



Legal review on industrial design protection in Europe

Under the contract with the Directorate General
Internal Market, Industry, Entrepreneurship and SMEs
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EUROPEAN COMMISSION

Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
Unit: GROW-F5 – Intellectual Property and Fight against Counterfeiting

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Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
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2016

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Executive Summary

Introduction

The Core Team, namely Time.lex CVBA, Spark Legal Network and Consultancy Ltd, and Queen Mary, University of London ¹ (along with Indiville as subcontractor), were commissioned to perform a legal review of industrial design protection in Europe. This legal study is part of a wider review of European Design in Europe. Within that context, the Economic Review of Industrial Design in Europe, conducted by Europe Economics was published early in 2015. The legal study and the economic study will collectively feed into an evaluation of the European industrial design protection system, the results of which should be known by the end of 2016.

Purpose of the study

The study focuses specifically on the following queries in relation to the entire EU design framework:

- (i) Examine whether harmonization has facilitated the system of design protection in the internal market and whether further harmonization is required:
 - a. Has the harmonization effected under the Design Directive facilitated the functioning of the internal market with regards to goods embodying designs?
 - b. Has the implementation of the Design Directive within Member States' laws caused any specific issues?
 - c. If yes, have these issues had a markedly adverse impact on the functioning of the EU design protection system?
- (ii) Assess the current two-tiered system of design protection at both national and EU level and evaluate its contribution to the Innovation Union, by focusing on the following aspects:
 - a. the institutional costs and values of the unitary system in comparison to the national systems, especially in terms of embedded transaction costs, registrations and ease of use
 - b. the establishment of a unitary and user-friendly design protection system under the Design Regulation
 - c. the added value from the implementation of the Design Directive, co-existing with the unitary design protection system, considering whether the divergences between Member States' laws have been resolved

¹ The final legal analysis, relying on the research and empirical data generated by the Core Team, was primarily prepared by Queen Mary, University of London, under the aegis of Professor Dr. Uma Suthersanen, with Professor David Musker and Dr. Marc D. Mimler.

- d. Can recurring issues and/or problems be resolved with co-operation between national offices and the EU Intellectual Property Office and/or by the Court of Justice?
- (iii) Consider whether the current European legal framework needs updating in light of the technological advances made since the Design Directive and the Design Regulation were promulgated and the modern requirements of users.
- (iv) Is there a need for further harmonisation of national legislation – within and beyond the scope of the Design Directive - which would bring benefits to users and consumers; or which could influence the accessibility and smooth running of the system?
 - a. Is the current situation concerning spare parts in relation to complex products satisfactory?
 - b. Are there any further issues which should be revised in order to meet the current and future needs and expectations of stakeholders, namely the issue of protecting spare part design; and the effect of 3-D printing on intellectual property?

Methodology

The general purpose of the study is to analyse whether the existing EU legal framework for design protection contributes to the Innovation Union strategy which aims to create an innovation-friendly environment that makes it easier for ideas to be turned into products that will bring growth of the EU economy and jobs. It assesses the substantive and procedural rules concerning the Community Design Right and also national design rights, and provides a coherent assessment of the current two-layered system of design protection in the EU.

The methodology deployed involved conducting a first layer of legal desk research, followed by two rounds of stakeholder engagement (firstly, via surveys; secondly, via interviews). Secondly, on the basis of the data gathered at WIPO, EU and Member State level, the Study Team performed critical legal analysis and developed a number of preliminary conclusions on the current design *acquis*, which were presented to the external Advisory Board. On the basis of the discussions with the Advisory Board, the Study Team incorporated all empirical evidence and juxtaposed them against the current jurisprudence as understood by EU institutional tribunals (as of December 2015), and the recommendations were finalised.

Key issues

- (i) The following key substantive issues were identified and assessed:
 - a. Definition of design
 - b. Scope of design and criteria of protection, including the visibility and disclosure criteria
 - c. Functionality and designs
 - d. Spare parts

- e. 3D printing
- f. Relationship between design law and copyright
- (ii) The following key procedural issues were identified and assessed:
 - a. Representation of designs, and its impact on the scope of protection of a design
 - b. Procedural matters including *ex ante* examination of novelty and individual character, invalidity proceedings and the impact on National Offices
 - c. *Ex parte* injunctions and the non-availability of certain actions in all Member States
- (iii) Miscellaneous aspects of the design *acquis* were examined throughout the study:
 - a. Novelty
 - b. Designs of interconnections, and designs contrary to public policy / public morality
 - c. Rights conferred by designs, and limitations thereto
 - d. Other forms of protection: national unregistered design right, unfair competition and passing off
 - e. Multiple design applications
 - f. Exhibition priority and deferred publication
- (i) Key challenges to the optimisation of the EU design regime were identified:
 - a. The issue of 3D printing
 - b. The issue of spare parts.

Conclusions

In the first instance, there is a need to appreciate the power of convergence and the harmonizing impact of the EUIPO's practices and decisions in the early years of a young species of law that is the EU design regime. The Design Directive and the Design Regulation were adopted in 1998 and 2001 respectively, and the Community Design regime is just over 17 years old, with the first major EU judgment being handed down in PepsiCo Inc v GrupoPromer Mon Graphic SA in 2010.² This report concludes, in respect of several aspects of the design system, the desired level of harmonization has been achieved, and the functioning of the internal market with regard to goods embodying designs facilitated. However, it also identifies those areas of difficulty, which have the potential to negatively influence the accessibility and smooth running of the system.

² *Grupo Promer Mon Graphic v OHIM*, General Court (Fifth Chamber), T-9/07, ECR II-00981 [2010] (ECLI:EU:T:2010:9); *PepsiCo Inc v GrupoPromer Mon Graphic SA*, Court of Justice, C-281/10P, ECR I-10153 [2011] (ECLI:EU:C:2011:679).

In this context, the report does state in several areas that there is no need for revisions, despite some contradictions to this in the form of stakeholder interviews and divergent case law. There is a need for EU design law to develop organically via judicial interpretation, whether through the EUIPO or the EU courts. In some of these cases, national offices and courts have made considerable effort to align their case-law with EU decisions.

Conversely, one should not overestimate the ability of EU institutions to synergise the disparate experiences and practices of 28 Member States. And this has been clearly evidenced in this review of the implementation of the Design Directive, and the consequences thereof, which inevitably includes the impact of the Design Regulation, and to a lesser extent, the divergent administration and enforcement procedures and costs experienced across the EU market.

At the heart of the conflicting evidence and difficulties experienced by important stakeholders, national offices and courts, and consumers is the very kernel of the law, namely, the subject matter of protection. From this kernel of discontent, we do see various strands of dissatisfaction emanating and then infiltrating disparate areas of inquiry, including the definition of design, the concept of functionality, the notion of disclosure, the scope of protection, and the adjacent administrative implementation of legal policies and rules. In these instances, the study team hesitantly champions the ability of the national offices or the EU institutions to change direction, in order to align it across the EU. In light of this, revisions to the Design Directive have been recommended where changes to language, or clarity in approaches are required. This set of recommendations has also been made within the context of the recommendations and revisions within the EU trade mark regime. The discussion is summarized below, with conclusions and recommendations set out in Chapter 7.

A secondary set of conclusions, which this enquiry elicited regard the future of design law in light of new technologies and market environments, specifically in two areas: spare parts and 3D printing. Regarding spare parts, the stand-still clauses in the Design Directive, and the “must match” clause in the Design Regulation had led to a split in the approaches of the various Member States under scrutiny. The multi-faceted approach that is clearly seen within the Member States calls for some institutional intervention, and recommendations have been made as to how this can be achieved. Conversely, in relation to 3D printing, the conclusion from surveys, interviews and desk research is that this is a fresh area of technology, and as such, conclusions should not be drawn without further empirical, academic and judicial substantiation.

Recommendations

1. There are clear benefits to be drawn from the pan-EU registration system, especially in terms of cheaper registration (usually) and administration costs; less delay than multi-jurisdictional applications; and overwhelming filing/grant success rate.
2. There are cogent and economic reasons for retaining the national registration regime. It is recommended that the current parallel systems of registration, via national offices and the EUIPO be retained, but that cooperation be strengthened in relation to areas which have caused divergences.

3. It is recommended that clarity be introduced in relation to the definition of design, as this will have an impact on the scope of protection.
4. While design law should not hamper innovation, it is recommended that
 - the purpose of the law should be to protect the economic value and marketability of the designed product;
 - to this end, this expanded and clarified ethos should be incorporated within the recitals, namely that one purpose of the law is to protect the market and economic value of the design, including tactile and visual aspects of the design; this does not interfere with the Court's view that only visible designs are protected.
5. The Design Directive should introduce clarification into the concepts of individual character and industrial sector as follows:
 - when determining the individual character of the design, national offices and courts should refer to the nature of the product, the manner of the use of the product, the purpose for which that product is intended, and the industrial sector to which it belongs, or circulates within (thus codifying aspects of Group Nivelles/OHIM (T-15/13), Shenzhen Taiden/OHIM (T-153/08), and Kwang Yang/OHIM (T-10/08));
 - to banish any doubt as to the binding effect of recitals, the revisions should be aligned with the language incorporated within Recital 14 of the Design Regulation and Recital 13 of the Design Directive namely that the assessment as to individual character should take into consideration "the nature of the product to which the design is applied or in which it is incorporated, and in particular the industrial sector to which it belongs".
6. In relation to the notions of visibility and normal use, it is recommended that the provisions in Articles 3(3) and (4), Design Directive must be revisited in light of the confusion faced by courts. Moreover, any revisions of the said provisions should be aligned with the recommendations made above in relation of the definition of a design. To this end, it is recommended that
 - the definition of "design" should signify that all designs should be "visible" in order to be protected;
 - in line with the previous recommendation that the purpose of the law is to protect the market and economic value of the design, it may be advisable to provide that visibility should be linked to the informed user's perspective
 - it may be advisable to remove the references to "normal use" as set out in Articles 3(3) and 3(4) - it is only reserved for component parts of complex products, and has caused much confusion in its application;
 - in the alternative, it is recommended that it be made clear that the "normal use" criterion is not applicable to all designs.
 - the law would confer a design right for the appearance of the design, which comprises of visual aspects including features or texture and material which might be relevant to visual appearance, and which are visible to the informed user.
7. In relation to the issue of component parts/complex products, it is recommended that the notion of a complex product, together with component parts, be retained in order to deal with the after markets and spare parts markets, but that it is specifically restricted to complex machinery.

