



Intellectual Property Bill [HL]

Bill 102 of 2013-14

RESEARCH PAPER 13/70 5 December 2013

The *Intellectual Property Bill [HL]* (Bill 102 of session 2013-14) was introduced into the House of Lords on 9 May 2013, where it received Second Reading on 22 May. It completed its parliamentary stages in the upper house on 30 July and was passed to the Commons, where it received First Reading on 29 August. This Research Paper has been produced to inform the Second Reading debate in the Commons, which is scheduled for 9 December 2013.

The Bill would simplify and clarify design protection and ownership, with the aim of supporting small and medium-sized enterprises. It would introduce new criminal penalties for copying of UK registered designs, facilitate the UK's joining the international Hague Agreement, and provide for a new design opinions service. It would also allow for the creation of a Unified Patent Court and the international sharing of information on patents. In addition, there is provision for a research exemption from freedom of information law and for greater accountability on the part of the Intellectual Property Office.

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Contents

	Summary	1
1	Introduction	2
2	Design: background	3
	2.1 The industry	3
	2.2 Consultations and evidence-gathering	3
	2.3 Design rights	5
3	Design: the Bill	6
	3.1 Unregistered design right	6
	Defining terms	6
	Ownership	7
	Qualification	7
	Infringement	8
	3.2 Registered Community design right	8
	3.3 UK Registered designs	8
	Ownership	8
	Right of prior use	9
	The Hague Agreement	9
	Electronic access to the Register	9
	Appeals	10
	Opinions service	10
	New criminal offence	11
	Partnerships	14
4	Patents	15
	4.1 Background	15
	Consultation	15
	Unitary Patent and the Unified Patent Court	16
	Location of the Court	16
	Decision	17
	4.2 The Bill	19
	4.3 Progress through the Lords	20
	Committee stage debate	20
	Report stage	20

	Third Reading	20
5	Freedom of information	21
5.1	Background	21
5.2	The Bill	22
5.3	Debate in the Lords	22
6	Other provisions in the Bill	23
6.1	Reporting duty	23
6.2	Recognition of foreign copyright works	24

Summary

In 2011 the Prime Minister commissioned a major review of the impact which the present intellectual property (IP) framework has on economic growth and innovation. The resulting “Hargreaves Review” made a number of recommendations. The Government broadly accepted these and promised to bring forward policy proposals in response. The proposals have been the subject of consultations by the Intellectual Property Office, which, pursuant to another of Hargreaves’s recommendations, has also engaged in extensive evidence-gathering. This material has all been published and forms the background to the present Bill.

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The Bill seeks primarily to amend and clarify existing law regarding design rights and patents. Such rights have grown up piecemeal over decades to form what Hargreaves called “a patchwork of protection”. A common theme across the clauses is the advantage of aligning disparate UK provisions covering design, copyright, trademarks and patents, and of reconciling these with EU Regulations in the same areas.

In particular, Part 1 of the Bill aims to simplify the legislation governing the different forms of registered and unregistered design. It would clarify design ownership and modify the procedures for appealing against design registration decisions.

The Bill would also introduce a design opinions service, with the aim of enabling more IP disputes to be settled without recourse to expensive litigation. A further clause would allow the UK to join the Hague System for the International Registration of Industrial Designs; this would have the effect of limiting the costs for business of registering designs across a number of countries.

When the Bill was passing through the Lords, the most controversial clause proved to be one providing for the introduction of criminal penalties for copying of UK registered designs, similar to the penalties already in place for copyright infringement. This change is opposed by a variety of IP professionals, whose views were represented by the Opposition spokesman. A requirement for the Secretary of State to present an annual report to Parliament on the activities of the Intellectual Property Office was, however, welcomed in the Lords.

Part 2 of the Bill would amend the *Patents Act 1977*, which is the principal piece of legislation governing the patent system in the UK. It includes several measures: on changing the way patented products are marked; on how the Intellectual Property Office issues opinion on patents; and on international sharing of information on patents. It also includes powers to implement the intergovernmental Agreement (2013) on creating a Unified Patent Court.

In response to a recommendation by the Justice Select Committee, the Bill would amend the *Freedom of Information Act 2000* to provide an exemption for information obtained in the course of, or derived from, a programme of research.

The *Intellectual Property Bill [HL]* would make amendments to several existing Acts, all of which extend to the whole of the United Kingdom. The Bill therefore has the same territorial scope as those Acts.

1 Introduction

The *Intellectual Property Bill [HL]* was introduced into the House of Lords on 9 May 2013, where it received Second Reading on 22 May. It completed its parliamentary stages in the upper house on 30 July and was passed to the Commons, where it received First Reading on 29 August. Second Reading in the Commons is scheduled for 9 December 2013.

The Bill makes changes to the law relating to designs, patents and freedom of information. Viscount Younger of Leckie, the Government minister who piloted the Bill through the Lords, explained at Second Reading that it is a “technical bill”, with three overarching aims:

[F]irst, to simplify and improve design and patent protection to help businesses and, in particular, small and medium-sized enterprises; secondly, to clarify the intellectual property legal framework; and, thirdly, to ensure that the international IP system supports UK businesses effectively. The Bill proposes changes to help businesses to better understand what is protected under the law, reduce the need for costly litigation and to provide greater certainty for investors in new designs and technologies. Cutting red tape and helping to speed up the granting of patents internationally will help businesses protect their innovations more easily. These reforms are vital to helping Britain to succeed in a competitive global market.¹

All sides in the Lords indicated that they wished to see the Bill go forward, subject to constructive improvements in Committee. For the Opposition, Lord Stevenson of Balmacara described it as “broadly a positive measure”. However, he regretted the Government’s “piecemeal approach” to IP reform, “picking up issues that happen to be at the top of the pile” instead of undertaking a “root-and-branch job... within a coherent plan”.²

The Department for Business, Innovation and Skills (BIS) has published a suite of Impact Assessments to accompany the Bill,³ together with detailed Explanatory Notes on clauses.⁴ BIS has also deposited in the Libraries of both Houses a document highlighting the textual amendments proposed by the Bill to relevant existing legislation.⁵

The Bill was preceded by a series of consultation and evidence-gathering exercises (detailed in the following section). After introduction in the Lords it was scrutinised by the Lords Delegated Powers and Regulatory Reform Committee, which made two recommendations relevant to clauses 8 and 11 (see below).⁶

The *Intellectual Property Bill [HL]* makes amendments to several existing Acts, all of which extend to the whole of the United Kingdom.⁷ The Bill therefore has the same territorial scope as those Acts. Clause 20 (freedom of information) will be extended to public authorities in Northern Ireland with the consent of the Northern Ireland Assembly following a legislative consent motion (LCM) passed in November.⁸ The Welsh Assembly has also granted an LCM

¹ [HL Deb 22 May 2013 cc849, 852](#)

² [HL Deb 22 May 2013 c853](#)

³ There are twelve of these in total (one, covering the new criminal offence, was reissued with amendments): see the list on the [Bill page](#) of the Parliament website

⁴ *Intellectual Property Bill [HL]: Explanatory Notes*, 31 July 2013. In view of the technical nature of the Bill, the description of clauses in this paper will often follow closely that given in the Explanatory Notes.

⁵ Downloadable as [DEP2013-0859](#), deposited 22 May 2013

⁶ Delegated Powers and Regulatory Reform Committee [HL], [Third Report](#), 6 June 2013, HL 18 2013-14, pp5-6

⁷ The *Copyright, Designs and Patents Act 1988*, the *Patents Act 1977*, the *Registered Designs Act 1949* and the *Freedom of Information Act 2000*

⁸ [Explanatory Notes](#), para 5. [Northern Ireland Assembly, 12 November 2013](#). A Legislative Consent Motion (also known as a “Sewel motion”) is a motion passed by the Scottish Parliament, Welsh Assembly, or Northern Ireland Assembly, in which it agrees that the UK Parliament may pass legislation on a devolved issue over which the devolved body has regular legislative authority.

for clause 20⁹ and the Northern Ireland Assembly has granted one for [clause 13](#) (new criminal offence).¹⁰ The position in Scotland regarding the freedom of information provision is explained in section 5.1 of this Research Paper.

