

EXAMINATION OF THE REPAIR DEFENCE TO DESIGN INFRINGEMENT

When the *Designs Act 2003 (Cth) (Act)* came into force, it introduced a defence to infringement for spare parts used for the purpose of repair (Section 72 of the Act)

Until recently, it was unclear how effective this provision would be when it came to providing protection for registered designs while also enabling the use of the spare parts for repairs without the risk of infringement.

In *GM Global Technology Operations LLC v SSS Auto Parts Pty Ltd* [2019] FCA 97, an Australian Court has, for the first time, examined and explained the scope of the repair defence.

The repair defence

Generally speaking, section 72 of the Act provides that the use (or authorisation) of a component part (eg. spare part) for the repair of a complex product (e.g. motor vehicle) to restore its overall appearance in whole or in part, does not infringe a registered design of an identical or substantially similar component part.

Background to case

In 2013, GM Global Technology (Holden) became aware that someone was importing and selling replica body parts designed for Holden Special Vehicles and certain sports models of the VE Commodores (Parts).

Holden proceeded to send aggressive letters to numerous spare parts suppliers that it perceived had offered these Parts for sale. Holden subsequently identified that the source of the Parts was SSS Auto Parts (SSS) and commenced proceedings alleging infringement of its designs registered under the Act.

In response, SSS accepted that the Parts infringed Holden's designs but relied on the defence in section 72 of the Act that the Parts were used for the purpose of repair.

Issue in dispute

Holden had the onus of proving that SSS knew, or ought reasonably to have known, that the use of the Parts were not for repair purposes.

Holden broadly alleged infringement by SSS by reason of importing, offering for sale, keeping and selling the Parts. In relation to the selling of Parts, Holden referred to over 1,300 transactions and contended that the Court should determine whether it had established that SSS did not hold the requisite repair purpose in respect of each transaction. This was reduced to a more reasonable 26 representative sample transactions.

Holden argued that the knowledge of various individuals was to be attributed to the knowledge of SSS. This required the Court to consider the

legal requirements for imputing of knowledge to a corporation.

Holden contended that the individuals ought reasonably to have known that the use of the Parts was not for the repair purpose based on "knowledge factors" which included:

- the consumer demand for the Parts to be used for customisation and enhancement purposes;
- the limited demand for the Parts to be used for repair purpose;
- the nature or name of the businesses to which SSS offered for sale or sold the Parts was indicative that the customer had not used and would not in the future use all or some of the Parts for the repair purpose (e.g. "Instinct Vehicle Enhancements"); and
- the high number of Parts acquired (and frequency of acquisition) by a particular customer in a single order made it likely that some or all of the Parts were not being used by that person for the repair purpose, etc.

SSS responded that its business model at all material times had been to sell aftermarket parts for use in the repair of motor vehicles. SSS produced evidence of "repair only" policies and sales directives to staff to refrain from selling any Parts unless for repair purposes.

Unjustified Threats

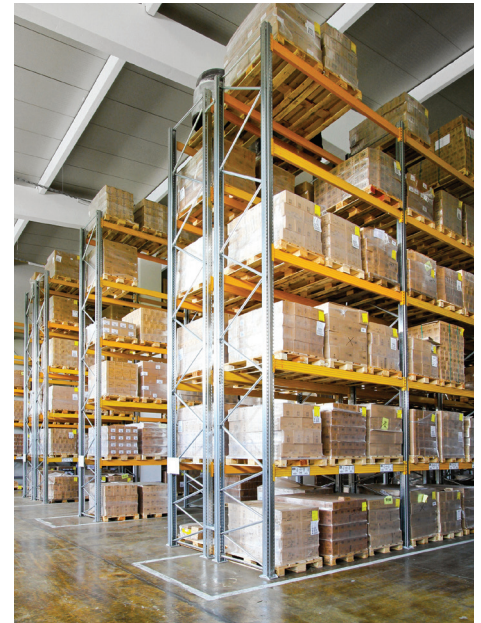
SSS was aggrieved that Holden had sent aggressive letters of demand to its customers and brought a cross claim against Holden for unjustified threats.

This cross claim was successful in part in that the Court found that there were unjustified threats to bring design infringement proceedings against certain suppliers by reason of the fact that some designs were not certified. Further, there was an unjustified threat made in relation to copyright infringement proceedings in some letters.

While the Court stated that the letters of demand were "undoubtedly aggressive" and "in some respects, inaccurate", the Court concluded that in the main, the letters did not involve the unlawful conduct alleged.

Decision

The Court held that Holden failed to establish the bulk of its claim for design infringement. Specifically, Holden did not succeed in establishing infringement in respect of importation, keeping or offering for sale the spare parts.



However, Holden did succeed in establishing a non-repair purpose in relation to a small number of representative transactions. However, the Court pointed out that the value of these transactions would likely be small compared to the costs involved.

Key lessons

1. The onus rests with the registered design owner to prove that the alleged infringer knew, or ought reasonably to have known, that the use of component parts were not for repair purposes. As this case demonstrates, discharging this onus is not an easy task.
2. The attribution of knowledge to a company based on the knowledge of an individual is often dependent on whether or not the person has been granted authority to act on behalf of the company in question.
3. Knowledge that the Parts might not be used for repair purposes is not sufficient to prove infringement.
4. Sales made with the knowledge that customers will not use the Parts for repair purposes will not be protected by the repair defence.
5. Steps can be taken to maximise protection including establishing and ensuring compliance with policies and procedures to ensure that Parts are only used for repair purposes.

MEMBER BENEFITS?

Industry Legal Group provides advice to members on intellectual property matters.

If you have any questions relating to the above case, please contact Industry Legal Group on 1300 369 703 or aaaa@industrylegalgroup.com.au