8. In relation to the geographic extent of disclosures, it is recommended that the appropriate source of clarification should be the collective jurisprudence from the national courts, the EUIPO and from the Court of Justice.
9. In relation to the exclusion regarding the technical function, it is recommended that clear legislative guidelines be incorporated within the Design Directive, whether via the recitals or the amendment of Art.7(1) of the Design Directive (with the consequent effects on Art.8(1) of the Design Regulation) to state clearly that in determining whether features of appearance of a product are solely dictated by its technical function, due consideration should be given to whether the designer has some freedom in the development of features of appearance of the design, where the presence of differences between the existing design corpus and the contested design would demonstrate that the designer had some freedom.
10. In relation to the relationship between design and copyright laws, it is recommended that any Member State which has not yet altered their laws in order to bring them into line with *Flos v Semeraro*, should do so soon.
11. In relation to the procedural rules on graphic representations and product classification, it is recommended that:
 - national offices should attempt to align their practices, where this is feasible in economic and institutional perspectives, within the convergence programs run by the EUIPO;
 - there be an incorporation within design law of Article 123(c) of the newly amended EU TM Regulation which sets down guidance as to the cooperation expected between national offices and the EUIPO in order to promote the convergence of practices and tools;
 - the current approach in relation to the number of representations under the EUIPO procedure be changed to allow a higher number of representations, or as some Member States maintain, an unlimited number of representations;
 - 3D representation of designs be an optional registration tool, rather than a mandatory one;
 - in relation to non-continuous lines: broken, dashed or dotted lines, national offices and the EUIPO employ the Convergence Programme to agree on the exact meaning of non-continuous lines;
 - there be an extension of the convergence exercise to the issue of harmonization of judicial practices where judges sit in designated Community design courts.
12. In relation to invalidation proceedings, it is recommended that there be an effort to offer a quick and inexpensive invalidation procedure at national level.
 - To this end, an obligation to mirror the one under Article 45 of the amended Trade Marks Directive would be beneficial for the EU design regime.
 - In relation to Member States without the requisite expertise, it is appreciated that options whereby the EUIPO undertakes to help national offices determine invalidation may require immense changes to the rules regarding the EUIPO's competence, which in turn, may be institutionally and politically unrealistic. More viable alternatives would be to invite special design experts as part of the judicial panel, and to provide for an

appeal procedure to the courts (or allowing the tribunal to have the right to refer questions to the CJEU). To this end, the secondment of EUIPO staff onto national tribunals may be a consideration, especially for such national offices who struggle with institutional capacity to hold such invalidation proceedings.

13. It is recommended in relation to the rights conferred by a design and the limitations thereof, that further consultation should be made in respect of Article 19(1) of the Design Regulation as to whether the notion of use would be defined as covering “threatened use”, in order to facilitate more consistent protection of the unitary Community Design Right, subject to the consideration that the review of the Enforcement Directive may result in the more consistent protection being afforded.
14. In relation to the provision on exhibition priority, it is recommended that in view of the minimal number of such exhibitions, and of the fact that Member States have some form of protection for such exhibitions in their national laws, it is doubtful whether a practical need for harmonisation exists.
15. In relation to deferred publication, it is recommended that the possibility of a common deferment period should be discussed among Member States, bearing in mind the need to accommodate the views of those Member States who do not provide for deferment.
16. In relation to the issue of 3D printing, it is extremely difficult to gauge its impact on all areas of intellectual property law. It is recommended that a comprehensive review of the impact made by 3D printing be undertaken as this is a cross-cutting issue which impacts not only design rules, but also patent, trade mark, and copyright laws. Recommendations are made as to what a future review should concentrate on:
 - Direct users: the first recommendation would be to review the possibility of restricting the scope of the “private and non-commercial” use limitation by adopting provisos such as limiting 3D printing to “acts which do not unduly prejudice the normal exploitation of the design”, or something aligned to the 3 step test under the TRIPs Agreement.
 - Indirect parties: the second recommendation is to review the possibility of introducing a provision on indirect 3rd party design infringement, which would be in line with the availability of such liability under patent law.
 - indirect parties: a third recommendation is to review the possibility of introducing, either as an additional or alternative remedy, a provision which makes intermediary parties liable for sanctioning or authorising design infringement.
 - infringing design activities: a final recommendation is to review whether it would be advantageous to expand the definition of infringement to provide that creating a design document which is a record of a design, without authorisation, would constitute an infringing use.
17. In relation to spare parts, it is recommended that Article 110(1) Design Regulation should be re-cast as a defence to infringement and accordingly moved to Article 20(2), to clarify its effect and its permanent status. Article 110(2) should be deleted. Corresponding amendments to Recital 13 should be made. It should also be amended to adopt the language within Recital 13, so that the repair defence is limited to “must match” spare parts (namely parts whose appearance is dependent on the appearance of the complex product). The Court of Justice has already ruled (in Case C-500/14 *Ford v Wheeltrims*)

that Article 110 in its current form does not create a defence to trade mark infringement, but this could be put beyond doubt by amending the corresponding Recital to indicate that the defence is without prejudice to trade marks. We think these proposals should be uncontroversial, as bringing much-needed clarity to the present provision.

In relation to national law:

Option 1

It is further recommended that the Commission's previous proposal (which would extend the solution adopted under Article 110, Design Regulation to Member States' laws via the Design Directive) be revisited so as to add an exactly equivalent provision to Article 13(2) of Directive 98/71, with corresponding amendments to Recitals 19 & 20. We recognize, of course, that reaching any solution in this area will be difficult, but it is possible that the more limited scope of the liberalization (limited to "must-match" spare parts) might be agreed.

Option 2

In the alternative, it is recommended that the status quo in national law be retained for the present, pending further review when future legislation to harmonise copyright in this area (which we think essential) is considered. We recognize that although a substantial number of experts in this area favour liberalization of national law in the automotive area, the survey of industry stakeholders indicated that non-automotive stakeholders are generally in favour of protection of spare parts. If the alternative is the more palatable approach, it is strongly suggested that this area be reviewed, in tandem with the review of 3D printing, as the latter technology may also impact the manufacture and distribution of spare parts.

1. Introduction

This document is the final report for the legal review on industrial design protection in Europe. It begins by mapping the genesis of the current legal and institutional frameworks for the protection of designs within the European Union. The study then proceeds to set out the major jurisprudential issues which have been identified through empirical surveys and interviews. It critically analyses the issues in order to determine whether they may have an impact on the effectiveness of design law at both EU and national levels, with reference also to national and regional case law. As the Design Directive and Design Regulation are in *pari materia*, the key issues have been assessed in light of both these instruments, in order to provide a coherent analytical and recommendation tableaux. Optional avenues of action, and recommendations are provided throughout the analysis, and highlighted in the Executive Summary, and in Chapter 7.

1.1 Purpose of the study

The general and over-arching aim of the study is to analyze whether the existing EU legal framework for design protection contributes to the Innovation Union strategy which aims *inter alia* to create an innovation-friendly environment that makes it easier for ideas to be turned into products that will bring growth of the EU economy and jobs. In doing this, the study examines the compatibility and interactions between national design protection systems harmonized by the Design Directive and the unitary protection provided for by the Design Regulation. The study scrutinizes if there are any divergences concerning terminology, requirements and conditions for protection, as well as elements of their application that in practice pose problems to users. With regard to both the Design Directive and the Design Regulation, the study aims to evaluate if, after more than ten years from its creation, the EU system of design protection is working in an optimal fashion, or whether it requires revision in order to modernize and adapt the law in light of the technological progress.

In analyzing the above general issues, the study focuses specifically on the following queries in relation to the entire EU design framework:

- (i) Examine whether harmonization has facilitated the system of design protection in the internal market and whether further harmonization is required:
 - a. Has the harmonization effected under the Design Directive facilitated the functioning of the internal market with regards to goods embodying designs?
 - b. Has the implementation of the Design Directive within Member States' laws caused any specific issues?
 - c. If yes, have these issues had a markedly adverse impact on the functioning of the EU design protection system?
- (ii) Assess the current two-tiered system of design protection at both national and EU level and evaluate its contribution to the Innovation Union, by focusing on the following aspects:

- a. the institutional costs and values of the unitary system in comparison to the national systems, especially in terms of embedded transaction costs, registrations and ease of use
 - b. the establishment of a unitary and user-friendly design protection system under the Design Regulation
 - c. the added value from the implementation of the Design Directive, co-existing with the unitary design protection system, considering whether the divergences between Member States' laws have been resolved
 - d. Can recurring issues and/or problems be resolved with co-operation between national offices and the EU Intellectual Property Office and/or by the Court of Justice?
- (iii) Consider whether the current European legal framework needs updating in light of the technological advances made since the Design Directive and the Design Regulation were promulgated and the modern requirements of users.
- (iv) Is there a need for further harmonisation of national legislation – within and beyond the scope of the Design Directive - which would bring benefits to users and consumers; or which could influence the accessibility and smooth running of the system?
- a. Is the current situation concerning spare parts in relation to complex products satisfactory?
 - b. Are there any further issues which should be revised in order to meet the current and future needs and expectations of stakeholders, namely the issue of protecting spare part design; and the effect of 3-D printing on intellectual property?

1.2 Methodology applied

A cascading methodology was applied during the study, with each work package building on the results of the previous work packages. The work packages can be summarised below:

1.2.1 Inception

Aside from the kick-off meeting and the drafting the inception report, this work package involved a finalisation of the selection of Member States to be examined in the study. The Member States were categorised on the basis of the following indicators:

- Geographical region (Eastern Europe, Western Europe, Central Europe, Southern Europe, Nordic region, Baltic region);
- Legal tradition (civil or common law system);
- Governance (centralised, or regional or federal governance);

- The importance of design-intensive industries to the economy (as a percentage of GDP, as a percentage of employment, and as perceived by the market)³; and
 - The number of designs and registrations originating in the Member State.⁴On the basis of these indicators, the study team finalised the geographical survey as follows:
1. Austria
 2. Czech Republic
 3. Denmark⁵
 4. France
 5. Germany
 6. Italy
 7. Lithuania
 8. Luxembourg
 9. Netherlands
 10. Poland
 11. Portugal
 12. Spain
 13. Slovenia
 14. Sweden
 15. United Kingdom

³ This was primarily based on the report, "Intellectual property rights intensive industries: contribution to economic performance and employment in the European Union", September 2013, Joint project between the European Patent Office and the Office for Harmonisation in the Internal Market, available at http://ec.europa.eu/internal_market/intellectual-property/docs/joint-report-epo-ohim-final-version_en.pdf

⁴ *Ibid.*

⁵ The team had initially included Estonia, but it was determined at the kick-off meeting, to exchange Estonia for Denmark, on the basis that Denmark has a significant furniture sector; and Estonia and Lithuania ranked very similarly across most of the selection indicators.

1.2.2 Desk research

The desk research consisted of both a review of the legal developments at the EU level, followed by legal desk research in the 15 selected EU Member States.