Throughout this paper, the clause numbers used refer to numbers as they stand in the Bill as it was introduced to the Commons in August 2013.¹¹

2 Design: background

2.1 The industry

According to published statistics, the design industry contributes significantly to the UK's growth and capacity for innovation:

The design industry makes a significant contribution to the UK's growth and innovation. An estimated £33.5 billion was spent on design in 2008, demonstrating the value that it brings to the economy. The most recent figures show that UK businesses invested £15.5 billion in design in 2009 which represents 1.1% of GDP. Businesses that practice and sell design cover a diverse range of sectors, including: architectural and engineering services, computer and telecommunications services, printing and publishing, fashion and craft and advanced manufacturing. Most design-intensive sectors play a leading role in UK trade, exporting a large share of their output. This accounts for around 2% of UK exports.¹²

Employment levels within the industry are reckoned to have remained steady over the last ten years. Using a broad definition that includes architects, engineers and graphic, product, clothing and related designers, there are estimated to be as many as 350,000 "designers" in the UK. The sector itself employs around 55,000 people (in 2004). But many designers are employed outside the "design" sector: approximately four outside for every one employee inside. Self-employment is also common within the sector: as high as 48 per cent for product, clothing and related designs.¹³

2.2 Consultations and evidence-gathering

In a recent survey of intellectual property across 36 jurisdictions worldwide, the UK ranks as the best place to obtain, exploit and enforce copyright and trade marks, in second place for patents but only fifth for designs.¹⁴ A question posed in recent years is whether the existing legislative framework is inhibiting further expansion of the design sector. In November 2010 the Prime Minister commissioned Professor Ian Hargreaves to undertake a review of the impact the present intellectual property (IP) system has on growth and innovation. The Hargreaves Review¹⁵ reported in May 2011 and the Government responded in August 2011, broadly accepting the report's recommendations and making a commitment to bring forward policy proposals in response.¹⁶ In Chapter 7 of his report, Professor Hargreaves turned his

⁹ [National Assembly for Wales, 1 October 2013](#)

¹⁰ [Northern Ireland Assembly, 14 October 2013](#)

¹¹ The original numbering changed following Lords Report stage as the result of inserting a new clause 14.

¹² Intellectual Property Office, [The consultation on the reform of the UK designs legal framework – Government response](#), April 2013, p9 (text includes references for sources of the figures quoted)

¹³ Jonathan Haskel and Annarosa Pesole, [Design services, design rights and design life lengths in the UK: an independent report commissioned by the Intellectual Property Office](#), IPO, May 2011, p3. The authors explain at p7 why they have had to use data from 2004 for some of their calculations.

¹⁴ Taylor Wessing, [Global Intellectual Property index](#), 4th edn, 2013; cited in IPO press notice, [UK provides the best IP regime in the world](#), 14 November 2013

¹⁵ Intellectual Property Office, [Digital opportunity: a review of intellectual property and growth](#), May 2011. See also Commons Library Standard Note 6430, [The Hargreaves Review of Intellectual Property](#).

¹⁶ HM Government, [The Government Response to the Hargreaves Review of Intellectual Property and Growth](#), August 2011

attention to design (although the subject was not explicitly mentioned in his terms of reference). He regretted that this area was covered by what he called a “patchwork of protection” and suggested that this might be acting as a brake on innovation:

7.4 Like copyright and patents the economic argument for design protection rests on the provision of an incentive to innovation whose social benefits exceed the associated costs. It is improbable that a design rights framework optimised to support innovation and growth would feature a multiplicity of overlapping rights.

He therefore recommended as follows:

The role of IP in supporting this important branch of the creative economy has been neglected. In the next 12 months, the IPO should conduct an evidence based assessment of the relationship between design rights and innovation, with a view to establishing a firmer basis for evaluating policy at the UK and European level. The assessment should include exploration with design interests of whether access to the proposed Digital Copyright Exchange would help creators protect and market their designs and help users better achieve legally compliant access to designs.

In order to inform that assessment, the Intellectual Property Office (IPO) launched a “Call for evidence” and survey of business in September 2011.¹⁷ This was followed, at the end of 2011, by an assessment of whether there was a need to simplify the design IP system and, in particular, whether there was a continued need for a UK unregistered design right.¹⁸

The evidence-gathering exercise of 2011 led, in the following year, to a public consultation. Running for ten weeks from July to October 2012, the design consultation sought opinion from industry and public on the following proposals:

- improving the enforcement regime to promote better understanding of rights held by others and to help avoid disputes
- resolving uncertainties around the scope of protection
- simplifying the laws relating to the ownership of and qualification for design right
- improving the provision of information about designs
- enabling UK designs owners to be more selective about which countries they seek international registration for.¹⁹

A summary of responses to the consultation appeared in December 2012.²⁰ Finally, in April 2013, the Government published a policy statement on the reform of the design legal framework in the light of the recent consultation.²¹ This confirmed the Government’s intention to legislate as soon as possible to simplify the system, with changes falling broadly into three categories:

¹⁷ Intellectual Property Office, *Call for evidence: design*, September 2011

¹⁸ Intellectual Property Office, *IPO assessment of the need for reform of the design intellectual property framework*, December 2011

¹⁹ Intellectual Property Office, *Consultation on the reform of the UK designs legal framework*, July 2012

²⁰ Intellectual Property Office, *Consultation on the reform of the UK designs legal framework: summary of responses*, December 2012.

²¹ Intellectual Property Office, *The consultation on the reform of the UK designs legal framework – Government response*, April 2013

- Measures to simplify design law and get the IP framework to better support innovation;
- Measures for the enforcement of designs and understanding the design rights of others;
- Process-focused measures intended to help improve the overall working of the system.

These are measures that subsequently appeared in the present Bill.

The IPO also published two further background reports in 2012.²² The first report, which examined use of the legal framework, found that protecting products and services can be expensive, with unpredictable results. It also pointed to an apparent mismatch between the courts' and the users' view of the scope of protection. In the authors' words, "however well intentioned, the legislative history of design has been unimpressive and has led to unnecessary complexity."²³ The second report considered design in the international supply chain, and found that design is usually exported directly rather than being supplied to third parties to manufacture and export. The report also noted that design exports tend to go to other developed economies, not to low cost manufacturing economies like East Asia.²⁴

2.3 Design rights

Currently, businesses have four different and, to some extent, overlapping forms of design protection available to them in the UK:

- a registered design right covering only the UK and available from the IPO. Using this route a design can be protected for up to 25 years subject to renewal being sought;
- a registered Community design right, available from the Office of Harmonisation for the Internal Market (OHIM, the EU trade mark and design agency). Once again subject to renewal, this route offers protection up to 25 years;
- an unregistered Community design right, but which only offers protection against copying for 3 years;
- an unregistered design right covering the UK. This is provided for in the *Copyright, Designs and Patents Act 1988* (CDPA). It protects unregistered original designs from being copied for up to 15 years (but with the last 5 years subject to licence of right).

Around 8,000 to 9,000 UK designs are registered annually, split roughly 50/50 between IPO and OHIM registrations. Hargreaves surmised from these relatively low levels of registration that "the public registration systems do not fully meet users' needs".²⁵

In some instances, the product may be covered by copyright as well. (This applies to articles which are themselves "artistic works", using the definition in the 1988 Act,²⁶ and are

²² IPO press notice, [Government launches consultation on the designs legal framework](#), 24 July 2012

²³ Alexander Carter-Silk and Michelle Lewiston, [The development of design law – past and future: from history to policy: an independent report commissioned by the ICO and supported by the Design Council](#), July 2012 (quote taken from p6)

²⁴ The Big Innovation Centre, [UK design as a global industry - international trade and intellectual property: an independent report commissioned by the ICO and supported by the Design Council](#), July 2012

²⁵ Intellectual Property Office, [Digital opportunity: a review of intellectual property and growth](#), May 2011, p65 (para 7.5.). To complicate the picture, there is also, as Hargreaves observes, a "competing register created by the private sector", the ACID Design Databank, which records a considerably larger number of 'unregistered' designs. On the ACID data, see below, p14.

manufactured industrially in three-dimensional form, such as jewellery and designer clothes.) All this makes for a confusing picture, as the IPO acknowledges:

The law does not make consistent links between all of the rights, so a business may have to expend unnecessary resource in ensuring they can legitimately claim ownership across all the rights, or they may be subject to unexpected legal disputes if another party claims ownerships of rights to a product they are manufacturing. This complexity may present barriers to commercial activity and create inefficiencies in the market place. Respondents to the designs consultation have generally agreed that UK and EU law should be harmonised as far as possible.²⁷

