INTELLECTUAL PROPERTY OFFICE

The Development of Design Law
Past and Future

From History to Policy

Alexander Carter-Silk, Michelle Lewiston

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Executive Summary

British design makes a significant and substantial contribution to the economy. Government recognises that it is an area of potential growth.

Speechly Bircham LLP and research specialists from Mountainview Learning and the University of London (Goldsmiths & University College London) were commissioned by the Intellectual Property Office (IPO) and the Design Council to undertake a pioneering investigation into the effectiveness of design law in the UK and to research ways of bringing the system up to date.

The primary objectives of this research were:

i. to evaluate the efficacy of design law as perceived by industry;

ii. to gain a better understanding of the costs involved in the design system and the way in which these costs affect behaviour; and

iii. to research ways of bringing the system up to date.

Introduction to Design

Prior to industrialisation, it was craftsmen who produced designs to which society accorded both financial and emotional value. The value attributed to designs was informed by the societal benefit derived from them. So when, for example, the UK textile industry was thriving, it was the designs applied to fabrics that were perceived to be of particular value.

Designs were originally protected as artistic creations under the auspices of copyright law. As society began to recognise value in different forms of artistry, from books to fabrics to fine arts, and as technological developments facilitated copying of these different art forms, the law responded in a piecemeal fashion, conferring copyright protection upon whichever form of design was under threat at the time.

The Industrial Revolutions of the 19th and 20th Centuries heralded a new era in which designs were applied to utilitarian objects, whose mass production was facilitated by new technologies. This presented a challenge to the legislature and the judiciary; whilst there was a desire to continue to protect creative designs, there was concern about fettering the development of functionality. This concern was compounded during the early 20th Century as the United States of America emerged as a major international player and designs became an integral part of many utilitarian objects rather than merely being applied to them.

In the mid 20th Century, craftsmanship and industrialism gave way to consumerism and the role of modern design law, like all modern intellectual property rights, shifted to regulation of competition and balancing *"measurable economic objectives against social goals and potential benefits for rights holders against impacts on consumers and other interests"*[1].

1 Hargreaves, Professor I. (May 2011) "Digital Opportunity: A Review of Intellectual Property and Growth", Chapter 11, page 98.

The Modern Law

The protection of design has presented the legislature and judiciary with challenges for over 400 years. During this time, the duration, exclusions, scope and definition and the minimum requirements for protection of design have oscillated between extremes, responding to changes in industry and economic pressures.

However well intentioned, the legislative history of design has been unimpressive and has led to unnecessary complexity.

Today, designs in the UK are protected by no fewer than five legal rights: EU registered design rights, EU unregistered design rights, UK registered design rights, UK unregistered design rights and artistic copyright. However, this web of rights, described by Howe as a *"labyrinth"*[2] and by Professor Hargreaves as a "*patchwork*"[3], seems to exist in a vacuum without a common purpose.

The UK unregistered design right, created by the Copyright, Designs and Patents Act 1988 protects shape and configuration, but leaves the protection of surface decoration and ornamentation to the remit of copyright.

In 2001, the Community Design Regulation[4] created a unitary right which provided a minimum level of consistent protection across all 27 EU member states, but with each having the ability to impose different local or national design right protection.

Whilst legislation has sought to encapsulate the "*essence of design*" in a way which has predictable outcomes when tested in Court, the rights protected by the EU legislation contain a number of components that require judicial interpretation. Recent case law illustrates contrasting approaches of the Office for Harmonisation in the Internal Market (OHIM) and those of national Courts, which have contributed to the confusion and unpredictability of outcome that is perceived by industry.

The judicial approach to interpretation of legislation has often appeared disconnected from the object behind its enactment. Judgements frequently seem subjugated to a judicial desire not to extend design protection any further than is absolutely necessary, being more concerned with the limitations than with the object of the rights granted.

The Psychometric Analysis

The remit of the research was to assess the actual and perceived benefits, advantages, disadvantages and availability of the various remedies that address design right infringement. It also focussed on the practical ways in which the system can be improved.

2 Howe, M, (2010) "Russell-Clarke and Howe on Industrial Designs", Eighth Edition, Chapter 1, page 1.

3 Hargreaves, Professor I. (May 2011) "Digital Opportunity: A Review of Intellectual Property and Growth", Chapter 7, page 64.

4 European Designs Directive 98/71 EC (the Directive) and Council Regulation 6/2002/EC on Community Designs (the Regulation)

The Effects of Design Rights on Motivation and Innovation

We know that the UK design sector is large. Given the Hargreaves Review, which states that "*designers believe a patchwork of intellectual property right provisions puts them at a disadvantage in comparison with sectors fully covered by copyright law*"[5], the question emerges as to whether the UK's design sector is large:

a. in spite of design rights legislation; or

b. because of design rights legislation.

The specific aims of the current research were therefore to assess:

1. whether perceptions and/or knowledge of the scope, effectiveness and complexity of the design rights legal system affect the motivation and behaviour of businesses to innovate, create and protect their design rights;

2. whether perceptions and/or knowledge of the cost (including monetary and non-monetary costs) of enforcing design rights affect the motivation and behaviour of businesses to innovate, create and protect their design rights;

3. whether variables, such as business size and design intensity, impact upon the motivation and behaviour of businesses to innovate, create and protect their design rights;

4. whether actual knowledge and a business' perception of design rights, together with its motivation to create and protect those design rights, are related to respondent reported company data; and what remedies businesses find the most or least effective.

The results of the psychometric analysis revealed a number of reliable factors representing knowledge and perceptions/attitudes (thoughts and feelings) towards registration and enforcement.

Perhaps the most important finding is that both perceptions/attitudes and demographic variables significantly influence actual design related activity, that is, activity related to design innovation (and achievement) and protection.

For instance, whilst product life cycle and the amount companies are prepared to spend on the protection of their designs were significantly correlated to whether companies register their designs or not, the regression analysis revealed that attitudes toward registration and protection of design rights are key and important to the decision as to whether to register designs or not (with those *perceiving* it as more costly and time consuming registering significantly less).

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5 Hargreaves, Professor I (May 2011) Digital Opportunity: A Review of Intellectual Property and Growth, page 5, paragraph 4

Similarly, regression analysis revealed that motivation to create was the most important predictor of design achievements. Those organisations who indicate that they are motivated to invest in, and protect, their designs are less affected by the costs and scope of design law.

Conversely, other design related activity, namely the amount companies were prepared to spend on protecting their designs and the frequency by which they assert their design rights, is primarily predicted by variables related to the business, such as business size and type (i.e. design intensity).

Taken together, these results reveal that perceptions of, and attitudes towards, the design rights system have an effect on design related activity, including design related innovation and protection, even when variables related to the business are taken into account.

Those who are more knowledgeable also feel more positively about registering designs and enforcing design rights. Knowledge is also related to motivation to create. Those who are more knowledgeable indicate that their design and innovation related motives and behaviour are less influenced by the scope of design law and the associated costs incurred to protect their designs.

Because attitudes and design motives influence actual design activity, education may be a way to foster positive attitudes and motives related to registration and enforcement, which in turn may lead to actual innovation .

The psychometric analysis also shows that designers are comfortable with, and will fall back on, copyright. The conceptual basis for copyright underpins its popularity with designers as the test for copyright infringement resonates with the essence of creativity. Copyright relies on a judicial assessment as to whether the alleged infringement is a "*substantial taking*" qualified by the "*quality of what is taken*" and not the quantity of the appropriation.

Whilst the qualitative copyright approach appears to resonate with the design community, the interpretation of the European Design Law detracts from the concept of the "*essence of a design*".

Complexity and Predictability

Research shows that the design community considers the law expensive and unpredictable. The Survey[6] validates this contention. In addressing why companies did not pursue a claim for infringement, even when their designs were being copied, they cited uncertainty of outcome as one of the prevailing reasons in discouraging them from bringing court proceedings.

This could be the result of designers not understanding what is, and is not protected, or it may reflect the fact that predicting any outcome of design litigation is too difficult. The Survey indicates that it is likely to be a combination of both.

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6 Ahmetoglu, G. and Chamorro-Premuzic, T., Design Rights and Innovation – A Psychometric Analysis (Chapter 5)

The research suggests that the perception of uncertainty of outcome when weighed against the time and costs involved renders design cases rarely worth pursuing.

The lack of cases cannot be held to be evidence of a lack of copying or the absence of a desire to take action, but rather that the process, cost and unpredictability favours the plagiarist.

Policy Recommendations

Cost, speed and predictability of outcome were of key relevance in the Survey.

1. Registration of Design rights

Whilst registered design removes the requirement to prove copying and can provide a longer period of protection, it has failed to attract the attention of the UK design community as being something of value which is worth investing in.

Anchoring may also be influencing companies' decision-making. Free, automatic unregistered design rights are likely to work as an anchor , making £60 for the registration of a single design look expensive in comparison.

The availability of information: (i) giving examples of how things went wrong for other UK companies who had not registered their design rights, and showing how much damage such short-sightedness brought; and (ii) providing an emphasis on what is not covered by the default protection offered by unregistered design rights; is likely to have an impact on a company's decision to register.

Recommendations:

- To aid business decision-making, the IPO might reframe the protection afforded by registration of UK design rights as a comprehensive insurance policy, which safeguards future business interests.

- It may also be beneficial to provide an online calculator into which a potential applicant can enter their requirements and receive a tailor made quotation for the application and registration process they require, reducing anchoring.

- In addition, the registration fee could also be expressed as a "per year" or "per day" cost of protection.

- The IPO should consider making the framework and the information relating to what can be protected by registered designs more salient and highlight the benefits to businesses in a fluent and uncomplicated manner.

2. Design Rights – The Decision to Enforce

Availability of information regarding the steps, the costs and the length of time involved in the process of enforcing design rights is not apparent. Access to the design right enforcement process may therefore be obstructed by the lack of knowledge of what is involved.

Recommendations:

- The provision of information on the likelihood of winning legal cases with regards to design rights may help to rebalance the bias;

- An information campaign which communicates the enforcement process, the costs and time that are likely to be incurred and the benefits of such action might assist business design makers to overcome the existing biases and act as a deterrent to design right violators.

3. Enforcement of Design Rights – Costs and Process

Even judgments by the Patents County Court (PCC), are beyond the reach of most small designers who made up the highest percentage of respondents to the Survey.

Even if they could afford their own legal expenses to bring cases, the unpredictability and apparent interpretation of the legislation, combined with the impact of a potential adverse costs order, reaches even the PCC out of reach for many SMEs and individual designers.

In addition, speed of access to remedies is fundamental to design rights particularly having processes that provide a workable method of swiftly removing infringements from the market.

Drawing from the information resulting from the comparison between the English and German Court structures[7] we would recommend the following for consideration by Government.

(a) Refined multi-track approach to design

It appears to us that costs can only be constrained if there is a procedure adapted to the resolution of design disputes that despatches them swiftly. This would require modest variations to the PCC rules in relation to design.

As costs are the dominant feature of most discussion on the subject we would also recommend consideration of the course of action alluded to by Jacob LJ[8] in limiting evidence in design cases and reducing the timeframe within which registered design cases are decided.

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7 See Chapter 3 of the report “From History to Policy - The development of design law - past and future”, Alexander Carter-Silk and Michelle Lewiston

8 Procter & Gamble v Reckitt Benckiser (2007) EWCA Civ. 936 - Robin Jacob LJ at paras 3 and 4

Embracing this approach is likely to produce many more claims and a body of experience that will evolve into a library of design cases that, by example rather than precedent, will inform courts, potential claimants and defendants as to where the line is properly drawn. The greater the body of decisions, the more predictable outcomes are likely to be perceived.

Recommendations:

- Consideration may be given to a "superfast" track for small value design claims identified by the Judge at the outset of the claim and possibly assigned to an assessor or to a UKIPO tribunal (see below), where the costs should be limited to a fraction of the £50,000 limit.

- Where one party wishes to step outside of the "superfast" process; one might consider imposing aggravated damages and/or indemnity costs against a party who invokes the more expensive route if not succeeding.

- Consideration should be given for all design claims to be listed in a "design list" which accommodates an expedited process. With early judicial management of the evidence that both parties should be permitted to advance in support of their claims at the earliest possible stage (preferably at the first "design list" after the claim has been served) the expectation that design cases could be despatched in a morning might well be achievable.

- In appropriate cases consideration should be given to an expedited procedure giving directions on evidence, abridged pleadings, disclosure and statements, setting the date for the hearing, whilst also deciding whether a lay assessor should sit with the court.

- Adopting the Court of Appeal's approach and having one eye on the value of court time, the registration of a UK design might give the holder the right to a swift hearing before the IPO offices. With limited costs awards and the right to have a declaration of infringement/non-infringement made by the IPO tribunal that could be enforced by injunction in the PCC without the need to give a cross undertaking, the twin objectives of limiting costs and increasing speed are more likely to be served.

(b) Lay Assessors

Predictability is most likely a factor of the judiciary perceiving design in the same or at least a similar way in which the design community does. It may therefore be worth considering a change in process to reduce costs and to introduce lay assessors who have experience in the particular industry to improve both of these aspects.

Recommendation:

- Consideration might be given to having industry lay assessors sit with the judge experienced in the particular industry. That is to say the "*informed user*" is present on the bench.

Introduction – The Brief

That British design makes a significant and substantial contribution to the economy is beyond doubt.

Mat Hunter, Chief Design Officer of the Design Council highlights that:

"In a knowledge economy ideas are money – the UK design industry is worth over £15bn a year to the economy, so it's important for the UK as well as for individual designers that the ability to protect those ideas is as accessible, applicable and implementable as it can be".

The Government recognises the importance of British Design; but more than that, it recognises that it is an area of potential growth, with the recent Hargreaves Review[1] (commissioned by the Prime Minister, David Cameron) making it clear that:

"the role of IP in supporting this important branch of the creative economy has been neglected."[2]

To address this, Speechly Bircham LLP and research specialists from Mountainview Learning and the University of London (Goldsmiths & University College London) were commissioned by the Intellectual Property Office (IPO) and the Design Council to undertake a pioneering investigation into the effectiveness of design law in the UK and to research ways of bringing the system up to date.

The primary objectives of this research were:

i. to evaluate the efficacy of design law as perceived by industry;

ii. to gain a better understanding of the costs involved in the design system and the way in which these costs affect behaviour; and

iii. to research ways of bringing the system up to date.

To achieve this, it was necessary to look back at the way in which the development of design law responded to various social and economic demands, and the resulting remedies that were afforded to designers. By understanding the rationale behind the current framework of design law, it is easier to make informed recommendations to enable the various avenues of redress to work to industry's advantage, and ultimately to strengthen the contribution made to the UK's economy through design and innovation.

Throughout this report a holistic approach has been taken to consider the balance of risk of enforcing design rights against the costs and outcomes achieved. This includes not only

1 Hargreaves, Professor Ian. (May 2011) "Digital Opportunity: A review of Intellectual Property and Growth" - http://www.ipo.gov.uk/ipreview-finalreport.pdf

2 Hargreaves, Professor Ian (May 2011) "Digital Opportunity: A Review of Intellectual Property and Growth", Chapter 7, page 66.

consideration of the direct costs incurred but also the fear on the part of a business or designer of losing a case, alongside the impact on a business of the management time which is expended in enforcing its design rights.

The research conducted assessed the actual and perceived benefits, disadvantages and availability of the various remedies that address design right infringement. It also focussed on the practical ways in which the system can be improved by reference to the process and procedures that are currently available, as well as the attendant costs, with the express purpose of encouraging and promoting innovation in this area.

The recommendations in this report have been prepared by Speechly Bircham LLP in collaboration with Mountainview Learning and the University of London.

Chapter 1

The History of Design

ALEXANDER CARTER-SILK
MICHELLE LEWISTON

Introduction to Design

Visual communication has always played an important role in society, from cave paintings and aboriginal art to the iconic Coca-Cola bottle and the sleek simplicity of the iPod.

Prior to industrialisation, it was craftsmen who produced designs to which society accorded both financial and emotional value. The value attributed to designs was informed by the societal benefit derived from them; so when, for example, the UK textile industry was thriving, it was the designs applied to fabrics that were perceived to be of particular value. The law responded by offering craftsmen protection for these designs, thereby stimulating investment, both monetary and temporal, in the crafts which would advance the UK economy.

Designs were originally protected as artistic creations under the auspices of copyright law. As society began to recognise value in different forms of artistry, from books to fabrics to fine arts, and as technological developments facilitated copying of these different art forms, the law responded in a piecemeal fashion, conferring copyright protection upon whichever form of design was under threat at the time.

The Industrial Revolutions of the 19th and 20th centuries heralded a new era in which designs were applied to utilitarian objects, whose mass production was facilitated by new technologies. This presented a challenge to the legislature and the judiciary; whilst there was a desire to continue to protect creative designs, there was concern about fettering the development of functionality and stifling the country's technological and economic evolution. This concern was compounded during the early 20th century as the United States of America emerged as a major international player and designs became an integral part of many utilitarian objects, rather than merely being applied to them.

Design law, with its origins in copyright, sat uncomfortably in this new era which inextricably merged form and function. In the mid-20th century, craftsmanship and industrialism gave way to consumerism and the role of modern design law, like all modern intellectual property rights, shifted towards the regulation of competition and balancing *"measurable economic objectives against social goals and potential benefits for rights holders against impacts on consumers and other interests."*[3]

Today, designs in the UK are protected by no fewer than five legal rights: EU registered design rights, EU unregistered design rights, UK registered design rights, UK unregistered design rights and artistic copyright. This web of rights, described by Howe as a *"labyrinth"*[4] and by Professor Hargreaves as a "*patchwork*"[5], seems to exist in a vacuum without a common purpose. Identifying the purpose of modern design law is a necessary precursor to analysing whether or not the law is fit for that purpose.

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3 Hargreaves, Professor I. (May 2011) "Digital Opportunity: A Review of Intellectual Property and Growth", Chapter 11, page 98.

4 Howe, M. (2010) "Russell-Clarke and Howe on Industrial Designs", Eighth Edition, Chapter 1, page 1.

5 Hargreaves, Professor I. (May 2011) "Digital Opportunity: A Review of Intellectual Property and Growth", Chapter 7, page 64.

This paper will explore both the purpose and the adequacy of today's design law against the backdrop of design law's history. The roots of design law explain the friction that is evident in the recent case law, as judges and academics alike strive to identify how the law should operate in our modern, now technologically driven, society.

The Birth of Design Law

Design law originated from three different sources and, from these beginnings, grew and changed into the statutes in force today.

When only the skills of an artist or writer could capture an image or recreate the written word, it was not necessary to rely on the law to regulate the reproduction of these creations. Technology was insufficiently advanced to enable ready copying. Each book, for example, was laboriously handwritten and consequently was of great intrinsic value.

Books were originally the works of monks and the Church, but in 1403 the Corporation of London approved the formation of a Guild of Stationers. During the 16th century, the advent of the printing press progressed to the extent that printing gradually took over from the manuscript production of books. By the time it received its Royal Charter in 1557, the Guild of Stationers was, in effect, a Printers' Guild. The Royal Charter conferred a monopoly over printing upon the Printers' Guild. Once a member of the Guild asserted ownership of a text, no other member would publish it. The term *"copyright"* was born.

The Royal Charter also provided the Crown with an instrument of censorship. The Company of Stationers was legally empowered to seize books whose contents did not meet the standards set by the State and the Church. It was also entitled to prevent the publication of any book which had not been licensed by a Warden of the Company of Stationers.

In 1637, the Star Chamber[6] declared it unlawful to print abroad or to import a book for which the Stationers (or others holding letters of Patents) had the sole right to print.

In 1643[7], Parliament passed a Licensing Order which provided state-controlled censorship of publications, primarily to control the spread of seditious materials.[8] All printed material had to be registered with the name of the author, printer and publisher in a registry at the Stationers' Hall. The Company of Stationers continued to act as the censor in return for a monopoly over the printing trade.

The Glorious Revolution of 1688 brought with it the Declaration of Rights[9] in 1689, which was intended to depose James II for misgovernment, to determine the succession to the throne, to curb future arbitrary behaviour of the monarchy, and to guarantee Parliament's powers *vis-à-vis* the Crown, thereby establishing a constitutional monarchy. This signalled greater freedom for the people of England and the printing industry subsequently boomed.

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6 An English Court of Law which sat at the Palace of Westminster until 1641.

7 16 June 1643.

8 The Act against Unlicensed and Scandalous Books and Pamphlets, (London) 1649.

9 Also known as the 1689 Bill of Rights.

The Licensing Order was allowed to lapse in 1694. A struggle by the Company of Stationers to re-establish its monopoly right over printing ensued. The Company continued its efforts via its own ordinances and attempted to rely on *"common law"* copyright as a means of regulation. This common law right to reproduce the printed word was believed to operate in perpetuity.

However, the sparse control over publishing led to a proliferation of pirate copies of books. This, coupled with the importance of the printing industry to the UK economy, resulted in Parliament being petitioned to enact a statute which provided for the protection of books from copying. This ultimately led to the passing of The Statute of Anne, 1709.

Protection for the British Textile Industry

On 31 December 1600, Queen Elizabeth I granted a Royal Charter to the East India Company. This Charter gave the East India Company a monopoly over trading expeditions to the East Indies. The expansion of the East India Company during the 17th century opened up an empire which produced enormous trading opportunities. Meanwhile, other chartered companies were undertaking voyages to America and Africa, opening further channels of trade for Britain. From 1630 onwards, there was an increase of imports of pepper, spices, tea, silks and, ultimately, printed Indian calico into Britain.

At this time, the British woollen industry generated considerable wealth and exerted great political influence. The interests of the wool merchants and the country's wealth were closely aligned. In 1700, the British woollen industry petitioned Parliament to ban the importation of calicos in an effort to protect the British textile industry. This resulted in a ban on the importation of printed calico.

Fine Art to Applied Art

In the 17th and early 18th centuries, the development of substantial wealth created a demand for fine furniture, art, jewellery and pottery. In France and England, the guilds had held a near-monopoly on the production of these products. Commissions by wealthy families, merchants and traders created a demand for the production of artefacts that were more than merely functional. This period was typified by the adornment and decoration of classical forms.

Thomas Chippendale's[10] furniture, which adopted a classical form, was typical of the period: Greek, Roman and Egyptian themes influenced the appearance of these products. Mimicry can be detected during the 18th century, but plagiarism was less of a problem.

Design was not, at this time, perceived to confer significant value upon the finished product and was considered to be of secondary importance to the skill and labour of the craftsmen. The guild craftsmen therefore had no incentive to remunerate designers. As long as the intrinsic value of a work of "*artistic craftsmanship*" resided in the originality and skill with which the work was created, it was not susceptible to plagiarism. The tables would reverse

10 1718 – 1779.

and the economic value of design would only be recognised when technological advances meant that mass production became commonplace.

The Birth of Statutory Copyright

The Statute of Anne, 1709[11]

The Statute of Anne gave publishers copyright protection over unpublished books for a term of 14 years, and 21 years for books which were already in publication at the date of the Statute.

The preamble to the Statute of Anne emphasised that its purpose was to encourage creativity, providing for the "*engagement of learned men to compose and write useful books*" by preventing unauthorised printing, reprinting and publishing of books. Whilst the Statute was primarily devised to give protection to the publishers, recognising publishers' entitlement to derive revenue from the investment they made in bringing books to the market, it also conferred protection upon authors.

The Statute is widely recognised as being the origin of the concept of protecting creative works by controlling the means by which they are replicated.

The conceptual basis for copyright had yet to fully evolve. Monitoring the replication of physical products was relatively easy to grasp and to legislate for. The more sophisticated approach of recognising an expression of creativity worthy of protection would evolve over time.

To avoid the possibility of innocent infringement, the Statute of Anne required that any books in relation to which rights were asserted must previously have been entered in the Register Book of the Company of Stationers. In addition, to enable the continued development and education of society, the Statute of Anne also required nine copies of each book to be provided for use by universities.

The Engravers' Copyright Acts

The emergence of new mechanical and chemical techniques during the 1730s facilitated the reproduction of engravings. As a result, piracy of engravings became profitable and problematic. In 1735, the law stepped in to regulate the situation.

The Engravers' Copyright Acts 1735[12], 1766[13] and 1777[14]

In response to William Hogarth's[15] lobbying and that of his contemporaries, Parliament passed the Engravers' Copyright Act 1735, which took its lead from the Statute of Anne

11 8 Anne c.19. – Code of the facsimile from the British Library.
12 8 Geo II c.13.
13 7 Geo III c.38.
14 17 Geo III c.57.
15 1697 - 1764.

1709. It was intended to encourage the arts of designing, engraving and etching historical and other prints by conferring rights upon the artists of such works. At the time, Britain needed to attract investment in these artistic creations, so protection needed to be at least commensurate with that available in other countries.

The preamble of the Engravers' Copyright Act 1735 highlighted the plight that designers and engravers of the time faced, namely that:

"*diverse persons have by their own genius, industry, pains and expense, invented and engraved…sets of historical and other prints in hope to have reaped the sole benefit of their labours… and whereas print sellers and other persons have ….. without the consent of the inventors, designers or proprietors of such prints frequently taken the liberty of copying, engraving and publishing [or causing the same to be done] to the prejudice and detriment of the inventors, designers and proprietors thereof*".

In order to prevent such practices, the Engravers' Copyright Act 1735 granted designers and proprietors the sole right and liberty to print and reprint their designs, engravings and etchings for a period of 14 years. The duration of protection was extended to 28 years by the Engravers' Copyright Act 1766.[16] The Engravers' Copyright Act 1777 subsequently increased the advantages of the protection conferred by enabling the designers and proprietors of designs, engravings and etchings to sue for damages and recover double the costs of the legal proceedings if successful.

The Textile Industry, 1720 - 1787

The development of the calico industry in Britain during the late 18th century, and the concurrent emergence of new methods of printing, culminated in the creation of a new middle-class commodity in the form of printed textiles.

Textiles made from raw products produced in the colonies drove the development of the cotton and fabrics industry in the north of England. When automated weaving machines first opened the market for designer fabrics, driven first by water power and then steam, the fashion industry was born. More particularly, the invention of the Cotton Gin (a machine which automated the removal of cotton from its seeds) by Eli Whitney around 1792, John Kay's Flying Shuttle in 1733, James Hargreaves' Spinning Jenny in 1764, Richard Arkwright's Water Frame in 1769 and Edmund Cartwright's Power Loom in 1780 together facilitated the creation of a finished product whose commercial success depended more upon its design and appearance than upon the processes by which it was produced.

The susceptibility of fabric patterns and designs to piracy was further heightened by the development of continuous roller printing between 1780 and 1860, which greatly reduced the cost of production. However, the success of the calico industry also created a class of wealthy manufacturers, known as the Calico Printers, who formed a powerful interest group, capable of seeking legal protection for the designs upon which their industry (and, therefore, their wealth) rested.

16 The Engravers Act, 1766, also extended protection in William Hogarth's creations to his widow, Jane Hogarth, for a period of 20 years from the 1st January 1767.

The Calico Acts 172017 and 1721

In response to the perceived threat to the domestic textile industry posed by the East India Company's importation of calicos, Parliament passed the Calico Act 1720 (the effects of which were strengthened a year later by the Calico Act 1721) which banned the import, use and wearing of printed calico. Merchants sought to circumvent this ban by importing unprinted calico (grey cloth) and developing printing methods.

The Calico Printers' Act 1787[18]

Towards the end of the 18th century, block printing gave way to rotary copper cylinder printing. In 1783, Thomas Bell was granted a patent for the technique of printing on cotton using copper rollers. This development furthered the success of the already reputable Calico Printers ,who joined forces to form the Calico Printers' Association to voice their objections to their patterns being copied by the new cotton factories in the North of England. Although these factories opposed the Calico Printers' demand for protection of their patterns, Parliament's compromise was to confer just a limited period of protection on such patterns. The Calico Printers' Act 1787[19] was the first statute to explicitly provide protection for designs, conferring rights enduring for 2 months upon:

"*Every person who shall invent, design and print or cause to be invented, designed and printed and become the proprietors of any new and original pattern or patterns for printing linens, cottons, calicos or muslins…"*

Any person who printed, worked, copied or re-printed an original pattern or caused the same to be printed, worked, copied or re-printed, and either published, sold or exposed for sale any linen, cotton, calico or muslin featuring the pattern during the protected period, without the original proprietor's consent, committed an offence and could be held liable for damages and costs.

The Calico Printers' Act 1787 was originally passed as an experiment and so was initially intended to endure for just one year. However, in 1789 the provisions of the 1787 Act were extended by the Designing and Printing of Linens Act 1789[20] and were later made perpetual by the Calico Printers' Act 1794.[21] The Calico Printers' Act 1794 also extended the period of protection afforded under the Calico Printers' Act 1787 from 2 months to 3 months.

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17 7 Geo I c.7 – "An Act to preserve and encourage the Woollen and Silk Manufactures of this Kingdom, and for more effectual employing the Poor, by prohibiting the Use and Wear of all printed, painted, stained or dyed Calicoes in Apparel, Household Stuff, Furniture, or otherwise, after the twenty-fifth Day of December one thousand seven hundred and twenty-two"

18 27 Geo III, c.38.

19 The full title of the Calico Printers' Act 1787 was "An Act for encouragement of the Arts of Designing and Printing Linens, Cottons, Calicos and Muslins by vesting the properties thereof in the Designers, Printers and Proprietors for a limited time".

20 29 Geo III c.19 – "An Act for the Encouragement of the Arts of Designing and Printing Linens, Cottons, Calico and Muslins by vesting in the properties thereof in the Designers, Printers and Proprietors"

21 34 Geo III c.23 – "An Act for the Encouragement of the Arts of Designing and Printing Linens, Cottons, Calico and Muslins by vesting in the properties thereof in the Designers, Printers and Proprietors for a limited time"

The Protection of Sculptures, 1798-1814

The Sculptures Copyright Act 1798[22]

In 1798, sculptures joined books as a subject of copyright protection under the Sculptures Copyright Act 1798[23] although protection was limited to representations of animal and human forms. It is believed that the sculptor George Garrard[24] was the key proponent of the Sculptures Copyright Act 1798. The impetus behind his lobbying was the sale of "*base, and imperfect Copies"* of a "*beautiful Model of a Horse…to the great Loss and Disappointment of the Proprietor".*[25]

Like the Statute of Anne and the Engravers' Acts before it, the Sculptures Copyright Act 1798 conferred upon any person who made, or caused to be made, any new model or copy or cast made from a bust, or part of an animal or part of the human figure "*the Sole Right and Property in the model or sculpture for a period of 14 years"*, provided that the creator of the work put his name and date of publication on the model before publishing it or offering it for sale.

The preamble to the Sculptures Copyright Act 1798, which explained the motivation behind the statute, namely the encouragement of creativity and labour expended in creating models, was lifted almost word for word from the earlier Statutes. It read as follows:

"*Whereas diverse Persons have by their own genius, industry, pains and expense, improved and brought the Art of making new Models and Casts of Busts, and of Statues of Human Figures and of Animals, to great Perfection, in Hopes to have reaped the sole Benefit of their Labours; but that diverse Persons have (without the Consent of the Proprietors thereof) copied and made Moulds from the said Models and Casts, and sold base Copies and Casts of such new Models and Casts, to the great Prejudice and Detriment of the original Proprietors; and to the Discouragement of the Art of making such new Models and Casts as aforesaid*".

The Sculptures Copyright Act 1798, drawing on the Calico Printers' Act 1787, introduced a requirement of novelty and provided a remedy for damages for infringement (together with the costs of the proceedings), but did not provide for the remedies of delivery up or statutory fines.

In *Gahagan v. Cooper*[26] the court recognised that the Sculptures Copyright Act 1798 failed to fulfil its stated purpose. The Defendant, Cooper, was accused of selling an altered copy of a bust of Charles James Fox (MP for Westminster) which had been created by Gahagan. The alteration was the addition of drapery thrown over the bust. Whilst the 1798 Act prohibited the making of copies of models, casts or busts "*either by adding to or diminishing*

22 38 Geo III C.71

23 The full title of the Sculptures Copyright Act 1798 was "An Act for encouraging the Art of making new Models and Casts of Busts, and other Things therein mentioned".

24 1760 - 1826

25 Garrard's book of 1799, p. 1-2.

26 (1811)

from any such new model", the offence of importing and selling a copy of a new model, cast or bust only extended to exact copies of the new model, cast or bust. Gahagan was unable to prove that Cooper had created the altered copy of the bust and so the claim failed.

This lacuna in the Sculptures Copyright Act 1798 was filled by the Sculptures Copyright Act 1814.[27]

The Evolution of Copyright

The Copyright Act 1801[28]

The Copyright Act 1801[29] extended the effect of the Statute of Anne 1709 to Ireland, to address the virulent reprint culture which had emerged there during the last two decades of the 18th century. The Copyright Act 1801 regulated the reprint industry and, in doing so, opened a lucrative market in Ireland for British booksellers. It was also the first statute to use the term *"copyright".*

The Copyright Act 1801 also extended the duration of copyright conferred upon authors by providing a supplementary 14 years of protection to an author alive at the end of the initial 14-year period of protection.

The financial penalty for unauthorised printing or reprinting of books was increased from 1p per sheet to 3p per sheet, provided that the proprietor had registered his right and title before publication with the Company of Stationers. Although financial penalties remained contingent upon registration of the owner's title (as it was under the Statute of Anne 1709) the remedy of forfeiture did not retain this dependency. In addition, the Copyright Act 1801 provided for liability in damages "*as [a] jury on the trial of such action…shall give or assess, together with double costs of suit".*[30]

This represented a significant conceptual shift in the legislation, prompted by the King's Bench decision in *Beckford v. Hood*[31], giving the plaintiff (as he would then have been) the ability to recover damages at common law in the absence of registration of the disputed work. This began the process of copyright being recognised as a natural, authorial right (as it is today).

27 54. Geo III c.56

28 41. Geo III c.107

29 The full title of the Copyright Act 1801 was "An Act for the further Encouragement of Learning in the UK of Great Britain and Ireland by securing Copies and Copyright of printed Books to the Authors of such Books or their Assigns for the Time herein mentioned".

