

Response of the City of London Law Society Intellectual Property Law Committee to UK IPO Consultation on Reform of the UK Designs Legal Framework

The City of London Law Society (“CLLS”) represents approximately 14,000 City lawyers through individual and corporate membership including some of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to Government departments, often in relation to complex, multi-jurisdictional legal issues.

The CLLS responds to a variety of consultations on issues of importance to its members through its 18 specialist committees. This response in respect of the IPO consultation on reform of the UK designs legal framework has been prepared by the CLLS Intellectual Property Law Committee.

The CLLS is pleased to have the opportunity to comment on this consultation about designs.

We have responded to those questions where we believe that the CLLS may contribute or express an informed opinion. We adopt the question numbering set out in the Consultation document.

Question 1

Do you agree with the proposal to retain UK unregistered design right? Please give reasons for your answer.

Yes, for several reasons:

1. Scope of protection: UDR provides additional and justifiable protection for aspects of designs that are not necessarily protected by other classes of design protection. In particular, this applies to designs that have a technical function and designs for the unseen but nevertheless original (in shape or configuration) parts of a more complex product. UDR also provides, to some extent, some of the protection that designers in mainland Europe benefit from under local unfair competition laws.
2. Duration: UDR currently provides a fair duration of protection (we would not support its duration being harmonised with that of Community Design Right (“CDR")). A shorter duration, such as the three years applicable for CDR, would not allow enough time for products in the pipeline to be developed and marketed. This can, in some cases, take between five and ten years. Some companies prefer to keep designs a secret before launch and for this reason do not register and

instead rely on unregistered rights. Relying on passing off does not give adequate protection.

3. SMES and individuals: SMEs and individuals have come to rely significantly on UDR. They often do not know to register a design within the one-year grace period and may face damaging infringements after the three-year protection of CDR. In addition, the cost of registering a design and instructing attorneys or lawyers can be a deterrent for these smaller businesses.

Question 2

What are the circumstances in which UK unregistered design right could be removed?

Potentially this could be contemplated if the UK had an effective law of unfair competition giving private rights, as there are in most European countries, to prevent the slavish copying of designs. Without that, we consider UDR should be retained so as not to dilute such protection as presently exists.

Changes to the definition of UK Unregistered Design Right

Question 3

In your experience has the wide scope of protection afforded by UK unregistered design right been used to prevent others from establishing new designs? Please give examples.

No. As UDR only prevents illegitimate copying (legitimate copying being permitted, e.g. for must fit/match reasons), it ought to have no bearing on the establishment on a “new”, i.e. non-copied, design.

Question 4

Have you been deterred from launching designs as a result of being unsure of whether you were infringing existing UK unregistered designs? Please give any details.

We respond on the basis of our experience advising clients of all sizes.

No. Typically, UDR is not something that is taken into consideration at the point of creating a new design. Since there is no register to check, designers and their advisors would not normally undertake a clearance exercise to identify and avoid pre-existing UDR. On the whole, UDR is only considered in the context of an alleged infringement, i.e. after launch of that design. UDR therefore has little deterrent effect as such.

Question 5

In your view does the wide scope of protection provided by UK unregistered design right have other consequences? Please explain your answer.

It can put a considerable burden on defendants and their lawyers to find examples of prior art for parts that, but for the specifically targeted claim, might otherwise have seemed insignificant at the time the later design was created. This is the result of UDR subsisting in just part of an article design. It means an infringement can turn on whether one, perhaps small, element of the first design was commonplace when the later designer set to work. The later designer may have had no reason to suppose that this detail could be material and the subject of specific protection.

As a result, it becomes very difficult for later designers to obtain legal clearance for their designs against UDR threats even if they wanted to. Just to say that the solution is not to copy at all does not remove the uncertainty. Many designers will attest to drawing inspiration from many sources. It is typical for designers to work with 'mood boards' containing very many prior designs but without consciously seeking to copy even one part of one design. Combining and elaborating on small features drawn from many sources is again not uncommon in design development. However, designers risk having to show many months or years later that perhaps just one of these elements from which they have drawn inspiration was commonplace at that time.

This consequence is not, however, unique to UDR since it effectively arises for CDR.

Question 6

Do you agree with the proposals to make the definition of UK unregistered right consistent with that of the UK registered design and the Community designs? Please explain your reasons.

We strongly disagree - see response to questions 1 and 2. These are two separate rights and afford different protection. In light of this, there is no reason for the rights to be harmonised.

We also see no benefit in removing the words "any aspect" from s.213(2) CDPA. The owner of a UDR can still claim infringement of the design of just "part of an article". The latter words would remain within the definition. The same applies to the registered rights and CDR which, even without the words "any aspect", can still relate to the "appearance of ...a part of a product" (Art 3 Council Regulation 6/2002/EC).

