

## **Criminal sanctions for Registered Design infringement IP Federation response**

### ***Introduction***

The IP Federation represents IP intensive companies in the United Kingdom – a list of members is attached. Our member companies are extensively involved with IP in Europe and internationally. Not only do they own considerable numbers of IP rights, but they are affected by the activities and IP rights of competitors.

### ***Clause 13 of the Intellectual Property Bill 2013–14***

We wish to make the following submissions.

1. The IP Federation continues to **oppose strongly** the proposed introduction of criminal sanctions for registered design infringement.
2. The scenarios as set out in ANNEX A illustrate a number of unintended and damaging consequences of creating criminal sanctions for infringement of registered designs. There will be many more.
3. On this basis, the IP Federation takes the view that there is a very strong case made out for removal of Clause 13 in its entirety.
4. If, however, we are required to have criminal sanctions for registered design infringement, the wording of Clause 13 as it stands needs urgent amendment.
5. To mitigate the risks to reputable business, as identified in our illustrative scenarios (ANNEX A), we would propose the following amendments to current Clause 13 – see ANNEX B.
6. First, we have proposed a condition in (1) and (2), namely –  
... to infringe the registered design, ...

in order for the criminal offence to be committed. No infringement of the registered design, no criminal offence.

7. Second, our proposed amendment to Clause 13 contains defences against unintentional infringement of registered design rights, having particular regard to the accused person's state of mind, namely –  
... knowing that, or being reckless as to whether, making the product is an infringement of the registered design ...  
... knowing that, or being reckless as to whether, offering, putting on the market, importing, exporting or selling of the product is an infringement of the registered design ...

and [where it can be shown] -

... that the person reasonably believed that the registered design was not infringed.

Under copyright and trade mark law, there is a defence against criminal prosecution when a person did not believe, on reasonable grounds, that he/she was infringing.

8. Finally, we have proposed changing “uses” to “sells” in (3)(a) as this clarifies that incidental use of a design on the premises of, say, a hospital is not covered by the provisions.
9. The IP Federation continues to be even more firmly against the possible extension of criminal sanctions for unregistered design right infringement. We fully support the IP Minister’s position in this regard.

IP Federation  
9 July 2013

## **Annex A**

### **ILLUSTRATIVE SCENARIOS**

**of**

### **Unintended Consequences**

#### ***IMPACT ON SMALL ENTITIES***

##### ***SCENARIO 1: Intimidating small designers***

A small company or an independent designer may be intimidated by a large company, for example an unscrupulous high street chain, threatening to bring a prosecution if they come up with similar designs. This would chill, if not kill, competitive design offerings from small independent designers who will feel their hands are tied more than ever before.

#### ***IMPACT ON INDIVIDUALS***

##### ***SCENARIO 2: Wrongful imprisonment***

A freelance designer comes up with a design for an item of furniture 'inspired' by an up-market original piece. She sells the design to a high street store, and it is a huge success. The original piece is covered by a registered design. The designer is prosecuted, found guilty of deliberate copying, and sentenced to 18 months imprisonment, which she serves. Several years later, flicking through a design magazine the designer stumbles across an identical piece of furniture which predates the registered design. The registered design is therefore invalid and always has been. In hindsight, the designer did not commit an offence. She should not have been imprisoned. Aside from the human catastrophe, this raises questions about liability for wrongful imprisonment.

An individual company or small designer is at greater risk of being wrongly convicted as they would be less able to afford expensive prior art searches at the time they are prosecuted.

#### ***IMPACT ON EMPLOYEES***

##### ***SCENARIO 3: Jeopardising an ex-employee's career***

An ex-employee of a company will be in fear of being prosecuted if he moves to another company offering competitive designs if he could be accused of copying his former employer's registered designs. Indeed an unscrupulous former employer could use the threat of prosecution against an ex-employee either to chill competition or discourage design staff from moving. This will discourage free movement of designers between competitive enterprises and could jeopardise an ex-employee's career.

#### ***IMPACT ON LARGE COMPANIES***

##### ***SCENARIO 4: Small companies holding multi-national companies hostage***

A poorly advised designer or small entity may make wholly unjustified threats of criminal proceedings against a large multi-national company, causing delay in products being brought to market. The designer or small

entity may inadvertently expose themselves to legal redress, possibly even with criminal implications.

### **IMPACT ON UK GROWTH AND THE ECONOMY**

#### ***SCENARIO 5: Discouraging inward investment and harming employment prospects for UK designers***

Multi-national companies (who do have a choice) will generally be discouraged from locating their design departments in the UK if there is a risk that their designers and/or the company could be prosecuted in the UK for copying competitive designs, especially registered designs identified during regular watching activities as conducted by many diligent companies. This will negatively impact employment prospects for designers in the UK.

Similarly international companies will be discouraged from using independent designers based in the UK if they are exposed to the risk of potential criminal prosecution.

### **IMPACT ON PUBLIC SERVICES**

#### ***SCENARIO 6: Delaying introduction of life saving technology***

A manufacturer of medical equipment carried out properly regulated tests on an improved ultrasound at a major hospital in the UK. Following these tests, the users suggested minor adjustments to the design that do not affect its clinical utility but make it more user-friendly. These are incorporated into the final product. A third party has a registered design, but does not manufacture any products. The manufacturer and hospital were aware of this design, but believed that the new ultrasound would not infringe and the manufacturer proceeded to launch the product. The hospital purchases several instruments to replace older models. The third party writes to both the manufacturer and the trustees of the trust governing the hospital (as users) threatening criminal proceedings. The manufacturer stops selling the improved model in the UK and the trustees instruct the hospital to shut down its ultrasound department until either the matter is resolved or alternative less good devices can be purchased. This impacts public health services and is clearly not in society's interest.

