Design IP legislation in the UK — an opportunity to innovate?

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This paper constitutes a critical and detailed review of an investigation into design right infringement in the UK. The original mixed-method study was commissioned by the UK IPO in 2015/2016 and led by the author throughout the first three of four project stages. This paper focuses specifically on the results obtained in relation to registered design right infringement. The paper comprises the following points:

- A discussion of older studies in the area
- An outline of the research methodology deployed for the design right infringement survey
- A discussion and analysis of key research findings

The conclusions drawn provide insight not only into how design rights are used and enforced in the UK. They also help to establish clarity about the level of robustness of design-related IP options. The paper provides orientation to designers and design IP stakeholders. It culminates in a range of ideas of how the IP system surrounding designs can be enhanced in the UK and in comparable countries.

keywords: Intellectual Property; design management; IP infringement; litigation

Introduction

The motivation of the study

In 2011 the UK Prime Minister commissioned a report to investigate the relationship between the UK’s current IP framework, innovation and economic growth. In the first of his eleven recommendations, Professor Ian Hargreaves, the main author, states that ‘Government should ensure that development of the IP System is driven as far as possible by objective evidence.’ (Hargreaves, 2011, p.64). In 2015 the UK IPO issued a tender ‘for the Provision of Research into Designs Infringement’ (UK IPO, 2015). This paper, which is
The aim of this paper:

This paper discusses attitudes towards, the use of, and the infringement of registered design rights. It is aimed at designers, entrepreneurs, IP experts, and innovation strategists. It will also articulate recommendations that could be of use to UK legislation makers.

The objectives are to assess:

- the strength of registered design rights as a form of IP, and how this compares to other forms of IP
- the impact of the infringement of registered design rights
- how design right owners perceive registered design rights
- the scale and micro economic impact of the infringement of registered design rights
- how design right owners tend to respond to infringement
- to establish how the value of design rights can be optimized through possible changes in the legislation

These insights are hoped to enhance the reader’s capabilities of managing design IP.

Design right infringement — a focus group study

The project started with a focus group meeting which was held in July 2015 and conducted under the Chatham House rule. Hence the statements made are not attributed to individuals in this paper. The aim of the focus group initiative was to generate insights in pursuit of the development of a research methodology for the investigation of design right infringement. In attendance were four members of the research team mentioned above, as well as one representative from the UK IPO and five delegates. The latter included one designer, who owns an SME (Small and Medium Enterprise) in the UK, two legal representatives from other British design firms, one large and one small, and two representatives of different UK design stakeholder groups. The following list provides an overview over the most important discussion points:

1.1. The focus group perceived 3D printing not as a threat, because of production implications. 3D printing is thought to be effective for the production of one-off products. But it is slow and too expensive for high volumes.

1.2. Costs were considered to be ‘the biggest issue’, in particular with respect to worldwide protection. Although ‘with design rights, the cost of protecting [i.e.
registering] designs is comparatively modest’, the costs of enforcing rights can be ridiculously high.

1.3. It was stated that the costs for legal protection ought to drop with the advent of digital technologies, because digital platforms can facilitate the process of design registration and monitoring of infringements. There was no perceived reduction in costs.

1.4. It has been highlighted that the many designers are unaware that design rights don’t protect functionality.

1.5. Design attributes
   The focus group argued that if functionality determines the behaviour of a product two other key design attributes could be specified with respect to designs:
   • Personality, which derives from the aesthetic qualities
   • Performance, which depends on how it is made
   Each of the three attributes, functionality, personality, and performance gives value to a product. All three features can be protected through different means. Whilst the functionality of a design is commonly protected through patents, the other two aspects can be protected through different means, including registered and unregistered design rights as well as copyright.

1.6. The majority of design right infringement cases are thought not to involve litigation. A lot of designers who consider their design as being infringed tend to ‘stick their head in sand’ or ‘move on’. At the same time infringers reportedly tend to back down when challenged that they are infringing.

1.7. The success in litigation is thought to be dependent on the size of the opposing party. A larger opponent may even challenge a design and try to invalidate it. Success can therefore be limited. One delegate stated: ‘If you hit the target 1 out of 5 you are doing great.’

1.8. It has been noted that infringement cases are easier to enforce in conjunction with licensing contracts, as the licensing contract serves as evidence. Breach of contract claims are considered easier to enforce than design rights infringement claims where no contractual relation exists between the parties involved.

1.9. The approach to protection is usually determined through the business model. The following four options are thought to be the most common.
   • Assignment of rights to a client
   • A company (usually a large company) that creates design for itself, e.g. in-house design or proprietary design firms.
   • Licensing of rights to a client. In this case the obligation to protect needs to be negotiated amongst stakeholders
   • Assignment of rights to an intermediary company that deals with licensee/rights enforcement. This can protect the design company.

The different approaches to managing design rights may result in different attitudes to protection / infringement. Reading the market and getting the timing right is important for the value of the design. The greater the life-cycle of a product, the more recommendable investing in a registered design right will be. However, judging the potential life-cycle prior to a product launch can be challenging.
1.10. Designers tend to find out about infringement through their peer network, often through email correspondence. Online sellers, in particular the market leaders, provide a popular additional source for those design right owners who commit to active searches.

1.11. Soft benefits: It has been highlighted that there is a keen interest amongst designers, sole traders and small companies in particular, to be credited for their creative influences on others. Receiving public acknowledgement for the inspiring influence on others helps reputation building. The value of design rights and of attribution depends on where the product is sold. The accreditation through up-market retailers provide stronger credentials for the originator of a design than a budget-retailer. Etiquette and attribution is often perceived as or more important than commercial rewards.

