

DESIGNS FOR LIFE

AN ESSENTIAL OVERVIEW OF DESIGN
PROTECTION, ENFORCEMENT AND
EXPLOITATION.





CONTENTS

PREFACE	1
PART I – DESIGN STAGE	2
PART II – BRINGING THE DESIGN TO MARKET	10
PART III – EXPLOITATION, COMMON PROBLEMS AND EXTENDED PROTECTION	20
KEY CONTACTS	31

PREFACE

In this three-part booklet by the Gowling WLG UK design law team, we journey through the process of design, from inception to exploitation and enforcement, considering the steps from the point of view of the designer and design-led business.

This will not be a dry trawl through the case-law but a practical, end-to-end guide to designs. Specifically:

- Part I examines the development of the design concept, including the critical factors for ensuring that protection is maximised from the outset.
- Part II looks at bringing the design to market, exploring the considerations in regard to manufacturing, distribution, and protection. It is a fact of life that if a design is successful, it is likely to be copied or used as a "source of inspiration". Strategies on how best to deal with infringers will also be examined.
- Part III looks at ways to exploit designs to maximise the return on investment, including licensing, licences of right, ways to extend protection, and common problems that design owners encounter in the design field.

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PART I - DESIGN STAGE

I. INTRODUCTION

Design law does not see as much coverage as other intellectual property rights, such as trade marks and patents, but of late it is undergoing something of a renaissance, both in industry and in the courts. When the UK Government carried out a consultation on design law in 2012, it estimated that £33.5 billion was invested in design in 2008 - 2.4% of GDP.

Unsurprisingly, the government as such considered designs to be of utmost importance to the national economy. It went on to estimate that UK businesses invested a further £15.5 billion in design in 2009. The government's conclusion was that "businesses can use design rights and other intellectual property to protect their creativity, which in turn can lead to investment in new products, the promotion of innovation and can help to sustain growth". The result of the consultation was that protection of designs is key to the economy, and will drive future growth.

II. DESIGN CONCEPT DEVELOPMENT

The legal protection afforded to design is of vital importance to any business engaged in the design of new products. It dictates how the business can protect its work from competitors and third parties while minimising the risk of infringing someone else's design, whether accidentally or not.

An understanding of design law, and its impact on the design process, is therefore crucial from the outset. The following explains how a business can manage its design process so as to protect its investment and minimise its risk.

A. Step 1 - Contracts

First, a business needs to ensure it owns the design. As obvious as this may sound, potential claims often fall at this first hurdle, particularly when contractors are involved.

For example, in the UK, recent changes mean that the commissioner of a design no longer automatically owns that design. Therefore,

if a design consultancy is used it will own the design under UK law unless a consultancy agreement dictates otherwise. It is therefore vital that all third parties involved in the design process have signed an agreement with the business before work is commenced. The terms of the agreement will depend on its nature, but should generally include the following provisions: ^[1]

- **Transfer.** A provision that all intellectual property - both existing and future - shall be assigned to and shall vest in the business. Note however that under UK law, a purported assignment of future registrable rights may operate only as a contractual right to call for that assignment once the right comes into existence. By getting its rights in place before work begins, a business can avoid delay and dispute further down the line. Local advice should be sought in respect of rights involving jurisdictions abroad.
- **Further assurance.** A requirement that the contractor takes all necessary steps to perfect the above assignment (including signing documents to be filed with the relevant IP office). It may also be useful to oblige the contractor to assist the business in respect of any claims relating to the design.
- **Confidentiality.** A requirement that the contractor documents all of its work properly and keeps all such documentation confidential. This is discussed further overleaf.
- **Originality.** A requirement that the designs will be the contractor's own work (i.e. not copied from pre-existing designs).

Designs created by employees in the ordinary course of their employment will generally be owned by the business automatically. Nevertheless, provisions dealing with the ownership of designs should be spelled out in all employment contracts, as should an employee's obligations in respect of those designs. Not only will this clarify the business's legal rights, it will also put employees on notice of what is required of them, alleviating the risk of future disputes.

^[1] Note that this list is non-exhaustive.

B. Step 2 - Document Design Process

Good practice during the design process is vital. Building on the contractual rights detailed in Step 1 above, the following procedures will help to protect the business's rights during the design phase, and enable it to enforce designs further down the line, should the need arise:

- **Documentation.** Ensure each iteration is properly documented. Like any creative activity, product design does not follow a strict formula. The process is often complex, with input from a variety of sources being recorded on different media, from simple paper sketches through to detailed CAD drawings. It is important to ensure that each stage is documented as even the earliest paper sketches could ultimately prove invaluable.
- If a competitor later claims that a product has been copied from one of its own designs, evidence of how the product was developed from an initial design concept could help to prove that no copying has taken place. Alternatively, if the business has had its design copied by a competitor, the development drawings may help to explain how the design is novel and original over prior designs, thus rendering it capable of attracting design rights.
- The business may also have rights in the developmental designs, not just the end result, meaning that if an early iteration of the design has been copied (e.g. an ex-employee takes a concept to a competitor), the business can rely on the drawing of that early iteration. In an ideal world, all iterations should be recorded, with the drawings stored together in one location. The designers themselves should be encouraged, if not obliged, to record and store their ideas at the business's premises, or electronically on the business's server. Reliance on the memory of the designer is undesirable - particularly given the tendency of former employees to be unwilling to help.
- **Confidentiality.** Ensure all documents are kept safe. The most effective method of protecting designs prior to publication is to keep them confidential. If competitors cannot get hold of a design, they cannot copy it. It is well-known that highly innovative companies such as Apple go to great lengths to keep their new designs confidential.
- One should also bear in mind that unregistered design rights have relatively short lifespans, commencing when the design is made public (see below), so early disclosure could shorten the term of protection. The source of early disclosure is often the business's own employees. It is therefore important to implement safety measures and encourage good practice, such as encrypting laptops, avoiding travel with hard copy documents, and preventing employees from taking designs (even early sketches) with them when they leave the business.
- **Filing.** Having an independent means of proving the date of a design drawing can be extremely useful, as the precise date of design could be very relevant if there is a need to enforce the designs later. There are various databases that offer third party verification of the date of a design drawing (for a fee), or the documents can be self-addressed and posted to rely on the postmark (only be sure not to open the envelope!).

C. Step 3 - Ensure design is original

Having invested time and money in developing its designs, a business will want the ability to protect its investment by relying on the underlying design rights. Only certain designs qualify for protection - it is crucial to ensure not only ownership of the designs, but also that the designs themselves are protectable.

Design protection covering the UK falls into two categories:

- i. UK and Community registered designs ("UKRD" and "RCD" respectively) and Community unregistered design rights ("UCD") must be "new" and possess "individual character" in order to qualify for protection. There is a good deal of



law addressing precisely what is meant by this, but it can be summarised as follows:

- **Novelty.** A design is “new” if no identical design or no design whose features differ only in immaterial details has been made available to the public before the relevant date.
 - **Individual character.** A design possesses “individual character” if it produces a different “overall impression” on an informed user relative to any prior design.
 - **Overall impression.** In assessing the overall impression, one must bear in mind the nature of the product to which the design is applied or incorporated, the industrial sector to which it belongs, and the degree of design freedom available to a designer of such designs.
 - **Prior design.** Designs made available to the public (within the UK or the EU depending on the geographical extent of the right) prior to the business’s design will class as “prior designs” for the purpose of assessing novelty and individual character.
- ii. For UK unregistered design rights (“UKUDR”), the position is different. Here, a design must be original (i.e. not a slavish copy of a prior design, or “commonplace” in the design field in question). The joy of UKUDR is that it does not require any action on the part of the designer for it to come into existence. Better still, it lasts much longer than UCD - 10 years from the end of the year in which it is first made available to the public, or 15 years from the date of design, whichever is shorter.
- The key to UKUDR is qualification. The right only exists if the qualification requirements are satisfied. It is important, therefore, that records are kept to demonstrate how the qualification requirements are satisfied, otherwise it can be difficult to prove later. The rules are quite complex, but for designs created since October 2014, the rules are essentially as follows:
- Designers working for themselves and who are habitually resident in the UK, EU or another “qualifying country” (which include New Zealand, Hong Kong and various Caribbean islands) will qualify.

- A company that employs the designer, and which is formed in a qualifying country and carries out a substantial amount of business in a qualifying country will qualify. There is no express requirement for the design part of the business to be in a qualifying country.
- If neither of the two routes above work, the final option is if the product made to the design is "first marketed" in the EU. This is a way in for US and Asian (except Hong Kong) companies to obtain protection, but it does require the product to be launched in the UK or EU before their home markets.

If a business commissions a design, it does not matter whether it qualifies under the new rules that apply from October 2014 - it is all about the designer or the company which employs them. The key in these circumstances is for the business to ensure that it takes assignment of the rights that are created under the commission - the commissioner no longer attains it automatically.

With UKUDR (and UCD), parties should be sure to keep records about how they qualify for the rights. It is much easier to do at the time of the design than when the need to enforce them arises years later.

