

**EXPLANATORY MEMORANDUM TO
THE COMMUNITY DESIGN REGULATIONS 2005**

2005 No. 2339

1. This explanatory memorandum has been prepared by the Department of Trade and Industry and is laid before Parliament by Command of Her Majesty.
2. **Description**
 - 2.1 These Regulations make supplemental provisions to the Council Regulation (EC) 6/2002 of 12th December 2001 on Community Designs (“the Community Design Regulation”).
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None.
4. **Legislative background**
 - 4.1 These Regulations are made under section 2(2) of the European Communities Act 1972.
5. **Extent**
 - 5.1 This instrument extends to all of the United Kingdom. The Scottish Administration has been consulted.
6. **European Convention on Human Rights**

The Minister, Lord Sainsbury of Turville, made the following statement regarding Human Rights: in my view the provisions of the Community Designs Regulations 2005 are compatible with the Convention rights.
7. **Policy Background**
 - 7.1 These Regulations are intended to bring Community designs within a similar framework to designs registered under the Registered Designs Act 1949 (“the 1949 Act”) and to design right under Part 3 of the Copyright, Designs and Patents Act 1988 (“the 1988 Act”).
 - 7.2 Regulation 2 makes provision for persons who are aggrieved by groundless threats of infringement of a Community design. This compliments similar provisions in both the 1949 Act and the 1988 Act. It also removes a potential problem which could occur where a threat of design right infringement is made, but the threatener does not specify whether the relevant design is protected under the 1949 Act, or Part 3 of the 1988 Act or under the Community Design Regulation.

- 7.3 Regulation 3 creates two new offences, both attracting a fine, for falsely representing a design as registered (or still registered) in accordance with the Community Design Regulation. These offences are similar to those found in section 35 of the 1949 Act. In addition section 35 of that Act is being amended so that where someone simply represents their design as “registered”, it is deemed to be registered under the 1949 Act. However, this can be rebutted where it shown that it is registered elsewhere (for example, at the Community Design Registry at OHIM or the French design registry).
- 7.4 Regulation 4 extends privilege to any communication between a professional designs representative and his client, thereby putting such representatives on an equal footing with Patent Agents and Trade Mark Attorneys.
- 7.5 Regulation 5 and the Schedule make provision for the Crown use of Community designs in accordance with Article 23 of the Community Design Regulation. Crown use of designs registered under the 1949 Act is permitted by the First Schedule to that Act and Crown use of designs enjoying design right under the 1988 Act is in accordance with that Act. This Regulation therefore puts Community Designs on a similar footing; save that Crown use has to be limited to essential defence or security needs.

8. Impact

- 8.1 A Regulatory Impact Assessment is attached to this memorandum

9. Contact

Robert Shorthouse at the Patent Office: tel: 01633 814634 or e-mail robert.shorthouse@patent.gov.uk can answer any questions on the Order.

Final Regulatory Impact Assessment

1. Title of Proposal

1.1 The Community Designs Regulations 2005.

2. Purpose and intended effect of measure

(i) The objectives

2.1 There are two distinct purposes for legislation relating to the Community Design to be considered:

A. To permit government use of Community designs in the same way as national registered designs, to the extent necessary for essential defence or security needs, as permitted by Article 23 of the Council Regulation (EC) No. 6 of 2002 on the Community Design (the Community Designs Regulation).

B. To ensure that the Community design system provides the same benefits and safeguards for designers and third parties that have been considered appropriate for the UK national design system. The details are set out in section 4 below.

(ii) The background

2.2 The Community design system is now in operation. UK users can choose between national UK-wide registered design protection, and Community design protection throughout the European Union. There are some differences between the two systems, adding complexity for designers. Moreover it is at present possible to circumvent some safeguards in the UK registered design system through the Community system, and also to lose some benefits if the Community route is chosen.

(iii) Risk assessment

A – government use

2.4 If government use provisions are implemented for Community designs, there is a risk of slightly reduced rights. However, government use of registered designs is very rare (typically these provisions are used very infrequently, with uses being years apart) because in most cases the appearance of products is not material to uses which are of sufficient importance to justify invoking the Crown Use provisions (the right does not extend to matters of appearance which are essential to the technical function of a product). Moreover, holders of registered designs are used to working with the existing government use provisions for UK national registered designs and unregistered designs. If these are not implemented, national security will be impacted, as essential defence or security needs do occasionally require the use of a product of particular appearance, it is considered important to exercise the option which is given in the Community Designs Regulation.