1.1. The so-called ‘soft benefits’ are counter-balanced by the soft damages, which the victims of design rights infringement may suffer. Infringement can be demoralising, lead to stress and anxiety. This has been highlighted as potential emotional damage. The focus group was clear about the fact that the design rights system would benefit from a process of simplification. The improved use of digital technologies in the management of design registration would make systems easier to use and more cost-effective to operate. So-called soft values such as attribution are currently not given sufficient attention. As design rights bare some similarities with copyright, it may be useful to examine the creative commons for the way in which legal terms are articulated, and also for the way in which rights are managed.

A review of existing studies

Greenhalgh et al (2010): Intellectual Property Enforcement in Smaller UK Firms
The study ‘Intellectual Property Enforcement in Smaller UK Firms’ examines the attitudes and practices of small and medium-sized enterprises (SMEs) as well as micro firms. It comprises three surveys, one of patents, one of trade marks and one that covers simultaneously copyrights and design rights. The design rights survey produced 57 usable responses, only one of which came from a large firm. 35 respondents were SMEs and the remaining 21 were micro firms or individuals. The way in which firms rated the importance of IP did not show any clear tendency. This may be due to the small sample size, or due to the fact that copyright and design right were investigated in a combined fashion. The Greenhalgh study does not differentiate between registered and unregistered design rights. The findings do not allow for insights specific to registered design rights infringement. This paper fills this knowledge gap.

Viability
According to Greenhalgh et al ‘the value of an IP right to a firm depends on its ability to enforce it’ (Greenhalgh et al. 2010, p.3). However, the financial costs involved in the litigation of IP infringement constitute ‘a significant deterrent’ (Greenhalgh et al. 2010, p.1). In another source Greenhalgh and Rogers acknowledge other value aspects such as market power and signaling effects (Greenhalgh, Christine, Rogers, Mark (2010):
Innovation, Intellectual Property, and Economic Growth, New Jersey, USA: Princeton University Press). These value aspects may well be interconnected, and their significance deserves investigating in addition to and in relation to enforceability.

**Litigation costs and damages**

Greenhalgh et al present a contrasting scenario: firms, smaller firms in particular, who ‘protect their rights simply and at low cost’ and others who are ‘faced with a whirlpool of litigation costs when enforcing their rights’ (Greenhalgh et al. 2010, p.2). The authors conclude that IP enforcement is ‘either a small scale, easily resolved dispute, or an expensive, time-consuming minefield’ (Greenhalgh et al. 2010, p.2).

**Dark figures**

Although ‘IP disputes are relatively common’ — 25% of firms were involved in a dispute in the previous 5 years — the majority of them do not end up in court. In relation to SMEs and micro firms ‘The vast majority of IPR litigation takes place before the civil courts, where the IPR owner initiates the action.’ (Greenhalgh et al, 2010, p.2)

**Litigation and firm sizes**

Greenhalgh et al refer to IP litigation as ‘a minority sport’, but also as a ‘large firms’ game’ (Greenhalgh et al, 2010, p.3). The authors refer to the very small number of Patents Court case listings per year and the fact that ‘SMEs and micro firms are rarely litigants’. (Greenhalgh et al, 2010, p.3)

The Design Rights Infringement Survey 2016 adopted Greenhalgh et al’s definition of dispute which comprises ‘any infringement, whether or not this ended in legal proceedings’ (Greenhalgh et al, 2010, p.1). The Design Rights Infringement Survey took the definition one step further in that it considers disputes as ‘any kind of awareness of, or correspondence (pre court, in court or out-of-court) related to the actual or potential infringement of IP’. The reason for extending the definition to the ‘potential infringement of IP’ is precisely the fact that a lot of cases do not reach court, and prior to court settlement it is not 100% clear who is the infringing party in design rights disputes.

The following insights concur with the points raised by the focus group:

- Litigation costs, not filing costs, constitute a deterrent for innovators to register a design.
- The size of the firm is perceived as significant. Design rights are thought to benefit predominantly larger firms.
- Based on this report one would hypothesise that smaller firms are less likely to litigate.


**The value of design**

Professor Hargreaves underlines the economic importance of UK designs stating that ‘In 2008 investment in design alone amounted to 1.6 per cent of the Gross Domestic Product (GDP)’ (Hargreaves, 2011, p.64). He argues that ‘Small and young innovative firms are of crucial importance in terms of growth and jobs but proliferating use of IP rights can push
up IP transaction costs and block these players from entering markets.’ (Hargreaves, 2011, p.3).

**The currency the existing design rights framework**

Professor Ian Hargreaves points out that ‘the current intellectual property framework might not be sufficiently well designed to promote innovation and growth in the UK economy’, (Hargreaves, 2011, p.3) and he highlights the fact that ‘Design right dates from the eighteenth century, and registered design right from the nineteenth.’ (Hargreaves, 2011, p.64)

Hargreaves refers to the large variety of forms of design right as ‘a Patchwork of Protection’. The Design Right Infringement Survey 2016 focuses on all four design rights available in the UK:

- A registered design right covering the UK (This will be referred to as UK Registered Design Right)
- A registered design right covering Europe that is available through the Office of Harmonization for the Internal Market (OHIM): This will be referred to as Community Registered Design Right
- An unregistered design right covering the UK (UK Unregistered Design Right)
- An unregistered design right covering Europe (Community Unregistered Design Right)

Hargreaves perceives ‘multiple alternative design rights and registers’ as an unnecessarily complex system. He acknowledges that ‘It is improbable that a design rights framework optimised to support innovation and growth would feature a multiplicity of overlapping rights’ (Hargreaves, 2011, p.65).