Question 7

If you don't agree with this approach, do you have any alternative suggestions?

No.

"Originality" and UK Unregistered Design Right

Question 8

Is the UK test for "commonplace" leading to further uncertainty in the market place or otherwise affecting innovation? Please give reasons for your answer.

We do not believe that the test for what is "commonplace" leads to market uncertainty nor does it affect innovation. The test covers what is "commonplace in the design field in question" (s.213(4)) and what is known to the designer at the time, which could in theory include those designs in the EEA and beyond - it will depend on the circumstances. The test is based purely on a factual enquiry and is specific to each case.

We do not believe that section 4.15 of the Consultation accurately reflects the position.

Question 9

Do you agree with the proposal to ensure that the definition of commonplace includes the European Economic Area, and is a change to Section 213(4) of the CDPA an appropriate way in which to make the change?

No. If the definition of commonplace is extended to the EEA, this would cause confusion, uncertainty and a divide between a case and its facts. Such a change would mean that designers in the UK would be assumed to have knowledge of all designs in the EEA when that may not be the case depending on the industry. In addition, those designs from outside of the EEA, which are well known to UK designers but have not been placed on the market in the EEA, would not be classed as known to the design field when in fact they were.

Deeming all designs known to any designers in the EEA as effectively commonplace in the UK, even if contrary to the fact, would not promote innovation in the UK. On the contrary, it could mean designs that are protected elsewhere in the EEA under local unfair competition law are denied protection in the UK. UK designers then have an incentive to seek out and copy such designs from elsewhere in Europe which, at the time, were otherwise unknown to UK designers. This fosters a culture of copying amongst UK designers, which undermines true innovation and should not be encouraged.

Question 10

Are there other advantages or disadvantages of making this change?

See response to questions 8 and 9 above.

UK Unregistered Design Right and "general concepts"

Question 11

Do you agree that an amendment excluding general ideas and concepts would help to clarify the law?

No. It is already clear from case law that the law does not protect ideas and/or concepts. This is also apparent from the definition of design being by reference to "an article". There must, therefore, be a "thing" that has been designed the shape or configuration of which can be subject of protection. In the absence of such an article, there is no design to protect. An amendment would just lead to more debate about interpretation of the statutory words "ideas" and "concepts".

Question 12

If the answer to 11 above is yes, how would you make such an amendment?

N/A

Question 13

What are the advantages and disadvantages of making this amendment?

See question 11.

Defences against accusations of infringement

Question 14

Is the lack of a defence for someone acting in good faith using a design before it is registered by another party a problem for business? Has this had a negative consequence for your business? Please give details.

This is not an issue for UDR infringement since there is a requirement of copying that essentially takes it out of the realm of good faith (other than in the respect of must match/must fit). However, there is the potential for some injustice arising from the one-year grace period within which a design can be registered. Someone that innocently, without copying, starts using the design during that time, and before it is registered, can face strict liability for infringement post-registration. Whilst this is outside the scope of any UDR reform and a matter for EU law, in the circumstances such facts should at most entitle the registered proprietor to injunctive relief but not damages, and no order for publication of any adverse decision.

Question 15

Does the UK unregistered design right need to allow for use of a design for "(a) acts done privately and for non-commercial purposes; (b) acts done for experimental purposes, etc" as permitted in relation to UK registered designs and the Registered Community Design? Please explain your answer.

As regards (a), UDR is defined as giving its owner the "exclusive right to reproduce the design for commercial purposes" (s226(1) CDPA). Primary infringement occurs when someone does anything falling within that exclusive right without consent (s226(3) CDPA), i.e. the use must be "for commercial purposes". Likewise, secondary infringement arises (under s227(1) CDPA) only if the importation is "for commercial purposes", the possession is "for commercial purposes" or the acts of selling etc. are "in the course of a business". On this basis, the exception proposed for (a) is not needed: private and non-commercial use is already unaffected by UDR.

As regards (b), we are not aware of any need for such a change. There seems no compelling need to align the exceptions with those applicable for the registered design rights, where infringement can be "innocent" and without copying. We cannot see the justification for experimenting about a design unless the experiment is conducted on the article as made with the authority of the UDR owner. Also, if the experimental use is commercial or in a course of business, then copying a UDR-protected design ought not to be allowed.

Question 16

Are our proposals for making these changes the best way to do it? Please explain your answer.

No. See reasons above.

Defences against accusations of infringement of artistic copyright

Question 17

Do you agree or disagree with proposals to amend section 53 of the CDPA in this way? Please explain your answer.

Yes. This is an anomaly that could give rise to an illogical injustice.

