

EXPLANATORY MEMORANDUM TO
THE DESIGNS AND INTERNATIONAL TRADE MARKS (AMENDMENT ETC.)
(EU EXIT) REGULATIONS 2019

2019 No. XXXX

1. Introduction

1.1 This explanatory memorandum has been prepared by the Intellectual Property Office, an Executive Agency of the Department of Business, Energy and Industrial Strategy and is laid before Parliament by Act.

2. Purpose of the instrument

2.1 This instrument addresses failures of retained European Union (EU) law and other deficiencies arising from the UK's exit from the EU. The powers contained in Section 8 (1) and paragraph 21(b) of Schedule 7 of the European Union (Withdrawal) Act 2018 allow for deficiencies to be addressed on exit.

Explanations

What did any relevant EU law do before exit day?

- 2.2 Designs are intellectual property rights which protect the appearance of a product. As a Member State of the EU, the UK is part of an EU-wide system for protection of designs. There are two forms of designs protected at EU level, as defined by Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs (CDR). These are the Registered Community Design (RCD) and the Unregistered Community Design (UCD).
- 2.3 RCDs and UCDs are unitary rights (i.e. a single right covering all EU Member States). Both rights protect the appearance of the whole or part of a product, resulting from the features of lines, contours, colours, shape texture and/or materials of the product itself and/or its ornamentation.
- 2.4 RCDs are granted by the EU Intellectual Property Office (EUIPO) through an application for registration. These rights are renewable every five years up to a maximum of 25 years.
- 2.5 A UCD enjoys protection if it is new, has individual character and it is made available (disclosed) to the public in the manner provided for in the CDR. A UCD can be protected for a maximum of three years and sectors such as the fashion industry rely heavily on this right due to high volume and the fast-moving nature of the sector. Although there is a UK unregistered design right it is different to the EU right e.g. the UCD provides protection for surface decoration. UK law does not currently provide that form of protection but this instrument will address that issue.
- 2.6 The EU system for protection of designs exists alongside national systems for protection of these rights. In the UK, there is a registered design, as defined by the Registered Designs Act 1949 (RDA). This right protects the same features as the RCD for the same maximum period of time. The UK (unregistered) design right, as defined by the Copyright, Designs and Patents Act 1988 (CDPA), differs from the protection

conferred by a UCD as it protects only the shape and configuration of a design. The UK design right can be protected for up to fifteen years.

International Registrations

- 2.7 Intellectual property rights such as trade marks and design rights can also be protected internationally at the World Intellectual Property Organization (WIPO). International applications made through WIPO allow applicants to make a single application to protect their trade mark through the Madrid System or designs through the Hague System by designating contracting countries which are signed up to the respective agreements. The EU and the UK are contracting parties to both these systems. An EU designation provides a unitary intellectual property right (i.e. a single right covering all EU Member States) as defined by EU Regulation 2017/1001 for trade marks and Council Regulation No 1891/2006 of 18 December 2006 amending Regulations (EC) No 6/2002 and (EC) No 40/94 for design rights. Once the UK leaves the EU these Regulations will no longer apply and applicants will need to designate the UK separately to receive protection in the UK for international registrations.

Why is it being changed?

- 2.8 On and after exit day, the CDR will no longer confer protection for existing RCDs and UCDs in respect of the UK. Without UK Government action proprietors of such rights will on exit day lose these rights. Holders of existing international trade marks and design rights registered with WIPO designating protection in the EU will also cease to be protected in the UK upon exit.

What will it now do?

- 2.9 This SI allows for the continued UK protection of these acquired rights for businesses, trade mark holders and designers and as far as possible maintains the current system. Therefore, the amendments made by this instrument will address deficiencies in EU law because of the UK's exit.
- 2.10 Holders of RCDs registered before exit, will receive a "re-registered" UK design on exit day. Where a UCD is in existence before exit day, rights holders will continue to have the benefit of the UK protection conferred by this right through the 'continuing unregistered community design'. For designs disclosed in the UK after exit, designers will continue to be able to utilise the characteristics of the UCD through the 'supplementary unregistered design right' that will be introduced into UK law and which mirrors the scope and duration of the UCD.
- 2.11 The SI will also allow right holders with an existing international registration designating the EU for a trade mark or design to have a new equivalent UK right granted to them that will come into force at the point of the UK's exit from the EU. This right will be separate from the international registration, so that existing international right holders can continue to enforce their rights in the UK.
- 2.12 All of these comparable UK rights will be fully independent UK trade marks and designs which can be challenged, assigned, licensed or renewed separately from the original international registration. This SI will also introduce provisions to ensure that any holder of a pending international trade mark or design application requesting protection in the EU can retain the relevant filing and priority dates in the UK via a new domestic application. UK applications based on pending international