30 Section 1, Copyright Act 1801.

31 (1798)

The Copyright Deposit System: The Copyright Act 1814[32]

Prompted by Isaac Disraeli's[33] plea to secure authors "*their natural right"* and for literature to "*acquire a permanent and nobler reward"*, the Statute of Anne was repealed by Parliament in 1814.

The resulting Copyright Act of 1814 sought to address concerns raised by authors and publishers. Both parties were alarmed at the costs arising out of the obligation, under earlier Acts, to deposit nine copies of each book published with the Company of Stationers for distribution to various universities and libraries, for the purpose of encouraging learning.

As a result, the dynamics of the deposit system were changed to balance the need to encourage learning with the economic impact upon authors and publishers. The revised system required that copies of books were delivered to the Company of Stationers within twelve months of a request for their deposit.

The Copyright Act 1814 also extended the duration of protection previously afforded under the earlier Copyright Acts to a period of 28 years from the date of publication, thus bringing it into line with the protection afforded to engravings under the Engravers' Copyright Act 1766. Moreover, the Copyright Act 1814 went even further and introduced a reversionary lifetime interest.

In addition, authors whose works had been published not more than 14 years prior to the publishing of the Copyright Act 1814 were also entitled to the extended period of 28 years' protection. Those living at the end of the 28-year period also benefited from the same protection throughout the residue of their life.

International Copyright: The International Copyright Act 1838[34]

As a result of the developing continental book trade, Bulwer Lytton in the House of Commons in December 1837 noted that *"[a]s soon as a book was published, the press of France reprinted it at one-fifth the original price, and the [UK] thus became deluged with foreign piracies*". In response to this trade, which undermined the British economy, Poulett Thomson[35], the then President of the Board of Trade, sought to introduce a Bill to create "*a reciprocity of interest with respect to copyrights" and which would give "foreigners for their works in [the UK] that protection with regard to copyright which English authors in return might be enabled to obtain for their works in foreign countries*".

The International Copyright Act acknowledged the impossibility of attempting to enact a unitary copyright law that would sit across various different countries. The solution was to

32 54 Geo III c.156 . The full title of the Copyright Act 1814 was "An Act to amend the several Acts for the Encouragement of Learning by securing Copies and Copyright of printed Books to the Authors of such Books or their Assigns".

33 1766 - 1848

34 1 & 2 Vict. c.59. The full title of the International Copyright Act 1838 was "An Act for securing to Authors, in certain cases, the Benefit of International Copyright".

35 1799 - 1841

pass a statute which enabled the Crown to negotiate a series of bilateral agreements. The Act represented the first occasion upon which the British legislature offered copyright protection for the work of foreign authors.

The 1838 Act provided that the British Monarch could, by Order of Council, grant copyright protection within Britain and its dominions to authors whose literary works were first published abroad. More particularly, the Monarch was able to give the authors of works published in foreign countries the sole liberty of printing and reprinting such books in the United Kingdom and Ireland for a term to be designated by the Monarch, provided always that such a term did not exceed the current duration of protection then benefitting UK authors.

As with the other Copyright Acts, such protection was subject to rules requiring the title of the book, together with the name and place of abode of the author and the time and place of first publication, being entered into the Register Book of the Company of Stationers in London; and a copy of the book being delivered to the Company of Stationers.

Concerns about Britain's ability to enter into the envisaged bilateral agreement were prescient. All negotiations failed, not least because reciprocal protection under the International Copyright Act 1838 did not mean equal protection. The duration of copyright offered by Britain was meagre as compared with other countries. France, for example, recognised a post-mortem term of copyright. This meant that Britain was offering much less than it would receive in return.

Nevertheless, in the International Copyright Act 1838 Britain recognised the importance of international copyright not only in relation to protecting its own domestic trade but also in expanding its reach to market UK works overseas. The issue as to whether and thereby what protection would be conferred on a foreign author was left hanging.

The Design Copyright Acts, 1750–1850

By the early 19th century, Britain was manufacturing more goods than its competitors and was doing so at lower costs. The catch was that the products were criticised for their inferior aesthetic quality. In a move to improve the reputation of British design (principally led by the 1836 Select Committee on Arts and Manufacture), design schools were promoted and a museum exhibiting designs was opened (now the Victoria and Albert Museum). Moreover, the legal regime protecting designs was reconsidered.

Until this time, the law had responded in a haphazard manner to problems experienced in certain industries. However, there was a move towards a uniform approach to the protection of designs across industries. The Industrial Revolution left design law ripe for reform. The law was left trailing in the wake of the technologically enhanced methods of production. Introduction of new industries, new types of cloth (silks and woollens) and a shift in consumer demand away from purely functional objects brought to the mass market by the Industrial Revolution increased the market for those goods which had the added attraction of being aesthetically pleasing, thus bringing protection of design to the foreground.

The Copyright of Designs Act 1839 (I)

The territorial scope of the Calico Printers' Acts of 1787 and 1794 and the Designing and Printing of Linens Act 1789 (together the "Calico Acts") omitted Ireland and so piracy of prints in Ireland was rife. The first Copyright of Designs Act 1839[36] therefore extended the provisions of the original Calico Acts to Ireland and expanded the protection conferred under those Acts to other fabrics composed of wool, silk or hair, and to mixed fabrics composed of any two or more of linen, cotton, wool, silk or hair. The term of 3 months' protection, during which the proprietors of any "*new and original*" pattern or patterns for printing linens, cottons, calicos and muslins, could print or re-print their creations was, however, maintained.

The Copyright of Designs Act 1839[37] (II)

The second Copyright of Designs Act of 1839 laid the foundations for the modern law on registered designs. It gave protection for every new or original design:

"(i) for pattern or print, to be worked into or worked or printed on any article of manufacture being a tissue or textile fabric (but excluding lace, linens, cottons, calicos, muslins or any other fabric covered by the Calico Arts of 1787, 1789, 1794, and 1839; this last Act being the first of the 1839 Acts);

(ii) for the modelling, casting, embossment, chasing, engraving or any kind of impression or ornament on any article of manufacture, not being a tissue or textile fabric; and

(iii) for the shape and configuration of any article of manufacture, except for lace or linens, cottons, calicos, muslins and any other article/fabric covered by the Calico Acts mentioned in paragraph (i) above".

This Act thus gave protection, not just for ornamentation adorning an article, but also to its shape. It also introduced a system of registration. A Registrar was appointed and registration prior to publication was a precondition of protection under the Act. The principle that copyright automatically accrued to a proprietor upon publication of the work was established.

After registration, proprietors were required to display their name, the registered number and date of registration on the "*Article of Manufacture*". The Proprietor had to submit 3 copies or drawings of the designs, together with his or her name and place of abode, to the Registrar. Upon receipt of the submitted copies or drawings, the Registrar would issue a certificate which would provide sufficient proof and evidence as to:

1. the design itself and its proprietor;

2. the commencement of the registration;

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36 2 Vict c.13. The full title of the Copyright of Designs Act 1839 was "An Act for Extending the Copyright of Designs for Calico printing to Designs for Printing other woven Fabrics".

37 2 Vict c.17. The full title of the second Copyright of Designs Act 1839 was "An Act to secure to Proprietor of Designs for Articles of Manufacture the Copyright of such Designs for a limited time".

3. the details of the proprietor; and

4. the originality of the designs.

In respect of commissioned works, this Act provided that copyright would vest in the commissioner of the work rather than the artist, as is the case under today's Copyright, Designs and Patents Act 1988[38].

Under the second Copyright of Designs Act 1839, a design was infringed if any person other than the proprietor, without permission, were to:

"i) use for the Purposes…or print or work or copy such registered Design or any original Part thereof, on any Article or Manufacture for Sale;

ii) Publish, or sell or expose to Sale or Barter or in any other manner dispose of for Profit any Article whereon such registered Design or any original Part thereof has been used, knowingly that the Proprietor of such Design has not given his consent for the use thereof upon such Article; and

iii) Adopt any such registered Design on any Article of Manufacture for Sale either wholly or partially or by making any Addition to any original Part thereof or by making any subtraction from any original Part thereof."

The Repeal of the 1839 Legislation

The 1839 legislation had a short lifetime. It, along with the earlier Acts dealing with fabrics, was repealed and replaced by the Ornamental Designs Act 1842[39] and the Utility Designs Act 1843[40]. These Acts introduced a distinction between ornamental and non-ornamental design. They also extended protection by way of registration to patterns printed onto woven fabrics.

The impetus behind the Ornamental Designs Act 1842 and the Utility Designs Act 1843 came largely from the Calico Printers, whose 3 month protection had been undermined by the availability of new technologies which expedited the copying process.

Previously, the only method that could be used to copy calicos was laborious printing by hand. Copies could now be made in a matter of hours. To compound the problem, imitators could, by this time, gain access to patterns much earlier in the fashion season as a result of steam navigation bringing with it access to foreign markets. The Calico Printers were, therefore, mourning the loss of their commercially advantageous lead times.

Emerson Tennent[41] adopted the Calico Printers' cause and introduced a Bill which offered twelve months' protection to designs of patterns applied to any woven fabric provided that the

38 Section 215(2) CDPA 1988 and section 2(1A) Registered Designs Act 1949 (as amended by the CDPA).

39 5 & 6 Vict c.100

40 6 & 7 Vict c.65. The full title of the Utility Designs Act 1843 was "an Act to Amend the laws relating to the Copyright of Designs".

41 1804 - 1869

designs were registered. Tennent's campaign failed and it was William Gladstone[42] who picked up the baton and saw in the 1839 changes.

The Ornamental Designs Act 1842

This Act repealed the earlier Acts of 1787, 1789, 1794 and 1839 and considerably extended protection to:

"*any new and original design except for Sculpture and other Things within the Provisions of the 1798 and 1814 Sculpture Acts…whether such Design be applicable to the ornamenting of any Article of Manufacture, or of any Substance…and whether such Design be so applicable for the Pattern or for the shape and configuration or for the ornament thereof whether by printing, painting, embroidery, weaving, sewing, modelling, casting, embossing, engraving, staining or by any other means whatsoever, manual, mechanical, chemical, separate or combined*".

The Ornamental Designs Act 1842 thus sought to confine registration to ornamental designs i.e. those which added something to a product over and above its function. In this way, the 1842 Act embodied the division between form and function, a division which would be the subject of much controversy over the next century and more.

The Ornamental Designs Act 1842 was also the first statute to introduce a post-mortem term of copyright. The term was the longer of either the life of the author plus 7 years after death or 42 years from the date of first publication.

The 1842 Act was also the first British statute to split the "*Articles of Manufacture*" into different classes and afforded each a different period of protection, varying between 9 months to 3 years.

Infringement under the 1842 Act was defined as follows:

"that no person shall:-

(1) Apply any such Design, or any fraudulent Imitation thereof for the Purpose of Sale, to the ornamenting of any Article of Manufacture or any substance, artificial or natural or partially artificial and partly natural;

(2) Publish, sell or expose for Sale any Article of Manufacture, or any Substance, to which such Design or any fraudulent Imitation thereof, shall have been so applied, after having received, either verbally, or in Writing, or otherwise from any Source other than the Proprietor of such Design, Knowledge that his [the proprietor's] Consent has not been given to such Application…."

42 1809 - 1898

The Utility Designs Act 1843

In 1843 the Utility Designs Act extended the protection previously afforded to ornamental designs and allowed a special form of registration for utilitarian (as opposed to ornamental) designs.

Echoing the provisions of the Ornamental Designs Act 1842, the 1843 Act granted protection for 3 years to any:

"*new or original Design for any Article of Manufacture having reference to some Purpose of Utility…so far as such Design shall be for the Shape or Configuration of such Article, be it for the whole or part thereof" (emphasis added).*

This brought the copyright conferred upon designs into direct contact with patent law. Whilst the 1843 Act purported to relate only to the shape and configuration of articles of manufacture, and patent law aimed to protect the use made of such articles (i.e. form versus utility), many creations which should have been protected as patents were registrable as utility designs (where the utility of a design flowed from its form e.g. a chair).

What ensued was a struggle to find a logical basis to distinguish between these forms of protection. Instead of solving the conundrum, the law circumvented the problem by adopting a system that increased the registration fees for utilitarian designs for patentees, thereby reducing the right's attractiveness. Ultimately, applicants were required to choose which form of protection they wanted.

Copyright of Designs Act 1850[43]

The Copyright of Designs Act 1850 extended registration to any proprietor of any "*Sculpture, Model, Cast or Copy within the protection of the Sculpture Acts".* It introduced "*provisional registration*" which was the forerunner to the "*grace period*" which is now provided by the Registered Design Act 1949.

The Applied Arts, 1860 – 1900

During the latter part of the 19th century and the beginning of the 20th century, much industrial design featured the application of fine art as a decorative addition to industrially reproduced, functional products. Fine cast iron patterning, embellishment and printed fabrics became widely available.

This new focus on decorative arts emerged against a drab backdrop of machine produced, functional objects created *en masse* during the Industrial Revolution. It prompted a return to traditional craftsmanship in the form of the Arts and Crafts Movement; the designs demonstrated the quality of the materials from which they were constructed.

43 13 & 14 Vict. c.104. The full title of the Copyright of Designs Act 1850 was "An Act to Extend and amend the Acts relating to the Copyright of Designs"

The statutes enacted during this period were inconsistent. At times, the function of the utilitarian, mass produced objects was protected. Concerns about stultifying functional developments meant that this protection was soon removed and protection was once more focussed on the aesthetic elements of the goods being produced. But the shift towards the incorporation of aesthetically pleasing elements into functional designs posed the legislature and courts with a problem that would vex them for a long time. The balance between these two concepts shifted back and forth over the next century. The conflict between them still rages today.

The Arts and Crafts Movement, 1860-1910

The Arts and Crafts Movement, led by William Morris, John Ruskin and C.R. Ashbee, was the first recognisable school of the applied arts, which saw philosophical and fine art principles being applied to product design and architecture. It was a rebellion against the austere, functional product design of the Victorian era.

William Morris[44] was just 17 when he visited the Great Exhibition in 1851. It is said that he was appalled by the vulgarity of the exhibits. He would have seen ornate objects which ignored the integral qualities of the materials from which they were constructed. Ruskin wrote extensively about the social benefit of design, promoting crafts and blaming the ills of society on machines. In 1865, he wrote of the need for the fine arts to complement functional products. This vision of the Arts and Crafts Movement was embodied in the "*William Morris Chair*" of 1886 which combined a reclining function with a shape and configuration which was easy on the eye.

In 1875, Liberty opened its doors for business in London, selling products provided by the likes of Maria Knox and Christopher Dresser. By 1883, the Arts and Crafts movement was in full swing. The conflict between the value of the functional items, as opposed to their more artistic counterparts which emerged during the Arts and Crafts Movement, was keenly felt by the legislature. This conflict was exacerbated in the early 20th century when mass production began to take hold.

There was no readily available solution to this conflict, because at its root were two fundamental principles of design protection which were themselves at odds. The law sought to stimulate artistic creation, but also aimed to incentivise investment and promote the British economy. The by-product of creating monopoly rights in an "*author's intellectual creation*", in particular where that creation's functionality was of great societal benefit, was a restriction on technical development. This paradox, coupled with the rising threat of an increasingly powerful American economy, left the legislature unsure how to define the lie of the legal landscape. The difficulties facing the legislature were only heightened during the years when "*fine art*" and "*design*" became one and the same in the increasingly aesthetically pleasing, yet mass-produced, objects of the 20th century.

The Arts and Crafts Movement did, however, provide the legislature with the motivation to extend copyright protection beyond the fine arts to the applied arts.

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44 1834 - 1896

The Protection of Fine Art

The Fine Arts Copyright Act 1862[45] conferred protection upon ordinary paintings and drawings. It provided British artists of every original painting, drawing or photograph with the sole and exclusive right to copy, engrave, reproduce and multiply:

"*such painting or drawing and the design thereof, or such photograph and the negative thereof by any means and of any size for the term of the natural life of such author and 7 years after his death*".

However, the author could only benefit from the protection conferred by this statute if their copyright had been registered at Stationers' Hall. The earlier proposal in the Bill of 1861, that copyright should arise automatically without the need for registration, was rejected.

There was very little overlap between the Fine Arts Copyright Act 1862 and the Copyright of Designs Acts 1842 and 1843 because infringement was generally restricted to reproduction of the work in a medium similar to the work itself. This was altered under the Copyright Act 1911 which consequently created a great deal of overlap.

The Patents, Trade Marks and Designs Act 1883[46]

Under the Patents, Trade Marks and Designs Act 1883 (PTMDA 1883), designs were accorded protection via registration. There were 13 classes in which designs could be registered.

To be entitled to registration, the design had to be "*new and original*" and it "*must not have been previously published in the United Kingdom".*

'*Design'* was defined in section 60 PTMDA 1883 to mean:

"any design applicable to any article of manufacture, or to any substance artificial or natural, or partly artificial and partly natural, whether the design is applicable for the pattern, or for the shape or configuration, or for the ornament thereof, or for any two or more of such purposes and by whatever means it is applicable, whether by printing, painting, embroidering, weaving, sewing, modelling, casting, embossing, engraving, staining, or any other means whatever, manual, mechanical, or chemical, separate or combined, not being a design for a sculpture, or other thing within the protection of the Sculpture Copyright Act of …1814" (emphasis added).

Section 50(1) of the PTMDA 1883, gave the registered proprietor of a design (whatever the nature of the design) copyright in that design during the 5 years after the date of registration. Copyright was defined in section 60 of the PTMDA 1883 to mean:

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45 25 Vict c.68 . The full title of the Fine Arts Copyright Act 1862 was "An Act for amending the Law relating to Copyright in Works of the Fine Arts, and for repressing the Commission of Fraud in the Production and Sale of such Works."

46 46 & 47 Vict. c.57. The full title of the Patents, Trade Marks and Designs Act 1883 was "An Act to amend and consolidate the Law relating to Patents for Inventions, Registration of Designs and of Trade Marks"

"the exclusive right to apply a design to any article of manufacture, or to any substance…in the class or classes in which the design is registered".

The copyright in a design registered under the PTMDA 1883 was infringed if the design or any "*fraudulent or obvious imitation thereof*" was applied for the purposes of sale to any article of manufacture or if such an object were published or offered for sale.

The PTMDA 1883 was a consolidating and amending statute which embraced Patents, Designs and Trade Marks, all of which were to be registered at the Patent Office. Consistently with the international movement (namely the 1883 Paris Convention for the Protection of Industrial Property and the 1886 Berne Convention for the Protection of Literary and Artistic Works) the PTMDA 1883 segregated intellectual property from other statutory rights.

Although registration under the PTMDA 1883 conferred copyright on the design in question, there was a growing distinction between "*fine art copyright*", where the copyright was in the work, and copyright conferred by registration which vested in the representation of the design.

Art Nouveau, 1890-1910

Art Nouveau (French for "new art") was a style of art inspired by natural forms and structures. It grew out of the Arts and Crafts Movement, building upon William Morris' rebellion against the cluttered compositions he would have viewed in the Great Exhibition.

By 1908, Ford's Model T was a symbol of affordable technology. It heralded a new consumer market for automobiles. Items that were previously perceived to be luxury items, such as furniture and household equipment became available and affordable.

The Berne Convention 1886

The Berne Convention was an international copyright treaty that required signatory states to recognise the works of authors of other signatory states on the same terms as if the foreign authors were nationals.

Crucially for the development of British design law, Article 2(7) of the Berne Convention provided that:

"it shall be a matter for legislation in the countries of the Union to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected".

However, much pressure was placed upon the British Parliament to increase the scope of the protection conferred upon designs as a result of Article 7(8) of the Berne Convention, which stated:

"In any case, the term shall be governed by the legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work".

At the time, due to domestic unrest, there was no reform of the legal regime conferring protection upon designs in Britain. In later years, however, Parliament increasingly came under pressure to regularise the protection allowed in Britain with that of Britain's fellow signatory states.

The Second (American) Industrial Revolution, 1850-1914

Whereas the late 18th-century British Industrial Revolution (based on steam power) had mechanised the fabrication of products, the Second (American) Industrial Revolution was based on electrical power. This Revolution brought with it poor working conditions and produced objects which were mechanical in form and viewed by artists as repugnant to human dignity.

By contrast to their artistic counterparts, the industrial designs of the 20th century were like nothing that had been seen previously. The process of design became merged with that of mass production. As a result, the 20th century saw *"the emergence, development, and refinement of what we often refer to as modern design".*[47] Industrial design was viewed as the *"process that converts technology into desirable, appropriate, and needed material goods for mass consumption".*[48] *"Industrial design is "art" with a purpose. That purpose is market success".*[49] The designer's role in the process was to provide the public with features perceived to be desirable within the artistic, manufacturing and cost restraints posed by the manufacturing process.

The 20th century heralded a new generation of designs which also stimulated the recognition of the value of design as a differentiator from competitors. Design law had to adapt to the changing role of design and sought to balance the public concerns of incentivising creativity whilst not stifling industry.

In 1907, under Herman Muthesius,[50] "*the Deutsche Werkbund*" was founded with the express intent to "*marry art and industry and develop a new machine aesthetic*". This included a number of industrialists including Walter Gropius,[51] who would go on to found and lead the Bauhaus School.

In 1908, Henry Ford[52] had begun the manufacturing of the Model T and the first Hoover Vacuum model was produced. The Arts and Crafts Movement gave way to industry. As technical problems were solved, manufacturers began to accord greater weight to the appearance of their products.

By 1910 mass production was in full swing, until the First World War abruptly halted this wave of consumerism.

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47 Gantz, C. (2005) "Design Chronicles: significant mass-produced designs of the 20th Century", p. 4.
48 Ibid.
49 Ibid. page 7.
50 1861 -1927
51 1883 - 1969
52 1863 - 1947

Patents and Designs Act 1907[53]

When the Patents and Designs Act 1907 (PDA 1907) was enacted, it was the only Act that dealt with industrial design, but it sat alongside five other acts which related to works of a purely artistic nature.

Replicating the PTMDA 1883, the scope of the protection afforded to designs under the PDA 1907 extended to:

"...any design (not being a sculpture or other things within the protection of the Sculpture Copyright Act 1814) applicable to any article whether the design is applicable for the pattern or for the shape or configuration, or for the ornamentation thereof or of any two or more such purposes and by whatever means it is applicable, whether by printing, painting embroidery, weaving, sewing, modelling and casting embossing, engraving, staining or any other means whatever, manual, mechanical, or chemical separate or combined" (emphasis added).

Under the PDA 1907, the registration of a design gave the proprietor a monopoly right for a period of 5 years, renewable for up to a total of 15 years.

Section 60 made it unlawful to:

"cause to be applied to any article in any class of goods in which the design is registered the design or any fraudulent or obvious imitation thereof except with the licence or written consent of the registered proprietor".

The Copyright Act 1911[54]

The Copyright Act 1911 (CA 1911) was the first statute to confer general copyright protection upon all original artistic works, regardless of their form. In doing so, the CA 1911 repealed substantially all of the earlier copyright legislation.

Previously, there had been very little overlap between the monopolies created, since each depended upon the form of the work. All that was changed by the CA 1911, which conferred protection upon designs, whatever their form.

In section 2 of the Act, copyright was defined as meaning:

"... the sole right to produce and reproduce… in any material form, whatsoever".

The wide scope of the CA 1911 threatened to confer conflicting copyright protection upon designs which also received protection under the PDA 1907. Sculptures, for example, could acquire protection under both the CA 1911 and the PDA 1907. The CA 1911 also included "*works of artistic craftsmanship*" and "*architectural works of art*". The former and sometimes the latter also had protection under the PDA 1907.

53 7 Edw VII c.29.

54 1 & 2 Geo V c.46.

Copyright and design: Section 22 of 1911 Copyright Act

The broad extended scope of artistic copyright meant that the reproduction of a drawing in the form of an industrial article would be an infringement of the industrial design right under the PDA 1907 and also an infringement of copyright under the CA 1911. Section 22 of the CA 1911 endeavoured to limit this overlap by providing that:

"*This Act shall not apply to designs capable of being registered under the [PDA 1907] except designs which, though capable of being so registered, are not used or intended to be used as models or patterns to be multiplied by any industrial process*".

This was extended further by Rule 89 of the Designs Rules 1920, which provided that:

"A design shall be deemed to be used as a model or pattern to be multiplied by any industrial process within the meaning of section 22 of the [CA 1911]: when the design is reproduced or is intended to be reproduced in more than fifty single articles, unless all the articles in which the design is reproduced or is intended to be reproduced together form only a single set of articles, as defined by rule 5 of these Rules..."

The effect of section 22 CA 1911 was that if a work was capable of registration as a design and was "*reproduced or intended to be reproduced in more than fifty single articles*", it received no protection. If, however, the intention was to reproduce the design in fewer than 50 articles, the CA 1911 still applied.

A practical interpretation of section 22 would be that a design which was reproduced in more than 50 articles, even if that reproduction was not intended when the design was first created, would be excluded from the long protection afforded under the CA 1911 and would, instead, have to rely on protection under the PDA 1907.

This interpretation was, however, rejected by the House of Lords (as it then was) in *King Features Syndicate Inc and Betts v. O & M Kleemann Ltd.*[55] The Court, considering whether figurines of Popeye infringed the copyright in the sketch of "Popeye the Sailor", said that the:

"use or intention to use which section 22 postulates must exist at the date when the sketch was made. That is the natural time" (emphasis added).

The Modern Movement, 1910-1919

Despite the devastation that the First World War brought to the European economy and culture, it also brought with it the development of new technologies and materials.

In 1915, Alex Samuelson[56] developed a new Coca-Cola bottle shape known as the "*hobble skirt*" design (after the then current ladies' fashion). It was to be widely introduced in the

55 (1941) AC 417
56 1862 - 1934

following year and was registered as a landmark trade mark in 1977. A plastic version was introduced in 1993.

The Design and Industries Association was established in 1915. This was the forerunner to the later Council of Industrial Design.

In 1916, Frank Pick[57] created the corporate identity of London Transport. The graphics featured a bar and circle trademark.

The Patents and Designs Act 1919[58]

The Patents and Designs Act 1919 (PDA 1919) amended the PDA 1907 by substituting a new definition of design, namely:

"only the features of shape, configuration, pattern or ornament applied to any article by any industrial process of means, whether manual, mechanical, or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye; but does not include any mode or principle of construction or anything which is in substance a mere mechanical device"

The PDA 1919 therefore focussed protection on the aesthetics of a design and removed protection for any functional element of the design. This shift probably resulted from the concern that protection of functional elements would prejudice the technical developments which were rife and which were crucial for Britain's economy to make its mark on the world scene.

Art Deco, 1920–1930

During the period from 1920 -1930, the style known as *Art Deco* took the design world by storm. It took its name from the 1925 *Exposition des Arts Décoratifs et Industriels* in Paris. Whilst Europe was setting the international style standards, its production capabilities were slow to recover after the First World War. The American mass market for manufactured goods was leading the way.

The concepts behind design in the early 20th century are perhaps best represented in the designs that emerged from the Art Deco era. At its best, it effortlessly combined glamour with functionality, based largely on geometric shapes. In this sense, it was the embodiment of the biggest challenge facing the legislature and judiciary in constructing and applying design law.

The Bauhaus Movement, 1919-1930

In the post-war Weimar Republic, the importance of design to the creation of high quality export items needed for economic recovery was recognised. The *Das Staatliches Bauhaus* School was established, the purposes of which were:

57 1878 - 1941

58 9 & 10 Geo V c.80

1) to train craftsman, painters and sculptors of the future to combine their skills in cooperative projects;

2) to elevate the status of crafts to that of the fine arts; and

3) to establish contact with leaders in related design movements.

The Bauhaus Movement spearheaded the shift from design as surface decoration to design which incorporated and became the shape and configuration of the product itself. Bauhaus created iconic furniture designs and architecture.

With its roots in copyright, the law struggled to cope with the merger between aesthetics and function. This conflict still reigns today as the legislature continues to grapple with the tension between the desire to reward creativity and innovation and the detrimental restriction that intellectual property protection can have on the development of functionality if it strays into the arena of utilitarian designs.

During this period, the US began to conduct market research which revealed that consumers wanted more than functionality from their products. The realisation that visual appearances would help increase sales resulted in manufacturers seeking help from designers to create "modern looking" products.

In 1921, Gabrielle "Coco" Chanel[59] introduced the *Chanel No. 5* perfume in Paris. The glass bottle used for this line was the forerunner of all cosmetic packaging.

In 1924, the first Chrysler car (developed by Walter Chrysler and designed by Carl Breer, Fred Zeder and Owen Skelton) was introduced.

The Art Deco movement suffered a huge setback in 1929 when stock markets crashed. This downfall in the economy reduced Art Deco's attractiveness because the style's craftsmanship and fine materials become too expensive. Nevertheless, *Business Week* still saw fit to publish an article on "*modern art and its relation to business*" in 1929 and noted that the artist had become a businessman who could "*stylise products*".

Although the Depression slowed momentum, businesses during this time began to pay high fees to designers whose designs were successful in markets tired of the mechanical, awkward appearances of consumer products. The Americans stopped looking to Europe for leadership in design and fashion, and embraced their own modern styles. The concept of "*streamlining*" was soon on the scene.

By the early 1940s, there was a ready mass market in America as a result of the deferred purchases of the war years and the memories of the Depression's deprivations. A visual culture was taking hold.

59 1883 - 1971

The Registered Designs Act 1949[60]

In 1949, the austerity of the Second World War gradually gave way to the evolution of the consumer society. Function was important as can be seen from the proliferation of record players, fridges and the growing car industry, but form was equally so. The design and appearance of products became status symbols for consumers. The Registered Designs Act 1949 (RDA 1949) recognised this evolution and finished what the PDA 1919 had started in terms of excluding the utilitarian aspects of a design from the scope of protection.

The RDA 1949 conferred protection upon any aspect of a design appealing to and judged solely by the eye, but excluded from protection any features or shapes which are dictated solely by their function. It followed, therefore, that in order for industrial designs to be protected they needed to have "*eye appeal*".

A registrable design under the Registered Designs Act 1949 was defined as:

"*… the shape, configuration, pattern or ornament applied to an article by any industrial process or means, being features which in the finished article appeal to and are judged solely by the eye but does not include a method or principle of construction or features of shape which are dictated solely by the function which the article to be made in that shape or configuration has to perform" (emphasis added).*

Casting the scope of the registrability of designs in these terms jarred with the social perception of the value of design at the time. Far from art and function being in conflict, art in this new era focused on producing articles fit for their purpose. The real art of this time lay in the identification of form and materials appropriate to the intended function of the object.

Registration of a design under the RDA 1949 conferred upon the registered proprietor an exclusive right to sell, make and import articles to which the design had been applied for up to three successive periods of five years from the date of registration[61]. The test for infringement was whether the allegedly infringing design was a design "*not substantially different"* to the registered design[62] and there was no need to show copying.

The Courts struggled to identify the point at which eye appeal stopped and functionality started. The House of Lords (as it then was) in *Amp v. Utilux*[63] considered the registrability of electrical terminals in washing machines which were shaped to enable them to hold electric leads. It was held that the design was dictated solely by function, even though it was possible for the terminals to be designed in another way whilst still performing their intended function. The Court therefore defined "*dictated solely by function*" to mean that features of a design which were present for the purpose of function alone would not be registrable. The House of Lords went on to hold that eye appeal meant that the design needed features that went beyond functionality and were present in order to attract the consumer's attention (i.e.

60 12, 13 & 14 Geo VI c.88
61 Section 8 RDA 1949
62 Section 7(1) RDA 1949
63 (1972) RPC 103.

custom). The exclusion from registrability based on a design being dictated solely by function only took a design beyond the scope of protection if it was wholly functional. It was acknowledged therefore that as long as some of a design's elements had eye appeal, the design may be registrable.

The Privy Council would much later have cause to revisit the distinction between functionality and eye appeal in the case of *Interlego v. Tyco Industries*[64]. Here, Lord Oliver recognised that it was "*[inevitable that] a designer who sets out to make a model brick is going to end up producing a design, in essence brick shaped…*" but also found that the design clearly had eye appeal as was intended by the designer..

The Copyright Act 1956[65]

Like the Copyright Act 1911, the Copyright Act 1956 (CA 1956) sought to protect industrial design to the exclusion of artistic copyright. The 1956 Act sought to distinguish these two concepts by its section 10 which provided for two schemes of protection, artistic copyright and design protection as follows:

(1) Where copyright subsists in an artistic work, and a corresponding design is registered under the Registered Designs Act 1949 (in this section referred to as "the Act of 1949"), it shall not be an infringement of the copyright in the work-

(a) to do anything during the subsistence of the copyright in the registered design under the Act of 1949 which is within the scope of the copyright in the design, or

(b) to do anything after the copyright in the registered design has come to an end, which, if it had been done while the copyright in the design subsisted, would have been within the scope of that copyright as extended to all associated designs and articles.

(2) Where copyright subsists in an artistic work, and-

(a) a corresponding design is applied industrially by or with the license of the owner of the copyright in the work, and

(b) articles to which the design has been so applied are sold, let for hire, or offered for sale or hire, and

(c) at a time when those articles are sold, let for hire, or offered for sale or hire, they are not articles in respect of which the design has been registered under the Act of 1949

the following provisions of this section shall apply.

64 (1989) AC 217

65 4 & 5 Elizabeth 2 c.74

3…

(a) during the relevant period of 15 years it shall not be an infringement of the copyright in the work to do anything which, at the time when it is done, would have been within the scope of the copyright in the design if the design had, immediately before that time, been registered in respect of all relevant articles; and

(b) after the end of the relevant period of 15 years, it shall not be an infringement of the copyright in the work to do anything which, at the time when it is done, would, if the design had been registered immediately before that time, have been within the scope of the copyright in the design as extended to all associated designs and articles. ”

The effect of Section 10 was to make the rights of a copyright owner to exploit their design industrially dependent upon them obtaining registration of their design under the Registered Designs Act 1949. In other words, prior publication of a design did not destroy its novelty and originality, thereby preventing registration.

This was a flawed approach. It ignored designs that could not be registered under the RDA 1949, because they included an element of functionality over and above “*eye appeal*”. This gave rise to the paradox that a design, which was not registrable because it had no aesthetic merit whatsoever, could be protected by artistic copyright, but a design with greater artistic merit would only be protected by unenforceable industrial copyright.

