

Design debacle

Simon Clark explains why designers face being significantly worse off throughout Europe post-Brexit



If and when Brexit happens, the UK will see the most significant changes to unregistered design law since the country's unregistered design right was first introduced in 1989.

This position has crept up unannounced and so is likely to come as a big shock to design businesses as and when they come to realise what has happened.

You would be forgiven for assuming that everything was going to continue much as before post-Brexit, and that there was nothing to worry about. This is because the applicable Statutory Instrument in the event of a no-deal Brexit, the Designs and International Trade Marks (Amendment etc) (EU Exit) Regulations 2019, effectively simply repeats the current wording of the Designs Regulation¹ but replaces references to the Community with the UK.

Consequently, a new "supplementary unregistered design" right will be introduced in the UK for new designs which is equivalent to the unregistered Community design right but limited in geographical effect to the UK, and an equivalent "continuing unregistered Community design" for existing designs.

So far so good. In the same way that European Union Trade Mark (EUTM) owners will automatically get an equivalent UK trademark post-Brexit, and owners of registered Community designs will automatically get an equivalent UK registered design, owners of an unregistered Community design will get the UK equivalent "continuing unregistered Community design" right.

However, the UK Intellectual Property Office (UK IPO) has

announced² that the new supplementary right for new designs post-Brexit will only subsist if the design is first disclosed in the UK. This means that for fashion companies that usually launch their new designs in Paris, or furniture companies that first reveal their new ranges at the Milan Furniture Fair, their new designs will not be protected by the supplementary right in the UK.

For UK companies, this means that they will be left having to either prove their designs are protected by copyright as works of artistic craftsmanship (or possibly in the case of articles such as furniture, as sculptures), or rely on the traditional UK unregistered design right (under the Copyright, Designs and Patents Act 1988) which only protects shape and not surface decoration.

For a non-UK company, their position will be even worse in the UK, since they will no longer qualify at all for the UK unregistered design right. This is because the Statutory Instrument amends the 1988 Act so that to qualify for UK unregistered design right, designers must be either habitually resident in or a body incorporated in or that carries out substantial business in the UK or another qualifying country. A qualifying country is one which offers UK designers reciprocal rights in their own countries, the largest two being Hong Kong and New Zealand.

Similarly, qualification for the UK unregistered design right by place of first marketing will be reduced to the UK or another qualifying country, rather than the EU as the law currently stands. If their designs are not works of artistic craftsmanship or sculptures, they will be

unable to stop copies being made or sold in the UK unless they have applied to protect them as UK registered designs.

Any design company which does choose to launch their new designs in the UK will (apparently) no longer benefit from unregistered Community design because their designs were not first marketed in the EU. This will leave them having to apply to register their designs as registered Community designs, or hope that the member state in which they wish to protect their designs offers some other form of unregistered protection, such as copyright or unfair competition.

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Qualifying for Community design protection

So, you may well ask, why has the UK IPO announced that the supplementary right will only apply to designs first disclosed in the UK? The answer to this lies in the uncertainty over the meaning of wording which was added to the Designs Regulation in 2003 in the form of Article 110a (5).

In order for a design to qualify for Community design protection, it must be both new and of “individual character”. Note that there are no nationality requirements, so a US company can qualify for Community design protection if it meets these criteria. Novelty is dealt with in Article 5(1) which states:

“A design shall be considered to be new if no identical design has been made available to the public:

- In the case of an unregistered Community design, before the date on which the design for which protection is claimed has first been made available to the public”.



Article 6(1) deals with “individual character” in a similar way:

“A design shall be considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public:

- In the case of an unregistered Community design, before the date on which the design for which protection is claimed has first been made available to the public”.

Article 7 tells us what is meant by first been made available to the public:

“For the purposes of applying Articles 5 and 6, a design shall be deemed to have been made available to the public if it has been published following registration or otherwise, or exhibited, used in trade or otherwise *disclosed, before the date referred to in Articles 5(1)(a) and 6(1)*...³ except where these events could not have become known in the normal course of business to the circles specialised in the sector concerned, operating within the Community.”

It is therefore clear from Article 7 that, at least when deciding whether a design has been disclosed for the purposes of establishing validity of the design in terms of novelty and individual character, the design need not have been first marketed within the EU.

What does this look like in practice?

Let's assume that I first exhibited a new and very unusual looking teapot design at a major kitchenware exhibition in New York on 1 January 2018, which was attended by all the major European kitchenware manufacturers and suppliers.