applications and registrations designating the EU must be filed within a period of nine months from exit day or in certain limited circumstances a later date.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

3.2 The territorial application of this instrument includes Scotland and Northern Ireland.

3.3 The powers under which this instrument is made cover the UK (section 24(1) of the European Union (Withdrawal) Act 2018) and the territorial application of this instrument is not limited either by the Act or by the instrument.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

5.1 The Minister of State for Universities, Science, Research and Innovation, Chris Skidmore has made the following statement regarding Human Rights:

“In my view the provisions of the Designs and International Trade Marks (Amendment etc.) (EU Exit) Regulations 2019 are compatible with the Convention rights.”

6. Legislative Context

6.1 The RDA sets out the provisions relating to national registered designs and is supplemented by the Registered Design Rules 2006. The CDPA sets out the provisions relating to national unregistered design rights.

6.2 Whilst the CDR is directly applicable in the UK, there are domestic regulations which designate courts in England & Wales and Scotland & Northern Ireland as Community Design Courts for the purposes of proceedings involving RCDs and UCDs conducted pursuant to the CDR. This SI amends the RDA, Design Rules and CDPA. The approach adopted is to revoke parts of the CDR which govern RCDs, as these ‘re-registered’ designs will be treated as if registered under the RDA and therefore the provisions in the CDR will have no practical application after exit.

6.3 For unregistered designs, the relevant parts of the CDR relating to UCDs are retained in relation to the continuing unregistered Community design and the supplementary unregistered design right.

6.4 Those regulations that relate to registered designs insert Schedule 1A as a new schedule to the RDA. Doing this will result in a complete set of rules relating to domestic designs being in one place, the benefit being that the definitions and principles which apply in relation to designs registered under the RDA can flow and apply to the newly created re-registered design rights.

- 6.5 For unregistered designs, the CDPA is amended, as is the Design Right (Proceedings before the Comptroller) Rules 1989.
- 6.6 The CDR is amended by Part 1 of Schedule 1 to apply to unregistered Community designs (as defined by paragraph 1 of that Schedule) in force immediately before exit day. The UK Community Design Regulations 2005 are amended by Part 2 of Schedule 1 to apply to such designs. The CDR is also amended by Part 1 of Schedule 2 to create the supplementary unregistered design right (as defined by paragraph 1 of that Schedule). The 2005 Regulations are amended by Part 2 of Schedule 2 to apply to that design right.
- 6.7 The SI also removes references to RCDs and UCDs from the RDA and CDPA to reflect that the UK will no longer be part of the EU system for protection of these rights.
- 6.8 In relation to international trade marks, the SI inserts a new Schedule 2B into the Trade Marks Act 1994 which makes provision for the grant of comparable UK trade marks in respect of International trade marks which are protected in the European Union immediately before exit day. It also contains provision (in Part 3) for applications for domestic trade marks to be made based upon an application for an international trade mark which is pending on exit day and (in Part 4) for applications for domestic marks to be made where a transformation application has been filed with the European Union Intellectual Property Office (following a cancellation of the international registration) which is pending on exit day. The SI also contains other amendments to the Trade Marks Act arising out of the provisions contained in Schedule 2B together with consequential changes to the Trade Mark Rules 2008 (which regulate the administration and procedure relating to trade marks).

7. Policy background

What is being done and why?

- 7.1 This statutory instrument makes the changes necessary for continued protection for RCDs, UCDs and international registrations of trade marks and designs in the UK through the creation of a comparable right upon the UK's withdrawal from the EU.

