



INTELLECTUAL
PROPERTY OFFICE

Consultation on amendments to Design legislation

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Introduction and purpose of the consultation

1. New designs can be protected under a number of intellectual property laws in the United Kingdom. Designs may be protected under national law by registration in the UK or protected throughout the European Union, either by registration at Community level or, for a relatively short period, they may be protected against copying as unregistered Community designs. Some designs may also be protected under Part III of the Copyright Designs and Patents Act 1988 (“CDPA”) which provides a right to prevent copying of certain unregistered designs (“UK unregistered design right”). Design drawings and artistic works incorporating a design may also be protected by copyright. This consultation concerns the laws governing designs registered in the UK (“UK registered designs”) under the Registered Designs Act 1949 (“RDA”) and registered and unregistered designs (together “Community Design Rights”) protected throughout the European Union under Council Regulation 6/2002/EC on Community Designs (“the Community Design Regulation”).

Executive Summary

2. The IPO wants to equalise the availability of remedies in the UK for innocent infringement of UK registered designs and Community designs. The purpose of this consultation is to ask you which of the two options available should be adopted. These are either to limit the liability of those who infringe Community designs unintentionally in line with the law currently governing infringement of UK registered designs, or alternatively to remove the limitation of liability in respect of unintentional infringement of UK registered designs.
3. A summary of the two proposals together with the question we would like you to answer, are outlined below:

Proposal 1

To amend the Community Designs Regulation 2005 so that unintentional infringement of a registered or unregistered Community design in the UK cannot give rise to an order to pay damages or an account of profits.

Proposal 2

To amend section 24 of the RDA so as to allow for the possibility of proprietors of UK registered designs obtaining an order for damages and/or an account of profits from the unintentional infringement of a UK registered design.

The questions that we would like you to answer

- Q.1 Do you think there is any reason to maintain the status quo i.e. that financial remedies are available for unintentional infringement of a Community design right but not for unintentional infringement of a UK registered design?**
- Q.2 What do you think the economic consequences would be for the owner of a Community design right if it cannot get damages for unintentional infringement of its right?**
- Q.3 Given that the UK register of designs is publicly available and searchable online, is it still necessary to prevent the courts from making an order for financial compensation for unintentional infringement of UK registered designs on the basis that the infringer was not aware and had no reasonable grounds for supposing that the design was registered?**
- Q.4: What are the economic consequences on users if section 24B of the Registered Designs Act 1949 is repealed? How serious would this be for users?**
- Q.5: Does the non-availability of an order for financial compensation in the case of unintentional infringement of UK registered designs alter the behaviour of those who use designs? If so, how does it do so?**

Responding to the consultation

4. Please e-mail your answers to the above questions together with any other views you may have to: consultation@ipo.gov.uk alternatively, please use the following postal address:

Raoul Colombo
Intellectual Property Office
Concept House
Cardiff Road
Newport NP10 8QQ

Tel 01633 811407

5. In line with the Governments code of practice on consultations (see Annex A), please let us have your comments by **21 March 2011**.
6. Responses are welcomed from any individual, organisation, company or firm. Copies of this document, including large print versions, are available from the contact address given above. A full list of the organisations and individuals being sent this document is given at Annex B.

Impact assessment

7. An initial impact assessment (IA) has not been produced as the purpose of this consultation is to correct an anomaly that was introduced on the implementation of the 2004 Enforcement Directive and are likely to have no significant impact on business.

8. The only cost implication appears to be that the courts may be permitted to award damages in some cases of infringement of registered designs in which they currently cannot, or not award damages in some cases in which they currently can. The actual decision to award damages is one for the courts. Damages can only be awarded for losses suffered by a business through the infringement of its design. It is not possible to quantify such costs in advance and if this is the only economic consequence of the changes in the law mooted in this consultation, an IA is not appropriate. However, one of the purposes of the consultation is to establish whether there are any unseen economic consequences of changing the law. If there are, an IA will accompany any legal instrument subsequently put forward.

Openness/Confidentiality

9. This is part of a review exercise, the results or conclusions of which may be published. As such, your response may be made public. If you do not want all or part of your response or name made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your fax cover sheet will be taken to apply only to information in your response for which confidentiality has been requested.
10. Information provided in response to this review, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want other information that you request to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.
11. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding. The Intellectual Property Office will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Comments or complaints

12. If you have any questions or queries regarding the consultation, please contact: consultation@ipo.gov.uk alternatively, please use the following postal address:

Raoul Colombo
Intellectual Property Office
Concept House
Cardiff Road
Newport NP10 8QQ
Tel 01633 811407

13. If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please tell the Intellectual Property Office Consultation Coordinator, who can be contacted at:

Consultation Co-ordinator
CRM Unit
Room 3R45
Concept House
Tel: +44(0)1633 811409
Fax: +44(0)1633 814232
E-mail: consultation@ipo.gov.uk