The legal desk research at national level involved the mapping of the transposition of the Design Directive through the collection of relevant national legislation, literature and case law, an assessment of the interpretation and functioning of these rules in practice (including national responses to Court of Justice case law), and a determination of additional issues related to the scope of the Design Directive. The research in the Member States was conducted by dedicated national experts (each of whom is an expert in the intellectual property laws of their respective Member States) completing a research questionnaire developed by the Core Team. The output of this task was a set of 15 Country Reports which were then analysed in light of the EU level desk research. The first legal analysis was made available in the Interim Report, which was submitted in April 2015 to the Commission, and was subsequently scrutinised by and discussed with the Commission.

On the basis of this phase comprising of research, questionnaires and discussion, the Core Team identified the design *acquis* issues which were of primary importance to the stakeholders within the EU.

1.2.3. Stakeholder surveys and interviews

As part of the desk research, each of the national experts completed a stakeholder database, with a list of parties to be contacted with the survey. Two survey questionnaires were created: one for industry stakeholders and one for legal and institutional stakeholders.⁶ The two sets of surveys were substantially similar, save for the fact that one was more detailed to account for the differing level of legal expertise of the intended respondents.⁷ The surveys were drafted on the basis that it should not require more than 15 minutes to complete them, on the assumption that response rates tend to drop significantly where surveys take longer than 15 minutes to complete.⁸ The results served primarily as indicators of the issues which were of concern to industrial stakeholders. The survey results signaled three further steps:

- (i) first, the issues clearly required further investigation during the structured interview stage;
- (ii) second, the issues were also correlated back to the Country Reports as to determine the genesis of such issues;
- (iii) thirdly, the survey results were relied on by the Core Team for the purposes of drafting the questions to be asked during the interviews.

Industry stakeholder survey

In relation to the industry survey, the questions were intended to provide quantitative, rather than qualitative results; to this end, the questions were drafted with as many closed questions as possible. The aim was a response rate of 400 for the industry stakeholder survey, on the basis that this for N= 400, there is 95% reliability and maximal theoretical CI =

⁶ Namely, enforcement bodies, registration offices and bodies, practitioners, and judges.

⁷ See the Survey Report at Annex 1.

⁸ It was also noted in Europe Economics (2015), at p.17 that the length of the survey had been a contributing factor to the low response rate for the survey conducted as part of that study.

±4,90. The ultimate number of responses was 409. The main difficulty with the industry stakeholder survey was that the responses were skewed towards the automotive sector. This is perhaps unsurprising, considering the importance of design law for that sector. However, what was not anticipated was that 80 responses (with almost identical answers to one of the open questions) would come from 3 IP addresses in France, which corresponded to the 3 major French automotive manufacturers. It was decided that the best approach, rather than to omit these responses, was to put them in a separate column so that the differences between the responses of the French automotive industry and the rest of the EU design industry could be readily appreciated. This also guards against claims that the survey was not fully representative due to the omission of certain responses.

Legal & institutional stakeholder survey

In relation to the legal/institutional stakeholder survey, the emphasis was more on the quality of the responses, owing to the fact that it was being sent to fewer parties who had a higher level of expertise. The ultimate number of responses was 28. While this is statistically too small a number to draw quantitative conclusions, we were able to note certain responses which were almost universal.⁹

Structured stakeholder interviews

Following the completion of the survey, the interview questionnaires were drafted for the interviews at Member State level. As with the surveys, two similar, but slightly different questionnaires were drafted: one for industry stakeholder; one for legal & institutional stakeholders. The interviews at Member State level were conducted by the same legal experts who conducted the legal desk research.¹⁰ When interviewing legal and institutional stakeholders, an attempt was made to strike a balance between national intellectual property offices and courts. Two interviews were conducted per Member State, with the following exception:

- *Luxembourg*: we were unable to identify a suitable participant from industry due to a paucity of designers in the Member State with sufficient knowledge of the design system in the Member State. The interview with the Benelux Office for Intellectual Property was performed by the Dutch national expert. However, the same office exercises jurisdiction in respect of Luxembourg;

Thus, a total of 28 interviews were conducted at Member State level. In addition to the interviews conducted at Member State level, a number of interviews were conducted at EU level in order to gather the views of practitioners, the EUIPO as well as stakeholders with an interest in certain topical areas, such as spare parts or exhibition priority. In particular, in relation to the spare parts issue, the study team was very careful to ensure a balance between the views of the automotive manufacturers and those of the spare parts distributors.

On the basis of the stakeholder interviews, an aggregate interview report was drafted, which aggregated the responses in relation to the primary key issues identified and discussed.¹¹

⁹ For example, 92% of respondents were of the view that guidance on the correct interpretation of designs solely dictated by technical function was required.

¹⁰ See the Interview Questionnaires, at Annex 4.

¹¹ Aggregate Interview Report at Annex 2

1.2.4 Conclusions and recommendations

On the basis of the findings of the legal desk research and the stakeholder engagement, key issues were identified and subjected to further critical analysis. This critical study led to a series of conclusions and possible recommendations which were tested at an Advisory Board Meeting held in Brussels on 6 October, 2015. On the basis of the discussions with the Advisory Board, further legal research and analysis was performed and the recommendations were refined in throughout the study, and a summation is available in Chapter 7.

1.3 Analytical Framework, Literature Review, and Terminology

1.3.1 Analytical Framework

An applied comparative law approach is appropriate. Accordingly, the analysis adopted three main sources of references:

- i. Raw data as compiled, aggregated, and available from the Country Reports;
- ii. Legislative statutes from all the studied Member States;
- iii. Reported judicial decisions from the national Member States studied, European Intellectual Property Office, and the EU courts.

1.3.2 Literature review

This legal study is part of a wider review of design protection in Europe, and whether the existing framework for design protection contributes to the Innovation Union Strategy. In developing the arguments and recommendations set out here, the work has drawn upon several economic and legal studies. Four major studies should be mentioned. First, reference has been made to the EPO/EUIPO Joint Report, *Intellectual property rights intensive industries: contribution to economic performance and employment in the European Union*, especially in relation to the empirical selection criteria.¹² Secondly, the study has also referenced, where appropriate, the *Economic Review of Industrial Design in Europe*, conducted by Europe Economics, especially in relation to national trends in fees and filing statistics.¹³ Thirdly, the report has analysed the responses of Member States to the World Intellectual Property Organisation 2008 Questionnaire in respect of national design systems.¹⁴ Finally, the study has also taken into account the recent legislative amendments to the Trade Mark Directive and Regulation, as well as the *Study on the Overall Functioning*

¹² OHIM and European Patent Office, *Intellectual Property Rights Intensive Industries*, see above.

¹³ Europe Economics, "The Economic Review of Industrial Designs in Europe", 2015.

¹⁴ Summary of Replies to the Questionnaires (Parts I and II) on Industrial Design Law and Practice (SCT/18/7 And SCT/18/8 Rev.), available at <http://www.wipo.int/sct/en/wipo-strad/>. The report sets out the main features of national design systems including the application and filing procedures, examination and opposition, subject matter of protection, publication and deferment, and other pertinent aspects.

of the *European Trade Mark System*, presented by the Max Planck Institute,¹⁵ and WIPO's proposed Design Law Treaty.¹⁶

Besides these recent studies, this work naturally incorporates a wide range of public sources. Legal literature, commentaries, treatises, committee reports, legislative reports and consultation documents from the various European Union institutions, as well as from the selected jurisdictions, have been relied upon as a basis of comparison and upon which recommendations could be made. In relation to cross-disciplinary issues, such as the spare part designs and 3D printing, the study makes reference to various intellectual property laws, as well as competition law principles, as accepted within the European Union.

In addition to the literature which focused on the EU intellectual property framework, the team also referred to two recent reports on design law reform from Singapore and Australia.¹⁷

1.3.3 Terminology used in this report

As this study involves a review of the Community Design Right, the term “Community Design Right” or “CDR” is used consistently, even when making recommendations. Naturally, due to the Lisbon Treaty, any change to the Design Regulation should be accompanied by an appropriate change in terminology, with the Community Design becoming the “European Union Design”. The European Union Intellectual Property Office is referred to as the “EUIPO”, even when referred to the period prior to the change of name from OHIM.

¹⁵ Max Planck Institute for Intellectual Property and Competition Law, *Study on the Overall Functioning of the European Trade Mark System*, February 2011, available at http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf.

¹⁶ Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, *Industrial Design Law and Practice – Draft Articles*, SCT/33/2, January 2015, available at http://www.wipo.int/edocs/mdocs/sct/en/sct_33/sct_33_2.pdf.

¹⁷ Final Report on the Review of Singapore's Registered Designs Regime, 16th March 2016, Ministry of Law and Intellectual Property Office of Singapore, <https://www.mlaw.gov.sg/content/minlaw/en/news/press-releases/registered-designs-regime--to-provide-greater-protection-and-cla.html>; Review of the Designs System - Final Report, Australian Government Advisory Council on Intellectual Property, 2014, http://www.acip.gov.au/pdfs/ACIP_Designs_Final_Report.pdf

2. Genesis of the current EU legal and institutional framework

This chapter serves to give a contextual basis to the critical discussion of key issues in the following chapters. The current European design law framework is propelled by two major considerations:

- (a) Harmonisation of the divergent systems of protection of designs under Member States' intellectual property laws; and
- (b) The promotion of a competitive economic environment in respect of design-intensive industries operating within the Community.¹⁸

This section sets out the genesis of this framework and in doing so, it also sets out the main rationales for design protection within the EU. This is an important aspect as the analyses within chapters 3-6, and recommendations within these chapters and as summarised in chapter 7, follow from the *grundnorm* for this species of law as envisaged by the EU institutions and Member States.

The chapter also sets out the parameters of the current Community design regulatory framework from a cross-dimensional perspective: the legal and the institutional framework, through a historical and statistical lens.

2.1 Community design rationale

The rationale for the current EU design law regime is dependent on treating a design as a 'marketing tool' and a 'significant aspect of modern culture' which aims to fulfil the functional, aesthetic and ergonomic needs of society. Indeed, the original Proposal for the Design Regulation recognised this much when it declared that "design" is:

*[an] important attribute of Community industries in competition with industries from other countries, and is in many cases decisive in the commercial success of the associated product; whereas enhanced protection for industrial design not only promotes the contribution of individual designers to the sum of Community excellence in the field, but also encourages innovation and development of new products and investment in their production.*¹⁹

Viewed historically, the interest within the EU region in design protection arose as early as 1959 when the Commission proposed that the governments of the then six Member States should establish the Working Parties on Patent, Trade Mark and Design.²⁰ As comparative studies analysing the era *ex ante* Community Design law show, EU Member States' intellectual property laws offered substantially different levels of protection to designs: copyright and registered design protection were dealt with under different national laws, with the exception of the Benelux regime (which operated a regional registration scheme) and Greece (which had no specific registered design legislation).²¹ This was believed to lead to conflicts in the course of trade between Member States, thus preventing or distorting competition between producers of protected goods within the European Union. The working

¹⁸ Paragraph 3.1, Explanatory Memorandum to the Proposal for a European Parliament and Council Regulation on the Community Design, COM (93), 342, final-COD 463, Brussels, 3 December 1993 (OJ C, 29, 31.1.94)

¹⁹ Recital 7, *ibid.*

²⁰ Roscini Working Party Report on Industrial Designs, 2143/IV/62 of 17 December 1962.