Question 18

Are you aware of any instances of disputes arising where a defence against infringement of copyright law was not available to holders of Community Registered Designs or international registrations designating the EU? If so, please give an indication of the costs incurred with dealing with these disputes, and of their frequency.

No.

Question 19

Section 53 of the CDPA references registered designs. Is there any reason why this should be extended to cover unregistered designs? Please explain your answer.

The most likely scenario where this will have effect is where artistic copyright and UDR had split ownership since the design was created pursuant to a commission. If a commissioner is to continue to be the first owner of UDR (see below), then it seems appropriate to ensure that artistic copyright cannot be used to interfere with the exploitation of that UDR by that owner or their licensee or assignee. Otherwise, the designer could, subject to a possibly implied licence, unfairly pursue such a user for a licence fee, whereas the original commission payment was probably made with such use in mind.

"Qualification" for UK unregistered design right protection

Question 20

Are you aware of any other cases in which the restriction of UK unregistered design right to habitual residents of the EU and a small number of other qualifying territories have resulted in commercial dispute or difficulty?

Yes. CLLS members regularly advise non-qualifying clients. It is not uncommon to be advising them that UDR is not available to them where otherwise there would be infringement. Often the law of passing off is inadequate to provide satisfactory alternative protection.

The current criteria lead to considerable difficulty when advising clients based outside the EU (and New Zealand and Hong Kong). Before dismissing the possibility of bringing a claim based on UDR, it is necessary to pursue sometimes lengthy enquiries into the citizenship or habitual residence of the individual designer, a member of the design team, the commissioner or the place of first marketing. The contrast with the simplicity of copyright protection arising internationally under the Berne Convention could not be starker.

Question 21

Do you agree with the proposal to extend the qualification requirements for UK unregistered design to reflect those of the Community unregistered design? Please provide reasons for your answer.

Yes but the proposal as drafted does not do this. The proviso of retaining a qualification criteria based on residence or place of first marketing should not be retained. This will perpetuate the current overly complex rules of qualification. Such qualification criteria also have the effect of adding particular complications in merger and acquisition scenarios since it can be unclear, without investigation into the existence of the relevant qualifying criteria discussed above, whether the assets of the target company/business include UDRs.

Ownership of designs

Question 22

Do you agree or disagree with aligning UK law provisions on ownership of commissioned designs with EU law provisions? Please explain your answer.

It would be preferable to harmonise the position for all rights. The current difference in approach creates an illogical split, potentially leaving EU-based rights (registered or unregistered) in different hands to the UK-based rights (whether registered or unregistered). This requires ownership to be specifically addressed in commissioning agreements, which is not something SMEs in particular are always aware of and do.

However, SMEs typically will assume that, if they have commissioned a design, they will own the rights in it. If this were to change now for UK design rights, there will be confusion and many commissioners face losing the entitlement they currently have and expect. It is the commissioner that is most likely to need to enforce design rights. The law should preferably either clarify their right for them to do so as an automatic licensee or there needs to be a general improvement in the level of understanding that there is (or may not in future be) an automatic right for them to do so.

The law of copyright has sought to address this with the courts often implying licences to use a commissioned work. However, the inconsistency between the various IP already gives rise to confusion. If the approach was consistently the same for all design and copyrights, the importance of addressing ownership and the scope of licences could be more readily be communicated to and understood by SMEs. A long transitional period would be needed to raise awareness about the change.

Question 23

If you are aware of the likely costs associated with clarifying ownership of design rights as a consequence of the different approaches taken under UK and EU law, could you please give examples.

Certainly some extra costs can be incurred in establishing ownership of the UDR in commissioned design. This is because the chain of title needs to be separately followed down from the original commissioner rather than the designer (or their employer). It has the potential of doubling the due diligence costs relating to ownership of IP rights in a design.

Claim to Ownership

Question 24

Do you agree or disagree with removing the requirement for the applicant to be the proprietor of the design applied for? Please explain your reasons.

We agree. At present this acts as a mechanism for disputes over entitlement and should not *per se* provide a defence to infringement. This is similar to the Patents Act. The proposal should also include deletion of s3(2) RDA.

Question 25

Please give details of any other cases in which this requirement has had a detrimental impact.

None.

Joint Proprietors

Question 26

Do you have examples of where the lack of provision for joint ownership in the RDA has caused difficulty to business? If so, can you give an estimate of the costs involved.

No.

Question 27

Do you agree with the proposal to reproduce the joint ownership provisions from the CDPA in the RDA? Please explain your answer.

Yes, for the reasons stated in the consultation paper. Designs can typically be the result of collaboration and issues of joint ownership need to be legislated for as it has been for other IP rights.

Question 28

Are there any other provisions regarding ownership of registered and unregistered design which may also need to be amended? What benefits/costs may be associated with such amendments?

