings that had been produced in relation to the China Outlet had been adapted to incorporate the requirements of Mr Colebatch for the proposed new outlet director.

The appellants' claimed that the design drawings were prepared from scratch.

Access to the Design

The full court referred to the primary judge's findings that the designer had in his possession an outlet director part made according to the registered design. He had either obtained the part previously or it was obtained from Mr Colebatch.

It was also found by the primary judge that Mr Colebatch gave instructions to the designer that he wanted a design that would produce an outlet director part that would look similar to the other products in the market and he had a number of specific requirements for the outlet director that he wanted designed. Two of Mr Colebatch's requirements, namely, the requirement of the blades protrude below the ceiling and the addition of a second control bar, were features of the Design.

The relevant principles

The full court referred to the High Court decision in *Malleys Limited v J W Tomlin Pty Limited* (1961) 180 CLR 120 ('*Malleys*') at 127, where the High Court set out the test for infringement of a registered design under s.30:

“There is infringement in any one of three cases – that is, where the design that has been applied is: (i) the registered design (ii) an obvious imitation of the registered design (i.e., not the same but a copy apparent to the eye notwithstanding slight differences) and (iii) a fraudulent imitation (i.e., a copy with differences which are both apparent and not so slight as to be insubstantial but which have been made merely to disguise the copying). Visual comparison will establish (i) or (ii) but a finding of fraudulent imitation must require something more because in such a case visual comparison is not of itself sufficient to establish imitation; otherwise it would be an obvious imitation.”

The full court concluded from this:

- there was a distinction drawn between ‘*slight differences*’, where visual comparison may establish obvious imitation, and ‘*differences which are both apparent and not so slight as to be insubstantial*’, to establish fraudulent imitation, where visual comparison was not sufficient;
- fraudulent imitation was the test to be applied for ‘*not insubstantial differences*’;
- there may be fraudulent imitation where those not insubstantial differences may be disregarded if they have been made merely to disguise copying;
- a finding of fraudulent imitation required a finding that there was imitation, notwithstanding that the design applied by the alleged infringer was not apparently an imitation, because the evidence showed that the design had been applied;
- the essence of fraudulent imitation was that the design of an accused article had knowingly, consciously or deliberately been based on or derived from a registered design, although neither dishonest intent nor deliberate or conscious intention to copy was a necessary element (*Dart* at 411-412);
- copying was necessary for a finding of fraudulent imitation but was not sufficient; there still had to be imitation;
- A finding of fraudulent intention was not conclusive. There is no infringement if, despite fraudulent intention, the made article had a distinctly different shape or configuration from that in respect of which a design is registered, even if there are also substantial similarities. Then, the question was whether the differences, which were apparent and substantial were, nevertheless, mere disguises;
- one must be able finally to say that the product was an imitation visually recognisable as such (*Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1986) 11 FCR 415 (‘*Firmagroup*’) at 417 per Fox J with whom Jenkinson J agreed);

Application of principles to facts

Applying these principles to the facts of this case, there had to be evidence to support a finding that K-Aire knowingly, consciously or deliberately based the design of their outlets upon the registered design or that their designs were derived from the registered design so as to constitute fraudulent imitation (*Dart* at 414).

A necessary finding was that there was an adoption of differences or changes in order to disguise the fact that there has been copying (*Dart* at 414). If K-Aire knew of the registered design when making their designs, the onus was on it to prove an absence of copying (Russell-Clarke, *Copyright in Industrial Designs*, Pitman, London, 1st edn, 1930 at 73; *Firmagroup* at 418 per Fox J).

Issues to be determined

The full court considered the issues to be:

- whether, in a determination of fraudulent imitation, it was necessary to make an express finding not only of deliberate copying but also that the insubstantial differences were present, or absent, in order to disguise the copying;
- whether it was correct to make a finding of fraudulent imitation where differences that had been held to be not insubstantial for the purposes of obvious imitation were considered to be insignificant for the purposes of fraudulent imitation;
- whether it was correct to make a finding of imitation where differences that were the very features that were found to make the design distinctive over the prior art were absent in the allegedly infringing products.