²¹ W. Duchemin, *Protection of the Works of Artist-Craftsmen — Study for E.C. Commission*, Société de la Propriété Artistique et des Dessins et Modèles, 1976, CT — XII/905/76-E, p. 29.

group on designs delivered its report in 1962, recommending that uniform rules be adopted at the Community level, but emphasising the immense difficulty in undertaking this process due to the substantial differences that characterised the laws of the Member States in the area, especially in relation to the definition of design, criteria and term of protection, nature of protection, and the overlap of protection between design and other intellectual property rights.

The European Commission published its Green Paper on the Legal Protection of the Industrial Design 1991, which advocated the adoption of autonomous Community legislation.²² After lengthy consultative hearings, and numerous discussions on the interaction between design law and other intellectual property rights within a competitive environment,²³ the EU design framework was finally framed within two instruments:

1. Directive 98/71/EC on the legal protection of designs (the “Design Directive”); and
2. Council Regulation (EC) No 6/2002 on Community Designs (the “Design Regulation”).²⁴

2.2 Current EU legal framework

The fundamental justification for the EU legal environment concerning designs is that protection of “designs” must ultimately lead to the economic well-being of the EU region.²⁵ There are two specific lines of analysis which arise from this statement.

First, as the discussion above reveals, the design harmonisation programme was always part of a greater EU programme for a harmonised legal environment and the completion of an internal market, especially in relation to intellectual property rights. Harmonisation of design law *via* a Design Directive alone would have retained the territorial nature of design rights within the EU, with the consequent barriers to cross-border trade. Thus, the express aim of the Design Regulation is to provide a Community-wide design right which would “allow goods embodying designs to flow freely within an internal market”.²⁶ Secondly, harmonisation via the Design Directive and Design Regulation was deemed a necessity given the substantive divergence of protection between Member States. Alignment of common denominators or the removal of disparities under national laws was simply not sufficient. The only way forward was through the creation of a new European design instrument which would be “developed with greater freedom than any change to be introduced in existing legislation”.²⁷

²² *E.C. Green Paper on the Legal Protection of Industrial Design*, June 1991, III/F/5131/91/EN.

²³ *Hearings on Green Paper*, February 25–26, 1992, III/F/5131–91.

²⁴ Design Directive 98/71/EC of the European Parliament and Council of 13 October 1998 on the legal protection of design [1998] O.J. L289; Council Regulation (EC) 6/2002 of 12 December 2001 on Community designs (OJ EC No L 3 of 5.1.2002, p. 1), amended by Council Regulation No 1891/2006 of 18 December 2006 amending Regulations (EC) No 6/2002 and (EC) No 40/94 (OJ EC No L 386 of 29.12.2006, p. 14).

²⁵ Para. 3.1, Explanatory Memorandum to Proposed Design Directive, COM(93) 344, December 23, 1993 [1993] O.J. C345/1; Explanatory Memorandum to Proposed Design Regulation, COM(93) 342, January 31, 1994 [1994] O.J. C29.

²⁶ Explanatory Memoranda to Directive/Regulation, see above; EC *Green Paper on Design*, paras 3(9)(2)–3(9)(3), see above.

²⁷ The Commission's approach and proposal were based substantially on an earlier draft proposal submitted by the Max Planck Institute, *Towards a European Design* (Munich, 1991), pp. 47 and 82, which was co-authored by Professor M. Levin of our Advisory Board.

To this end, and to accommodate the different needs of varying design sectors (which ranged from toys to textile to fashion to light engineering to optical to automotive), the Design Regulation creates a unitary protection system within the EU by offering two pan-EU design rights:

- (a) the Registered Community Design Right, an exclusive right for up to 25 years (based on 5 year renewable periods);
- (b) the Unregistered Community Design Right, an anti-copying right which offers a less extensive, automatic, 3 year right.

Irrespective of the form of protection, the Community Design Right has equal effect throughout the EU, and would not normally be subject to transfer, surrender or invalidity declarations, except in respect of the whole EU region. Designers who have opted initially for a national registered right, and who subsequently wish to venture into the EU trading arena armed with a wider right, may rely (if applicable) on their national filing dates to acquire a priority right for a registered Community design; or even acquire priority rights beyond the EU region in Contracting States of the Paris Convention or the Hague Agreement.²⁸

The Design Directive harmonises the substantive rules of national registered design laws, and the national registered design systems co-exist in parallel with the Design Regulation. The areas of harmonisation include protectable subject matter, conditions of protection, scope of protection, and validity. Matters which are left to Member States include rules on the following: ownership, registration, procedures and remedies.²⁹

2.3 Current EU and national institutional frameworks

This section sets out some of the main features of the national registration systems, and considers whether national registration systems offer different advantages to specific sectors of the economy. These specific features were not part of the detailed terms of reference for the study. Nevertheless, it was thought that the salient aspects of fees and filing characteristics were appropriate and useful in order to roughly map out the institutional capacity and efficacy of national systems to attract SMEs as users, as well as to cater for industry needs.

Are national systems still attractive, based purely on the probable incurred costs? Should we remove the national registration systems and simply rely on the EU/EUIPO regime?

2.3.1 National registration fees

Table 1 presents the fees for filing an application to register a design at the national offices of each of the Member States reviewed during the study.³⁰ It should be noted that the table only shows fees in respect of the registration of a single design. Generally, offices have a scale whereby fees reduce with multiple registrations. However, in order to easily compare like for like, only fees for single design registrations are included.

²⁸ Paris Convention for the Protection of Industrial Property of March 20, 1883, (1979 revision); Geneva Act of the Hague Agreement concerning the international registration of industrial designs (1999).

²⁹ Subject to the Directive 2004/48/EC on the enforcement of intellectual property rights, OJ L 16/153 [2004].

³⁰ The table was compiled on the basis of Table 7.1, Europe Economics (2015), with minor corrections for certain countries on the basis of a review of the fee schedules on their websites or in legislation.

Table 1: Fees for registering design rights

Member State	Fees
AT	€87
CZ	€18.50 (CZK 500, if the designer files) or €37 (CZK 1000)
DE	€60 (electronic submission) or €70 (by post)
DK	€26.88
ES	€63.68 (electronic submission) or €74.92 (by post)
FR	€38 + €22 (black and white) / €45 (colour)
IT	€50 (electronic submission) or €100 (by post)
LT	€69
LU (BX)	€108 + €10 per representation
NL (BX)	€108 + €10 per representation
PL	€70 (300 zloty)
PT	€104.50 (electronic submission) or €209.00 (by post)
SE	€206.55 (SEK 1900)
SI	€80
UK	€85 (£60)
EUIPO	€350

The table shows that the fee for a single national registration (in any of the national offices) is cheaper than that for registration with the EUIPO, the latter registration fee being €350. There is a big variation in costs between national offices (from €26.88 in Denmark to €206.55 in Sweden, and €209.00 in Portugal). Thus, whether or not it is cheaper to register for a Community Design Right or a series of national design rights will depend on the number of Member States in which the rightholder wishes to register, and the identity of those Member States. For example, the cumulative registration fees to register a single design in the Czech Republic, Germany and Denmark will be €105.38 (€18.50 + €60 + €26.88), whereas the cumulative registration fees for Sweden, Portugal and Austria will be €397.50 (€87 + €104.50 + €206.55).

The Demand Study commissioned by the EUIPO in 2002³¹ found that the motives for foreign design filing were to cover existing or potential markets and, in some cases, competitor

³¹ Prospective Study about the Design Registration Demand at a European Union Level (Executive Summary), Study for the Office for Harmonization in the Internal Market, Quota Union, 2002 <http://euipo.europa.eu/en/design/pdf/3830000.pdf>, accessed on 27 March 2016.

locations. The Economic Review notes a close correlation between GDP and design filings, which is consistent both with a larger market size and with large numbers of designers and their competitors.

The “top 5” GDPs in the EU are Germany, the UK, France, Italy, and Spain, though the Benelux economies together are of a comparable size to Spain. It is harder to compare design filing rates because the multiple application structures are different and because WIPO data is incomplete. However, if one were to rank by the total numbers of designs and applications filed in 2001 and 2014 in order to generate four “top 5” lists, Germany France and the UK would be on all “top 5” lists (and may therefore be considered to be the “top 3” national offices, followed by Italy and Spain, Austria and the Benelux offices). The most appropriate “top 3” list is Germany, France and the UK (cost: €190 = €60 + €45 + €85) and the best “top 5” is Germany, France, the UK, Italy and Spain (cost: €305 = €60 + €45 + €85 + €50 + €64). Substituting a Benelux or Austrian registration for Italy or Spain slightly increases the cost.

2.3.2 Litigation/Enforcement Costs

Another salient factor to be taken into account is the national costs incurred in relation to invalidation and infringement proceedings, should the claimant have no option but to seek redress under national courts.

There is no existing literature containing comparative data on the costs of litigating in relation to national and Community Design Rights. For this reason, it is difficult to form a conclusion on the impact that such costs have on the relative attractiveness of each system. In relation to Patents, the law firm Taylor Wessing has recently published a “Patent Map”, which sets out the costs of litigation per Member State.³² As the data relates to patent litigation rather than design litigation, it may not reflect accurately the situation for design. Nor is it clear how robust the methodology for compiling the data was. Nonetheless, the Patent Map shows a large difference in the cost of patent litigation across the Member States. For example, it is noted that litigation at first instance in Ireland and the UK can cost as much as €1m and £1m, respectively, while litigants in other Member States tend to incur fractions of these costs (e.g. between €20,000 and €80,000 in Latvia, or between €100,000 and €130,000 in Portugal).

Moreover, gauging cross-border enforcements is a tricky area to substantiate. For example, the 2014 EU Customs Report³³ states:

“In 2014, customs authorities made over 95.000 detentions, consisting of a total of 35,5 million articles. The domestic retail value of the detained articles represented over 600 million euros.”

Of these, designs of all kinds accounted for about 9.3% by value of goods seized, i.e. a value of about 60 million Euros.

