

IPLA paper on Unregistered Design Rights - for consideration by the UKIPO

Dated 13 October 2016

Unregistered Design Right

SUMMARY/RECOMMENDATIONS:

- We have assumed that Community Registered Design Rights will be treated in the same way as European Union Trade Marks and as such this note deals solely with unregistered rights.
- Any proposal in relation to Unregistered Community Design Rights needs to reflect the political reality. The government is likely to welcome a simple solution which minimises the need for new legislation (at least initially). Nevertheless, we assume that the Government will act to ensure that rights holders are not deprived of existing rights following the UK's withdrawal from the EU.
- We recommend that the solution should not restrict the scope of existing UKUDR, which is popular with designers due to its flexibility and longevity.
- We have considered four options for Brexit:
 - Option 1: UK unilaterally treats UCDs as applying to the UK. This would require ongoing deference to the CJEU and as such is unlikely to find political support.
 - Option 2: UK creates new UCD-style UK unregistered design, which sits alongside existing UKUDR. This is our recommended short term solution to achieve Brexit, but should be reviewed post-Brexit to consider whether to move to Option 3 longer term.
 - Option 3: UK amends the existing UKUDR to create a hybrid right. This is likely to be preferable in the long run, but would require significant consultation and drafting to make it a reality. It goes well beyond what it currently needed to achieve a workable situation post-Brexit, and as such should be carried out at a later date.
 - Option 4: do nothing – revert to existing law of UKUDR and copyright. This would deprive designers of an existing and valuable IP right, which is not an acceptable outcome.
- Of four options above, the path of least resistance is likely to be Option 2, whereby the UK provides for a 'mirror image' unregistered design regime which establishes a similar right in the UK. This right would provide designers with sufficient protection provided that the first disclosure of a design in the UK still qualifies for CUDR. Therefore, a bilateral agreement with the EU would be needed.
 - The need for transitional provisions would be minimal as the transitional period would only be for 3 years (the duration of CUDR). Provided designs had been first marketed in the EU prior to Brexit (this would include first marketing in the UK, as it remains a member of the

EU up until Brexit), UCDR would still subsist in that design but would simply not be enforceable (or cover) the UK post Brexit. So the only gap for such rights concerns enforcement in the UK. In order to ensure designers are not deprived of existing rights, the government could legislate and agree with the EU that judgments of the UK and EU courts would be reciprocal until all pre-Brexit rights had expired (i.e. within 3 years).

- Legislating for a 'mirror image' regime of unregistered design protection would be the simplest starting point. The UK could then modify this regime as it saw fit as discussed below (possibly merging it with existing UKUDR).

Stage	Subsistence & Scope UCDs	Infringement of UCDs
UCDR arising pre-Brexit	<p>No change. Designs first marketed in the EU (including the UK) prior to UK exit from EU will continue to subsist. Upon Brexit the geographical scope of the right will be 'trimmed' to exclude UK.</p> <p>Transitional Recommendation: UK provides for UK to recognise and enforce existing UCDs (which will be valid for a maximum of 3 years)</p>	<p>UCDs will be enforceable in all member states apart from the UK following Brexit.</p> <p>Transitional Recommendation: UK provides for UK to recognise and enforce existing UCDs (which will be valid for a maximum of 3 years).</p>
UCD arising post-Brexit	<p>UCDs will still subsist in the EU provided they are not first marketed in the UK. However such UCDs will not and will never have covered the UK.</p> <p>Recommendation: The government could incorporate 'mirror image' right into existing UKUDR, perhaps even recognising and allowing enforcement of designs first disclosed in the post-Brexit EU, but this will take time to consider carefully as it will involve a number of issues.</p>	<p>UK courts will not enforce UCDs.</p>

The following pages deal with each option in a little more detail.