3 Design: the Bill

3.1 Unregistered design right

Defining terms

At present, the definition of a design in the *Copyright, Designs and Patents Act 1988* is not specific and does not exclude relatively minor and trivial features of a design as opposed to the design itself. Section 213 of the 1988 Act says that design can be “any aspect of the shape or configuration (whether internal or external) of the whole or part of an article”. The effect of this, according to the IPO, is that

claimants can unfairly trim their claims to focus on just one aspect of the copied item, and even one aspect of one part of the copied item. This interpretation of the law (which has been confirmed by the courts) favours owners of designs and makes it difficult for other traders to know what they can and cannot do. Stakeholders claim that this can have a paralysing effect on innovation and can involve parties in unnecessary disputes.²⁸

Clause 1 would tighten the definition of what would qualify for unregistered design right. **Subsection (1)** would limit the protection for trivial features of designs, by removing the phrase “any aspect of” from the relevant section of the 1988 Act. Respondents to the consultation reportedly felt that removal of this phrase from the legislation “would have little adverse effect”.²⁹

Although s213 of the 1988 Act refers to design right subsisting in an “original” design, the word “original” is not defined. Section 213(4) states that a design is not “original” if it is “commonplace in the design field in question at the time of its creation”. The meaning of “commonplace” is not defined in the Act, either. In one court case it was determined that the test for the latter is what was already available in the UK at the time the design was created. This is not consistent with the *Registered Designs Act 1949* where the analogous concept of “novelty” extends to the whole of the European Economic Area.³⁰ To resolve this problem, **clause 1(3)** specifies that, to be unoriginal, a design must be “commonplace” in the European Union and other geographic areas where UK designers benefit from protection due to reciprocal arrangements.

In responses to the consultation, there was apparently no consensus on whether the test for “commonplace” led to uncertainty in the UK market or otherwise impacted upon innovation,

²⁶ [Copyright, Designs and Patents Act 1988 s4\(1\)](#)

²⁷ IPO Impact Assessment: [Amendments of design ownership provisions](#), BIS 0360, 3 December 2012, p4

²⁸ IPO Impact Assessment, [Revision of scope of design protection](#), BIS 0361, 17 January 2013, p4

²⁹ Intellectual Property Office, [Consultation on the reform of the UK designs legal framework: summary of responses](#), December 2012, p2 (para 7)

³⁰ IPO Impact Assessment, [Revision of scope of design protection](#), BIS 0361, 17 January 2013, p4

nor on whether it was desirable to extend the term globally.³¹ There was, however, a clear majority, including the legal profession, manufacturers and designers, in favour of retaining unregistered design right in its current form. In particular, this was due to its application to some functional designs, for which the UK design right is unique.³²

Ownership

Generally, the “designer” is the first owner of a design right and is defined as the “person who creates it”.³³ However, if the design has been created in the course of employment or by commission, the employer or commissioning party is held to be the first owner. **Clause 2(1)** would change the initial ownership of unregistered designs which have been created on commission from a third party, by amending section 215 of the 1988 Act. This means that, in the absence of a contract to the contrary, the designer would be the initial owner of the design, not the person who commissioned it. This brings UK law into line with the relevant EU Regulation³⁴ and aligns UK design law with UK copyright law, so that the initial ownership of closely related rights would no longer end up with different parties.

Although the majority of respondents to the consultation agreed that harmonisation with the EU system was appropriate, there were concerns about the changes in the *status quo* which might affect small- and medium-sized enterprises (SMEs), who often rely on unregistered rights. Respondents acknowledged that “this would upset the traditional understanding and perceptions in industry that those who commission (and have therefore paid for its creation) control the use of the design.”³⁵

Qualification

The 1998 Act (ss217 to 221) includes complicated provisions governing the qualification for unregistered design right protection. The designer must be a “qualifying person”. A person will qualify if he or she is:

A citizen, or subject of, or habitually resident in a qualifying country; or

A company or other legal entity

(i) formed under the law of any part of the UK or a qualifying country; and

(ii) having in any qualifying country a place of business where a substantial business activity is carried out.

The consultation commented that “this unnecessarily complicated restriction of UK unregistered design right seems unacceptable in a global marketplace, as it can have serious commercial consequences.”³⁶ The majority of respondents agreed that qualification requirements for UK unregistered design right (UDR) should be extended to match those for Community unregistered designs, although some would have preferred that UK UDR was abolished instead.³⁷ In a policy paper published in October 2013, the IP Federation noted that

³¹ Intellectual Property Office, [Consultation on the reform of the UK designs legal framework: summary of responses](#), December 2012, p4 (paras 15, 19-20)

³² Intellectual Property Office, [Consultation on the reform of the UK designs legal framework: summary of responses](#), December 2012, p2 (para 1)

³³ [Copyright, Designs and Patents Act 1988](#) s214

³⁴ [Council Regulation 6/2002](#) (OJ L, 12.12.01)

³⁵ Intellectual Property Office, [Consultation on the reform of the UK designs legal framework: summary of responses](#), December 2012, p9 (paras 43-44)

³⁶ Intellectual Property Office, [Consultation on the reform of the UK designs legal framework](#), July 2012, p16 (para 7.2)

³⁷ Intellectual Property Office, [Consultation on the reform of the UK designs legal framework: summary of responses](#), December 2012, p8 (para 37)

these changes “would extend UK UDR, for the first time, to companies such as Chinese (non-HK), Japanese, Korean, and US companies” and argued that this would amount to a “strategic disadvantaging of UK-registered companies manufacturing in the UK.”³⁸

Clause 3 would maintain the principle of qualification but aims to simplify and expand it, so that those who are economically active in the EU – and those countries to which qualification has been extended by Order – may qualify.

Infringement

Clause 4 would ensure that exceptions to infringement of unregistered design right mirror those in the *Registered Designs Act 1949* and harmonise with the relevant EU Regulation.³⁹ It adds a new section to the 1988 Act providing protection from infringement for private acts, experiments and teaching. The intention is that acts done privately and for no commercial purpose, or acts done for teaching purposes, should not constitute infringement of the unregistered design right.

3.2 Registered Community design right

Registered and unregistered Community design rights are governed by [Commission Regulation 2245/2002/EC](#) implementing [Council Regulation 6/2002](#). This is binding in its entirety and creates directly enforceable rights. In order to be protectable as a Community Design, the following requirements must be satisfied:

1. The definition of “design” must be satisfied (Article 3a)
2. The “design” must relate to a “product” (Art 3b)
3. The “design” must not relate to functional features (Art 8)
4. The “design” must be “new” (Art 5)
5. The “design” must have “individual character” (Art 6)
6. The “design” must not be contrary to public policy or morality (Art 9).⁴⁰

Registered Community design right gives exclusive rights to the design. Infringement arises in respect of the use of a design or any design “which does not produce on the informed user a different overall impression” (Arts 10 and 19). Under the *Copyright, Designs and Patents Act 1988* (s53), those using a design registered in the UK with permission from its owner are not subject to infringement of any associated copyright. The 1988 Act does not refer to designs registered at the EU design registry which also cover the UK. **Clause 5** of the Bill would extend the existing defence at section 53 so that it also applies to registered Community designs in addition to UK registered designs.

3.3 UK Registered designs

Ownership

Clause 6 would have a similar effect on registered designs as clause 2 would have on unregistered designs. It seeks to amend existing law – in this case, s2 of the *Registered Designs Act 1949* – so that, in the absence of a contract to the contrary, where a design has been commissioned, the designer would be the initial owner of the design, and not the

³⁸ IP Federation, [Intellectual Property Bill 2013–14: IP Federation position on Clause 3 \(qualification criteria\)](#), 25 October 2013

³⁹ [Council Regulation 6/2002](#) (OJ L, 12.12.01)

⁴⁰ For commentary on each of these requirements, see Michael Flint, Nicholas Fitzpatrick and Clive Thorne, *A user's guide to copyright*, 6th edn, 2006, pp284-6

person who commissioned it. This would bring UK law into line with the way commissioned works are treated under the EU regulation and UK copyright law.

Right of prior use

Clause 7 is another amending provision intended to harmonise the *Registered Designs Act 1949* with the EU Regulation. The clause would introduce a limited defence, identical to one in the Regulation, where a third party acts in good faith in the use of a design that is subsequently registered by someone else. It would allow third parties to continue using the design according to preparations they have already made.