D. Step 4 - Avoid infringing third party designs

By infringing a third party's rights, a business exposes itself to being sued for damages and/or being restrained from marketing its own products (among other things). The risk of infringement can be greatly reduced by adhering to some straightforward (but often ignored) guidelines.

(I) AVOID COPYING

Ensure the design is original. Prior third party design documents will usually benefit from copyright protection, while unregistered design rights may subsist in both the design documents and the articles made to that design.

Unlike registered designs, which give monopoly-style protection (see further below), Community and UK unregistered rights (including copyright) are only infringed if they have been copied. In other words, if the business can prove it created a design independently it will not be liable for infringement of an unregistered design.

Of course, in reality, designers do not operate in a vacuum - they draw inspiration from the world around them, including other

products. So to what extent can a design "take inspiration" from pre-existing designs?

- **Copyright.** For copyright infringement, the whole or a "substantial part" of a design document must be copied. Copyright protects the expression of a design, not the idea behind it, so taking inspiration from part of a document without actually copying it will not usually be a problem. It should be borne in mind that the test is qualitative (and not quantitative), so copying the most striking aspect of a document will often result in infringement.
- **UKUDR.** UK unregistered design rights protect the shape or configuration (whether internal or external) of the whole or part of an article, and are infringed when the design is copied so as to produce articles exactly or "substantially" similar to that design. A business therefore minimises its risk as it moves away from the shape and configuration of the original design (or any part of it). UKUDR only covers the shape - not the colour, material or surface decoration (unlike other design rights).

This is particularly so as the issue of copying is often also determined with account to the similarity between two designs. For sufficiently similar designs, copying may even be inferred without direct evidence of any having taken place, and it is for the accused to prove it did not do so. The recent English High Court case of *G-Star Raw v. Rhodi Ltd* [2] serves as a useful reminder of the importance of keeping accurate records and having a reliable story to tell in order to rebut the inference of copying.

- **UCD.** Community unregistered design rights protect the appearance of the whole or a part of a product resulting from the features, in particular the lines, contours, colours, shape, texture and/or materials, of the product itself and/or its ornamentation.

A UCD can be infringed by any design with the same overall impression provided that the accused design results from copying. The business can therefore reduce the risk of infringement by moving the appearance of its design (in particular the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation) further away from the original design.

Intentional copying of a registered design, while knowing or having reason to believe the design is a registered design, is now a criminal offence in the UK. Copying should therefore be avoided at all costs. As a result, it is especially important that

[2] [2015] EWHC 216 (Ch) (February 6, 2015).

	Right	Term	What it Protects	Copying Required to Prove Infringement?
If not registering	UK Unregistered Design Right	Shorter of 10 years from the first marketing of the product; or 15 years from creation of the design.	The shape or configuration (whether internal or external) of the whole or part of an article (excluding mere surface decoration, which may be protected by copyright).	Yes
	Community Unregistered Design Right	Three years from the date the design is first publicised in the EU.	The appearance of the whole or part of a product resulting from the features, in particular, the lines, contours, colours, shape, texture and/or materials, of the products itself and/or its ornamentation. This covers surface decoration.	Yes
If registering	Registered UK and Community Designs	Up to 25 years (subject to five-yearly renewal fees).		No

records are kept to show that no copying took place, and that (a) the business believes the registered design was invalid and/or (b) the business believes that the design it created did not infringe the earlier design. One way to prove this may be to obtain independent legal advice to this effect (although the courts are yet to determine what would be sufficient in this regard).

(ii) Clearance

Once a design has been arrived at, checks can be undertaken to minimise the risk of infringement. Clearance searches are difficult in respect of registered designs, as protection is not limited to any particular field. Therefore a decorative design on, for example, a wall clock could infringe a design registered in relation to a product in a different field, such as garden furniture. Further, a three-dimensional article can infringe a registered two-dimensional design.

One way to minimise risk is to consult with the designers and identify any designs or products used for inspiration. If there are apparent similarities then legal advice should be sought. Searches can be conducted to check if and when the prior designs had

been registered and to help identify other relevant registered or unregistered designs. Searches for registered designs can be conducted at www.ipo.gov.uk/d-find-product.htm in respect of UK designs and www.tmdn.org/tmdsview-web/welcome for Community designs. It is advisable to instruct a solicitor or attorney to conduct such searches, if required.

Such searches not only help to minimise the risk of infringement but also help identify whether any prior designs may prevent design rights from subsisting in the business's designs as discussed in Step 3 above.

III. DESIGN CONCEPT PRODUCTION

Assuming the steps in design concept development above have been followed, the business should now own a confidential design that is capable of protection and does not infringe third party rights. The next step is to consider the type and level of protection required.

Some rights will subsist automatically while others are only available via registration. For example, designs disclosed in the EU may automatically benefit from UCD and UKUDR. Any design drawings and any surface decoration may also benefit from copyright protection.

In addition to these automatic rights, the business may decide to seek enhanced protection by registering the design. This decision will hinge on many variables. The table on page 7 summarises some of the key attributes of Community and UK rights.

A. Step 1 - Decide whether to register

The following considerations are often pivotal:

- **Deterrence.** Registering a design is an effective means of deterring would-be infringers. The design will appear on the register and the business can advertise the fact it enjoys registered protection on packaging and in literature. Some EU Member States - like the UK - have also made deliberate infringement of registered designs a criminal offence, which further enhances the deterrent.
- **Longer protection.** UKUDR and UCD only offer 10 and three years' protection respectively, whereas registered Community and UK designs can confer up to 25 years' protection. Unregistered protection may therefore be sufficient for products with a short market life such as those in the fashion world.
- **Easier to enforce.** There is no need to prove that the alleged infringer copied a registered design. Subject to some exceptions, infringement of a registered design (UK or Community) occurs when a third party uses a design which does not produce a different impression on the informed user, regardless of whether the third party copied or came up with the design independently.
- **Cost.** The registration cost is much cheaper than that for patents or trade marks, particularly as a discount is given for multiple filings on the same day. The fees for registering a single UK design are being reduced significantly in 2016, so that a single design costs £50, but filing 10 at once costs £70, and filing each additional 10 designs costs an extra £20, making them £2 each [3]. An RCD can be registered for 350 euros, [4] and approximately half that amount for additional registrations.
- **Interim measure.** Many businesses use registered designs as a stop-gap to provide some protection against infringers while their patents (which give much stronger protection) are being prosecuted.

B. Step 2 - Decide where to register

One of the first considerations should be where a business wants to protect its designs. This will largely depend on the geographical market in which the products are likely to be sold and the result of a cost/benefit analysis of whether wider territorial protection is desirable.

The business should ensure it seeks local advice in respect of key jurisdictions falling outside the scope of UK and Community rights. This is particularly so given the less generous grace periods of many non-EU jurisdictions, where they exist at all - for many countries, design protection is simply not possible if the design has already been made public, whereas in the EU there is a grace period of a year to file the application for protection, from the date the design is first made available to the public.

C. Step 3 - Decide when to disclose design and, if applicable, when to register

Timing is crucial for both registered and unregistered design rights. If a competitor introduces a design to the relevant public before the business has had the chance to do so, that competitor will take the benefit of any design rights unless a registration is already in progress. However, the business should be circumspect of early disclosure for the following reasons:

- Once disclosure has taken place, the design will be available to competitors. The business will no longer be able to rely on confidentiality, making design rights the only available method of protection.
- UCD only lasts for three years, and UKUDR for 10-15 years. The clock will start running as soon as it is disclosed within the territory of the EU in such a way that the interested circles operating within the EU can reasonably be aware of the design.
- Disclosure will destroy the novelty of a registered Community or UK design unless registration is applied for within 12 months of disclosure (the grace period, discussed below).

For these reasons the business should ensure it has considered the type and duration of protection before disclosure takes place. To this end, all personnel with access to the design should be made aware of the repercussions of accidental disclosure, and clear procedures should be put in place to protect confidentiality.

Care should also be taken to control, record and store a disclosure timeline, including all relevant documents and communications.

[3] At the time of going to print, these fees had been confirmed by the Government but their start date is to be determined.

[4] Correct as of March 14, 2016.

Proof of the timeline may be necessary to rely on unregistered rights or to resist a challenge to the validity of a registered design.

The 12-month grace period is a valuable tool and should be used wisely. Used correctly it will enable the business to “test” designs in the relevant market, relying on automatic unregistered rights to fend off competitors before applying for longer term registered rights in respect of any successful designs.

The business should also ensure it notes ownership of the design on its packaging and literature, thus putting would-be infringers (and consumers generally) on notice of its unregistered rights. Once registered, the business can also advertise that the design is registered to deter third party copying.

D. Step 4 - Decide what to register

As with UCD (see previously), registered designs (whether UK or Community) protect the appearance of the whole or part of a product. However, the scope of a registered design will be determined by the representation of that design as recorded on the register. This leads to a different interpretation to that of unregistered designs, whose scope can be assessed with reference to how the design is implemented on any products.

