

Summary: Intervention & Options

Department /Agency: UK Intellectual Property Office	Title: Impact Assessment of the accession of the European Community to the Geneva Act and related UK measures	
Stage:	Version: 1	Date: 23 November 2007
Related Publications: Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs		

Available to view or download at:

http://www.wipo.int/hague/en/legal_texts/wo_haa_t.htm

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What is the problem under consideration? Why is government intervention necessary?

The Geneva Act of the Hague agreement on the international registration of designs allows designers to protect new and original designs in multiple states with a single application. On 1 January 2008, the EC will accede to this which opens the system up to all designers in the EU, including of course the UK. The system is simpler as there is no requirement for translations of documents, or to pay separate fees to different offices. It has been necessary to make minor amendments to the relevant EC Regulations and to the UK Registered Designs Act 1949 and the Community Designs Regulations 2005.

What are the policy objectives and the intended effects?

EC accession to the Geneva Act will encourage more European businesses to operate in the global market in the knowledge that their investment in designs will be protected. The associated incentive to innovate will lead to the increased development of new and improved products, benefiting EC industry and consumers and those of other countries. If the EC had not acceded to the international registration system, there would be a risk that businesses would be unwilling to trade in the international market as they could not afford the cost of securing design protection.

What policy options have been considered? Please justify any preferred option.

Option 1: Do nothing – The EC Regulation has direct effect.

Option 2: Support the Commission proposal to accede to the Geneva Act and amend the UK regulations to align the rules and provisions relating to international and Community design registrations.

It was decided to follow option 2 and the consequential changes to domestic legislation have been made to ensure coherence.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

In accordance with EC practice the Commission will undertake a review in 3 years. The UK-IPO will conduct its own consultation in line with best practice and feed into the EC review.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

.....Date:

Summary: Analysis & Evidence

Policy Option:	Description:
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' none		
	One-off (Transition) Yrs			
	£			
	Average Annual Cost (excluding one-off)			
	£	Total Cost (PV)	£	
Other key non-monetised costs by 'main affected groups'				

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' Those using the current Community design system will find benefits of £262 on average per design application from using the International system. 4500 UK applicants use the Community system p.a. so the benefit could range from £262,000 (1000 applications) to perhaps £786,000 (3000)		
	One-off Yrs			
	£			
	Average Annual Benefit (excluding one-off)			
	£ 262+legal costs	Total Benefit (PV)	£	
Other key non-monetised benefits by 'main affected groups' Using the international system is simpler as applicants deal with one central office and will not need Attorneys in each jurisdiction, UK designers who currently use the EU system may in future use the international system.				

Key Assumptions/Sensitivities/Risks

Applicants are likely to continue to use the UK registration system as they may require national protection only. International filings will no doubt increase with perhaps a corresponding decrease in direct filings for the Community design which will have no direct effect for UK

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?	UK
On what date will the policy be implemented?	1 January 2008
Which organisation(s) will enforce the policy?	UK-IPO
What is the total annual cost of enforcement for these organisations?	£ 0
Does enforcement comply with Hampton principles?	Yes
Will implementation go beyond minimum EU requirements?	No
What is the value of the proposed offsetting measure per year?	£ 0
What is the value of changes in greenhouse gas emissions?	£ 0
Will the proposal have a significant impact on competition?	No
Annual cost (£-£) per organisation (excluding one-off)	Micro Small Medium Large
Are any of these organisations exempt?	No No N/A N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)
Increase of £ 0	Decrease of £	Net Impact £ N/A

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Background

1. The Community design system allows designers to protect new and original designs which are characterised by their visual appearance, by the granting of individual monopolies over registered designs, which are unitary in character and valid throughout the EC. Registered design rights also exist in each of the Member States of the EC, but the Community design is an economical and convenient way of obtaining uniform protection throughout the Community by any business operating in the European market.
2. The Hague Agreement Concerning International Registration of Industrial Designs provides a system, administered by the World Intellectual Property Organisation (WIPO), by which filing of a single design application together with a single fee will result in a bundle of registered designs in nominated contracting states.
3. The Geneva Act of the Hague Agreement entered into force on 23 December 2003. Among other modifications to make the system more accessible, it allowed for the accession of intergovernmental organisations, such as the EC, to the Hague System. Currently, 23 countries are party to the Geneva Act, including Switzerland, Singapore and Turkey.