Registered Community Designs

- 7.2 The CDR establishes a unitary system for the protection of designs whereby a single right is protected in all Member States of the EU. The CDR provides for protection of two forms of design, the RCD which is protected through an application to the EUIPO, and the UCD which is protected upon first showing of the design in the EU. Following exit any existing RCDs and UCDs will only cover the remaining EU Member States.
- 7.3 In order to be protected, either through registration, or as an unregistered right, designs must be novel. This novelty requirement prevents rights holders from seeking continued UK protection for their EU rights after exit via registration or disclosure in the UK.
- 7.4 The European Convention on Human Rights ("ECHR") places limits on the state's abilities to deprive natural or legal persons of their property. Case law makes it clear that trade marks and applications are considered as property under the ECHR. In the absence of an agreement to remain part of the EU design system, we believe that it is

necessary to provide a mechanism to ensure continuity of the protection in the UK which is currently provided by RCDs.

Unregistered Community Designs

Continuing Unregistered Community design

- 7.5 This instrument will ensure that all UCDs which are in force when the UK leaves the EU will continue to be protected and enforceable in the UK for the remaining period of protection of the right.

Supplementary Unregistered Community Design

- 7.6 This SI also creates a new unregistered design right in the UK and which mirrors the characteristics of the UCD. This means that designs which are disclosed after the UK exits the EU will also be protected in the UK under the current terms of the UCD. This new right will be known as the Supplementary Unregistered Design Right (“SUDR”). Those UK unregistered design rights which exist at the point of exit will continue to be protected and the UK unregistered right will continue to exist for designs first disclosed in the UK.

Creating “re-registered designs”

- 7.7 This SI allows the UK government to ensure continued protection in the UK for RCDs with no loss of rights, by granting the owner a “re-registered” UK registered design. On exit day, registered designs in force (including those in their six-month late renewal period) will be copied across to the relevant UK register and become UK rights.
- 7.8 These “re-registered” UK rights will be fully independent UK registered designs which can be challenged, assigned, licensed or renewed.

Pending applications

- 7.9 Those with pending applications for registered designs at EUIPO will be able to file a new application in the UK, claiming the earlier application date of the RCD for the same design. Applications must be submitted to the IPO within nine months of exit day.

Deferred publication

- 7.10 The publication of an RCD may be deferred at EUIPO for up to 30 months. This means that only basic details about the right holder and the filing date are published. The design itself is not published or made available for public inspection during this time. Owners of RCDs that are deferred at exit will be able to apply to the UK IPO for their design to be registered in the UK, claiming the earlier filing date of the RCD. Rights holders will have nine months to apply for the same design as a UK registered design, which may be deferred at the UK IPO under UK rules for a maximum period of up to 12 months. Rights holders with a deferred design at EUIPO that request deferment in the UK will not be able to defer publication for more than 30 months overall. As these designs will already be examined by the EUIPO, no formal examination of the design will take place at the UK IPO.

Renewals

- 7.11 This SI will preserve the existing renewal date of the registered design following its conversion into a UK right, meaning that some new UK rights may have renewal dates falling immediately after exit. The IPO sends reminder notices to owners whose designs are due for renewal three months prior to the renewal date.
- 7.12 For UK rights which are created on exit day and which expire soon after, the IPO will be unable to send reminder notices in advance, because the “re-registered” UK right will not yet exist. Therefore, for a right expiring within the first three months after exit, the IPO will send a renewal notice to these rights holders, and provide the owner with six months to renew its UK right from the date of the notice, without paying a late renewal fee. Where the right is not renewed in the UK, it will be removed from the register, but may also be restored in accordance with existing UK law.
- 7.13 Where the renewal date of a registered design falls before exit day but the late renewal period of that right expires after exit day, a late renewal fee payment at the EUIPO will be recorded as renewal of the UK right and no further payment or action will be required in the UK. If the right is not renewed at EUIPO, the “re-registered” design (which was created on exit day in the UK) will be removed from the UK register with effect from exit day.

International Registrations

- 7.14 Trade mark and design applicants have the option to protect their rights through a national office, regionally through the EUIPO, or internationally through WIPO. The advantages to an international application are that applicants need only file one application, in one language and pay one fee, thus removing the inconvenience of filing numerous applications in different languages worldwide. This allows the applicant to manage their portfolio of rights with ease and is a convenient and cost-effective solution for registering and managing trade-marks and designs worldwide.