In *Dorling v. Honnor Marine*[66], for example, the claimant sued for infringement of copyright in drawings for kits of parts which could be made into boats. The defendants argued that section 10 of the CA 1956 applied and the drawings were industrially applied. Harman LJ held that it was not in dispute that the design for the completed boat had been industrially applied, but the plans (and the parts made from them) were not “*within the scope of the design”*. The only registrable design was thought to be the shape of the finished boat.

The case of *British Leyland Motor Corp v. Armstrong Patents Co Ltd*[67] brought the key problem with section 10 of the CA 1956 into stark relief. The claimants designed and manufactured cars and spare parts for those cars. Other manufacturers were also entitled, under license, to make and sell spare parts. The defendants produced exhaust pipes for the claimant’s cars by copying the original design, without obtaining a licence. The House of Lords (as it then was) found, by majority, that the copying of functional industrial products infringed the copyright in the claimant’s designs, when those drawings were reproduced in three dimensions. The effect of this was that industrial products with no aesthetic value and of a purely functional nature gained protection against copying through copyright.

This lacuna in the law was not the only problem. The cumbersome nature of the registration system meant that registration was sometimes not achieved in time to give the desired protection before the market for the product had moved on. This was particularly seen in the

66 (1964) 1 All ER 241
67 (1986) RPC 279

jewellery and fashion industries. These concerns culminated in the 1962 Johnston Committee Report on Industrial Designs (the Johnston Report) which attacked the lack of protection for unregistered designs which, it was argued, gave rise to the unfortunate lag in protection of designs resulting from the cumbersome registration system.

The Johnston Report put forward the idea that there should be parallel protection for unregistered designs. It was proposed that this protection should arise automatically, but should subsist for the same period as the registered right, thereby removing the anomaly that unregistered designs, which had no aesthetic value, should enjoy longer protection than their registered counterparts.

The Design Copyright Act 1968[68]

This Act attempted to redress the balance by removing section 3(a) of the CA 1956, and simply extending copyright protection to artistic works caught by section 10 CA 1956 for a period of 15 years from the date when the article was first marketed. However, this did not address the situation highlighted by *Dorling v. Honnor Marine.*

The Whitford Report and the Evolution of Design 1977

In 1977, the Honourable Mr Justice Whitford analysed the effectiveness of the design law at the time and produced recommendations for reform. His report was an important watershed in the history of our design law, representing a considered judicial view, by a post-modern Judge, of the law which had predominantly developed on an ad-hoc basis since the beginning of the 18th century. Whilst much of the report focussed on the anomalies created by section 22 of the CA 1911, it also recognised that the development of a fast-moving consumer society had heightened the difficulties involved in differentiating between aspects of design which were both aesthetic and creative in its true sense (and intended to be so appreciated) against those aspects which had a functional or utilitarian purpose.

The Berne Convention, highlighted by Whitford J as being a driver for change, had exacerbated the incongruities of the British law in 1886. In the absence of automatic copyright protection being conferred upon designs under British law, there was no chance that British artists in other signatory states could enjoy this level of protection. Whitford J therefore recognised the benefits of automatic copyright in the industrial design field but recognised that shorter periods of protection as compared with those for literature and art were needed to ensure that development was not stifled.

Whitford J picked up on one of the most significant debates raging at the time. It concerned the spare part and motor industry. The falling profitability of the motor industry and alternative reliance on profits made from spare parts generated an incentive for manufacturers to restrict the market for spare parts. Yet again, the conflict between form and function had raised its ugly head. Whitford J noted[69] that:

68 1968 Elizabeth II c.68

69 at paragraph 166 of his Report

"most of us feel that it is not always easy and indeed sometimes scarcely possible to separate the functional and aesthetic aspects of the design. Some people would say that it is never possible... Broadly we draw the line at the point where the appearance of the article ceases to influence the making of a purchase..."

The age-old fear was that copyright protection of any functional aspect of a design (however aesthetically pleasing) would "*stultify the restraint on prices which arise in a competitive market*".

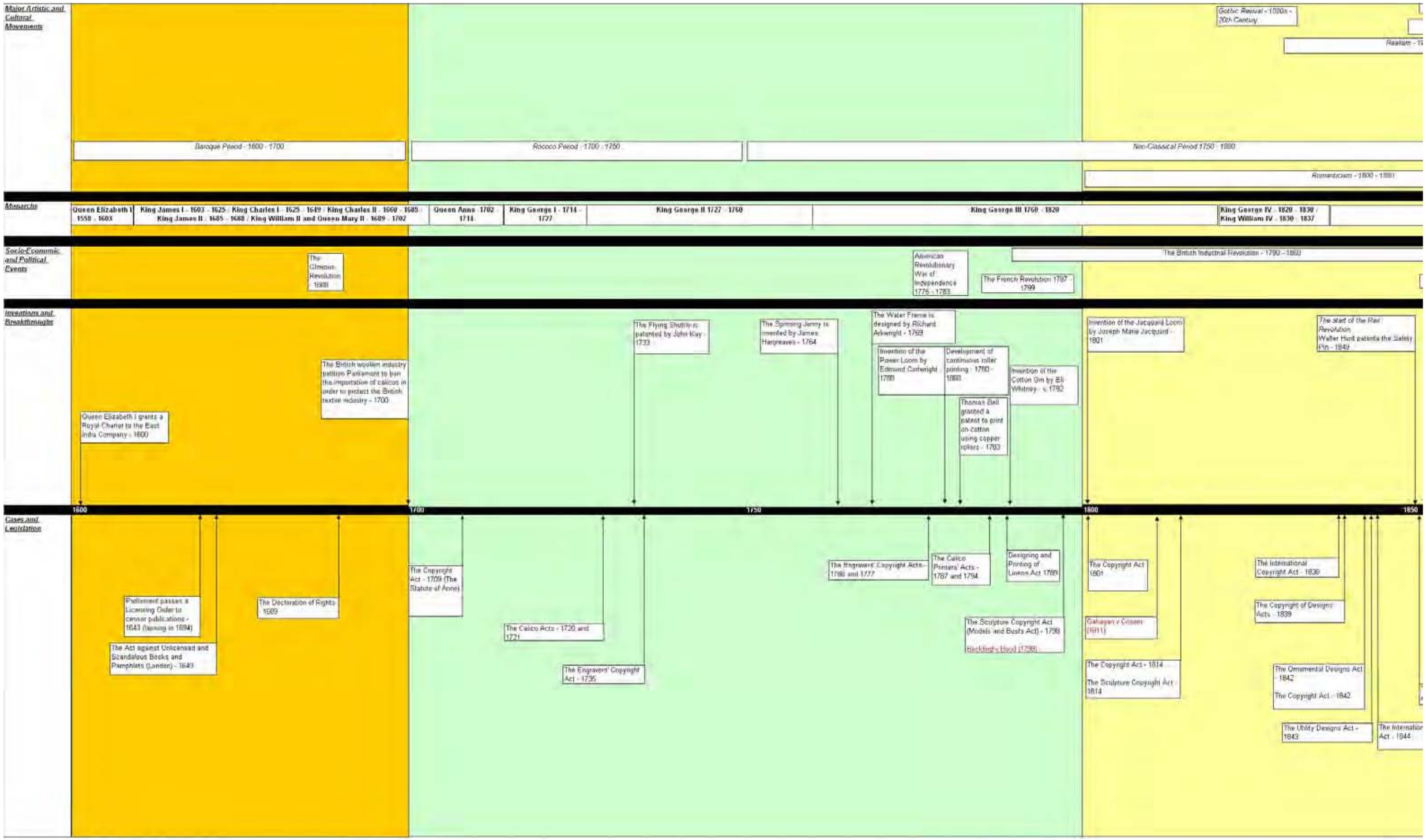
The reliance on artistic copyright in design drawings as the source of protection for three-dimensional works was also considered. Whitford J noted[70] that it was not entirely logical to give arbitrary protection to those products which could be perceived as accurately representing the two dimensional drawing, and exclude from protection those which did not. It would take an expert looking at an engineering drawing to determine whether the three dimensional work was a representation of the two dimensional drawing.[71] The suggestion was that articles which started life as three dimensional prototypes should be given protection as such (a proposition which found its way into the 1988 Act). This debate contributed significantly to the impetus for the 1988 reforms.

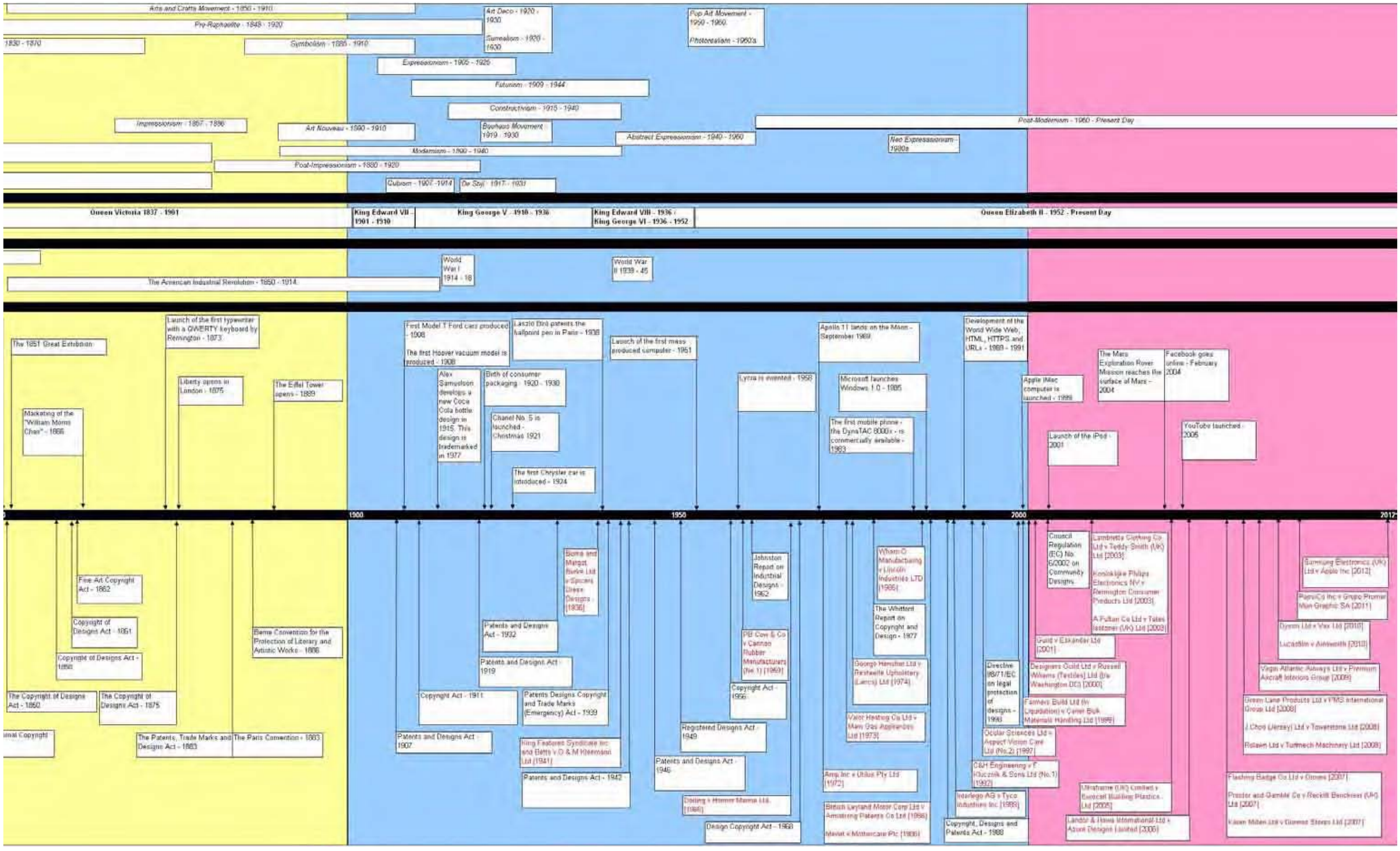
FIGURE 1.1 – TIMELINE
(see page 46 & 47)

70 at paragraph 158 of his Report

71 Section 9(8) CA 1956, which provides that "The making of an object of any description which is in three dimensions shall not be taken to infringe the copyright in an artistic work in two dimensions, if the object would not appear, to persons who are not experts in relation to objects of that description, to be a reproduction of the artistic work".

FIGURE 1.1 – TIMELINE




Arts and Crafts Movement - 1850 - 1910
Pre-Raphaelite - 1848 - 1920
1830 - 1870
Symbolism - 1885 - 1910
Art Deco - 1920 - 1930
Surrealism - 1920 - 1930
Pop Art Movement - 1950 - 1960
Photorealism - 1960's
Expressionism - 1905 - 1925
Futurism - 1909 - 1944
Constructivism - 1915 - 1940
Impressionism - 1867 - 1886
Art Nouveau - 1890 - 1910
Bauhaus Movement 1919 - 1930
Abstract Expressionism - 1940 - 1960
Post-Modernism - 1960 - Present Day
Neo Expressionism - 1980s
Modernism - 1900 - 1940
Post-Impressionism - 1880 - 1920
Cubism - 1907 -1914
De Stijl - 1917 - 1931
Queen Victoria 1837 - 1901
King Edward VII - 1901 - 1910
King George V - 1910 - 1936
King Edward VIII - 1936 - King George VI - 1936 - 1952
Queen Elizabeth II - 1952 - Present Day
World War I 1914 - 18
World War II 1939 - 45
The American Industrial Revolution - 1850 - 1914
Launch of the first typewriter with a QWERTY keyboard by Remington - 1873
The 1851 Great Exhibition
First Model T Ford cars produced - 1908
The first Hoover vacuum model is produced - 1908
László Bíró patents the ballpoint pen in Paris - 1938
Launch of the first mass - produced computer - 1951
Apollo 11 lands on the Moon - September 1969
Development of the World Wide Web, HTML, HTTPS and URLs - 1989 - 1991
Liberty opens in London - 1875
The Eiffel Tower opens - 1889
Alex Samuelson develops a new Coca Cola bottle design in 1915. This design is trademarked in 1977
Birth of consumer packaging - 1920 - 1930
Chanel No. 5 is launched - Christmas 1921
The first Chrysler car is introduced - 1924
Lycra is invented - 1958
Microsoft launches Windows 1.0 - 1985
The first mobile phone - the DynaTAC 8000x - is commercially available - 1983
Apple iMac computer is launched - 1998
The Mars Exploration Rover Mission reaches the surface of Mars - 2004
Facebook goes online - February 2004
Launch of the iPod - 2001
YouTube launched - 2005
Marketing of the "William Morris Chair" - 1866
1900
1950
2000
2017
Fine Art Copyright Act - 1862
Copyright of Designs Act - 1851
Copyright of Designs Act - 1850
Copyright of Designs Act - 1850
Copyright of Designs Act - 1875
Berne Convention for the Protection of Literary and Artistic Works - 1886
The Patents, Trade Marks and Designs Act - 1883
The Paris Convention - 1883
Burns and Margot Burke Ltd v Spicers Dress Designs - [1936]
Patents and Designs Act - 1932
Patents and Designs Act - 1919
Copyright Act - 1911
Patents and Designs Act - 1907
Patents Designs Copyright and Trade Marks (Emergency) Act - 1939
King Features Syndicate Inc and Betts v O & M Kleemann Ltd [1941]
Patents and Designs Act - 1942
Johnston Report on Industrial Designs - 1952
Pirelli Cove & Co v Cannon Rubber Manufacturers (No 1) [1969]
Copyright Act - 1956
Registered Designs Act - 1949
Patents and Designs Act - 1946
Dorling v Honnor Marine Ltd. [1965]
Design Copyright Act - 1968
Wham-O Manufacturing v Lincoln Industries LTD [1985]
The Whitford Report on Copyright and Design - 1977
George Hensher Ltd v Restawile Upholstery (Lancs) Ltd [1974]
Valor Heating Co Ltd v Main Gas Appliances Ltd [1973]
Amp Inc v Utilux Pty Ltd [1972]
British Leyland Motor Corp Ltd v Armstrong Patents Co Ltd [1986]
Merlet v Mothercare Plc [1986]
Copyright, Designs and Patents Act - 1988
Directive 98/71/EC on legal protection of designs - 1998
Ocular Sciences Ltd v Aspect Vision Care Ltd (No.2) [1997]
C&H Engineering v F Klucznik & Sons Ltd (No.1) [1992]
Interlego AG v Tyco Industries Inc [1989]
Council Regulation (EC) No 6/2002 on Community Designs
Guild v Eskander Ltd [2001]
Designers Guild Ltd v Russell Williams (Textiles) Ltd (t/a Washington DC) [2000]
Farmers Build Ltd (In Liquidation) v Carter Bulk Materials Handling Ltd [1999]
Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd [2003]
Koninklijke Philips Electronics NV v Remington Consumer Products Ltd [2003]
A Fulton Co Ltd v Totes Isotoner (UK) Ltd [2003]
Ultraframe (UK) Limited v Fielding Industries (Plastics) Ltd [2005]
Landor & Hawa International Ltd v Azure Designs Limited [2006]
Samsung Electronics (UK) Ltd v Apple Inc [2012]
PepsiCo Inc v Grupo Promer Mon Graphic SA [2011]
Dyson Ltd v Vax Ltd [2010]
Lucasfilm v Ainsworth [2010]
Virgin Atlantic Airways Ltd v Premium Aircraft Interiors Group [2009]
Green Lane Products Ltd v PMS International Group Ltd [2008]
J Choo (Jersey) Ltd v Towerstone Ltd [2008]
Rolawn Ltd v Turfmech Machinery Ltd [2008]
Flashing Badge Co Ltd v Groves [2007]
Procter and Gamble Co v Reckitt Benckiser (UK) Ltd [2007]
Kwan Molen Ltd v Gunmar Stores Ltd [2007]

Chapter 2

The Modern Law

ALEXANDER CARTER-SILK
MICHELLE LEWISTON

Copyright, Designs and Patents Act 1988[72]

In its own introduction, the Copyright, Designs and Patents Act 1988(CDPA 1988) sets out its purpose, in relation to design, as:

"An Act to restate the law of copyright, with amendments.....to confer a design right in original designs... [and] … to amend the Registered Designs Act 1949".[73]

Drawing from the Whitford Report 1977, which suggested that there was no real reason to distinguish between the protection afforded to "artistic works" (e.g. graphic works, photographs, sculptures, collages (irrespective of artistic merit), works of architecture and works of artistic craftsmanship) from those "industrial designs" which feature at the decorative end of the industrial field, the CDPA 1988 sought to remove the previous anomaly created by section 10 of the CA 1911 and section 22 of the CA 1956.

As a result, the protections afforded to registered designs and copyright in works of artistic craftsmanship were aligned at 25 years' duration (5 periods of 5 years), and articles with no material aesthetic value were excluded from registration following amendment of section 1(3) of the RDA 1949, which provided that:

"A design shall not be registered in respect of an article if the appearance of the article is not material, that is, if aesthetic considerations are not normally taken into account to a material extent by persons acquiring or using articles of that description and would not be so taken into account if the design were to be applied to the article"[74] *(emphasis added).*

Copyright was excluded from application to the three-dimensional products that qualified for unregistered design right[75] and the separation of copyright from design right was completed by excluding copyright protection from any *"article made to a design".*[76]

Registered Design: Amendment by the CDPA 1988

The definition of "*design"* under the RDA 1949 was expanded by the CDPA 1988 to comprise:

"features of shape, configuration, pattern or ornament applied to an article by any industrial process being features which in the finished article appeal to and are judged by the eye, but does not include:

(a) a method or principle of construction; or

(b) features of shape or configuration of any article which:

72 1988 Elizabeth II c. 48

73 Introduction to the Copyright, Designs and Patents Act 1988

74 Section 1(3) RDA 1949 added by section 265 of the Copyright, Designs and Patents Act 1988 as originally enacted (now subsequently repealed by The Registered Design Regulations 2001 SI 2001/3949, reg. 9(2)).

75 Section 236 CDPA 1988

76 Section 51, Copyright, Designs and Patents Act 1988

(i) are dictated solely by the function which the article has to perform, or

(ii) are dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part"[77] *(emphasis added).*

The purpose of this additional exclusion concerning features that are dependent upon the appearance of another article was intended to *"prevent abuse of design right by motor car manufacturers in respect of spare parts for motor cars"*[78] and to ensure there was *"open competition in the spare parts and replacement panel industry;"*[79] thus recognising the need to avoid creating monopolies in spare parts and component products which had previously caused so much difficulty under the pre-1988 law.[80]

Further, in interpreting what constitutes an "article" in the definition of "design" McCowan LJ in Ford Motor Co Ltd's Design Appns[81] supported the position that the "must match" exception sought to achieve; namely by ensuring that designers could not exercise a monopoly over spare parts for the vehicles or machines which they created, by holding that an "article" had to "*have an independent life as an article of commerce and not be merely an adjunct of some larger article of which it forms part".* Thus alloy wheel trims would be capable of protection whereas a replacement car wing would not.

To an extent, this expanded exclusion also recognised that the intrinsic value of the creative work was connected with the individuality of the work itself as a whole, rather than the replication of parts of the work that made up the whole.

Unregistered Design Rights and the CDPA 1988

The CDPA 1988 introduced unregistered design rights in the UK. These protected *"the shape or configuration (whether internal or external) of the whole or part of an article"*[82], but did not protect methods of construction, features which enabled the article to be connected to, or which were dependent upon, another article, and surface decoration.[83] This split industrial design protection into two, with copyright reserved for ornamentation and graphic art applied to the surface of a product.

Thus, the CDPA 1988 excluded copyright from any application to the shape and configuration of the article[84], and left copyright to protect only the surface decoration.

77 Section 1(1) RDA 1949, as amended by section 265(1) CDPA 1988
78 Hansard – Lord Mottisone HL Deb. 29 March 1988 vol. 495 c. 698
79 Hansard – Lord Lucas of Chilworth HL Deb. 29 March 1988 vol.495 c. 699
80 British Leyland Motor Corporation v Armstrong Patents Co Ltd [1986] AC. 577.
81 (1994)
82 Section 213(2) CDPA 1988.
83 Section 213(3) CDPA 1988
84 Section 51(1) CDPA 1988

Given the tortured history of design legislation and its attempts to encapsulate the essence of design in a way which had predictable outcomes when tested in court, it is perhaps unsurprising that the legislature sought to separate out essential components of a design, in order to achieve some degree of certainty.

If the intention was to provide protection for the essence of the design of an article, the courts did not quite see it that way and felt compelled to apply a literal interpretation of the words.

The problem with this bifurcated approach was highlighted in a number of cases but is well demonstrated by the case of *Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd*,[85] which concerned the design of a jacket, the visual appearance of which was dictated by stitching together coloured panels. Counsel for the claimant (Lambretta) submitted that the twin rights of copyright and design right should essentially combine to protect the whole of the article. Jacobs LJ, giving the lead judgement, did not agree and interpreted section 213 CDPA 1988 as excluding the visual effect created by the "configuration" of the panels and simultaneously excluded copyright by the application of section 51.

This judgement left a hole between unregistered design right and copyright; Jacob LJ noting that:

"Whether or not there is a "gap" or "hole" on the facts of a particular case must in the end depend solely upon the language used to create the rights concerned."[86]

Whether this approach correctly interpreted the intention of the legislation is debateable. It does, however, highlight how important the pre-disposition of a court is to the words chosen by the legislature, at the time when the rights were created. One can speculate that had the court been disposed towards protection of the claimant's design it might equally have chosen to suggest that Parliament could not have intended there to be a gap between the shape of the article and its visual two-dimensional appearance and interpreted the words accordingly.

The observation of Jacob LJ that *"the new European unregistered design right although lasting for a shorter period than the UK UDR, clearly would cover this case"*[87] does however explain how the European design right was expected to fill this gap.

Sculptures

The origin of design law lies in the protection of the products of industry. In contrast, the protection of sculpture originates from the fine arts, and artistic craftsmanship from the development of the Arts and Crafts Movement. However, as industrial design has evolved, the distinction between design and sculpture has become less discrete.

85 [2004] EWCA Civ 886 [2005] RPC 6

86 Jacob LJ at 36, Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd [2004] EWCA Civ 886 [2005] RPC 6

87 Jacob LJ at 41, Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd [2004] EWCA (Civ) 886 [2005] RPC 6

The interface between industrial design and fine art has always caused some difficulty. Claimants often have a material interest in establishing an article as a "sculpture" or a "work of artistic craftsmanship", because both carry 25 years' protection (being fine art works industrially applied).[88]

Whether or not a particular article is a work of sculpture or a design is dependent upon the character of the work and, in that regard, its intended purpose. As Laddie J commented:[89]

"The law has been bedevilled by attempts to widen out the field covered by the Copyright Acts. It is not possible to say with precision what is and what is not sculpture, but I think Mr. Meade was close to the heart of the issue. He suggested that a sculpture is a three-dimensional work made by an artist's hand. It appears to me that there is no reason why the word 'sculpture' in the 1988 Act, should be extended far beyond the meaning which that word has to ordinary members of the public. There is nothing in the particulars of this case which suggests that the manufacturers of these moulds considered themselves, or were considered by anyone else to be artists when they designed the moulds or that they were concerned in any way with the shape or appearance of what they were making save for the purpose of achieving a precise functional effect."

The claim to copyright, as a sculpture, will be treated with circumspection by the court, wary of the commercial imperative to claim the additional duration of protection.[90] As was commented by Jacob LJ:

"Not every three dimensional representation of a concept can be regarded as a sculpture otherwise every three dimensional construction or fabrication would be a sculpture, and that cannot be right".[91]

The test applied by the courts is to consider the purpose for which the work is made, specifically whether it is "*made for the purpose of sculpture".* Whilst the courts have expressed that the essence of a sculpture should have a visual appeal in the sense that it might be enjoyed for that purpose alone, the fact that the object has some other use does not necessarily disqualify it from being a sculpture. However, it still has to have the intrinsic value of being intended to be enjoyed as a visual thing.[92]

It seems incongruous that a figure made in clay for the amusement of the creator should qualify as a sculpture on the basis that the creator has no expectation of it being replicated industrially, yet if it were made with the intention that it should be so replicated it should have a different quality.

Whilst the circumstances in which proving that a work is a sculpture (rather than the model for a design) will be limited, the suggestion that this should be limited to being a model for an "*abstract work*" suggests that the courts are concerned not to extend copyright beyond that

88 Section 52 CDPA 1988

89 Metix (UK) Ltd v G H Maughan (Plastics) Ltd [1997] FSR 718. Laddie J at 718.

90 Lucasfilm & Ors v Ainsworth [2010] 3 All ER 329

91 Jacob LJ at [54] Lucasfilm & Ors v Ainsworth [2010] 3 All ER 329 repeating Mann J at par [118]

92 Lucasfilm & Ors v Ainsworth [2010] 3 All ER 329, paraphrasing Jacob LJ at [54] repeating Mann J at para [118]

which is absolutely necessary. Ultimately however, this may erode the rights of a sculptor depending on the intention or expectation of the creator and the subsequent use to which the article is put or simply whether it is intended to be a "*work of art*."

Works of Artistic Craftsmanship

This category of copyright was introduced by the CA 1911 and has its origins in the law created following the influence of the Arts and Crafts Movement. This category of work must incorporate elements of both artistry and craftsmanship.

The need for both craftsmanship and artistry to be present was recognised in *Burke*[93], a case relating to the production of a frock, alleged to be a work of artistic craftsmanship. In judgment, Clausen J[94] noted that the workwomen making the frock had, in production, done "certain acts of craftsmanship" to "produce a work of craftsmanship". However, such a process, whilst being an original work of craftsmanship, could not, through its mechanical application, be regarded as artistic in nature.

Perhaps it is helpful to consider how these terms have been defined.

Craftsmanship is a relatively unproblematic term, denoting work in different media, such as wood and metal.[95] However, the concept of artistry is harder to define.

In *Hensher v. Restawhile*[96], the trial judges, in their reasoned judgments, reached differing conclusions as to what constituted a work that is "artistic". The key points were that the word "artistic" should be accorded its natural and ordinary meaning and be construed within the context of the phrase "*works of artistic craftsmanship*". Whilst there are no specific rules that may be applied in determining whether a work can be seen as one of artistic craftsmanship, regard should be given to expert evidence (particularly that of artist–craftsmen) and the intention of the craftsman who produced the work in question.[97]

Two cases, heard in Australia[98] and Canada[99], considered the nature of artistic craftsmanship. In the former, it was noted that, "*we are not … concerned with articles manufactured under conditions of ordinary industrial production … which can secure their own protection under the Registered Design Act", but rather "works of craftsmen working in many media … in circumstances for which that Act does not provide appropriate protection".*[100]

In the Canadian case, the true test of a work of artistic craftsmanship was whether "*the author was, in creating the article, cultivating one of the fine arts with the main object of appealing to the aesthetic tastes of those who view it".*[101]

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93 Burke and Margot Burke Ltd v. Spicers Dress Designs [1936] Ch. 400.
94 at 407.
95 Howe, M (2010) "Russell –Clarke and Howe on Industrial Designs" Eighth Edition, p.260
96 George Hensher Ltd v Restawhile Upholstery (Lancs) Ltd [1974] 2 All ER 420
97 at 421. The importance of the artist's intention was challenged in Bonz Group (Pty) v. Cooke [1994] N.Z.L.R. 216, NZ High Court, Tipping J. doubting at 223 how, if an author tries to be artistic and fails, their work can be regarded as one of artistic craftsmanship.
98 Cuisenaire v. Reed [1963] VR 719
99 Cuisenaire v. South West Imports Ltd [1968] Ex. C.R 493
100 at 729, 730
101 Noel, J. at 514.

European Community Designs

In 2001, the Community Design Regulation came into force[102] and created new design right protection across Europe in the form of the registered EU community design and the unregistered EU community design. These new rights supplemented the UK unregistered design and copyright regimes, with the Regulation providing that it did not:

"preclude the application … of the industrial property laws or other relevant laws of the Member States, such as those relating to … unregistered design rights…".[103]

Thus the Regulation created unitary rights (namely the Community unregistered design right (CUDR) and the Community registered design (CRD)) for all Member States, thereby effectively providing a "minimum" level of protection of consistent protection across the whole of Europe, which means that there are 27 countries in Europe with the same basic premise, but each of which has the ability to impose different local/national design requirements in addition.

The national registered design law was harmonised with the Community Design law but the UK unregistered design right and the relationship between copyright and UK unregistered design right was left to co-exist. This created a matrix of rights which are challenging.

As observed by Jacobs LJ in *Lambretta*[104] a new definition of design arose which held much promise, particularly in as much as it provided a comprehensive definition of design which did not rely on a composite application of copyright and unregistered design right.

Whilst the European law benefits from a single composite definition, the provisions have a great many components, each of which have required judicial interpretation. Once again the words are vulnerable to judicial policy.

The new European rights provided a single definition of design which protected:

"the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation".[105]

The broad scope of the European protection is curtailed by a requirement that a design has to be "*new and to have individual character*".[106]

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102 European Designs Directive 98/71 EC (the Directive) and Council Regulation 6/2002/EC on Community Designs (the Regulation)

103 Recital 31 of the Regulation 6/2002/EC

104 Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd [2004] EWCA Civ 886 [2005] RPC 6

105 Article 1(a) of Directive 98/71/EC.

106 Articles 4 and 5 of the Directive, Articles 5 and 6 of the Regulation and section 1B(1) RDA 1949

"New" and "Individual Character"- a two-part test

A design is "*new*" if "*no identical design or no design whose features differ only in immaterial details, has been made available to the public*"[107] and shall be considered to have "*individual character*" if:

"*the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public…*"[108] *(emphasis added)*.

Section 1B(4) RDA 1949 and Article 6(2) of the Regulation clarifies that:

"*in assessing individual character, the degree of freedom of the designer in developing the design shall be taken into consideration" (emphasis added).*

Both parts of this test must be met for a design to qualify for registration and/or protection as an unregistered Community design.

The Test for Novelty

The test for novelty is objective and decisions of OHIM concerning novelty and the concept of what is or isn't identical have been strictly construed. For example, in *Pictacs Ltd v. Kamil Karhan Karaguille*[109] it was held that the design of a radiator which was a mirror image to that of an earlier design was not "*identical*" (the later design was however invalidated on the ground of lack of individual character as it created the same overall impression). "*Identical*" designs filed in different colours were held not identical per *Detumando SL v. Aroco-Comercio e Distribuzao de Materias Serguranca LDA case R 1942/2007-3 26 February 2009*.

It is suggested that slight or trivial variations are not sufficient to make a design registrable or to create novelty. However, it would appear from the OHIM decisions that the additional subjective element of "*differing in immaterial details*" is being overlooked in favour of considering whether an article is strictly "*identical*" to an earlier design or not. This would appear to create a much narrower interpretation of what is construed as "*identical*" despite the broader wording provided in the legislation.

Overall Impression

Whether or not a design has "*individual character*" relies very much on the overall impression the design produces on the informed user.

This is not a "*point by point*" analysis of the design but instead an assessment of what comprises the "*essence of the design*". The designs must be compared both on their various features taken individually, and on the weight of the various features according to their influence on the overall impression.[110]

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107 Section 1B(2) RDA 1949 and Article 5 of the Regulation

108 Section 1B(3) RDA 1949 and Article 6 of the Regulation

109 ICD 1832 26 April 2006

110 Eredu S Coop v ArrmetSrl – Invalidity Division ICD 24, (2004)

For example, in *Beata Holdrowicz Panaceum Import-Export v. Bozena Lewicka Szi-Bo Export-Import*[111] which concerned "copycat packaging" it was held that whilst there were specific similarities in the two Chinese characters and the depiction of a cup of tea on the front of the packages, a different overall impression was created because of significant different elements, namely the depiction of a honeycomb shape and the intense orange colourful figurative design of the registered community design (RCD) as contrasted with the structural black and white depiction of the earlier design.

In *Julius Sämann Ltd v. Jees Sro*[112] whilst an RCD for a fir tree air freshener was not considered identical to an earlier design, their visual parts (namely the shape of the fir tree, the common colour and verbal elements) created the same overall impression. This was further compounded by the fact that the freedom of the designer was not restricted in any way and could have chosen any shape for the air freshener.