Hargreaves emphasizes the relationship between design in the UK and the country’s economy. At the same time, he questions the efficacy of the design right framework with respect to economic growth. Given its age, it may be outdated. Hargreaves criticizes the complexity of the system.

**The Big Innovation Centre (2012): UK Design as a global industry: Intellectual trade and intellectual property**

The authors of this report highlight that the ways in which designs are appropriated differ between industry sectors due to the differences how these sectors operate. The activities comprise sales, licensing and the provision of bespoke services. The fact that many companies rely on more than one of these design commercialization routes (The Big Innovation Centre, 2012, p.3) leads to multiple business models.

The report identifies the fact that ‘there is no such thing as the “design industry” in official datasets’ (The Big Innovation Centre, 2012, p.12) as a methodological challenge. It also makes it clear that there is no shared understanding of what exactly constitutes design (The Big Innovation Centre, 2012, p.15).

Design rights are mostly used in combination with copyrights, trademarks, and also patents can be used in combination with design rights. The Big Innovation Centre report also highlights that some businesses prefer to rely on ‘the pace of their innovation’ rather
than on IP. It states that ‘Small businesses often have limited resources to enforce their legal rights’ (The Big Innovation Centre, 2012, p.3).

**The value of design registrations**
The Big Innovation Centre finds that ‘design registration is [often] not perceived as particularly valuable for firms producing designs’ since design is ‘being embedded within broad processes of value creation and leveraged using a variety of forms of intellectual property protection and business strategies’ (The Big Innovation Centre, 2012, p.64). This manifests itself in the ‘predominance of design as a service’. Design services, in particular those that are bespoke, tend to rely on ‘tacit knowledge and expertise’ (The Big Innovation Centre, 2012, p.65) rather than IPR such as patents that are connected with individual proprietary design products.

One of the key findings of the study is that ‘the balance between the costs and benefits of design rights do not encourage registration’. The study claims that costs are higher than necessary due to ‘a paper-based filing system’ and that benefits are limited because design rights are difficult to defend (The Big Innovation Centre, 2012, p.66).

Despite the fact that the majority of firms in the design industry are small and micro firms, ‘It can often be hard for smaller businesses to use the intellectual property system effectively’ (The Big Innovation Centre, 2012, p.83). Although the existing IP system is complex, and perhaps too complex, it does not suit the variety of existing design business models.

Whilst the Hargreaves report largely comments on the macro-economic significance of design, the Big Innovation Centre report focuses on the micro-economic aspect, i.e. the significance for the individual user or design owner. In line with the focus group (1.9) the report states that the use designs and the value of design rights depends on the business model used by the innovator.

An investigation of design industry sectors in the UK shows that the impact of design right ownership and design right infringement is far-spread. Having used three-digit SIC industry codes (Standard Industrial Classification codes) which were identified as relevant for design activities by Haskel and Pesole (2011) on the one hand and by Trends Business Research Ltd (TBR, 2015) on the other, in combination with the industry codes to which companies involved in design right infringement cases belonged, the following insight could be obtained: Out of a total of 3,689,100 listed on the industry database FAME, no less than 2,254,775 UK companies belong to industry sectors where design IP is of significance.

**The research methodology**
The data was collected through a survey questionnaire which was designed in such a way that questions could be answered by both infringers and infringed designers/design companies. The terms defendant was used instead of ‘infringer’, because it was believed that respondents would be reluctant to identify themselves as ‘infringers’ or ‘potential infringers’.

In the first instance the questionnaires were sent to owners of registered design rights only. This is the part of the investigation discussed in this paper. Two contact databases were used, one that listed owners of designs that were registered in the UK, and one that
listed owners of designs that were registered with OHIM (Office of Harmonization in the Internal Markets) in Europe. Owners of design rights that had expired were not included in the survey, nor were those who were not resident in the UK.

As no email contacts were available to the research team, questionnaires were sent through the post. Where design right owners owned more than one design right duplicate entries were removed. Entries with incomplete postal addresses were also eliminated. Those contacts that were found in both databases were eliminated from one of the two to make sure that respondents would receive the survey form only once. Following the completion of all filtering processes the database listed 12,522 individuals who had registered a design in either UK or EU.

A pilot was conducted using 300 addresses. The responses to the pilot were rolled into the main survey. In total 680 responses were collected in due time. This equates to a response rate of +/- 3% at a confidence level of 95. However, the data collected was contaminated with responses of owners of unregistered design rights and of copyright owners, who according to their survey responses do not own any registered design right. In this study, which focuses on registered design rights only, those unwanted responses were eliminated. Following the elimination of responses from IP owners who do not own a registered design right, 530 responses remained. One of these 530 responses was disqualified as the respondent had claimed to have completed the questionnaire twice, on paper and online using the url given in the printed questionnaire. The duplication of responses had to be avoided to prevent skewed results. The 529 responses used equate to a response rate of +/- 5% at a confidence level of 95. Four of the 529 responses were partial responses. The remaining 525 were complete responses.

46 questions were included in the questionnaire. It was not possible to construct a questionnaire that investigated multiple incidences of design right infringement in great detail with one questionnaire. To avoid confusion, those questions which were to examine the incident of the infringement were directed to ‘one particular dispute and preferably the dispute which best represents those [the recipient has] been involved with’.