International Trade Marks

- 7.15 The registration of international trade marks is managed through the Madrid Protocol which is administered by WIPO. Protection can be obtained in up to 113 countries and its 103 members represent more than 80% of world trade. Intergovernmental organisations such as the EU are able to become signatories to this treaty. The EU became a signatory to the Madrid Protocol in 2004 and since then, applicants have been able to designate protection in the EU. There are currently around 220,000 trade marks under the Madrid system designating the EU.

Creating a comparable trade mark

- 7.16 Because the EU is a territory recognised under the Madrid System for the International Registration of Trade Marks, existing international trade marks designating the EU will cease to provide UK protection after exit. This SI ensures that the owners of such rights will enjoy continued protection in the UK by the automatic grant of comparable domestic trade marks. It is a feature of the Madrid system that any time after the registration of an initial designation with WIPO, the holder of the international mark may request a subsequent designation to extend the protection of that registration to additional contracting parties. This means that the effective date of a subsequent designation can be years after the initial designation. The SI ensures that the different dates are respected on the comparable trade mark where a subsequent designation has been recorded in relation to the EU.

Pending International Trade Marks

- 7.17 It is estimated that there will be approximately 12,000 international trade mark applications pending at exit day. Those with such pending applications will be able to file a new application in the UK, claiming the earlier filing or priority date of the international application, for the same trade mark in respect of goods and services which are identical to or contained within the EU application. In order to claim the earlier filing date, such an application must be submitted to the IPO within nine months of exit day or in certain limited circumstances a later date.

Renewal of International Trade Marks

- 7.18 The SI will assign the UK comparable right with a renewal date corresponding to the date on which EU protection was conferred as part of the International Registration. Where EU protection was requested as part of the international application, the renewal date of the comparable right will be identical to the renewal date of the corresponding International Registration. Where EU protection was conferred on a date after the International application was filed (i.e. a 'subsequent designation'), that date shall be used for the purposes of calculating future UK renewal.
- 7.19 Under existing law, the IPO is required to send reminder notices to owners whose marks are due for renewal six months prior to the renewal date. For UK rights which are created on exit day and which expire soon after, the IPO will be unable to send reminder notices in advance because the comparable UK rights will not yet exist. Instead, the IPO will send a renewal notice to those rights holders on, or soon after, expiry of the comparable UK right, providing six months from the date of that notice in which to renew the trade mark without incurring late renewal fees. Where the comparable UK right is not renewed, it will be removed from the register but may be restored in accordance with existing UK law.

Seniority of International Trade Marks

- 7.20 Seniority is a concept which applies exclusively to the EU trade mark system, allowing users to consolidate their national trade marks registered in a Member State into one EU registration. EU law provides that if the national marks are surrendered or allowed to lapse, then the owner is deemed to have the same rights as he would have if the earlier national mark had continued to be registered. Although the concept of seniority does not exist in UK law, it can determine the effective date of an existing EU registration and so will have effect in respect of any UK comparable right which corresponds to an EU registration with a seniority claim. To accommodate seniority, this SI will ensure that holders of UK seniority claims in the EU will have those claims transferred to the comparable right, allowing them to enjoy the earlier date that was afforded under the national right.

Subsequent designations

- 7.21 A subsequent designation is a request by the holder of an international trade mark registration to extend the protection of that registration to additional contracting parties. This can be done any time after WIPO register the initial designation. This means that the effective date of a subsequent designation can be years after the initial designation. The SI ensures that the different dates are respected on the comparable trade mark.

International Designs

- 7.22 The registration of international designs is managed through the Geneva Act of the Hague Agreement which is also administered by WIPO. The Hague System provides a practical business solution for registering up to 100 designs in 70 contracting parties. As with the Madrid system intergovernmental organisations such as the EU are able to become signatories to the treaty. The EU became a signatory to the Hague system in 2008 and since then applicants have been able to designate protection in the EU. There are currently around 23,000 designs under the Hague system designating the EU. This represents around two thirds of all designations under the Hague system.
- 7.23 Applications to WIPO made through the Hague system undergo formality checks prior to them being sent to all the parties designated in the application. Contracting parties are then required to carry out an examination process in line with their national practices, once this has been approved the trade mark or the design is protected in that territory. Designations for the EU are sent to the EUIPO for examination.
- 7.24 Currently designs designating the EU are protected in the UK. Following our exit from the UK these existing rights would cease to be protected in the UK and the right holders would not be able to enforce their rights.
- 7.25 The UK is already a signatory to the Hague treaty and, therefore, applicants will be able to continue to designate the UK to protect their rights in the UK. This will not be affected by our exit from the EU.

