Susie Middlemiss and Adam Baldwin of Slaughter and May outline the key changes to design and patent law that will come into effect under the Intellectual Property Act 2014.

The Intellectual Property Act 2014 (2014 Act) received Royal Assent on 14 May 2014 and is scheduled to come into force in October 2014. Most of the reforms relate to the law on registered designs and patents (see boxes “Changes to the law on design rights: a summary” and “Changes to patent law: a summary”).

While the changes to the law in relation to designs are significant rather than radical, they are of practical use, and should make it easier to identify and enforce design rights. However, the registered and unregistered designs regime remains a complex area.

The introduction of the Unified Patent Court (UPC) system will have a fundamental impact on patent litigation in the EU. The 2014 Act, however, merely puts in place some of the mechanisms to allow for its adoption, assuming that it is ratified by a sufficient number of countries. The reforms in relation to patent marking are of practical value, as are those relating to the patent opinions service for those who use the service. For particularly valuable patents, however, the court system is likely to remain the preferred forum for dispute resolution.

This article outlines the main changes to the law in relation to designs and patents that the 2014 Act will bring into effect.

BACKGROUND

The 2014 Act was produced largely in response to the Hargreaves review of intellectual property and growth, published in May 2011 (the review) (www.practicallaw.com/7-506-6394). The review’s ten key recommendations aimed to create an intellectual property framework in the UK that is best suited to supporting innovation and promoting economic growth in the digital age. The main message was that the law should be changed in order to help businesses understand how their intellectual property rights can be protected, reduce the need for costly litigation, and provide greater certainty for investors in new designs and technologies.

The review identified small and medium-sized enterprises (SMEs) as a key group to be targeted by changes to the law, as they account for 99% of all UK businesses and for more than half of all UK employment. However, a number of the resulting changes contained in the 2014 Act will be of interest to larger organisations that have a portfolio of valuable intellectual property rights. Recommendations from the review have also led to the introduction of a small claims track in the Patents County Court, the creation of the Digital Copyright Hub, modernisation of the mediation service and changes to
Changes to the law on design rights: a summary

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<td>EU-wide applications for design registrations can be filed but may be centrally attacked.</td>
<td>The UK will be able to accede to the Hague Agreement Concerning the International Registration of Industrial Designs, allowing central applications for design registrations in multiple jurisdictions.</td>
<td>A centralised application system will be available for a portfolio of national registrations as well as a single EU-wide design registration. In contrast with EU registrations, the national registrations will not be subject to central challenge.</td>
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<td>An opinion service is available for patents only.</td>
<td>The Intellectual Property Office will provide a design opinion service, offering non-binding opinions on the infringement and validity of registered designs and other issues.</td>
<td>The new design opinion service may help in dispute resolution and avoid lengthy and costly litigation.</td>
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<td>No criminal sanctions are available for the infringement of registered designs.</td>
<td>A criminal offence for deliberate copying of registered designs will be introduced. A maximum penalty of ten years’ imprisonment will apply if registered designs are intentionally copied.</td>
<td>The new criminal offence may benefit businesses by increasing confidence in the protection afforded to design rights.</td>
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<td>The commissioner of a design is, by default, the owner.</td>
<td>The default owner of a right in a design (registered or unregistered) will change to be the designer, unless agreed otherwise between parties.</td>
<td>There will be an increased need for commissioning agreements to set out clearly the respective rights of the commissioner and designer.</td>
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<td>Exemptions from liability for infringement exist for registered designs but the position is not express or clear for unregistered design rights.</td>
<td>Third parties using unregistered design rights privately will be exempt from liability for infringement.</td>
<td>Private acts, experiments and teaching will fall within the new defence but commercial use will not. This mirrors the provisions already available for registered designs.</td>
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<td>The law on unregistered design ownership is unclear, since any aspect of a design potentially qualifies for unregistered design protection. An unregistered design is not novel if it is commonplace. It is unclear whether it needs to be commonplace in the UK or whether it could be commonplace elsewhere in the EU.</td>
<td>The definition of an unregistered design will be amended and simplified to prevent protection being afforded to trivial aspects of a design and to clarify what commonplace means when determining novelty.</td>
<td>Unregistered design protection will only apply to the shape and configuration of an article. A design that is commonplace in any part of the EU will not be novel.</td>
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DESIGNS

Under existing law, unregistered design protection arises automatically (although there may be a design document embodying the design) and relates to the shape or configuration of an original design; that is, the three-dimensional shape of an article. Both UK and Community (EU-wide) unregistered design rights can be relied on under a complex system of overlapping rights. Registered design right protection is available for two-dimensional designs or surface patterns, as well as for the shape and configuration of a product. Registration is available for a national right (a UK registered design) or for an EU-wide registration (a Community registered design (CRD)). The 2014 Act will bring in a number of changes in the law relating to both registered and unregistered designs.