³² See <http://united-kingdom.taylorwessing.com/patentmap>

³³ Report on EU customs enforcement of intellectual property rights: Results at the EU border 2014, European Union, 2015, ISBN: 978-92-79-51828-7 doi: 10.2778/974794 http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/2015_ipr_statistics.pdf

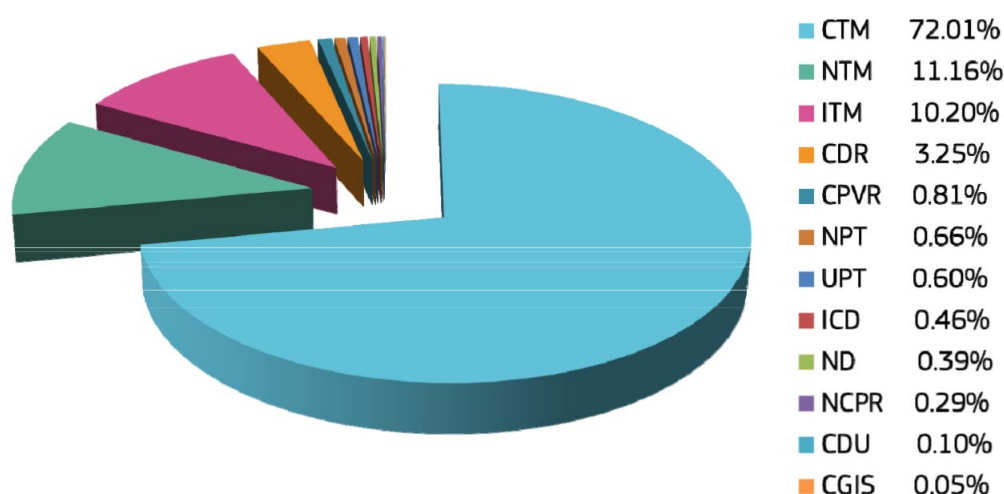
Figure 1: IP Rights – by articles seized (source: Customs Report)

Figure 1 gives a bird's eye view of the amount of seizure per country and per regional/international registration. The report states that in relation to registered Community, unregistered Community, international and national design rights, the seizure was across a wide variety of products with an emphasis on toys, other body care items and shoes. These figures confirm that designs play an important role in the battle against counterfeits, with Registered Community Designs representing much greater value than national or International designs (or copyright).

Ascertaining whether these disparities in costs are reflected in Design cases would require a dedicated data collection and data mining project to be conducted across the Member States.

2.3.3 SMEs and transactional costs within national systems

The costs of fees and litigation do not reflect the full transaction costs incurred when an undertaking has to deal with three separate national institutions, notwithstanding the administrative, professional and translation costs. Undertakings have to fill different application forms, requiring differing documents under different representational rules. Moreover, most Member States require national applications be tendered in the national language(s), incurring translation costs, in one or more languages.³⁴ In contrast to this, the EUIPO's single application form can be effective for several jurisdictions, and can be done in any of the official languages of the EU. Thus, any design proprietor who seeks a pan-EU protective net would undoubtedly seek out a Community design right. These further transactional costs will not be a factor where the rights owner deliberately eschews cross-jurisdiction protection. Thus, the fewer the Member States in which an undertaking seeks protection, the more attractive national registration will be, especially if such undertakings constitute SMEs. Indeed, it is logical that the attractiveness of the national registration

³⁴ Thus, for example, an application for a Lithuanian design right must be made in Lithuanian.

systems reflects the preference of SMEs due to the more local or regional nature of their economic activity.

This is borne out by the statistical evidence gathered during the industry stakeholder surveys, which illustrates the percentage of companies (as based on their size) which preferred the national registration system of “home Member States”:

Table 2: SME preference for “home Member State” registration

<u>SMEs</u>	<u>Preference for “home Member States”</u>
0-10 employees	17%
10-24 employees	36%
25-50 employees	8%
51-100 employees	12%
101-250 employees	10%
251-499 employees	0%
500+ employees	3%

Thus, 17 % of companies with fewer than 10 employees, and 36% of companies with between 10 and 24 employees cited national design registration with their “home” Member State. The percentages begin to reduce as the company size increases. The above conclusions are further borne out by *Europe Economics (2015)* which compared filing fees for design registrations within EU Member States, and also made a further comparison between design registrations and trademark registrations. The study found the following:

- (i) In 23 of the 28 Member States, industrial design applications are less expensive than trademark applications;
- (ii) The EUIPO trade mark fee (€900) was almost 3 times the corresponding EUIPO fee for designs.

This is perhaps unsurprising considering the fact that substantive *ex ante* examination is the norm when registering trademarks, meaning a higher administrative burden on the offices is to be expected.³⁵

From an applicant's point of view, the comparisons of official fees are meaningful only to the small number of applicants who are capable of direct national and EUIPO filings without professional assistance, who might be termed “fully unrepresented” applicants. For others, the true cost of filing is higher as it includes some level of professional charges. As the Demand Study noted,³⁶ “When companies register on an international level, they are more likely to call on the help of the agents, as the foreign laws complicate issues substantially.” Languages also have an effect (particularly within the “top 5”, each of which has a different

³⁵ Europe Economics (2015), pp. 92-94.

³⁶ Prospective Study about the Design Registration Demand, see above.

national language), as do different currencies (for non-Eurozone countries) and national requirements for an address for service (for non-EU applicants).

The more relevant models for a true cost comparison are therefore:

- i. “Fully represented” – comparison between official fees and agent fees for national and RCD filings; and
- ii. “Partly represented” – comparison between official fees for domestic national filing plus and agent and official fees for other national filings, vs official fees for RCD filing.

Agent charge schedules are rarely published on the internet and sometimes understate the true cost.³⁷ However, a brief review of available data indicated the following ratios of professional charges to official fees:

Table 3: Professional charges (Source: online fee schedules)

Office	Sample size	Ratio of charges to official fees	Use of attorneys 2001
UK	3	2.5-7.5	66%
Germany	2	6-6.5	72%
Spain	1	6	89%
France	1	4	53%
Italy			66%
RCD	7	1.0-2.5	--

It is apparent that official fees are less (and may be much less) than half the total cost where an applicant is represented. For a “fully represented” or “partially represented” applicant, a RCD may currently cost less than two national EU design registrations, one domestic and one foreign.³⁸ Responses to the questionnaire show that, outside the automotive sector, under a quarter of respondents used the national system of Member States other than their own, whereas 60% used the RCD system.³⁹

2.3.4 Ease of filing

Another factor which should be considered when determining the cost-benefit ratio between the EU registration system and the national systems is the administrative costs involved

³⁷ By quoting minima and excluding hourly charges.

³⁸ Though as the fee structures are very different, this will also be affected by the number of designs in an application.

³⁹ Annex 1, Table 11 Q4.

during the registration process such as electronic filing mechanisms, and the duration taken to process the application.

E-filing

A review of the filing systems of each of the national offices of Member States assessed during this study showed that they all have a system of electronic filing. A number of these national offices (e.g. the UK, Lithuania and Slovenia) have only recently introduced electronic filing, following cooperation with the EUIPO. In addition, several national offices offer discounted filing fees for electronic registrations.

Application process time

The amount of time taken to process design applications from receipt of the forms to the final grant of the design right tends to vary from one national office to another. Some national offices tend to process applications within days, where there are no problems with the application (e.g. Netherlands, Denmark, Germany) while other offices tend to take much longer to process an application (for example, Portugal and the Czech Republic). This should be measured against the default European Intellectual Property Office online processing time - which is within 2 working days, provided the application is complete.⁴⁰ Given these various levels of average delay, it is likely that multiple jurisdictional applications will invite a delay before the design is duly registered in different jurisdictions.

2.3.5 National filing trends

During the study, ancillary information was gathered on the filing trends at national offices, which may be useful to determine the efficacy and need for national offices. The data was collated from the following sources:

- Stakeholder interviews;
- Annual reports of national offices
- “The economics of design rights”, a report commissioned by the UK Intellectual Property Office⁴¹
- WIPO Intellectual Property Statistics.

This data serves as a useful indicator of general trends in each Member State. It, nevertheless, should be treated with some caution as the figures do not always cover the same period of time.

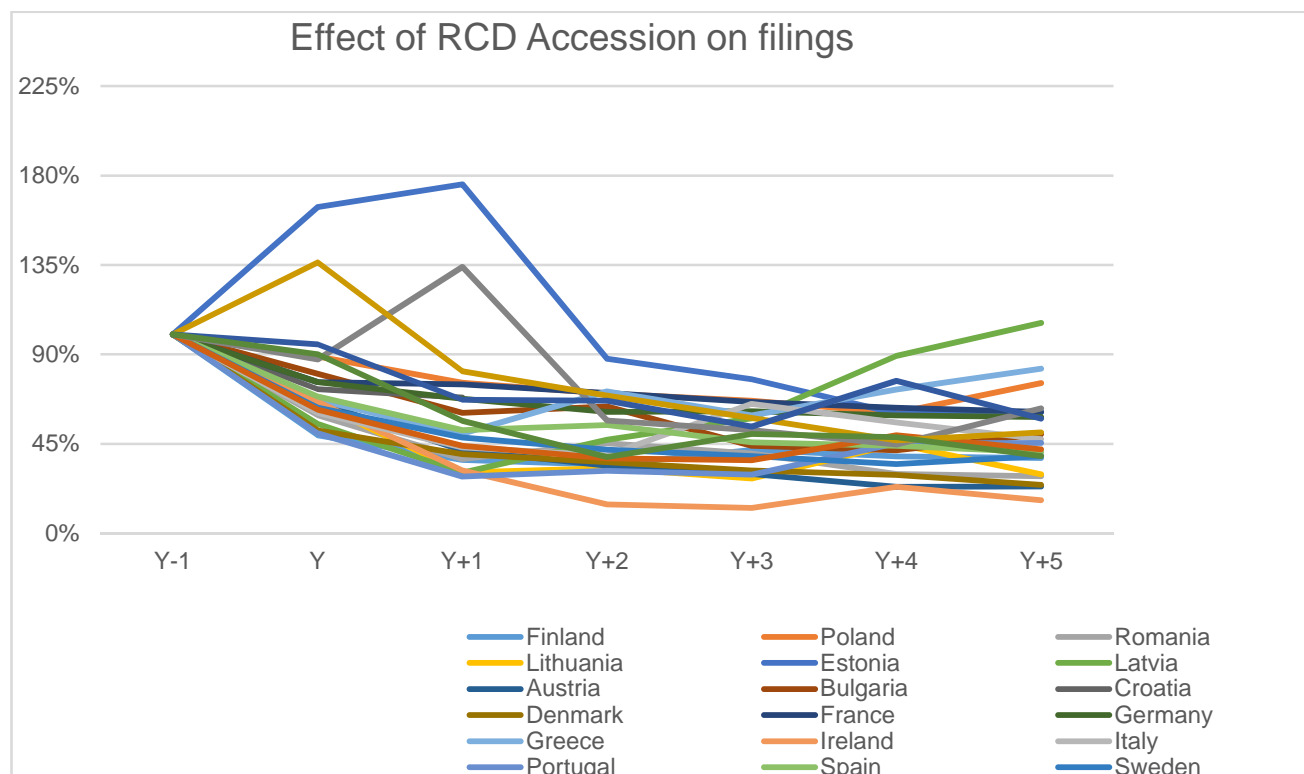
Reduction in national filing: What can be seen from Figure 2 and Table 4 is that, in the majority of Member States, there has been a significant reduction in registrations of national design rights. Figure 2 shows that in almost all States, the effect of accession to the RCD system has been a gradual decline over the first three years, reaching a steady or increasing state thereafter. Table 4, meanwhile, shows the filing numbers of each of the Member States being examined. As noted in other studies, the increased popularity of the EUIPO as a destination office can account for the general decrease in filing figures at national offices. *Europe Economics (2015)*, for instance, noted a “slow and steady increase in share of filings at the EUIPO in the last 10 years”⁴². In 2004, the EUIPO accounted for 27% of total filings

⁴⁰ <https://oami.europa.eu/ohimportal/en/rcd-registration-process>

⁴¹ Especially Chapter 4: Design rights, an international comparison, BOP Consulting 2011, available at <https://www.gov.uk/government/publications/the-economics-of-design-rights>.