Terminology: The questionnaire was designed to investigate perceived infringement, alleged infringement as well as actual infringement. This meant that questions needed to be designed to elicit situations where recipients thought to have been infringed with or without taking action, as well as situations where cases were taken to court. Therefore, the term ‘dispute’ was defined in a liberal way. The term was introduced as ‘any kind of awareness of, or correspondence (pre court, in court or out-of-court) related to the actual or potential infringement of IP.’ This was necessary in order to direct respondents to one representative sample case that could be discussed and examined in detail without creating confusion.

All data used in this paper was collected prior to the UK Brexit referendum.
The survey results

The following set of questions, diagrams and tables are an extract from the data collected in conjunction with the design right infringement survey. The word count limit does not allow to communicate the entirety of results.

General questions

The design industry sectors who own registered design rights

<table>
<thead>
<tr>
<th>Value</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and Marketing</td>
<td>4.36</td>
<td>23</td>
</tr>
<tr>
<td>Interior Design and Architecture</td>
<td>3.22</td>
<td>17</td>
</tr>
<tr>
<td>Crafts</td>
<td>6.44</td>
<td>34</td>
</tr>
<tr>
<td>Product / Industrial Design</td>
<td>54.73</td>
<td>288</td>
</tr>
<tr>
<td>Furniture Design</td>
<td>4.17</td>
<td>22</td>
</tr>
<tr>
<td>Graphic Design</td>
<td>1.52</td>
<td>8</td>
</tr>
<tr>
<td>Fashion Design</td>
<td>3.41</td>
<td>18</td>
</tr>
<tr>
<td>Film, TV, Video, Radio and Photography</td>
<td>0.38</td>
<td>2</td>
</tr>
<tr>
<td>IT, Software and Computer Services</td>
<td>1.14</td>
<td>6</td>
</tr>
<tr>
<td>Publishing</td>
<td>0.57</td>
<td>3</td>
</tr>
<tr>
<td>Museums, Galleries and Libraries</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>Music, Performing and Visual Arts</td>
<td>0.76</td>
<td>4</td>
</tr>
<tr>
<td>Service Design</td>
<td>0.95</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>18.37</td>
<td>97</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>527</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Figure 1*

Registered design rights are most commonly used in the field of product design. Copyright protection is more commonly used in the field of entertainment industries and in the publishing sector. Some areas of design may be more difficult to protect than others. The relatively high number of responses to others suggests that the use of registered design rights is widespread across industry sectors in the UK.
Design rights versus firm size

The smaller the firm, the more common is the use of registered design rights. It has to be said that in terms of numbers, smaller firms and sole traders dominate the design industry in the UK. There are only few medium and large corporations by comparison. So the distribution of registered design rights is vaguely proportionate to the number of small, respectively large design businesses in the UK. The filing costs which are low by comparison to patents, for example, attract businesses of all scales.
Design rights in relation to innovation
Here respondents were asked whether or not they had invented or developed products that were significantly improved or completely new to the market in the last 5 years?

Figure 3
This question relates to the relationship between the innovative capabilities of firms and the likelihood of infringement to occur. Whilst it needs to be acknowledged that the degree to which a product palette constitutes an improvement or a novelty is highly subjective. Nonetheless it appears that the owners of registered design right tend to focus on innovation to a large degree. Even though neither the registered design right in the UK, nor the EU registered design right is examined for novelty, 80% (421 out of 529) of owners of registered design rights rate their contribution to innovation in the UK as high.
Registering design rights in the UK is far more common amongst UK-based firms and individuals, than to register EU-wide. This comes as a surprise. Whilst the focus group had rated the value for money of both variants of IP as good, the scope of protection of EU (Community) registered design rights is far greater. It may be of benefit to UK’s export industry to promote an increase in the number of EU (Community) registered design rights. With a filing fee of €350 per design the EU registered design rights as opposed to £60 for a UK registered design (£50 for filing digitally online) the price difference should not constitute a barrier. The fact that 468 out of 529 respondents owned a UK registered design right and 210 a EU registered design right, makes it clear that some respondents filed for both, though not necessarily for the same design. If the UK exits the EU as indicated through the Brexit referendum, then designers will presumably need to file for both forms or registered design in order to secure exclusivity both in the UK and across the EU. It still waits to be seen how exactly the Brexit may affect existing EU registered design rights. The political debate surrounding UK’s EU exit provides the UK with an opportunity to improve the ‘unnecessarily complex system’ (Hargreaves, 2011, p.65) surrounding IP, and to enhance its efficacy.
**IP awareness**

Here respondents were asked which of the following Intellectual Property (IP) rights they had not heard of before.

![Figure 5](image)

This question provides some insight with respect to the low number of EU registered design rights amongst UK-based firms and individuals. A high percentage, over one third, do not know that a EU registered design right (formerly: Community Registered Design Right) exists. The awareness for UK registered design rights is very high on the other hand: 98.49%.

If there is a close link between design and the economy as claimed by Hargreaves in 2011 (see point 2.2), then the UK may be best advised to enhance the awareness for EU-registered design rights amongst UK-based IP stakeholders. Since ‘the majority of [UK] design exports go to advanced economies in Europe and America’ (Big Innovation Centre, 2012, p. 81), increasing awareness for EU registered design rights within the UK design community could be very beneficial for the UK economy. The Brexit may stimulate discourse surrounding design-related IP, which bears the opportunity to promote the EU-registered design right amongst UK-based firms.