OPTION 1: UK UNILATERALLY TREATS UCDs AS APPLYING TO THE UK

Pros	Cons
<p>Scope of protection/exclusions – there is potentially a broader scope of continued protection for designs which fall outside the scope of UK UDR, in particular, designs for surface decoration and “must match” product designs, which we would not otherwise have without UCD (in terms of unregistered design protection).</p>	<p>Subsistence – the assessment of novelty would presumably take have to take into account disclosures made available to the public in the Community which could not reasonably have become known to circles specialised in the sector operating in the UK, which may defeat novelty.</p>
	<p>Subsistence/Duration – would availability only in the UK constitute “making available to the public [in the Community]” for the purposes of protection commencing? Or would there need to be promotion in the Community? It is unclear from when the term for protection would begin.</p>
<p>Interpretation – there is already a body of jurisprudence (from Europe and in the UK) relating to the interpretation of UCD with which the English courts are familiar.</p>	<p>Interpretation – presumably the UK courts would not be able to refer any unclear interpretation of UCD to the CJEU, but would still be bound by CJEU interpretation of a Europe-based right?</p>
<p>Qualification – parties from certain countries may receive protection in the UK which they would not otherwise have without UCD (in particular USA, China, Korea and Japan are not “qualifying countries” for the purpose of UKUDR).</p>	<p>Qualification – parties from certain non-qualifying countries (as mentioned left) could (in part) receive protection through UCD and not need to rely on UK UDR, so there would be no drive for them to have a place of business or market in the UK.</p>
	<p>Enforcement – if the rest of Europe will not treat UCD as applying to the UK, presumably parties who successfully obtain a judgment in their favour through the UK courts would not be able enforce it throughout Europe (possibly deterring parties from bringing a claim in the English courts?), but the UK may still be expected to enforce foreign judgments on UCD.</p>
	<p>Continued patchwork of rights – difficult / unnecessary complexity of arguing two separate patchwork rights (to cover a whole product) with different tests for qualification, subsistence, infringement, etc.</p>

OPTION 2: UK CREATES NEW UCD-STYLE UK UNREGISTERED DESIGN, WHICH SITS ALONGSIDE EXISTING UKUDR

Pros	Cons
<p>Bespoke right – need not necessarily replicate UCD, so elements which could be ‘improved’ in UCD (for example, the length of protection) could be modified.</p>	<p>Continued patchwork of rights – difficult / unnecessary complexity of arguing two separate patchwork rights (to cover a whole product) with different tests for qualification, subsistence, infringement, etc.</p>
<p>Scope of protection/exclusions – continued protection for designs which fall outside the scope of UK UDR, in particular, designs for surface decoration and must match product designs.</p>	
<p>Interpretation – could rely upon and develop completely separate English jurisprudence on interpretation, not reliant or dependent upon EU decisions.</p>	
<p>Qualification – could restrict the qualification provisions from the broad qualification of UCD to ensure that businesses must have some place of business in the UK in order to qualify for the right. However, a more preferable result would be to allow EU entities to qualify for this new UK right provided that first disclosure in the UK still allows a design to qualify for CUDR.</p>	

OPTION 3: UK AMENDS THE EXISTING UKUDR TO CREATE A HYBRID RIGHT

- 3.1. **Definition of design?** Should it cover all aspects of a design, or just some? UCDs sets out the non-exhaustive list: "lines, contours, shape, texture and/or materials of the product itself and/or of its ornamentation". Should the UK amend UKUDR to cover all of those, or just some?
- Inconsistency between the UK and EU regimes would be unhelpful for business seeking to exploit the designs and those trying to create/protect designs in both markets.
 - Texture, materials and ornamentation are missing from UKUDR. Including such aspects within the definition of designs would also ensure protection for designers in the UK is not reduced from the current position. Compare to position before existence of UCDs (see Jacob LJ in Lambretta Clothing Company Ltd v Teddy Smith (UK) Ltd & Anor [2004] EWCA Civ 886 at [41] about UCDs 'plugging the gap' left by UKUDR).
 - However, consider the impact such a change could have on validity of designs applying the commonplace test (discussed further below). By expanding the focus away from shape and configuration it means there are more variables to add into the mix when assessing commonplace. For example, could a design be held to be commonplace if made from a different material? More importantly, given the geographical limits, would it give designers carte blanche to copy EU designs if the EU member states are not treated as qualifying countries?
 - Similarly, the definition of 'part of an article' would need to be clarified. If 'surface decoration' or 'colour' was identified as 'part' of an article, it would significantly extend the scope of unregistered design rights into areas better protected by copyright. Should any definition of design only protect aesthetic aspects of a whole, rather than part, or an article? This would be narrower than the current UCD position which defines design as the appearance of the whole or part of a product.
 - Should unregistered designs protect aesthetic aspects of a design for 10 years? Currently they are only protected for a period of 3 years. However, bear in mind that the average duration of time which companies benefit from design protection is said to be 4 years (Haskel and Pesole, 2011). Companies will also be required to grant a licence of right after 5 years.
 - Further, the focus of the Community right on 'aesthetics' was identified in the "UK designs as a Global Industry Report" as a reason why more British design companies do not register designs. It is important that UK design retains its focus on 'non-aesthetic' designs as it would provide designers with a more attractive right than that offered by the EU and could encourage more companies to base their design function in the UK.
- 3.2. **Qualification?** Currently based on the principle of reciprocity and protection. Member states of the EU currently qualify for UKUDR. Should that continue?