Unintentional infringement of designs – detailed assessment of the issue

Enforcement Directive

14. Article 13 of the Enforcement Directive¹ contains provisions on the availability of damages for infringement of intellectual property rights; article 13(1) set out the basis for awarding damages when the infringement is done knowingly or where there are reasonable grounds to know that infringement will occur. This is implemented by regulation 3 of the Intellectual Property (Enforcement etc.) Regulations 2006 which provides that where in an action for infringement of an intellectual property right the defendant knew, or had reasonable grounds to know, that he engaged in infringing activity, the damages awarded to the claimant shall be appropriate to the actual prejudice he suffered as a result of the infringement. The regulation does not affect the operation of any enactment or rule of law relating to remedies for the infringement of intellectual property rights except to the extent that it is inconsistent with the provisions of this regulation.
15. Article 13(2) of the Enforcement Directive provides that “Where an infringer did not knowingly, or with reasonable grounds know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages which may be pre-established.” Recital 25 states that pecuniary compensation for innocent infringement may be awarded in the alternative where corrective measures or injunctions provided for by the Directive would be disproportionate.

Damages for innocent infringement in UK law - designs

16. *UK registered design right* – Section 24B of the RDA² provides that no financial compensation, either through damages or an account for profits, is available if the defendant in an action for infringement can prove that at the date of the infringement he was not aware, and had no reasonable grounds for supposing, that the design was registered. The section further provides that a statement on, or in relation to, an article to which a design has been applied to the effect that the design is registered shall not be taken as reasonable grounds for supposing that the design is registered unless the statement includes the number of the design registration.
17. *UK unregistered design right* – section 233 of the CDPA provides that where a person infringes the owner’s exclusive rights under section 226 of the CDPA to reproduce its design that owner is not entitled to damages if the infringer did not know and had no reason to believe that design right subsisted in the design which is the subject of the action at the time of the infringement. However, section 229 of the CDPA provides that the relief available for infringement of a design right includes an order for an account of any profits made from the infringement, and this is not affected by the defence to damages in section 233.
18. *Community Design Rights* - Article 89(1)(d) of the Community Design Regulation allows the award of sanctions which are provided by the law of the Member State in which the

¹ Directive of the European Parliament and of the Council 2004/48/EC on the enforcement of intellectual property rights

² Section 24B of the Registered Design Act 1949 was inserted by the Intellectual Property (Enforcement etc) Regulations 2006

acts of infringement or threatened infringement are committed, including its private international law, in actions for infringement of a Community Design. Whilst the Regulation can be enforced directly in the UK, the Community Designs Regulations 2005 (“2005 Regulations”) make further provision for the enforcement of the rights conferred. Regulation 1A of the 2005 Regulations³ provides that

“In an action for infringement of a Community design all such relief by way of damages, injunctions, accounts or otherwise is available to the holder of the Community design as is available in respect of the infringement of any other property right.”

19. It is suggested in Russell-Clark and Howe on Industrial Designs⁴ that article 89(1)(e) of the Community Design Regulation operates so that a member state applies its own law of damages relating to analogous national rights and accordingly should apply any analogous innocence defences. If this approach were applied in the UK, the innocence defence would differ for Community design right, depending on whether it is registered or unregistered.
20. Mr Justice Floyd did not follow this approach in *J Choo (Jersey) Ltd v Towerstone Ltd* [2008] EWHC 346 (Ch). He held that regulation 1A of the 2005 Regulations allows a court to order damages for innocent infringement of a Community design, whether registered or unregistered.
21. So section 24B of the RDA provides that a person who infringes a UK design right cannot be liable to pay any damages or an account of any profits made from that infringement if the infringer did not know and had no reasonable grounds for supposing that the design was registered when the infringement took place (although he may be subject to an injunction preventing any further infringement of the design). By contrast, following the judgement in *J Choo (Jersey) Ltd v Towerstone Ltd*, if a Community design is infringed, the innocent nature of the infringement will not necessarily avoid liability for any damages and/or a requirement to pay the owner of the design an account of any profits made from the infringing activity.

Damages for innocent infringement in the UK – other intellectual property rights

22. The law governing liability for unintentional infringements of other intellectual property rights varies from one kind of right to another. Section 62 of the Patents Act 1977 provides that infringers of registered patents shall not be subject to liability for damages, or to pay an account of the profits made from the infringement, provided that they did not know, and had no reason to believe, that a relevant patent existed.
23. Section 97 of the Copyright, Designs and Patents Act 1988 provides that infringers of copyright shall not be liable for damages, provided that they did not know and had no reason to believe that copyright existed in the work at the time the infringement took place. However, there is nothing in section 97 which prevents a person who has unintentionally infringed a copyright from being ordered to pay an account of the profits made from the infringing activity.
24. Section 14(2) of the Trade Marks Act 1994 provides that in an action for infringement of a trade mark all such relief by way of damages, injunctions, accounts or otherwise is

³ Inserted by the Intellectual Property (Enforcement etc) Regulations 2006

⁴ Seventh edition paragraph 6-52

available as is available in respect of the infringement of any other property right. An order for damages may be awarded in an action for trade mark infringement and an action for passing off (where the trade mark is unregistered) even if the infringement was innocent: *Gillette UK Limited v Edenwest Limited [1994] RPC 279*.