The Hague Agreement

The Hague System for the International Registration of Industrial Designs allows design rights to be registered in several countries with a single application. At present the UK is not a member, but the European Union is, with the result that British firms can only gain protection within the UK through the Hague system by selecting and paying for EU-wide protection. This places UK designers, specifically SMEs, at a disadvantage, since they are not able to use the Hague System to gain protection at home and in specific overseas markets through a single application.⁴¹ One legal firm has estimated that the cost of registration in six countries is currently as much as £7,500. In contrast, the same number of registrations would cost less than £500 under the Hague system.⁴²

The majority of respondents to the consultation were in favour of joining the Hague system; the minority who were against said that there would be no practical advantage as we were already eligible under EU membership.⁴³

In order to join the Hague system and make full use of its benefits, the treaty would need to be ratified by Parliament. **Clause 8(1)** would put in place provisions to allow UK implementation of the Geneva Act of the Hague Agreement.⁴⁴

The Bill as originally introduced into the Lords envisaged that the Secretary of State would give effect to the Hague Agreement by a “negative procedure order”.⁴⁵ The Delegated Powers Committee considered this power too wide-ranging, given that under **clause 8(3)** the order may amend the Bill or apply specified provisions of it with specified modifications.⁴⁶ They recommended that the “affirmative procedure” should apply instead, and the Government accepted this revision at Lords Report stage.⁴⁷

Electronic access to the Register

Currently, businesses cannot view registered designs files online or receive electronic information regarding their own registered designs or those of third parties. To view such information they must either travel in person to IPO premises in Newport or London, or write to the IPO, with a fee, to receive copies by post. The consultation exercises revealed that businesses found this burdensome.⁴⁸ **Clause 9** would amend section 22 of the *Registered*

⁴¹ IPO Impact Assessment, *Joining the Hague Agreement on Designs*, BIS 0351, 20 December 2012, p3

⁴² Figures quoted at [HL Deb 22 May 2013 c850](#)

⁴³ Intellectual Property Office, *Consultation on the reform of the UK designs legal framework: summary of responses*, December 2012, p24 (paras 127, 129)

⁴⁴ World International Property Organization, *Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs*, adopted 2 July 1999

⁴⁵ A statutory instrument going through the negative procedure will automatically become law unless there is an objection from either House. Conversely, “affirmative procedure” refers to a procedure where a statutory instrument must be approved by both the House of Commons and the House of Lords to become law ([Glossary](#) on Parliament website).

⁴⁶ Delegated Powers and Regulatory Reform Committee [HL], *Third Report*, 6 June 2013, HL 18 2013-14, p5

⁴⁷ [HL Deb 23 July 2013 cc1176-7](#)

⁴⁸ IPO Impact Assessment, *Inspection of documents*, BIS 0356, 3 December 2012, p3

Designs Act 1949 to allow such information to be provided to the public in both hard copy and electronically. The clause also allows the head of the UK designs registry at the IPO (in his role as “registrar”) to amend the details on the register for a registered design without having to ensure that the same change also applies to any associated unregistered design.

Appeals

The current route of appeal against decisions of the IPO in relation to applications to register designs, or to invalidate registered designs, is via the Registered Design Appeals Tribunal (RDAT). The RDAT offers no further option for businesses to appeal against its decisions, should they disagree. This body, widely considered to be “outdated”, has only been used twice in the last ten years.⁴⁹ In 2004 a decision was taken to abolish it as part of a programme to streamline the courts and tribunal service.⁵⁰ Legislation was put in place to abolish it and replace it with a court, the Patents County Court (PCC), which allows for further appeal against the initial appeal decision, but the provision to abolish the RDAT has never been brought into force.⁵¹

In the consultation, the Department proposed that, in future, those wishing to appeal against IPO decisions should do so by application either to the Patents County Court (since renamed the [Intellectual Property Enterprise Court](#)⁵²) or to an “Appointed Person”.⁵³ Respondents were in favour of changing the current arrangements. There was general support for the Appointed Person route, but opinion was divided as to whether the court option should be the PCC or the High Court. Both were seen as having advantages.⁵⁴ In the event, the Government decided that the High Court presented a more “flexible” option, as it does not have the limitations associated with the PCC such a two-day limit on hearings.⁵⁵

Clause 10 would therefore reform the appeals system in two ways. It provides for two alternative routes for appealing against IPO design decisions. In line with the route of appeal for trade mark disputes, it provides for a right of appeal to the High Court. But it also adds a cheaper alternative route which is likewise consistent with the treatment of trademark appeals.⁵⁶ The user may choose to appeal to a person appointed by the Lord Chancellor. The clause provides for the process of appointment and removal of such an “appointed person”, who is likely to be a legal professional such as an IP barrister.

Opinions service

Evidence from the IPO consultations gave examples of designers and small businesses being deterred from enforcing or protecting their rights via the civil courts due to the cost, time and uncertainty involved in doing so. As the IPO observes, “the current situation is exacerbated because there are very few Alternative Dispute Resolution (ADR) tools for UK design businesses to use in place of civil remedies”.⁵⁷ The proposed solution is to introduce a low-cost, informal opinions service. The model for this would be the existing Patent Opinions Service. The IPO introduced the Patent Opinions Service in 2005. The service provides a non-binding yet authoritative opinion on questions relating to the infringement or validity of

⁴⁹ IPO Impact Assessment, [Amend appeal route for design decisions of the Intellectual Property Office](#), BIS 0373, 3 December 2012, pp1,6

⁵⁰ [Transforming public services: complaints, redress and tribunals](#), Cm 6243, July 2004

⁵¹ [Tribunals, Courts and Enforcement Act 2007](#) s143

⁵² With effect from 1 October 2013

⁵³ Intellectual Property Office, [Consultation on the reform of the UK designs legal framework](#), July 2012, p24 (para 11.6)

⁵⁴ Intellectual Property Office, [Consultation on the reform of the UK designs legal framework: summary of responses](#), December 2012, p15 (paras 78, 81, 83-84)

⁵⁵ Intellectual Property Office, [The consultation on the reform of the UK designs legal framework – Government response](#), April 2013, p25

⁵⁶ [Trade Marks Act 1994](#) ss76-77

⁵⁷ IPO Impact Assessment, [Introduce a Designs Opinion Service](#), BIS 0350, January 2013, p1

granted patents in the UK. The IPO has issued over 150 opinions since the service was launched, many of them requested by SMEs. A review of the service in 2009 provided evidence that, although non-binding in nature, opinions were helping to resolve a significant number of disputes.⁵⁸

The majority of respondents to the consultation saw value in the IPO offering a similar service for design, although one response suggested that the organisation might damage its impartiality by offering individual advice or opinions.⁵⁹

Clause 11 would introduce a power for the Secretary of State to provide for a non-binding opinions service for designs. The service will cover UK registered designs and may be extended to include other design rights such as UK unregistered design right. The clause also provides for detail to be included in future secondary regulations: for example, circumstances where the registrar will not be required to give an opinion, and the possibility of appealing to the “appointed person” in connection with an opinion.

When they considered the Bill as originally introduced in the Lords, the Delegated Powers Committee noted that the scope of the opinions service was to be left entirely to regulations. The intention was that the new opinions service would be “similar to the existing Patents Opinions Service”. However, most of the provisions relating to that service appear on the face of the relevant Act.⁶⁰ The Committee remained “unpersuaded” that the use of the negative procedure for introducing regulations governing an analogous service for design was “appropriate”.⁶¹ In response to their recommendation, the Government changed the original wording so that the affirmative procedure should apply on the first exercise of the new powers. This amendment was agreed to at Lords Report stage.⁶²

New criminal offence

Criminal sanctions exist for certain types of trade mark and copyright infringement. In the case of designs there are no criminal sanctions for copying, and design infringement cases can only currently be dealt with through civil courts. Not only is this seen to be harming the UK design sector, but, as the IPO points out, it gives rise to anomalies:

For example, 2D design drawings are protected by copyright as artistic works. If these drawings are copied or a 3D object is made from the design drawing in circumstances where the person making the object knows, or has reason to believe, that he is making an infringing copy of a copyright work, a criminal offence is committed. But if that same person takes the 3D object and copies that rather than the design drawing then, unless the 3D object qualifies for copyright protection as either a sculpture or as a work of artistic craftsmanship, no criminal offence will be committed.⁶³

⁵⁸ Intellectual Property Office, [Consultation on the Patent Opinions Service](#), June 2012, p7

⁵⁹ Intellectual Property Office, [Consultation on the reform of the UK designs legal framework: summary of responses](#), December 2012, p18 (paras 100-101)

⁶⁰ [Patents Act 1977 s74A](#)

⁶¹ Delegated Powers and Regulatory Reform Committee [HL], [Third Report](#), 6 June 2013, HL 18 2013-14, pp5-6

