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My Lords,

The Lords Grand Committee considered the Designs and International Trade Marks (Amendment etc.) (EU Exit) Regulations 2019 on 4 March 2019. In that debate, I promised to write to the noble Lords who took part with further detail in response to questions raised. A copy of this letter has been placed in the libraries of both Houses.

UK Registered Design applications corresponding to Registered Community Designs that are deferred at exit day

In the case of both Registered Community Designs (RCD) and UK Registered Designs, publication of the design by the registering authority - which can have a determinative effect upon the validity of the right - may be deferred at the applicant's request. In the EU, publication of RCDs can be deferred for up to thirty months from the date of application. In the UK, deferment is limited to twelve months from the date of publication. The EU and UK also take a fundamentally different approach to the registration and status of deferred registered designs. In the EU, RCDs are registered and then deferred, whilst in the UK, designs are deferred first, and then granted registered status only once the deferment period has passed. The SI and its associated documentation will address and accommodate these differences.

Where a design is subject to deferment at the EUIPO on exit day, the period of nine months to apply for a corresponding UK registration is not affected by the point in time that has been reached in the EU period of deferment. The deferred design will be published by EUIPO at the end of the deferment period where the applicant has complied with the requirements of the EU Regulation.

An application for an equivalent UK registered design application filed in the nine months after exit day can request deferment, but it may receive less than the thirty-month period where, for example, the EU period of deferment starts the day before exit. This is because the UK period of deferment is a maximum of twelve months from the date of the application.

An applicant for a UK registration must apply within nine months of exit day in order to preserve the filing and/or priority dates accorded to the existing EU application and, under UK law, can only enjoy a further period of twelve months' deferment. Where the UK application is filed at the end of the nine-month period and requests deferment, the design would receive a total of twenty-one months of deferral prior to publication.

We recognise the complexity of this approach, whereby calculation of UK deferment depends upon the filing dates of both the Registered Community Design and the corresponding UK Registered Design application. However, we will ensure that clear business guidance will be provided to users.

Exhaustion of unregistered design rights and interaction with first disclosure

The SI contains provisions which preserve the existing exhaustion regime in respect of both continuing and supplementary UK unregistered design. It does so by confirming that protection will not extend to products incorporating these design rights which have been placed on the market in either the UK or the European Economic Area. This approach is identical to that taken in the Intellectual Property (Exhaustion of Rights) (EU Exit) Regulations 2018, which were approved and made by both Houses earlier this year. The decision to include unregistered design-specific provisions on exhaustion in the Designs SI rather than the Exhaustion SI was purely administrative - the effect of both SIs is identical.

I should emphasise that the SI's provisions on exhaustion will have no impact upon first disclosure and creation of the right. Under these regulations, post-exit disclosure of a design at Paris Fashion Week would establish Unregistered Community Design, but it would not establish UK Supplementary Unregistered Design or UK (unregistered) Design Right. For post-exit disclosure at London Fashion Week, the opposite would apply; UK disclosure would establish UK Supplementary Unregistered Design and UK (unregistered) Design Right.

The Government recognises that this represents a significant change for UK designers who, after exit day, will have to make an informed choice about where to first disclose their designs. However, it is the only way to avoid creating an imbalance between the UK and EU systems and providing EU-based designers with an unfair advantage. Territorial disclosure is already a recognised aspect of the international legal system that underpins unregistered design, and our exit from the EU means that the issue is now acutely relevant to designs disclosed in either the UK or the EU. Although we will not have a reciprocal arrangement with the EU in-place on exit day, the SI confirms that disclosure will be recognised in third countries designated in legislation made by the Secretary of State. Such arrangements may be agreed with the EU after we have left.

Impact Assessments / Costs to business and Government

As I mentioned in the debate, the Intellectual Property Office did not produce or publish a full impact assessment relating to this SI. In accordance with Treasury guidance, this approach reflected the fact that our initial assessment - the results of which are presented

in the Explanatory Memorandum - demonstrated that impact on business would be less than £5 million per year.

In the debate, questions were asked about apparent discrepancies and inconsistencies in costings presented in the Explanatory Memorandum. To clarify the issue, I can confirm that the figures of £375,000 and £500,000 address different costs incurred by different parties. The former is the estimated one-off cost to Government (i.e. the IPO) of creating UK re-registered designs from existing Community Registered Designs. It includes, for example, the cost of additional IT and project work required to ensure the details of existing EU rights are transferred onto the IPO's existing IT systems. The latter is the annual cost to business generated by the creation of UK re-registered designs, and is largely accounted for by the cost of future renewal of the UK re-registered design. The annual figure of £500,000 has been calculated by reference to the amount of Registered Community Designs currently held by UK businesses, predictions relating to the likelihood of future UK re-registered design renewal (itself informed by historical renewal data we already hold), and the fee structure for renewing registered designs.

I thank you again for your contributions in the debate on these regulations, and I hope that noble Lords will be content that this letter addresses their questions.

A copy of this letter will be placed in the Libraries of the House.

A handwritten signature in blue ink, appearing to read 'Henley', with a stylized flourish at the end.

Rt Hon Lord Henley