The Options

25. The Enforcement Directive gave Member States the option of providing for damages for unintentional infringements of intellectual property rights; the consultation document which preceded the implementation of the Enforcement Directive gave no notice of an intention to provide for damages or an account of profits over and above that required by the Directive.
26. This document outlines two options to equalise the remedies available for unintentional infringement of UK registered designs and Community designs.

The proposals

Proposal 1

To amend the Community Designs Regulation 2005 so that unintentional infringement of a registered or unregistered Community design cannot give rise to liability for damages or an account of profits.

27. This proposal would bring the law governing unintentional infringement of Community designs in the UK into line with the national law governing infringement of UK registered designs. It would mean that unintentional infringement of designs would be protected from claims for financial compensation. However, given the relative ease of access to the register of Community designs there may not be sufficient justification to exclude unintentional infringers *per se* from liability for damages or an account of the profits. Further, as a finding of copying is an essential aspect of infringement of an unregistered Community design, there would seem to be only limited scope for defendants to argue that they were unaware of the existence of the unregistered Community design right. We would therefore like to know the answers to the following questions:

- Q.1 Do you think there is any reason to maintain the status quo i.e. that financial remedies are available for unintentional infringement of a Community design right but not for unintentional infringement of a UK registered design?**
- Q.2 What are the economic consequences for the proprietors of Community design rights of excluding those who unintentionally infringe such designs from liability for damages or payment of an account of the profits made from infringing activities?**

Proposal 2

To amend section 24B of the RDA so as to allow for the possibility of proprietors of UK registered designs obtaining an order for damages and/or an account of profits from the unintentional infringement of a UK registered design.

28. Given the relative ease of access to the register of national designs there may not be sufficient justification to exclude unintentional infringers *per se* from liability for damages or an account of the profits. Instead it may be thought that the judge dealing with cases of unintentional infringement of designs should be able to decide whether or not to award damages or an account of profits on a case by case basis.

Q.3 Given that the UK register of designs is publicly available and searchable online, is it still necessary to prevent the courts from making an order for financial compensation for unintentional infringement of UK registered designs on the basis that the infringer was not aware and had no reasonable grounds for supposing that the design was registered?

29. It is possible that despite the public availability of the register of designs, placing the onus on users of designs to check the register before using designs would place too great a burden on them, or would be unfair for other reasons.

Q.4: What are the economic consequences on users if section 24B of the Registered Designs Act 1949 is repealed? How serious would this be for users?

30. We would also be interested in knowing whether excluding unintentional infringers of UK registered designs from liability for damages or accounts of their profits encourages a negligent or irresponsible attitude to the observance of rights in UK registered designs.

Q.5: Does the non-availability of an order for financial compensation in the case of unintentional infringement of UK registered designs alter the behaviour of those who use designs? If so, how does it do so?

The Consultation Code of Practice Criteria

This consultation is being conducted according to the Code of Practice on Written Consultation available from the Better Regulation Executive's website at: <http://www.bis.gov.uk/policies/better-regulation/consultation-guidance>

This recommends the following criteria:

1. Formal consultation should take place at a stage when there is scope to influence policy outcome.
2. Consultation should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.
3. Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.
4. Consultation exercise should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.
5. Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
6. Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.
7. Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

Annex B

List of individuals and organisations consulted

The following is a list of organisations and individuals to whom a copy of this consultation document has been sent. It is also available on the Intellectual Property Office website and can be viewed and commented upon by anyone accessing it:

The Ministry of Justice
The Scottish Office
The Northern Ireland Office
The Administrative Justice and Tribunals Council
The Law Society
The Law Society of Scotland
The Bar Council
IP Federation
Confederation of British Industry
University of London, Queen Mary
British Retail Consortium
Incorporated Society of British Advertisers
Chartered Society of Designers
Chartered Institute of Patent Attorneys
Institute of Trade Mark Attorneys
Association of British Chambers of Commerce
Enterprise and Small Business
Consumer Focus
Federation of Small Businesses
Licensing Executives Society
International Federation of Industrial Property Attorneys
International Chambers of Commerce
Association of the British Pharmaceutical Industry
Intellectual Property Institute
London Chamber of Commerce and Industry
Institute of Practitioners in Advertising
Anti-Counterfeiting Group
Intellectual Property Lawyers Association
British Brands Group
Patent and Trade Mark Group, Institute of Information Scientists
The Patent Judges
The Intellectual Property Sub-Committee of the City of London Law Society
The British Agrochemicals Association Limited
British Generics Manufacturers Association
British Library
Centre of Research for Intellectual Property & Technology (SCRIPT)
EC Laws Committee - LES Britain & Ireland
The Appointed Persons
INTA
Designs Council
Anti Copying in Designs (ACID)

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Ext: 1407
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