About half of all respondents are unaware of the existence for an unregistered design right. Over 45% of respondents did not know of a UK unregistered design right, and over 54% were unaware of a EU registered design right. If the Brexit does go ahead the UK will presumably loose influence over EU legislation. At the same time the UK government would be in a better position to review its own IP legislation, and it would be advisable for the UK to follow the example of other countries such as Singapore and replace the unregistered design right with a 3D copyright, since over 99% of respondents are aware of
copyright protection. Enhancing awareness for specific forms of IP is likely to enhance the use of IP, which in turn will stimulate innovation in the UK.

**Investment in IP**

Here respondents were asked how much they spend each year on IP acquisition and maintenance.

![Bar chart showing investment in IP](chart.png)

**Figure 6**

Only 300 respondents could answer this question. Some 42% of respondents ticked ‘Don’t know’. Judging by the other responses it is clear that investment in IP is modest amongst the owners of registered design rights with almost a third spending less than £1,000 and just under 30% spending between £1,001 and £10,000 per year. A very small number of respondents invest significant sums of £500K or more. These candidates supposedly hold large IP portfolios with patents included. Whilst costs related to design rights can be an issue with respect to international protection and to litigation (see 1.2.), in terms of filing costs design rights are considered as an efficient means of IP protection (see focus group comments) and this perception is likely to affect the owners’ readiness to invest. The diagram suggests that design rights stakeholders invest modest sums in IP, but they may shy away from litigation in case of infringement due to the high costs required for the latter.
Investigating the incidence of infringement

Considering that the majority of design right infringement cases are not litigated in court, and since clarity about whether or not an infringement has actually occurred, the term dispute has been defined in conjunction with this study as ‘any kind of awareness of, or correspondence (pre court, in court or out-of-court) related to the actual or potential infringement of IP’.

The first question was set to identify the number of respondents in disputes related to design related rights. Multiple options were allowed.

<table>
<thead>
<tr>
<th>(1) Copyright:</th>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13.4%</td>
<td>71</td>
<td>441</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(2) UK Registered Design Right:</th>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21.4%</td>
<td>113</td>
<td>396</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(3) Community Registered Design Right:</th>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.3%</td>
<td>65</td>
<td>439</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(4) UK Unregistered Design Right:</th>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.6%</td>
<td>40</td>
<td>460</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(5) Community Unregistered Design Right:</th>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.0%</td>
<td>16</td>
<td>481</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(6) International (Non-UK / Community) Design Right or Design Patent:</th>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9.5%</td>
<td>50</td>
<td>453</td>
</tr>
</tbody>
</table>

The fact that there is a higher level of frequency of UK registered design rights (113) as opposed to EU registered design rights (65) should not surprise since twice as many respondents own a UK registered design rights as opposed to a EU registered design right (see Question 7).

170 respondents had been involved in disputes surrounding design right and/or copyright infringement within the EU/UK. 80% of those respondents were claimants (saw their rights as infringed), only 5.9% of respondents were defendants (had been alleged to have infringed the rights of others). 14.1% of respondents had been both claimants and defendants in the past. Only 49 respondents were involved in disputes over international design rights/design patent. The proportions between claimants (81.6%) and defendants (6.1%) is very similar with 12.2% of respondents having been both claimant and defendant. It is unsurprising that claimants are more likely to respond to a survey, since people are inevitably reluctant to admit having been accused of infringing the IP of others.
With respect to the following set of questions those candidates who had been involved in more than one dispute surrounding design right infringement were asked to answer the following 5 questions (Q17 – Q29) with respect to one particular dispute and preferably the dispute which best represented those they have been involved with. This was to avoid confusion and ambiguous responses.

First a distinction needed making between those who saw their rights as infringed, and those who had been accused of infringing the rights of others: 163 respondents (91.06%) stated that they were claimants with respect to the incidence of design right infringement, 16 respondents (8.94%) were defendants.

With respect to the territories involved, it could be established that over 50% of design right disputes involved other companies in the UK. 34.3% involved opponents overseas, and only 12.3% involved opponents in the EU. Infringement is most common a UK problem or subject to disputes involving counterparts overseas. This again suggests that the UK’s Brexit campaign will have little impact on the design community in the UK.

Design right disputes often involve a variety of forms of IP simultaneously. The respondents were asked which forms of IP were involved in the particular case mentioned above.

The data is fairly coherent between defendants and claimants with the exception of EU registered design right (Community Registered Design Rights). UK Registered Design Rights (UK RD) dominate the disputes. But this may be due to the fact that more than twice as many respondents invest in UK Registered Design Rights than in CRDs (see Q7). The low
outcome with respect to Unregistered Design Rights is not surprising given that around half of the respondents are unaware that such rights exist (Q8).

The following question addressed the sizes of opposing companies. Respondents were asked to assess the business size of the (main) opposing party in relation to their own company.

![Figure 9](image)

*Figure 9*

The first two sets of bars are unsurprisingly similar. This is because over 90% of respondents are claimants. In relation to patents, Weatherall et al. claimed ‘Larger firms are disproportionately represented in listed cases, while SMEs and micro firms are rarely litigants.’ (Greenhalgh et al, 2010, p.3). The data collected here does not suggest that this hypothesis can be transferred to design rights. The only discrepancy between defendants and claimants is that a higher proportion of defendants are confronted with similarly sized companies than the other way round. The defendants involved in this survey were not dealing with opponents that were ‘very much smaller’.

76.7% of respondents claimed that the design was used in a product, which you or your business were selling at the time of infringement. Infringement of design concepts that are not market ready or do not have proof of market is rare. The fact that only 4.8% of respondents stated that the design was licensed to another business may suggest that design right stakeholders are more aware or more protective of their rights if they trade the designs directly.