Provisions should address the ability for joint owners to assign their share without consent as otherwise this can give rise to potential dispute.

Deferment of publication for design applications

Question 29

What evidence do you have of the current deferment period having disadvantages?

None save that, as the consultation paper notes, the difference in the periods of deferment push applicants wanting to use it towards seeking EU-wide protection when this may not otherwise be needed.

Question 30

Do you believe that an extension of the deferment period will have benefits for business? Please explain your answer.

The main benefit will be to align the EU and UK situation such that there is no tactical advantage of one over the other arising from the deferment period. This improves clarity and fairness for UK SME/individual designers not having the extra money to spend on EU protection.

Deferring publication allows a business to align the publication with their marketing timetable. This thereby limits the window of time during which unauthorised copies can be made by third parties and put on the market before their own launch. It is, for example, used as a way of deterring look-alike packaging of consumer goods where multiple aspects of the design of a new pack may be registered but the publication of some aspects deferred. The appropriate duration of the deferment, to coincide publication with product launch, will depend on the industry sector involved. For some, such as the fashion industry, 18 months may be appropriate. For other more complex goods, however, the lead time can be considerably longer.

Aligning the period so that publication might coincide with publication of a patent filed at the same time should not dictate the design period of deferment. Very many designs do not relate to patentable inventions.

Question 31

The options discussed include extending the deferment period to 18 or 30 months. Which option do you think best and why? Are there other more preferable options?

A move to 30 months, in line with the RCD regime, seems reasonable, provided appropriate protection is available for “innocent infringers” during just that period when they will have been unable to establish the scope of any monopoly right being granted. Such protection does not apply to RCDs. It seems fair to limit the damages entitlement until after they are on notice of the scope of the right claimed, whilst still allowing for an injunction.

Enforcement of designs and understanding the design rights of others

The need for criminal sanctions for the deliberate copying of designs

Question 32

What evidence do you have of existing civil sanctions being insufficient to deal with copying of design right?

None. If the owner of the relevant design right is prepared to enforce their rights through the civil courts and infringement is found, the key remedy of an injunction stops the ongoing use. Usually such cases are settled long before a full trial is required and concluded. The question of financial compensation, both damages (or an account) and reimbursement of costs, is more problematic. It is not untypical for a claimant to be out of pocket, after accounting for all legal costs, even after winning a case or securing the effective defeat of a copyist through negotiation. This is regrettable and deterrent for those wishing to take appropriate action to protect their legitimate rights. Many cases simply are not pursued as a result, especially by SMEs.

Question 33

Do you agree with the introduction of criminal sanctions for deliberate copying of design right? What benefits will it bring to business? Please explain your answer.

We have grave reservations about judges lacking in experience in matters of complex design law, and juries with no legal knowledge, weighing up whether a design is valid and has been infringed with the requisite knowledge. In particular, validity is typically a live and material issue in any design dispute. This is especially the case with registered designs since there is no substantive examination involved in the registration process. It is acknowledged that the register includes many registrations that are almost certainly invalid. To expose traders to potential criminal prosecution and sanction for infringement of such questionable rights could be disproportionate.

Further, there is a widespread misunderstanding amongst designers that it is perfectly legal to use an earlier design provided they make no less than three changes, or perhaps five or seven (mysteriously it is usually an odd number). Such adaptations may clearly still infringe the design right and yet will have been done knowingly. Whilst it would be preferable to disabuse all designers of this incorrect perception, we question whether it is appropriate to criminalise them for applying this endemic IP urban myth.

Having said that, criminal offences exist in relation to copyright, which might be thought to have many similarities with UDR. Trading Standards and copyright collecting societies (or representative trade bodies) have been successfully pursuing criminal prosecutions in relation to copyright for some years. Essentially, these have been targeting the counterfeit market and the pirating of music, software and films, i.e. clearly identical copies of the original. Provided any criminal provisions relating to designs could be confined to equally nefarious dealings this could possibly be acceptable. This is because such dealings are typically associated with organised crime, the avoidance of taxes, low (or no) levels of quality control, poor employment conditions for the manufacturers and potential danger to consumers.

However, we question whether this is definitely needed, at least at this stage. The alternative is to strengthen the remedies available in civil proceedings and ensure SMEs are not discouraged from enforcing their own rights using the appropriate civil options. This could be achieved by encouraging court generosity in awarding additional damages for flagrant infringement of UDR under s229 CDPA and/or statutory damages that exceed the damages calculated on the basis of a normal licence fee (otherwise the infringer is not deterred from infringing and waiting to see if they are sued). The recent developments at the Patents County Court now mean that SMEs have much greater access to justice, with less financial risk if they lose a claim. This combined with the changes suggested and greater use of the publication powers under Article 15 Enforcement Directive (2005/29/EC) could provide the missing deterrence needed.