Rationale for government intervention

4. If the EC had not acceded, applicants wishing to register designs in countries outside the EC would have to file applications in each country separately. They would have to file individual fees and renewal fees in each country, and would have to track each individual registration separately to ensure that renewal fees were paid on time. This would result in a cumbersome portfolio of rights, which would require management by legal advisers in the countries of registration. The expense of registration and, in particular, of the legal advice, would be substantial, as would be the time required to manage the administrative burden.
5. In times of ever-increasing global trade, the need to protect designs internationally is expected to grow, and, if the high costs of registering designs internationally are not addressed, the unnecessary cost borne by industry will grow accordingly.
6. The UK is a member of similar agreements which allow the international filing of Patents (the PCT) and trade marks (the Madrid protocol) due to the advantages these systems bring.
7. The accession of the EC to the Geneva Act, allowing international protection of designs, will encourage more European businesses to operate in the global market in the knowledge that their investments will be protected, and the associated incentive to innovate would lead to the increased development of new and improved products, benefiting not only EC industry and consumers, but also those of other countries. If the EC had not acceded to the international registration system, there is a risk that businesses would be unwilling to trade in the international market.

8. Few costs are expected to be incurred by this proposal as the proposal concerns consequential changes to domestic legislation (namely the Registered Designs Act 1949¹ and the Community Design Regulations 2005² necessary for the operation of a directly applicable Community Regulation (namely Regulation (EC) No 6/2002 as amended by Council Regulation (EC) No 1891/2006 (“the Design Regulation”). The consequential changes ensure the coherence of domestic legislation in the areas to which the Design Regulation applies and will involve marginal legislative costs.
9. Administrative costs will be borne by the Office for Harmonisation in the Internal Market (OHIM), which is the European body responsible for the administration of the Community Trade Mark and Design systems, and the World Intellectual Property Office (WIPO), which is the UN body responsible for the administration of the Hague system. Each respective system is funded through filing and renewal fees. The cost of filing under the Hague system comprises several parts. WIPO charges a basic filing fee of £175 plus a publication fee of £5.³ In addition to this a designation fee is charged for each designated country in which protection is sought. This fee goes directly to the nominated states. The OHIM will set their own designation fee so that they, in principle, receive the same amount as under registration of a Community design. This fee will be £43 per design, as the international system is expected to provide savings for the regional office.
10. The above fees are current but on January 1 2008, The World Intellectual Property Office (WIPO) will be introducing a new fees structure. The changes include –
 - i) A simplification of publication fee structure
 - ii) Introduction of different levels of standard designation fees
 - iii) Reduction of fees intended for the International Bureau for applicants from Less Developed Countries (LDCs)The average cost will remain the same for the majority of applicants.
11. Design registration is an optional part of the design process, and designers will not be directly affected by the accession unless they choose to register designs using the Geneva Act system. The cost to designers who choose to register under the Geneva Act is about £180 plus fees for each of the designated countries. For most countries this will be the standard fee of £19.⁴ By means of comparison, it currently costs about £110 to register a design in Switzerland⁵ alone. The designation fee set by OHIM is much less than the current fees for registering a Community design directly with OHIM. Filing under the Geneva Act will compare favourably to individual registration, even in a small number of territories, and with each additional territory nominated the savings will add up.
12. Many businesses, especially SMEs, are expected to seek independent legal advice as part of the application process. Typical legal costs associated with filing a single national design application are estimated to be in the region of €500⁶. It is unlikely that legal costs incurred by filing in multiple countries under the Geneva Act will be significantly higher than this, and will certainly be less than the legal costs of filing in multiple countries independently.