Central applications

At present, the owner of a design can make an application centrally to the World Intellectual Property Organisation. The application is in one language and for one fee and will result in registered design protection, which takes effect throughout the EU. However, these applications are vulnerable to central attack and, if invalidated, all protection across the EU is lost. To avoid this risk, or to supplement the EU-wide protection, an owner can make
individual national applications but this is costly and an administrative burden.

The 2014 Act will enable design owners to apply centrally for registered design rights in the UK and elsewhere using the international registration system. These applications will mature into multiple national registrations in designated countries that are not susceptible to central attack.

This change will be achieved through the 2014 Act giving the government the power to accede to the Hague Agreement on the International Registration of Industrial Designs. This is expected to take place during 2015, so it will be some time before centralised applications can be made in this manner.

New criminal offence
The 2014 Act will introduce a new offence of intentionally copying a design registered in the UK or a CRD. The maximum sentence will be ten years’ imprisonment. The offence will require:

- Intentional copying in the course of a business.
- That the copy differs only in “immaterial details” from the original.
- That the copying is done without consent and in the knowledge, or with reason to believe, that the design is a registered design.

It is a defence to know, or reasonably believe, that the design registration is invalid or is not infringed.

The word “intentional” was chosen as the concept is familiar to the criminal courts from other offences. Equally, the concept of immaterial details is already recognised in relation to registered designs, when deducing whether a design is new, and is therefore capable of being a registered design under the Registered Designs Act 1949. In that context, immaterial details are those features that make no significant visual impact on the design (Household Articles Ltd’s Registered Design [1998] FSR 676).

The creation of this offence brings the law on design more in line with that for trade marks and copyright, to which criminal offences relating to particular forms of infringement have existed for some time and are an important tool for rights owners; for example, in combating counterfeiting.

Prior use of a registered design
The 2014 Act will create a new right for a party to continue its prior use of a design that is registered. This will apply where a party, acting in good faith and before anyone else registers the design, either continues using the design or has made serious and effective preparations to use the design. The party will have the right to continue to use the design for the purposes that it has, before that date, either used it or made such preparations for its use, and will be able effectively to resist allegations of infringement.

It will not be possible to license or assign this new right, except where the design was used (or where preparations were made) in the course of a business and the right is assigned with part of the business connected to that right. It will bring the law for registered design into line with the law for CRDs and patents, where similar rights already exist.

Design ownership
Currently, while copyright in any commissioned work vests in the designer, any rights to designs subsisting in the work vest in the commissioner. The 2014 Act will introduce an important change in design ownership and bring the UK position in line with that for Community designs, as rights in a commissioned design will be owned by the designer and not by the commissioner.

The practical significance of this is that, where a commissioner is seeking rights in the design, rights will need to be addressed in any agreement relating to the commission. Consequently, commission agreements will now have to expressly transfer ownership to the commissioner, assuming that this is the commercially agreed position between the parties. The situation under an employment contract remains unaffected, with the designs produced by employees during the course of their employment, and under the terms to this effect in their employment contract, continuing to vest in the employer.

Design opinions service
The 2014 Act will introduce a design opinions service, with the intention of helping to resolve potential design disputes without requiring the courts’ involvement. The service will allow the holder of a registered design, or any other person affected by a registered design right, to request an opinion from the Intellectual Property Office (IPO) on the validity of the design’s registration or whether it infringes, or is being infringed by, another design.