If, however, a criminal offence relating to designs is to be introduced, we consider it needs to be confined to

- copying of the registered design rights only;
- primary infringers only;
- identical reproductions of the design or very near identical copies (to be more precisely defined); and
- where the design right owner is obliged to give a statement that to the best of its information and belief the design right is valid.

There needs to be a high level of a *mens rea* involved; higher than just having "knowledge or reason to believe" that what they were doing was infringing UDR. Deliberate and slavish copying is needed.

It may also be appropriate to require the prosecution to disclose all examples of prior rights known to the owner of the right which may impact adversely on the validity of the right asserted. This is aimed at levelling the playing field in circumstances where the right owner may know that its right is invalid (e.g. due to its own prior disclosure or prior art known to it) and yet the defendant/accused has not been able to locate evidence of this. Requiring this of the right owner seems a fair 'price' to pay for seeing their rights enforced at public expense and with criminal sanctions. The idea here being to ensure that the case is not pursued at public expense, and with a risk of severe injustice, in respect of rights that have highly questionable validity.

Question 34

Do you agree that any new criminal offence should only be for deliberate copying of a design right? Please explain your answer.

Yes but only in relation to published registered designs. This is so that the potential to check for relevant prior rights exists and also so that the scope of the claimed design is more clearly defined at an early stage. If the offence extended to UDR, there is a risk that criminal liability could arise in respect of only a small part of the overall design of an article, which part could only ever be made clear to the accused after the alleged copying has occurred.

Question 35

What evidence do you have for the costs that introduction of such sanctions will bring, including the impact on enforcement agencies? Please also comment on the assumptions about likely impacts and costs made in the Impact Assessment¹.

None. However, if the offence is also included amongst those that can attract a confiscation order under the Proceeds of Crime Act 2002, then there is the opportunity for law enforcement bodies, financial investigation teams, the courts and the Crown to recoup significant sums from perpetrators.

Question 36

Do you agree that we have the ability to introduce criminal sanctions for deliberate copying of Registered Community Designs? Please explain your answer.

It is not precluded by Article 25 TRIPS, is seemingly contemplated by Article 16 Enforcement Directive (2005/29/EC) but does not seem to be by the Community Design Regulation 6/2002/EC. In particular, consideration needs to be given as to whether the criminal courts will need to be designated Community Design Courts and whether they will address issues of validity. Preferably they should not.

Question 37

To which rights should criminal sanctions apply and why?

Registered design rights only. See 33 above.

Routes for appealing IPO decisions on design registrations and invalidation

Question 38

Have you experience of using the Registered Designs Appeal Tribunal? Should it continue to function as the single appeal route? Please explain your reasons.

No. We see no reason why an appeal relating to design registrations should not have the same options as apply for registered trade marks, i.e. the Appointed (Design) Person or the court.

Question 39

What are the implications of constituting the Patents County Court as the only forum that would hear appeals against IPO design decisions?

Whilst the Patents County Court has provided a good low cost route for litigating IP cases, it would be preferable to have an even lower cost means of appealing IPO decisions relating to designs. The current £50,000 costs recovery cap of the PCC is considerably

¹ <http://www.ipo.gov.uk/consult-ia-bis0376.pdf>

higher than that applicable in the trade mark Appointed Person appeal procedure. Accordingly, we agree with the proposal to have the option of either the PCC or an Appointed (Design) Person appeal route.

Question 40

What are the pros and cons of having the Appointed Persons and the PCC as the two alternative routes of appeal against IPO design decisions?

The pros are providing the option for a quick, low-cost and non-appealable route, together with a separate, appealable route for cases involving substantive issues of principle at higher cost. This works successfully for trade marks. The cons arise only if the Appointed Persons have insufficient design right experience. It may be that additional Appointed Persons would need to be selected for design cases.

Question 41

Please supply any information about the likely costs, including of legal advice, to business of appeals going to the Patents County Court, the Registered Design Appeal Tribunal and the Appointed Person.

Typically, in an appeal using the courts, clients will want to instruct a barrister in addition to the attorney or lawyer running the matter. In contrast, in an appeal to the Appointed Person, clients may not do so and may have the same attorney/lawyer representing them at the IPO to do so before the Appointed Person. Whilst this does not necessarily save on costs, the general perception will be that any appeal through the courts will be more expensive than to the Appointed Person. Since those on the committee do not have experience of appealing to the RDAT, no comparisons can be made. They are likewise not in a position to share and compare their costs.

Question 42

Can you please comment on the discussion in the Impact Assessment about the likely uptake of using the Appointed Person as an alternative to the Patents County Court, especially in the light of the lack of appeals in the last few years?