Decision

The appeal was upheld.

The full court considered that the primary judge made the finding of deliberate copying and noted the obvious similarities between the design and one of the appellants designs.

It said that the primary judge did not:

- consider the effect of the omission of two of the three features (held at [355]) which gave the registered design its novelty, its distinctive shape or configuration over the prior art.
- take into account the effect of these omissions on a finding of imitation. His Honour should have found that there was no imitation in the circumstances.

The full court considered that the primary judge's error lay in the fact that at no point did his Honour give attention to the question of whether or not the differences that he had found, which were sufficient to avoid a conclusion of **obvious** copying of the design, were made **merely to disguise** the imitation of the Design.

COMMENT:

Why appeal upheld

The decision is a complex one, reflective of the conceptual difficulties associated with s.30(1) of the *Designs Act* 1906. The appeal was upheld in essence because firstly, a finding of fraudulent imitation was found in circumstances where two elements that gave the design its novelty, its distinctive shape or configuration over the prior art were missing from the alleged infringing designs.

Further, that his Honour did not address whether the differences he found between the designs were made merely to disguise the imitation of the design.

Some principle regarding fraudulent imitation

The decision seems to lead to the conclusion that if someone wanted to copy a design and had it in front of them and conscientiously made sufficient changes fearing infringement of the design, so that the differences were not so slight as to be insubstantial, then that circumvented the design because in fact their design no longer appeared to be an imitation of the registered design.

On the other hand if they sat down and said lets make changes to the design so that it doesn't look like we copied it, that is only an infringement provided the copy was visually recognisable as an imitation (*Firmagroup Australia*).

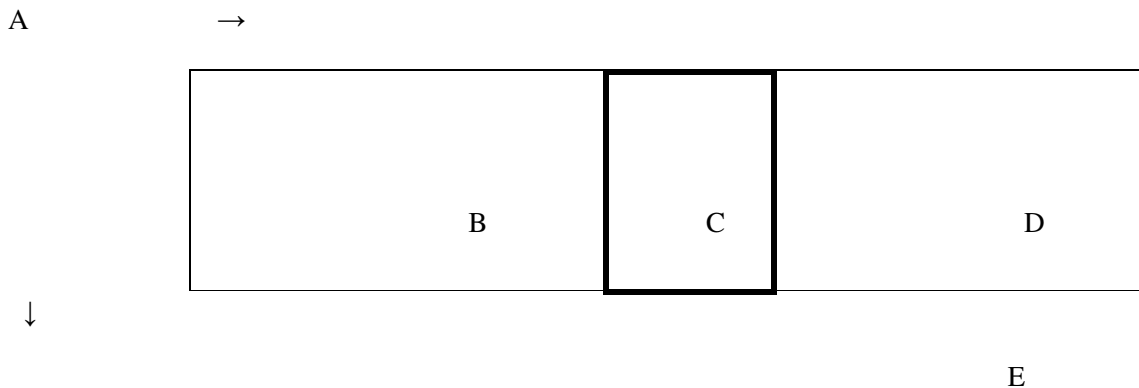
It would seem that the High Court indicated in *Malleys* that to establish fraudulent imitation you needed more than having a look at the competing articles. If it were just up to a visual comparison fraudulent imitation would not differ from an obvious imitation. You needed:

- differences that were both apparent and not insubstantial; and
- those differences to have been made merely to disguise the copying.

The difficulty conceptually is to distinguish between the making of differences to escape infringement and making differences to disguise the copying.

One seems compelled to ask: "Is there a practical difference?" In the end does it matter, because if the differences are apparent and not insubstantial, they will not look like the design anyway.