⁶² [HL Deb 23 July 2013 c1177](#)

⁶³ IPO Impact Assessment, [Introduce a criminal offence for the deliberate infringement of a UK or EU registered design](#), BIS 0376, [updated version] 22 August 2013, p5

Respondents to the consultation said that most copying was “blatant and deliberate” rather than inadvertent, and the majority of respondents felt that the present civil remedies provided insufficient protection.⁶⁴

At Lords Second Reading, the Minister, Viscount Younger, gave this justification for amending the law:

Extending criminal sanctions to registered designs would create a coherent approach to enforcement and protection. Infringers do not divide up the rights they plan to steal. If criminals produced a fake product, for example a golf club, they would steal the golf club design as much as the trade mark and any copyright existing in the instructions for use and the packaging.⁶⁵

Clause 13 would insert a new section into the *Registered Designs Act 1949* making the deliberate copying of a UK or EU registered design a criminal offence and specifying the circumstances under which the offence applies. For a criminal offence to take place, deliberate copying in the course of business needs to be proven. The clause specifies the various conditions that must apply in order to prove that an offence has been committed – for example, establishing that the person accused acted without the consent of the registered design holder, or knew or had reason to believe that the registered design in question had been copied. Reproducing the design unintentionally would not be caught by the offence. The offences, including the mode of trial and penalties, reflect existing criminal sanctions for trademarks and copyright, and the clause also sets out the penalties attached to the offence: a fine and/or prison sentence of up to ten years.

Using a comparison with Germany, which saw 12 criminal prosecutions in 2011 for deliberate infringement of a registered design, the IPO estimates that there would be about 6 prosecuted design cases in the UK per annum under the new provision.⁶⁶

During the Lords’ consideration of the Bill, this clause proved to be the most contentious. Two issues predominated in their debates. First, whether a new criminal offence was needed; secondly, whether such an offence should extend to unregistered design rights.

Although numerous respondents to the consultation had argued that existing civil penalties were inadequate, Lord Stevenson questioned at Second Reading (and thereafter) whether a new criminal offence was necessary. He commented that the measure was opposed by the IP Federation,⁶⁷ the Intellectual Property Bar Association, the City of London Law Society, the Chartered Institute of Patent Attorneys and a number of IP lawyers and specialists, as well as the inventor Sir James Dyson and the Ministry of Defence:

In particular, this group questions the evidence relied on by the Government to argue that such a measure is necessary. It argues that this area of law is too complex for juries to consider and that criminalisation would require specialist courts. It says that criminalisation is inadequate in the context of a civil wrong and that criminalising

⁶⁴ Intellectual Property Office, *Consultation on the reform of the UK designs legal framework: summary of responses*, December 2012, p12 (paras 65-66). Note, however, that there was scepticism about the effects of this new offence among “IP legal professionals” (*ibid*, para 70), which was highlighted by Lord Stevenson in his debate contributions (see below).

⁶⁵ [HL Deb 22 May 2013 c849](#)

⁶⁶ IPO Impact Assessment, *Introduce a criminal offence for the deliberate infringement of a UK or EU registered design*, BIS 0376, [updated version] 22 August 2013, p1

⁶⁷ Since the Lords debate the IP Federation has published a [further policy paper](#) (dated 9 October 2013) urging that clauses 13 and 14 be deleted from the Bill. This paper includes, as annexes, the submissions echoing the IP Federation’s concerns from the International Chamber of Commerce, the Law Society, the Intellectual Property Bar Association, the Intellectual Property Lawyers Association, Intellect and the Chartered Institute of Patent Attorneys.

design infringement would be akin to criminalising breach of contract. On the comparison with trade mark and copyright, it points to the fact that prosecution largely occurs in cases where the rights are clear and a serious public harm has occurred. Finally, and perhaps crucially, it argues that criminalisation would create a “chilling effect” on innovation, where deliberate activities are genuinely believed to be non-infringing, but would have no defence.⁶⁸

In response, the Minister reiterated the need to create a “coherent approach to enforcement and protection” across IP law and to recognise that “the creativity of design is as important to the UK economy as music protected by copyright and brands protected by trademarks”. The new offence, he said, would have a deterrent effect in helping to reduce the scale of design theft in the UK.⁶⁹

At Report stage, Lord Stevenson continued to support the argument of Sir James Dyson (and others) that innocent designers might find themselves threatened with criminal proceedings for acts of unintentional copying. He tabled an amendment inserting the word “deliberately” into the clause. The Minister responded that the offence already requires the culprit to know, or have reason to believe, that the design they have copied is a registered design. Only acts carried out with positive intent will be captured, and therefore to add the word “deliberately” would be tautologous:

The Government do not think it is necessary to specify that the act of copying is done deliberately, because the act of copying by its very definition requires an active choice to have been made; that is to say, a deliberate choice.⁷⁰

The amendment was defeated on a division (by 233 to 153 votes). Nevertheless, Lord Stevenson held to the view that “the Bill should also contain a defence for any person who reasonably believed that they were not infringing”.⁷¹ He and his colleague Lord Young of Norwood proposed an amendment on Report that addressed this point. At Third Reading in the Lords, the Minister, Viscount Younger, announced that he had taken soundings from interested parties⁷² and decided to amend the clause by adding a further sub-section to the available defences:

It is important that those who have acted diligently and decently, doing their best not to infringe the rights of others, should not have cause to cease innovating lawfully, simply for fear of falling foul of the offence. Consequently this amendment introduces to the existing defence of non-infringement a further defence of reasonable belief that the design in question was not infringed. This defence is dependent on facts within the defendant's own knowledge: his state of mind, the reasons why he held the belief in question and materials he can furnish to support that belief. It will help to ensure that the courts are able to reach a just and fair outcome in such cases.⁷³

In response, Lord Stevenson said that the Opposition would continue to oppose the introduction of criminal sanctions for registered design infringement. He illustrated his argument:

One concern, which we have expressed previously, is that the proposed provision could turn into a tool to be used by unscrupulous companies to the detriment of UK

⁶⁸ [HL Deb 22 May 2013 c855](#)

⁶⁹ [HL Deb 22 May 2013 cc886](#)

⁷⁰ [HL Deb 23 July 2013 c1183](#)

⁷¹ [HL Deb 23 July 2013 c1181](#)

⁷² He cited members of the International Chamber of Commerce, the IP Federation and the Chartered Institute of Patent Attorneys.

⁷³ [HL Deb 30 July 2013 cc1649-50](#)

designers. It is reasonably inexpensive to register a design, especially as there is no effective examination involved. An unscrupulous company could apply to register designs it copied from a UK designer, then threaten that designer with criminal sanctions for producing his or her own designs. The prospect of defending a criminal action might be enough to make the designer give in. What sort of fairness does that speak to?⁷⁴

However, the Opposition supported the Government amendment and did not seek to obstruct the Bill's completion of its Lords stages.

A further Government amendment at Report stage was designed to focus the offence further in order to ensure that innocent infringement was not captured. It specifies that "using" a product in the course of a business does not include using it for a purpose which is merely incidental to the carrying on of the business.⁷⁵

ACID (Anti Copying in Design)⁷⁶ reports that the majority of the UK's 350,000 designers rely on unregistered design rights, with 18,000 to 25,000 unregistered designs lodged with ACID each year, compared with only 4,000 registered with the authorities annually.⁷⁷ At Lords Second Reading, Lord Stevenson questioned why, on the basis of these figures, unregistered designs had been excluded from the new offence.⁷⁸ In reply the Minister offered this explanation:

The offence covers registered designs because the existence of a registration certificate gives a particular starting point, including what the designs looked like, who they belong to and when the right started. That information is not so readily available, as noble Lords might appreciate, for unregistered designs, making it more difficult for the designer to prove and for the authorities to act on.⁷⁹

In Grand Committee⁸⁰ and again at Lords Report stage,⁸¹ Lord Clement-Jones tabled amendments urging that criminal sanctions should also apply to the deliberate infringement of unregistered designs. On Report, the matter was debated at some length (though not pressed to a division). The Minister gave a detailed response explaining why the Government believed that extending the scope of the offence would distort the "delicate equilibrium between a reasonable return for creators and, on the other hand, access to the creation so that competitors can shape future innovation".⁸²

Partnerships

Clause 14 in its entirety was added to the Bill at Report stage in the Lords. Lord Clement-Jones had tabled an (unsuccessful) amendment at Committee stage relating to the liability of corporate bodies and partnerships. The Minister had conceded that he made an "interesting point". Lord Clement-Jones responded:

⁷⁴ [HL Deb 30 July 2013 c1650](#)

⁷⁵ [HL Deb 23 July 2013 c1182](#). New section 35ZA(6) to *Copyright, Designs and Patents Act 1988*.