¹ Registered Designs Act 1949, as amended by the Copyright, Designs and Patents Act 1988, Registered Designs Regulations 2001 and the Registered Designs Regulations 2003.

² S.I. 2005 No. 2339 - The Community Design Regulations 2005

³ The costs of registration, as given on the Hague System website (<http://www.wipo.int/hague/en/>) are Basic Fee: CHF 397, Publication Fee (basic): CHF 12, Standard Designation Fee: CHF 42 per territory or Individual Designation Fee: variable. The figures above take £1 to be equivalent to 2.27 Swiss Francs (CHF).

⁴ See above.

⁵ Figure taken from the website of the Swiss Federal Institute of Intellectual Property (<http://www.ip4all.ch/E/design/d130.shtml>) taking £1 to be equivalent to 2.27 Swiss Francs (CHF).

⁶ According to respondents to a 2002 OHIM study: “Prospective study about the design registration demand at a European Union level”, May 2002, page 25, study available from <http://oami.eu.int/en/design/pdf/3830000.pdf>.

13. There may be indirect costs to businesses which legitimately make cheap copies of existing designs if design protection in general were to increase, and consumers may lose out on the competitive prices these businesses are able to offer.
14. If the UK had chosen to ratify the Act independently there would have been the costs associated with introducing primary legislation, and increased costs associated with administering the registration system. Most UK businesses expected to use the Geneva Act system are those currently using the Community system of registration, so, if the UK had ratified instead of supporting the Commission proposal, they would have incurred an additional cost arising from having to file separate Community and international applications.

Benefits

15. There are a number of direct and indirect benefits of the proposal. These will be discussed in context with existing costs of filing design registrations internationally.
16. Currently, design registrations are subject to filing fees and renewal fees in each country in which they are filed. Typical national filing fees are estimated to be generally under €100⁷. In addition, there is the cost and inconvenience of currency conversion when filing internationally. Under the Geneva Act, however, a single application fee will be paid in a single currency (Swiss francs). A single renewal fee will also apply. As well as the convenience of a simplified fee system, total filing costs are expected to be less than those incurred by individual applications.
17. Of greater cost than filing and renewal fees are the legal fees associated with obtaining registered designs. Legal advice is more likely to be sought by UK businesses seeking design protection outside the UK, and by SMEs rather than large companies with more experience of the system. Typical legal costs per application are estimated to be in the region of €500⁸. These fees are currently increased when filing internationally, especially if legal advice is sought in each of the countries in which designs are being registered. The simplicity of the Geneva Act system is expected to result in reduced legal fees, in particular through the decreased need to take legal advice in several countries.
18. The Commission's impact assessment⁹ identifies the economic sectors concerned as predominantly textile and furniture, cars, jewellery, and mobile phones. It also shows that both large companies and SMEs would benefit from accession, and that the advantages would be felt by industries of the Community and those of third countries].
19. Accession to the Geneva Act by the EC is likely to encourage accession by a number of other large economies, such as the US and Japan. Consultation has shown that if the US were to accede, then the system would become more attractive to users.
20. The simplified system provided for by the Geneva Act will encourage trade between the EC and other countries, allowing businesses to trade internationally with the security that their investments are protected by registered designs. This would have a positive impact on research, development and innovation.

Consultation

21. In the summer of 2004 the Commission undertook a consultation on the impact of accession by the EC to the Geneva Act. Member States were invited to submit comments, as well as Switzerland, the US and some 90 business and professional organisations, and 53 responses were received. Of these, the majority of Member States and nationally-based

⁷ See above. The cost of registering a design in the UK is currently £60.

⁸ See above.

⁹ SEC(2005)1748

organisations, and all private companies and European organisations consulted showed their support for the proposals. Informal UK consultation has taken place among the members of the Designs Practice Group, who represent designers and intellectual property professionals, with all concerned showing support for the proposals. The views of interests will continue to be canvassed throughout the progress of the legislation.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No