What the business decides to register will ultimately determine the strength of its registered design rights portfolio. The following considerations should be borne in mind in coming to a decision:

- **Rejected ideas.** Does the business need to protect every design concept created by its designers (including rejected ideas)?
- **Scope.** Is protection of the entire product necessary or are there key aspects that should be focused on (or both)?
- **Registrability.** As well as the novelty requirements discussed above, a business will need to ensure its design does not consist of non-protectable aspects. For example, a right in a registered design will not subsist in features of a product which are solely dictated by the product's technical function or in features which must necessarily be reproduced in their exact form and dimensions so as to permit the product to perform its function, for example. Legal advice should be sought if these exclusions are of concern as the UK and European courts have given guidance on the scope of the exclusions.
- **Less may be more.** Following on from the English Supreme ruling in the *Trunki* case [5], registered designs are considered

to offer more protection when represented as simple line drawings, rather than as photographs or CAD drawings. The representations on the registration are what will be covered, so any details such as colour contrast or shadowing which show on that image will be taken into account when assessing a would-be infringer's design. The Supreme Court provided detailed guidance on how best to register designs, and it is worth seeking advice on how best to get broader protection. Another such example was the *Kohler Mira* case [6], where dotted lines were taken to show transparency, rather than hidden features as argued by the designer.

Design process checklist

- Get contracts with designers in place - ownership and confidentiality
- Clearance
- Ensure documentation and awareness of origins of the design
- Consider registration
- Include notices when design is publicised
- Store all records and notes made in respect of the design
- Register designs carefully to maximise protection

[5] *Magmatic Ltd v. PMS International Ltd* [2016] UKSC 12.

[6] *Kohler Mira Ltd v. Bristan Group Ltd* [2013] EWPCC 2.

PART II - BRINGING THE DESIGN TO MARKET.

I. DESIGN MANUFACTURE

Arguably the most important step in bringing a design to market is choosing the right manufacturer. Not only must the candidate have the capacity to make the product, and do so at the right price; but it will also potentially be involved with, or at least have access to, the most intimate details of the product's design process.

This makes it extremely important to carry out proper due diligence on all prospective manufacturers before entering any arrangement with them. It is sensible to consider hiring an agent to help assess a potential manufacturer and provide a detailed view on their competencies and capabilities, particularly when dealing with manufacturers overseas who cannot (easily) be seen face to face.

Rights holders should be wary of the potential for counterfeiting too. The wrong manufacturer may see the product and decide it wants to cut out the design owner and make its own version, so a confidentiality agreement should be put in place before discussing any details of the product with any prospective manufacturers. To help minimise the risks, avoid providing overly detailed specifications or explanations of the design to manufacturers unless it is necessary - only provide them with what they need to do their job.

If a business operates in a market where counterfeiting is a particularly serious concern, one practical option to minimise risk can be to engage multiple manufacturers and task each of them to make different parts of the product embodying the design, thereby preventing any one manufacturer from having access to information on how to make the whole product.

From the legal perspective, the next important step is to make sure the manufacturing agreement is right. Prevention is better than cure and many disputes can be avoided in advance by a properly drafted and carefully considered agreement.

For a manufacturer to do its job, a business will need to give the manufacturer rights to use its existing IP. Commonly this will be done by licence. Ensure the scope of this licence is clear. It should give the manufacturer the rights it needs, but clearly limit it to only those rights it needs. Giving a manufacturer an exclusive licence can also be tempting, but be wary that while exclusive rights can be a valuable tool to forge a strong commercial relationship, markets can change as products grow and being tied to one distributor can become difficult if the market outgrows their capacity.

An alternative is a sole licence which will permit both the rights holder and the licensee to exploit the design, but exclude anyone else. Finally, a non-exclusive licence permits a business to grant further licences to anyone else, even if they overlap with the rights in the licence.

However, it is often the case that a manufacturer would also be asked to help develop a product. Even if a manufacturer is not expressly asked to help in the design process, issues encountered during manufacturing (for example, in relation to tooling) and their solutions can easily lead to the creation of additional IP rights. Ownership of such rights can become complex. Who actually came up with a design in the heat of the moment can very quickly become unclear, and if this is not dealt with up front in the manufacturing agreement then it can be a recipe for future trouble.

Generally any new IP specific to the product should vest in the design rights holder. In return, the manufacturer may seek to take ownership of any IP it develops for the manufacturing process. However, care needs to be taken here that the manufacturer does not gain ownership of any IP that is essential to make the design. Allowing a manufacturer to do so can hamper or even halt a business's ability to go elsewhere if needed.

Finally, another important part of the manufacturing agreement is the warranties. Both parties should give warranties that their existing IP is valid and does not infringe any IP of a third party. This is essentially to prevent a party from suffering loss due to an IP infringement, where it had no hand in causing that infringement.

However, these warranties should always be limited to only validity and infringement issues within the knowledge of the party giving the relevant warranty (unless a broader warranty can be secured from the other party). It is functionally impossible to say with certainty that a design does not infringe any third party rights, not least because of the existence of unregistered designs. Similarly, it can never be said with absolute certainty that a right is valid.

II. DESIGN DISTRIBUTION

Similar considerations as with manufacturers come in to play when selecting distributors for a design. Again, a distributor may require a licence to the design, so a business should think carefully what type of licence should be given.

Also, be sure to consider the ownership of any new IP as well. If the distributor is involved in marketing or design activities (for example, designing packaging) you should agree whom the resulting IP will vest in and ensure that the other party is licensed to use it.

Finally, it is worthwhile keeping in regular contact with manufacturers and distributors. Explain how important the IP is and seek notification from them if they should encounter any copies on the market. Manufacturers and distributors can be invaluable sources for keeping track of new infringements, especially where manufacture is based overseas in markets that are harder to monitor, such as Asia.

III. DESIGN PROTECTION AND ENFORCEMENT

Once the manufacturer(s) and distributor(s) are lined up, and the design is ready to go to market, the next step to consider (if this has not been done already) is how to go about protecting it.

Design law can give monopoly rights over how a design looks and can be a powerful tool to stop would-be copycats. Some design rights are automatic, whereas others require registration. However, it should always be kept in mind that all of these require enforcement to give any effective protection. If they are not enforced, a business will soon discover that its IP rights will have no real value.

A. What are the rights?

In the United Kingdom, a creator of a design can have a number of rights available to protect that design. These can include design rights (registered or unregistered) at either UK or European Community level. It may also include other associated rights such as copyright.

As discussed in Part I of this booklet, how one becomes eligible for each of these rights and the scope of protection afforded by each of them differs.

(i) Copyright

- Protects artistic works (such as surface decoration) and sculptures;
- Qualifying individuals acquire automatic protection, which typically lasts until 70 years after the death of the author [1];
- Territorial scope is UK only, but recognised by many other countries;
- Infringed by copying the whole or a substantial part of the copyright work (assessed qualitatively) [2].

(ii) UK Unregistered Design Rights

- Protects the shape and configuration of the whole or part of an article, excluding surface decoration;
- Qualifying persons acquire automatic protection, which lasts for 10-15 years (15 years from the end of the calendar year in which the design was first recorded in a design document or an article was first made to the design, whichever occurs first; or if articles made to the design are made available for sale or hire within five years from the end of that calendar year, 10 years from the end of the calendar year in which that first occurred) [3]. However, a licence of right is available in the last five years of protection;
- Territorial scope is UK only;
- Infringed by copying the design in which the design right subsists so as to produce articles exactly or substantially to that design [4].

(iii) UK Registered Designs

- Protects a registered design, which can be either the whole or a part of a product, including the lines, contours, colours, shape, texture or materials of the product or its ornamentation [5];
- Arises by registration with the UK Intellectual Property Office, and lasts for up to 25 years, subject to payment of five-yearly renewal fees [6];
- Territorial scope is UK only;
- Infringed by any design which does not produce upon the informed user a different overall impression to the registered design [7].

[1] UK. Copyright, Designs and Patents Act 1988 ("CDPA"), s 12(2).

[2] CDPA, s 16(3)(a).

[3] CDPA, s 216(1)(a).

[4] CDPA, s 226(2).

[5] Registered Designs Act 1949 ("RDA"), s 1(2).

[6] RDA, s 8(2).

[7] RDA, s 7(1).

(iv) Community Unregistered Design Rights

- Protects the appearance of the whole or part of a product resulting from the features, in particular, the lines, contours, colours, shape, texture and/or materials, of the product itself and/or its ornamentation [8];
- Qualifying individuals acquire automatic protection, which lasts for a period of three years from the date on which the design is first made available to the public within the Community [9];
- Territorial scope is the European Union;
- Infringed by any design which does not produce upon the informed user a different overall impression to the registered design [10].