⁴² Europe Economics (2015) p.50.

submitted by European applicants, whereas in 2014, that share had risen to 40%. It is also notable that a significant reduction occurred in Poland in the years immediately following the introduction of a repairs clause.

Figure 2: Effect of RCD on filings (WIPO Statistics, rebased to year of accession)**Table 4: Filing trends at national offices**

Member State	Trend	Source
AT	Between 2009 and 2014, the number of applications for national designs increased by 23%, while the number of design registrations decreased by 15%	Interview with IP Office
CZ	Between 2005 and 2014, the number of applications for national designs reduced by 64%, while the total number of designs contained in the applications reduced by 39%.	2014 Annual Report of Czech IP Office
DE	Between 2008 and 2014, the total number of designs contained in applications for national design rights increased by 25%.	2014 Annual Report of German IP Office
DK	In 2014, there were 119 applications for national design rights. The numbers had reduced but recently stabilised.	Interview with IP Office
ES	In 2013, there were 18,529 design applications. In 2014, there were 18,298. The numbers are stable.	Interview with IP Office

FR	Between 2000 and 2009, there was a 42% increase in design applications.	BOP Consulting, 2011
IT	Between 2002 and 2012, there was a 48% reduction in design applications.	2012 Annual Report of Italian IP Office
LT	Between 2010 and 2014, the number of design applications was stable, but at a very low level. In 2010, there were 20 applications concerning 29 designs, while in 2014 there were 24 applications concerning 62 designs.	Interview with IP Office
LU/NL	Prior to the application of the Design Regulation, there were approx. 1500-2000 design registrations per year. After a significant initial reduction, registrations have levelled off at approx. 1000 per year.	Interview with Benelux Office
PL	Between 2009 and 2014, there has been a 39% reduction in design applications.	Interview with IP Office
PT	Between 2009 and 2014, the number of applications for national design rights has been broadly stable, whereas the total number of designs contained within the applications has increased by 82%.	Interview with IP Office
SE	Prior to the application of the Design Regulation, there were approx. 2000 applications per year. This has reduced to 500-600 applications per year. The numbers seem to be stabilising at this level.	Interview with IP Office
SI	There was a big reduction in 2005 (66% reduction in applications; 67% reduction in number of designs contained therein). Since then, the figures are too small to note any trends.	Website of IP Office
UK	Between 2000 and 2010, there was a 57% decrease in design applications	BOP Consulting, 2011

Stable or increased national filing: In some Member States, such as Germany and France, increases have been noted over various periods. One reason for the increase in France may have been the introduction of the simplified filing system in that Member State in order to cater for sectors with short product life cycles. *Europe Economics (2015)* suggests that there is a correlation between the attractiveness of national filing and the size of the national market; thus, their evidence is that there is a positive linear relationship between the total number of design applications received at the national office, and the GDP of the

corresponding country.⁴³ Nevertheless, one cannot simply assume that national filing trends are influenced by localised factors such as the existence of a simplified filing system in France and the size of the national market, or the extent to which they are influenced by the relative attractiveness of the Community filing system.

Segmentation of applicants between national and European routes: Design applicants may be residents or non- residents of the country concerned. For instance, in the UK prior to the introduction of the RCD, residents and non- residents filed in approximately equal numbers. When design filings are broken into those by residents and non-residents of the Office concerned, two different behaviours emerge as shown in Figures 3 and 4. The RCD system has clearly substituted for national filings in Offices foreign to the applicant, with most Offices retaining less than 25% of the filings they previously handled. On the other hand, applications by residents held up much more strongly, falling by less than 50% or, in a few cases, growing. The predominant users of the national registration systems are now residents of the country concerned. This change in customer base has potential implications for the role of the national offices and their relationship with OHIM – the former see smaller, more local applicants and the latter see larger applicants from all over the EU as well as outside it.

⁴³ Ibid.

Figure 3: Effect of RCD on national filings - residents (source: WIPO Statistics, rebased to year of accession)

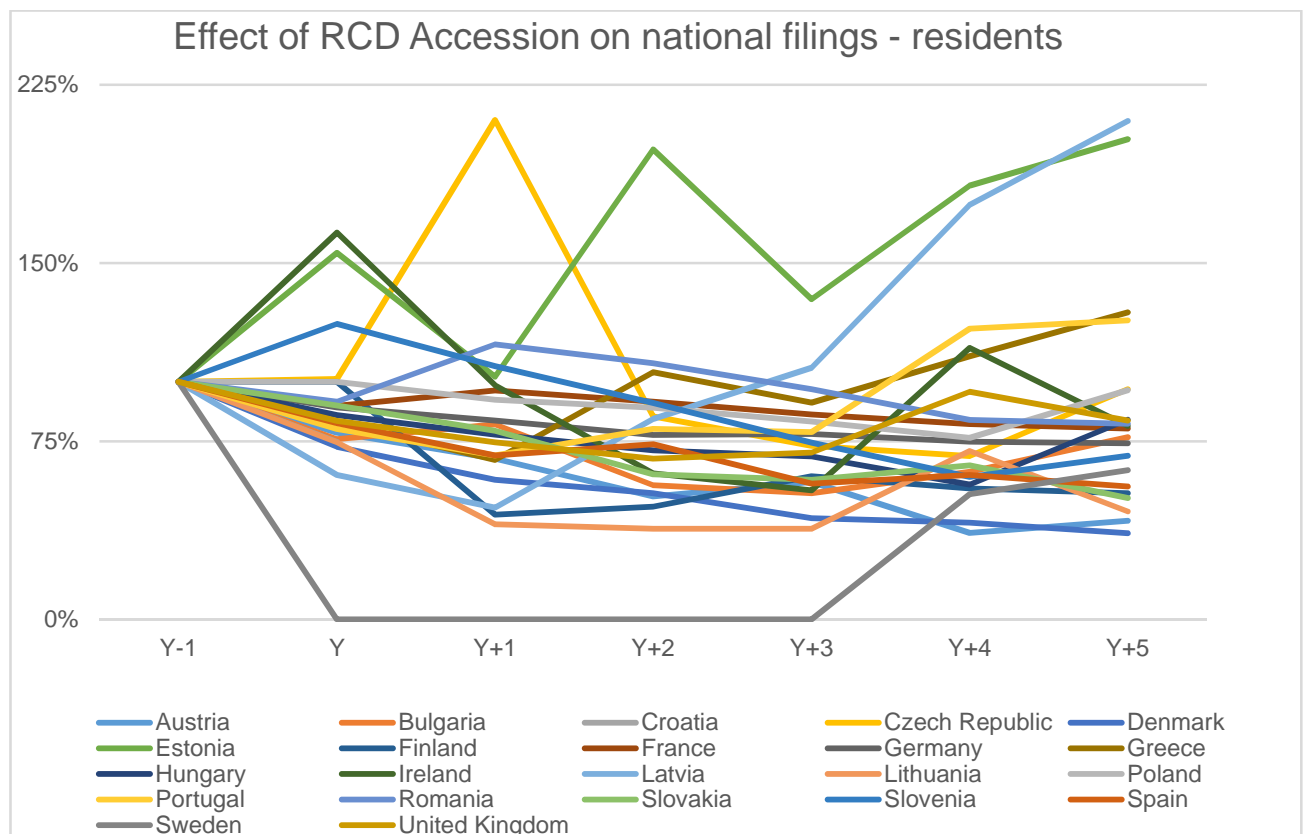
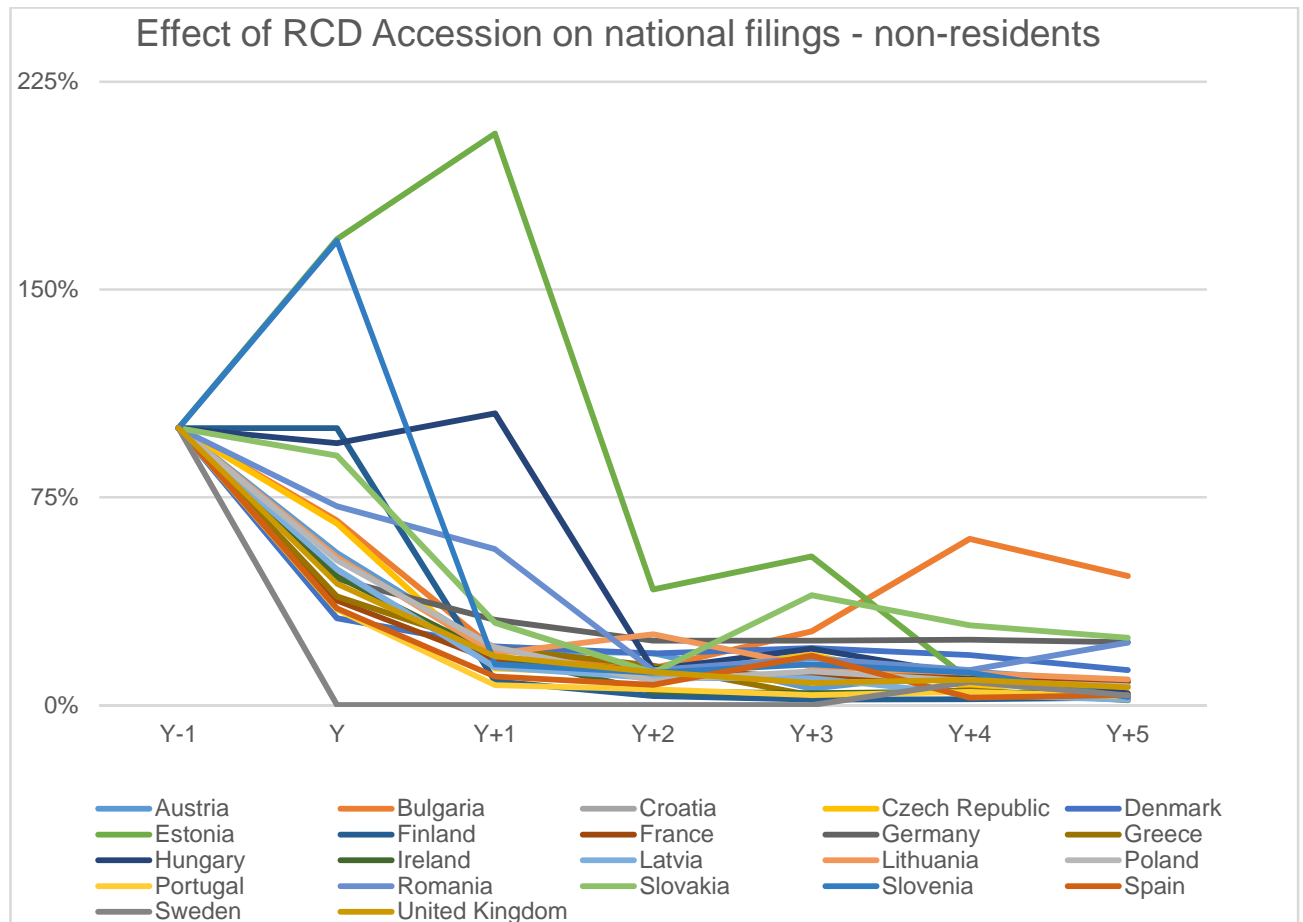