⁷⁶ ACID describes itself on its [website](#) as a "not for profit organisation providing help, advice and support on Intellectual Property to its members through IP awareness and education."

⁷⁷ ACID Briefing, [The Intellectual Property Bill – clause 13](#). (The ACID Design Databank, a benefit of membership, does not add to IP rights but provides independent evidence of when designs are received by the organisation.)

⁷⁸ [HL Deb 22 May 2013 c854](#)

⁷⁹ [HL Deb 22 May 2013 cc886-7](#)

⁸⁰ [HL Deb 13 June 2013 cc390-1GC](#)

⁸¹ [HL Deb 23 July 2013 cc1192-5](#)

⁸² [HL Deb 23 July 2013 c1196](#)

It is very interesting that there is no reference to partnerships in the existing legislation. Partnerships are interesting bodies. Some of them have unlimited liability whereas others are limited liability partnerships. Therefore, some interesting drafting needs to be done in that regard because LLPs are quite akin to corporate bodies.⁸³

In tabling his amendment, Lord Clement-Jones had apparently drawn the Government's attention to a drafting omission which had slipped its notice. On his return to the Lords, having given the matter "very careful consideration", the Minister introduced the new clause as follows:

Although the liability of corporate bodies is already covered in Section 35A of the Registered Designs Act 1949, the Act does not specifically set out how an offence would be treated if it has been committed by a partnership. It is important that this gap in the law is resolved appropriately.

The government amendment will introduce into the Registered Designs Act 1949 a provision that specifies how offences committed by partnerships will be addressed. Where the partnership is guilty of an offence, every partner will be liable if they were aware of the offence being committed and did not intervene to prevent it. In addition, on conviction, any fine imposed on a partnership will be paid out of the partnership's assets. This will broadly reflect the provision of the Trade Marks Act 1994, and will be consistent with the Partnerships (Prosecution) (Scotland) Act 2013 to ensure that Scottish law is adequately provided for. The amendment will provide legal clarity on the liability of partnerships and partners, and will address the gap that exists in the law.⁸⁴

4 Patents

Part 2 of the Bill amends the [Patents Act 1977](#), which is the principal piece of legislation governing the patent system in the UK. This includes the provision of powers to implement the intergovernmental Agreement on a Unified Patent Court.

4.1 Background

Consultation

As set out in section 2.2 of this paper, the Hargreaves Review [Digital opportunity: a review of intellectual property and growth](#), commissioned by the Government and published in May 2011, recognised the importance of the patent system in supporting innovation and economic growth.

In response to the Review, the [Intellectual Property Office](#) published a [consultation](#) on patents in 2012. This proposed increased sharing of information amongst international partners and the creation of virtual patent mark following developments in US patent law. It also proposed some minor amendments to the [Patents Act 1977](#). The [Government consultation response](#) and the various impact assessments are available on the IPO website. This set out responses to the consultation, which were limited but favourable:

A total of 11 responses were received. The respondents ranged from professional representative bodies to individual IP firms, individual IP attorneys, and individuals with their own businesses. A list of the respondents can be seen in the annex to this document.

⁸³ [HL Deb 13 June 2013 cc395-6GC](#)

⁸⁴ [HL Deb 23 July 2013 cc1185-6](#)

In general, the responses received were supportive of the majority of the proposals put forward in the consultation. Many respondents indicated that the individual proposals would not have an adverse effect on their behaviour as users of our services.

And:

Although only a small number of responses were received, these provided clear support for the proposals. Where concerns were raised about the practical aspects of introducing the proposals (e.g. the need for information to be kept confidential when sharing information on unpublished patent applications or the need to link product details clearly with patent numbers when using a web address to provide public notice of patent rights), these will be addressed in either the drafting of any changes to the Patents Act 1977 or in the way in which the proposals are implemented in practice.⁸⁵

Unitary Patent and the Unified Patent Court

A Unitary Patent aim is to provide uniform protection with equal effect in all of the participating EU countries. The UK IPO summarised as follows the reasons and benefits for the implementation of an EU wide patent and court system:

Currently there is no such thing as a single European patent. Instead, inventors must maintain individual patents in each country in which they wish to do business. These patents must also be litigated separately in the national courts of each country. In future individuals and businesses will have the choice of protecting their inventions in 25 EU countries with a single Unitary Patent, streamlining the system and saving on translation costs. These Unitary Patents will then be challenged and defended in a single court action through the Unified Patent Court.

The IPO summarised the role of the Unitary Patent Court as follows:

On 19 February 2013 the UK Government signed an intergovernmental Agreement (the "Agreement") along with 25 other EU Member States to create a Unified Patent Court (UPC) which will be a new specialist patents court common to participating states. This court will primarily have competence to hear disputes regarding the validity and infringement of the new Unitary Patent as well as European bundle patents granted by the European Patent Office (EPO). It will also have competence over actions concerning infringement and validity of Supplementary Protection Certificates, for pharmaceutical and plant protection products, based on European bundle patents and Unitary Patents. The UPC will not have competence over national patent rights such as those granted by the Intellectual Property Office (IPO) and other national patent offices.

Further details can be found on the European Commission webpage on [patents](#).

Location of the Court

The *Financial Times* reported in January 2012 that there was an "Anglo-German stand-off" over the location of the new court.⁸⁶ The paper also reported "a round of intense back-channel diplomacy" and said that the President of the European Commission José Manuel Barroso had called on France, Germany and the UK to settle the matter and stop delaying the issue:

⁸⁵ IPO, *Consultation on proposed changes to the Patents Act 1977: Government Response*, April 2013

⁸⁶ "Squabble over court blocks EU patent deal" *Financial Times*, 24 January 2012

Chancellor Angela Merkel of Germany has recently made clear that she is unwilling to drop her demands. However, few other EU countries are happy with a Munich seat because the city is already the home to the European Patent Office.

David Cameron, the UK prime minister, is blocking the Munich bid, but London's application is floundering because Britain lacks goodwill or allies. Some diplomats in Brussels say London is simply holding out for the right price.

Paris has pitched itself as the "compromise" solution and has emerged as frontrunner. But some officials in Brussels grumble that French inflexibility has been damaging.

Ministers from all three countries are being cheered on by their domestic legal industries to fight hard and stand firm. The negotiations have been further complicated by splits in the UK and Germany on the merits of the new regime, in part because some groups benefit from current arrangements.

The Chartered Institute of Patent Attorneys (CIPA) said in response however that Barroso had "missed the point in calling for France, Germany and the UK to reach a compromise over what he called their 'trivial disagreement' over the location of the central court". The CIPA felt that it is the agreement's content and not the court's location that is in need of improvement before adoption.⁸⁷

Decision

Agreement was reached in June 2012 on the locations of the courts. The Department for Business, Innovation and Skills (BIS) announced that part of the Court of First Instance would be based in London:

The Prime Minister, David Cameron said:

A vital part of the Court covering the pharmaceutical and life sciences industries, in which Britain excels, will be coming to London. This brings millions of pounds and hundreds of jobs. And I secured the changes to the nature of the patent system that businesses were demanding.

Welcoming the news, Business Secretary, Vince Cable said:

The Government is committed to the creation of a Europe-wide patent system that brings real benefits for businesses, consumers and the economy. I am delighted that agreement has been reached on a new unitary patent for Europe and a new unified patent court based in London, Paris and Munich.

This is a major success for the UK and for businesses. The deal means for the first time a single patent will be valid across 25 European countries. The reduced translation costs and simplified enforcement regime will help to support innovative companies and make an important contribution to growth across Europe.⁸⁸

The court system will be arranged as follows:

- A Court of First Instance with local and regional divisions. The central division will be based in Paris, with sections in London and Munich. Each one will cover specific subject areas. See table below for details.

⁸⁷ CIPA News "[Commission President Barroso 'missing the point' in demanding rushed agreement on European patent](#)" 30 January 2012

⁸⁸ BIS press release, [British business boost as patent court comes to London](#), 29 June 2012

- Local divisions will be set up by individual Member States if they wish to do so.
- A Court of Appeal with a seat in Luxembourg.

