



Unregistered Design Rights – Qualification

Unregistered Design Right (UDR) was introduced by the Copyright, Designs and Patents Act 1988. This *sui generis* right was created as a means of providing protection for purely functional designs which were first embodied in a design document or an actual article on or after 1 August 1989.

Current Qualification Provisions

Qualification for UDR protection is governed by Sections 217 to 221 of the Copyright, Designs and Patents Act (CPDA) 1988.

Under the current law a design is offered UDR protection if the person creating the design is a “qualifying person”. A person will qualify if they are:

- an individual, who is the subject of or is habitually resident in a qualifying country; or
- a corporate body formed under the law of the UK or another qualifying country; and having in any qualifying country a place of business where a substantial business activity is carried out.

“Qualifying country” is defined in section 217(3) and includes the UK, certain limited designated countries (mainly British dependent territories), and other member states of the European Economic Community and Countries in which reciprocal protection is provided by an Order of Council.

A deliberate policy decision was taken by the UK Government to ensure UK UDR was only available to non-EU designs on a reciprocal basis. The current law therefore excludes UK UDR protection from foreign corporate bodies if their own countries do not offer comparable rights to UK companies.

This ensures that parity exists, as the manufacture of UK functional designs is permitted in foreign countries where there is no reciprocal UDR protection and UK companies can manufacture the functional designs of foreign corporate bodies in the UK if no reciprocal protection is given.

The current provisions provided for in section 217 of the CPDA 1988 are therefore well considered and offer UK manufacturers protection from unfair competition, encourage reciprocity and support UK innovation.

Clause 3 of the IP Bill (Qualification Criteria)

Clause 3 of the Intellectual Property Bill 2013-2014, currently before parliament, amends sections 217 to section 220 of the CPDA 1988.

As indicated in IP Federation policy paper PP17/13, if the amendments, as currently proposed, in Clause 3 of the IP Bill are enacted then UK UDR will be extended to the functional designs of companies formed in countries that do not offer any reciprocal protection for UK functional designs.

For the first time UDR would be extended to Chinese (non-HK), Japanese, Korean, and US registered companies. These foreign companies were previously excluded from ownership of UDR for the good policy reason that the national laws of their own countries of registration did not offer a comparable right to UK companies.

The IP Federation is the operating name of the Trade Marks, Patents and Designs Federation
Registered Office 5th floor, 63-66 Hatton Garden, London EC1N 8LE

Email: admin@ipfederation.com | Tel: 020 72423923 | Fax: 020 72423924 | Web: www.ipfederation.com

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UK manufacturers will not be able to manufacture in the UK either for the UK domestic market or for export. UK manufacturers are disadvantaged as they can no longer manufacture even for export to countries where there is no protection for functional designs.

However, UK originating functional designs can still be freely copied and manufactured by foreign companies. Foreign companies can copy and manufacture UK originating functional designs abroad both for their own domestic market and for export to other countries where there is no protection for functional designs (i.e. most countries in the world).

Under the changes proposed in Clause 3 of the IP Bill, parity no longer exists and UK manufacturers are strategically disadvantaged with additional hurdles being introduced to the manufacture of functional designs in the UK. This will directly impact those engaged in general engineering because of the importance of functional designs which are covered by UK UDR.

The manufacturing facilities of both small and large UK-based engineering companies will be seriously impaired by extending UK UDR to foreign corporate entities. Careful consideration would need to be given to the location of manufacturing facilities as the manufacture of functional articles in the UK will be inhibited. It would become more attractive to move design and manufacturing offshore and to commercially source functional designs from businesses outside of the UK where the copying of functional designs is lawful.

This would negatively impact on the UK economy through significantly reduced contributions to UK GDP, taxes, investment, R&D, and reduced employment for engineers in the UK.

There will also be an impact on small businesses in the UK that are supported through the supply chains of the major UK manufacturing-based companies. Moving design and manufacturing offshore would negatively impact on the survival and growth of these small businesses, as would the sourcing of functional designs from businesses outside the UK where the copying of functional designs is lawful.

There are further implications in respect of dual sourcing of functional components. Dual sourcing is carried out by large engineering companies to maintain a competitive supply chain and ensure continuity of supply. Dual sourcing benefits not only the large manufacturing company but also the significant number of small businesses who form these supply chains.

Large manufacturing companies have to take great care when dual sourcing functional articles in the UK to ensure that UDR is not infringed. This involves keeping full and accurate records of any communications between the parties through all stages of the design process to mitigate the risk and cost of any litigation relating to the resulting designs.

The extension of UK UDR to foreign corporate entities adds a further impediment to the manufacture of functional components in the UK for UK-based manufacturing companies, both small and large, as UK based manufacturing companies will now need to assess and navigate through the UDR rights of foreign corporate entities.

Conclusion

The present reciprocity provisions on UDR are well considered and should be retained.

UK UDR was introduced by Government to offer protection to more utilitarian and functional designs. If there is value in offering protection to functional designs then reciprocity needs to be maintained. Reciprocity encourages other countries to introduce laws protecting UDR in return for protection in the UK. Only when UDR is recognised globally will true parity exist that will benefit all those involved in the design and manufacture of functional articles.

If the proposed amendments to Clause 3 proceed and reciprocity is lost then there will be no motivation for other countries to adopt UDR protection, and UK companies manufacturing in the UK will remain strategically disadvantaged.

Clause 3 of the IP Bill should not therefore be enacted in its current form due to the negative impact it will have on all those engaged in the manufacture of functional articles.

Amendments have been proposed to Clause 3 which will protect the beneficial system of reciprocity and avoid disadvantaging British businesses. These changes are necessary and are currently being considered by the design policy officials at the UK IPO and others involved with the IP Bill.

Ruth Barcock, 23 October 2013