B – benefits and safeguards

2.5 This category has the broadest-reaching effect, including criminal sanctions and civil redress to deter abuse of the system. This will not cause new expense or regulatory difficulty for any person since it merely duplicates, in respect of Community designs, matters which already apply in the case of equivalent national rights. On the other hand failure to extend the provisions could cause significant difficulties either for users of the system or for third parties who might be subject to abuses which are prohibited in respect of the national system as detailed below.

2.6 See paragraphs 4.3-4.9 below for details of matters of equity and fairness for each of A and B above.

3. Options

3.1 The objectives can be achieved only by legislation. This legislation can be made under the European Communities Act 1972.

4. Benefits

4.1 Category A, government use of Community designs, will, on the rare occasions where such use is necessary, ensure the designs are available for use. Category B, relating to benefits and safeguards, will ensure more consistency between the Community design system and the national design system (both registered and unregistered), simplifying the

protection of designs for UK users, and ensuring that the checks and balances for both owners of Community designs and third parties are correct. See paragraphs 4.3-4.9 below for details of matters of equity and fairness.

Business sectors affected

4.2 A and B affect all business sectors involved with designs.

Issues of equity and fairness

4.3 Category A, government use of Community designs would, where it applies, attract the same conditions of use as for national designs; this would only disadvantage the owner (or potentially licensees) of the right, who is entitled to compensation for the use which is made (such compensation is determined on a similar basis to damages). The government is only permitted to use the designs in this way if it is necessary for essential defence or security needs and consequently the number of design holders affected will be extremely small.

4.4 Category B is the area which would have the most significant impact. The Community Designs Regulation provides a system of rights for owners of designs. However it has been recognised in most areas of intellectual property that measures which go beyond the exclusive rights of owners are necessary to ensure that the system is fair and avoids abuse. In particular the Registered Designs Act 1949 and the Copyright, Designs and Patents Act 1988 provide checks and balances, which as a matter of equity could beneficially be extended to the Community system as it applies within the UK (in the Trade Marks Act 1994 Parliament made specific provision for similar extensions relating to Community Trade Marks).

(i) Offence of falsely claiming that a design is registered

4.6 Section 35 of the Registered Designs Act 1949 makes it an offence to falsely claim that a design is registered. This protects competitors from unfairly being warded off from competition in an area where there is in fact no exclusive right. Prosecutions are extremely rare, but this appears to be testimony to the deterrent effect against abuses which were fairly common prior to the introduction of this type of offence (which is common to all forms of registered intellectual property, including patents and trade marks). It should not be possible to bypass this protection simply by claiming that a design is protected by a Community design registration rather than a UK registration.

(ii) Redress against groundless threats of infringement of a design

4.7 Section 26 of the Registered Designs Act 1949 and section 253 of the Copyright, Designs and Patents Act 1988 provide redress for certain people who are threatened with infringement proceedings. This type of provision has been common to all forms of registered intellectual property law since around the start of the twentieth century (1883 for patents, 1907 for designs) and it was introduced in 1988 for unregistered designs. It was introduced to combat abuses where a right holder would attempt to disrupt a competitor's business by threatening legal action, knowing that there was no likelihood of success, but relying on the fact that intellectual property litigation is so complicated (and expensive) that many would back off rather than risk it.

4.8 The problem is now much less common than used to be the case, probably in part because this type of provision provides a method of ending the threat. The particular form of the provisions have attracted some judicial criticism since it can be difficult to distinguish between reasonable negotiations (where an implication that a person appears to be infringing a right is likely to play a part and people should not be encouraged to go to court before negotiation has failed) and threats. A few have also suggested that these provisions no longer have any useful role to play. However this seems a matter for a more general review. In the meantime, the courts have found it possible to safeguard the reasonable actions of right-holders and it would seem anomalous for a third party to be denied protection from threats made by the holder of a Community right effective in the UK which could be stopped if the right was an exactly equivalent national one.

