

## All-Party Parliamentary Group for Intellectual Property Note for Virtual Meeting on the IP Enforcement Strategy

**Date:** Tuesday 17<sup>th</sup> November 2020

**Time:** 14:00-15:00

**Attendees:** Pete Wishart MP, Lord Clement-Jones, Lord Foster of Bath

### **Issues covered:**

- Access to justice for rights holders
- Improving the Intellectual Property Enterprise Court (IPEC) Small Claims Track (SCT)
- Protecting design rights for UK designers and enhancing the IP regime

### Background

This meeting was the second in the series of APPG meetings to discuss the Intellectual Property Office's (IPO) proposed five-year Enforcement Strategy, which is due to be published early in 2021. At the end of the series of meetings, the APPG will produce a set of recommendations to the Government in the New Year, to help shape the Enforcement Strategy.

Currently, many small businesses in the UK struggle to access the necessary routes to enforcement, including through the Intellectual Property Enterprise Court (IPEC) Small Claims Track (SCT). This is due to a variety of reasons such as high costs, time effectiveness and the complexity of evidence required to prove infringement has been damaging.

### Challenges with the Intellectual Property Enterprise Court (IPEC) Small Claims Track (SCT)

The British Association of Picture Libraries and Agencies (BAPLA) identified three areas of improvement to the SCT that would benefit small businesses:

- **Consolidating and simplifying guidance**
- **Increasing the cap on claims through SCT**
- **Increasing the cap on recovery of legal costs and abolishing charges for written judgments**

#### **Consolidating and simplifying guidance**

- Currently, it is very difficult to understand what support is available to small businesses should they decide they need to seek legal action. The language is overly complicated, and the information should be simplified and transparent.
- There are two websites, the Judiciary website and the Government website, offering information about the Intellectual Property Enterprise Court, which are both difficult to navigate and provide inconsistent information.

#### **Increasing the cap on claims through SCT**

- Currently there is a £10,000 cap on the value of claims that can be brought to the IPEC Small Claims Track.

- The SCT is intended for straight forward infringements where, for example, an image has been used on a website without being paid for and without the permission of the photographer.
- Although this process is quicker and cheaper for rights holders, the compensation cap means it does not account for the true value of products, designs, and photographs that have been infringed.
- Many small and micro businesses are therefore faced with having to choose between using the more complicated, and costly IPEC Multi-Track process in order to claim the full value of their creations, or use the simpler SCT to save time but concede their compensation may not cover their losses.
- This is not in line with the enforcement directive<sup>1</sup> which is there to ensure infringement of IP is met with an appropriate recompense.
- It should also be noted, that even if creators decided to take the IPEC Multi-Track process to claim the full value, it could still be redirected to the SCT as it is designed for the simpler and more straightforward infringements.

### Increasing the cap on recovery of legal costs and abolishing charges for written judgments

- The recovery of legal costs is capped at £260, which does not reflect the effort and complexity of IP cases.
- Small Claims judgments are not published unless they are paid for by the claimant, which also means that appeals cannot be lodged until the claimant pays for the judgment. This raises serious issues of transparency and consistency.

### Recommendations

- Consolidate information, advice, and guidance in one place online.
- The SCT cap ought to be increased to £25,000 in line with a Fast-Track claim, and statutory damages should be introduced as an optional remedy.
- An Online System for the SCT could be introduced which would offer a cost-effective way to submit claims. This would reduce the time and expense of a full court hearing and could be dealt with administratively.
- Abolish the charge for written judgements which would reduce costs for claimants and help ensure consistent judgements.

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<sup>1</sup> DIRECTIVE 2004/48/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2004 on the enforcement of intellectual property rights [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32004L0048R\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32004L0048R(01)&from=EN)

## Protecting design rights for UK designers and enhancing the IP regime

Anti-Copying in Design (ACID) outlined a number of issues within the justice system for design rightsholders, which have resulted in a significant lack of deterrence and continued infringement of designs.

### Importance of the design sector to UK economy

- The UK has the second largest design sector in the world, and the largest design sector in Europe.<sup>2</sup>
- The design sector contributed £85.6 billion to the UK's gross value added (GVA) in 2016.<sup>3</sup>
- In 2016 there were 1.6 million employed in design and design skills.<sup>4</sup>
- 87% of the design sector has under 10 employees<sup>5</sup>
- 60% of the design sector has under 4 employees<sup>6</sup>.