**Investigating reactions to infringement**

The investigation of people’s reactions to infringement still focused on the one particular dispute which the respondents had chosen with respect to the previous few questions.
In the first place, respondents were asked which action they took in response to the infringement.

Very few design right owners (only 5%) who are aware of a potential infringement situation choose to do nothing. A high percentage seek legal advice (solicitor: 40.2%, Contacted a patent or trade mark attorney: 39.1%) and send an infringement letter (67.0%). Only 16% of claimants issued a court claim. 12.5% of defendants issued a defense, and the same percentage issued a counter claim. However, the low response rate amongst defendants means that the defendants figures are not statistically representative.

Figure 10

The dominant reasons behind taking action in relation of a perceived infringement situation are:

- Defend potentially lucrative market (57.9%)
- Defend our Design Right(s) as a matter of principle (65.2%)
- Defend our business as a matter of principle (64.0%)

Those respondents, who took some sort of action were subsequently asked how the other party reacted. The question was formulated as follows: What response did you (as infringed party) receive from the other party? OR How did you (as allegedly infringing party) respond to the claim? [Please select all that apply]

In response to the claimants’ actions 39.9% of respondents claimed that the defendants had permanently stopped infringing, and 14.0% temporarily stopped infringing. In 25.8% of cases it was alleged that the design was invalid. This suggests that the success rate of infringement letters is considerably high with over 50%. This concurs with Greenhalgh et al’s claim that ‘solicitors’ letters often resolve disputes’ (Greenhalgh et al, 2010, p.1).
Design right stakeholders should feel encouraged to take action if they feel that their rights are infringed.

With respect to those cases which were litigated in court, 32 valid responses could be taken into consideration. Over a third of the cases involved were judged in favour of the claimant. 15.6% of cases were still pending, and another 15.6% were settled out of court, including one case that was reported by a defendant. One defendant stated that the case was ‘thrown out’. The other defendants did not respond to this question. This suggests that the success rate in relation to design right litigation is fairly high. However, the number of responses is too small to be statistically representative.

<table>
<thead>
<tr>
<th>Value</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case still pending</td>
<td>15.6%</td>
<td>5</td>
</tr>
<tr>
<td>Court judgment in our favour</td>
<td>34.4%</td>
<td>11</td>
</tr>
<tr>
<td>Court judgment in favour of the other party</td>
<td>6.3%</td>
<td>2</td>
</tr>
<tr>
<td>Out-of-court settlement</td>
<td>15.6%</td>
<td>5 (including 1 defendant)</td>
</tr>
<tr>
<td>Other (please state)</td>
<td>28.1%</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>28.1%</td>
<td>32</td>
</tr>
</tbody>
</table>

Figure 11

The next two questions were still related to the one particular incident chosen by the respondents. The questions asked how the design right holders felt about the litigation process, and about the outcome of the legal dispute.
It is clear that satisfaction levels are higher with respect to the outcome of legal disputes rather than with respect to the litigation process. Design right litigation may be a painful process. However, over half of the respondents are content or very pleased with the results.
Amongst those claimants who did not start court proceedings, 39.4% ticked that the ‘potential gains didn’t justify the cost’, 16.1% ticked that it ‘would take too long’. 29.2% ticked ‘other’ and gave a vast range of diverse reasons.

**The scale of infringement**

With this point of the questionnaire the respondents were asked to refer to multiple incidents of infringement if they have experienced more than one dispute surrounding design right infringement. Respondents were asked how much they had spent on legal fees when enforcing their registered and/or unregistered design rights.

![Figure 14](image)

Design Right enforcement is thought to be similarly costly compared to patent enforcement. The figures do not support this assumption at first sight. Cross tabulating the data with the previous question regarding the outcome reveals that those who paid nothing left no comments or very few with respect to satisfaction. 18 out of those who spent less than £1,000 did not take legal action. Either they gave in, or settled amicably. Some of them did not respond to this question. 9 out of the 37 who spent £5,000-£20,000 stated that ‘Potential gains didn't justify the cost’ in the previous question. The same applied to seven from the group who spent £20K-£100K.

The respondent who ticked over £1m had the court judgement in his / her favour, and was ‘reasonably content’ with both the outcome and the process.

The one who ticked £500K - £1m had the judgement in favour of the other party. They were ‘extremely disappointed’ with both the outcome and the process.

One of the two who sent £100K - £500K, received a court judgement in his / her favour and was ‘reasonably content’ with both the outcome and the process. The other of those
two stated that ‘Potential gains didn't justify the cost’. They did not take action despite
the fact that their spending on legal fees is quite considerable.
It seems fair to say that taking a design right infringement case to court can be
considerably expensive, and does not warrant for success. Most stakeholders settle out of
court or give in to mitigate the costs involved in legal disputes surrounding design right
infringement.

The survey did not produce clear results with respect to the financial losses incurred due
to design right infringement. These were difficult to judge. 36.3% ticked ‘Don’t know’.

In 2015 the UK introduced a new law according to which criminal proceedings could be
issued against infringers who intentionally produced identical copies of registered designs.
Hence the survey sought to establish how effective this new legislation would be.