LONDON Section	PARIS Seat	MUNICH Section
	President's Office	
(A) Human necessities	(B) Performing operations, transporting	(F) Mechanical engineering, lighting, heating, weapons, blasting
(C) Chemistry, metallurgy	(D) Textiles, paper	
	(E) Fixed constructions	
	(G) Physics	
	(H) Electricity	

A brief description on how the system will be structured can be found on the Hogan Lovells [website](#).⁸⁹ An [article](#) in the *Guardian* on the announcement included the reaction of the Chartered Institute of Patent Attorneys which welcomed the decision, and the more cautious response of some lawyers:

Richard Willoughby, a patents solicitor at the specialist intellectual property firm Rouse, gave the announcement a more qualified welcome. "The central division deal is a compromise of uncertain benefit to the users of the system," he said. "If ... this is perceived as a successful deal, hopefully there will also be a willingness to address some of the other concerns with the details of the agreement.

"This leaves the practicalities of setting up the court – finding the judges, facilities, working out fees, finalising the rules of procedure – to be resolved. It has been proposed that this would all be done by [mid-]2014, which is very optimistic. Costs also remain very unclear."

Ilya Kazi, a partner at intellectual property advisors Mathys & Squire, was also sceptical: "It's not clear that the new organisations, which will require highly-skilled judges if they are to be credible and which, like any European institutions, will have a cost associated with running them, will represent a net improvement on the status quo."⁹⁰

There have been some concerns expressed about the design of the whole unitary patent package. Lord Justice Kitchin was critical in a [speech](#) to the CIPA in October 2012. He highlighted the difficulties for companies having to fight court cases in different locations. The Max Planck Institute for Intellectual Property and Competition Law in Germany has also been very critical of the Unitary Patent and Court proposals. With regards to the court it sets out what it sees as the flaws of the proposed system:

⁸⁹ www.theunitarypatent.com

⁹⁰ "Unified Patent Court split between Paris, London and Munich", *Guardian*, 3 July 2012

(1) imbalances in the scope of jurisdiction (e.g. no jurisdiction for compulsory licenses, territorial jurisdiction limited to EU Member States, differing judicial review for European and unitary patents, etc.);

(2) imbalances in the division of jurisdiction among the first instance divisions (e.g. questionable effects of the compromise on bifurcation, reserved competences of the central division, etc.);

(3) imbalances in the organization of the UP Ct (e.g. predominantly national composition of the bench in large decentralized divisions, language regime, etc.).

All of this would likely impair the development of a homogeneous body of patent law in Europe, fail to establish a fair balance in the rights and remedies available to patent holders and third parties respectively, and open the system to continued forum shopping by plaintiffs.⁹¹

4.2 The Bill

Clause 15 aims to introduce an easier way for patent owners to provide public notice of their patent rights. This will be done by allowing patent owners to use a web address on a product to identify it as patented. Currently this can only be done by marking the product with the patent number.

Clause 16 aims to expand the circumstances in which the Intellectual Patent Owner (IPO) may issue an opinion in relation to patent. It would also extend the Comptroller-General's powers to revoke a patent on his own initiative if opinion concludes the patent is invalid. This would only be in cases where the patent "clearly lacks novelty or an inventive step".⁹² The [impact assessment](#) of the proposals identified some of the potential benefits, including:

- changes would be particularly beneficial to SMEs who find it difficult to finance litigation proceedings
- The proposal will further improve legal certainty without recourse to litigation for patent owners and parties concerned with infringing a patent saving them between £30k and £1.5M for each litigated case that is avoided.⁹³

Clause 17 enables the [Agreement](#) establishing a Unified Patent Court to be brought into effect in the UK. It does this by inserting new Clauses 88A and 88B into the *Patents Act 1997*, which provides the Secretary of State with the necessary powers.

According to the World Intellectual Property Organisation, the estimated number of patents granted in 2011 was nearly one million. There were 7.88 million patents in force worldwide and 4.8 million applications pending.⁹⁴ **Clause 18** aims to address this backlog and would allow the Intellectual Property Office to share information on unpublished patent applications with international partners. This is expected to reduce international patent backlogs and speed up patent processing, avoiding duplication of work by allowing the IPO to share unpublished patent applications with other patent offices where this would be helpful.

The Intellectual Property Office carried out an [impact assessment](#) of the proposals. This estimated the benefits as follows:

UK businesses who also apply for international patent protection will benefit indirectly from work sharing between offices as processing times are reduced, giving quicker

⁹¹ Hilty et al, [The Unitary Patent Package: Twelve Reasons for Concern](#), 2012

⁹² Bill 102 [Explanatory Notes](#) 2013-14

⁹³ IPO Impact Assessment, [Expansion of the Patents Opinion Service](#), BIS 0349, 17 January 2013

⁹⁴ WIPO, [World Intellectual Property Indicators](#), 2012

patent protection. UK businesses who also apply for European, US and Japanese patents may see the value of their patents increase by a best estimate of £4.2m per year.⁹⁵

Clause 19 brings into effect the Schedule which would amend minor aspects of the *Patents Act 1977*.

4.3 Progress through the Lords

There was one unopposed Government amendment of Part 2 of the Bill during its passage through the House of Lords. This was the addition in Clause 17 of an extra clause, clause 88B, to the *Patents Act 1997*. This allows provisions of the *International Organisations Act 1968*, granting privileges and immunities to international organisations and their staff, to apply to the Unified Patent Court. There were no divisions and no other amendment was accepted.

Committee stage debate

During **Committee stage** there were several other amendments proposed. An amendment, 25A, was proposed to remove Clause 16(4) allowing the Comptroller to initiate the revocation of patents. Amendment 25B, aimed to ensure that it was clear that this option would only apply if there was no innovation or inventiveness in a patent.

Viscount Younger responded on behalf of the Government and stated that the aim of the proposal was to “help in particular SMEs and lone inventors who may simply be unable to afford to bring revocation action themselves”. He also clarified that the initiation of an action by the Comptroller would not always result in revocation. The Minister was unable to comment on whether the UK IPO would issue opinions on unitary patents until the Unified Patent Court was in place.

Amendment 25C and 25D aimed to explicitly state the bodies that should be consulted when amending the jurisdiction of a patent court and that a local division of the UPC be set up in each jurisdiction of the UK. The Minister pointed out that the Agreement included provisions for setting up local divisions, although no decision had been made as to the location and number of these.⁹⁶ Amendment 25E aimed to limit the powers given in Clause 18 to share information with overseas patent offices including by requiring specific information to be provided with a request and setting a time limit for requests to be made.

Report stage

An amendment was again tabled at **Report stage** (Amendment 10) that would have required the Secretary of State to establish a court in each administration should the number of cases warrant it. This was rejected by the Minister.⁹⁷ Amendment 11 was a Government amendment and introduced new Clause 88A, making it clear that the *International Organisations Act 1986* applies to the new court.⁹⁸ Amendment 12 would have required the creation of a lobbying register for intellectual property. The Government rejected this but committed to publishing proactively a list of all the meetings between the chief executive of the IPO and external organisations.⁹⁹

Third Reading

This part of the Bill was not referred to during Third Reading.

⁹⁵ IPO Impact Assessment, *Work sharing with international partners*, BIS 0381, 14 March 2013, p3

⁹⁶ [HL Deb 13 June 2013 c426GC](#)

⁹⁷ [HL Deb 23 July 2013 c1201GC](#)

⁹⁸ [HL Deb 23 July 2103 c1202GC](#)

⁹⁹ [HL Deb 23 July 2103 c1206GC](#)

5 Freedom of information

5.1 Background

The purpose of the Bill's freedom of information clause is to protect academic research from requests that would not already be exempt under the existing exemption in the Act for information that is being held with a view to future publication (section 22 of the *Freedom of Information Act 2000*).¹⁰⁰ The Government is aiming to provide clarity and reassurance to higher educational institutions and their non-public sector partners that pre-publication academic research is subject to an exemption under freedom of information law. The Justice Select Committee's 2012 post-legislative scrutiny of the 2000 Act argued that such an exemption was required because of uncertainty over the length of time that could be reasonably argued as being in the "future", and the necessity of cleaning and revising data collected as part of academic study.¹⁰¹ The matter was also raised during the passage of the *Protection of Freedoms Bill 2010-2012* though the House of Lords.¹⁰²

Professor Diamond of Imperial College London told the Justice Select Committee that the existing exemption did not work for research:

The university will clearly publish the research – the whole point of a university is to publish its research and to make it available – but only after all that has been done and it has been peer-reviewed. Publishing bits of it prematurely runs the big risk of the recipient, the public, drawing the wrong conclusions.¹⁰³

The University of Oxford argued that the domestic university sector could be put at a disadvantage when competing for research work, although Professor Diamond thought that there was not an "enormous" amount of evidence for this because the Act was "still in its infancy".¹⁰⁴

The *Freedom of Information (Scotland) Act 2002* (which applies to Scottish public authorities), like the UK Act, includes an exemption for information intended for future publication in some circumstances. However, the Scottish exemption only applies where publication is no more than 12 weeks after the date of the request. The Scottish Act also provides a further specific exemption for information obtained in the course of, or derived from, a programme of research, in specific circumstances (similar to those outlined in clause 20 of this Bill). The Justice Select Committee heard evidence that this exemption had been used successfully by universities in Scotland to protect research findings.