Figure 4 Effect of RCD on national filings - non-residents (source: WIPO Statistics, rebased to year of accession)



Effect of International (Hague) filings: Some Member States⁴⁴ were already members of the Hague Agreement, allowing them to be designated in an International Application. International Registrations ("IRs") provide some of the same benefits as RCDs. According to the agents surveyed in the 2002 Demand Study, when protecting designs abroad "the country by country system is only used when there is no alternative" although "when protection is desired in only one or two foreign countries, it is the favoured way by companies". Instead, where possible, companies at that time used the Hague system.⁴⁵

EU Offices which can now be designated via the Hague system are Benelux, Bulgaria, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Romania, Slovenia and Spain. Non-Hague States are currently Austria, Cyprus, Czech Republic, Ireland, Malta, Portugal, Slovakia, Sweden and the UK (although the UK is expected to join at the end of 2016).⁴⁶

⁴⁴ France, Germany and Spain for example.

⁴⁵ Prospective Study about the Design Registration Demand, p.12.

⁴⁶ See "UK's Accession to the Hague Agreement for Industrial Designs - Government response to the consultation on the UK's proposed accession to the Hague Agreement for industrial designs", IPO, 2015.

Analysis of the designation of these Member States in Hague applications reveals that RCDs were substituted for Hague designations when the RCD became available (in 2003,⁴⁷ 2004⁴⁸ and 2007⁴⁹ and 2013⁵⁰), as shown in Figure 5.

The RCD system was designed to be compatible with the International Design system, permitting the EU to accede to the Geneva Act as a region in 2008.⁵¹ Since then, the EU designation is the most popular in International designs⁵² A further drop in national designations via the Hague can be seen from 2007, when it became possible to secure an RCD via the Hague system – at this point, RCD designations began to substitute for national designations via the Hague system.

⁴⁷ Benelux, Denmark, Finland, Germany, Italy, Spain.

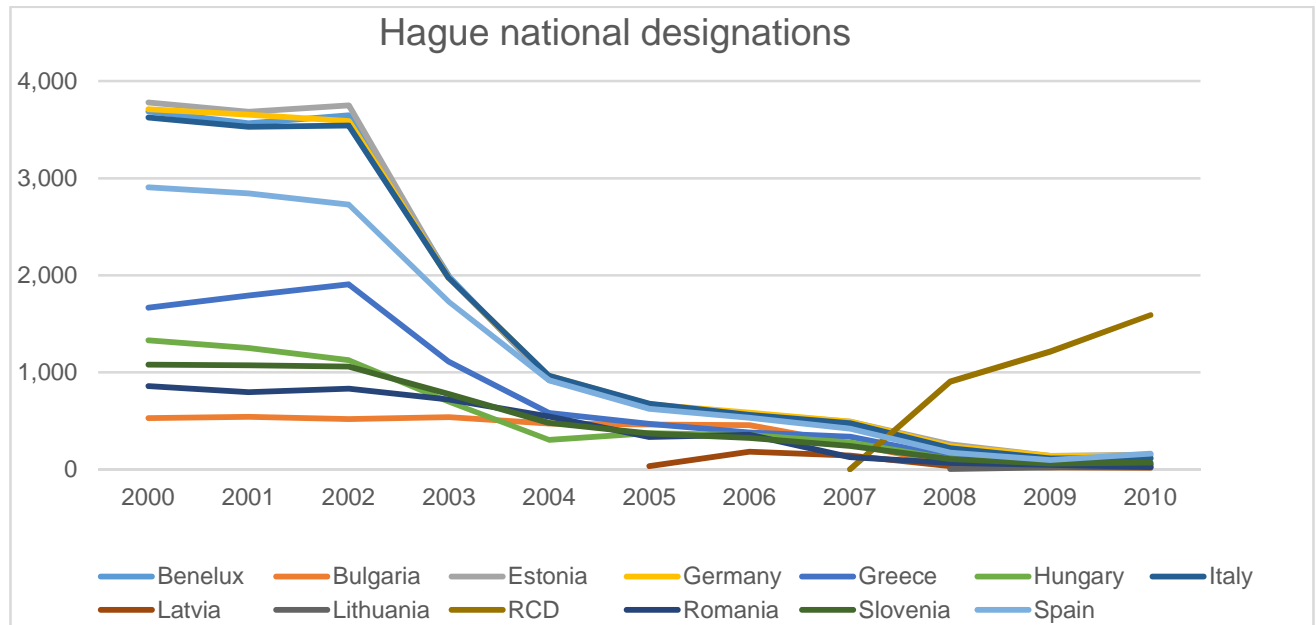
⁴⁸ Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia.

⁴⁹ Bulgaria and Romania.

⁵⁰ Croatia.

⁵¹ Council Decision of 18 December 2006 approving the accession of the European Community to the Geneva Act of the Hague Agreement concerning the international registration of industrial designs, adopted in Geneva on 2 July 1999 (2006/954/EC), OJ L 386/28, 29.12.2006

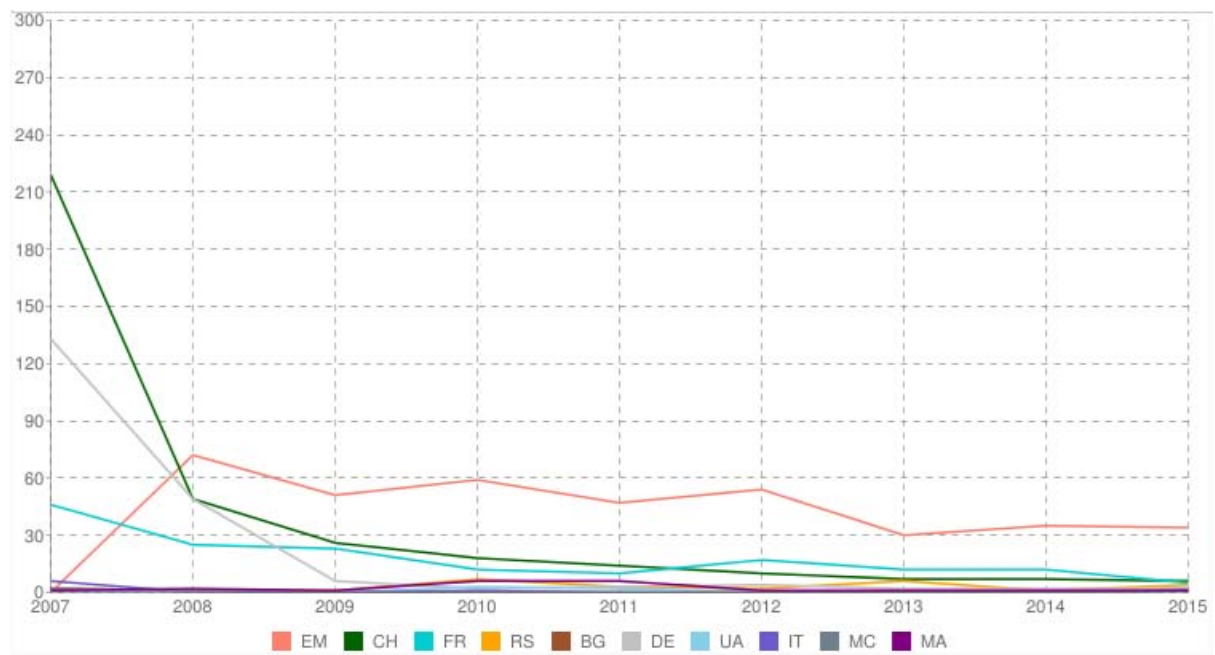
⁵² 17.5% in 2014 according to the consultation paper “UK Accession to the Hague Agreement for Industrial Designs”.

Figure 5 Hague national EU designations (source: WIPO Statistics)

The individual designation fee for EU designation in an International design is €62 (i.e. SFR 67) which is substantially less than any two SFR 42 "level 1" or SFR 60 "level 2" standard designation fees, and less than a single SFR 90 "Level 3" standard designation fee or the SFR 70 individual designation fee for Hungary. When filing an International design application it is therefore always cheaper to designate the EU than any two Member States individually.