Other pertinent guidance on "*overall impression*" includes: (i) the presence of verbal elements (even if they are not the same words) will be a similar feature;[113] and (ii) a 2D pattern always creates the same impression if applied to a 3D object. It is and remains the same pattern.[114]

In keeping with the approach taken by the Courts in connection with the pre-2001 legislation, expert evidence as to whether or not the overall impression produced by one product differs from that of another is limited. In *Proctor & Gamble v. Reckitt Benckiser (UK) Ltd*[115] Jacob LJ states that:

"The evidence of experts,… is unlikely to be of much assistance: anyone can point out similarities and differences,…Sometimes there may be a piece of technical evidence which is relevant… but even so, that is usually more or less self-evident and certainly unlikely to be controversial to the point of a need for cross-examination".

Expert evidence is however of more assistance when determining the design corpus that is deemed to be known by the "*informed user*".

Who is the Informed User?

A number of previous OHIM/Board of Appeal cases gave indications as to the identity of the "*informed user*".

In particular, an informed user is NOT a person skilled in the art, or a designer or expert in the field. The "*informed user*" is, however, aware of the requirements that the design must fulfil in order to perform its function and is aware of the prior designs that are known to the "*circles specialised in the sector*" and also takes into account the degree of freedom of the designer.

111 (2007)

112 (2007)

113 Julius SamannLtd v. Jees Sro (2007)

114 Burberry Ltd v.Jimmy Meykranz ICD 2467, 1 December 2006 in which a Jimmy Meykranz handbag, to which a copy of the 2D Burberry plaid design had been applied, was held to give the same overall impression as the 2D design

115 [2007] EWCA Civ 936, Jacob LJ at 4.

The "*informed user*" is also NOT a casual observer or an occasional user. The informed user is familiar with the basic characteristics of the design and is up to date with the design corpus in the normal commercial traffic in the sector in question, paying most attention to the elements in which the designer has most freedom.[116]The informed user would also be aware of the wide range of designs and models of the product that existed[117] and knows the limitation imposed by shape and function.[118] By way of example, in *Honda Giken Kogyo Kabushiki Kaisha v. Kwang Yang Motor Co Ltd*[119] which concerned lawnmowers, the informed user was held to be someone who wants to use a lawnmower, needs to buy one, and has "*become informed*" by browsing catalogues, visiting specialised stores, garden centres and downloading information from the internet.

This position was upheld on appeal by the CJEU when it confirmed that:

"the informed user…without being a designer or a technical expert,… knows the various designs which exist in the sector concerned, possesses a certain degree of knowledge with regard to the features which those designs normally include, and, as a result of his interest in the products concerned, shows a relatively high degree of attention when he uses them."

The CJEU further confirmed that the concept of the "informed user" must lie somewhere between:

"that of the average consumer, applicable in trade mark matters, who need not have any specific knowledge and who, as a rule, makes no direct comparison between the trade marks in conflict, and the sectoral expert, who is an expert with detailed technical expertise."

Thus, the concept of the informed user may be understood as not referring to a user of average attention, but rather to a particularly observant one, either because of his personal experience or his extensive knowledge of the sector in question.

The Degree of Design Freedom

The larger the degree of freedom the designer has to create their product, the more differences will be required in the new product in order to create a different overall impression to what has gone before.

However, where a designer has relatively little freedom in developing the design, then even small differences will be sufficient to create a different overall impression.

116 Crocs Inc v. Divisa Sistemas Globales (2008)
117 Unilever NV v. Ice Cream Factory Comaker SA (2007)
118 Santiago Pons Quintana v. Alfiere Spa (2007)
119 (2007)

Infringement

The fundamental difference between the registered and unregistered systems is the need to prove copying.

The UK unregistered design right is circumscribed by the requirement that the design is not copied and not commonplace and essentially is limited to shape and configuration. In contrast, there is no requirement to prove copying for registered design.

Whilst this project did not specifically test whether this distinction might motivate designers to register their design, it is interesting to note that very few, if any, of the recorded cases rely on proving that the alleged infringer did not have access to the original, and therefore the opportunity to copy. The coincidence of features is usually enough to raise the imputation that there must have been some access to the original and thereby reverse the burden of proof. The questions raised are usually whether what the alleged infringer has done is sufficient to fall within the scope of the same overall impression to be considered by the court as infringement. This may also explain why in the psychometric analysis copyright is cited as being perceived as the most important legal right by designers.

The modern law is a matrix of rights circumscribed by a host of limitations and exceptions, none of which are comprehensive, with most conflicting or overlapping. The national unregistered design right is the simplest, but fails to protect the essence of design; namely appearance. Copyright steps in to protect the surface decoration but, as we can see from *Lambretta* the two rights are not easily juxtaposed to create any sense of unity. The European rights made bold strides into the heartland of "*appearance*" but judicial interception has probably neutered what could have been the first all-encompassing definition of industrial design. Leaving aside the technical and functional arguments, Dyson Ltd v Vax Ltd[120] the judicial perception that the Vax product was a different design because it created a different overall impression on the hypothetical informed user has split opinion. Designers would say it was simply a copy, which had been altered to give it a different treatment and that making an existing complex design with angular and "more aggressive" lines did not detract from the fact that it had hitched a free ride on the Dyson design efforts.

Whilst the test for design infringement is circumscribed by a great many more limitations than copyright, one cannot help but feel that designers everywhere must have sighed collectively to read the comments of such a highly regarded Judge.

The effect of these judgements is probably to limit the scope of registered design and the application of European registered and unregistered design right to give the perception that the courts will only prohibit near-identical copies. This, once again, casts design law into an unsatisfactory state, which certainly does not meet either the requirements of the economy or provide any certainty of protection for the product of creativity and aesthetic innovation.

120 [2011] EWCA Civ 1206

Chapter 3

The Courts

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Introduction

In this Chapter we examine the means by which rights can be asserted and the legal and commercial effectiveness of the remedies available. We reference cost, probable outcome and the balance of risk and reward as well as the impediments to taking enforcement action.

We will contrast the German and UK approaches to process as well as the cultural impetus. With the benefit of both the empirical evidence and the psychometric research it is clear that cost, certainty and time are critical in the decision to enforce rights.

It is important to ask designers what they want from an enforcement process. The psychometric analysis shows that having the alleged infringing copy removed from the market quickly is a dominant consideration to industry.

With predictability of outcome and cost featuring high on the key decision-making criteria, legal advisors' opinions on the magnitude of these criteria will be a significant factor. It is therefore as critical to understand how lawyers will advise their clients on their prospects as it is to understand the designer's propensity for taking that risk.

The rules and procedures of each Court system, together with the ability of a party to recover their costs, has an impact on the willingness of parties to engage in the court process. One can postulate that the availability of a registration would be a valuable asset if it increased the certainty of outcome; the evidence is that it does not.

Prospective claimants must pass the gatekeepers of precedent, namely those seminal judgments funded by major corporations that establish the ground-rules and form the basis for enforcement.

As we have seen, the judicial approach to interpretation of the wording of the legislation has often appeared disconnected from the object behind its enactment. Judgements often appear subjugated to a judicial desire not to extend design protection any further than is absolutely necessary, being more concerned with the limitations than with the object of the rights granted. This concern is not without cause. The limitations on scope and duration of rights have been honed over many years to provide a balance between rewarding creativity whilst not granting monopolies (or quasi monopolies), which stifle innovation.

History shows that statute and case law oscillate between excessive protection (often accidental) and excessive constraint. The psychometric analysis shows that designers are comfortable with, and will fall back on, copyright. The conceptual basis for copyright underpins its popularity with designers as the test for copyright infringement resonates with the essence of creativity. Copyright relies on a judicial assessment as to whether the alleged infringement is a "*substantial taking*" qualified by the "*quality of what is taken*" and not the quantity of the appropriation. It has few boundary constraints and does not need to concern itself with "*functionality*", "*the degree of design freedom*" and such like.

Whilst the qualitative copyright approach appears to resonate with the design community, the interpretation of the European Law shows an incongruent forensic approach.

It is beyond the scope of our remit to postulate whether the decided case law and the considered judicial precedents accurately reflect what the Council Regulation on Community Designs[121] (the Regulation) intended. We must assume that the complex wording of the legislation bound the courts' hands out of a deep concern to limit the scope of design infringement to only the most blatant and obvious infringements. We are instead sanctioned to report on how these developments affect the design community and particularly how they encourage or discourage investment.

Whilst the UK courts have gradually increased their influence over the management of cases following the Woolfe reforms, the UK judicial system remains essentially adversarial, in contrast to the civil law systems where the approach is judge-led or "inquisitorial", with judges taking a much more active role in dispute resolution, limited by the evidence and facts presented by each party.

The Court Structures

Germany

The first instance jurisdiction for disputes regarding design rights resides with the ordinary courts (*ordentliche Gerichte*) for civil law matters.

All German federal states or regions (*Bundesländer)* have designated certain Regional Courts as being exclusively competent for design-related disputes. In addition, Germany has designated a limited number of Regional Courts as Community Design Courts according to Article 80 of the Regulation.

Section 52 of the German Design Act (*Geschmacksmustergesetz- GeschmMG*) provides that, regardless of the amount in dispute, these Regional Courts (*Landgerichte*) have jurisdiction for disputes regarding design rights.

If there are no specific difficulties concerning the facts or issues of law in the dispute, and if the case is not of fundamental importance, a single judge of the respective chamber can conduct proceedings. However, design disputes are usually handled by the whole chamber of the Court. In addition, any of the parties to litigation concerning design matters can request that their matter be handled by one of the specialist panels for commercial matters (*Kammernfür Handelssachen).* These specialist panels consist of one legally trained judge and two lay judges from the business community.

121 6/2002/EC

Appeal to the Higher Regional Courts (*Berufung*)

All judgments rendered by a Regional Court in design right disputes are subject to appeal (*Berufung*). The Higher Regional Courts (*Oberlandesgerichte, Kammergerich* in Berlin) within the judicial region of the respective Regional Court have competency to hear an appeal against a Regional Court decision.

The Higher Regional Courts evaluate whether the Regional Courts' judgment correctly considered the facts and evidence, and correctly applied the law. New facts may only be submitted in limited circumstances.

It is possible to appeal a judgment of a Higher Regional Court further to the Federal Court of Justice (*Bundesgerichtshof*) provided that the Higher Regional Court has allowed such further appeal. Such further appeal is strictly limited to reviewing questions of law (*Revision*) and will only be allowed by the Higher Regional Court if the subject matter in dispute is of fundamental importance or if it is necessary to secure or develop a consistent judicial interpretation of the law. Moreover, a further appeal is only admissible at present if the amount in dispute is at least EUR 20,000.

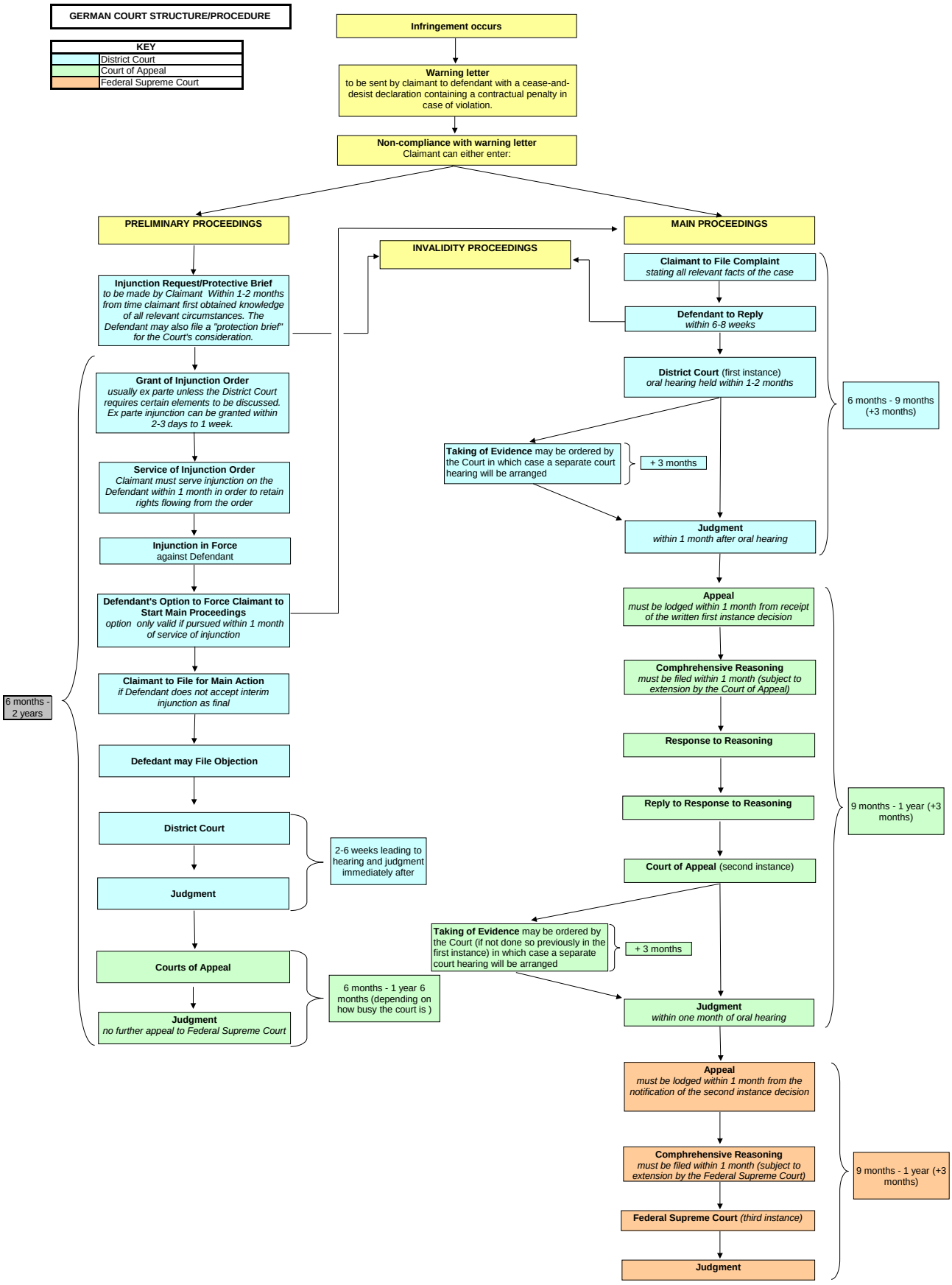
The Litigation Process

Civil procedures in Germany are split into two different proceedings: (i) proceedings on the merits of the claim (often referred to as the "main" or "substantive proceedings") which enable a party to assert their claims on a permanent basis; and (ii) preliminary or summary proceedings which allow a party to seek prompt and provisional relief in particularly urgent matters, usually by way of injunctive relief. Often design right disputes are pursued and resolved by Preliminary Injunctive proceedings only; the claimant's main objective being to remove the infringing product from the market.

An overview of the legal process available to designers in the German court system is set out in Figure 3.1.

Whilst not mandatory in Germany, it is recommended that a party contemplating injunctive relief sends a warning letter (letter before action) accompanied by a cease and desist declaration to the alleged infringer. In the event that preliminary proceedings are commenced without a warning letter and the defendant immediately accepts the alleged claims, then the claimant will be responsible for the costs of the preliminary proceedings on the basis that they failed to give the alleged infringer an opportunity to resolve the dispute without recourse to the Courts. By sending the warning letter the alleged infringer will have been put on notice, and where the infringement continues, the claimant is no longer at risk as to costs in issuing preliminary proceedings.

FIGURE 3.1 – COURTS SYSTEM



The UK

Claims relating to intellectual property matters in England and Wales can be brought at first instance in either the Patents County Court (PCC) or in the Chancery Division of the High Court.

In a similar way to the Regional Courts in Germany, the PCC has a broad jurisdiction over intellectual property matters and exercises special jurisdiction to determine matters relating to patents or designs over which the High Court has jurisdiction.

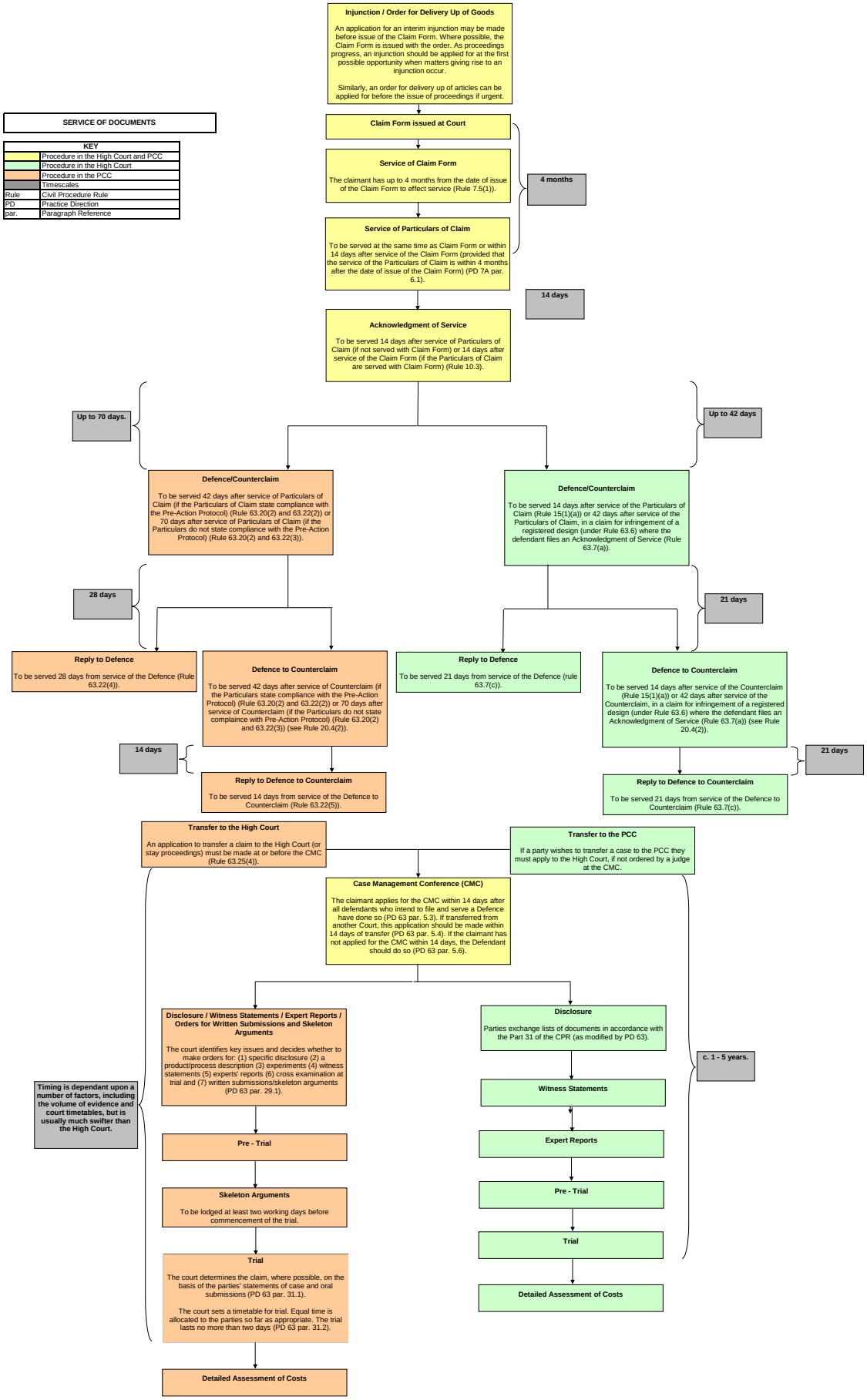
The PCC was established to deal with small, less complex and lower value claims. Its aim is to provide quicker more informal procedures that keep costs down and do not deter individuals or small and medium sized enterprises (SMEs) from enforcing their rights through litigation.

The Chancery Division of the High court also has jurisdiction to hear design cases, although these will usually be those cases which are legally more significant and involve considerable costs (i.e. those with an estimated value in excess of £50,000).

Both the PCC and the High Court have the power to transfer cases between them as appropriate.

An overview of the legal process available in the PCC and the High Court is set out in Figure 3.2.

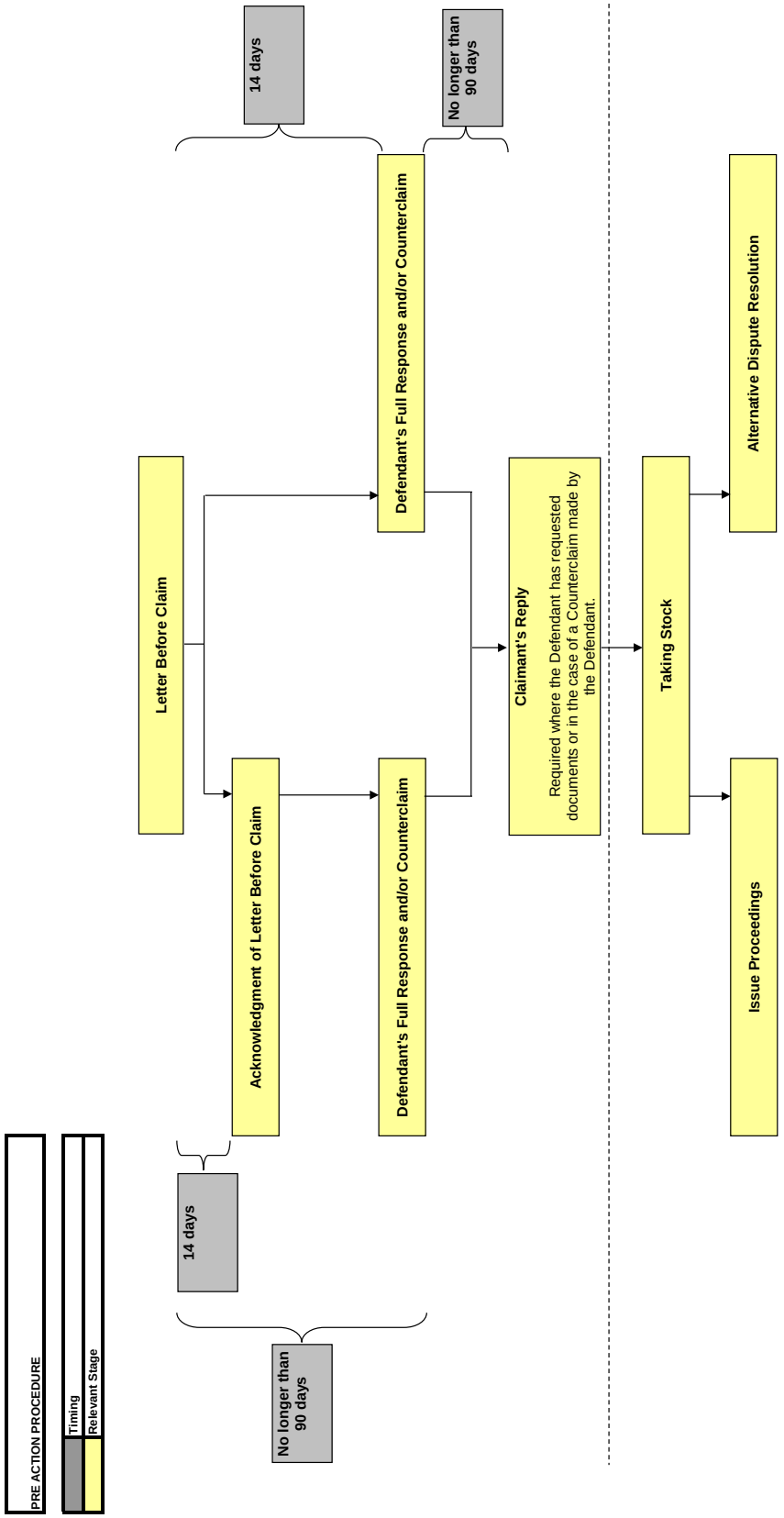
FIGURE 3.2 – COURTS SYSTEM



The Practice Direction on Pre-Action Conduct in the UK requires a claimant to set out concise details of their allegations in a letter before claim, which enables the defendant to understand and investigate the issues being alleged against him. As with the German system, a period of 14 days is recommended as the period in which the defendant has to respond, although it is possible for a period of a few hours to be given in Germany when infringing actions are being conducted at trade shows for example.

An overview of the pre-action conduct requirements in England and Wales is set out in Figure 3.3.

FIGURE 3.3 – COURT SYSTEM



Remedies

Injunctions

Designers most often cite the need to have the alleged infringement removed from the market quickly and cost effectively as their main concern or objective. In the absence of co-operation by the alleged infringer the most effective method to ensure the quick removal of the infringing product from the market is to invoke the interim injunction procedure. In this regard the UK courts and their German counterparts take a different approach.

The Preliminary Injunctive Proceedings (or Summary Proceedings) in Germany

In civil disputes where one party is seeking interim relief in order to safeguard their rights, the German Civil Procedure Act (*Zivilprozessordnung – ZPO*) provides for Preliminary Injunctive proceedings to protect a certain legal situation that would otherwise be jeopardised by the duration and timeframes of a regular lawsuit.

The claimant for a preliminary injunction in Germany must establish that an immediate but provisional decision is needed, rather than waiting for the issue to be determined on its merits in the Main Proceedings. This legal requirement is known as “the urgency of the matter” (*Dringlichkeit*). The court must be satisfied that the claimant has treated the matter as urgent and that there is a claim. As a rule of thumb, most courts are unlikely to accept the urgency of the matter in cases where a claimant has waited longer than a month from receiving knowledge of an infringement before applying for injunctive relief.

In addition, in order to be granted a preliminary injunction, the claimant must be able to show evidence as to ownership and validity of the design right, and sufficient likelihood of infringement.

The claimant for a preliminary injunction need only provide *prima facie* evidence (*Glaubhaftmachung*) for the injunction claim, which means that written affidavits are admissible. Moreover, German courts also tend to grant preliminary injunctions on the grounds of unregistered rights if the specific requirements (outlined above) are fulfilled. This applies, in particular, to the unregistered Community design.

In the event that a design right dispute has not been resolved via the letter before action, the claimant may issue an application to the Regional Court requesting a preliminary injunction. Upon receipt of the application, the Court will either issue an *ex-parte* injunction, or serve the demand brief on the defendant and set a date for a hearing. This date is usually two to three weeks after the filing of the application. In the event of a straightforward infringement case, the injunction is very often granted on an *ex-parte* basis.

Once a preliminary injunction has been granted, the claimant must serve it on the defendant within one month, otherwise it becomes unenforceable. With that serving, the injunction is immediately legally effective on a preliminary basis. Fines will apply in case of a contravention on the part of the defendant.

An injunction can be challenged by the defendant; however, neither the challenge to the injunction nor any appeal of the Court's decision to confirm or revoke the injunction will have any suspensive effect on proceedings. The defendant can, however, demand that the claimant start a regular court action (Main Proceedings (*Hauptsacheverfahren*)) within one month, otherwise the injunction will become void.

Parties often settle their disputes following the Preliminary Injunctive proceedings rather than proceeding with the Main Proceedings. These settlements are often influenced by specific factors such as timing, business constraints and financial considerations, particularly in relation to the cost of further legal proceedings, or to avoid the Main Proceedings being heard by the same panels of Judges that determined the interim proceedings.

If the injunction is subsequently found to be unjustified, the claimant is liable for all damages suffered by the defendant due to the enforcement of the injunction.

Other Remedies

The research undertaken as part of this project explored the methods by which disputes relating to design rights were resolved.

Most respondents believed that the most effective solutions are those which are also the simplest. The response to the survey strongly suggests that the costs, complexity and unpredictability of design law makes proceeding to court (whether the PCC or the High Court) an unviable option for design owners.

The research also suggests that there is a lack of understanding as to how disputes might be resolved other than by court proceedings. 75% of participants suggested that they "didn't know" what remedies were the most effective.

The data showed that companies tend to achieve a satisfactory outcome when they do enforce their design rights, but that most companies do not tend to enforce their rights because they find the process costly, confusing, and inefficient, which rarely results in adequate costs recovery.

A third of participants to the survey said cease and desist correspondence was the most effective. What the research did not disclose was the level of "cease and desist" correspondence that was entered into to produce this acceptable outcome (including the cessation of the offending acts). As most methods of enforcement, including alternative dispute resolution (ADR), mediation, arbitration and court proceedings usually start with a demand (cease and desist), this is inevitably going to be considered as the basic method for seeking a satisfactory outcome. In addition, without prejudice, negotiations accounted for 36.4% of resolutions that were cited in the survey.

It is difficult to tell whether these informal demands and negotiations result in resolution because the infringers consider the claims well founded or because neither party wishes to risk the clearly undesirable option of court proceedings.

Of those surveyed 15.4% indicated that commencement of legal proceedings was their method of choice with 20% indicating a preliminary injunction to be an effective choice.

A high percentage of cases are compromised before trial, with costs and risk representing a significant impetus to resolution. The process of pleadings, disclosure and witness statements often serve to narrow the issues and focus on the points of difference.

As the cessation of infringement (and removing the infringing articles from the market) rather than realisation of damages appears to be the prevailing objective of the respondents to the survey, the scope for mediated compromises in design cases is less than it might be in commercial disputes, where only money is at stake. Of those who answered the survey, a low percentage (only 9.1%) opted for mediation proceedings. In addition, mediation, or negotiations are usually adjuncts to formal demands having been made for "cease and desist" or the issue of court proceedings: they cannot be seen as separate methods of enforcement.

The survey evidence suggests that design owners do not enforce their rights because of a perception that the court process is expensive and unpredictable. It is in this context that defendants, aware of the risks and uncertainties of the law, are emboldened to resist any payment of costs to claimants in the knowledge that claimants are likely to be unwilling to take the risks of pursuing claims. The available methods of resolution are therefore circumscribed by cost, delay and uncertainty. The overwhelming response from the Survey being that court unpredictability and cost would cause design owners to seek alternative methods.

There is, however, no surprise that where interim injunctions can be obtained (and claimants are willing to carry the risk of the cross-undertaking in damages and costs), this is effective in bringing cases to an end. The effectiveness of the initial "*cease and desist*" correspondence may also have a great deal to do with the relative economic strength of the parties.

Cost

Germany

The costs of Preliminary Injunctive proceedings and Main Proceedings depend principally upon the value in dispute. This value (*Gegenstandswert*) is often indicated by the claimant and set by the Court, depending on the economic importance of the alleged infringed right.

The costs awarded to the successful party are determined by reference to a statutory fee schedule which is linked to the value in dispute and applies to both the court fees and the attorney's fees that are recoverable. An example of one of the statutory fee schedules concerning attorney's fees is set out at Figure 3.4 and is subject to various multipliers dependent upon for example, whether the matter is dealt with at first instance or is settled in advance of the court hearing, and whether proceedings are dealt with in the absence of hearing evidence.

FIGURE 3.4 – COURT SYSTEM

Claim value up to EUR...	Fee	Claim value up to EUR...	Fee
300	25	40 000	902
600	45	45 000	974
900	65	50 000	1 046
1 200	85	65 000	1 123
1 500	105	80 000	1 200
2 000	133	95 000	1 277
2 500	161	110 000	1 354
3 000	189	125 000	1 431
3 500	217	140 000	1 508
4 000	245	155 000	1 585
4 500	273	170 000	1 662
5 000	301	185 000	1 739
6 000	338	200 000	1 816
7 000	375	230 000	1 934
8 000	412	260 000	2 052
9 000	449	290 000	2 170
10 000	486	320 000	2 288
13 000	526	350 000	2 406
16 000	566	380 000	2 524
19 000	606	410 000	2 642
22 000	646	440 000	2 760
25 000	686	470 000	2 878
30 000	758	500 000	2 996
35 000	830		

By way of example, based on a claim value of EUR 50,000, each party's lawyers' fees on the statutory fee scale for a hearing without evidence would amount to EUR 2,615 (using a 2.5 multiplier) albeit that the actual cost incurred by the parties is likely to be higher than this.

Often the parties pay their own attorney on the basis of hourly rates, usually considerably higher than the fees awarded under the statutory fee schedule. Notwithstanding this, the losing party will only have to reimburse the fees of the other side on the basis of the statutory fee schedule even if the successful party has paid in excess of this. The claimant must pay court fees for the Main Proceedings in advance.

England and Wales

Costs in the PCC

Costs in the PCC are subject to caps of not more than GBP 50,000 for claims relating to liability, and not more than GBP 25,000 on an enquiry as to damages or account of profits.

The maximum amount of costs awarded by the PCC for each stage of a claim is set out below at Figure 3.5 which sets out the maximum amount that can be awarded to the successful party for each stage of a claim.

FIGURE 3.5 – COURT SYSTEM

Caps on costs in the Patents County Court

For each stage of a claim up to determination of liability, the maximum costs that can be awarded for each stage of the claim are as follows:

Stage of a claim	Maximum amount of costs
Particulars of claim	GBP 6,125
Defence and counterclaim	GBP 6,125
Reply and defence to counterclaim	GBP 6,125
Reply to defence to counterclaim	GBP 3,000
Attendance at a case management conference	GBP 2,500
Making or responding to an application	GBP 2,500
Providing or inspecting disclosure or product/process description	GBP 5,000
Performing or inspecting experiments	GBP 2,500
Preparing witness statements	GBP 5,000
Preparing experts' report	GBP 7,500
Preparing for and attending trial and judgment	GBP 15,000
Preparing for determination on the papers	GBP 5,000

For each stage of an inquiry as to damages or account of profits the maximum amount of costs that can be awarded for each stage of the claim are as follows:

Stage of a claim	Maximum amount of costs
Points of claim	GBP 2,500
Points of defence	GBP 2,500
Attendance at a case management conference	GBP 2,500
Making or responding to an application	GBP 2,500
Providing or inspecting disclosure	GBP 2,500
Preparing witness statements	GBP 5,000
Preparing experts' report	GBP 5,000
Preparing for and attending trial and judgment	GBP 7,500
Preparing for determination on the papers	GBP 2,500

When assessing costs, the PCC will take into account factors such as the nature and complexity of the claim.