### **IMPACT ON THE CONSUMER**

#### ***SCENARIO 7: UK consumers stand to lose out***

Multi-national technology companies are less likely to offer innovative products in the UK if their UK Company and/or UK management are exposed to the risk of criminal prosecution. This will be most noticeable in sectors where the design space is 'crowded' by many similar designs, for example in the case of tablets, laptops and smartphones. It is the UK consumer that stands to lose out.

### **IMPACT ON INNOVATION**

#### ***SCENARIO 8: Chilling competitive product development***

A detergent manufacturer registers a design for a spiky device that can be put in a washing machine and will improve the washing of clothes. A physiotherapist with an eye for business realises that a similar device would be useful as a tool in massage. Believing the detergent manufacturer's regis-

tration related only to “laundry balls”, the physiotherapist began selling massage balls. Under the proposed law, he would be criminally liable. This clearly has a chilling effect on competitive product development.

### **IMPACT ON FREEDOM OF EXPRESSION**

#### **SCENARIO 9: *Stifling promotion of products and services***

A well-known German engineering company registers the design of its train as a Community Registered Design. A German research organisation places a picture of the train on the front cover of its marketing brochure for a train wheel inspection system, which it offers for sale in England.\* If the research organisation knew of the registration, and sought to rely on the freedom to cite the design, under the current proposals, this would now be a criminal act in the UK. This has the unfortunate consequence of stifling promotion of legitimate products and services in the UK.

IP Federation  
9 July 2013

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\* This would be infringement of the Community Registered Design Case I ZR 56/09, *Deutsche Bahn AG v Fraunhofer-Gesellschaft*, (April 7, 2011) (German Federal Sup Ct)

## Annex B

### Proposed IP Federation amendments to Clause 13 of the Intellectual Property Bill 2013–14

#### 35ZA Offence of unauthorised copying etc. of design in course of business

- (1) A person commits an offence if –
  - (a) in the course of a business, the person copies a registered design so as to make a product exactly or substantially to that design, **and to infringe the registered design**, and
  - (b) the person does so –
    - (i) knowing, or having reason to believe, that the design is a registered design, ~~and~~
    - (ii) **knowing that, or being reckless as to whether, making the product is an infringement of the registered design, and**
    - ~~(iii)~~ (iii) without the consent of the registered proprietor of the design.
- (2) Subsection (3) applies in relation to a product where a registered design has been copied so as to make the product exactly or substantially to the design, **and to infringe the registered design**.
- (3) A person commits an offence if –
  - (a) in the course of a business, the person offers, puts on the market, imports, exports or ~~uses~~ **sells** the product, or stocks it for one or more of those purposes,
  - (b) the person does so without the consent of the registered proprietor of the design, and
  - (c) the person does so knowing, or having reason to believe, that –
    - (i) a design has been copied without the consent of the registered proprietor so as to make the product exactly or substantially to the design, ~~and~~
    - (ii) the design is a registered design, **and**
    - ~~(iii)~~ (iii) **(d) the person does so knowing that, or being reckless as to whether, offering, putting on the market, importing, exporting or selling of the product is an infringement of the registered design.**
- (4) It is a defence for a person charged with an offence under this section to show that the person reasonably believed that the registration of the design was invalid.
- (5) It is also a defence for a person charged with an offence under this section to show that the person ~~did not infringe the right in the design~~ **reasonably believed that the registered design was not infringed**.
- (6) In this section “registered design” includes a registered Community design; and a reference to the registered proprietor is, in the case of a registered Community design, to be read as a reference to the holder.
- (7) A person guilty of an offence under this section is liable –
  - (a) on conviction on indictment, to imprisonment for a term not exceeding ten years or to a fine or to both;
  - (b) on summary conviction in England or Wales or Northern Ireland, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both;
  - (c) on summary conviction in Scotland, to imprisonment for a term not exceeding 12 months or to a fine not exceeding the statutory maximum or to both.



### **IP Federation members 2013**

The IP Federation represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. Its Council also includes representatives of the CBI, and its meetings are attended by IP specialists from three leading law firms. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity No. 83549331760-12.

AGCO Ltd  
ARM Ltd  
AstraZeneca plc  
Babcock International Ltd  
BAE Systems plc  
BP p.l.c.  
British Telecommunications plc  
British-American Tobacco Co Ltd  
BTG plc  
Caterpillar U.K. Ltd  
Delphi Corp.  
Dyson Technology Ltd  
Element Six Ltd  
Eli Lilly & Co Ltd  
ExxonMobil Chemical Europe Inc  
Ford of Europe  
Fujitsu Services Ltd  
GE Healthcare  
GKN plc  
GlaxoSmithKline plc  
Hewlett-Packard Ltd  
IBM UK Ltd  
Infineum UK Ltd  
Johnson Matthey PLC  
Merck Sharp & Dohme Ltd  
Microsoft Limited  
Nokia UK Ltd  
Pfizer Ltd  
Philips Electronics UK Ltd  
Pilkington Group Ltd  
Procter & Gamble Ltd  
Renishaw plc  
Rolls-Royce plc  
Shell International Ltd  
Smith & Nephew  
Syngenta Ltd  
The Linde Group  
UCB Pharma plc  
Unilever plc  
Vectura Limited