



Reform of the UK Designs Legal Framework

Background

In 2010-2011, there were three official consultations on UK design law (*Trends and Events*, 2010, at pages 12-13; *Trends and Events*, 2011, at pages 11-12 and 12-13). In July 2012, the IPO published *Consultation on the Reform of the UK Designs Legal Framework*, this time with specific proposals for change. Further comment was invited. Legislation is likely in the 2013-2014 Parliamentary session.

Among various proposals was the non-contentious one to retain the UK registered design system. While UK businesses with an international outlook (such as the Federation's members) tend to prefer the Community Registered Design system, the Federation's view is that applicants (including locally-focused SMEs) should still have the option of using a national system.

However, two of the IPO's proposals were of especial concern to the Federation. The rest of this report will focus on these.

Criminal penalties for “deliberate” registered design infringement

Despite attempts by the Federation to “head this off” in the earlier consultations, the IPO indicated in July 2012 its inclination to introduce criminal penalties for deliberate infringement of registered designs (whether UK or Community).

The Federation continues to oppose this strongly, on the grounds that -

- the justification put forward is flawed;
- the proposal is fundamentally unworkable without injustice;
- if the proposal were implemented so as to have any effects, these would include unintended damaging consequences; and
- comparisons with civil law jurisdictions are unsafe.

These four points will now be taken in turn.

The flawed justification

The justification put forward is that at present a rogue can set up a company which infringes a registered design and then, when pursued, can play the system by setting up a new company which carries on where the old one left off. (There is apparently only hearsay evidence that this is a significant problem.) The assertion is that criminal penalties will make it easier to pursue such rogues. Our objection to this is twofold: (a) present law does allow the rogue to be joined as a co-defendant with his first company in a civil action, and this would seem to meet the case; and (b) - a *reductio ad absurdum* argument - if one followed this logic, all civil wrongs that rogues tend deliberately to commit (trespass, misrepresentation, breach of contract, etc.) would get criminalised, not just for fly-by-night rogues but for all commercial enterprises.

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The unworkability of the proposal

Registered designs are granted by the IPO and by OHIM with no examination for novelty. Therefore, it would be wrong for mere knowledge of a registered design to constitute basis for a subsequent assertion of deliberate infringement. It would be also wrong, when HMG and the EU have not seen fit to require IPO and OHIM to search and examine, for the potential imitator to have to do novelty searches and to receive legal advice that he did not infringe before he could escape being "deliberate". And what if the advice was "The law is unclear", as is notoriously likely in designs?¹

The Federation cannot envisage any interpretation or re-definition of "deliberate" that would be fair to third parties.

The unintended consequences

In the aggressive litigation climate of the UK, and given the serious consequences in the UK of any criminal conviction, we foresee the following consequences of criminal penalties:-

- (i) A registered design owner wishing to enforce the registered design would receive the advice to notify the alleged infringer of the design, sending a copy, so as to ensure the infringement would thereafter allegedly be "deliberate". This would give the owner the option of intimidating the management of the alleged infringer (in most cases *not* a rogue) with the threat of criminal penalties.
- (ii) Defendants subject to criminal action might desist or settle rather than run any risk of conviction (the fear of this is greater among honourable people than among rogues), despite the fact that the registration might well be invalid. This would leave the system clogged up with invalid and economically damaging designs to the detriment of all third parties and the consumer.
- (iii) Companies, aware of the disproportionate power of registered designs once there were criminal sanctions, would file more registered design applications, including those of dubious validity. This would create work for attorneys, for the IPO and OHIM, and in due course for litigation professionals; but it would be contrary to the public interest.
- (iv) A company considering launching a new product, whether similar to a marketed competitor product or not, might well choose not to search for third-party registered designs, so as to eliminate the risk at that stage of being a "deliberate" infringer. As a result, the company might unknowingly infringe, whereas, absent criminal penalties, he might have searched and found and avoided a third-party right (or else sought a licence). The result could be damage to both parties, and additional consumption of Court time.
- (v) Trading standards officers and juries would get involved in considering what is known to be a difficult area of IP law compared with those areas where criminal penalties already apply.

Unsafe civil law comparisons

The IPO, in attempted rebuttal of the argument of unintended consequences, has noted that in some civil law jurisdictions criminal penalties exist. However, civil law systems lack the adversarial, aggressive UK tradition of litigation. Far more relevant than analogies with civil law jurisdictions are the opinions of UK litigation professionals, such as the UK Intellectual Property Bar Association, who devoted their entire response to the July 2012 consultation to the undesirability of criminal penalties. If there is a relevant foreign analogy, it

¹ Thus, Bently and Sherman, *Intellectual Property Law*, 3rd edition (Oxford, 2009) at page 669: "It is hard to predict how the various tribunals will operate in relation to the comparison of designs."

is with the USA, where even enhanced *civil* penalties for “wilful” infringement have been dysfunctional in ways analogous to (i) to (v) above.

Unregistered design right (UDR)

The Federation was relieved to find no proposal in the July 2012 consultation for criminal penalties in relation to *un*registered design infringement (UDR), but as a precaution the Federation in its response restated its opposition to these.

However, the Federation was disappointed that there was no proposal from the IPO to correct the misalignment, in relation to functional articles, between (a) UK UDR and (b) UK Registered Design, Community Registered Design, and Community UDR. Rights (b) are legislatively constrained “not [to] subsist in features of appearance of a product which are solely dictated by the product’s technical function”. The UK UDR, (a), is not so constrained, and in the Federation’s opinion ought to be. According to the cases, UK UDR is capable of protecting such items as contact lenses and farm machinery; even features of design that are concealed from the purchaser, or invisible to the naked eye, are capable of protection.

Historically, the origin of functional design protection by UDR was protection created *inadvertently* (in the view of the Law Lords) by the Copyright 1956. The protection was in essence carried over into the Copyright, Designs and Patents Act 1988 as UDR, with a shortened but nevertheless substantial term (usually from 10 to 11 years, subject to licences of right in the last five). In the Federation’s view, UDR for functional designs (a) provide disproportionate protection for minor technical improvements to the detriment of innovation and competition, and (b) create an unlevel playing field compared with the rest of the EU and the USA to the disadvantage of UK engineering manufacturing.

Mike Jewess, 4 November 2012