Changes to patent law: a summary

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<td>The unitary patent and the Unified Patent Court (UPC) cannot come into effect in the EU until several legislative steps are completed.</td>
<td>The Secretary of State will have the power to make an order giving effect to the provisions of the UPC Agreement in the UK.</td>
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<td>Patent holders do not have to mark their products as patented (although there are benefits in doing so) but can do so by displaying the patent number and corresponding country of origin.</td>
<td>Rather than listing specific patent numbers, a patentee can use a weblink to direct third parties to a website that will display all the current patent information.</td>
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<td>The Intellectual Property Office (IPO) is not able to initiate proceedings following an opinion that a patent is invalid. The third party applicant is therefore required to commence proceedings with the cost falling on the applicant seeking revocation.</td>
<td>The IPO will be able to revoke a patent where there has been an opinion finding lack of novelty or inventive step (subject to the patentee having the right to contest the decision or amend the patent).</td>
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The service is intended to be modelled on the existing patent opinions service, and be a low-cost, non-binding and impartial service (see “Patent opinion service” below). Current proposals indicate that the applicable fee will be £200, matching the fee under the patent opinions service. Further regulation will detail the parameters of the service, and whether it could extend to opining on unregistered designs.

An impartial opinion from the IPO will provide an indication as to the likelihood of success of an infringement or a question surrounding validity, and so create a level of certainty that can help avoid costly litigation. If the service extended to matters of unregistered design, this could be particularly helpful to third parties, where the absence of a registration document makes it very difficult for parties to identify the scope of protection.

This change is being introduced to address research indicating that SMEs and designers are being deterred from enforcing or protecting their design rights through the courts due to cost and time concerns, and the general uncertainty of the outcome. The concern is that this could lead to opining on unregistered designs.

and a culture of infringement emerging. A low-cost opinion indicating a likelihood of infringement could help encourage a correct and proportionate action in the courts, with a lower risk of the design owner suffering an unexpected loss.

Scope of unregistered design right
The 2014 Act will narrow the scope of unregistered design right in an attempt to provide greater certainty as to the range of protection and reduce the risk of trivial features of designs being protected. Unregistered design right will therefore now be available to protect the design of the shape and configuration of an article, as opposed to extending to any aspect of its design. This is intended to restrict small or cropped areas of a design potentially gaining unregistered design right protection.

The test for originality is also clarified by the 2014 Act. A design may lack originality and therefore not be capable of protection as an unregistered design if it is commonplace. The geographical extent of “commonplace” was previously uncertain. The 2014 Act extends the definition to be read as being “commonplace in any qualifying country”, which expressly includes any EU member state. Therefore, if a design is commonplace, being “trite, trivial, common-or-garden [or] hackneyed” anywhere in the EU, it will not be considered original and therefore will not be capable of protection. This is in line with Ocular Sciences Ltd v Aspect Vision Care Ltd [1997] RPC 289.

Private use of unregistered designs
The 2014 Act will introduce a defence to infringement for third parties using designs that attract unregistered design protection for private (non-commercial) acts, experimental purposes and teaching or making citations. For teaching or citation purposes, the source of the design must be acknowledged and the reproduction must be compatible with fair trade practices and not unduly prejudice the normal exploitation of the design. There are also exceptions for equipment used in ship and aircraft transportation in the UK.

These defences already exist in respect of registered designs. This change also harmonises the UK position with that under EU law in relation to Community designs (and the law on copyright). Importantly, the 2014 Act will not change the position for commercial use of designs, which will still require the rights holder’s permission, but...
it will allow, for example, the teaching in a university design class of how to produce an article protected as an unregistered design, without infringing the right.

**PATENTS**

The 2014 Act makes a number of changes to the law relating to patents, and also brings the creation of the EU unitary patent and UPC system a step closer (for background, see feature articles “The unitary patent: a new patent and court system for Europe”, www.practicallaw.com/8-544-0047; and “The unitary patent: central enforcement of patents in Europe”, www.practicallaw.com/7-548-6465).

**UPC Agreement**

There has been significant progress in creating a pan-European patent right and the UPC. In order to implement the necessary changes across the EU, member states are required to ratify the UPC Agreement and implement various other legislative changes. The 2014 Act seeks to advance this process by granting the Secretary of State power to give effect to the provisions of the UPC Agreement in the UK.

The UPC Agreement will enter into force four months after it is ratified by at least 13 states (including France, Germany and the UK), so the UK’s advances are an important step towards bringing the UPC and unitary patent into effect. The official position from the European Commission is that the UPC system will come into effect in early 2015 (already a delay from the original hope of 2014). However, given the steps that remain outstanding in order to establish a functional UPC, 2016 or later appears to be a more realistic timeframe (see boxes “Summary of latest progress on the UPC” and “New draft Rules of Procedure for the UPC”).