- According to the UK Designs as a Global Industry document (2012), the UK had a trade surplus in design services with all continents (including the EU) other than the USA. However it has a trade deficit in design intensive goods.
- Based on a principle of reciprocity, even if the scope of the UK right was expanded to cover 'aesthetic' aspects of a design, the UK would afford 7 years more protection to such designs than is currently afforded by the EU. This could adversely affect the freedom of UK designers to develop/use such designs. Therefore, absent a change in the length of protection to ensure reciprocity (likely to require a change by the UK reducing protection to 3 years) reciprocity would not be recommended.
- Can an exception to the principle of reciprocity be justified for EU companies/designers in circumstances where the EU is the biggest importer of UK design services and goods? Note that UK design companies would still be entitled to protection by virtue of first marketing within the EU, although it could complicate issues surrounding disclosure and product launches.
- Consider impact on definition of commonplace (discussed below) and the prospect of UK companies being able to copy unregistered EU designs with impunity.

3.3. **Commonplace?** The recent(ish) changes to UKUDR clarified that commonplace means in any qualifying country, so a commonplace design in (say) Italy does not enjoy UKUDR. Should this change?

- If there is no change, are international companies more likely to use UK design companies due to the protection they could obtain in the UK and (potentially) the EU as a result of first marketing?
- Permitting UK companies to obtain extensive unregistered design right protection may simply reduce the design freedom for UK designers. It would narrow the geographical scope companies would have to be concerned about from UK unregistered design perspective however.
- Note that UK designs would probably count as prior designs for the purposes of considering whether a Community Unregistered Design created a different overall impression.

3.4. **Duration?** Should protection for aesthetic features be extended to 10/15 years, or should shape only designs be shortened? Or somewhere between the two?

- Companies are only said to benefit from designs for an average of 4 years, although this will be industry and design specific.
- Designs are usually made available for sale within 5 years of being recorded in a design document. As such, the protection usually lasts for 10 years and is subject to a licence of right in the final 5 years.

- Removing the link between the date a design was fixed in a document and affording the design protection could be seen as a positive. Design is often iterative and calculating the length of protection based on when a particular design was recorded (which may be at an early stage of development) does not reflect the true design process and can be problematic if it comes to enforcing the design. It would be better to fix the design by the product which is made available for sale (which would reflect the approach the court takes and allow the product itself to be properly taken into account).
- Unregistered design right protection could be shortened to 5 years with the removal of the licence of right period. This would be the trade-off for broadening the scope of protection of UK unregistered design rights. There are few licence of right cases. However – consider impact on licensing of unregistered design rights by UK companies.

3.5. **Effect on existing UK unregistered designs:**

- Consider transitional period to allow existing unregistered designs to expire?

3.6. **Exclusions?** These are not precisely the same across the two unregistered design regimes - should the UK amend its list?

- Inconsistency between the UK and EU regimes would be unhelpful for business seeking to exploit the designs and those trying to create/protect designs in both markets.

3.7. **Infringement test?** Should the UK adopt the EU's informed user and the overall impression the design creates on that user?

- To do so is likely to create further uncertainty and make an assessment of purely functional/internal aspects of a design more difficult to determine as the informed user may (or probably won't in the case of internal features) consider these aspects of a design.
- Adopting the test could lead to more confusion if UK judges are not bound to follow the jurisprudence of the CJEU because designers/advisers would be faced with 2 tests which look identical but could end up being interpreted differently and diverging over the years.
- The informed user test is possibly more difficult to establish than assessing whether articles have been 'made to a design' or are commonplace.