(v) Registered Community Designs

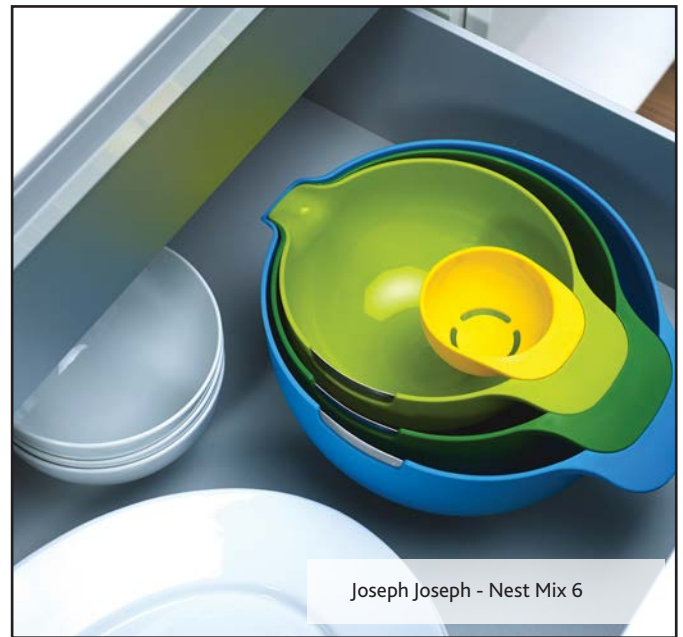
- Protects the appearance of the whole or part of a product resulting from the features, in particular, the lines, contours, colours, shape, texture and/or materials, of the product itself and/or its ornamentation [11];
- Arises by registration with the European Union Intellectual Property Office (EUIPO), and lasts for up to 25 years from the filing date, subject to renewal fees being paid every five years [12];
- Territorial scope is the EU;
- Infringed by any design which does not produce upon the informed user a different overall impression to the registered design [13].

In theory it is possible to have a product that is protected by all of these rights, but in practice normally only one or two will apply.

B. Which rights to sue under?

From experience, the majority of cases settle after a cease and desist letter is sent, and there is no need to commence proceedings. This is particularly the case when the claimant has a registered design to rely on (and represents a good reason to obtain such protection). However, sometimes court action does become unavoidable.

If it is necessary to sue an infringer, it is advisable to rely not only on any registered rights in possession, but also on any available unregistered rights.



Unlike for registered designs, to show infringement of unregistered rights, a claimant must show that its designs were copied by the defendant (i.e. they were not independently designed). However, while this can make it harder to rely on unregistered designs, statistically unregistered design infringement cases are much more likely to succeed in UK courts than those for registered design infringement (whether UK or Community).

The lower success rates for registered design cases may in part be due to clear cases of registered design infringement tending to be settled before trial, allowing the more borderline cases to skew the statistics. However, that is not the only reason. When pleading unregistered design infringement, the claimant can pick and choose those parts of the design which it asserts to have been infringed and rely solely on those as separate designs, directly targeting the infringing product. The claimant can leave out those parts of the design to which the alleged infringing product bears less resemblance, the net result being that the court is more likely to find infringement.

By contrast, with a registered design, the claimant has to rely on the full design as filed, and if the defendant's product differs to any material extent, it will be harder for the court to find infringement. This makes the way such designs are registered key to their success.

[8] Regulation 6/2002/EC on Community Designs ("Community Design Regulation"), Article 3(a).

[9] Community Design Regulation, Article 11(1).

[10] Community Design Regulation, Article 10(1).

[11] Community Design Regulation, Article 3(a).

[12] Community Design Regulation, Article 12.

[13] Community Design Regulation, Article 10(1).

C. Where to sue?

With few exceptions, rights owners need to sue in the country where an infringement takes place. In the UK, the Court of Session in Scotland and the Northern Ireland High Court are able to hear design rights cases, but the vast majority are heard in the English High Court and Intellectual Property Enterprise Court (IPEC). Any of these courts can hear cases concerning the UK or Community rights, and their decisions can have effect throughout the UK or EU as appropriate.

In England, rights owners can choose between starting proceedings in the High Court or IPEC. Although it is a division of the High Court, the IPEC is intended for handling less complex and lower value IP cases - the length of the trial is typically a maximum of two days, and damages recoverable from a defendant are limited to £500,000.

The costs in IPEC are often lower than in the High Court. However, the ability for the winner to recover costs is strictly limited in IPEC. In theory, the loser can be ordered to pay up to £50,000 of the winner's costs, but it is more usual for the winner to recover around £35,000-40,000 in practice, as they are scale costs for different stages of the case, and if a particular stage is not completed, costs cannot be recovered for that stage. By contrast, in the High Court, the losing party may be ordered to pay around 60% to 80% of the winner's total costs, which is usually a significantly larger sum.

While IPEC proceedings could cost much less than in the High Court, the IPEC may not be the best forum for even simple cases. Tactically, a confident design right owner may choose to start proceedings in the High Court, because even though their costs are likely to be higher, they will be able to recover much more of their costs from the defendant when they win. Because starting proceedings in the High Court brings the threat of a substantial bill for the losing party, it has the advantage that it might promote a speedy settlement, whereas a defendant receiving IPEC proceedings has limited downside risk on costs and may be more inclined to fight.

As an alternative to court proceedings, the UK Intellectual Property Office (UKIPO) will soon be offering an opinion service on designs. It is unlikely that the opinion will be binding, but it can be obtained for relatively low cost, and might help resolve a dispute between two parties as to whether there is infringement of a UK registered design, or whether a UK registered design is valid. If the designs opinion service follows the recent changes to the equivalent patents service, where a registered design is found to be invalid, it will now be open

for the UKIPO to start the process to remove the design from the register.

IV. DEFENDING AGAINST INFRINGEMENT CLAIMS

When bringing a new design to market, it is also a risk that sometimes, even if a business has obtained its own rights, it may find itself accused of infringing a third party's rights. In this regard, it is important to remember that the mere granting of design registrations (as with other IP rights) to an applicant does not mean it does not infringe a third party's rights.

When accused of infringing a third party's rights, and if an amicable settlement cannot be reached, there are ways not only to defend against the claim but also to strike back. Not only can a defendant show that it does not infringe the disputed rights (as discussed above), but the validity or subsistence of the rights being asserted can also be attacked.

A. Attacking validity of registered designs

UK registered designs, registered Community designs and unregistered Community design rights are largely harmonised at a European level and so the way to attack their validity is largely the same.

As briefly discussed in Part I of this booklet, to be valid, a design must be novel and have individual character [14]. If it can be shown that a UK registered design, Community registered design or a Community unregistered design that is asserted lacks either of these characteristics, it can be invalidated, effectively defeating the claim against the defendant.

B. Novelty

Novelty means the design must be new in the sense that no identical design to it has been disclosed to the public [15]. Designs are considered "identical" where their features differ from each other only in immaterial details [16]. In practice, this tends to require that either the design itself or one almost entirely the same was disclosed before the design in question was filed (or the priority date if priority is claimed, or the date the design was first made available to the public for an unregistered design).

[14] Community Design Regulation, Article 4.

[15] Community Design Regulation, Article 5(1).

[16] Community Design Regulation, Article 5(2).

[17] *Green Lane Products Ltd v. PMS International Group Plc & Ors* [2008] EWCA Civ 358.

[18] Community Design Regulation, Article 6(1).



The iconic Club World seat tangerine created for British Airways – the world's first fully flat bed in business class, which, since its launch in 2000, has remained the profit engine for British Airways.

These types of disclosure do however, happen. For example, a product might be disclosed at a trade show and the design might not have been filed soon enough to take advantage of the grace period during which it must be registered.

It should also be remembered that a disclosure to "the public" can mean the public anywhere in the world. As such, novelty is assessed at a worldwide level, not only in the UK or Europe. As explained by Lord Justice Jacob in *Green Lane v. PMS* in an admittedly fanciful example, "a disclosure in a document written in Sanskrit and misplaced in the children's section of Alice Springs public library is one which is 'made available to the public' [17]".

C. Individual character

Individual character can be a more difficult concept to pin down.

A design has individual character if it produces on the informed user a different overall impression than any design which has been made available to the public before the filing date of the design (or the priority date if priority is claimed, or the date the design was first made available to the public for an unregistered design) [18]. The relevant designs available to the public are commonly referred to as the "design corpus".

Good sources of designs for the "design corpus" are often the design holder's competitors, and sometimes also the designer's own products. Drawing the line correctly between where the old design ends and a new design begins can be tricky, and can be a way to open up an avenue for attack.

Individual character will be assessed through the eyes of the informed user. The informed user is an artificial construct of design law and has steadily been defined more and more by case law. This "user" is not an expert in the design field in question, but is more discriminating than the average consumer. He can compare the designs side-by-side and is particularly observant [19], so will notice differences between designs, but he will not go as far as to notice only minimal differences [20]. He is familiar with the design field, but does not have an archival mind and will not be aware of designs that are only obscure in the field [21].

When making his assessment of the design, the informed user will also consider the design freedom available to the designer. The more freedom the designer has, the more weight the informed user will put on similarities between the designs and the design corpus. The informed user will also consider the visual prominence of each feature of the design when comparing it to the design corpus.

[19] *PepsiCo v. Grupo Promer* (Case C-281/10 P).