Creating comparable rights

- 7.26 This SI allows the UK Government to ensure continued protection in the UK for existing international registrations designating the EU, with no loss of rights, by granting the owner a comparable UK design right. On exit day, in force international registrations (including those within their six-month late renewal period) will be copied across to the relevant UK register and become UK rights. These comparable UK rights will be fully independent UK designs which can be challenged, assigned, licensed or renewed, separately from the original international registration.

Pending international applications

- 7.27 It is estimated that there will be approximately 1000 international design applications pending on exit day. As with trade-marks applicants will also be able to file a new application in the UK, claiming the earlier filing or priority date of the international application, for the same design.

Deferred international applications

- 7.28 The publication of an international registration may be deferred at WIPO for up to 30 months. Owners of international registrations that are deferred at exit will be able to apply to the UK IPO for their design to be registered in the UK, claiming the earlier filing date of the international registration. Right holders will have 9 months to apply for the same design as a UK registered design, which may be deferred at the UK IPO under UK rules for a maximum period of up to 12 months. Right holders with a deferred design at WIPO that request deferment in the UK will not be able to defer publication for more than 30 months overall. Unlike cases deferred at the EUIPO international deferred cases have not been subject to any substantive examinations.

Therefore, international registrations which have opted to defer publication at WIPO will be subject to a UK examination in line with UK law.

Renewals of International designs

- 7.29 As some new UK rights may have renewal dates falling immediately after exit, UK rights which are created on exit day and which expire soon after, will not have received a reminder notice from the IPO will be unable to send reminder notices in advance, because the comparable UK rights will not yet exist. Therefore, the IPO will send a renewal notice to these rights holders once the UK right is created (but not before), and provide the owner with six months to renew its UK right from the date of the notice. Where the right is not renewed in the UK, it will be removed from the register, but may also be restored in accordance with existing UK law. Where the renewal date of an international registration falls before exit day but the late renewal period of that right expires after exit day, a late renewal fee payment at the WIPO will be recorded as renewal of that right and no further payment will be required in the UK. If the right is not renewed at WIPO, the comparable mark (which was created on exit day in the UK) will be removed from the UK register with effect from exit day.
- 7.30 Unlike trade marks, it is not possible to subsequently designate designs under the Hague system, due to a novelty requirement, therefore the renewal date will be taken from the original filing date of the international application which designated the EU.

Provisions relating to IR(EU)s RCDs and International Designs

Restitutio in integrum

- 7.31 The CDR contains provisions allowing parties to proceedings before the EUIPO to have their rights reinstated (“restitutio in integrum”) if they were unable to meet a time limit set by the EUIPO, despite taking all due care required, and that the failure to meet the time limit had the direct consequence of causing loss of the right. As we are only creating “re-registered” rights on registered cases, the SI includes a provision which will allow the IPO to create “re-registered” rights on cases that were not transferred at exit day (due to being refused) but have subsequently been re-established under restitutio in integrum. If a design application is abandoned but is subsequently reinstated, the same provisions will apply.

Effects on licences / security interests

- 7.32 The owner of a design and IR(EU) can license its use to another party or use it as a security interest. This SI ensures that existing licences affecting RCDs and IR(EU)s will apply to the “re-registered” UK right. As the RDA and Trade Marks Act does not require that licences are recorded per se, the SI makes provisions covering all such agreements whether they have been recorded on the register or not. Where relevant the same provisions are applied to international registrations. Subject to certain conditions, where an existing international registered EU design is the subject of a licence and subject to an agreement between licensee and licensor a relevant licence will continue to be authorised. Provision will allow for an existing international EU registered design that is subject of an interest which has been granted as security and does not expire on exit day,