OPTION 4: DO NOTHING – REVERT TO EXISTING LAW OF UKUDR AND COPYRIGHT

A. Would any statutory changes to UK UDR need to be made in order for scenario 4 to take effect?

- 4.1 Yes. Section 213(4) of the Copyright, Designs and Patents Act 1998 (**CDPA**) stipulates that for a design to be protected by UK UDR it must be “original” in the UK or in a qualifying country. Designs created before 1 October 2014 are denied protection if they were “common place in the design field in question”. From 1 October 2014 this has become a territorial issue, so that designs are not protected if they were “common place *in any qualifying country* in the design field in question”.
- 4.2 Currently, designs can be protected if the designer is a qualifying person (section 218 CDPA), if the designer’s employer or commissioner is a qualifying person (section 219 CDPA), or if the first marketing of the design is by a qualifying person and takes place in the UK or another member State of the EU (section 220 CDPA). A qualifying person is one who is a citizen or habitual resident of a qualifying country, or a legal body formed under the laws of or having a place at which substantial business activity is carried out in a qualifying country. A “qualifying country” includes, inter alia, the UK, and “another member State of the European Union” (section 217 CDPA)¹.
- 4.3 Sections 217 and 220 will need to be amended when Britain leaves the EU. Whether EU states remain “qualifying countries” is a political decision, as discussed below, but either way, it will need amendment as the reference to “another member State” will make no sense.
- 4.4 Section 228 may also need to be amended. Section 228 CDPA defines the meaning of an “infringing article”. Section 228(5) CDPA contains an exception to infringement: “Nothing in subsection (3) shall be construed as applying to an article which may lawfully be imported into the United Kingdom by virtue of any enforceable EU right within the meaning of section 2(1) of the European Communities Act 1972”. This echoes the provisions relating to copyright which are set out in section 27(5) CDPA. This needs to be addressed as part of the wider issues relating to parallel importation.
- 4.5 References to other Community law, such as the references in 231(6) CDPA to the Community Trade Mark Regulations 2006 and the Community Design Regulations 2006, will also need to be amended appropriately.

B. Could EU businesses still take advantage of UK UDR in the event of scenario 4?

- 4.6 Yes, though the exact scope would depend on what changes were made to sections 217 and 220 CDPA.

¹ Legislation.gov.uk suggests that section 4 of The Treaty of Lisbon (Changes in Terminology) Order 2011 (S.I. 2011/1043) substitutes “European Union” in for “European Economic Community” in sections 217 and 220; Butterworths Intellectual Property Law Handbook (11th Edition) and Westlaw have not incorporated this as a change.

- 4.7 Currently, reciprocal protection is afforded to other member States, as well as to other countries specified under The Design Right (Reciprocal Protection) (No. 2) Order 1989².
- 4.8 As discussed, sections 217 and 220 CDPA will need to be amended. Whether this level of protection is maintained must be a matter for the negotiations; it would seem sensible that this level of protection should only be maintained if appropriate reciprocal rights were granted to UK businesses.
- 4.9 Even if the reciprocal rights currently afforded to other EU countries under sections 217 and 220 are removed, EU companies could still potentially benefit from UK UDR under the first marketing provisions in section 220.

C. Could UK designers still take advantage of the EU regime in the event of scenario 4?

- 4.10 Unregistered community designs are protected if they are made available to the public “in the manner provided for” in Regulation 6/2002. To get protection, a design must, inter alia, be new (article 5), and protection is granted “for a period of three years as from the date on which the design was first made available to the public within the Community” (article 11). It is now generally believed that if a design is first disclosed outside of the EU, no unregistered Community design right arises at that point, and as novelty has then been destroyed, no unregistered Community design right can then arise in the future. So designs which are first disclosed outside the EU cannot benefit from unregistered Community design right.
- 4.11 In scenario 4, if there was no change to articles 5 and 11 of Regulation 6/2002, UK designers could still avail themselves of unregistered Community design right, but only if their first disclosure was within the EU as currently constituted at the point of the disclosure.

E. Would scenario 4 result in rights holders being deprived of existing rights?

- 4.12 Potentially. Unless specific legislation is enacted, if the UK is no longer bound by Regulation 6/2002, rightsholders will be not be able to enforce a right in the UK that had previously covered the UK. Whether this amounts to a deprivation of rights is arguable, but it is certainly unpalatable to remove rights from someone before the term of that right has expired.

END

² See <http://www.legislation.gov.uk/uksi/1989/1294/article/2/made>