Costs in the High Court

Unlike the PCC, whilst there are standard scale fees for issuing a claim form or making an application for an interim order the costs generally follow the event. Costs are generally recoverable by the successful party on a "standard basis", i.e. only those costs which are proportionate to the matters in issue and which are reasonably incurred and reasonable in amount.[122] The costs in UK proceedings are generally much more substantial than in civil law jurisdictions with the costs of High Court proceedings often exceeding £200,000 per party. The cost penalty for losing a case is frequently the dominant factor. Two factors dominate many cases, the cost of the split profession between counsel and solicitor and the cost of documentary disclosure.

Costs Appeals

The costs of appeals in the Court of Appeal or the Supreme Court are awarded to the successful party on the basis that the unsuccessful party pays the successful party's costs. Unlike in the PCC, there is no cap on the costs that the unsuccessful party may have to pay.

In the event of an appeal, the successful party is entitled to recover its costs incurred (the payment of costs is not automatically stayed) and an impecunious claimant may be ordered to provide security for the costs of appeal.

122 Civil Procedure Rule 44.4(2)

FIGURE 3.6 – COURT SYSTEM

	ENGLAND AND WALES	GERMANY
Pre action costs	There is no limit on the costs that are expended for pre-action conduct. As indicated above, the claimant is required to send an initial letter before claim the costs of which will depend upon the complexity of the case, but are, in the round comparable with the costs in Germany.	Costs associated with pre-action steps depend on the value in dispute and range between EUR 1,000 and EUR 4,000. They **are recoverable** as damages as part of the statutory fee schedule if asserted in main proceedings.
Costs limits in the Courts	**In the PCC**: costs are capped to (i) GBP 50,000 for claims relating to liability; and (ii) GBP 25,000 on an enquiry as to damages or account of profits. **In the High Court:** No cap, but subject to court assessment. **Court of Appeal and Supreme Court:** no cap on costs but subject to costs' assessment by the Court.	Costs depend upon value in dispute. The value in dispute depends on the economic importance of the infringed right. According to the value in dispute, costs are determined in accordance with a **statutory fee schedule**. By way of example, a claim value of EUR 50,000, the overall costs (i.e. both parties' court fees and lawyers' fees) would amount to EUR 6,598. Of this amount, lawyers' fees would add up to EUR 5,230, while court fees would aggregate to EUR 1,368.
Factors that will influence the level of costs for each stage of a claim	Complex disputed facts and volume of documents that relate to the claim.	Complexity of a claim.
Who is liable for the costs until determination of liability?	Both parties are responsible for their own costs. Court fees have to be paid in advance, usually by the claimant, or by the party seeking an application.	**Preliminary proceedings**: court fees do not have to be paid in advance. **Main proceedings**: court fees have to be paid by the Claimant in advance to the Court.
Liability for the costs after determination of liability	**General Rule: Losing party pays the successful party's costs of the litigation** (CPR rule 44.3). The award of costs is discretionary and the Court must have regard to all the circumstances of the case. In general, costs are awarded to a successful party following court assessment on the standard basis. This can be increased where costs are awarded on an indemnity basis. Even on a successful outcome the winning party will have to bear 30% to 40% of their own costs.	**General Rule: Losing party pays** the successful party's fees on the basis of the **statutory fee schedule only.** The costs of a typical case are in the range of EUR 250,000. In general, and depending on the statutory fee schedule, the value of the case and the complexity of the claim, 50% to 70% of costs are awarded to a successful party. Even on a successful outcome the winning party will have to bear 30% to 50% of their own costs.
Calculation and basis of damages	**(i) High Court** - separate hearing on award of damages; **(ii) PCC**: separate hearing on award of damages at the discretion of the judge. **Calculation**: remedies can be damages or an account of profits.	Damages awarded in Main Proceedings only **Calculation**: Three alternatives - (i) lost profits; or (ii) infringer's profits; or (iii) a reasonable royalty.

Chapter 4

Empirical Evidence Review

How cognitive decision-making biases might be interfering with business decision-makers' judgment to protect or enforce design rights.

EVGENIYA PETROVA
REBECCA MILNER

Introduction

Standard economic theory considers that business decision-makers, and humans at large, behave as rational agents, reaching decisions on the basis of cost-benefit analyses in order to maximise their utility. With UK businesses spending an estimated £26 billion on architectural, engineering, graphic, product, clothing and other design services in 2008, it is surprising to find that a mere 15% of firms report registering their design.[123] Can the majority's decision not to register designs be viewed as rational and beneficial to business? Are companies unwittingly exposing themselves to the risk of having their designs copied? What perceived barriers prevent business decision-makers from registering or enforcing their design rights? Ultimately, what can be done about these barriers?

This paper looks at the decision-making process concerning protecting and enforcing design rights from the perspective of behavioural economics and cognitive psychology. Behavioural economics is a young but well-established discipline that challenges the view of standard economic theory on human decision-making. Several decades of research show that human decision-making in various contexts is influenced by persistent perceptual biases or heuristics, which obscure rational interactions with information. The way decision-relevant information is presented has a large influence on the decision outcome.

Humans have neither the capacity to recognise or evaluate every aspect of information they encounter, nor the time or motivation to do so. To cope with the mass of data and speed up decision-making, humans have developed heuristics (mental shortcuts) to deal with the complexity of their daily environment. These heuristics are cognitive biases, which allow individuals to make rapid judgments regarding information that it is not possible to evaluate thoroughly. These stimuli are responded to automatically, without conscious awareness of the process.

For example, consider what could explain the difference in levels of organ donations in various European countries. Could it be due to culture, tradition or citizens' motivation? In fact, this disparity is best explained by how the enrolment question is framed. Countries where the enrolment is presented as an opt-out choice (i.e., citizens have to make an active choice not to participate) rather than opt-in, have a much higher rate of uptake.

As cognitive biases are ubiquitous to practically every decision-making scenario, it is reasonable to expect that they might be preventing UK firms from protecting or enforcing their design rights. This is especially relevant when considering the context of running a business, as both managerial and monetary resources of companies are finite.

We propose that business decision-makers (as individuals, specifically) are faced with the following questions when considering whether to register and enforce their design rights:

> Do my designs need to be registered? Do all of them need to be registered? Or, are there key designs that I should focus on?
>
> How valuable are the designs to the commercial success of my company?

123 Haskel & Pesole, 2011, page 3, http://www.ipo.gov.uk/ipresearch-designsreport1-201109.pdf

How likely are my designs to be copied?

Is the default protection offered by UK unregistered and EU community unregistered design rights sufficient?

What kind of damages might my business incur if someone intentionally copies my design?

Should I be enforcing my design right? How much will it cost me? How likely is my case to win?

In addition, the decision scenarios as to whether or not a business will seek to register their designs will be dependent upon the durability of their product (i.e. there is unlikely to be an advantage to registering a design if the product's durability does not exceed 3 years) and the costs of registration.

When considering whether to enforce their design rights it is suggested that the case law turns not on whether copying has been established but upon whether the designs are sufficiently similar to establish copying, which again may deter a business from enforcing their design rights.

These questions are complex and multifaceted; they do not have clear, fit-for-all answers. Hence, when answering these questions, business decision-makers are likely to rely on heuristics, substituting a difficult question (i.e. how likely are my designs to be copied?) with an easier one (i.e. how many instances of design right infringement do I know of?). This kind of substitution might bias decision outcomes and lead to no action (or an inappropriate action) being taken.

In the following sections, the available academic evidence will be considered and reviewed in an attempt to address the impact of cognitive biases inhibiting decision makers in companies from protecting and enforcing their design rights. Five cognitive biases will be examined: loss aversion, anchoring, salience, fluency and availability. The cognitive biases discussed are considered to be ubiquitous to all businesses regardless of size, industry or design-intensity.

Each cognitive bias or heuristic is looked at from several angles. Firstly, a reviewed heuristic is defined alongside an explanation of why and how it impacts upon human decision-making. Secondly, the likely effects of the heuristic on decisions regarding design rights are discussed. Finally, the quality of cited research and its applicability to the design rights framework is evaluated.

As only five heuristics are being reviewed in the report (due to space and time constraints), we have briefly listed a number of other heuristics and outlined their effect on protecting and enforcing design rights to give a fuller picture.

The Five Cognitive Biases

Loss aversion

Overview:

Decision-makers who are considering registering their design rights may be influenced by concerns over the lost time and money involved in the process.

What is it?

Kahneman and Tversky[124] proposed the loss aversion hypothesis. This suggests that losses are given more value than gains, based on the finding that the pain felt when losing a sum of money is greater than the pleasure experienced when gaining the same value.

This theory has been demonstrated in selling and purchasing decisions, with Kahneman, Knetsch and Thaler[125] finding that subjects request a higher monetary value for a product that they are selling than they are willing to pay when given the opportunity to purchase the same item. This violation of standard economic theory is explained by the fact that subjects view giving up an object in their possession as a loss, whereas buyers evaluate the purchase as a gain. As losses are felt more strongly than gains, sellers usually compensate for the pain of loss by doubling the asking price.

Interestingly, when questioned about behaviours and actions, individuals do not admit loss aversion behaviour in themselves[126], demonstrating that the cognitive bias in question is an unconscious aspect of decision making.

Why it works

The loss aversion hypothesis was presented as an element of Kahneman and Tversky's prospect theory[127], which makes the assumption that value is considered in terms of gains and losses in comparison to a reference point, as opposed to being relative to the final level of wealth.

The influence of loss aversion upon consumer behaviour in the marketplace has been widely studied[128], with research finding that price alterations can have asymmetric effects consistent with loss aversion.[129] Daniel Putler's study[130] showed that sales following a price increase (a perceived loss) fluctuated from average sales by nearly two and a half times more than the fluctuation after a price decrease (a comparable gain). This confirms the suggestion that consumers exhibit loss aversion when presented with perceived losses and gains.

124 1979
125 1990, 1991
126 Van Boven, Dunning & Lowenstein, 2000
127 1979
128 Blinder et al, 1998
129 Putler, 1992
130 1992

Heidhues and Kőszegi[131] have developed a model of selling to loss-averse customers. If consumers expect to purchase a product, a loss is experienced if this purchase is not made, thereby increasing the consumers' willingness to pay for the product in question. This fact suggests that in order to sell to loss-averse customers it is beneficial to convince them of all the advantages of the purchase, prior to communicating the final price.

Why is this impacting the UK Intellectual Property Office (IPO)?

Potential customers of the IPO are likely to fear the loss of both money and time in the short term, and experience this loss as being more salient and prevalent than the gain of protecting their design rights in the long term. Most of the IPO's design customers are small and medium sized enterprises (SMEs) and thus the value they place upon their time is likely to be very high. We propose that loss aversion will be experienced by individuals holding a key stake in the business, who will personally be affected by the investment and 'loss' of time and money when applying for protection. This will impact those working for large companies less so, as they will not personally bear the 'loss' of a monetary investment, although if they are working with a budget this may be an issue for such individuals. Similarly, if one has a high workload, individuals working in large organisations may fear the loss of time, and thus choose to avoid the process.

Bateman, Kahneman, Munro, Stamer and Sudgen[132] proposed the current endowment hypothesis. Loss aversion is experienced when an individual is subject to any loss from their current state, including money spent in routine purchases. An individual's reference state is made up of their current belongings and those that will be owned without further transactions. Therefore, decision making with regard to purchases is made in relation to an individual's current endowment, including monetary ownership, with money spent on purchasing goods being perceived a loss. This demonstrates how the IPO services in relation to design registration can be perceived as losses, due to their immediate monetary cost.

Decision-makers are also likely to be averse to the loss of time spent on registering their designs. Hjorth and Fosgerau[133] found that on average, time losses with regards to travel were valued 3.7 times higher than time savings. This was even higher than the effect of loss aversion when related to money, with cost increases only being valued 1.6 times higher than equally sized cost savings in the same experiment. The representative individual therefore appears to have a higher degree of loss aversion with regards to time than cost. This demonstrates a further issue for the IPO, as applying for design rights may be viewed as a time-consuming exercise, which will be valued as a loss in comparison to spending time on tasks which are required to be completed in the running of the business in question.

Registering designs is akin to buying insurance. Businesses have to suffer a small loss now to minimise the pain of a potential greater loss later. If the registration of designs is perceived to be an immediate loss, with chances of a greater future loss appearing small or undefined, decision-makers are likely to take the risk and not register their designs. Choosing to enforce infringed design rights can also be viewed by businesses as a gamble with uncertain

131 2004
132 2005
133 2011

outcomes. To make an informed, rational decision, companies need to know the success rate of cases similar to theirs and estimates of legal fees and damages they could be awarded.

Decision-makers are also likely to underestimate not only the likelihood of having their designs copied but also the extent of such activities damaging the commercial success of their company. In one study, 80% of subjects chose to gamble on a 25% risk of losing $200 rather than accept a sure loss of $50. The preference was however reversed when a loss of $50 was presented as an insurance against a 25% risk of losing $200.[134] These results suggest that an option of registering designs should be offered to businesses as a comprehensive insurance against a potential greater loss in the future. The chances of such loss happening should also be clearly communicated.

In the UK, businesses automatically gain protection of their designs under unregistered UK design rights and unregistered EU community design rights. Although there is a difference in terms of what is protected under the unregistered and registered UK and EU design rights, companies will evaluate the extra cost and time spent on registration in terms of a loss while seeing the additional automatic protection as a gain. The fact that losses are felt more strongly than gains might explain the unwillingness of UK companies to invest the resources to obtain the full protection offered by registration of their designs.

Do we have confidence in this theory?

There has been much research confirming the existence and occurrence of loss aversion in decision making.[135] Yet it is necessary to take a deeper look at such research in order to ensure the reliability and validity of such findings. Those studies relating to loss aversion in relation to spending money on products[136] as well as loss of time[137] are those that are most applicable to the IPO and so will be investigated further.

When investigating the design of the study confirming that spending money in an exchange for a purchase is seen as a loss[138], it is necessary to consider the population used. Participants of that study were undergraduates and were considered to be representative of the population from which they were taken, with 320 participants being included in the study. This is a relatively small sample size and as such should be kept in mind, as well as the fact that the subjects had similar levels of education, which could potentially impact upon their perception of loss and risk.

Gächter, Johnson and Herrmann[139] considered the impact of education upon loss aversion, concluding that loss aversion decreases with higher levels of education. This confirms that education has an impact upon loss aversion. We bear in mind that companies that have registered their designs are likely to have higher levels of education and knowledge in the

134 Slovic, Fischhoff & Lichtenstein, 1982
135 Putler, 1992; Blinder et al., 1998; Bateman, Kahneman, Munro, Stamer & Sudgen, 2005; Hjorth & Fosgerau, 2011
136 Bateman, Kahneman, Munro, Stamer&Sudgen, 2005
137 Hjorth & Fosgerau, 2011
138 Bateman, Kahneman, Munro, Stamer&Sudgen, 2005
139 2007

field of designs which may decrease the resulting loss aversion; yet we believe it is necessary to consider the findings in relation to the general population, as we cannot take this as a certainty. The number of companies that choose to register their designs is limited and so the level of knowledge surrounding the ability to register a design cannot be assumed. We consider this study in relation to the conclusions drawn by Bateman, Kahneman, Munro, Stamer and Sudgen.[140] The general population are likely to be more loss averse than those included in the study in question (owing to the varying levels of education across the general population), suggesting that if further research were to be conducted on a more representative sample, the finding that spending money is evaluated as a loss would be even more significant.

Despite Hjorth and Fosgerau's[141] study concerning loss of time having some methodological drawbacks, we feel we can confidently rely on the results presented as their study encompassed a large sample size of 2,001 participants, and is therefore more likely to be representative of the whole population. However, loss of time is a new area of application of loss aversion (as studies tend to focus on monetary values) so further research is necessary in order to confirm the findings discussed.

Anchoring

Overview:

People who are considering registering their design rights may use the first price they are presented with as an anchor for the price of the full process.

What is it?

Anchoring has been described as being the occurrence whereby an arbitrary reference point impacts upon an estimate of an unknown value.[142] Tversky and Kahneman[143], and Einhorn and Hogarth[144] describe the process whereby ambiguous decision making is often aided through the employment of externally available information, which is used as an anchor, with the final decision being adjusted on the basis of the anchor. Adjustments of the decision in question move closer to the anchor, with the level of influence that the anchor has being based upon its similarity to that of the original estimate (i.e. the closer the anchor and original estimate are in value, the less of an impact the anchor will have).

Anchors can influence judgment through both internal and external sources.

140 2005
141 2011
142 Slovic & Lichtensten, 1971
143 1974
144 1986

Internal Anchors:

Internal anchors are aspects such as knowledge of past prices. Kalwani, Kim, Rinnie and Sugita[145] investigated the impact of such internal anchors, and proposed a model whereby customers respond to retail prices by comparing them to corresponding internal expected choices.

External Anchors:

External anchors include influences such as information available in the environment where the decision is made. Rajendran and Tellis[146] investigated such aspects and concluded that consumers use other prices in a store as reference prices to aid their decision-making. Janiszewksi and Lichtenstein[147] expanded on this point, suggesting that altering context can result in changes in the perception of the appeal of a market price.

Why it works

Epley and Gilovich[148] propose that one of the reasons that anchoring effects arise is because individuals are not motivated to revise their estimates considerably, and so simply settle on a figure near to the one which is available to them. The authors also suggest that a further reason for the occurrence of anchoring is because people often consider a large number of values as plausible estimations, especially if they are not particularly knowledgeable about a topic. These reasons result in adjustments from the anchor being minimal, and often insufficient, as people settle with a value that appears plausible, remaining close to the anchor.

Why is this impacting the IPO?

The IPO's website lists a number of prices for the services that they offer. For example, the application fee for a single design is £60, yet as one continues reading, £40 may be payable if the applicant wishes to defer publication and a further £40 is charged for publication. Additional costs are also applied for each additional design that is included on the application. Therefore, the website leads potential consumers to base their external anchored price upon the first price they come across, yet they then go on to read of additional fees, which is likely to put them off registering.

Potential applicants may also anchor onto prices for protecting their design rights, which others (such as their peers) have communicated to them. These prices may be incorrect for varying reasons, and lead the potential applicant to the perception that the true prices to register are high, thus resulting in the individual withdrawing their interest.

145 1990
146 1994
147 1999
148 2006

Kamins, Drèze and Folkes[149] studied the impact of anchoring on prices by considering reserve prices at auctions. The study in question was conducted over 192 auctions on eBay, over a period of two years, and the results are thus considered reliable and valid, being based on a large, diverse set of data. The findings indicated that when a high reserve price was listed, the final bid was found to be higher than when a low minimum bid was listed. This suggests that the low prices listed at first on the IPO's website (when outlining application fees, for example) are being acknowledged, with the final price being compared to this, and thus being deemed to be too high. Additionally, the costs of a solicitor or attorney to assist with an application are to be added to the overall figure, increasing the difference between the anchor and final pricing even further, and thus decreasing the likelihood of a purchase.

Kamins, Drèze and Folkes' study[150] concluded that a low reserve price at auction resulted in lower overall bids in comparison to when no price was outlined by the seller. This suggests that it may be beneficial not to breakdown prices at each step on the IPO's website, as this results in low anchors. It may be beneficial to remove all prices, and instead provide an online calculator into which a potential applicant can enter their requirements and receive a tailor-made quotation for the application and registration process they require. This way the anchored price is likely to be more appropriate, thus minimizing deviation between this and the final outlined cost, and in turn increasing the likelihood of purchase.

Do we have confidence in this theory?

This theory has been widely examined by a number of researchers[151] and applied across a number of areas. Yet it is necessary to consider such findings further in order to investigate the reliability and validity of the cognitive bias' impact.

Luppe and de Angelo[152] considered the impact of anchoring on individual judgments of the price of a product or service; this is highly relevant to the IPO. Participants of the study in question were asked to estimate the price of a number of products, with the researchers concluding that when an arbitrary value was presented to respondents, a significant difference in estimation was recorded.

As with many research samples in psychological experiments, the study in question employed a convenient sample of undergraduate students. The authors advise that generalisations should be carried out with some restrictions. It may be that the students included in the study were more influenced by the provided anchors than an older sample audience would be, as the students have less experience of purchasing. However, when applying such data to design rights, the fact that students may have not had previous extensive experience is beneficial, in that those registering their designs are not likely to have been involved in such an application previously. Thus, any figure which potential applicants come across is likely to be used as an anchor for the price of the process.

149 2004
150 2004
151 Slovic & Lichtensten, 1971, Tversky & Kahneman, 1974, Einhorn & Hogarth, 1986 etc.
152 2010

Mussweiler and Strack[153] considered the influence of knowledge of target objects on anchoring and adjustment. They concluded that the less that individuals know about a target object, the more they assimilate their estimate to the anchor. This suggests that the first figure which applicants come across when researching the price of protecting their designs should reflect the overall cost that will be incurred, thus ensuring that individuals will not be shocked by higher prices detailed later, and potentially withdraw from proceeding with the application due to their anchoring on the original small value presented.

Salience

Overview:

People may not consider registering their design rights as the need to do so does not readily come to mind.

What is it?

Salient information is that which gains disproportionate amounts of attention, and is recalled in disproportionate amounts in comparison to information regarding other goods being considered.[154] Salient information has been found to inhibit recall of competing information[155], and so the more salient the information communicated, the greater the benefits reaped by the trader in question.

Pryor and Kriss[156] concluded that the information that is retrieved most easily in relation to making a purchase decision is that which involves reduced information processing effort by the customer. Individuals prefer decision-making involving minimal cognitive strain and so take advantage of salience, by purchasing products which are in the forefront of their mind, as opposed to making a true informed decision of what would be the most beneficial purchase.

Why it works

Vieceli and Shaw[157] explain salience, with familiar information being said to have formed nodes in an individual's memory, resulting in a larger number of linkages or associations. Anderson's[158] associative network model expands on this, explaining how during the encoding process, information must be associated with other facts in the memory. The association with relevant information is referred to as establishing a trace in the memory, facilitating retrieval of this information later on. Thus salient information is that which has a larger number of associations with various aspects in the memory and is more easily recalled.

153 2000
154 Alba, Huttchinson & Lynch, 1991
155 Alba & Chattopadhyay, 1986
156 1977
157 2010
158 1983

Why is this impacting the IPO?

Potential customers of the IPO are likely to be very busy individuals, who may be setting up a business for the first time or launching a product which they have created. Individuals purchase items that are in the forefront of their mind, and the need to protect their design rights may not readily occur to them. Many individuals will not know what they should, and can, protect through the design rights framework, and so it appears necessary to make the framework and the information relating to what can be protected, more salient.

The salience of brands has been linked to purchase likelihood in a number of experiments.[159] Vieceli and Shaw's[160] study looked into the brand salience and brand purchase likelihood for a fast moving consumer goods (FMCGs) product, concluding that there is a significantly positive correlation between the two variables. This leads to the conclusion that those brands which are not salient suffer from reduced sales. This could be one of the reasons for many individuals who choose not to protect their designs, as the issue is not salient in their minds when compared to their other business needs.

Vieceli and Shaw[161] go on to explain that markets should aim to build a breadth of product knowledge with the public, as this impacts upon salience, and in turn will influence the purchase likelihood of the product. We suggest that business decision-makers' knowledge of the IPO's services is low. This is likely to be a contributing factor to the reason why many individuals do not register or enforce their design rights. Vieceli and Shaw[162] also suggest that having a large number of associations is beneficial for a brand as this results in customers recalling the brand from various cues and situations, increasing accessibility of the brand in memory. It appears that the IPO's associations as a brand would be minimal, due to the specific nature of their services, and the fact that individuals do not widely publicise the fact that they have protected their design rights, or highlight that they are in the process of doing so. Investing in intellectual property generally, and particularly in designs is a task, which many consider routine, and so cues resulting from other companies' investment activities are minimal.

Do we have confidence in this theory?

Brand and information salience has been widely researched and applied to many purchasing decisions, yet these are generally for FMCGs with many competitors in the market, such as shampoo.[163] It is therefore difficult to find specific research relating to the protection of designs. Despite this, the concept of salience seems highly applicable to the IPO's current situation and appears to be a sound reasoning for the number of individuals who do not choose to protect their design rights. The need to do so is not salient to them, and so they choose to invest their money elsewhere.

159 Axelrod, 1968; Hasher & Zacks, 1984; Vieceli & Shaw, 2010
160 2010
161 2010
162 2010
163 Vieceli & Shaw, 2010

Fluency

Overview:

People who are considering registering their design rights may be influenced by the perceived difficulty of the process.

What is it?

Fluency is described as being "*the subjective experience of ease or difficulty with which we are able to process and understand information*".[164] Individuals prefer information that is easy to process. Alter and Oppenheimer[165] concluded that fluently named stocks outperformed stocks that were not fluently named, when studying Stock Exchanges. This is suggested to be because stocks from fluently named companies are considered to be more valuable, resulting in increased purchasing, thereby inflating the value of the stock.[166]

The fluency of processing information can impact on evaluative judgments, with Barber, Ismail and Taylor[167] concluding that if a target is evaluated more positively it can be evaluated with greater ease. Therefore, product attributes and information can impact upon purchasing behaviour, based upon the way in which they are presented to the customer, and by the way in which they are then perceived and processed. From the perspective of the consumer, the easier the information is processed, the more knowledge is taken on board, and thus uncertainty regarding purchasing is minimised. Thomas and Pickering[168] highlight the importance of the product information that is available to the customer in their buying decision.

Why it works

Jacoby[169] found that mental processing of a stimulus differs between individuals based upon the speed and effort that is employed. Mental processing can be described as fluent when characterised by fast, low resource demands and high accuracy.[170]

Schwarz[171] explains fluency further, on the basis that our thought processes are accompanied by meta-cognitive experiences, including the fluency with which information can be processed. Such experiences are informative, and individuals draw on them in order to form opinions and make decisions. Therefore judgments may deviate from those that would be made if easily comparable information was available. This impacts upon even the simplest of decisions, with Reber and Schwarz[172] concluding that people are more likely to agree that a

164 Oppenheimer, 2008, p.237
165 2006
166 Oppenheimer, 2008
167 2007
168 2003
169 1983
170 Winkielman et al., 2003
171 2004
172 1999

statement is true when it is printed in an easily legible colour, as opposed to one which makes it difficult to read. Cognitively, we prefer to process simple information that is easy to understand.

Why is this impacting the IPO?

It may be that individuals considering protecting their designs are daunted by the process, which appears lengthy, with various payments, and the involvement of a professional to assist with the application. Potential customers may avoid the move to protect their design rights as the process does not appear fluent and simple, and they thus evaluate it negatively.

The impact of the difficulty of understanding a product and the influence this has on sales has been researched. Novemsky, Dhar, Schwarz and Simonson[173] concluded that when products are complicated to understand, customers are more likely to defer choice or to choose a default option than when product names are fluently processed. Similarly, Dhar[174] found that uncertainty leads to hesitation, so any doubt in a potential consumer's mind (regarding applying for protection of their designs) may lead to them opting out of the purchase.

Novemsky, Dhar, Schwarz and Simonson[175] review a number of papers on the impact of fluency of information on sales. The authors suggest that consumers consider the fluency with which information about a product can be processed as informative, which thereby influences the decisions and judgments made. Tversky and Shafir[176] support this argument, finding that offering numerous alternatives, where it is difficult to conclude which is the most beneficial, increases the tendency not to choose. This may impact on the IPO as potential consumers could find it difficult to understand various options available to them for protecting their designs.

Do we have confidence in this theory?

It appears that the impact of fluency is highly applicable to the IPO and could be a reason behind the number of people who do not choose to protect their designs. They might find it difficult to understand what is involved in the registration process, what features are protected and for how long. The effect of fluency on marketing has been widely studied yet it is necessary to ensure that we can be confident of these findings.

The manipulation of fluency in the experiments discussed could be considered questionable. Many alter font type-face in order to make information more difficult to process.[177] This does not appear to be a very advanced way of approaching the concept, as well as not being hugely applicable to the IPO's legible communication with its customers.

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173 2007
174 1997
175 2007
176 1992
177 Reber & Schwarz, 1999; Novemsky, Dhar, Schwarz & Simonson, 2007

However, Tversky and Shafir's[178] study employed a more advanced and applicable methodology for investigating the effect of fluency on choice. Participants were required to choose between pairs of options, such as student apartments, varying in payoff, monthly rent and distance from campus. As the number of options (and thus difficulty of the decision) increased, so did the likelihood of deferring the decision. Such a methodology is more applicable to customers of the IPO, as they may be unaware of whether their product requires a patent or copyright etc., and thus have to investigate this decision, and come to a conclusion. If the information is difficult to process or time-consuming, they may simply defer this decision or choose to leave the process of protecting their designs altogether.

Tversky and Shafir's[179] study allows us to be more confident of the impact of fluency on the IPO's customers, and it seems that the concept as a whole is highly relevant. However, we would be more confident in its application if there was more research in the area investigating the impact of information which may be difficult for consumers to understand, based on its content, as opposed to aspects such as font.

Availability

Overview:

People may not consider registering their design rights as they cannot easily recall instances of this being necessary.

What is it?

Tversky and Kahneman[180] introduced the availability heuristic, based on the assumption that people estimate the likelihood of an event's occurrence "*by the ease with which instances or associations come to mind*".[181] For instance, the authors found that subjects overestimate the number of words beginning with the letter 'r', yet underestimate the number of words with 'r' as the third letter; as words beginning with the letter 'r' are recalled more easily.

The availability heuristic has also been applied to the ease with which examples of hazards are recalled to predict the probability of such an instance occurring in the future.[182] Keller, Siegrist and Gutscher[183] considered the impact of availability on the prediction of the likelihood of flooding. The authors concluded that those receiving more risk information, over a longer time period and those who had personal past experiences with flooding perceived more danger than those who did not receive this information or have past experience.

178 1992
179 1992
180 1973
181 p.208.
182 Tversky & Kahneman, 1973
183 2006

Why it works

Tversky and Kahneman[184] note that the reason why availability bias is so influential upon our estimates of future occurrence is due to the ease with which we recall salient events. The more regularly an incident occurs, the more mentally available it becomes; and the mental availability of an event is used to predict the potential frequency of its future occurrence. In all, the judgment of a size of a category or a frequency of an event depends upon how easy it is to retrieve the instances of this category from memory.

Schwarz et al.[185] discovered a peculiar effect of the number of instances on category judgments. Participants were asked to list either twelve or six instances of them behaving assertively or timidly; those who listed twelve instances of their assertive behaviour judged themselves as being less assertive overall than those who only had to think of six. Because it is easier to think of fewer instances of a behaviour or an event, participants must have struggled to think of additional examples of their assertiveness and took their inability to list the required twelve examples as an indication of their overall low degree of assertiveness. This effect has been documented across many conditions such as frequency of cycling, confidence in the choice, likelihood of avoiding an event, and product preference.[186] It seems that the ease of retrieving instances from a category is used as a substitute for the judgment of the overall category frequency.

Why is this impacting the IPO?

When considering the availability heuristic, the likelihood of an event is indicated by the ease that instances of such an event come to mind. The likelihood that an executive would have been made aware of another firm having their design copied may be low, due to the lack of communication that is likely to occur between competing firms in the same field. This will lead managers to estimate the likelihood of their design rights being infringed as minimal or low.

Fischhoff, Slovic and Lichtenstein[187] considered the impact of availability on managers' actions, and concluded that availability may result in managers being complacent. What is out of sight is out of mind, which is highly applicable to the IPO's position, and may be a key reason for managers not investing in protecting their designs.

By contrast, if made aware of the risk of not protecting their design rights, according to the availability heuristic, managers should be much more likely to invest in such protection. Keller, Siergrist and Gutscher[188], found that those participants who were presented with images of flooded houses perceived a much greater risk of this occurring to themselves, compared to a control group. This availability of instances of negative events increases the likelihood of an individual believing that such a situation may affect them, and thus causes them to take action to protect themselves against such a situation.

184 1973
185 1991
186 Kahneman, 2011
187 1978
188 2006

Do we have confidence in this theory?

The research discussed appears to be highly applicable to the IPO and explains why many managers do not protect their designs or enforce the protection of these rights. The availability effect is well documented and has been replicated in many experiments across various conditions, thus we can be confident in the validity and reliability of the cited research on the availability heuristic.

Additional cognitive biases

Familiarity heuristic

This involves current behaviour being based upon its similarity to previous behaviour and the results of this. It is assumed that past behaviour can be applied to new situations.

A company that has not previously protected their designs and yet has had no negative impact as a result is unlikely to protect new designs, as they assume that their behaviour employed previously can be applied to the current design, and will lead to the same results.

Peak-end rule

We reflect on our past experiences based upon how pleasant or unpleasant they were at their peak.[189]

Thus, if a company has applied for protection of their designs previously and has experienced a rejection, they are likely to judge this experience as highly unpleasant. Therefore, they are unlikely to apply for protection of new designs due to the negative past experience.

Primacy-Recency heuristic

This is the bias of memory towards information processed at the beginning and end of a communication.[190]

Therefore, if literature that new businesses seek out highlights the need to protect design rights at the beginning or end of the document, this is more likely to be remembered and acted upon by executives.

Recognition heuristic

Objects which are recognised are regarded as having higher value than those which are not recognised.[191]

189 Kahneman, 1999
190 Ebbinghaus, 1913
191 Goldstein & Gigerenzer, 1999

Therefore, if a company is in the stages of establishing itself and has many steps in this process to complete, and does not recognise that protecting its designs is necessary, then it will place a low value on the protection of such design rights. The more prominent issues, which have a larger value placed on them, will be invested in.

Representativeness heuristic

The probability of an event is often judged by comparing it to a known event, assuming that the probabilities will be similar.[192]

Therefore, if businesses are already established and have not protected any of their design rights in the past, and have not experienced any negative impact as a result of this, it is unlikely that they will protect new designs, as they assume the probability of this being necessary is low.

Simulation heuristic

The likelihood of an event is determined by how easy it is to imagine the event in one's mind.[193] This differs from the availability heuristic (discussed above) in that simulation involves fictitious examples being imagined, whereas availability bases likelihood judgments on relevant examples in the individual's memory.

If executives find it difficult to imagine instances whereby someone uses their designs, then they are unlikely to feel the need to invest in protecting them.

Social proof

This involves individuals basing their behaviour upon that observed in others, as they believe that this is the correct way to act.[194]

It may be that executives are not aware of others in their field protecting their designs, and so may believe that this is not a necessary investment.