We would anticipate the greater proportion of appeals to be to the Appointed Person, as for trade marks. However, we have no reason to believe that the number of appeals will increase materially. This is largely because the validity of designs is usually only put in issue in a counter-claim to an infringement action, at which point the matter will be before the court.

Question 43

Are there other alternative scenarios we should be exploring, for example fully mirroring the trade mark route of appeal by having the High Court rather than the PCC as the alternative to the Appointed Person? Please explain your reasons.

We have none to suggest.

Understanding other peoples rights

Question 44

What is your view of the extent to which every design on the register of designs in the UK and at the OHIM may or may not be valid?

As noted above, the register includes many designs of clearly questionable validity in that they were not novel at the time of application. Whether that proportion is significantly greater than before 2006 is not known but it seems likely. However, we see no merit in re-introducing a prior-art examination process for UK RDs if none will apply to RCDs. If the fruit of the OHIM Cooperation Fund work on databases is such that prior art searching for designs becomes easier, this will facilitate future validity challenges and enable applicants of RDs to assess the robustness of their design rights.

Question 45

Do you think that designs registered by the IPO have a reduced perception of "value" because they have not been assessed against the prior art? Please explain your answer.

A registered right will have greater "value" to an owner where it has been well and fully examined for validity in the light of reasonable prior art searches. However, that value will not be real unless and until the design survives a validity challenge in court and the owner is in possession of a certificate of contested validity pursuant to s25 RDA. Even so, securing registration alone will always have some "value" whether or not there has been substantive relative-grounds examination. It gives the owner something ostensibly to license and also to invoke, especially against those with insufficient means or inclination to challenge validity.

Question 46

Does the "deposit" system for designs operated by the IPO cause other difficulties?

No more so than those arising under the RCD system.

We are aware of abuses of the system by certain knowing infringers of design rights (typically non-EU based). In response to having their imports into the EU disrupted by Customs interceptions and to having auction site sales suspended following notice and take down requests by the genuine owner of the right, they have secured their own registrations under the "deposit" system for the identical right (sometimes even using the first registrant's own drawings/images). They then cite these invalid registrations to Customs and the auction sites as reasons why the interceptions and suspensions should cease. It is not until the later right is cancelled that these enforcement steps can again be rightly resumed. For SMEs, this can be enough to dissuade them from taking even these low-cost administrative enforcement steps.

Question 47

Would you be in favour of the IPO re-introducing prior art examination as part of its design process, and if so how? Please explain your answer. What in your view would be the costs and benefits of doing this? How much would you be prepared to pay for an official search for prior registered designs?

No. We see no merit in re-introducing relative ground examination. It will introduce delay and, no doubt, some cost but without adding materially to the "value" mentioned above (due to the limitations inherent to design searches).

Instead, it would be preferable to improve the searchability of the registers so that users can have a free online search tool that can be readily used by lay users. Ideally it would have some image recognition capability that can search the registers for anything similar to an image that can be scanned into the search tool. The fruit of some of the OHIM Cooperation Fund work may achieve at least some of this. If so, it will enable those about to launch products to conduct reasonable clearance checks, applicants to undertake some

of their own checks to verify the robustness of their design and challengers to validity to locate relevant prior art. Such searches should preferably review both the designs and trade mark registers.

An alternative might be to require applicants for design registration to lodge with their application a signed statement of truth that, to the best of their knowledge, information and belief, the design is at least novel. There could also be an ongoing obligation to disclose to the IPO any prior art that subsequently comes to the attention of the applicant/registrant that they know necessarily destroys novelty only. This is equivalent to the concept of the ongoing obligations imposed on owners of US patents not to commit fraud on the US Patent and Trade Mark Office by withholding prior art that affects the validity of the patent.

Question 48

Do you have any experience of legal disputes where questions about the validity of the design in question have been central, and would a compulsory examination of national registered designs against prior art have helped resolve those disputes more quickly and cheaply?

Yes, validity is nearly always central to design disputes. Whether or not a registered right had undergone relative grounds examination will have little, if any, influence on how quickly and cheaply the dispute may be resolved since a defendant may not readily know which prior art will have been cited and dismissed and whether they could find further relevant prior art, perhaps with their greater knowledge of the field than the examiner will have.

Question 49

How do you think the IPO should go about seeking to educate design applicants regarding the limited nature of the examination it carries out? Could highlighting the non-statutory and optional prior art search be an option? Please explain your answer.

This is best addressed on the IPO website, in the application form and in covering letters or emails accompanying registration documentation.

A Designs Opinion Service

Question 50

Is the cost, time and lack of certainty in IP disputes a barrier to maximising the benefit of IP? Please explain your answer, and supply any supporting evidence.