If I could suggest the following schematic:



The outer perimeter of the rectangle A, represents an imitation of the registered design;

B represents an imitation that is an obvious imitation i.e. it is not the same but rather a copy apparent to the eye notwithstanding slight differences;

C represents an imitation that is a fraudulent imitation i.e., a copy with differences which:

- are apparent;
- not so slight as to be insubstantial;
- have been made merely to disguise the copying;

D represents an imitation that is a design that has differences that are apparent and not so slight to be insubstantial but where the differences have NOT been made merely to disguise the copying.

E represents anything not caught by A-D.

Differences found to be apparent and not insubstantial:

- would not be caught as “obvious imitations” because the differences were not slight;
- would be fraudulent IF they were made merely to disguise the copying.

The difficulties

The difficulties are twofold:

1. that if the differences were found to be apparent and not insubstantial, then even if there was a finding that the differences were made merely to disguise the copying, there would be no infringement if the differences were such that they resulted in the “allegedly infringing” design not being found to be an imitation.
2. that from a practical perspective, it is extremely difficult to determine if differences were made to the registered design merely to disguise the copying or whether they were made for some other to distinguish the product from the registered design.

It would seem that the area E above, includes designs that are not visually recognisable as an imitation of the design notwithstanding that differences have been made merely to disguise the copying.

The 2003 Designs Act

Infringement is dealt with in the new *Designs Act* 2003 under Chapter 6. The Act is to commence on 17 June 2004, unless earlier proclaimed.

Part 2 provides that a person infringes a registered design if, without the appropriate authority, does what the owner of the registered design is entitled to do with a product that embodies the design, or a design that is substantially similar in overall impression: s 71(1).

In determining whether an allegedly infringing design is substantially similar in overall impression to the registered design, a court is to consider the factors set out in s 19.

Section 19 provides:

“Factors to be considered in assessing substantial similarity in overall impression

- (1) *If a person is required by this Act to decide whether a design is substantially similar in overall impression to another design, the person making the decision is to give more weight to similarities between the designs than to differences between them.*
- (2) *The person must also:*
 - (a) *have regard to the state of development of the prior art base for the design; and*
 - (b) *if the design application in which the design was disclosed included a statement (a statement of newness and distinctiveness) identifying particular visual features of the design as new and distinctive:*
 - (i) *have particular regard to those features; and*
 - (ii) *if those features relate to only part of the design—have particular regard to that part of the design, but in the context of the design as a whole; and*

- (c) *if only part of the design is substantially similar to another design, have regard to the amount, quality and importance of that part in the context of the design as a whole; and*
- (d) *have regard to the freedom of the creator of the design to innovate.*
- (3) *If the design application in which the design was disclosed did not include a statement of newness and distinctiveness in respect of particular features of the design, the person must have regard to the appearance of the design as a whole.*
- (4) *In applying subsections (1), (2) and (3), the person must apply the standard of a person who is familiar with the product to which the design relates, or products similar to the product to which the design relates (the standard of the informed user).*
- (5) *In this section, a reference to a person includes a reference to a court.”*

Notably,

- in a visual comparison, similarities will carry more weight than differences;
- there must be particular regard to those features which the applicant for the design has noted as “new and distinctive.” It will be recalled that the Full Court in *K-Aire Pty Ltd v Polaire Pty Ltd* had difficulty in finding an imitation in which 2 of the 3 features, which gave the registered design its novelty, its distinctive shape or configuration over the prior art, had been omitted from the allegedly infringing articles;
- in assessing substantial similarity in overall impression, the section introduces the standard of the informed user who is a who is familiar with the product to which the design relates, or products similar to the product to which the design relates.
- The provision would appear to recognise the difficulties in attempting to reconstruct the intention of the person alleged to be infringing, in making *any* differences to registered designs.

The emphasis will be on the overall impression rather than an examination of the intention of the respondent constructed from the surrounding circumstances and the nature of the differences made.

As stated in the Revised Explanatory Memorandum:

“A person copying the registered design will not be able to avoid a finding of infringement merely by making minor or insignificant changes to the registered design if the overall impression of the copied design remains substantially the same.”