Cognitive dissonance

It is also important to highlight the bias of cognitive dissonance. Festinger's cognitive dissonance theory[195] states that we experience a psychological state of discomfort when our cognitions are imbalanced and are competing, thus motivating us to remove the adverse cognition in order to return to a state of cognitive balance.

In application to the IPO, if managers are questioned regarding the reasoning behind why they have not invested in protecting their designs, they are likely to come up with reasons to

192 Tversky & Kahneman, 1974
193 Kahneman & Tversky, 1982
194 Sherif, 1935
195 Festinger, 1957

justify and rationalise why they have not. This is due to a cognitive imbalance – namely, the fact that they are aware that they have not registered their designs with the IPO, and that they should have done so, as it is necessary to ensure protection of their design rights. Therefore, when investigating the reasoning behind why executives have not invested in protecting their design rights, it is necessary to acknowledge the impact of the cognitive dissonance theory, and that the reasons presented by executives are likely to be justifications for their lack of action, as opposed to true insights as to why they did not register.

It seems that cognitive dissonance is more applicable to already established businesses, which have already made the decision not to protect their designs and justified this to themselves, maintaining a state of cognitive balance. In contrast, businesses that are in the process of setting up and are currently making decisions about which areas to invest in are being directly influenced by cognitive biases, which are preventing them from making the move to contact the IPO, prior to any opinion being made in relation to protecting their designs.

Conclusion

The review of the available literature suggests that all the heuristics mentioned are potentially contributing to the decision-making processes regarding the protection and enforcement of design rights. It is acknowledged that there is an uptake in patent applications which could confound the contribution of the loss aversion and anchoring heuristics to the decision-making process regarding the protection and enforcement of design rights, namely that businesses are not deterred from applying for patents despite the higher application costs. As a result we considered variables that would give us initial indications of the impact of such cognitive biases in the psychometric analysis, and how these relate to the protection and enforcement of design rights, to assess whether there are different factors which impact upon the decision-making process.

A summary of the findings of this Empirical Evidence Review together with suggestions for future research are set out in Chapter 6 in the Policy Recommendations.

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Chapter 5

Design Rights and Innovation

A Psychometric Analysis

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Introduction

The relationship between innovation and design rights has been highlighted in the History of Design[196] and has illustrated how the legislature has responded to the socio-economic demands of the time. However, James Moultrie's research and the conclusions of the Empirical Evidence Review[197] suggest that there is little direct evidence relating to the impact of perception towards the design rights system in connection with design-related activity. As a result, there was a need to examine this relationship and the impact of perception upon design rights statistically (rather than inferentially) in order to address this gap in the data.

Conceptual Background

The effects of design rights on motivation and innovation

We know that the UK design sector is large. Given the Hargreaves Review, which states that "*designers believe a patchwork of intellectual property right provisions puts them at a disadvantage in comparison with sectors fully covered by copyright law*"[198], the question emerges as to whether the UK's design sector is large:

a. in spite of design rights legislation; or

b. because of design rights legislation.

To address this question, a number of things need to be understood. First, design law can logically only have three effects on UK design industry – either no effect, a negative effect, or a positive effect. Based on this logic we can infer that:

a) *if* the law has a negative effect on innovation and growth, *then* changes in legislation may be needed to increase economic growth;

b) *if* the current UK legislation (relative to other economies) has a positive effect on innovation and growth, *then the legislation* should not be altered significantly; or

c) *if* the current UK legislation has no effect on innovation and growth, *then* the legislation may or may not be altered significantly (depending on whether it is believed that the current rate of innovation is satisfactory or not).

Following from the above logic, a second logical assumption is that there are only two independent mechanisms by which design law may have an effect on innovation and growth.

196 Carter-Silk, A. and Lewiston, M. The History of Design (Chapter 1)

197 Milner, R. and Petrova, E. Empirical Evidence Review (Chapter 4)

198 Hargreaves, Professor I (May 2011) Digital Opportunity: A Review of Intellectual Property and Growth, page 5, paragraph 4

The first concerns the *actual* design law and its appropriateness for enabling or disabling innovation. This requires an understanding whether there are inherent flaws in the legislative system (e.g. the scope of design law is too broad or too narrow), which may be inhibiting innovation and economic growth. This effect may be irrespective of people's *perceptions* or *comprehension* (i.e. what people think or feel) of the design rights system.[199]

The second issue concerns potential errors in people's perceptions and understanding of the current UK design rights legislation/system. It could be that the design rights system is inaccurately understood (e.g. because of how it is communicated, or how it is perceived by businesses and designers), and as a result the existing system de-motivates (or motivates) innovation and the protection of such innovation.

James Moultrie noted that "*there is little previous research into the perceptions of industry towards intellectual property or design-related intellectual property*"[200] with the research that has been conducted (including Moultrie's) being primarily descriptive in nature.[201] Whilst Moultrie took some important initial steps toward filling this gap in the literature, he argued that there is need for more research in this area. Accordingly, the aim of the current study was to extend previous research by:

a) investigating a larger set of variables assessing design-related perceptions and behaviour;

b) employing psychometric techniques to increase the robustness of the survey findings; and

c) conducting a correlational analysis to investigate the effects that the existing design rights system has on business' perceptions, motivations (thoughts and feelings), and behaviour related to design innovation and protection. In line with the above arguments, the specific aims of the current research were to assess:

1. whether perceptions and/or knowledge of the scope, effectiveness and complexity of the design rights legal system affect the motivation and behaviour of businesses to innovate, create and protect their design rights;

2. whether perceptions and/or knowledge of the cost (including monetary and non-monetary costs) of enforcing design rights affect the motivation and behaviour of businesses to innovate, create and protect their design rights;

3. whether variables, such as business size and design intensity, impact upon the motivation and behaviour of businesses to innovate, create and protect their design rights;

199 Note that, in this scenario, it could be that the design rights system has no effect on people's thoughts, feelings or behaviour in relation to design, innovation and protection, and yet still have an effect on actual innovation (e.g. by leading to incorrect court action).

200 Moultrie, J and Livesey, F (2011) Design Economics, Chapter 3, Design Right Case Studies, page 3

201 cf. Petrova, E & Milner, R. Empirical Evidence Review (Chapter 4)

4. whether actual knowledge and a business' perception of design rights, together with its motivation to create and protect those design rights, are related to respondent-reported company data (e.g. the data provided by those survey participants regarding the actual innovative and enforcement behaviour and achievements that they have experienced); and

5. what remedies businesses find the most or least effective.

Descriptive and Psychometric Analysis

Methodology:

Participants:

Participant details can be found below (please refer to the Descriptive Analysis section.)

Design and Materials:

In order to address the objectives of the study, an online psychometric survey[202] (the Survey) was developed. The variables (and their associated items) measured in the Survey were based on previous research and reports commissioned by the UK Intellectual Property Office (IPO) together with contributions from an expert panel.[203] The Survey investigated (i) the perceptions that designers and businesses had of the existing design law system (e.g. whether designers believed that the architecture of the law and the available remedies were adequate to protect the product of their innovation against plagiarism); and (ii) actual business activity with respect to innovation and protection of designs. The questions were generated in line with the hypothesised factors outlined above and were aimed to assess:

1. experience with, and perceptions of, copying;

2. perceptions and/or knowledge of the scope, effectiveness and complexity of the design rights legal system;

3. perceptions and/or knowledge of cost (monetary and non-monetary costs) concerning the registration and enforcement of design rights;

4. motivation of business to create and protect designs;

5. respondent-reported company data (e.g. of actual innovative and protective activity and achievements that had been undertaken by survey participants);

6. available remedies and their adequacy; and

202 A link to this survey can be found at https://www.surveymonkey.com/s/designrights and is also set out at Appendix 2 to this paper

203 Comprising Tony Clayton (IPO), Rose Geeson (IPO), Bill Trott (IPO), Andrew Smith (IPO), Sir Robin Jacob, Gill Smith (Dyson), Nick Kounoupias (DMH Stallard and ACID) and Dan Hodges (BIS).

7. nature of business (size and type).

Building on the research conducted by James Moultrie, which assessed attitudes with single-question measures, we used a method of multiple questions to measure the same underlying construct (e.g. attitude towards costs). The reason for this is the prevailing suggestion, from a wealth of psychometric literature, that single-item psychometric measures are less reliable than multiple-item measures.[204]

Procedure:

Respondents from industry were invited to participate in the Survey. This was primarily aimed at designers and those businesses that profit from innovation and design. In order to gain as wide a spread of participants as possible, invitations to participate in the Survey were circulated to members of the Design Council, customers of the IPO, members of ACID (Anti Copying in Design), existing clients of Speechly Bircham LLP and members of the British Brands Group. Links to the Survey also featured on the IPO and Speechly Bircham LLP websites and the IpKat and Class 99 blogs. Calls were also made to various design companies at Chelsea Harbour Design Centre and designers that had featured at London Fashion Week. A minimum of 38,000 participants were approached.

Respondents were informed that their participation was voluntary and that they could exit the Survey at any point. A total of 143 companies attempted the Survey. Out of these, 38.5% (55 companies) completed the full Survey (with some questions not being attempted owing to non-applicable options). The average completion rate was 44% (63 companies).

Descriptive Analysis

Before examining correlational models (i.e. how the variables relate statistically) we examined the descriptive data to get an indication of our sample participants and their responses.

To an extent we followed James Moultrie's research[205] and created a number of theoretically relevant factors in order to understand the relationship between the law of design rights, people's perceptions of the law, the motivation to create and protect, and actual innovation (activity and performance). However, we substantially extended Moultrie's survey to include a number of additional psychological variables (allowing a psychometric analysis). We also tried to control for contextual, chronological, psychographic and biographic factors in our analysis of these relationships.

In addition, we analysed correlational and regression models, beyond descriptive statistics, in order to investigate relevant and important relationships. Correlational models enhance the accuracy of findings as hypotheses can be tested empirically rather than inferentially. The data of both the descriptive and psychometric analyses (including causal relationships) is outlined in this report.

204 Kline, 2000

205 Moultrie J. and Livesey, F. (2011) Design Economics, Chapter 3, Design Right Case Studies

We start by outlining the demographic, biographic, and psychographic information of our sample, before moving onto the descriptive data regarding the effects of design rights on innovation and growth. Finally, we report on the statistical relationships.

Sample:

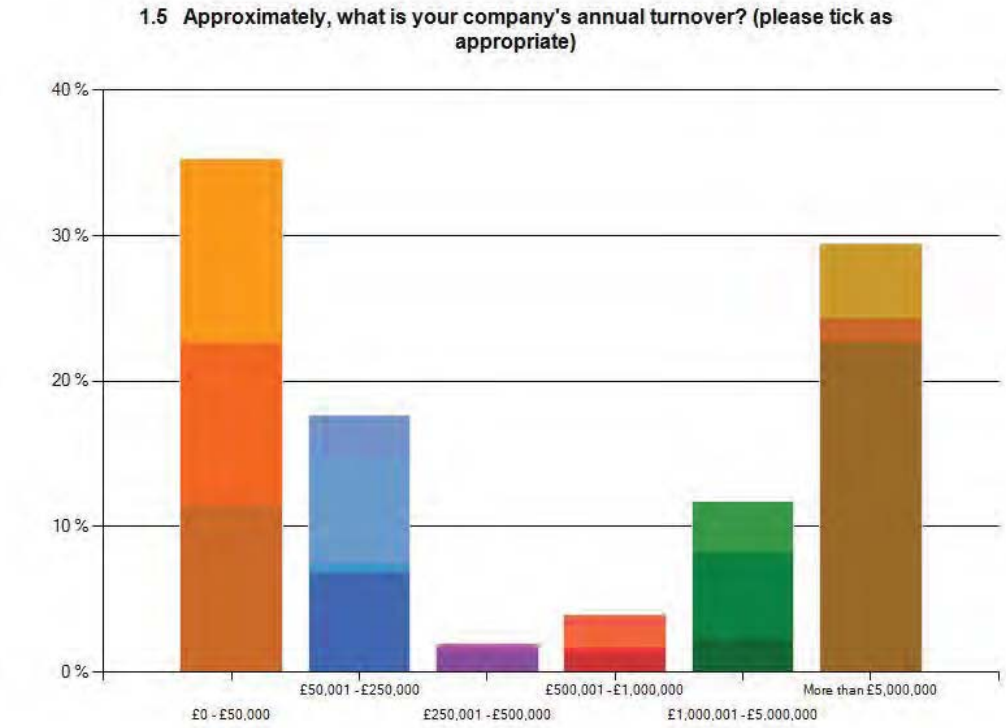
Business Size

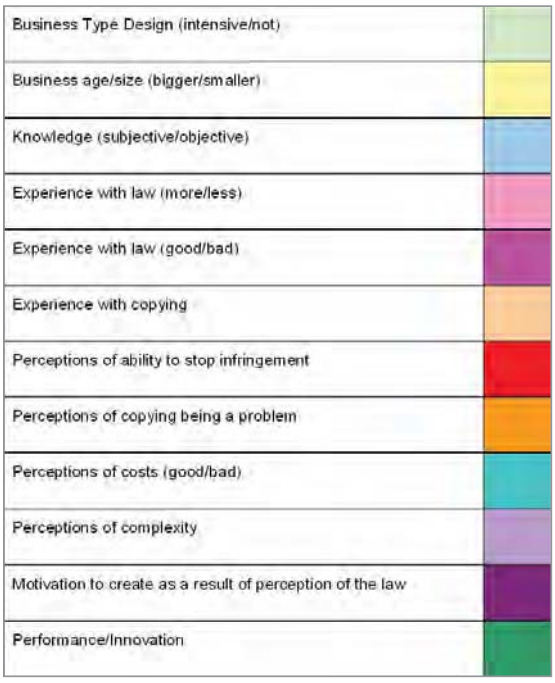
An important variable that we wanted to take into account was business size. We speculated that there might be a difference in the decision to introduce, as well as defend, designs depending on the size of a business. Most of the sample **(76%)** in our research **consisted of organisations with less than 100 employees (i.e. small to medium sized enterprises; SMEs[206])**. Nevertheless, the largest segment (41%) of organisations in our sample had been running for more than 20 years and about **11%** of respondents were in organisations with **more than 10,000 employees.**

A large number **(32%)** of companies in the SME category had been trading for less than 5 years, with **36%** having an annual turnover of between £0-£50,000. Nevertheless, **29% of companies had a turnover of more than £5,000,000** indicating that our survey covered a good range of both SME's and large organisations. Figure 2.1 illustrates the sample companies' approximate annual turnover.

206 According to the European Commission small enterprises are those with less than 50 employees and a turnover of less than 10m Euro, whereas medium sized enterprises are those with less than 250 employees and a turnover of less than 50m Euro.

PSYCHOMETRIC ANALYSIS FIGURE 2.1

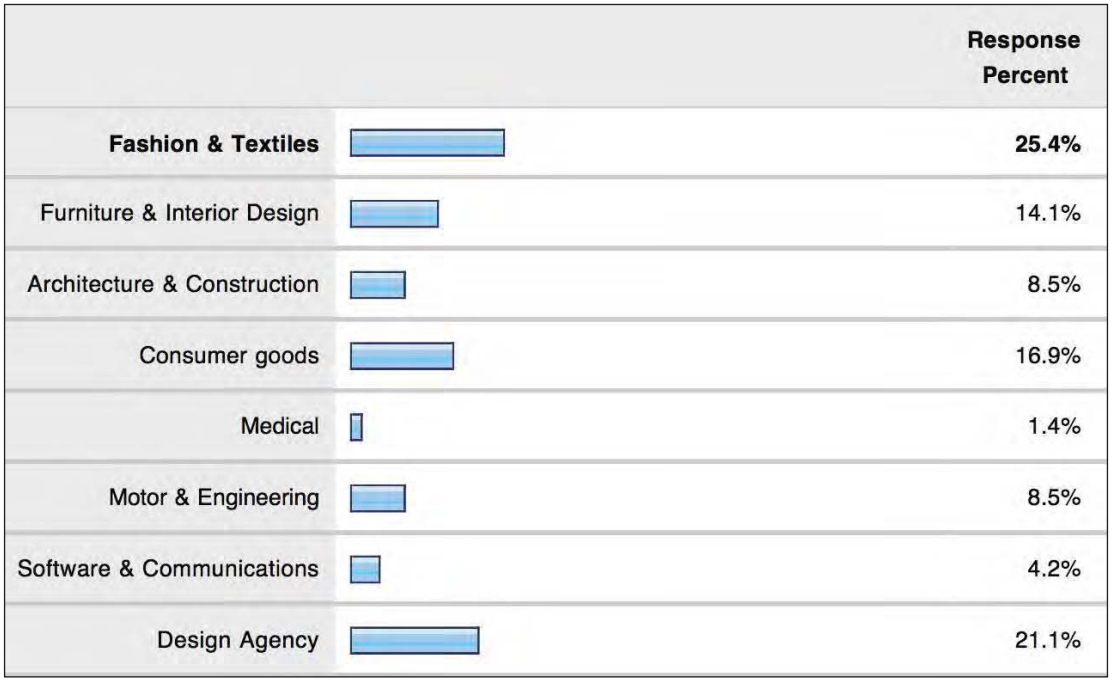




Business Type (design intensive vs. technology intensive)

Several questions were devised in order to categorise companies into more or less design intensive organisations. Figure 2.2 shows the spread of business types participating in the survey.

PSYCHOMETRIC ANALYSIS FIGURE 2.2



	Response Percent
Fashion & Textiles	**25.4%**
Furniture & Interior Design	14.1%
Architecture & Construction	8.5%
Consumer goods	16.9%
Medical	1.4%
Motor & Engineering	8.5%
Software & Communications	4.2%
Design Agency	21.1%

As can be seen, the majority of the sample consists of organisations that would be considered design intensive (according to Moultrie's typology).

In addition, we found that the **principal application of design was on products** (74%), with graphics (16%) being the second most applied area.

57% of companies indicated that the majority of their annual sales were generated by innovation in design, new commissions (if a design house) or new products, with 13% indicating that this number was about half of annual sales. This confirms that there were a large number of design intensive organisations in our sample. About a quarter of the sample (26%) indicated that a small amount of sales were generated by innovation in design, with only 4% indicating that no sales were made this way.

When asked specifically about the company's products (including graphics and electronic products), the **largest segment of the sample (50%) indicated that they relied on the technical function and visual appearance equally**, with 37% indicating that they relied predominantly on visual appearance (i.e. what the product looks like).

Most respondents also indicated that, in terms of the aspect that attributes most value to their organisation's product, **the design ("the appearance") was either the most important (57%), or played a significant part (32%).**

To obtain more specific information about the worth of the design for companies, we asked them to indicate what level of costs the company would be prepared to incur to enforce its design rights – for a design which they consider to be "valuable" – if it was advised that its claim had good prospects of success but would only realise a modest damages award. As can be seen in Figure 2.3 below, most companies indicated that **they would be prepared to incur between £0-25,000 to enforce their design rights**. This is not surprising, given that most of the companies are SME's. There are also those who would have no financial limit for enforcing their design rights**.** Overall, around 40% of companies would be willing to spend over £25,000 to protect their designs.

PSYCHOMETRIC ANALYSIS FIGURE 2.3

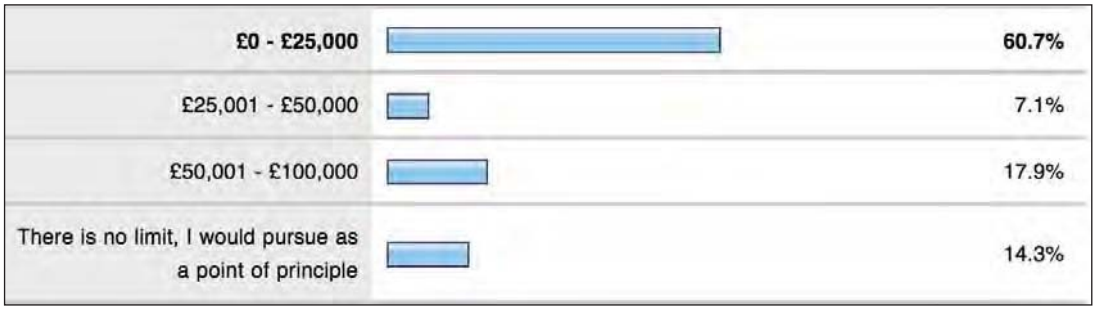


Figure 2.3 "For a design which you consider "valuable", what level of costs would your Company entertain as an acceptable risk based on a good prospect of success and modest damages?"

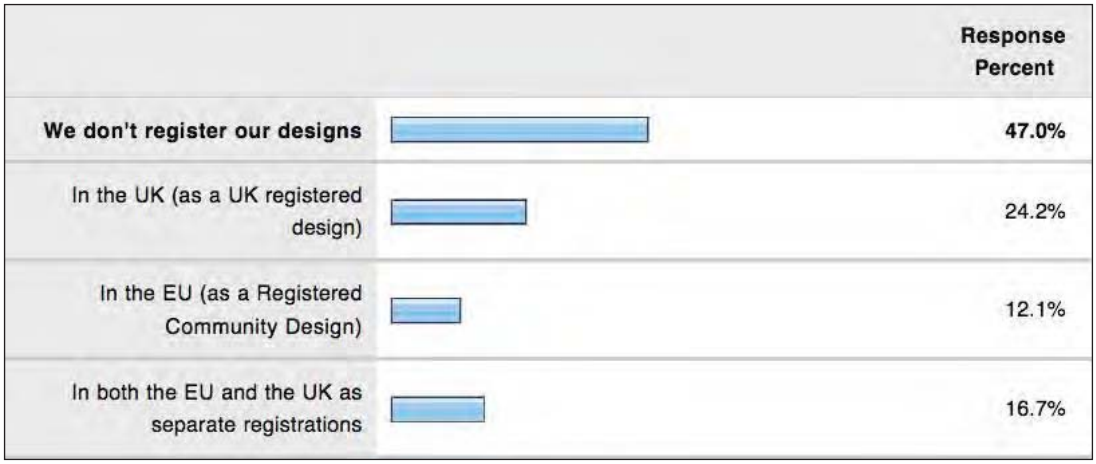
Interestingly, among these design intensive companies, the majority **(71%) indicated that the typical lifetime of a product (in months) before a new version or design is likely to enter the market (i.e. how durable design is in their market) was more than 12 months.** To an extent this is contrary to the findings in Moultrie's Report[207] that *"A commonly stated reason for not registering in fashion companies is the rate of change of designs".*

Design registration

Previous research (IPO, 2011) indicates that design registration is relatively low in the UK. This is also the case in the current sample. We asked companies to indicate where, if at all, they register their designs. Despite being a design intensive sample, 47% of organisations did not register their designs, as shown in Figure 2.4 below:

207 Moultrie J. and Livesey, F. (2011) Design Economics, Chapter 3, Design Right Case Studies, p. 10, para 1, lines 3 & 4

PSYCHOMETRIC ANALYSIS FIGURE 2.4



Moultrie's research indicated that lack of registration cannot be attributed to any perceived problems in the UK system (as opposed to overseas), but rather that designs are not considered sufficiently important. In our survey, on the other hand, organisations generally saw design as their most important asset, or of significant value.

We wanted to know the reasons for registering and not registering designs. We did this by asking respondents to specify the main reasons for registering their designs by indicating the extent to which they agreed (from 1 [strongly disagree – far left] to 5 [strongly agree – far right]) to each of the following statements below – see Figure 2.5:

PSYCHOMETRIC ANALYSIS FIGURE 2.5.

Registration is perceived as a deterrent to copyists and competitors	2.9% (1)	5.9% (2)	14.7% (5)	20.6% (7)	**55.9% (19)**
Registration extends the term of protection	9.4% (3)	15.6% (5)	18.8% (6)	12.5% (4)	**43.8% (14)**
To create a portfolio of registrations to add value to the Company	9.7% (3)	25.8% (8)	25.8% (8)	9.7% (3)	**29.0% (9)**
To avoid the requirement to prove copying by infringers	12.5% (4)	9.4% (3)	25.0% (8)	15.6% (5)	**37.5% (12)**
To attract third party funding	32.3% (10)	9.7% (3)	**35.5% (11)**	12.9% (4)	9.7% (3)
It is customary practice for our Company to register designs	**24.1% (7)**	10.3% (3)	**24.1% (7)**	17.2% (5)	**24.1% (7)**
Not applicable	**50.0% (3)**	16.7% (1)	0.0% (0)	0.0% (0)	33.3% (2)

As with Moultrie's research, the strongest reason to register a design is that it acts as a deterrent to competitors and copyists. Other interesting reasons are that it extends the term of protection for the design and negates the need to prove copying.

Reasons for *not* registering

Moultrie found that respondents were generally neutral regarding the process of registering a design. The two main reasons identified in the research were that:

a) design registration offers insufficient protection; and

b) is difficult to defend.

Another reason suggested by Moultrie is the rate of change of designs, in other words, the typical lifetime of a product before a new version or design enters the market. However, given that most firms (71%) in our sample suggested that the typical lifetime of a product was more than 12 months, it seems unlikely that this would be a strong explanation.

Building on Moultrie's findings, our data shows that another reason may be that organisations feel that competitors do not view design rights or registered designs as an obstacle or deterrent. Thus, whilst most organisations who *do* register designs view registration as a deterrent to copyists, the data suggests that there is a general opinion amongst companies that registration does not act as a major obstacle or deterrent to copying.

Lack of Understanding?

Looking at trends in the data, there may be other reasons for not registering. These relate to the use of other modes of IP as protection, perhaps due to a lack of understanding of design law. For instance, Moultrie found that design rights (including unregistered design rights) were the least used forms of protection amongst his sample. Indeed, for design intensive firms, registered trademarks were the most commonly used, whereas for technology-based firms these were copyright and secrecy. In particular, Moultrie's report indicated that a brand is viewed as being "*ultimately a more defendable asset and a registered trade mark retains value even if the individual design changes frequently.*"[208] Design rights are seen as "*an asset of lower value than trade marks or patents.*"[209]

208 Moultrie J. and Livesey, F. (2011) Design Economics, Chapter 3, Design Right Case Studies, p. 17, para 2, lines 1 - 3

209 Moultrie J. and Livesey, F. (2011) Design Economics, Chapter 3, Design Right Case Studies, p. 2, para 2 lines 8 & 9

In our Survey we asked participants first to indicate which right(s) they would expect to invoke to protect their company's design. The results were interesting; the rights they would rely on from the most (with a rating of 5) to the least (with a rating of 1) are shown below:

1. Copyright - 3.7
2. UK registered design right - 3.4
3. UK unregistered design right - 3.1
4. EU unregistered community design right - 2.8
5. EU registered community design right - 2.4

As can be seen, our sample indicates that copyright is the right that is most relied upon in the event of an infringement (even when the participants were not given the option of relying on other IP rights such as patent or trade mark infringement and passing off). These are, as Moultrie argues, indications of a lack of understanding that automatic rights (i.e. copyright and unregistered design rights) are more defendable if the origin of the design is clearly dated and recorded.

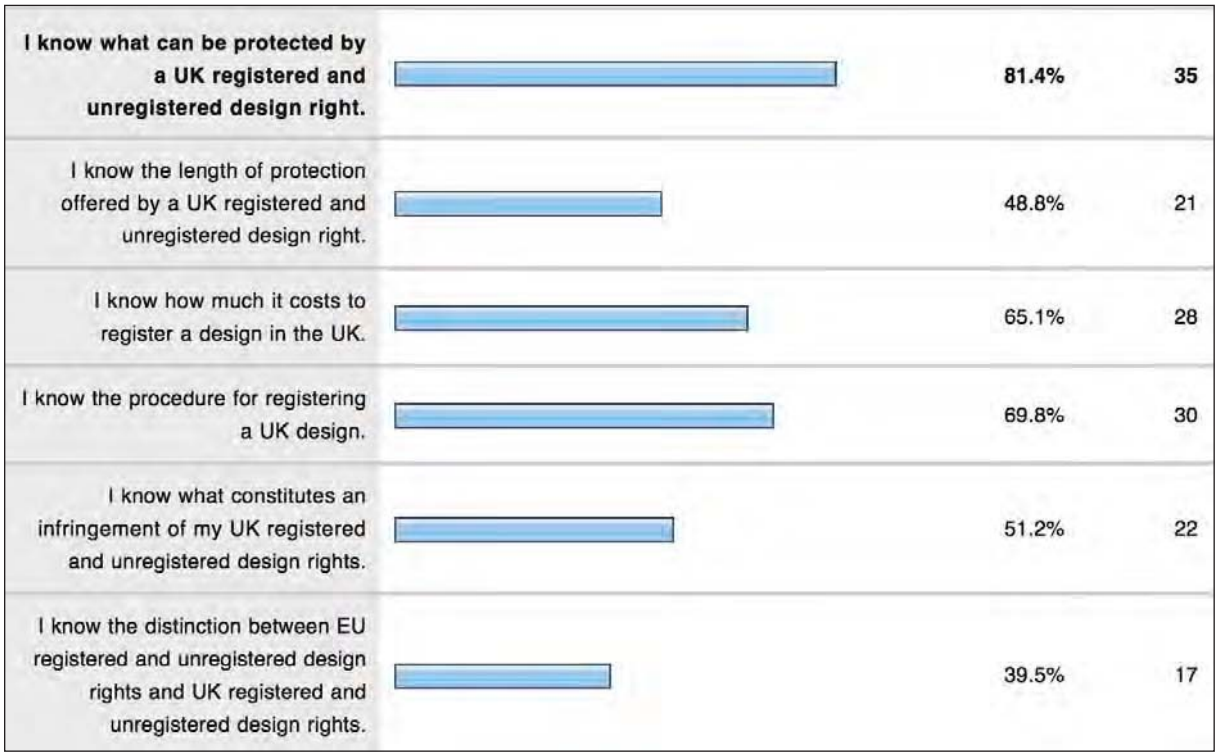
To extend our findings, we then asked participants for objective data – to provide three case studies in which they used IP rights as protection and to specify the rights they relied upon in each case. In this exercise, the participants were given the option of choosing additional rights (i.e. passing off and trade mark infringement). The results (from the most commonly to the least commonly used rights) are shown below:

1. Copyright (21%)
2. Passing off (17%)
3. UK unregistered design right (16%)
4. Trade mark infringement (13%)
5. EU unregistered community design right (13%)
6. EU registered community design right (10%)
7. UK registered design right (6%)
8. Patent infringement (5%)

This demonstrates that companies indicate that they rely on design rights less than other rights such as copyright and passing off. Only UK unregistered design rights are enforced to a comparable degree. Interestingly, this suggests that people continue to rely on and invoke automatic rights, despite having had the experience of enforcing the design law to protect their designs. This experience has thus not led to an increase in the use of registered design, which should in theory be easier to defend.

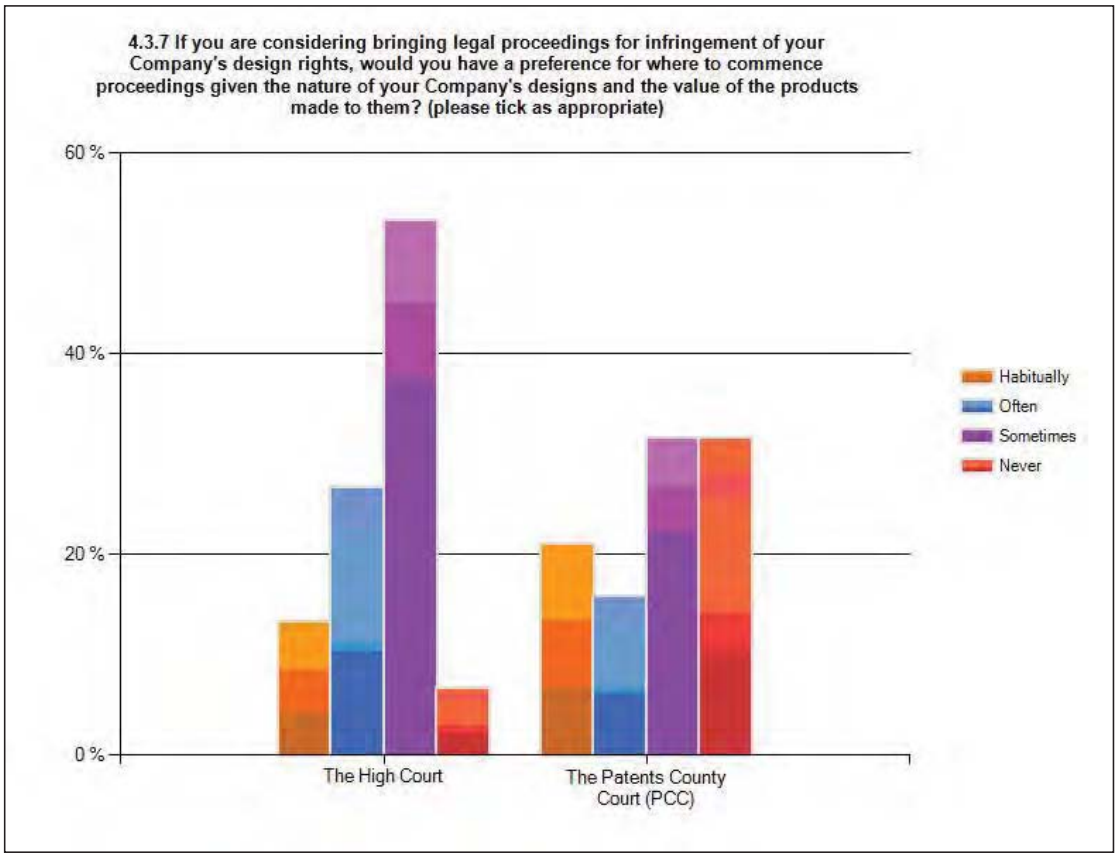
To see whether respondents were choosing other forms of IP protection due to a lack of understanding or knowledge of the law, we specifically asked our sample about their general knowledge of the law. The results, shown in Figure 2.6 (below) do not support the idea that relatively low rates of registration are due to a lack of knowledge as to what can be protected by UK registered and unregistered design rights, nor an ignorance of the procedures or costs involved – at least at a perceived (self-reported) level.

PSYCHOMETRIC ANALYSIS FIGURE 2.6



Finally, we asked each company whether they would have a preference for where to commence proceedings. The results are shown at Figure 2.7 below:

PSYCHOMETRIC ANALYSIS FIGURE 2.7



Is Copying a Problem?