(iii) Privilege for communications with a professional representative

4.9 In general communications between a person and a recognised intellectual property practitioner (registered patent agent or registered trade mark agent) as to any matter relating to the protection of a design (and various other IP-related matters) are privileged (see the Copyright, Designs and Patents Act 1988 s.280; the Trade Marks Act 1994 s.87). The Community Design Regulation recognises a new group of people who are entitled to practice before OHIM in matters relating to designs. In most cases communications with these people in respect of matters relating to the protection of designs will be privileged anyway because of their status as a patent agent, trade mark agent or representative before OHIM on Trade Mark matters. Nevertheless, it is possible for people to qualify for

this status without being in any of the other categories and it seems equitable that privilege should apply then also.

5. Costs

5.1 Compliance costs for firms will be insignificant. There do not appear to be any significant costs, other than those in preparing the necessary legislation and guidance, in making the Community and UK systems as consistent as possible for UK users. The systems for all these matters are already in place and would be unlikely to be used more – this is merely displacement of activity under a national system to activity under an equivalent Community system as it affects the UK. Thus firms involved in the protection of designs will have minimal costs in training their staff or producing revised guidance. On the other hand divergence would increase costs for firms since it allows anomalies to creep in which might be seen as unfair and unnecessarily confusing. This compliance cost assessment also applies to third parties concerned with registered designs, for example an alleged infringer of a registered design.

6. Small Firms' Impact Test

6.1 Making the proposed changes would have no obvious adverse effect on small business. There are no disadvantages to any person conferred which are not already a part of the balances in the equivalent national registration system.

6.2 Not making the changes would cause confusion by having different factors to consider depending whether a person used the existing UK system or the Community system (which is intended to be equivalent). This would hit small businesses particularly hard since they do not generally have the specialist legal services to advise on such matters.

7. Competition assessment

7.1 The proposed changes would have little effect on competition in the design industry, as they relate to a mere displacement of activity under a national system to activity under an equivalent Community system as it affects the UK.

8. Enforcement and sanctions

8.1 A and B deal with private rights, enforceable through the courts. Although the Community design is effective across the Community, these

matters are a question of how the rights work specifically in the UK and would usually only be relevant to UK courts in their role as national design courts. Although these courts also have a role as Community design courts, the Community Designs Regulation leaves some matters to national courts.

9. Monitoring and review

9.1 The Patent Office is monitoring the use of the Community design system as it settles down, along with the use of the UK registered design system, to ensure that both systems work effectively. We meet regularly with users of both systems to collect their experiences of both systems.

10. Consultation

(i) Within government

10.1 The following government departments and agencies have been consulted on these matters:

Defence Procurement Agency
Department of Constitutional Affairs
Department of Trade and Industry
Home Office
Foreign and Commonwealth Office
Northern Ireland Court Service
Patent Office
Scottish Executive (for Court Service)
Small Business Service

(ii) Public Consultation

10.2 A 12-week formal consultation has taken place, with a consultation document published on the Patent Office website, as well as being available in hard copy. Lists of stakeholders regularly used by the Patent Office for the purposes of consultation were notified of the consultation, including those which have a particular interest in designs. Representative groups were consulted, such as the Institute of Trade Mark Agents (ITMA), and the Chartered Institute of Patent Agents (CIPA). The responses to the consultation supported the proposed provisions.

11. Summary and recommendation

11.1 In summary, bearing in mind the costs and benefits referred to above, legislation should be made which includes the following:

- applying crown use provisions to community designs to the extent that the use is necessary for essential defence or security needs;
- making it an offence to claim falsely in the UK that a design is protected as a Community design;
- providing redress against groundless threats of infringement of a Community design in the UK; and
- providing that communications with a professional representative on the special list under Article 78 of the Community Design Regulation in matters regarding the protection of designs should be privileged, whether or not that representative is also a patent or trade mark agent.

11.2 There does not seem to be any significant disadvantages to these proposals, but significant advantages in ensuring consistency between the national and Community systems.

12. Declaration

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed Gerry Sutcliffe.....

Dated 15th August 2005.....

Gerry Sutcliffe, Parliamentary Under-Secretary of State (Minister for Employment Relations and Consumer Affairs)