On 1 March 2018, a Chinese competitor launched a very similar teapot design at another major kitchenware exhibition in Shanghai, also attended by the same European companies. My design will be new and will have individual character over the design launched in China because no design which was either identical to or gave the same overall impression as my design had been made available before 1 January 2018. The Chinese design would not qualify for unregistered Community design because my design was exhibited before the date referred to in Article 5(1)(a) – 1 March 2018 – and Article 6(1) – 1 March 2018.

Although I launched my design outside the EU (in New York), it would reasonably have become known in the normal course of business to circles specialised in kitchenware, operating in the EU (the European kitchenware manufacturers and suppliers).

It can already be seen that the wording is not entirely satisfactory, as the references to Articles 5 and 6 in Article 7 make the definition of disclosure circular. The wording works when you read Article 7 as referring to the disclosure of the third-party design (the Chinese design in my example) and the “date referred to in Article 5(1)(a)” as being “the date on which the design for which protection is claimed has first been made available to the public” (the wording from Article 5(1)(a)), which is 1 January 2018 in our example. However, it becomes circular when applying Article 7 to the disclosure of the design for which protection is claimed. This is because when you insert the definition of the words in italics from Article 7 into Article 5(1)(a), Article 5(1) then reads:

“A design shall be considered to be new if no identical design has been disclosed before the date on which the design for which protection is claimed has first been disclosed before the date on which the design for which protection is claimed has been” *ad infinitum*.

And Article 6 suffers from the same problem as it shares the same wording as Article 5(1)(a).

Essentially, it seems that the words “before the date referred to in Articles 5(1)(a) and 6(1)” were superfluous in Article 7 when interpreting Articles 5 and 6.

In any event, there is nothing in Articles 5 to 7 which requires a first

disclosure within the Community.

Article 11 defines when the right commences, and its term of protection:

“A design which meets the requirements of Section 1⁴ shall be protected by an unregistered Community design for a period of three years as from the date on which the design was first made available to the public within the Community”.

So here is the first (and only) requirement in the Regulation of a design having to be “first made available to the public within the Community” for the right to subsist. However, Article 11 is defining the start and end point of the term of protection. Article 11 has no bearing at all on whether a design is new or has individual character – that is established by Articles 5 to 7.

In fact, Article 11(2) repeats the same wording found in Article 7:

“For the purposes of paragraph 1, a design shall be deemed to have been made available to the public within the Community if it has been published, exhibited, used in trade or otherwise disclosed in such a way that, in the normal course of business, these events could reasonably have become known to the circles specialised in the sector concerned, operating within the Community.”

Returning to the example, we have already established that my design is new and has individual character pursuant to Articles 5 to 7. Applying Article 11, my three-year period of protection started to run on the day I exhibited it in New York because that was known to circles specialised in the kitchenware sector operating within the EU. Accordingly, my design is protected from 1 January 2018 until 31 December 2020.

Now consider a second example, which is the same as the first example save that I first made my design available to the public by selling it in a single shop in a remote part of Australia on 1 January 2018, and it was not until 1 July 2018 that I started selling it in major department stores in Paris.

This time my design lacks individual character because the sales in Australia were not known to circles operating within the Community under Article 6(1), so it was not until 1 July 2018 that those circles would have seen my sales in Paris. Because those circles already knew of the Chinese design from 1 March 2018, my design never qualifies for unregistered Community design, so there is no need to even consider Article 11.

In fact, because Articles 7 and 11 share the same wording, it is difficult to think of any example of when a design could be new and have individual character, but not yet fall within Article 11 so that the duration of protection has not started to run.

Finally, we reach the Article which has caused the real problem – Article 110a (5), which includes the following final sentence (curiously the rest of Article 110a deals with a different topic, relating to the enlargement of the Community when the 10 further member states joined in 2004):

“Pursuant to Article 11, a design which has not been made public within the territory of the Community shall not enjoy protection as an unregistered Community design”.

All in the wording

The first thing to notice is use of the words “made public” rather than “made available to the public”. It is not clear why different wording was used in this Article, but it does not appear to make any difference since Article 11(2) itself defines what making available to the public means for the purposes of Article 11(1), and the wording “Pursuant to Article 11” in Article 110a (5) suggests that no change was intended. In any event, if “made public” includes obscure disclosures which would not have been known to the circles specialised in the sector concerned, Article 11(2) goes on to narrow the relevant designs to non-obscure



designs for the purposes of starting the three-year period running.