<table>
<thead>
<tr>
<th>Value</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>An identical copy</td>
<td>16.2%</td>
<td>38</td>
</tr>
<tr>
<td>A nearly identical copy (differences are hardly noticeable compared with the original)</td>
<td>55.0%</td>
<td>88</td>
</tr>
<tr>
<td>Still a copy but with some noticeable differences</td>
<td>17.5%</td>
<td>28</td>
</tr>
<tr>
<td>Don't know</td>
<td>3.8%</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>160</td>
</tr>
</tbody>
</table>

*Figure 15*

The small number of ‘Don’t know’ responses suggests a high level of confidence here. The
majority of infringements are related to nearly identical copies. Only 16.2% are related to
identical copies. This means that the new law, i.e. the criminal sanctions which UK
introduced, would apply to 16.2% of the cases at the very most, and only if the
infringement can be proven as intentional. 75.2% of respondents stated that they
perceived their designs as ‘intentionally’ infringed. Inadvertent infringement of registered
design rights is thought to be very low with only 7.9% of respondents ticking this option.
17.0% of respondents stated that they did not know whether their registered design rights
had been infringed intentionally or inadvertently. 165 respondents had replied to this
question.

*The context of infringement*

Respondents were asked whether they perceived their infringed designs as radical or
incremental. Radical innovative design was defined as a design that has a disruptive
impact.
Very few design right stakeholders perceive their designs as incrementally innovative. If design is directly linked to innovation and economic growth, then weaknesses in the IP framework will have an adverse effect on the UK economy. It has to be noted here that a novelty attribute is a prerequisite for a registered design right. Although the novelty is not examined upon filing, designers who are aware of this requirement will refrain from registering a design right since they know that they will not be able to enforce it.

To investigate the timing of infringement, respondents were asked approximately how many years after the design registration the infringement occurred.
This set of responses shows that the chance for design rights to be infringed diminishes over time. This may be because the value of design connects is dependent on the product life cycle. The closer to the end, the lower will be the cumulative value that can be appropriated from a design. The risk of infringement is lower in the first than in the 2\textsuperscript{nd} and 3\textsuperscript{rd} year. It appears that infringers wait until proof of market has been established.
4.6. How designers rate the design right system in the UK
IP robustness was here defined as the level of protection offered by the type of right, and respondents were asked to rate it on a scale from 1 to 5, one being least robust and five being the most robust. 526 responses to this question provided a very credible set of data.

<table>
<thead>
<tr>
<th>Type of IP</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Design Right</td>
<td>7.4%</td>
<td>39%</td>
<td>14.1%</td>
<td>24.3%</td>
<td>18.4%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Unregistered Design Right</td>
<td>21.3%</td>
<td>112</td>
<td>17.5%</td>
<td>92</td>
<td>8.4%</td>
<td>44</td>
</tr>
<tr>
<td>Copyright</td>
<td>8.8%</td>
<td>47</td>
<td>10.3%</td>
<td>54</td>
<td>19.8%</td>
<td>104</td>
</tr>
<tr>
<td>Trade mark</td>
<td>3.6%</td>
<td>19</td>
<td>4.6%</td>
<td>24</td>
<td>12.5%</td>
<td>66</td>
</tr>
<tr>
<td>Patent</td>
<td>5.7%</td>
<td>30</td>
<td>2.7%</td>
<td>14</td>
<td>8.6%</td>
<td>45</td>
</tr>
</tbody>
</table>

Figure 18

Average mean:
- Registered Design Right: 3.27
- Unregistered Design Right: 1.94
- Copyright: 3.24
- Trade mark: 3.94
- Patent: 4.10

Unregistered Design Rights are perceived as the least robust form of IP. Registered Design Rights are perceived as more robust by comparison, but less robust than trade mark and patent. The latter received the highest scores with respect to robustness. Copyright is perceived as significantly more robust than Unregistered Design Rights. However, the scores here are difficult to compare to those of Registered Design Rights due to the high number of respondents (31%) who ticked ‘Don’t know’.

The respondents were subsequently asked to rate their level of confidence in both unregistered and registered design rights on a scale from 1 to 5, with one reflecting very low confidence and five very high confidence.
Confidence in Unregistered Design Rights is very low by comparison to Registered Design Rights. Almost half of the respondents are unable to express a point of view, and almost half of the rest gave it the lowest rating. It is likely that Unregistered Design Rights are not sufficiently understood by Design Right stakeholders. Confidence in Registered Design Rights is slightly above average. Confidence in Unregistered Design Rights could be enhanced if this form of IP were to be converted into a 3D copyright.

Lastly respondents were asked to rate registered design rights with respect to value for money.

**Figure 19**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Design Rights</td>
<td><strong>10.6%</strong></td>
<td>56</td>
<td><strong>12.0%</strong></td>
<td>63</td>
<td><strong>24.0%</strong></td>
<td>123</td>
</tr>
<tr>
<td>Unregistered Design Rights</td>
<td><strong>22.4%</strong></td>
<td>118</td>
<td><strong>13.5%</strong></td>
<td>71</td>
<td><strong>11.4%</strong></td>
<td>60</td>
</tr>
</tbody>
</table>

**Average mean:**
- Registered Design Right: 3.20
- Unregistered Design Right: 1.96

**Figure 20**
Despite limited confidence respondents feel relatively positive about the costs involved in registering Designs. The question does not cover the costs involved in litigating infringement. The fact that the ratings are fairly positive with an average mean of 3.48 (between ‘Average’ and ‘Good Value for Money’) suggests that design right owners appreciate the low registration costs despite the fact that their confidence in this form of IP is very limited.

Respondents were also asked about their expectation towards future trends in relation to infringement. 54.4% of respondents expect the number of design rights infringement cases to increase in the next five years. 26.0% expect it to remain the same, only 2.1% expect a decrease, and 25.0% expect for it to remain the same. Only periodic surveys will help to establish clarity about fluctuations in the frequency of infringement cases.

