

Intellectual Property Bill 2013–14: Potential Introduction of Criminal Sanctions for Unregistered Design Rights

Introduction

The IP Federation represents the views of a significant number of major innovative UK companies in matters concerning intellectual property policy. 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. They may be either plaintiffs or defendants in IP related court actions.

Background

The IP Bill which is currently going through Parliament does not propose that criminal sanctions should be introduced for unregistered design rights. However, we are concerned that there has been some discussion in both Houses about extending the proposed provisions for registered designs to unregistered designs. If this were to happen, we believe that it would stifle much-needed innovation in the UK and also have a negative effect on the objective of the UK's industrial strategy.

1. Criminal Sanctions are inappropriate for any type of design right

The IP Federation strongly opposes the introduction of criminal sanctions for any aspect of design right infringement, registered or unregistered. Some of the fundamental reasons for this are:

- criminal courts are not equipped to deal with the complexities of design law;
- errors made by ill-equipped courts will result in wrongful imprisonment;
- criminal actions can be brought privately by companies and individuals seeking to raise the stakes in a commercial dispute; and
- reputable businesses will refrain from introducing legitimate new designs to the market to avoid unacceptable risk.

2. Important facts about Unregistered Design Rights (UDRs)

Set out below are a number of important facts about UDRs which demonstrate why the introduction of criminal sanctions for copying a UDR would be inappropriate and possibly even dangerous for UK businesses.

2.1 UDR applies to functional designs

UDR was created by the Copyright, Designs and Patents Act 1988 (CDPA) specifically to protect functional designs as well as non-functional designs. This means that it is extremely important to UK businesses which design and manufacture industrial or technical

products such as vacuum cleaners, motor cars, healthcare products, aircraft engines, etc.

2.2 UDR does not come into existence automatically

UDR only comes into existence if the relevant design is created by a “qualifying person”. The definition of a “qualifying person” is set out in the CDPA. Not everyone is a “qualifying person”.

2.3 UDR has an uncertain term

The term of a UDR depends on whether and when an article made to the relevant design was first made available for sale or hire. The term is the shorter of either 15 years from the end of the calendar year in which the design was created or 10 years from the end of the calendar year in which an article made to the design was first marketed. It is consequently very difficult for a third party to know whether a UDR is in force at any point in time.

2.4 Licences of right are available for the last 5 years of a UDR’s term

The CDPA provides that licences of right are available for the last 5 years of the term of a UDR. This means that anyone who wants to take a licence under the UDR cannot be denied a licence. The terms of any licence can be negotiated but the granting of the licence cannot be denied. In a civil action involving infringement of UDR, no injunction can be obtained if the UDR is subject to licences of right and the defendant agrees to take a licence.

2.5 “Must Fit” and “Must Match” exclusions

UDR is not applicable to features of a design which have no design freedom by virtue of what are commonly referred to as the “must fit” and “must match” exclusions. There is a considerable body of case law which shapes how these considerations must be taken into account when assessing the scope of any UDR.

3. Problems already associated with UDRs

It is virtually impossible for legitimate businesses to assess whether UDR owned by a third party subsists in a particular design. This is because there is no way of accessing information sufficient to establish the identity of the creator, the date of creation and/or the date of first marketing. Moreover, third parties cannot know who the current owner of any UDR which may subsist might be or whether any particular features of a specific design can be copied in view of the exclusions. These problems present themselves to all UK businesses, large and small. However, the current civil sanctions associated with infringing a third party’s UDR amount to a generally acceptable business risk.

4. Heightened risks if criminal sanctions apply

If criminal sanctions were to be introduced for copying of UDRs, the stakes become too high and the risks become unacceptable. Legal practitioners will advise their clients not to take any risk which could result in criminal prosecution. This will be the case even if no UDR actually subsists because it will be too difficult, if not impossible, to establish the facts with sufficient certainty. As a result, competitive products which ought to be brought to market will be withheld and UK consumers will not enjoy the benefits those products would otherwise bring.

5. Unofficial Register not an answer

It has been suggested that an unofficial register, such as that run by ACID (Anti Copying in Design), would be sufficient to provide the details required by third parties to assess whether or not UDR exists in relation to a specific design. This is wrong for many reasons, including:

- There is no requirement to add any individual design to the ACID – or any other – register, which means that the relevant register will always be incomplete.
- The ACID register is not accessible without registration and does not, as far as we can tell, allow anonymous inspection. Third parties must be able to assess their risks without alerting the right owner to the fact that the third party has an interest in the design.
- Placing a design on a publicly-inspectable register amounts to publication. It is not in the interests of UK businesses involved in producing technical designs to make all their designs available to competitors, including overseas competitors who will not be subject to UDR or any equivalent right in other countries. Moreover, many of those designs will include confidential information which would not otherwise be published.

6. Other reasons not to introduce criminal sanctions

We have mentioned in paragraph 1 above some of the reasons why design disputes are not suitable for consideration by criminal courts. We mention here in brief some further reasons why disputes relating to UDR in particular should not be dealt with by criminal courts:

- The law relating to UDR and its peculiar exclusions (“must fit”, “must match”, “commonplace”) is complex and requires technical consideration as well as appreciation of the case law.
- The threat of criminal proceedings could easily be used wrongly to put pressure on third parties when no UDR exists because it is extremely difficult for third parties to ascertain whether or not any right subsists.
- The risk of wrongful conviction is real and unacceptable for legitimate UK businesses.

7. Conclusion

The IP Federation does not support the introduction of criminal sanctions for any aspect of design right infringement and fully supports the IP Minister in opposing the introduction of criminal sanctions for copying of UDRs. The fundamental problem with UDR is that third parties cannot know with certainty whether any particular design is or has ever been subject to UDR. This, coupled with the fact that the term is uncertain and that a legitimate right to use the design in question may exist, makes criminal sanctions wholly inappropriate. If criminal sanctions are introduced, the effect of this will be that businesses will err on the side of caution and refrain from bringing legitimate products to the market. This will stifle innovation in the UK and reduce legitimate choice for UK consumers.

IP Federation
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IP Federation members 2014

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
Airbus
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
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