[20] *Shenzhen Taiden v. OHMI Bosch Security Systems* (Case T-153/08).

[21] *Procter & Gamble v. Reckitt Benckiser* [2007] EWCA Civ 936.



The revolutionary Sky+ design created by tangerine for Pace Micro Technology, the world's first combined set top box and PVR. The product introduced time shift technology, changing the way people watched television. The set top box's distinctive ring of LED lights has since become a key component of the Sky+ brand.

The informed user then has to assess the overall impression of the design. It may sound obvious, but what matters most to this assessment is what the designs, the design corpus and the infringing designs all look like. As acknowledged by *Jacob LJ in Philips v. Remington* [22] and again in *Procter & Gamble v. Reckitt Benckiser* [23], while parties have to try and put the overall impression into words "it takes longer to say than to see".

Expert evidence will only be of limited use in this assessment. An expert can sometimes help explain the design corpus and what limitations the designer would be under in designing a new product; but when it comes to assessing overall impression they are likely to be of limited use to a court. Jacob LJ noted in *Reckitt Benckiser* that "anyone can point out similarities and differences, though an educated eye can sometimes help a bit [24]".

Overall, as summarised again by Jacob LJ in *Dyson v. Vax* [25], when it comes to design infringement "what really matters is what the court can see with its own eyes".

D. Attacking a UK registered design

The UK design right has its origins in national law so how a defendant can attack it if it is asserted against them is different

to the rights set out above. Since a UK design right comes in to existence automatically, the validity of the right per se cannot be challenged, but rather a defendant would challenge whether the right should subsist in the design at all.

One way to argue that no design right should subsist in a design is to argue that the designs alleged to be infringed are not original themselves in the sense that they have been copied from elsewhere, and so are not deserving of protection [26]. The term sometimes used is that the design must not have been "slavishly copied".

Alternatively, even if the designs were not copied from elsewhere, they can still be challenged on the grounds that they were "commonplace in [the] design field in question at time of creation" [27]. However, it should be noted that the consideration of commonplace is limited to the "design field" in which the design exists (which has to be in a qualifying country). A defendant cannot draw from wholly different types of products in order to invalidate a design for a specific type of product.

Whether the design is commonplace will then be assessed by comparing the degree of similarity between the design in question and other designs in the same field. Merely because there is an

[22] [1998] RPC 283.

[23] [2007] EWCA Civ 936.

[24] Ibid.

[25] [2011] EWCA Civ 1206.

[26] *C&H Engineering v. Klucznik & Sons Limited* [1992] FSR 421.

[27] CDPA, s 213(4).

existing design that has some similarities to the design in question does not necessarily mean the design is commonplace. However, the more similarities one can find with existing products and the more widespread they are in the design field, the more likely the design would be found to be commonplace.

Other common defence arguments are that the design being enforced is not protectable in the first place. For example, it may constitute surface decoration or fall foul of the 'must fit' or 'must match' exclusions. For more detail on what is excluded from design protection, refer to Part I in this series.

V. DAMAGES

It is important to consider what damages one could either claim from an infringer or could be expected to pay if found to have infringed another's rights. Damages payments are sometimes very significant, while other times there is a risk that they can be dwarfed by the costs of the litigation (which depends both on the damages at stake, as well as the way the case has been fought).

A. General principle - damages are compensatory

Damages awards by the English courts are generally intended to put the party who has been injured, or who has suffered, in the same position as he would have been in if he had not suffered the wrong for which he is getting compensation. It is rare (but not impossible) for a claimant to be awarded "punitive" damages, namely those which are purely intended to punish the defendant for its wrongdoing regardless of the claimant's loss.

There are two different ways of assessing the level of recompense: damages, or an account of the defendant's profits. The winning claimant has the option to elect which he would like, and generally the court will order a certain level of disclosure from the defendant before the election needs to be made.

B. Assessing damages

Within the damages head, there are two ways to assess the amount due. One is loss of profits, and the other is a reasonable royalty.

If the claimant can prove that a sale made by the defendant to the design represents a sale that would otherwise have been made by the claimant, then the defendant is likely to be ordered to pay an amount equivalent to the profit that the claimant would have made on that sale. This is sometimes referred to as the "substitution principle".

It may, however, be difficult to prove that the defendant's sales have caused the claimant to lose sales. For example, if the claimant's products were more expensive than the defendant's infringing products, not all the sales by the defendant necessarily represent a lost sale for the claimant. Some of the defendant's customers might not have bought the item at all at the claimant's price.

In such circumstances, the court may adopt an alternative approach, that of the "reasonable royalty". It will calculate what hypothetical royalty the defendant might have paid the claimant, had the parties negotiated a licence for the defendant to use the claimant's design right.

What might a reasonable royalty be? The court assumes that both parties are willing to negotiate a licence; even if the parties are quite clear that in reality they would not have reached such a deal. However, the calculation is not entirely hypothetical; the court will take into account any opportunities which the licensee would have had to take a licence from elsewhere and the impact this would have had on the applicable royalty rate.

In *Kohler Mira v. Bristan* [28], the defendant had infringed the claimant's unregistered design rights for showers. The judge held that a reasonable royalty was 30% on the defendant's 22.2% profit margin, or a royalty of 6.7% on the sale price of the infringing products.

C. Assessing an account of profits

If elected by a claimant as an alternative to damages, the court can order the defendant to pay an account of its profits from sales of the infringing products. Historically there has been a lack of clarity about precisely what costs incurred by the defendant should be taken into account when this is assessed, but recent cases have made it clear that the profits should be calculated by reference to the defendant's retail sale price, less the purchase price (or manufacturing cost) and any direct costs that would not have been incurred but for the sales having been made.

For example, if an infringing product had a discrete sales team that was hired for the purpose, these costs can be taken into account, but if they were simply employees who would otherwise have sold other products of the defendant, that is not a relevant deduction. This position has made accounts of profits much more popular than they were in the past.

[28] [2014] EWHC 1931.

VI. INJUNCTIONS

As is often the way with IP rights, damages are not always the principal remedy sought for design infringement. Commonly, the claimant is much more interested in obtaining an injunction to prevent further infringing sales. An injunction is an order restraining a party from doing something, for example from continuing to infringe a design right.

Injunctions can be interim or final. Interim injunctions are those awarded before final judgment, often early in the proceedings. These can be a useful way to stop an infringer's acts immediately, but they are difficult to obtain and generally the party seeking one has to give an undertaking that if it goes on to lose at trial, it will pay damages to the enjoined party for the losses suffered as a result of the injunction. Therefore, they are not without risk; even where the merits of the case are strong, the balance may not be in favour of the court granting an injunction.

A final injunction is more common. A final injunction comes after trial and may end the ability of a party to use or sell products that infringe a specific IP right. These are powerful tools that halt infringement and, at least in theory, stop it from happening again.

The negative publicity of not only having to withdraw products from the market, but also being labelled an IP infringer can also be highly damaging to a company's reputation, which should not be underestimated in some industries.

VII. ALTERNATIVES TO LITIGATION

Finally, when protecting a design or defending against an infringement claim, it should be borne in mind that going to court is not the only option.

In the UK, the rules of litigation place a particular emphasis on encouraging parties to attempt alternative dispute resolution. Aside from the parties directly agreeing a settlement through negotiation, more formal approaches are mediation and arbitration.

Mediation is a form of dispute resolution where the parties agree to work towards a settlement with the assistance of a neutral third party. It is up to the parties to agree terms of settlement. Mediation can be a cost-effective and valuable tool to settlement, particularly in disputes where the costs of court action would far outstrip the potential to recover damages.

Arbitration is different in that the parties instead agree to submit to a binding decision made by an arbitrator (or panel of arbitrators) who then decide how the dispute should be resolved. This can either be done under a set of established rules or "ad hoc", where the parties determine what rules will apply themselves. Arbitration is rarely used for design infringement (unless it is part of a bigger dispute), but can be particularly useful in IP disputes with a cross-border angle, potentially resolving multiple disputes in multiple jurisdictions simultaneously in a way a court cannot.

There are other methods of alternative dispute resolution (such as expert determinations or neutral evaluations), but mediation and arbitration are the ones most commonly seen in IP disputes. The key message to remember is that there are often other options available when a party feels it is being forced into using the courts.

VIII. CONCLUSION

There can be many hurdles on the way to bringing a design to market. However, good preparation, an understanding of the potential pitfalls and robust legal advice can head off many of these obstacles in advance. Design law can be difficult to follow sometimes, but when used properly it can help make the journey to market as smooth and profitable as possible.



Trunki Terrance Children's Ride-On Suitcase

PART III - EXPLOITATION, COMMON PROBLEMS AND EXTENDED PROTECTION.

I. LICENSING

Given the important role they play in preventing copying, it is very easy to view design rights as having a purely protective function. However, legal proceedings relating to design rights are relatively rare. Design rights are, in fact, more likely to be licensed than litigated. It is therefore important to remember that design rights can also play an important role in generating income. Indeed, an effective licensing strategy can more than reimburse the costs associated with filing the design in the first place.