5. Discussion of results
Design rights and the litigation of design right infringement is not a ‘large firm’s game’ as suspected by Greenhalgh et al. But litigation of design rights is a minority sport, with only 16% of infringed design owners issuing a court claim. The reason for this may be two-fold: On the one hand 69.9% of claimants sent an infringement letter, and, court claims included, 53.9% of actions led to the permanent or temporary discontinuation of the infringement. So there is a reasonably high success rate. On the other hand, a limited level of confidence in registered design rights with an average mean of 3.2 out of 5 may discourage design right owners who are confronted with a potential infringement situation from taking court action.

It is highly likely that the commercial exploitation of design in the UK could be enhanced through raising awareness for EU registered design rights through educational initiatives, and through raising awareness for UK unregistered design rights through converting this form of IP into a 3D copyright.

The qualitative comments received suggest that litigating design right infringement is perceived as unaffordable by many, and success prospects can be limited:

- ‘The system favours those who have the deepest pockets or who are prepared to lie. We have had 10-20 different instances and only 1 good outcome.’
- ‘Defending rights is far too expensive and realistic hope of meaningful compensation is non-existent from our experience’
- ‘Any party has the right to challenge, and even if found in my favour, they have a right of appeal’

There are also concerns around the possibility to bypass design rights through the modification of existing designs:

- ‘not sure how robust the protection is if someone reproduced the items with slight design modifications.’
- ‘How close does another person’s design have to be to a registered design before it is counted as an infringement?’
- ‘believe that there are a lot of similar designs registered and enforcement would be difficult.’
The case surrounding Trunki which was judged in favour of the inventor’s competitor PMS International in the Supreme Court of Appeal in 2016, reinforces skepticism towards the design right system in the UK (Hillner, 2016). The case was initially judged in favour of the inventor, Rob Law, in the High Court in 2013. But the verdict was overturned in the High Court of Appeal, and this verdict was later re-confirmed in the Supreme Court of Appeal. One survey respondent stated that ‘there aren’t enough “prosecutions” to act as a deterrent’. Given the current legislation in the light of the Trunki case, it appears unlikely that there will be an increase in successful prosecutions in the foreseeable future. Perhaps less design right owners will litigate the perceived infringement of their rights, due to the low confidence in the robustness of registered design rights.

The introduction of criminal sanctions will have a limited impact, if any at all. This is because the percentage of cases involving identical copies is very low (16.2%). The legislation surrounding design rights in the UK does not compare well to that in other countries: One respondent claimed that ‘Our RCD [EU registered design right] has stopped over 100 companies and copies Internationally but has failed in the UK! UK registered design is next to pointless as we trade in a global economy.’

Rob Law, the inventor of Trunki claims in an interview that it has been easier to enforce design rights abroad than it has been in the UK (Hillner, 2016). It is believed that the absence of a law against ‘unfair competition’ in the UK makes it more difficult to successfully litigate design rights here. IP protagonists such as the British trade association ACID (Anti Copying in Design) are propagating the introduction of such a law in the UK. It is important to highlight that IP is a means not only for regulating competition, but also to provide a basis for collaborative initiatives. According to one focus group delegate monitoring the origin of designs is to be particularly important when it comes to collaborative design or design consortia. Determining what constitutes a noteworthy design aspect and what does not can be challenging, and lead to frictions between the parties involved. Fairness in competition and fairness in conjunction with collaborative design initiatives should be a guiding principle that informs decision-making in the context of design legislation.

**How to enhance the current design right system:**

One survey respondent claimed that ‘We need a visual way - a symbol - of signifying on our product photos on-line, that our products are protected as Registered Designs’. If a symbol was introduced to communicate the fact that a design right has been registered, then such a sign could be used in conjunction with an indication that the design right holder is committed to taking action against ‘unfair competition’ and / or is committed to adhere to principles of ‘fair collaboration’. The latter would require a set of protocols, which remain undeveloped, since the idea is somewhat unprecedented. That said, it is important to highlight that co-creative design incentives are likely to become increasingly prominent and the creative commons have shown how attitudes towards copyright can be communicated easily and effectively with a simple set of signs which may encourage collaboration on the one hand and deter infringement on the other.
Figure 20 proposition for a label to highlight the status of registered designs and design patents along with the IP owner’s intentions of defending and sharing the IP (© Matthias Hillner, Singapore, 2017)

A sign system could be established in line with current trade mark and copyright symbols in order to articulate whether or not a design is registered. This could be extended to patents and possibly combined with an articulation that expresses the IP holder’s readiness to challenge ‘unfair competition’ (in territories, where the legal framework allows for that), and another that commits the IP owner to principles of fair collaboration (to be established — perhaps through a charter) and invites likeminded potential collaborators to consider engaging in collaboration.

Future monitoring

Figure 22 towards a robust research methodology (© Matthias Hillner, Singapore, 2017)

Although the responses to some questions ought to be treated with caution due to the fact that the number of responses are not statistically reliable, in particular when it comes to court proceedings, the questionnaire design used for this study provides the foundation for a reliable research methodology, which could be adapted to investigate the infringement of other forms of IPR such as unregistered design rights, copyright, trademarks and patents. It would be useful to investigate the infringement of different forms of IP in order to produce a comparative study. It would also be interesting to investigate the infringement of IP periodically in order to establish trends and long-term changes to support the decision making of designers, innovators and legislation makers.

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About the Author

Matthias Hillner is Head of School of Design Communication at LASALLE College of the Arts, Singapore. His research focuses on IP and Innovation management in conjunction with design startups. Matthias is currently pursuing a PhD in this subject area at the Royal College of the Art in London.