### Prohibitive costs

- The cost of making a claim does not reflect what designers are able to afford. For example, the average designer earns £16.43 per hour,<sup>7</sup> while an IP lawyer typically charges between £200-500 per hour.
- Currently Registered Designs do not qualify for the SCT, which does not chime with the encouragement from the Government to register. This process is often the most time and cost-effective way designers can make a claim.
- Without having access to the SCT for Registered Designs, many designers are unable to make a claim against infringers as they lack the time, money, and resources to seek justice. This increases the likelihood of infringement and a loss in revenue for SMEs.
- Due to the lack of formal legal process, a number of designers have had to resort to shaming infringers on social media as a form of justice.
- Many legal cases against large retailers, where infringement has occurred, result in private settlements, which does not build up the case law necessary to ensure consistent judgements. This does not hold the infringer to account, and therefore they are not deterred from copying again.

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<sup>2</sup> The Creative Industries Council <https://www.thecreativeindustries.co.uk/industries/design/design-facts-and-figures/the-uk-design-industry-an-overview>

<sup>3</sup> The Design Economy 2018, Design Council:  
[https://www.designcouncil.org.uk/sites/default/files/asset/document/Design\\_Economy\\_2018\\_exec\\_summary.pdf](https://www.designcouncil.org.uk/sites/default/files/asset/document/Design_Economy_2018_exec_summary.pdf)

<sup>4</sup> The Design Economy 2018, Design Council:  
[https://www.designcouncil.org.uk/sites/default/files/asset/document/Design\\_Economy\\_2018\\_exec\\_summary.pdf](https://www.designcouncil.org.uk/sites/default/files/asset/document/Design_Economy_2018_exec_summary.pdf)

<sup>5</sup> Anti-Copying in Design, [https://www.acid.uk.com/consultation-on-the-intellectual-property-enforcement-framework/#\\_ftn1](https://www.acid.uk.com/consultation-on-the-intellectual-property-enforcement-framework/#_ftn1)

<sup>6</sup> Anti-Copying in Design, [https://www.acid.uk.com/consultation-on-the-intellectual-property-enforcement-framework/#\\_ftn1](https://www.acid.uk.com/consultation-on-the-intellectual-property-enforcement-framework/#_ftn1)

<sup>7</sup> Anti-Copying in Design, [https://www.acid.uk.com/consultation-on-the-intellectual-property-enforcement-framework/#\\_ftn1](https://www.acid.uk.com/consultation-on-the-intellectual-property-enforcement-framework/#_ftn1)

## Loss of design protections across the EU-27

- There is a major disparity between the rights available to the UK design community and the contribution the industry makes to the UK economy.
- As a result of leaving the EU, in order for UK designers to benefit from Unregistered Design protections across the EU 27 countries their designs must first be made available to the public in an EU member state. This could have major consequences for exhibitors and the UK design economy, as it incentivises UK designers to first showcase their products in the EU-27 not the UK.
- The vast majority of designers rely on Unregistered Design rights, but this right is not protected by the criminal system in the same way that copyright, trademarks, and registered designs are protected.

## Recommendations

The IPO could make a number of straightforward improvements as part of its Enforcement Strategy to simplify and enhance the benefits of going through the SCT.

- **Statutory Damages** – This would act as a deterrent. The current options of choosing between either the IPEC Multi-Track process or the Small Claims Track is complex and can create a barrier for SME rights’ holders in taking legal action. Further research into statutory damages would be welcomed as a further option.
- **Inclusion of Registered Design Cases to the IPEC SCT** – This would ensure designers who register their designs can make a more cost-effective claim should their designs be infringed. It would also avoid the need for designers to publicly shame infringers online.
- **Introduce an Online System for the SCT**– Creating an online system would offer a cost-effective way to submit claims that would reduce the time and expense of a full court hearing and could be dealt with administratively.
- **Increase level of potential damages in the SCT** – An increase in the level of potential damages which, currently at £10,000, is too low when taking into account the cost of the time and administration that rights holders have to experience to take legal action through SCT.
- **Introduction of Criminal Provisions for intentional unregistered design infringement** – As UK designers will lose the protection of automatic unregistered designs rights’ protection in EU27 as from 1 January 2021, now could not be a more appropriate time to consider strengthening the deterrent factor against copying by introducing criminal provisions for the infringement of an unregistered design making individual directors also liable. As a result of this failure in the Brexit negotiations, Government has an obligation to support UK designers in the same way as copyright creators with stronger IP rights.

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