Yes, in particular for SMEs and individuals without the resources to spend money on obtaining legal advice and registering designs and the costs of enforcing any such design right. However, the new small claims track in the Patents County Court should go some way to reducing this barrier and ameliorating the position even more where the Patents County Court has already made significant progress. The limits on the costs exposure of a losing party in the Patents County Court have a particularly significant bearing on the willingness of SMEs to enforce their rights. This is especially so against larger companies, who may engage more expensive specialist lawyers and barristers than the SME. It is not just the burden of having to pay their own (possibly reasonably modest) lawyers' fees that is dissuasive for them but the fear of having to pay their opponent's (possibly very substantial) legal costs in the event of losing a claim. The nature of design cases, involving judgement calls on matters of visual perception, is such that the outcome necessarily carries some uncertainties so the risk is real.

Question 51

Do you think that the IPO offering opinions in relation to:

- a. UK registered designs;*
- b. UK unregistered designs; or*
- c. both would be useful to business? Please explain your answer*

For the majority of our clients, take up is likely to be limited as the opinions would be non-binding and may just delay matters, especially if there is an appeal option. However, it might be used in circumstances where one party's advisors consider that their opponent is receiving overly robust legal advice as to the merits of its position and this is preventing the parties from reaching a sensible out-of-court resolution of the dispute. In such circumstances, the neutral voice of the IPO opinion may help inject a first dose of realism into the opponent's considerations and facilitate settlement.

For disputes between SMEs, however, such opinions would be beneficial in encouraging early settlement of cases at minimal cost.

Question 52

Are there other things that the IPO should do to improve the Alternative Dispute Resolution or mediation options² available to business in relation to registered and unregistered design?

We refer to the last paragraph in our response to question 48 regarding self-certification of novelty and disclosure of any known novelty-destroying prior art. One option might be to require any registrant seeking such an IPO opinion to give the declaration and disclosure mentioned as the 'price' for obtaining the opinion. If it subsequently transpired at a later trial that they had falsely declared the position or withheld relevant disclosure at that stage, then this could adversely affect their costs liability.

Question 53

Would the £200 fee to seek an opinion be a barrier to use? If so, what would be appropriate? Please explain your answer.

No, it seems a reasonable sum.

Question 54

Are there ways in which any designs opinion service could be set up so as to increase its use to business?

See answer to question 52 above to help flush and weed out claims based on registered rights that the registrant knows to be invalid.

Question 55

What are your views on offering a review/appeal mechanism and how it should be set up?

² A 'Call for Evidence' relating to the IPO's mediation service was launched on 12 June 2012. See <http://www.ipo.gov.uk/c4e-mediation.pdf>

We do not agree with this proposal. The opinion process must be a quick and informal step with a non-binding outcome so as to be attractive to all parties. Adding in a layer of appeal turns it into a satellite form of quasi-litigation which just increases costs and causes delay.

Question 56

To help build the evidence on the costs and benefits it would be helpful if you could provide estimates for or otherwise comment on:

- a. *The likely costs arising for those making observations in response to a request for an opinion*
- b. *The number of opinions requested*
- c. *The likely savings for those avoiding litigation as a result of an opinion (given under option 2 or option 3 in the Impact Assessment³)*
- d. *How many hearings at the IPO are likely to be avoided because an opinion has been sought instead*
- e. *Whether there is likely to be any difference in levels of complexity of cases or the number of cases between option 2 and option 3 in the Impact Assessment?*

We feel we are unable to give answers here in a vacuum. Overall, we would not anticipate many of the cases handled by the member firms of our committee being settled before an IPO hearing just because of the non-binding opinion. However, the opinions in cases involving SMEs, often unrepresented at that stage, could well lead to future IPO hearings being avoided, although one may question whether the complaint would have pursued the case that far anyway due to lack of resource.

Inspection of Documents

Question 57

Would a system allowing the viewing online of documents relating to designs be of benefit? Please explain your answer.

Yes. This would be a very helpful facility, in particular as time can often be of the essence, e.g. in corporate transactions or in preparation for or in response to applications for interim injunctions. By analogy, the availability online of the file for CTMs at OHIM is extremely helpful and, as we understand, is a frequently used facility.

Question 58

Are you aware of the current system by which information can be viewed in person, or by receiving copies of the information by post? Have you made use of this system? Is the cost of the system or the delay in receiving the documentation a disincentive to using it?

Yes, yes and usually no, but timing can be a key factor. In that case, if it is known the information will come too late, a request may not be made at all.

Question 59

³ <http://www.ipo.gov.uk/consult-ia-bis0350.pdf>

What would be the saving to you (monetary, time and resources) if an online service was provided?

It would make little or no difference monetarily and little in terms of resource, but would save considerably on time. A particular advantage would be to enable inspection out of office hours (not untypically when some corporate transactions involving IP rights are heavily negotiated and closed).