Most of the issues raised by licensing design rights are common to those that need to be considered when licensing other intellectual property rights. The approach adopted by each designer will vary according to their specific circumstances and the design(s) in question. Nevertheless, an effective licensing strategy should take at least the following into account:

- Why the design is being licensed;
- What is being licensed;
- Where the design is being licensed; and
- The terms on which the designs should be licensed.

Each of these points is considered in more detail below.

A. Why the design is being licensed

There are many reasons for licensing a design. However, as a general rule, licensing activity should reinforce the business's overall IP strategy. For example, if a company has highly recognisable designs which it uses to distinguish itself from the competition, it may not be appropriate to license designs which form part of its current or future design language. Doing so would dilute the association the public makes between the design and the designer, and the more extensively a design is licensed, the less distinctive it will become.

At the other end of the scale, a design agency will want to license its design ideas as widely as possible to maximise its revenue. As such, its business model will depend upon retaining the ability to license designs in relation to certain fields of use and territories.

B. What is being licensed

A licence to use certain design rights will need to specify the design rights in question. In relation to registered design rights this is relatively straightforward as the registered design in question and its owner can be identified by reference to the relevant design registry.

However, in relation to unregistered designs, it is sensible to specify exactly which features are being licensed, preferably with reference to design drawings. It is also important to ensure that the licence is being granted by the owner of the unregistered design.

As could be seen in Part I in this booklet, this will not always be straightforward and may need the original designer to assign rights to the company which is exploiting the design if it was created pursuant to a commission.

It is also important to remember that certain types of licence will affect the licensor's ability to continue to exploit the design in question. For example, an exclusive licence in the same territory and field of use will exclude the licensor from using the designs. A broad exclusive licence should therefore only be granted if the licensor has no intention of using the design itself, and has not previously licensed the design.

Nevertheless, exclusivity may sensibly be granted on a narrow considered basis, such as in respect of certain fields of use, or territories, in which the licensor has no interest. Naturally, the relevant field of use should be carefully considered by the licensor to ensure the company has no plans of operating in that field, but the advantage of taking this approach is that it allows the licensor to maximise the licensing revenue it can derive from the design.

C. Where the design is being licensed

The territory of licence will often depend on the geographical scope required by the licensee. Even with Community design rights, it is possible to grant a licence on a country-by-country basis.

As explained above, this could involve multiple exclusive or sole licences being granted in respect of different countries. However, it is sensible to ensure that the geographical scope of the licence is no wider than what the licensee requires to carry on its business. The licensee is unlikely to be willing to pay for rights it is not going to use and the licensor risks missing out on future opportunities if it grants the licensee rights which the latter will find superfluous.

The licensor should remember that once a licence is granted, it will need to be policed. In certain territories, this will be relatively straightforward as the use the licensor is making of the design will be quite visible. However, in other territories where the licensor does not have a local presence, it will be harder to police compliance with the licence, and may even require third parties to assist by, for example, carrying out audits. The cost of carrying out such activity will, therefore, be affected by the number and scope of licences granted by the licensor.

D. Licensing terms

1. Royalties

The driving force behind most licensing decisions is maximising licensing revenue, meaning that the calculation of royalties is of paramount importance. A common misconception is that this will depend simply on what percentage royalty is agreed. However, other terms such as the basis on which royalties are payable will often have a bigger impact on the overall licensing revenue obtained under a licence. For example, whether the royalty is calculated on the wholesale or retail price can make a significant difference.

A licensor will also commonly want some certainty as to the revenue it will derive from the licence. One method of doing so will be to link the payment of royalties to the manufacture rather than the sale of the products. This has three advantages - the licensor receives payment as soon as the licensed right has been exploited, rather than when the eventual sale is made, the licensor does not bear any risk of sales at under-value, and further it does not risk the products remaining unsold altogether.

Unsurprisingly, licensees often resist this. A compromise is to agree minimum guaranteed royalties, which provide the licensor with a

minimum level of certainty as to the revenue it will derive from the licence, but allow the licensee some flexibility that the eventual royalty due (beyond the minimum level) is largely dependent on the level of sales.

2. Protecting design rights

Licensing can bring the licensor considerable benefits in the form of royalties. However, it also brings risks because the licensed design is likely to obtain greater exposure than it has previously enjoyed, including to possible new design fields. It is therefore important that the licensor includes contractual terms to reduce the risk of invalidity proceedings, and to ensure control of such proceedings if they are commenced.

In relation to Community and UK designs, the licensee must have the consent of the licensor to commence proceedings. Because the proprietor of the design is required to be party to any proceedings, from a licensee's perspective it is important to clarify the circumstances in which the licensee will require the licensor to take action. This is particularly so where the licence is in respect of a territory or field of use in which the licensor is not active and may not suffer any damage itself, because without the licensor's



cooperation the licensee risks being left without any remedy against potential infringers. In return for the licensor's cooperation, the licensee will often indemnify it for any reasonable legal costs and expenses it incurs by participating in the proceedings.

Sublicensing presents particular risks to the licensor, not only because sublicensing provides the design with even greater exposure, but also as the licensor is unlikely to have either a direct contractual relationship with the sublicensee, or any knowledge or visibility of the sublicensee's activities. It is therefore advisable for the licensor to exercise some control over the granting of sublicences, or to require the sublicensor to enter into a standard form collateral contract with it, providing the licensor with some recourse against the sublicensee if there is a problem that the licensee is unable or unwilling to address.

3. Quality control

A further aspect of protecting the design is to require the licensed product to comply with certain quality standards. Quality control provisions will be most relevant where the licence is also granting trade mark rights to the licensee. However, they are also necessary when the manufacture of licensed products is subcontracted to a third party. As mentioned above, the licensor should also bear in mind how these quality standards will be policed to ensure compliance.

4. Formalities

In the case of registered design rights, once the licence has been granted it may have to be recorded at the relevant design registry. From the licensee's perspective this is important, because failure to record the transaction will mean that third parties who acquire the rights from the licensor without notice of the transaction will not be bound by it, leaving the licensee with nothing other than a claim against the licensor. Responsibility for taking the relevant steps to perfect the registration, and paying the relevant fees, should therefore be attributed to one of the parties prior to completion of the licence agreement.

5. Licences of right

In addition to the licence agreements referred to above, UK unregistered designs are subject to legislation which requires the licensor to grant a "licence of right" to any person (including an infringer) who applies for such a licence in the last five years of the design right term. The terms and conditions for granting the licence are up for negotiation between the parties, but if the parties cannot reach agreement, an application can be made for the terms to be settled by the Comptroller-General of Patents Designs and

Trade Marks (who is based at the UK Intellectual Property Office, or "UKIPO").

The process by which an applicant can apply for settlement of terms by the Comptroller requires the applicant to submit the terms on which it would like the licence to be granted (via a form available on the UKIPO website). The Comptroller will make the licence holder aware of the application and its suggested terms of licence, following which there is a time period for the licence holder and the applicant to submit objections and a counter-statement in relation to the proposed terms of licence.

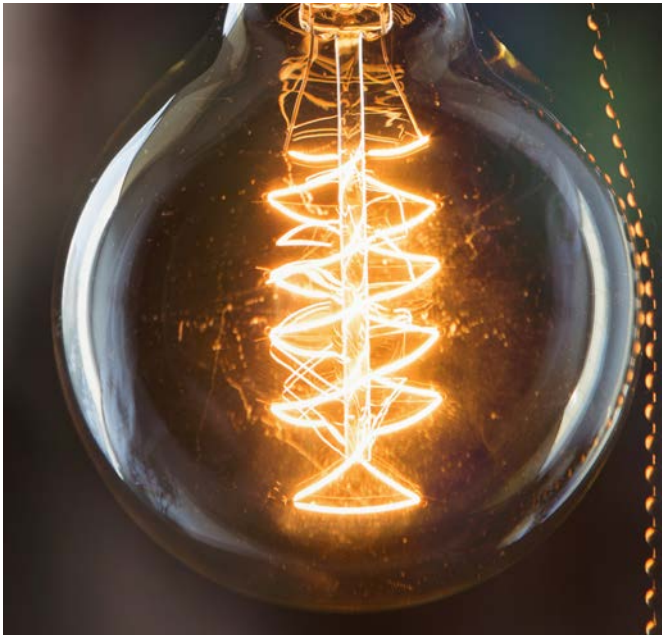
When determining what royalty rates should be charged on the licence, the Comptroller will either use the "comparables" or the "profits available" approach. The "comparables" approach requires the existence of a comparable licence for use as a reference and the Comptroller will work on the assumption that both parties are willing to enter into the agreement (even if this is not, in fact, the case). Alternatively, the "profits available" approach works on the basis that the profits made from use of the licence should be split between the licensor and the licensee, with about 25% going to the licensee. As a very rough generalisation, licences can therefore vary between 20% and 45% of available profits.