The Select Committee recommended that the 2000 Act should be amended to give research carried out in England and Wales the same protection as in Scotland. They also recommended that this solution should be reviewed "at a reasonable point" after its introduction.¹⁰⁵

The Government response agreed with the Committee's recommendation:

¹⁰⁰ The Information Commissioner's Office has published guidance on the way the Act currently affects research information: Information Commissioner's Office, *Freedom of information legislation and research information: guidance for the higher education sector*, Version 3.2, 2013

¹⁰¹ Justice Select Committee, *Post-legislative scrutiny of the Freedom of Information Act 2000*, 26 July 2012, HC 96-I, 2012-13, pp76-80

¹⁰² See for example [HL Deb 12 Jan 2012 c13GC](#)

¹⁰³ Justice Select Committee, *Post-legislative scrutiny of the Freedom of Information Act 2000*, 26 July 2012, HC 96-I, 2012-13, para 204

¹⁰⁴ Justice Select Committee, *Post-legislative scrutiny of the Freedom of Information Act 2000*, 26 July 2012, HC 96-I, 2012-13, para 207-208

¹⁰⁵ *Ibid*, para 214

...the Government recognises that the adoption of a qualified exemption for research would provide additional clarity and reassurance, both to Higher Education institutions and non-public sector research partners. We accept that despite the wide applicability of existing exemptions, the lack of a dedicated research exemption can at least give the impression that FOIA does not provide adequate protection. On balance, therefore, the Government is minded to amend FOIA to introduce a dedicated exemption, subject to both a prejudice and public interest test, as recommended by the Committee. The Government shares the Committee's view that this would constitute a proportionate response to the concerns expressed. The Government also agrees that such a measure should be reviewed at a suitable point after introduction.¹⁰⁶

5.2 The Bill

Clause 20 of the Bill (as introduced to the Commons) would amend the *Freedom of Information Act 2000* to provide an exemption for information obtained in the course of, or derived from, a programme of research. The exemption would apply if the programme of research is continuing with a view to publication; and disclosure of the information before the date of publication would or would be likely to prejudice:

- the programme or research;
- the interests of any person participating in the programme;
- the interests of the authority that holds the information; or
- the interests of a person or authority who planned to publish the research.

The clause states that public authorities would not be required to confirm or deny that they hold information to the extent that doing so would, or would be likely to, prejudice the programme of research or any of the relevant interests.

The exemption would be subject to the public interest test; that is a public authority wishing to use the exemption must consider whether the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Those exemptions which are not subject to the public interest test are listed in Section 2 of the 2000 Act.

The exemption would become Section 22A of the *Freedom of Information Act 2000*.

The clause will be extended to public authorities in Northern Ireland with the consent of the Northern Ireland Assembly following a legislative consent motion.¹⁰⁷

5.3 Debate in the Lords

The proposed amendment to the *Freedom of Information Act* proved uncontroversial during the Bill's passage through the House of Lords. During the Second Reading debate the Labour spokesman, Lord Stevenson of Balmacara, welcomed the proposed amendment. The relevant clause (then clause 19) was agreed at Committee in the Lords without debate.¹⁰⁸ There were no amendments tabled to the clause at Report stage.

¹⁰⁶ Ministry of Justice, *Government Response to the Justice Committee's Report: Post-legislative scrutiny of the Freedom of Information Act 2000*, November 2012, para 48

¹⁰⁷ See [Explanatory Notes](#) to the Bill

¹⁰⁸ [HC Deb 13 Jun 2013 432GC](#)

6 Other provisions in the Bill

6.1 Reporting duty

The Hargreaves Review devoted some space to the role of the Intellectual Property Office, whose functions were described as follows:

The IPO is the principal IP framework institution, and its CEO has statutory duties concerned with providing services in support of registered rights (i.e. patents, trade marks, and designs). It is financially self sufficient through application and renewal fees for these rights with a Trading Fund Order that essentially confines its activities to the IP field. It has no other underpinning duties or functions, and policy on IP is currently developed by civil servants working in the IPO and reporting to Government ministers. The IPO currently employs 900 people and has an annual budget of £70m.¹⁰⁹

The Review commented that if the organisation is to be “focused on promoting innovation and growth”, it will need “an overarching legal mandate”; this might include “a duty to keep under review the impact of IP and IPRs [intellectual property rights], and market positions founded on IPRs, on innovation and growth, including adverse impacts on competition and the competitive spur to growth, and to report annually.” Hargreaves expected this function to be exercised “within a framework of public accountability, including statutory provision for parliamentary scrutiny of reports”.¹¹⁰

Accordingly, **clause 21** would require the Secretary of State to present to Parliament by the end of September each year a report that sets out how, in his or her opinion, the activities of the IPO have supported innovation and economic growth in the UK during that year. The clause does not describe the content of the report, which will also take account of the effectiveness of legislation relating to IP over the same period.

At Committee stage in the Lords, peers tabled a number of amendments which sought to broaden the scope of the proposed annual report and detail what the report should contain. (These amendments were not moved.) In his response the Minister, Lord Younger, explained that “the challenges facing the intellectual property system will change from year to year” and, for this reason, “the clause does not specify individual issues that will be considered”. However, he outlined the likely parameters of the report and gave some examples of the kind of issues to be included in it.¹¹¹ The Explanatory Notes to the Commons Bill (following the Minister’s speech in Lords Committee) indicate the expected “broad outline” of any such report:

- a) Information on legislative changes and pre-legislative work such as consultations;
- b) Information on the IPO’s activities in international negotiations and cross-border co-operation;
- c) Policy development work undertaken to address the challenges facing the intellectual property system;
- d) The main outputs of the IPO’s economic research programme and how they relate to innovation and growth;

¹⁰⁹ Intellectual Property Office, *Digital opportunity: a review of intellectual property and growth*, May 2011, p94

¹¹⁰ Intellectual Property Office, *Digital opportunity: a review of intellectual property and growth*, May 2011, p95

¹¹¹ [HL Deb 18 June 2013 cc51-2GC](#)

e) An assessment of the IPO's activities that support businesses and raise awareness of the importance of protecting intellectual property.¹¹²

6.2 Recognition of foreign copyright works

Clause 22 would provide for the automatic extension of certain copyright provisions of the *Copyright, Designs and Patents Act 1988* to nationals and works of other countries without the need to include an extensive list of countries and territories in an order. The clause inserts a large number of those countries and territories into the body of the Act by referring to them generically – for example, all members of the European Economic Area and all signatories to the Berne Convention for the Protection of Literary and Artistic Works.

This clause was the subject of some uncontroversial Government amendments in Lords Committee. The Minister explained:

[I]t became clear after the Bill was introduced that the clause as drafted would not provide the Government with the flexibility to extend as much, or as little, of the Act as is appropriate. The policy behind section 159 [of the 1988 Act] is for protection to apply only where it is offered in return. This very much depends on which international agreements those other countries have signed up to, and whether they have opted out of some elements. The purpose of the Government's technical amendments to this clause, therefore, is to better define the powers to extend only parts of the provisions of the Act to citizens and works from other countries, and where the United Kingdom is obliged to do so.¹¹³

At Report stage in the Lords, the Government introduced a further (unopposed) amendment to the original wording of this clause. The Minister said:

This minor and technical amendment makes it clear that Clause [22] incorporates countries signed up to any Act of the Berne convention by bringing the language of the clause into line with that used in the Copyright, Designs and Patents Act 1988. The purpose is to ensure that countries that are not signatories to the most recent Act do not receive lesser copyright protection in the UK than those that are.¹¹⁴

¹¹² [Explanatory Notes](#), para 99

¹¹³ [HL Deb 18 June 2013 c82GC](#). The clause was agreed, as amended.

¹¹⁴ [HL Deb 23 July 2013 c1177](#)