What Article 110a (5) definitely does not say is that a design which has not been made public within the territory of the Community shall never enjoy protection as an unregistered Community design unless it was first made available to the public within the Community. And yet that is the interpretation which the UK IPO is attributing to those words. I understand that their reason for doing so is partly based on a decision of the German Federal Supreme Court and partly as a result of a statement made by the EUIPO.

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In *Gebäckpresse*⁵ the Federal Supreme Court concluded that the introduction of the second sentence of Article 110a (5) quoted earlier was intended to clarify the wording of Article 11 to make it clear that that the disclosure of the design must take place within the Community in order to attract unregistered Community design protection. However, if that was the intention of Article 110a (5), why does it not expressly say “first made public”? Article 11 simply says that a design which is new and has individual character over non-obscure prior designs shall be protected for a period of three years “from the date on which the design was first made available to the public within the Community”. Paragraph 11(2) of Article 11 does not say that that first made available date has to be “before” any other disclosure, as Articles 5 to 7 do. And it expressly includes non-obscure disclosures outside the Community. Accordingly, it is difficult to see where the Federal Supreme Court found any reference in the regulation to a requirement that the disclosure in the EU had to be the first disclosure.

On the contrary, the clear lack of any reference to earlier designs in Article 11 supports the interpretation that Articles 5 to 7 deal with novelty, individual character and prior disclosures, and Articles 11 and 110a (5) simply say that until the design has been made available to the



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public within the Community, the right does not subsist.

The EUIPO website contains the following statement within a paragraph headed “What does ‘disclosure’ mean?”:

“Disclosure is making a design available to the public in such a way that the interested circles operating within the EU can reasonably be aware of the design ... Disclosure must take place within EU territory to create an unregistered Community design right”.

However, once again this statement does not say that the first disclosure must take place within the EU. The first sentence describes Article 11(2) and the second sentence describes Article 110a (5). It can therefore be read as saying that until the design has been disclosed within the EU (which cannot be an “obscure” disclosure), you cannot qualify for the right.

Summary

Having interpreted the regulation and the EUIPO statement as requiring first disclosure within the EU, the UK IPO concluded that it had no option but to follow suit and state that the supplementary right will only subsist in designs which have been first disclosed within the UK. To do otherwise could create an unlevel playing field for UK businesses because EU businesses that first disclose in an EU-27 member state would benefit from both unregistered Community design and the UK supplementary right, whereas UK businesses would only get the UK supplementary right.

Of course, there are no nationality requirements in order to qualify

for either right, but the assumption is naturally that most UK businesses would be more likely to launch their new designs in the UK than in an EU-27 member state.

Although the UK IPO has adopted this view, it does recognise that there is still some uncertainty over the correct interpretation. For that reason, the guidance issued by the UK IPO on 22 March 2019 following the passing of the Statutory Instrument states that the supplementary right “will be established by first disclosure in the UK or another qualifying country established in legislation by the Secretary of State, and subject to interpretation by the UK courts”.

By simply adopting the wording of the regulation in the Statutory Instrument, it means that if a UK court does rule that the wording does not require a first disclosure in the UK, then there will be no need for further legislation. Of course, a partial solution would be for the EU and the UK to sign a reciprocal agreement that first disclosure in the other's territory will still attract the relevant right. That would not, however, help in my first example, so that US companies, for example, will still not qualify for either right if they first disclose their designs in the US.

It is interesting that the new right has been called the supplementary unregistered design when, on the UK IPO's interpretation of it, it does not supplement the unregistered Community design at all – it is in fact only an alternative to it. If you remain unconvinced that my preferred interpretation of the regulation produces a more consistent result, I leave you with the following conundrum which arises from the UK IPO's interpretation:

What is the position if I first disclose my new design on the internet, so that there is simultaneous disclosure in the UK and in the EU – do I qualify for both of the rights, or neither of them?

That problem never arises if there is no requirement of first marketing within the territory.

In the meantime, the best advice for the design industry will be for UK-based businesses to apply to register their designs as registered Community designs and for EU-based businesses to apply for UK registered designs. The problem is that currently only a very small minority of design businesses do protect their designs with registrations, which makes the unregistered design rights so important. And the situation looks difficult for UK-based exhibition organisers (and the associated logistics, transport and catering industries etc) who are likely to find it harder to persuade companies to launch their new ranges in the UK.

Footnotes

1. Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs.
2. “Changes to design and trademark law if the UK leaves the EU without a deal” published on 22 March 2019.
3. The words omitted only relate to registered Community designs.
4. Section 1 is Articles 3 to 9.
5. [2009] GRUR 79 Federal Supreme Court.

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