Even where legal proceedings have been commenced, provided an infringer undertakes to take a licence of right before the final order after trial, the rights owner will be unable to obtain an injunction. Further, the damages or account of profits payable to the licensor by the infringer during the licence of right period will be no more than twice the amount of a royalty payable upon a licence of right.

II. OVERLAP WITH COPYRIGHT

There are considerable similarities between unregistered design rights and copyright given that both are unregistered rights that protect against copying by third parties. However, the protection afforded by copyright lasts far longer than either UK or Community unregistered design rights.

This has, in the past, caused considerable confusion as designers of purely functional products not capable of design protection sought to protect their three-dimensional designs by alleging that copyright in their design drawings for the articles had been infringed. As a result, two provisions were included in the UK Copyright, Designs and Patents Act 1988 ("CDPA") that sought to limit the influence of copyright on design law. The second of these provisions has now been repealed, although the commencement date of the repeal is uncertain.



The provisions are discussed below.

A. CDPA s 51 - Articles made to design document or model

It is not copyright infringement to make an article to a design which is recorded in a design document, or embodied in a model, unless the design is for an artistic work or typeface (see below). Nor is it copyright infringement to copy an article made to that design. Such matters are the preserve of design law and not copyright, and the CDPA made the dividing line between the two relatively clear.

As a result, copyright in design documents cannot be used to prevent third parties from manufacturing three-dimensional products to the design. Therefore, where the design itself is not capable of design protection (such as products falling within the must fit/must match exception discussed in Part I in this series), it is no longer possible to prevent third parties from copying the design by relying on the copyright which exists in the underlying design drawings instead. The designer must rely on its design rights (if any) to prevent the articles from being made.

There are, however, two important points to bear in mind about this provision. The first is that it does not apply to a design document or model recording a design for an artistic work or typeface. Where the design is for an artistic work, or typeface, such as a logo or pattern applied to an article, it will still be protected by copyright. It does not, therefore, prevent someone who copies a work of artistic craftsmanship, architecture, or sculpture, from infringing the

copyright in design documents or models recording the design of the article, building or sculpture.

Second, and more importantly, the provision only prevents articles made to the design from infringing copyright in the design document or model which records or embodies that design. It does not prevent copies of the design document itself from infringing copyright in those documents, provided it has been copied. This is particularly relevant in the context of CAD files which have been copied by third parties without the owner's consent. Not only will such files likely be confidential but the copy file will infringe the owner's copyright in the original file.

B. CPDA s 52 - Industrial application

Despite the provisions of CPDA s 51, the possibility that copyright can be used to protect designs which are artistic works remains. However, to prevent this being exploited, s 52 was introduced to limit the protection available for certain articles under artistic copyright.

Ordinarily, artistic works are protected for the period from creation to 70 years after the death of the creator. Currently, where articles have been industrially manufactured, s 52 limits the length of protection for these articles to 25 years from the end of the year in which they are first marketed (similar to the period of protection for registered designs). Articles are considered to have been industrially manufactured when more than 50 copies have been made.

However, this section has been repealed, purportedly to bring UK law into line with EU law. This means that iconic designs could be protected for 70 years after the death of the designer. The repeal is likely to come into effect in 2016.

As will be discussed in more detail, this change will have the effect of providing designers with a new tool for tackling replicas of their designs. The change is likely to be particularly helpful for owners of iconic designs, who will be able to argue that their design is a work of artistic craftsmanship. Indeed, many manufacturers of replica products are concerned about the impact the repeal of this section will have on their business, and the government is looking at safeguards that can be put into place over a transitional period.

Many of the concerns the manufacturers of replicas have with the repeal of this section stem from the ongoing uncertainty as to the impact it will have on their business. For example, it is not clear which articles will attract the full term of copyright protection because there is no precise definition of a work of artistic craftsmanship. Specifically, there is uncertainty as to

whether functional items (such as furniture) may be covered by the definition, which is the very problem that s 52 originally sought to address. Many of these questions will need to be addressed, at least in part, at a European level.

As such, the UK Government has recognised that there remain questions as to the practical impact of the repeal, and that guidance would be helpful. It has indicated its intention to publish non-statutory guidance on what items may attract copyright protection as artistic works and factors to consider when making this assessment. It will ultimately be for the courts to decide. In the meantime, the uncertainty created by the repeal of s 52 is likely to favour designers.

III. COMMON PROBLEMS

There are far too many possible problems which designers may face on a daily basis to cover them all here. Discussed briefly below are some of the challenges which commonly cause designers difficulties, and how they can be addressed.

A. Parallel imports

Parallel imports are products which the designer has placed on the market outside the territory the right relates to (such as the European Community), which are then imported by third parties into the territory without consent. The sale of these products can still infringe the designer's design rights even though they are genuine products rather than counterfeits.

However, this is not the case where the goods are put on the market within the EU, because the principle of exhaustion states that where goods are placed on the market by the owner in one member state of the EU, the owner cannot prevent it from being sold elsewhere in the bloc. This is important for designers to remember when granting multiple licences to companies within Europe for particular territories. While the licensee can be contractually prevented from selling products outside its territory, the licensor will be able to do little to prevent the resale of goods by third parties, even where it impacts on the activities of licensees in other territories.

The position in respect of genuine goods imported from outside the EU is different. Where the designer has not consented to the same goods being put on the market in the EU, it is entitled to object to infringement of its designs when such goods are imported from outside the EU, provided no consent was given (and this requires policing).

In relation to UK unregistered design rights, the position is slightly more complicated because it has not been harmonised by European law and depends on whether the imported product satisfies the definition of an "imported article". This will only be the case where the hypothetical making of the same product in the UK would have infringed design rights or breached an exclusive licence. Because this will not be the case where the designer itself makes the product outside the UK, the importation of those products into the UK by a third party cannot infringe the designer's unregistered design rights. However, where the goods are manufactured by a licensee for sale in territories other than the UK, the importation of those goods into the UK by a third party will infringe registered design rights. When considering design infringement in these circumstances, it is therefore important to consider the origin of the imported product, and whether it would have been an infringement of UK unregistered design rights if it had been made in the UK.

B. Spare parts cases

The supply of spare parts or consumables can be a lucrative business, often more so than the sale of the articles to which they relate. As such, these activities have proven to be one of the key battlefields for design rights, particularly in relation to the automotive industry.

As touched on briefly above, copyright in design drawings was previously used by designers to prevent the sale of spare parts by third parties. However, the UK courts sought to put an end to this practice in the British Leyland case ^[1], when it was held that the "right to repair" permitted third parties to manufacture and stock consumables and spare parts. Although the reasoning behind this decision was roundly criticised, the effect is essentially replicated by the "must fit" and "must match" provisions that are now found in UK law, namely:

The "must fit" exception denies protection for features of designs which must be a certain shape for them to be incorporated into, or operate as part of, another product. This is a fairly limited exception which is intended to deny design protection for shapes which are technically necessary.

The "must match" exception covers features of a design which are dependent on the appearance of a complex product so as to conform aesthetically, rather than technically.

As a result of these two exceptions, the UK is relatively tolerant of third parties who manufacture spare parts. However, this does not apply across Europe as a whole, where many member states

^[1] British Leyland Motor Corp Ltd v. Armstrong [1986] 2 WLR 400.

(including France and Germany) restrict the rights of third parties to manufacture spare parts to the same design. The European Commission has been seeking to reach agreement on a general "right to repair" clause since before 1998, but dropped its proposals in 2014.

C. Tackling multiple infringements

Finally, even where a designer has an extensive global IP portfolio, the practicalities of taking enforcement action against multiple infringers who are often small businesses or individuals can pose a logistical challenge. The presence of online sales platforms such as Alibaba.com and eBay can make enforcement even more complicated.

Developing a clear and consistent strategy for managing these infringements is very important. The most appropriate strategy will differ in each case depending on the products, the designer's key territories and rights, and budget. However, there are a number of tools available to designers to allow them to identify and deal with small scale infringements in a timely and cost-effective manner.

1. Customs notices

It is not necessary to have a customs notice in place for customs officials to seize goods which they suspect of infringing intellectual property rights. However, filing customs notices does help customs officials identify and seize infringing goods more easily and, in certain circumstances, to destroy them easily.

It does not cost anything to file an application for action with the relevant local customs office. If the application is for a Community notice, the office in question will send the information contained within the application to customs officials in each of the member states. Therefore, the more information the application contains, the more effective it is likely to be. For example, if the designer is able to identify known infringers, routes to market and distinguishing features of the counterfeit goods (including price point), it will be easier for customs officials to identify infringing goods and this information should be included. It can also sometimes be worthwhile to engage with customs officials to offer them training, to help them understand the particular issues regarding the original products.

If a potentially infringing product is identified by customs officials, they will often contact the rights owner to ascertain whether their rights have, in fact, been infringed. The rights owner has 10 days to confirm whether this is the case, and (unless the importer of the

goods agrees to their destruction or ignores the contact altogether) to commence legal proceedings in relation to the goods.