Moultrie noted that copying is a problem for both technology and design intensive firms. Building upon his findings, we specifically asked about the amount of copying that was experienced by the respondents. Our data shows that although a fifth of the firms have experienced a substantial amount of copying (over 50% of their products), the large majority of companies experience less than 25% of their designs being copied in one form or another in each year. The specific rates of copying are shown at Figure 2.8 below:

PSYCHOMETRIC ANALYSIS FIGURE 2.8

0-10% of their designs are copied = 45%

11-25% of their designs are copied = 24%

26-50% of their designs are copied = 11%

51-75% of their designs are copied = 6%

75-95% of their designs are copied = 10%

Over 95% of their designs are copied = 3%

In addition, about half of the sample indicated that *at least* 26% of the copied designs were (perceived to be) identical and/or substantially similar.

Interestingly, when respondents were asked whether copying of designs was a real issue for the company and whether this copying caused the company to lose a large amount of money each year, most respondents (74%) were either neutral or disagreed with the statement (with only 26% agreeing or strongly agreeing with it).[210]

Furthermore, from our data, we can see that a majority of companies have never commenced legal action, even when copying has been detected (see Figure 2.9 below). This could be interpreted as reflecting the responses stated above, namely, that people do not necessarily see copying as a problem (although other explanations, such as difficulty in asserting rights, may be equally viable).

210 In the correlational analysis we further examined whether perceptions of copying being a real issue was related to subjective and objective measures of creativity and protection and found that this variable was only predictive of motivation to create (negatively), and not any other objective measure of innovation or protection of designs, confirming these views.

PSYCHOMETRIC ANALYSIS FIGURE 2.9

Therefore, it is difficult to judge whether copying is in fact a *general* problem for the industry. The data suggests that this may not necessarily be the case. Yet this does not mean to say that copying is not an issue. After all, there are a significant amount of companies who:

a) have had the majority of their designs copied;

b) have experienced a large proportion of these copies being nearly identical to their product; and

c) find that copying causes their company to lose a large amount of money each year.

As noted, around 40% of companies would be willing to spend over £25,000 to protect their designs and almost one fifth have no limit on their spend when it comes to protecting their designs.

It is therefore important to understand how big an issue copying is for those who actually experience it, including the remedies available to deal with copying. To test this, we had to ask for the reasons why respondents may not have taken legal action and specifically, whether this was due to indifference to copying or to issues with enforcement of rights.

How big a problem is copying for those who experience it? And how able are companies to deal with copying?

We mentioned above that the majority of companies had never commenced legal action to enforce their design rights, even against someone who they considered to have copied their designs, almost identically. Our data also shows that when asked to report the percentage of the company's annual turnover that is used or allocated towards enforcing intellectual property rights, a similar picture emerges. Most of the organisations allocate minimal amounts or nothing at all, as shown in Figure 2.10.

PSYCHOMETRIC ANALYSIS FIGURE 2.10

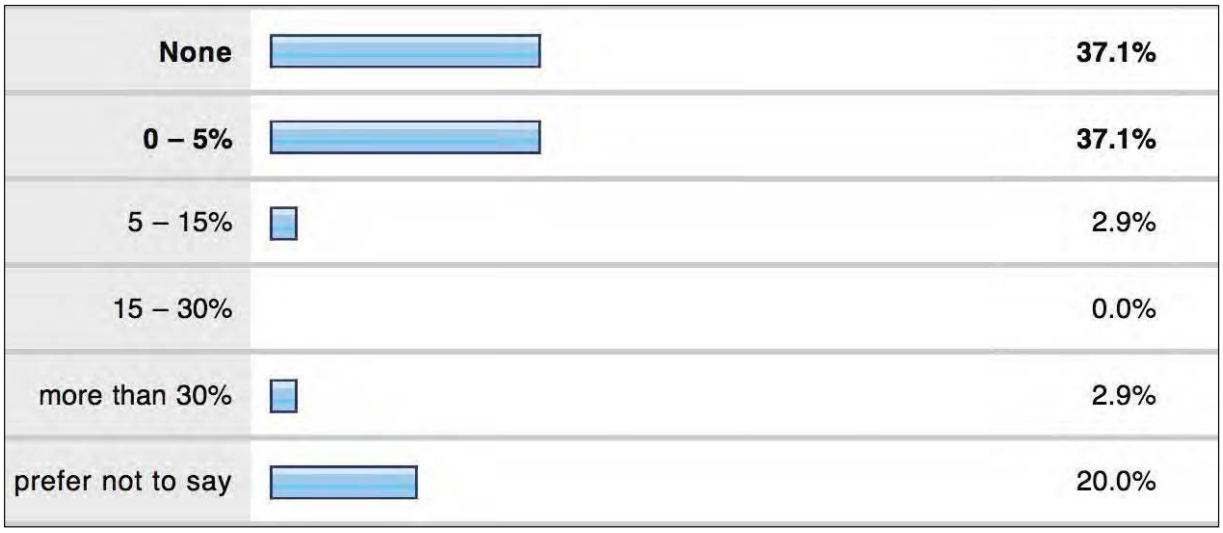


Figure 2.10 "What percentage of your Company's annual turnover does it use or allocate towards enforcing its intellectual property rights?"

Nevertheless, when companies do decide to enforce their rights the reasons are generally clear. These include prevention of copying, loss of market share (presumably as a result of copying), removal of infringing products from the market and protection of reputation, as shown in Figure 2.11 below.

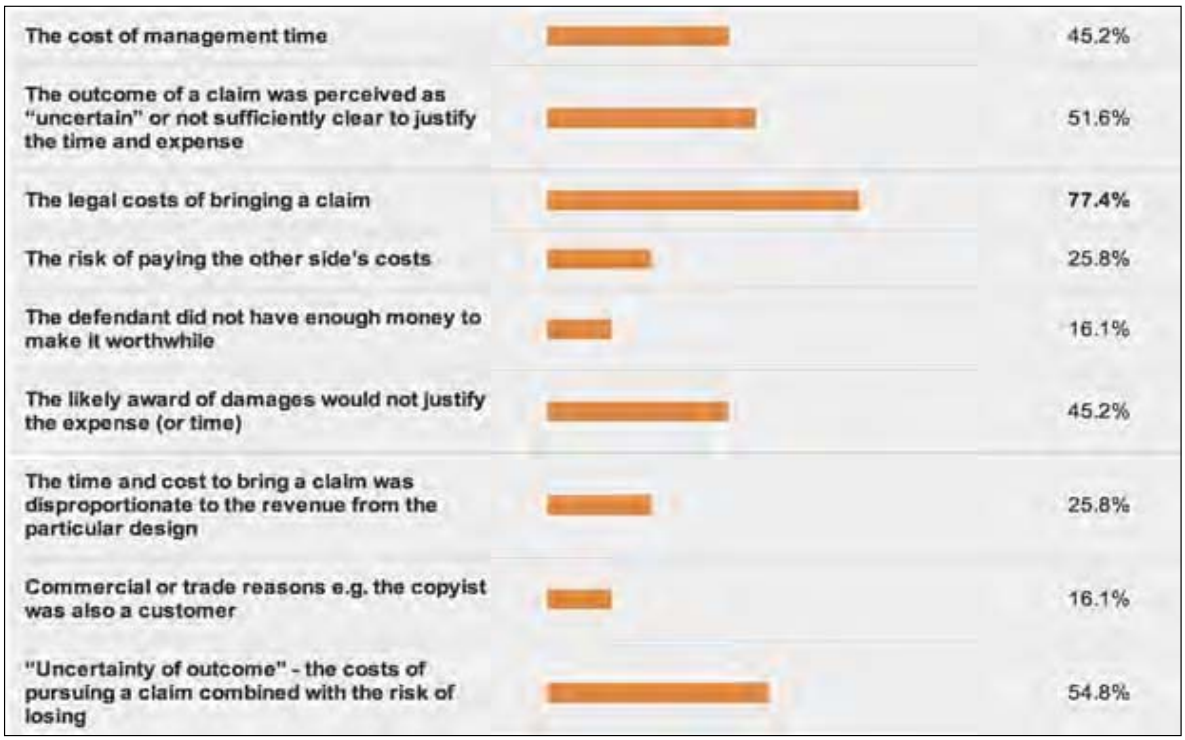
PSYCHOMETRIC ANALYSIS FIGURE 2.11

Recovery of damages	17.0% (9)	9.4% (5)	18.9% (10)	24.5% (13)	**30.2% (16)**
Preventing loss of your market share or sales	7.1% (4)	8.9% (5)	3.6% (2)	16.1% (9)	**64.3% (36)**
Removing infringing products from the market	3.7% (2)	3.7% (2)	7.4% (4)	16.7% (9)	**68.5% (37)**
Recovery of costs relating to enforcement	11.8% (6)	9.8% (5)	19.6% (10)	13.7% (7)	**45.1% (23)**
Protecting your reputation	3.8% (2)	3.8% (2)	15.1% (8)	15.1% (8)	**62.3% (33)**
Deterrent value of a successful claim	7.5% (4)	9.4% (5)	22.6% (12)	24.5% (13)	**35.8% (19)**
Loss of exclusivity on the market	7.5% (4)	7.5% (4)	18.9% (10)	18.9% (10)	**47.2% (25)**
Personal pride and dislike of being copied (point of principle)	22.9% (11)	16.7% (8)	16.7% (8)	16.7% (8)	**27.1% (13)**

Reasons for *not* enforcing

Moultrie's research indicated that the main reason for *not registering designs* is that respondents found design registrations difficult to defend. Although this gives us an indication that companies find enforcing rights to be difficult, we need to understand the source for this difficulty and whether there are other reasons, apart from difficulty in enforcing, that may inhibit companies from enforcing their design rights. Figure 2.12 shows that the main reason for a company not to enforce its design rights is the perceived prohibitive legal costs of bringing a claim, alongside the uncertainty of outcome.

PSYCHOMETRIC ANALYSIS FIGURE 2.12



Below we discuss our findings in relation to the inaction of many companies to enforce design rights.

Enforcement will not stop infringement

Apart from difficulties in enforcement, it may be that companies find the benefits of successfully enforcing design rights insufficient in comparison with the costs (monetary and non-monetary) involved. Indeed, looking at our data we see that *few* companies (16%) believe that taking legal action to enforce design rights will bring a swift resolution to the infringing activity. The belief is that even if one successfully enforces design rights, this does not stop other potential copying.

Uncertainty of outcome

Another trend in the data suggests that respondents find that:

a) the range of options available for the protection of designs is confusing;

b) the process of enforcing design rights is confusing;

c) there is no clear guidance on the procedure to follow when one becomes aware that someone is infringing your design(s);

d) the outcome of court cases concerning design right infringement are unpredictable; and

e) design law is difficult to understand.

Indeed, when asked why companies did not pursue a claim for infringement, even when they believed their designs were being copied, “uncertainty of outcome” (i.e. the outcome of a claim being perceived as “uncertain” or not sufficiently clear to justify the time and expense) was the second most popular choice (with the first being costs). This finding was also supported by the fact that only around half of the sample indicates that they know what constitutes an infringement of UK registered and unregistered design rights (despite the majority indicating that they know what can be protected by UK registered and unregistered design rights).

Costs: Time and Money

Although a large proportion of respondents (30-40%) are neutral, there is a clear trend in the data suggesting that respondents feel that the costs of enforcing design rights far outweigh the benefits that can be achieved. Indeed, a large number of respondents indicated that they would rather leave copying unchallenged than incur the financial and time costs of taking cases to court. Finally, when asked whether they would consider taking court action more often if the level of costs were more predictable, 76% of respondents agreed or strongly agreed that they would. This is in line with the finding that the legal costs of bringing a claim is the number one reason (with 76% of participants in agreement[211]) why companies do not pursue a claim for infringement, even when they believe that their designs are being copied.

We also investigated how much time is actually involved in enforcing design rights by asking those who have had experience in enforcing their rights. In assessing the time that cases have taken to be resolved (from delivery of the letter of complaint/claim to the court’s final judgment or settlement of the claim), respondents report a range from a minimum of 3 weeks to a maximum of 5 years.

211 See Figure 2.12

Legal advice

We speculated that another reason for not taking action might be that respondents obtain legal advice refraining them from doing so. To test this, we asked first how many of the respondents took legal advice before enforcing their rights (with particular reference to three specific case studies) and subsequently whether the advice confirmed their view or not.

PSYCHOMETRIC ANALYSIS FIGURE 2.13

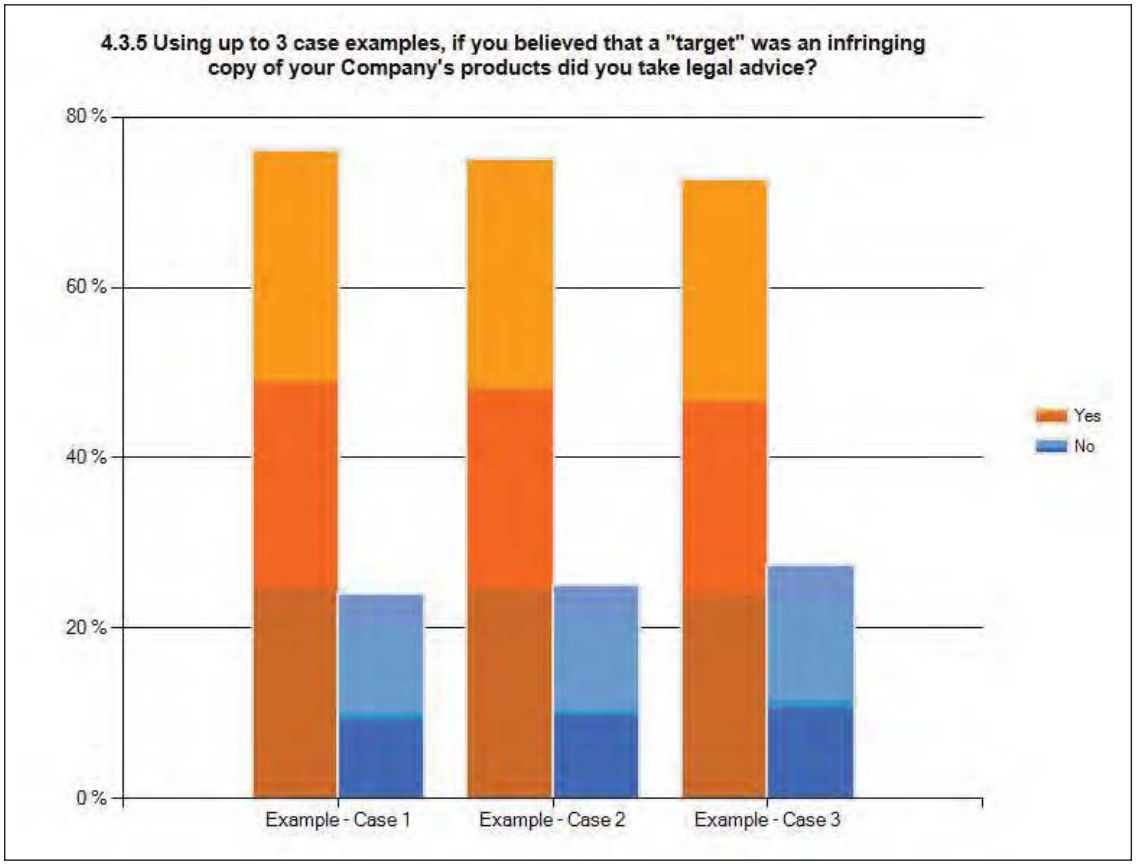


Figure 2.13 (above) shows that whilst respondents indicate that they rarely take action to enforce their designs, they often seek legal advice. It is also clear that most of those seeking legal advice find that the advice received confirms their view in 60% of the cases, 33% provide equivocal advice, and only 6% of the cases dispel or counter the companies' view.

These findings are interesting for two reasons: first, they indicate that in about 93% of cases, the advice given is simply something companies already know; second, they highlight that most companies do not take action to enforce their designs on the basis of their belief that bringing a claim is too costly. It would appear that legal advice usually confirms their views, thus reinforcing this belief.

Experience

One question is whether the perceptions of costliness are based on experience or rather advice, rumours, stories and other anecdotal evidence. Thus, we asked those who had experience in enforcing their company's design rights about their perception of the subsequent outcome (either via an out of court settlement or at trial).

PSYCHOMETRIC ANALYSIS FIGURE 2.14

Example - Case 1		
	Yes	**No**
Achieve a satisfactory outcome (either via an out of court settlement or at trial)	**77.3% (17)**	22.7% (5)
Obtain adequate cost recovery	30.0% (6)	**70.0% (14)**
Example - Case 2		
	Yes	**No**
Achieve a satisfactory outcome (either via an out of court settlement or at trial)	**62.5% (10)**	37.5% (6)
Obtain adequate cost recovery	25.0% (4)	**75.0% (12)**
Example - Case 3		
	Yes	**No**
Achieve a satisfactory outcome (either via an out of court settlement or at trial)	**58.3% (7)**	41.7% (5)
Obtain adequate cost recovery	33.3% (4)	**66.7% (8)**

As can be seen from Figure 2.14 above, the data showed, perhaps somewhat surprisingly, that companies tend to achieve a satisfactory outcome when enforcing their design rights. This is contrary to the evidence, which suggests that most companies do not tend to enforce their rights because they find the process of enforcement costly, confusing, and inefficient.

This discrepancy becomes clear, however, when one looks at whether companies perceive that they obtained adequate cost recovery. The data clearly shows that this is not the case. Therefore, despite achieving a satisfactory outcome, in each of the 3 cases, companies feel that they have not obtained adequate cost recovery. This finding is consistent with the rest of the data.

Remedies

Given that a number of companies enforce their design rights, it is important to investigate what solutions they have found to be the most commercially effective. This is outlined below at Figure 2.15. This shows that most respondents believe the most effective solutions are those which are also the simplest. This supports the idea that people find legal action, more than anything else, cumbersome and costly, although there is a knowledge gap, with 75% expressing that they "didn't know" what remedy was the most effective.

PSYCHOMETRIC ANALYSIS FIGURE 2.15

Figure 2.15 "Which of the following solutions have you found to be the most commercially effective when enforcing your Company's design rights?"

Psychometric Analysis

The next step of our analysis was to investigate statistical models between the tested variables in the study. In particular, we wanted to test the hypotheses set out in the Conceptual Background above, which postulate that design rights may have either a direct or an indirect effect on innovation and economic growth (the latter being through its effect on perceptions/ attitudes). To test this, we examined four factors:

1. Knowledge of the design rights system;

2. Perceptions about the design rights system;

3. Motivation to create and innovate as a result of points 1 and 2 above; and

4. Actual behaviours related to innovation (including protection of creativity).

Factor Analysis

To collate information on the above-mentioned variables, we generated a number of items (questions) aimed to assess each variable of interest. Psychometric inventories include a multitude of items that are used to assess underlying factors (i.e. psychological constructs, in this case attitudes towards, and knowledge of design legislation, and motivation in relation to design-related activity) in order to increase the reliability and validity of the latent psychological factors. The items that were generated, and the respective latent factor each item aimed to assess, are displayed in Appendix 1 at Table 1.

Next we conducted Factor Analysis (FA) methods and a reliability analysis on the items in the psychometric tests in order to inspect whether, and how well, each item loaded on its hypothesised factor. In order to increase the robustness (reliability and discriminate validity) of the factors, items that cross-loaded on more than one factor, or did not load well on their respective factors, were omitted from the analysis. The results of this process revealed 4 reliable factors:

1. Subjective knowledge (alpha = .90);

2. Attitudes (positive or negative) towards registration of design (alpha = .83);

3. Attitudes (positive or negative) towards enforcement of design (alpha = .71); and

4. Motivation to create and protect designs resulting from the above attitudes[212].

In addition to the reliable factors set out above, we extracted eight additional items from the survey that were indicative of objective behaviours, broadly categorised into:

- *innovative behaviour/achievement* (i.e. profits made from design/innovation, design achievements/recognition);

- *behaviour to protect design* (registration, spending on protecting design, legal advice, legal action); and

- *Objective knowledge* (obtained by summing the number of correct answers a respondent achieved on the design knowledge test).

We also included three moderator variables: one concerning *business size* (i.e. business age, number of employees, annual turnover, and profit margin), and two concerning *design intensity* (i.e. the value attributed to design and product life before a new product is introduced to the market), to control the anomalies that these variables can create in the analysis.

212 Although the factor analysis revealed two factors relating to motivation to create and protect, correlational analysis revealed that these factors correlated substantially, indicating a single underlying factor. This single factor was kept for further analysis.

Correlational Analysis

A correlational analysis was conducted to see the relationship between these variables. This is shown in Figure 3.1:

PYCHOMETRIC ANALYSIS FIGURE 3.1

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Knowledge_S															
2. Knowledge_O	**.64****														
3. Attitude_reg	**.33***	**.35****													
4. Attitude_enforce	-.21	**.28***	.17												
5. Motive_create	**.33***	.16	**.30***	**.38****											
6. Registration	.07	.18	**.43****	**-.32***	-.16										
7. Spend_protection	.23	.16	**.40***	.24	.39	**.40***									
8. Innovation_sales	-.03	.06	-.03	-.26	.00	.03	-.14								
9. Innovrecognition	**.34***	**.54****	.07	-.05	**.31***	.14	**.44***	.10							
10. Legal_advice	.13	-.11	.05	-.13	.13	-.27	-.19	.04	.26						
11. Legal_action	.00	.11	-.01	.13	.12	-.08	.47*	-.15	**.39****	-.30					
12. Asserted_rights	**.42***	**.44****	-.03	-.13	.22	-.03	.03	.02	**.47****	.36	**.45***				
13. Business_size	**.47****	.12	.23	.21	**.43****	-.01	**.58****	**-.26***	.18	.06	**.63****	**.63****			
14. Product_life	.20	.16	**.27***	-.11	.03	**.30***	.15	-.14	.00	-.24	-.22	**-.36***	.05		
15. Design_value	**.31***	.10	**.40****	.23	**.44****	-.05	.28	-.17	.04	-.26	**-.30***	.02	**.41****	.08	

As can be seen, despite the small sample size, several significant associations are found between the variables. It is beyond the scope of this article to discuss each in detail; accordingly, what follows is a discussion of the most relevant findings.

First, it is interesting to note that objective and subjective knowledge are closely related, which means that people's perceptions of the amount of knowledge they have of design law are generally accurate reflections of their "true" knowledge.

Our results also show that business size is related to the level of objective knowledge a person has (but not their estimated knowledge), with people in larger organisations having a better grip of design law.

Knowledge is also related to the number of times an organisation has asserted their rights (and hence the amount spent on protecting rights); that is, people who have taken legal action more often are also more knowledgeable. Although this correlation makes sense, we cannot immediately say what the causal factor is. It could be that the more one is involved in legal action, the more knowledgeable one becomes. It could also be that the more knowledgeable a company is, the more likely it is to assert its rights.

As can be seen, business size is strongly related to the amount of legal action taken. This suggests that larger organisations are far more inclined to take legal action than smaller ones. Given that legal action is unlikely to cause a business to grow, it seems the relationship between knowledge and legal action is the result of the effect of the latter on the former, that is, that legal action leads to more knowledge rather than the other way around. We can also see that, as expected, organisations that place more importance on design are also more knowledgeable of the law.

Looking further on the moderator effects, we see that business size is also related to the motivation to create and protect design rights. That is, larger businesses are less discouraged from creating new designs by lack of confidence in the protection that design rights afford, and are less affected by costs when considering registration of designs and legal action to protect them.

Looking at our other moderator, namely, how "design intensive" a company is, we see that the more design intensive a company is, the more positive their attitudes are towards registering designs, and the more motivated they are to create and protect them.

Next, we turn to the effect of attitudes and knowledge on motivations to create and protect designs, as well as objective measures of innovation and protective behaviour. First, our results show that attitudes towards registering (i.e. whether respondents think the process of registering designs at the IPO is clearly explained and easy to follow, whether the procedure of registering takes a long time, if registering designs in the UK is cost effective, and if the range of options available for the protection of designs is confusing) are significantly related to subjective ratings of creative motivation and also actual registering of designs, and spend on protecting designs. That is, those who have more positive attitudes to registration (i.e. those who think it is cost effective and easy to follow) are also more *motivated* to create and protect their designs, and more likely to *actually do so* (by registering and spending more on asserting their rights).

Interestingly, attitudes towards enforcement (i.e. whether respondents think there is clear guidance on the procedure to follow when one becomes aware that someone is infringing your design(s), whether the outcomes of court cases concerning design right infringement are predictable, whether taking legal action to enforce design rights brings a swift resolution to the infringing activity, and whether the enforcement of design rights takes too long or the process of enforcing design rights is confusing) have less of an effect on actual protective and innovative activity. That is, although positive attitudes towards enforcement are related to a higher *motivation* to create and protect designs, this is unrelated to *actual* behaviour related to innovation and protection. Indeed, the only significant relationship between attitudes towards enforcement and actual behaviour is a negative correlation to registration. That is, organisations that believe that asserting design rights is easier and generates more predictable outcomes are *less* likely to register their designs.

Another important question concerns the relationship between knowledge and attitudes/ motivation. The issue here is whether greater knowledge of the law relates to a more positive or more negative attitude and motivation towards registration and enforcement of designs.

Our results show that more objectively knowledgeable people have more positive attitudes towards registration of designs, and greater motivation to create and protect their designs. However, there is a negative trend towards enforcement of designs (even if this relationship is not statistically significant). Thus, it seems that whilst the more knowledgeable respondents feel positively about registration and creation of designs, they are more negative in regards to the procedures and costs involved in the enforcement of the law.

A final interesting observation is the relationship between the *motivation* to create and objective behaviours. As can be seen, the one relationship between motivation and objective behaviours is that of creative achievement. That is, those organisations who are more motivated to create and protect designs have also had more success with their designs in terms of public recognition. However, it appears that no other objective behaviours are related to the motivation of respondents to do so.

Regression Analysis

Given the inter-relationships between variables it was deemed important to decide which variables are the most important in predictions of attitudes and behaviour. Several regression analyses were tested.

First, we tested a model in which attitudes and knowledge were specified as predictors of motivation to create and protect. Although both attitudes towards registration and enforcement, as well as knowledge, were correlated with motivation, when these were included in a regression analysis only attitudes towards enforcement remained significantly related to motivation to create and protect designs. This means that more positive attitudes towards enforcement of design rights are positively linked to motivation to create and protect them.

Next, a series of linear regressions were conducted with “knowledge”, “attitudes” and “motivation to create” specified as predictors of various objective behaviour measures related to innovation and protection. To control for external variables affecting this relationship, we included business size and design intensity in each regression.

Registration

We found that attitudes towards both registration and enforcement were significantly related to whether companies register their designs or not, even after taking the product life cycle and spend on protection into account. In fact, while the latter were significantly correlated to registration, they did not remain significant predictors once attitudes were taken into account.

This indicates that perceptions (thoughts and feelings) about registering designs and enforcing design rights (i.e. whether people believe registration and enforcement is costly and time-consuming) are key reasons in the decision to register designs or not (with those *perceiving* it as more costly and time-consuming registering significantly less). This supports the proposition made in the conceptual background to this paper that perceptions of, and attitudes toward, the design rights system influence *actual* (respondent-reported data) behaviour related to the protection of innovation.

Spend on protection

Whilst attitudes towards registration were significantly correlated with the amount a company was willing to spend on protecting the design, this factor did not remain a significant predictor after business size and design-related achievements were taken into account.

The amount of money people are willing to spend on the protection of their design is more a function of the size of the organisation concerned, and the amount of design achievements an organisation has obtained, rather than their attitudes towards registration (i.e. whether they feel it is costly and time-consuming).

Creative Achievement/Recognition

Only motivation to create was related to creative achievement in the regression analysis. Thus, the significant correlation of knowledge was not a predictor once motivation to create was accounted for in the analysis.

This finding suggests that those organisations who indicate that they are motivated to invest in, and protect, designs are less affected by the costs and scope of design law. They also have greater design achievements than those who indicate that their motivation and behaviour *is* negatively influenced by the scope of design law and costs incurred to protect designs. This again supports the proposition that perceptions (motivation) related to design law are related to actual innovative achievements. (Note, however, that we cannot eliminate the contention of reversed causation; i.e. that creative achievements can cause organisations to feel less influenced by design law when deciding to invest in, or protect, their designs.)

Asserting Rights

As predicted, whilst knowledge was significantly correlated with the number of times a company had asserted their design rights, when business size and design intensity was taken into account, this relationship was no longer significant.

The decision of asserting rights seems to be more a function of the size of the organisation and whether it is design intensive rather than the business' knowledge of design law.

Psychometric analysis: Conclusion

Moultrie argued that there is a comparative lack of data concerning the perceptions towards, and usage of, design-related intellectual property. Whilst his research took initial steps towards addressing this gap, he called for future research to further investigate this domain. The current study extended Moultrie's research by examining a larger set of variables (both influences and outcomes relating to design activity) and conducting a psychometric and correlational analysis to investigate the relationship between business' perceptions/attitudes (thoughts and feelings) towards the design rights system and their effect on design-related innovation and protection.

The results of the psychometric analysis (factor analysis and internal consistency analysis) revealed a number of reliable factors representing knowledge and perceptions/attitudes (thoughts and feelings) towards registration and enforcement, generally supporting the hypothesised factor structure outlined in this study.

In the correlational and regression analysis we investigated statistical relationships between the hypothesised factors, demographic factors and actual design-related activity (respondent-reported company data). Our results revealed a number of statistically significant relationships between the variables examined. Although it is beyond the scope of this report to discuss all of these in detail, the most important relationships are outlined below.

Perhaps the most important finding of our analysis is that both perceptions/attitudes and demographic variables significantly influence actual design-related activity, that is, activity related to design innovation (and achievement) and protection. Whilst the correlational analysis revealed numerous relationships, only the most important influences remained significant when the variables were entered in a regression analysis.

For instance, whilst product life cycle and the amount companies are prepared to spend on the protection of their designs were significantly correlated to whether companies register their designs or not, the regression analysis revealed that attitudes toward registration and protection of design rights (i.e. whether people believe registration and enforcement is costly and time-consuming) are key and important to the decision as to whether to register designs or not (with those *perceiving* it as more costly and time-consuming registering significantly less).

Similarly, whilst several factors were correlated with design-related achievements, regression analysis revealed that motivation to create was the most important predictor of such achievements. Those organisations who indicate that they are motivated to invest in, and protect, their designs are less affected by the costs and scope of design law and have greater design achievements than those who indicate that their motivation and behaviour *is* negatively influenced by the scope and associated costs of design law.

Conversely, other design-related activity, namely the amount companies were prepared to spend on protecting their designs and the frequency by which they assert their design rights, is primarily predicted by variables related to the business, such as business size and type (i.e. design intensity).

Taken together, these results reveal that perceptions of, and attitudes towards, the design rights system have an effect on design-related activity, including design-related innovation and protection, even when variables related to the business are taken into account.

An interesting observation in this respect is the positive correlation between knowledge of design legislation and attitudes towards registration and protection of designs; namely the finding that those who are more knowledgeable also feel more positively about registering designs and enforcing design rights. Knowledge is also related to motivation to create. Those who are more knowledgeable indicate that their design and innovation related motives and behaviour are less influenced by the scope of design law and the associated costs incurred to protect their designs.

These findings may be important from a policy perspective, given that attitudes (as mentioned) and design motives influence actual design activity. Thus, relevant education may be a way to foster positive attitudes and motives related to registration and enforcement, which in turn may lead to actual innovation and the protection of such innovation.

Our results also indicate that not all design-related activity will be a function of attitudes and motives. Some activity relates to the size and the type of the business. For example, larger and more design intensive businesses are more likely to enforce an action and are more willing to invest money in protecting their designs, regardless of the attitudes and knowledge that such businesses hold in relation to design legislation. This finding may also be important from a policy perspective, as it may indicate that smaller companies are currently at a disadvantage in the protection of their designs. One policy consideration may be related to simplifying the processes and costs related to the protection of designs for smaller companies (e.g. SME's).

Finally, it should be noted that the findings of the psychometric analysis should be treated with caution, given the small sample in our analysis. Standard psychometric guidelines indicate that a sample size of over 100 is desirable. Our sample was significantly smaller, indicating a larger error margin in the results. Future research should therefore aim to replicate these findings with larger samples.

Chapter 5 – Appendix 1

General questions included in the analysis on an exploratory basis

1. Competitors do not view design rights or registered designs as an obstacle/ deterrent to their copying of our designs.
2. Copying of designs is a real issue for our company and causes us to lose a large amount of our estimated profit each year.
3. Registration of our designs reduces copying of our designs by our competitors.
4. Unregistered design rights provide sufficient protection for our designs.
5. Other intellectual property rights and contractual restrictions are more effective than design rights at preventing our designs from being copied.
6. Taking legal action to enforce design rights brings a swift resolution to the infringing activity.
7. Design rights are often so wide that they inhibit us from launching new products.
8. The potential publicity surrounding a successful legal action will discourage others from copying my designs.
9. The protection offered by design rights is too broad.
10. Sanctions for copying are not strong enough.
11. The current design law is sufficient to protect a designer's creativity.

Hypothesised latent factors and their respective items

Factor:

Attitude towards cost of registration and enforcement

1. Registering designs in the UK is cost effective.
2. My business/I cannot afford the cost of registering designs in the UK.
3. The costs of enforcing design rights far outweigh the benefits that can be achieved.
4. The procedure of registering takes a long time.
5. The enforcement of design rights takes too long.
6. I/my company would rather leave copying unchallenged than incur the financial and time costs of taking cases to court.

Attitudes towards complexity of design rights system

1. The process of registering designs at the IPO is clearly explained and easy to follow.
2. The range of options available for the protection of designs is confusing.
3. The process of enforcing design rights is confusing.

4. Design law is easy to understand.
5. There is no clear guidance on the procedure to follow when one becomes aware that someone is infringing your design(s).
6. The outcomes of court cases concerning design right infringement are unpredictable.

Motivation to Create

1. My lack of confidence in the protection that design rights afford discourages me from creating new designs.
2. The effectiveness of design rights has no bearing on my willingness to create new designs.
3. If my/my company's designs had greater legal protection, I would invest substantially more money and time in design activities.
4. We usually launch a new design without checking whether similar designs are already marketed.
5. We refrain from launching designs when we see similar ones out there.
6. I would register more designs if the cost was lower.
7. I would consider taking court action more often if the level of costs were more predictable.