Opt-Out

- 7.33 The IPO will be creating approximately 700,000 “re-registered” UK rights on exit, with each of these rights being present on the UK register at exit and treated as if registered under the Act. However, some holders of the newly created “re-registered” design may not want to be granted such a right. The automatic granting of a “re-registered” UK right might also render certain proprietors in breach of their obligations or cause them to incur a liability. Therefore, the SI provides the owner of an RCD with the right to opt out of owning the automatically granted “re-registered” UK right. If exercised, the effect of such an opt out is that the “re-registered” right will not be treated as if it had been applied for or registered under UK law. Upon certain conditions being met, the proprietor of an existing international registered design may at any time on or after exit day serve a notice on the registrar that the design is not to be treated as if it was registered by the 1949 Act. For international registrations the IPO is creating over 240,000 comparable UK rights on exit so the same opt out provisions will apply to these comparable rights.

Jurisdictional arrangements (RCDs and UCDs)

- 7.34 UK courts can act as EU Courts in relation to infringement actions relating to RCDs and UCDs. At exit there will be cases ongoing before these Courts. Cases in the UK courts, so far as they relate to the UK, will continue and the regulation will not affect that. Therefore, actions and remedies taken or granted by the Court are applicable to the “re-registered” UK registration or continuing unregistered Community design only. Where an existing registered international design (EU) or IR(EU) is the subject of court proceedings which are pending before a UK court, the proceedings shall continue to apply to the pending proceedings as if the UK were still an EU member State with effect from exit day but with the court being authorised to grant relief or make an order in relation to the comparable domestic right which derives from the international right.

Exhaustion

- 7.35 Intellectual property rights give a right holder certain exclusive rights, which include the right to control distribution of the product by the intellectual property rights. The exhaustion of intellectual property rights refers to the loss of the right to control distribution and resale of a product after it has been legitimately put on the market in a specific territory, currently, the EEA. Exhaustion of rights is covered by a separate SI laid before Parliament, however exhaustion relating to the SUDR is covered by this instrument. This SI ensures that the question of whether the product has been lawfully placed into free circulation continues to be assessed in relation to an area which includes the UK.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

- 8.1 This instrument is being made using the power in section 8 of the European Union (Withdrawal) Act 2018 in order to address failures of retained EU law to operate effectively or other deficiencies arising from the withdrawal of the United Kingdom from the European Union. The instrument is also being made under paragraph 3(2) of Schedule 7 in the Withdrawal Act 2018. In accordance with the requirements of that Act the Minister has made the relevant statements as detailed in Part 2 of the Annex to

this Explanatory Memorandum. Section 14 allows changes to be made in relation to fees/charges paid under subordinate legislation. Agreement from HM Treasury has been given.

9. Consolidation

- 9.1 No consolidation of the Registered Designs Act 1949 and the Copyright, Designs and Patents Act 1988 is planned at present. Informal consolidated texts of this legislation are publicly available for free on the gov.uk website. The Intellectual Property Office is considering whether informal consolidation of the retained EU law as amended by this instrument will be necessary.

10. Consultation outcome

- 10.1 The Intellectual Property Office has not undertaken a consultation on the instrument, but has engaged with relevant design stakeholders on its approach to this legislation under the European Union (Withdrawal) Act 2018, including on this instrument in order to familiarise them with the legislation ahead of laying. In relation to International Trade Marks we have mirrored the same approach to that of European Trade Marks and the IPO engaged with relevant stakeholders relating to those regulations

11. Guidance

- 11.1 Business guidance will be required to inform stakeholders with an interest in Designs and Trade Marks of the new arrangements. A technical notice, outlining preparations stakeholders may choose to take in the unlikely event that the UK leaves the European Union without an agreement in place, was published in September 2018 and can be accessed at:

<https://www.gov.uk/government/publications/trade-marks-and-designs-if-theres-no-brex-it-deal/trade-marks-and-designs-if-theres-no-brex-it-deal>

The Intellectual Property Office expects to provide additional guidance to reflect the contents of this instrument once it has been approved by Parliament.