Increasing information on registered designs

Question 60

Would the provision of the information referred to in paragraph 15.2 be of benefit to third parties in e.g. helping to avoid or resolve dispute or facilitate business? Please explain your answer.

We believe there is merit in asking all three questions in the application form and compiling and publishing the answers, for the reasons cited. However, we do not consider it should be mandatory to respond to them save as regards the grace period. It seems right that an applicant seeking to rely on the grace period should at least indicate that it is doing so and confirming that the date of first making available to the public was within the previous 12 months. Requiring them to state when that date was is not necessary. It adds complexity to the application process. In particular, it could lead to delays in submitting applications whilst efforts are made to ascertain a precise date which may, in practice, never have any future relevance.

See answers to questions 33 and 47 regarding disclosure burdens on registered design owners relating to validity. A key question arising from this is what happens if the information is incorrect, i.e. the first making available happened more than a year previously. The answer probably lies in some adverse costs consequences in any subsequent validity challenge or litigation.

Question 61

Would the provision of this information on the application form cause any problems for applicants? Please explain your answer.

This will be a matter for each individual applicant and, save as suggested above, should not be mandatory. Difficulties arise if the designer may not want it to be known if the work was commissioned or the name of the individual designer is not known to the owner. How would this work in practice in relation to licences? What would be the process for updating the register if the design is subsequently licensed? Would there be additional fees? Clients that like to publicly recognise the creative talent of their in-house design team may wish to include the designer's name. However, this has the risk of identifying for competitors to poach the key people in their design team.

Question 62

Is there other information that could be provided on the form, to help avoid or resolve disputes or facilitate business?

See answers to questions 33 and 47 above

Question 63

If you are in favour of including this information on the form, should it be mandatory or optional to provide it? Please provide reasons.

Optional save as regards reliance on the grace period. See answer to question 61.

Question 64

If the three additional questions were not mandatory would you be likely to include the information? If not, why not?

This would depend on the individual circumstances.

Simplifying requirements to record changes in ownership

Question 65

Do you agree or disagree with proposals to delete section 19(3A) of the RDA? Please explain your answer.

Yes. The position is sufficiently dealt with in s224 CDPA by which an assignment of the registered right is assumed to be an assignment of the UDR in the same design, unless shown to the contrary. There is therefore a rebuttable presumption that ownership of the rights align but there is no burden on the IPO to verify such alignment.

Question 66

If possible, please give estimates of costs incurred in providing information currently required by the IPO to update ownership details on the register, or costs incurred by third parties seeking to trace any subsequent owner, where details on the register were not up to date.

We are unable to provide an answer to this.

Other things we might do to improve the Design IP framework

The Hague Agreement

Question 67

Do you see an advantage in the UK joining the Hague system, and if so what is it?

Yes, for the reasons given in the consultation paper.

Question 68

Do you think that having the option of both registration in a selection of countries including the UK individually as well as the whole of the EU, would be useful to business? Please explain your answer.

Yes, especially for SMEs who may have more targeted protection needs in only a handful of countries.

Question 69

How many hours do you spend: Renewing a UK design registration where there is a corresponding Hague registration designating the EU? Making changes to a UK design

*registration where there is a corresponding Hague design registration designating the EU?
What level/grade of staff conducts this work?*

We are unable to provide an answer to this.

Question 70

If there was the option of designating the UK as part of the Hague registration, would you have done this or would you have still applied in the UK?

It depends on whether the filing was part of a larger project. There may be an administrative advantage in having all the protection relating to that project filed, renewed and managed centrally via WIPO

Question 71

Do you register your designs outside the UK? If yes, do you do this through the international Hague registration system, or by applying separately in each country.

See answer to question 70.

Question 72

If you could include the UK in an application through the international Hague registration system, would you be more likely to register your designs overseas?

Possibly. The Hague system enables initial filing costs for overseas protection to be materially lower than if instructing local attorneys to file national design applications. On that basis, this could potentially lead to an additional country being added into the protection when the project budget might otherwise have stretched to include that country.

Use of directions to enable speedier future reform

Question 73

Do you think it appropriate that there is a power for the Registrar of Designs to be able to issue directions in relation to designated matters under the RDA? Please explain your answer.

Yes if this is merely aligning designs with patents and trade marks.

Question 74

Please supply any further comments/suggestions you may have on how we can improve the UK designs framework, including any supporting cost/benefits analysis.

Our comprehensive answers address all our proposals.

Question 75

Please also add comments on any of the Impact Assessments available at

<http://www.ipo.gov.uk/consult-2012-designs>. Comments on the given estimates of costs and benefits are particularly welcome.

We are unable to provide an answer as regards costs.

2 October 2012

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