The customs officials will not contact the rights owner where it has specifically indicated that it wishes to use the "small consignment" procedure. Under this procedure, small consignments (those containing three units or fewer or having a gross weight of less than 2kg) of goods suspected of being counterfeit are destroyed without checking whether they infringe the rights owner's intellectual property. This procedure does reduce the administrative burden on the rights owner of responding to customs enforcement notices and is worth considering if such small scale consignments are a particular issue for a designer. However, it also means that designers are not able to gather information about the infringing goods which can be useful in identifying patterns of infringement, and the source of the infringing goods, particularly in the early years of an enforcement programme.

2. Online takedowns

Online sales can prove a real problem for designers because small infringers can gain significant visibility for their counterfeit products quickly, and with minimal investment. The lack of identity checks by many such platforms exacerbates the problem because even infringers who have been dealt with will often reappear under a different username. It can sometimes appear that the problem is too big to tackle. This is not necessarily the case.

First, it is important to understand the extent of the problem. This will involve conducting regular "sweeps" of specified sales platforms to understand the number of listings which infringe the rights owner's designs. Where overseas sales platforms are selling counterfeit goods, a search in the local language is also sensible to ensure that the full extent of the problem is revealed.

Second, many sales platforms offer a takedown service for infringing listings (such as the eBay VeRO service). These are often simple forms which allow rights owners to identify the trade mark or design which is being infringed. Rather than filing take down requests against all infringing listings, it is sensible to begin with "easy wins" which will often be counterfeit products which infringe both the designer's designs and trade mark rights. Once these listings have been brought under control, the rights holder can tackle the design infringements specifically, although one should always ask the question as to whether the infringement is realistically likely to harm their business, particularly as requesting a product listing be removed could be construed as a groundless threat in specific circumstances.



Joseph Joseph - Index Chopping Board

Finally there will be a class of "repeat" infringers who attempt to relist products. These companies should be considered potential targets for more formal legal proceedings.

There is an increasing acceptance by the UK judiciary of "blocking orders", which require intermediaries (such as internet service providers) to block access to a certain website and may assist owners of design rights. Currently, such orders have only been granted to owners of trade marks, in relation to counterfeit goods, and copyright, in relation to movie piracy for example. However, there appears to be no reason why such orders may not also be used against intermediaries whose services are used by a third party to infringe design rights, given that the basis of the blocking order derives from the EU Enforcement Directive, which makes no distinction between IP rights.

3. Identifying "Mr Big"

The aim of both of the strategies discussed above is to deal with the specific instances of infringement in question, but also to gather information on the supply chain, which allows the designer to identify the source of the infringing products. Once the source of the infringing products has been identified, the designer can consider taking action against it. In order to reach the position where the manufacturer of the infringing products can be identified, it is sometimes sensible to incentivise lower level infringers to settle quickly and provide information on their supplier by offering to waive entitlement to costs and/or damages.

IV. PROTECTION EXPIRY

Right	Term of Protection
UK unregistered design right	Shorter of 10 years from end of year of first marketing of the product or 15 years from creation of the design.
Community unregistered design right	3 years from the date the design is first publicised in the EU.
UK and Community registered designs	Up to 25 years (subject to 5-yearly renewal fees).

This series on design essentials has shown how design rights can be an incredibly valuable asset when they are properly protected, enforced and exploited. However, unlike trade marks, which can be renewed in perpetuity, the protection afforded by design rights has a limited lifespan.

While this does not present a problem for designs which are only ever intended to have a short lifespan, certain designs (such as classic cars) will become more valuable the older they become. Some even become design "icons". Yet no matter how iconic the design, the term of statutory design protection is absolute. So how can the investment which has been made in the design be protected and the next design "icon" stopped from being copied once its design protection expires?

There are numerous ways a company can attempt to extend a design's protection following the expiry of the design rights which protect it. The most appropriate method is likely to depend on the specific design in question. No such method is foolproof, but the one common denominator is that an element of forward planning is required.

A. Iterative design protection

The most common method of seeking to extend design protection is to make minor changes to the design, sufficient to allow new design protection to be sought. This method is most applicable to designs with a design language which is capable of evolving over time. Incorporating new features which are capable of protection into an existing design may provide extended protection against copycats if the new features are sufficient to afford the new design protection. Prior to applying for design protection, it is therefore sensible to

understand from the designer how a design may develop over the course of its lifetime.

There is, however, a significant tension between protecting new design features and ensuring that they are not invalid as a result of the earlier designs. For this reason, the approach is of particularly limited use when seeking to protect designs which are not capable of iterative development, but which are fixed (as is the case with most iconic designs). Nevertheless, even where new designs are likely to be invalid as a result of the earlier designs, registered design rights (which are not examined prior to grant) may deter low level infringement and provide a minimum level of protection.

B. Other intellectual property rights

An innovative design can make a significant contribution to a successful product. However, it is not the only factor which is important. Other intellectual property rights such as trade marks, copyright and patents will frequently contribute to the success of a product. It goes without saying that building a successful brand is important in driving sales, and there are numerous facets to establishing an effective brand identity.

Here, we will focus specifically on how trade marks and other IP rights can be used in relation to the design of the product itself, rather than the branding. However, it is important to remember that an effective strategy will often require a holistic view of both the brand and the product.

What shapes cannot be registered as a trade mark?

- Shapes with an essentially technical function;
- Shapes with a substantial aesthetic value;
- Shapes resulting from the nature of the goods; and
- Shapes which do not identify the origin of the goods or are not distinctive.

1. Trade marks

First, the shape of a product can be registered as a trade mark if it is capable of distinguishing the designer's goods, from those of another undertaking. This is the holy grail of protection for designers because, in theory, it provides everlasting design protection. As a result, the bar for registering a trade mark for the shape of goods is set extremely high and unsuccessful attempts have been made to register many well-known designs, such as the Philips three-headed shaver, the Lego brick and Bang & Olufsen speakers. However,

there are other shape trade marks which have been successfully registered.

The first requirement is to establish that the shape in question is distinctive. The Court of Justice of the European Union has held that because consumers are not used to identifying the origin of the products on the basis of their shape, this requirement will often only be satisfied where the trade mark departs significantly from the "norms or customs of the sector".

However, where there is evidence that consumers do rely upon the appearance of the shape of the product to identify the origin of the product (rather than any other word or logo), such as the shape of certain vehicle radiator grilles, it is likely that the shape will possess the distinctive character necessary for registration. Similarly, where a designer applies the same styling feature to the shapes of a range of goods of the same kind, this may assist in educating the public that the feature has some trade mark significance and be sufficiently distinctive.

However, it is important to remember that certain shapes cannot be registered as trade marks, even if they are capable of distinguishing the goods or services in question from those of other undertakings. The exceptions are essentially a result of a public policy which seeks to prevent a monopoly over functional characteristics, and to prevent trade marks from serving to extend the life of other time-limited intellectual property rights, such as design rights. The exceptions are for shapes which have a technical function or shapes which result from the nature of the goods.

Finally, designs will also sometimes incorporate inventive features which are capable of protection by patents or utility models. However, these IP rights also have a limited duration which, although longer than unregistered rights, is unlikely to offer particularly extended protection.

2. Copyright

As discussed above, there is a great deal of potential overlap between design law and copyright. While CPDA ss 51 and 52 do limit the usefulness of copyright law in the context of designs, this will change to some extent with the repeal of s 52. For example, in relation to particularly iconic designs in certain industries, the repeal of s 52 means that iconic designs could be considered works of artistic craftsmanship which should be protected for longer than 25 years (life of the designer plus 70 years), and copyright can be used to prevent articles from being copied, even where design right has long since expired. Companies who own such iconic designs ensure they are able to identify the original designer and establish a clear chain of title to copyright in the design drawings or model.

What constitutes a work of artistic craftsmanship is not clear-cut, however, and is likely to remain reasonably limited.

C. Regulatory issues

In certain cases, particularly in relation to consumer goods, the products that encapsulate the design will need to meet certain regulatory requirements. Poor copies of these products will commonly fail to satisfy such requirements, whether because they have been manufactured cheaply or because they are parallel imports from a territory with different requirements.

By bringing non-compliance with these regulatory requirements to the attention of the relevant authorities (such as trading standards), or threatening to do so, owners of design rights can make it more difficult for companies to sell their copy products or keep them off the market until the issues have been addressed. This option should seriously be considered where there are safety implications of not complying with the relevant regulations, not least because there is a risk that the designer's products will be tarnished by the copy products.

V. CONCLUSION

Just as the design industry is itself a fascinating and constantly evolving industry, the laws which protect design rights are similarly evolving to ensure protection for designers. As can be seen above, there will sometimes be cases where the interests of designers have to be weighed up against those of other industries (such as manufacturers of spare parts and parallel importers) but, on the whole, the balance probably favours designers. This is no surprise given the importance of the design industry to the UK and Europe as a whole.

In this "Designs for Life" series, we have sought to provide a guided journey through the process of design, from inception to exploitation and enforcement, giving a practical overview of designs from end to end. We hope that it will prove a handy introduction to all designers regardless of their experience, as well as to the legal teams that work hard to protect and exploit their work.

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