Self-rated knowledge of design legislation

1. I know what can be protected by UK registered and unregistered design rights.
2. I know the length of protection offered by UK registered and unregistered design right.
3. I know how much it costs to register a design in the UK.
4. I know the procedure for registering a UK design.
5. I know what constitutes an infringement of my UK registered and unregistered design rights.
6. I know the distinction between EU registered and unregistered design rights and UK registered and unregistered design rights.

Table 1. Factor Analysis

CHAPTER 5 APPENDIX 1 TABLE 1

	Factor				
	1	2	3	4	5
18. My business/I cannot afford the cost of registering designs in the UK.	.862				
15. The procedure of registering takes a long time.	.838				
13. My business/I cannot afford the cost of registering designs in the UK.	.805				
12. Registering designs in the UK is cost effective.	.716				
9. The protection offered by design rights is too broad.	.700				
16. The enforcement of design rights takes too long.		.850			
23. The outcomes of court cases concerning design right infringement are unpredictable.		.823			
6. Taking legal action to enforce design rights brings a swift resolution to the infringing activity.		.783			
26. If my/my companys designs had greater legal protection, I would invest substantially more money and time in design activities.			.881		
24. My lack of confidence in the protection that design rights afford discourages me from creating new designs.			.835		
30. I would consider taking court action more often if the level of costs were more predictable.				.904	
29. I would register more designs if the cost was lower.				.683	
I know what can be protected by UK registered and unregistered design rights.					.877
I know the length of protection offered by UK registered and unregistered design right.					.864
I know how much it costs to register a design in the UK.					.859
I know the procedure for registering a UK design.					.802
I know what constitutes an infringement of my UK registered and unregistered design rights.					.776
I know the distinction between EU registered and unregistered design rights and UK registered and unregistered design rights.					.737

Table 2

CHAPTER 5 APPENDIX 1 TABLE 2

Table 2. Hierarchical regression predicting creative and protective behaviour, as a result of perceptions, knowledge, and business type

	Motive_create		Registration		Spend on Protection		Creative Achievement		Asserting rights	
	Beta	*t*	Beta	*t*	Beta	*t*	Beta	*t*	Beta	*t*
Knowledge_S	.243	1.287							.21	.831
Knowledge_O	.223	1.195							.28	1.108
Attitude_reg	.092	.610	.656	2.999*	.185	1.106				
Attitude_enforce	.378	2.636**	.453	2.287*						
Motive_create					.11	2.64**	.53	.228*		
Spend_protect			.253	1.344						
Product_life			.078	.415					.43	2.97**
Business_size										
F	*4.2***		7.1**		*9.9***		2.7		8.19	
AdjR²	*.23*		.36		*.45*		.16		.59	

Chapter 5 – Appendix 2

Design Rights and Innovation Survey (DRIS)

British design makes a major contribution to the economy, but as the recent review of IP and Growth, commissioned by the Prime Minister, made clear:

> *'the role of IP in supporting this branch of the creative economy has been neglected'.*

The Intellectual Property Office has commissioned this research to test ways of bringing the IP system up to date, and has asked legal experts Speechly Bircham LLP and research company Mountainview Learning to examine:

- *how effective the current UK design protection system is seen to be;*
- *whether designers and design-based companies believe they can access justice;*
- *the effectiveness of remedies available for design infringement; and*
- *barriers to enforcement of design rights.*

We know that the "World of Design" goes beyond the activities covered simply by specific design rights. However, ***other areas such as copyright and patents are being tackled elsewhere****, and* ***our main focus here is on design law in relation to tangible products****.*

We recognise that "design" works can range from architecture through engineering to product and graphic design. But for the most part, design law protects the shape and configuration as well as the appearance of whole or part of product, which may be shape or decoration.

Your participation in this questionnaire will help us understand whether the scope of the law relating to design and the structures and methods of protecting the aspects of design which you consider to be valuable are in your view "fit for purpose", and if not, why not?

Please base your answers on the last 3 years (1 January 2009 – 31 December 2011).

NB: This questionnaire has been devised to be answered by individual designers as well as employees of companies that create/design products on behalf of their employer company. As such, references to "your company" or "the company" should be construed by individual designers to apply to them personally.

Name: _____ Company: _____

Age (please tick as appropriate) Job Title: _____

[ ] 25 and under

[ ] 26 to 40

[ ] 41 to 64

[ ] 65 and over

[ ] prefer not to say

1. THE COMPANY YOU WORK FOR

1.1 What is your company's principal business sector/industry (please tick as appropriate):

1.1.1 Fashion & Textiles

1.1.2 Furniture & Interior Design

1.1.3 Architecture and Construction

1.1.4 Consumer goods

1.1.5 Medical

1.1.6 Motor & Engineering

1.1.7 Software & Communications

1.1.8 Design Agency

1.1.9 Other (please specify)_____

1.2 What is the principal application of design in your business (please tick as appropriate):

1.2.1 Products

1.2.2 Graphics

1.2.3 Engineering

1.2.4 Architectural design

1.2.5 Other (please specify) _____

1.3 How long has your company been operating? (please tick as appropriate)

1.3.1 0 – 5 years

1.3.2 6 – 10 years

1.3.3 11 – 15 years

1.3.4 16 – 20 years

1.3.5 More than 20 years

1.4 Approximately how many employees does your company have? (please tick as appropriate)

1.4.1 1 – 100

1.4.2 101 - 500

1.4.3 501 – 1,000

1.4.4 1,001 -5,000

1.4.5 5,001 – 10,000

1.4.6 More than 10,000

1.5 Approximately, what is your company's annual turnover? (please tick as appropriate)

1.5.1 £0 - £50,000

1.5.2 £50,001 - £250,000

1.5.3 £250,001 - £500,000

1.5.4 £500,001 - £1,000,000

1.5.5 £1,000,001 - £5,000,000

1.5.6 More than £5,000,000

1.6 If you are willing, please indicate your company's profit margin? (please tick as appropriate)

1.6.1 0 – 5%

1.6.1 5 - 15%

1.6.1 15 - 30%

1.6.1 More than 30%

1.6.1 Prefer not to say

2. YOUR COMPANY'S PRODUCTS

2.1 Approximately what proportion of your company's annual sales is generated by innovation in design, new commissions (if a design house) or new products? (please tick as appropriate)

2.1.1 None

2.1.2 A small amount of our sales

2.1.3 Around half of our sales

2.1.4 The majority of our sales

2.2 Do your company's products (which includes graphics and electronic products) rely predominantly on: (please tick as appropriate)

2.2.1 Their technical function (what they do)

2.2.2 Their visual appearance (what they look like)

2.2.3 Their technical function and visual appearance equally

2.3 In relation to your Company's principal or main products, what is the typical lifetime of a product (in months) before a new version or design is likely to enter the market? (How durable is design in your market?) (please tick as appropriate)

2.3.1 Less than 3 months

2.3.2 3 - 6 months

2.3.3 6 – 12 months

2.3.4 More than 12 months

2.4 What proportion of the value of your Company's products do you attribute to the design aspect ("the appearance") of the product? (please choose one)

2.4.1 It is clearly the most important part

2.4.2 It is significant but not the dominant part

2.4.3 It is necessary to remain competitive but is not the primary value driver

2.4.4 It holds little value

2.4.5 It holds no value

2.5 Has the design of your Company's products achieved recognition by your peers or by consumers? If so, please tick as appropriate

	None	Some	Many	Most
Won industry award(s)				
Been recognised in a local publication				
Been recognised in a national publication				
Been recognised in an international publication				

2.6 Does your Company license its designs to third parties? (please tick as appropriate)

2.5.1 Always (licensing design is our business)

2.5.2 Regularly (it's important but not essential)

2.5.3 Occasionally

2.5.4 Never

2.7 What range of royalty does your Company customarily seek if it does license its designs to third parties? (please tick as appropriate)

2.5.1 0 – 3%

2.5.2 3 – 6%

2.5.3 6 – 10%

2.5.4 10 – 15%

2.5.5 more than 15%

2.5.6 not applicable

2.8 When you are designing a new product, to what extent do concerns about other people's design rights affect your creative process? (Please tick as appropriate)

2.5.1 To a great extent (we actively search the market and/or design registries to ensure that our designs do not replicate other products)

2.5.2 To some extent (we strive using industry knowledge to ensure that our designs are individual and do not replicate other products)

2.5.3 To a small extent (we will bear other people's designs in mind if they are brought to our attention during the design process)

2.5.4 To no extent

2.9 Have you ever been accused of infringing someone else's design rights?

2.5.1 Yes

2.5.2 No

If yes, please proceed to question 2.10.

If no, please proceed to question 3

2.10 When you were accused of infringing someone else's design rights, using up to three case examples, did you (please tick as appropriate):

	Withdraw your product?	Redesign your product?	Refuse to withdraw your product?
Example - Case 1			
Example - Case 2			
Example - Case 3			

2.11 If you refused to withdraw your product, were you sued?

2.5.1 Yes

2.5.2 No

2.5.3 Not applicable

2.12 If you were sued, what was the result?

2.5.1 You won

2.5.2 You lost

2.5.3 You settled

3. YOUR COMPANY'S EXPERIENCE OF PROTECTING AND ENFORCING DESIGN AND OTHER IP RIGHTS

3.1 Protecting your Design Rights

3.1.1 Which of the following rights would you expect to invoke to protect your Company's designs or to prevent copying?: (Please score each option between 1 – 5, 1 = the right you rely on least and 5 = the right you rely on most)

	Ranking
UK Unregistered Design Right (* this would include registrations and filings with bodies such as ACID)	
UK Registered Design	
EU Unregistered Community Design Rights	
EU Registered Community Designs	
Copyright	
Don't know	

3.1.2 Please specify any other rights which you consider important in the protection of your designs: _____ (e.g. contract, custom in the industry?)

3.1.3 If you do register your Company's designs where do you register them? (Please tick as appropriate)

3.1.1 In the UK (as a UK registered design)

3.1.2 In the EU (as a Registered Community Design)

3.1.3 In both the EU and the UK as separate registrations

3.1.4 We don't register our designs

3.1.4 If your Company does register its designs which of the following is the main reason for doing so? Please score each option between 1 – 5, 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree.

3.1.1 Registration is perceived as a deterrent to copyists and competitors

3.1.2 Registration extends the term of protection

3.1.3 To create a portfolio of registrations to add value to the Company

3.1.4 To avoid the requirement to prove copying by infringers

3.1.5 To attract third party funding

3.1.6 It is customary practice for our Company to register designs

3.1.7 Other (please specify) ……
……

3.1.8 Not applicable

3.2 Infringement of your Company's designs

3.2.1 What aspect of the design of your Company's products do you consider should be protected by design law? (Please tick as appropriate)

3.1.1 Overall appearance

3.1.2 Shape and configuration

3.1.3 Surface decoration

3.1.4 Colour

3.1.5 Function

3.1.6 Texture

3.1.7 All of the above

3.1.8 Other, please specify…….

3.2.2 If your Company's designs are copied, what proportion of its designs are copied in one form or another in each year? (Please tick as appropriate)

	In the UK	In the EU (other than the UK)	Worldwide (outside of the UK and the EU)
0 – 10%			
11 - 25%			
26 - 50%			
51 - 75%			
76 - 95%			
Over 95%			

3.2.3 If your Company's designs are regularly copied, what proportion of the copies are identical copies or copies which are substantially similar? (please tick as appropriate)

	0 – 25%	26 – 50%	51 – 75%	76 – 100%
Identical				
Strong similarity, common features, but not identical				
Few or no identical features, but they create the same "look and feel" or mimic the handwriting of the designer				
N/A				

3.2.4 When comparing an original design against an alleged copy, which features of the design do you consider to be the most and least important to enable you to evaluate whether the original design has been infringed (copied unlawfully). (Please rank each option between 1 – 5, 1 = the least important and 5 = the most important)

(a) Overall appearance

(b) Shape and configuration

(c) Surface decoration

(d) Colour

(e) Function

(f) Texture

3.3 Enforcement

3.3.1 When considering enforcing your Company's design rights, please rank the following in terms of importance: (from 1 as the least important to 9 as the most important)

(a) Recovery of damages

(b) Preventing loss of your market share or sales

(c) Removing infringing products from the market

(d) Recovery of costs relating to enforcement

(e) Protecting your reputation

(f) Deterrent value of a successful claim

(g) Loss of exclusivity on the market

(h) Personal pride and dislike of being copied (point of principle)

(i) Other (please specify)…….

3.3.2 Has your Company ever commenced legal action to enforce its design rights against someone who it considered had copied its designs (from a cease and desist letter to court action)? Yes ……. No……..

If yes, proceed to question 3.3.4

If no, please answer question 3.3.3 and then proceed to question 4.

3.3.3 If your Company believed it was being copied but did not pursue a claim for infringement (within the last 3 years) why not? (please tick as appropriate)

(a) The cost of management time

(b) The outcome of a claim was perceived as "uncertain" or not sufficiently clear to justify the time and expense

(c) The legal costs of bringing a claim

(d) The risk of paying the other side's costs

(e) The defendant did not have enough money to make it worthwhile

(f) The likely award of damages would not justify the expense (or time)

(g) The time and cost to bring a claim was disproportionate to the revenue from the particular design

(h) Commercial or trade reasons e.g. the copyist was also a customer

(i) "Uncertainty of outcome" - the costs of pursuing a claim combined with the risk of losing

(j) Other (please specify) ……

Please proceed to question 4

3.3.4 In the last 3 years, approximately how many times has your company asserted your design rights? (by any means, including cease and desist letters through to court action) ……..

3.3.5 Using up to 3 case examples, if you believed that a "target" was an infringing copy of your Company's products did you take legal advice?

	Yes	No
Example - Case 1		
Example - Case 2		
Example - Case 3		

If yes, please proceed to question 3.3.6.

If no, please proceed to question 3.3.7.

3.3.6 Did the legal advice taken: (please tick as appropriate)

	Example – Case 1	Example – Case 2	Example – Case 3
Confirm your view?			
Provide equivocal advice?			
Dispel or counter your view?			

3.3.7 If you are considering bringing legal proceedings for infringement of your Company's design rights, would you have a preference for where to commence proceedings given the nature of your Company's designs and the value of the products made to them? (please tick as appropriate)

	Habitually	Often	Sometimes	Never
The High Court				
The Patents County Court (PCC)				

3.3.8 Using up to 3 case examples please indicate which of the following rights have you relied upon to enforce your Company's design rights: (please tick as appropriate)

	Example Case 1	Example Case 2	Example Case 3
UK Unregistered Design Right			
UK Registered Design			
EU Unregistered Community Design Rights			
EU Registered Community Designs			
Copyright			
Trade Mark infringement			
Passing off			
Patent infringement			

3.3.9 For each of the above cases did you: (please answer yes or no as appropriate):

	Example - Case 1	Example - Case 2	Example - Case 3
Achieve a satisfactory outcome (either via an out of court settlement or at trial)			
Obtain adequate cost recovery			

3.3.10 What is the approximate length of time (in weeks) that each of the above cases have taken to reach a resolution (from delivery of the letter of complaint/claim to the court's final judgment or settlement of the claim)?

	Number of weeks
Case 1	
Case 2	
Case 3	

3.3.11 For a design which you consider “valuable”, what level of costs would your Company entertain as an acceptable risk based on a good prospect of success and modest damages?

(a) £0 - £25,000

(b) £25,001 - £50,000

(c) £50,001 - £100,000

(d) There is no limit, I would pursue as a point of principle

3.3.12 What percentage of your Company’s annual turnover does it use or allocate towards enforcing its intellectual property rights? (please tick as appropriate)

(a) None

(b) 0 – 5%

(c) 5 – 15%

(d) 15 – 30%

(e) More than 30%

(f) Prefer not to say.

3.3.13 When comparing the UK and EU design right systems, what level of protection do the UK courts afford?

(a) A better level of protection than the EU Courts

(b) The same level of protection as the EU Courts

(c) A worse level of protection than the EU courts

(d) Don’t know

3.4 Remedies

3.4.1 Which of the following solutions have you found to be the most commercially effective when enforcing your Company’s design rights?

Please score each option between 1 – 5, 1 = the least effective, 2 = not very effective, 3 = neither effective nor ineffective, 4 = quite effective and 5 = the most effective:

(a) Cease and desist correspondence (including industry conciliation or intervention e.g. ACID)

(b) Without prejudice negotiations, namely discussions between the two parties (with or without their legal advisers), leading to an agreed settlement and undertakings

(c) Mediation, namely structured negotiations between the two parties and a mediator/s

(d) A preliminary injunction

(e) The commencement of legal proceedings

(f) Don't know

4. PERCEPTIONS OF DESIGN LAW

Score the following statements from 1-5, 1 - strongly disagree, 2 - mildly disagree, 3 - neither agree nor disagree, 4 - agree and 5 - strongly agree.

1. Competitors do not view design rights or registered designs as an obstacle/ deterrent to their copying of our designs.
2. Copying of designs is a real issue for our company and causes us to lose a large amount of our estimated profit each year.
3. Registration of our designs reduces copying of our designs by our competitors.
4. Unregistered design rights provide sufficient protection for our designs.
5. Other intellectual property rights and contractual restrictions are more effective than design rights at preventing our designs from being copied.
6. Taking legal action to enforce design rights brings a swift resolution to the infringing activity.
7. Design rights are often so wide that they inhibit us from launching new products.
8. The potential publicity surrounding a successful legal action will discourage others from copying my designs.
9. The protection offered by design rights is too broad.
10. Sanctions for copying are not strong enough.
11. The current design law is sufficient to protect a designer's creativity.

Costs

12. Registering designs in the UK is cost effective.
13. My business/I cannot afford the cost of registering designs in the UK.
14. The costs of enforcing design rights far outweigh the benefits that can be achieved.
15. The procedure of registering takes a long time.
16. The enforcement of design rights takes too long.
17. I/my company would rather leave copying unchallenged than incur the financial and time costs of taking cases to court.

Complexity

18. The process of registering designs at the IPO is clearly explained and easy to follow.
19. The range of options available for the protection of designs is confusing.
20. The process of enforcing design rights is confusing.
21. Design law is easy to understand.
22. There is no clear guidance on the procedure to follow when one becomes aware that someone is infringing your design(s).
23. The outcomes of court cases concerning design right infringement are unpredictable.

Motivation to Create

24. My lack of confidence in the protection that design rights afford discourages me from creating new designs.
25. The effectiveness of design rights has no bearing on my willingness to create new designs.
26. If my/my company's designs had greater legal protection, I would invest substantially more money and time in design activities.
27. We usually launch a new design without checking whether similar designs are already marketed.
28. We refrain from launching designs when we see similar ones out there.
29. I would register more designs if the cost was lower.
30. I would consider taking court action more often if the level of costs were more predictable.

5. KNOWLEDGE OF DESIGN LAW

5.1 Please indicate whether you agree or disagree with the following statements:

(a) I know what can be protected by UK registered and unregistered design rights.

(b) I know the length of protection offered by UK registered and unregistered design right.

(c) I know how much it costs to register a design in the UK.

(d) I know the procedure for registering a UK design.

(e) I know what constitutes an infringement of my UK registered and unregistered design rights.

(f) I know the distinction between EU registered and unregistered design rights and UK registered and unregistered design rights.

5.2 Which of the following do you understand to protect the design of a product in the UK?

(Please indicate Y/N or Don't know in each box – more than one acceptable)

	Y/N DN
Patents	
Trade Marks	
Registered Designs	
Design rights (unregistered)	
Copyright	
Passing off	
Unfair competition	

5.3 Which of the following elements do you understand are protectable as a design in each of the UK systems available?

(Please indicate Y/N or Don't know in each box – more than one acceptable)

	Registered Designs	UK Unregistered Design Rights
The shape & configuration of a product		
The functional aspects of a product		
Ornamentation		
Surface Decoration		
Colour		
A logo		

5.4 What requirements do you understand that a design has to meet in order to benefit from protection under each of the UK systems available?

(Please indicate Y/N or Don't know in each box – more than one acceptable)

	Registered Designs	UK Unregistered Design Rights
Novelty i.e. new/different to what has gone before		
Originality		
Individual character		
Artistic merit		

5.5 What do you understand is the maximum duration of protection afforded by each of the UK systems available?

(Please put X in the appropriate box for each design right system)

	Registered Designs	UK Unregistered Design Rights
3 years		
5 years		
10 years		
15 years		
25 years		
All of the above		

5.6 Which of the following are benefits of registering designs?

(a) No need to prove copying;

Yes …….. No……..

(b) Extension of the design right to all products incorporating the design;

Yes …….. No……..

(c) Defined scope of design elements that are protected.

Yes …….. No……..

5.7 Design Examples

Do you have specific examples of any products which you believe have been copied and which you are willing to produce photos of, both copies and original product?

Yes ……. No……..

If yes can we contact you to discuss further? Yes……..No…….

Please provide contact details:

…….

…….

…….

Chapter 6

Policy Recommendations

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Overview

The protection of design has presented the legislature and judiciary with challenges for over 400 years. During this time, the duration, exclusions, scope and definition and the minimum requirements for protection of design have oscillated between extremes, responding to changes in industry and economic pressures of particular market segments according to their economic strength and the given socio-political conditions.

However well intentioned, the legislative history of design has been unimpressive and has led to successive reviews which condemn the law as riddled with unnecessary complexity. Today, the law exists as a combination of various rights, including the common-law rights in passing off, copyright, UK unregistered design rights, UK registered design and European unregistered and registered design.

Research shows that the design community considers the law expensive and unpredictable. The Survey[213], validates this contention. In addressing why companies did not pursue a claim for infringement, even when their designs were being copied, they cited uncertainty of outcome as one of the prevailing reasons in discouraging them from bringing court proceedings.

This could be the result of designers not understanding what is, and is not protected, or it may reflect the fact that predicting any outcome of design litigation is too difficult. The Survey indicates that it is likely to be a combination of both.

We can infer from the research that designers' perception is that design protection is restricted to the most obvious and blatant infringements. 53% of those who answered the Survey considered that the outcome was uncertain or not sufficiently clear to justify the time and expense that would otherwise be incurred in pursuing infringement proceedings. Of those who took legal advice, 93% had their view reinforced.

There is an apparent schism between what the design community considers to be plagiarism and their expectation of a remedy for this from the courts. Either there is an educational job to be done as to what can be protected, or the law is being interpreted in a way which does not serve the expectations of the design community.

The Survey shows a high percentage of the companies indicating that the majority of their annual sales were generated by innovation in design, new commissions or new products. Whilst one would not wish to belittle the technical achievements of businesses like the Apple Corporation, the success of their products often rely on innovation in design as much as the technology which they employ.

Modern markets substantially depend upon visual cues to attract custom. Appropriating those visual cues gives competitors an unfair free ride on the creativity and goodwill developed

213 Ahmetoglu, G. and Chamorro-Premuzic, T., Design Rights and Innovation – A Psychometric Analysis (Chapter 5)

by the host. Whilst design law is not concerned directly with goodwill - this is the remit of passing off - the law must recognise the economic value of aesthetics.

Whilst registered design removes the requirement to prove copying and can provide a longer period of protection, it has failed to attract the attention of the design corpus as being something of value which is worth investing in. Staying ahead of the competition's unrestrained efforts to plagiarise the original is frequently the only way a business can retain its economic advantage. It is not clear whether judicial policy, limiting the scope of protection, necessarily matches what the legislators had in mind. There may be economic advantage in such rapid innovation, but this may also mean that a great deal of capital is being wasted because of ineffective or uncertain design laws.

Complexity and Predictability

The research suggests that the perception of uncertainty of outcome when weighed against the time and costs involved renders design cases rarely worth pursuing.

The combination of the high costs of proceeding with a legal action in the UK combined with the unpredictability of the outcome presents a significant barrier to all but the wealthiest claimants to enforce their rights.

Conversely, faced with a claim and the potential downside of meeting both parties' costs (in the PCC, costs of up to £100,000 or in the High Court of £400,000 and upwards) defendants who have not infringed are equally unwilling to contest their rights. Costs of £50,000 to bring a case and the thought of bearing £100,000 for losing is untenable for most SME's who operate in the design-led sectors. The lack of cases cannot be held to be evidence of a lack of copying or the absence of a desire to take action, but rather that the process, cost and unpredictability favours the plagiarist.

In design, speed of access to remedies is fundamental to design rights particularly having processes that provide a workable method of swiftly removing infringements from the market

Policy Recommendations

Cost, speed and predictability of outcome were of key relevance in the Survey. Given that a very high percentage of those who took legal advice (93%) had their views reinforced, one might infer that any suggestion that designers who might wish to take legal action on some misplaced premise as to what they could protect would seem unjustified.

1. Registration of Design Rights

Loss aversion might be preventing business decision-makers from taking action to register their designs. The default protection offered by the unregistered design rights system might appear adequate enough, as the immediate loss of monetary and managerial resources needed to complete the registration process is likely to be felt more strongly than potential future gains of registration.

Recommendation: Policy-makers might consider introducing changes to the default protection offered to design rights holders while leveraging costs through a one-off tax payment. Alternatively, an emphasis on what is not covered by the default protection offered by unregistered design rights in the IPO materials might resonate more strongly with decision-makers and influence their judgments.

The availability of information, giving concrete and salient examples of how things went wrong for other UK companies who had not registered their design rights, and showing how much damage such short-sightedness brought, is likely to have an impact on a company's decision to register.

Recommendation: To aid business decision-making, the IPO might reframe the protection afforded by registration of UK design rights as a comprehensive insurance policy, which safeguards future business interests.

Anchoring might be influencing companies' decision-making. Framing the information available to the companies in a way that provides an unrealistically low initial anchor price causes psychological pain if the total price turns out to be higher. Free, automatic unregistered design rights are likely to work as an anchor too, making £60 for the registration of a single design look expensive in comparison.

Recommendation: To aid businesses' decision-making, policy-makers might compare the price of registering designs to other more expensive areas of business spend. In addition, the registration fee could also be expressed as a per year or per day cost of protection.

Recommendation: It may also be beneficial to remove all prices for design registration from the IPO website, and instead provide an online calculator into which a potential applicant can enter their requirements and receive a tailor made quotation for the application and registration process they require.

Many individuals will not know what they should, and can, protect through the design rights framework.

Recommendation: The IPO should consider making the framework and the information relating to what can be protected by registered designs more salient and thus more in the forefront of business when creating their designs.

The decision-making process regarding design rights registration does not appear to be fluent, with many options offering various kinds of protection. Whenever the fluency of information or a process is obscured, people are much less likely to take an action. By improving the fluency of the process and the presentation of registration information, policy-makers are likely to overcome the bias.

It is not clear how available the information about design right registration is to decision-makers. Although previous research commissioned by the IPO[214] states that most of the surveyed companies were aware of the existence of design registration, these results might be biased through self-report. Further research using implicit methodology should establish whether the lack of available information regarding the registration process biases companies' decision-making.

Additionally, the problem of design right infringement might not appear salient to companies. Hence, the need to register the right to their design would not be in the forefront of their mind. Additional research should examine how salient the design infringement issue is among business decision-makers and whether the level of saliency influences their decision to apply for design registration.

2. Design Rights – The Decision to Enforce

Loss aversion is a well documented factor influencing individuals' decisions not to take legal action. It can be applied to design rights enforcement action with high confidence.

Recommendation: The provision of information on the likelihood of winning legal cases with regards to design rights might rebalance the bias.

The perceived costs of legal actions are generally high. This prior knowledge anchor might bias business decision-makers' judgments as to whether it is worthwhile to pursue the enforcement of their design rights.

Fluency of the design right enforcement process might be obstructed by the lack of knowledge of what is involved.

Recommendation: Making information concerning the enforcement process accessible, and thus more fluent, might remedy the bias.

Availability of information regarding the steps, the costs and the length of time involved in the process of enforcing design rights is not apparent.

Recommendation: Providing information concerning the process and the costs and time that are likely to be incurred might help business decision-makers to overcome the bias.

214 Moultrie J. and Livesey, F. (2011) Design Economics, Chapter 3, Design Right Case Studies

Taking an enforcement approach to design rights infringement might not be a salient option to UK companies.

Recommendation: An information campaign communicating the benefits of such action might address the gap and act as a deterrent to design right violators.

3. Enforcement of Design Rights – Costs and Process

Talking about the costs of patent proceedings, Sir Robin Jacob said[215]:

"I am, of course, concerned about the cost of litigation. Just so you know, the very first textbook on English patent law, called Hindmarch, written in the middle of the 19th century, addresses the problem of the cost of patent litigation. It does not answer it. It has always existed. …… Lord Woolf did not help when he said all courts, big and little, should have the same rules, which does not seem to me to be self-evident at all. If you have a little case between two little guys you say, "Right, this is going to be over in a day. It is going to be slightly rougher justice, but there you are."

PCC costs limits are beyond many small businesses

However admirable UK judgments may be, the cost of those cases, even those undertaken by the PCC, are beyond the reach of most small designers who made up the highest percentage of respondents to the Survey.

Even if they could afford their own legal expenses to bring cases, the unpredictability and apparent interpretation of the legislation, combined with the impact of a potential adverse costs order, continues to render even the PCC out of reach for many SMEs and individual designers.

The wording of the European Design Regulation[216] (the Regulation) is circumscribed to prevent the shortcomings and excesses of previous legislation across 27 countries. The design community perceives judicial scepticism and the forensic interpretation of the limitations on their statutory rights as effectively neutering the potential benefit of the scope of design suggested by the test for "overall appearance". When the Regulation was enacted, the definition of design appeared to embody the "essence of design" and it was hoped that this would create a single homogeneous design right.

The application of the test of the "informed user" by a judge wearing the spectacles of an "informed person" is, on the basis of recent decisions, unlikely to produce quite the same outcome as it does upon the informed user himself/herself as explained and characterised by the Office for Harmonisation of the Internal Market (OHIM).

Recommendation: Predictability is most likely a factor of the judiciary perceiving design in

215 Tuesday 18 October 2011 before the Business, Innovation and Skills Committee concerning the Hargreaves Review of Intellectual Property.

216 Council Regulation 6/2002/EC on Community Designs

the same or at least a similar way in which the design community does. It may therefore be worth considering a change in process to reduce costs and the inclusion of lay assessors who have experience in the particular industry to improve both of these aspects.

As costs are the dominant feature of most discussion on the subject we would recommend consideration of the course of action alluded to by Jacob LJ in limiting evidence in design cases and reducing the timeframe within which registered design cases are decided. [217]

"The most important things in a case about registered designs are:

i) The registered design;

ii) The accused object;

iii) The prior art.

And the most important thing about each of these is what they look like. Of course parties and judges have to try to put into words why they say a design has "individual character" or what the "overall impression produced on an informed user" is. But "it takes longer to say than to see" as I observed in Philips v Remington [1998] RPC 283 at 318. Words themselves are often insufficiently precise on their own.

It follows that a place for evidence is very limited indeed. By and large it should be possible to decide a registered design case in a few hours" (Emphasis added).

Refined multi-track approach to design

It appears to us that costs can only be constrained if there is a procedure adapted to the resolution of design disputes that despatches them swiftly.

It follows from the observations of Sir Robin Jacob that in order to restrict costs and despatch design cases (particularly registered design cases) quickly, these cases should follow a procedure distinct from other intellectual property or commercial cases. This would require modest variations to the PCC rules in relation to design.

Recommendation: Consideration may therefore be given to a "superfast" track for small value design claims identified by the Judge at the outset of the claim and possibly assigned to an assessor or to a UKIPO tribunal, where the costs should be limited to a fraction of the £50,000 limit.

This process is likely to produce many more claims and a body of experience that will evolve into a library of design cases that, by example rather than precedent, will inform courts, potential claimants and defendants as to where the line is properly drawn. The greater the body of decisions, the more predictable outcomes are likely to be perceived.

217 Procter & Gamble v Reckitt Benckiser (2007) EWCA Civ. 936 - Robin Jacob LJ at paras 3 and 4

Recommendation: Where one party wishes to step outside of the summary process, for example to advance complex claims on functionality or one of the other limitations and to take the benefit of the full PCC procedure with the £50k cap; one might consider imposing aggravated damages and/or indemnity costs against a party who invokes the more expensive route if not succeeding.

Lay Assessors

The German system addressed the concerns of designers that Judges may not understand or perceive the essential aesthetic relevance of their design or the alleged copy by adopting lay assessors.

Recommendation: Consideration might be given to having industry lay assessors sit with the judge experienced in the particular industry. That is to say the "*informed user*" is present on the bench.

IPO Tribunals

Recommendation: Adopting the Court of Appeal's approach and having one eye on the value of court time, the registration of a UK design might give the holder the right to a swift hearing before the IPO offices. This could be through the creation of a design tribunal where cases of up to, for example, three hours in duration might be heard. This might be available only for registered design, by which the applicant will have specified precisely what elements of a design protection has been claimed.

With limited costs awards and the right to have a declaration of infringement/non-infringement made by the IPO tribunal that could be enforced by injunction in the PCC without the need to give a cross undertaking, the twin objectives of limiting costs and increasing speed are more likely to be served.

This might also provide a basis for obtaining swift injunctive relief with limited risk. The PCC could retain a supervisory role but should avoid displacing the tribunal decision, save for manifest error.

Expedited process

Recommendation: Consideration should be given for all design claims to be listed in a "design list" which accommodates an expedited process.

With early judicial management of the evidence that both parties should be permitted to advance in support of their claims at the earliest possible stage (preferably at the first "design list" after the claim has been served), the expectation that design cases could be despatched in a morning might well be achievable.

In appropriate cases, consideration should be given to a fast track procedure giving directions on evidence, abridged pleadings, disclosure and statements and setting the date for the

hearing, whilst also deciding whether a lay assessor should sit with the court. Evidence of the design corpus could be limited if a lay assessor was available. The court may also consider whether any interim orders should be made to deal with use of the design, including limiting or restricting sales of alleged infringements.

If an argument is to be advanced, for example, that technical function constrains the design, this should be advanced at the first hearing. The court should provide clear guidance as to the scope of the evidence which the court will permit and how and when that evidence should be presented. The parties should then be constrained within the scope of the evidence specified at the first hearing.

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