12. Impact

- 12.1 The impact on business, charities or voluntary bodies is minimal. The Government is creating the new comparable right, free of charge. There may be slight familiarisation/administrative costs to business as they will need to create portfolios for the new comparable right.
- 12.2 The total cost to business is under the £5 million per year. This calculation, detailed below, covers familiarisation and administration of the new right (the main cost of which is the renewal of the right).
- 12.3 Holders of RCDs will face the additional cost of renewing the new comparable right in addition to the original RCD. There are approximately 700,000 RCDs in force, of which we estimate 7% are from UK businesses (49,000). The number of future renewals with the new UK right was estimated based on current EU and UK renewal trends. We calculate the total expected number of renewals (for UK businesses) to be 22,000 first renewals, 19,000 second renewals, 10,000 third renewals and 3,000 fourth renewals. Base on UK renewal costs (£70, £90, £110, £140 in order of renewals) the impact to UK business is estimated at £500,000 per year.

- 12.4 There are also some ancillary fees associated with holding design rights. These include fees associated with the cost of launching invalidity proceedings against third parties, and the cost of defending rights in such proceedings when they are launched by others. As there is limited evidence on the frequency with which holders of the new comparable right would face these fees, we assume the ratio of renewal fee to other fees at the IPO would be similar, though this is likely an overestimate. We estimate an average cost of £63,000 per year in other fees associated with holding a registered design right.
- 12.5 The impact on holders of UCDs will be minimal as the instrument is designed to ensure that the current existing protection for UCDs will remain unchanged from the status quo once the UK leaves the European Union. There may be an additional cost due to the need to litigate in both the UK and the EU. However, in both 2015 and 2016, only 12 cases involving a UCD went to court in the UK, suggesting the cost to business would be minimal.
- 12.6 There is no expected impact to consumers as the new legislation largely replicates the existing structure
- 12.7 The public sector will incur an administrative cost from converting approximately 700,000 RCDs into the comparable UK right. From preliminary estimates, this will be around £375,000.
- 12.8 The SI also ensures that holders of international registrations designating the EU obtained through international systems – the Hague and Madrid systems respectively retain protection after the UK leaves the EU. As the number of rights obtained this way is low the cost is relatively minimal.
- 12.9 The number of Hague system design renewals each year has been collected and the average number of renewals over the past 6 years has been calculated at 78.5 renewals per year. The average price of the four renewals applied giving an average price of the four renewals is applied giving an estimated annual cost to business of £0.01 million.
- 12.10 The number of trade marks due for renewal under the Madrid system from 2019-2029 has been calculated. It is not possible to know the percentage of these that will renew, so the average renewal rate from 2008-2017 (60%) has been used. From this the average renewal cost of £300 has been applied and the cost to business is calculated at £0.2 million.
- 12.11 An Impact Assessment has not been prepared for this instrument because []. The analysis has been set out in the paragraphs above.

13. Regulating small business

- 13.1 The legislation applies to activities that are undertaken by small businesses.
- 13.2 No specific action is proposed to minimise regulatory burdens on small businesses.
- 13.3 The basis for the final decision on what action to take to assist small businesses is that, as the purpose of the instrument is to create a new comparable UK right, free of charge, it introduces no new burdens to small businesses that need to be mitigated. Small and micro businesses may not have the resources (either personnel or financial) to adapt to the changes as quickly as larger businesses. However, it is neither possible nor appropriate to vary the requirements of the trade mark and design frameworks by type or size of business. It is anticipated that the impact on the performance and operations of micro and small businesses will not be disproportionate: the right is

being given free of charge, and the likelihood is that small businesses will, as now, require legal assistance if ever finding the need to deal with such scenarios. It is not anticipated that this requirement will change in any significant way as a result of this SI. In addition, there is sufficient time for all businesses to familiarise themselves with the changes ahead of implementation in March 2019.

14. Monitoring & review

- 14.1 As this instrument is made under the EU Withdrawal Act 2018, no review clause is required.

15. Contact

- 15.1 Nathan Abraham at the Intellectual Property Office Telephone: 01633 814295 or email: Nathan.Abraham@ipo.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Liz Coleman, Divisional Director, Policy, Legal and Informatics Division at the Intellectual Property Office, can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Chris Skidmore, Minister of State for Universities, Science, Research and Innovation at the Department of Business, Energy and Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.