**Patented product marking**

Putting a party on notice of a patent can act as a practical deterrent to infringement and, in some circumstances, can improve the patentee’s prospects of a claim in damages. The 2014 Act introduces the concept of “virtual patent marking”, which provides the option for all patent owners to mark their patented products with a weblink instead of the individual patent numbers. The weblink will direct the viewer to the details of the patents and any applications that are associated with the product. The use of a weblink on a product will provide the required notice to the third party of the existence of patents within the product infringed and can, in certain circumstances, create a wider opportunity for the patent owner to claim damages against parties that infringe the product.

Equally, for those third parties that are genuinely seeking to avoid infringement of a competitor’s product, up-to-date patent information in an easily accessible form will help aid development and avoid unintended litigation. It also reduces the risk of incorrect marking, which could lead to a party incorrectly implying patent protection in a product.

This change also provides a clear administrative benefit to the patent owner because, given that the contents of the weblink can be updated, the products or packaging will not have to be amended if, for example, a patent has since lapsed or been found subsequently to be invalid. Additionally, following the introduction of a similar concept under the US America Invents Act of 2011, the details contained within the weblink can extend to both UK and US patents.

**Patent opinion service**

The patent opinion service was established in 2005 and has proven successful, with over 150 opinions being requested, many of these being from SMEs.

The 2014 Act will bring supplementary protection certificates (under the Supplementary Protection Certificate Regulation (469/2009/EC)) within the scope of the patent opinion service so that validity and infringement opinions can be requested for these rights. It also provides for the patent opinion service rules to prescribe a broader range of matters on which opinions may be given.

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**New draft Rules of Procedure for the UPC**

On 6 March 2014, the Preparatory Committee for the Unified Patent Court (UPC) Agreement published the 16th draft of the Rules of Procedure for the UPC. Changes to previous drafts include the following:

- The panel of judges is required to provide reasons for any decision to bifurcate, which may lead to an appeal against the decision.

- Where an infringement action is commenced following a revocation action started in the central division, there is no longer an automatic stay of the revocation action pending the result of infringement action. Automatic stay will only occur when a defendant to an infringement action counterclaims for revocation.

- The opt-out regime has been redrafted and now makes it clear that opting out a classic European patent from the UPC regime will also opt out any supplementary protection certificate based on it.

- The time for service of a reply to a defence to a revocation counterclaim has been extended from one month to two months.

- In granting provisional measures (such as a preliminary injunction) the UPC is now required to weigh up the interests of the parties to see where the balance of convenience lies. Additionally, the UPC must have regard to any unreasonable delay.

- The UPC may order security for costs following a reasoned request by a party.

- An express provision has been added to make it clear that an expert witness will have an overriding duty to the UPC to assist impartially, be independent and objective, and not to act as an advocate for any party.

- Representatives of parties will have a specific duty not to knowingly or negligently misrepresent cases or facts before the UPC.
In addition, the 2014 Act will increase the IPO’s powers regarding the patent opinion service. Where the Comptroller-General of Patents, Designs and Trade Marks (the Comptroller) issues an opinion that the requirements that an invention is new and has an inventive step have not been satisfied, the Comptroller may revoke the patent on its own volition, provided that the patentee has been given an opportunity to make observations and file amendments to the specification of the patent and either:

• The period for review of the opinion has passed.
• There has been a review of the decision or appeal from the decision determined.

For the potential infringer, this could provide a quick and low-cost option to invalidate the patent of a competitor without the need to initiate court proceedings. However, patent owners may be less likely to seek a validity opinion from the IPO on the basis that, once the 2014 Act is in force, an unwanted outcome would create the risk of revocation (previously, such an opinion would be non-binding).

**Patent information sharing**

The 2014 Act will facilitate the IPO sharing information (on a confidential basis) regarding unpublished patent applications with other national or regional patent offices. Currently, sharing this information with other patent offices requires the approval of the patent applicant, or would otherwise be shared only following publication, which usually occurs approximately 18 months after the priority date.

The move to allow pre-publication information sharing is intended to assist in international patent processing, reduce the backlog of examination and generally help maximise work sharing across the patent world.

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