Annex

Statements under the European Union (Withdrawal) Act 2018

Part 1

Table of Statements under the 2018 Act

This table sets out the statements that may be required under the 2018 Act.

Statement	Where the requirement sits	To whom it applies	What it requires
Sifting	Paragraphs 3(3), 3(7) and 17(3) and 17(7) of Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) to make a Negative SI	Explain why the instrument should be subject to the negative procedure and, if applicable, why they disagree with the recommendation(s) of the SLSC/Sifting Committees
Appropriate-ness	Sub-paragraph (2) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	A statement that the SI does no more than is appropriate.
Good Reasons	Sub-paragraph (3) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain the good reasons for making the instrument and that what is being done is a reasonable course of action.
Equalities	Sub-paragraphs (4) and (5) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain what, if any, amendment, repeals or revocations are being made to the Equalities Acts 2006 and 2010 and legislation made under them. State that the Minister has had due regard to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010.
Explanations	Sub-paragraph (6) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2 In addition to the statutory obligation the Government has made a political commitment to include these statements alongside all EUWA SIs	Explain the instrument, identify the relevant law before exit day, explain the instrument's effect on retained EU law and give information about the purpose of the instrument, e.g., whether minor or technical changes only are intended to the EU retained law.
Criminal offences	Sub-paragraphs (3) and (7) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9, and	Set out the 'good reasons' for creating a criminal offence, and the penalty attached.

		23(1) or jointly exercising powers in Schedule 2 to create a criminal offence	
Sub-delegation	Paragraph 30, Schedule 7	Ministers of the Crown exercising sections 10(1), 12 and part 1 of Schedule 4 to create a legislative power exercisable not by a Minister of the Crown or a Devolved Authority by Statutory Instrument.	State why it is appropriate to create such a sub-delegated power.
Urgency	Paragraph 34, Schedule 7	Ministers of the Crown using the urgent procedure in paragraphs 4 or 14, Schedule 7.	Statement of the reasons for the Minister's opinion that the SI is urgent.
Explanations where amending regulations under 2(2) ECA 1972	Paragraph 13, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement explaining the good reasons for modifying the instrument made under s. 2(2) ECA, identifying the relevant law before exit day, and explaining the instrument's effect on retained EU law.
Scrutiny statement where amending regulations under 2(2) ECA 1972	Paragraph 16, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement setting out: a) the steps which the relevant authority has taken to make the draft instrument published in accordance with paragraph 16(2), Schedule 8 available to each House of Parliament, b) containing information about the relevant authority's response to— (i) any recommendations made by a committee of either House of Parliament about the published draft instrument, and (ii) any other representations made to the relevant authority about the published draft instrument, and, c) containing any other information that the relevant authority considers appropriate in relation to the scrutiny of the instrument or draft instrument which is to be laid.

Part 2

Statements required when using enabling powers under the European Union (Withdrawal) 2018 Act

1. Appropriateness statement

- 1.1 The Minister of State for Universities, Science, Research and Innovation, Chris Skidmore has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view the Designs and International Trade Marks (Amendment etc.) (EU Exit) Regulations 2019 does no more than is appropriate”.

- 1.2 This is the case because they prevent, remedy or mitigate deficiencies in retained EU law arising from the withdrawal of the United Kingdom from the EU as mentioned in section 7.6 of the explanatory memorandum.

2. Good reasons

- 2.1 The Minister of State for Universities, Science, Research and Innovation, Chris Skidmore has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view there are good reasons for the provisions in this instrument, and I have concluded they are a reasonable course of action”.

- 2.2 These are for the reasons mentioned in section 7.6 of the explanatory memorandum.

3. Equalities

- 3.1 The Minister of State for Universities, Science, Research and Innovation, Chris Skidmore has made the following statement(s):

“The instrument does not amend, repeal or revoke a provision or provisions in the Equality Act 2006 or the Equality Act 2010 or subordinate legislation made under those Acts.”.

- 3.2 The Minister of State for Universities, Science, Research and Innovation, Chris Skidmore has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In relation to the draft instrument, I, Chris Skidmore have had due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010.”.

4. Explanations

- 4.1 The explanations statement has been made in section 2 of the main body of this explanatory memorandum.