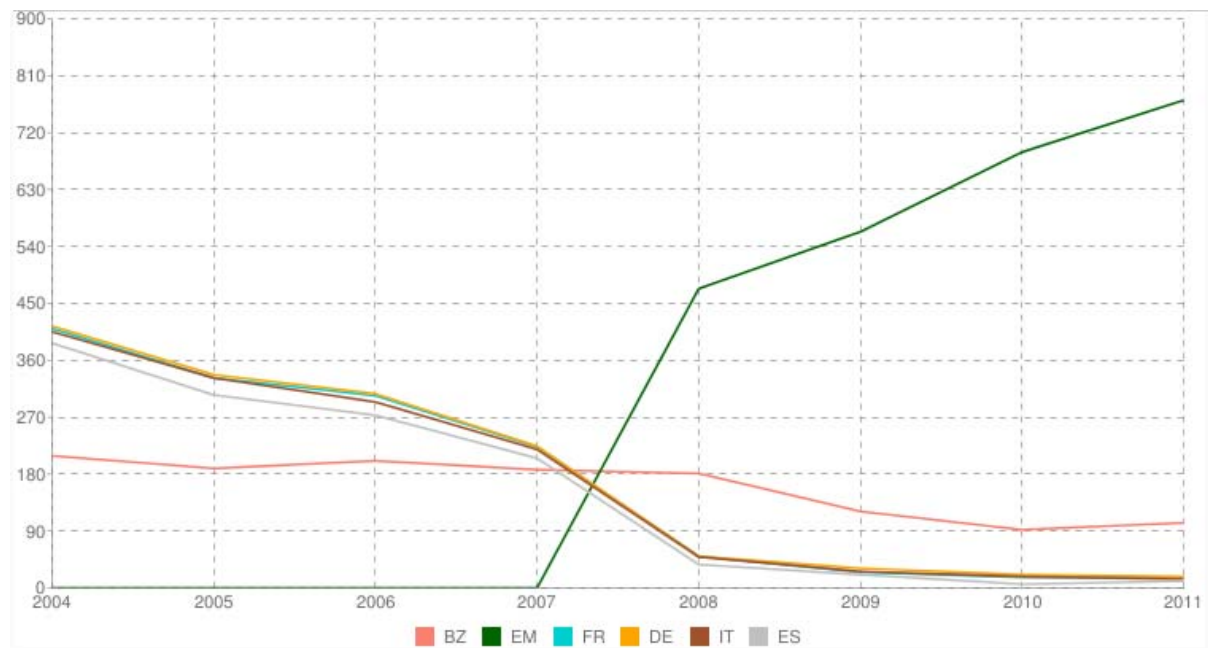
Figure 6 shows the effect on Italian national designations of the availability of EU designations in 2008. Swiss and Ukrainian entities (amongst others) have given up national designations.

Figure 6: Owners of International applications designating Italy (source: WIPO statistics)



As an example of a non-EU country, Figure 7 shows the behaviour of Swiss applicants as the EU joined the International system. National and Benelux designations were largely replaced by EU designations.

Figure 7: EU Designations in Swiss-originating International applications (source: WIPO statistics)



Impact of the International System on the RCD system. Since each system has some advantages (RCD: speed; IR/EU: possibility of other designations, no limit on number of images) there may be many cases where an applicant will in any case choose to file an IR for reasons other than cost. The attractiveness of the International system will rise as more countries accede to it.

Where an International application is to be filed, the marginal cost of adding a designation of the EU is only two thirds that of filing an additional direct RCD. For non-EU applicants the difference increases when the need for representation is considered.

In 2014, there were 86,000 direct RCD applications and 2,000 EU designations in International Registrations (see Figure 8 below, which shows the main countries of IRs which designate the EC). Of the direct RCD applications, 28% originated from outside the EU, within which applicants from the US made up 9%, those from China 5%, those from Japan 3% and those from the Republic of Korea 2%. None of these countries were in the International system in 2013 and their nationals therefore could not use that system. Korea joined on 1st July 2014, the US and Japan on 13th May 2015.

From 2013 (the last full year before accession to the International system) to 2015, the number of direct RCD applications from Korea fell by over 50%. It is too early to assess the effects of US and Japanese accession, but Japanese direct filings fell by 16% from 2014 to 2015.

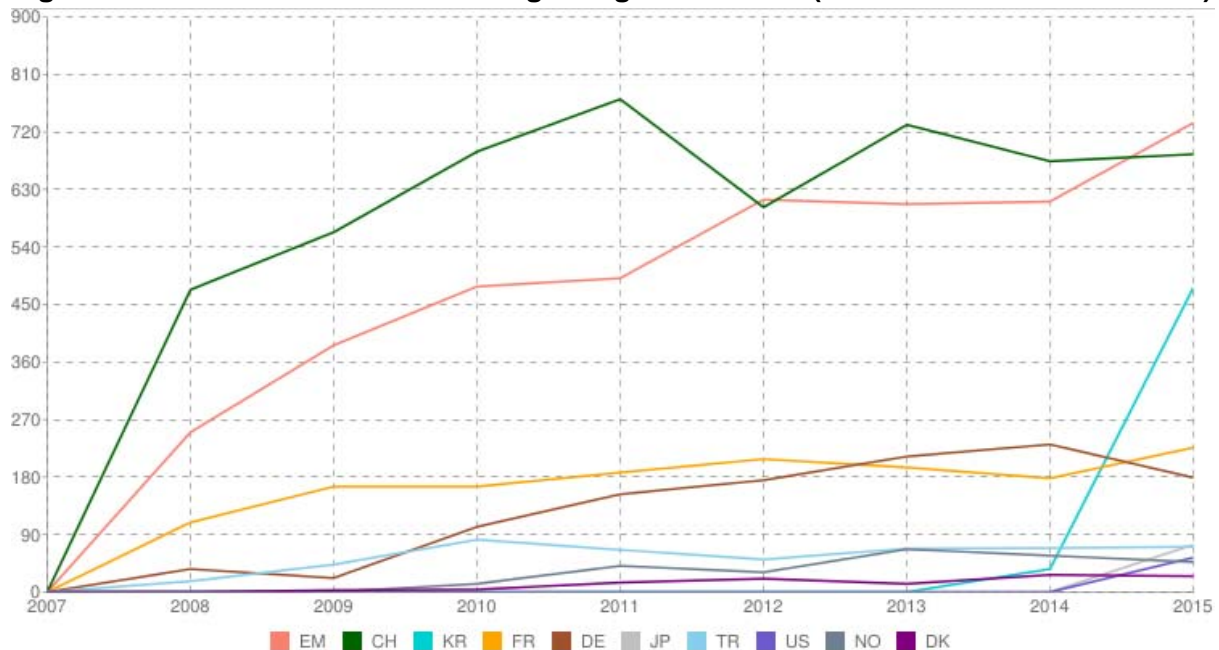
Of course, non-EU applicants⁵³ who lack any connection with a Hague Agreement member cannot use the International system at all. Australia is committed to making 'best efforts' to join the Hague system via its Free Trade Agreements with the US and Singapore. Canada,

⁵³ Those exclusively connected with China, Taiwan, Australia, Canada or India for example.

China and Russia are among the countries exploring membership in the near future along with a number of ASEAN Member States. It appears likely that, if fees and exchange rates remain unchanged, as more States join the International system the majority of the existing demand by non-EU residents for RCDs will be ultimately substituted by designations of the EU via the International system – in other words, its effect on the RCD system will resemble that of the RCD system itself on the EU national design systems.

It is harder to assess the impact on direct RCD filings by EU applicants, but likely that at least some larger entities will use the International system instead of the direct RCD system.

Figure 8: Owners of IRs designating the EU (Source: WIPO Statistics).

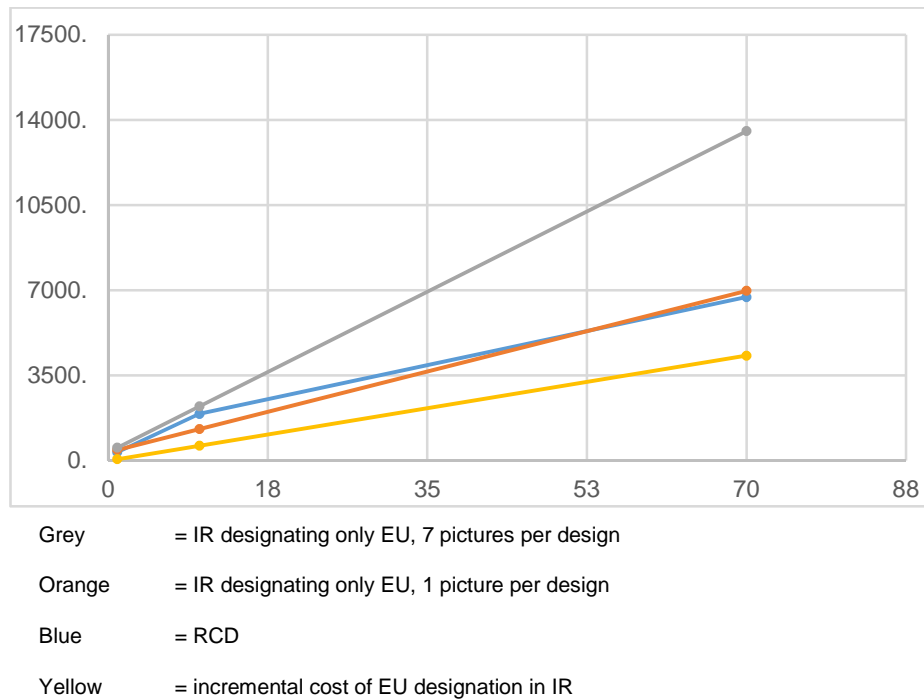


Effect of multiple design applications. The RCD, International and most national registration systems allow for the filing of multiple designs in a single application, with reduced fees for subsequent designs in the application. Generally, the breakpoints and the discounts are different, making general cost comparisons between different systems difficult. Around half of RCD applications contain only a single design. In multiple-design RCD applications, the average number of designs is between 6 and 7.

The average number of designs registered in an International application is 3.⁵⁴ Unlike the RCD fees, and the “standard” designation fees for an international application, the EU designation fee is SFR 67 per design – there is no reduction for higher numbers of designs.

Figure 9: RCD vs IR/EU - cost € vs number of designs

⁵⁴ “UK Accession to the Hague Agreement for Industrial Designs”.



It is apparent from Figure 9 that for types of design which can be represented by a single image (two dimensional designs such as icons, graphic symbols or fabric patterns) it is in many cases cheaper to file an International application than a RCD, even if only the EU is designated.

However, since there is a 17 SFR per-image fee for International designs and none for RCDs, to protect three-dimensional designs represented by, for example, 7 images it is considerably cheaper to file an RCD than to file an International application designating only the EU. A non-EU applicant would incur the additional cost of representation for an RCD, which would narrow the differential.

When each design contains 7 images, it is always cheaper to file an RCD than an International application designating Member States – though if an IR is already to be filed, adding an EU designation to it is always cheaper still.

The foregoing illustrates that applicants now divide their preferences between national, European, International/EU and International/national filings, and that each system has its own perceived advantages. Changes in one system may have effects on the others. Changes in fee levels, for example, may cause alterations in user preferences.

2.3.6 RCD and IR/EU Fees

This report considers only the filing and renewal (i.e. maintenance) fees. The other fees set by the Office are for activities⁵⁵ having direct counterparts under the EUTMR. Convenience for both the public and the Office, as well as equivalent cost of provision, suggests that these should therefore be set at the same level.

⁵⁵ For example, appeals, *restitutio in integrum* or registration of transactions.

Historical background. The RCD filing and renewal fees were set in 2003, in advance of the commencement of the system, and have not changed since. Labour prices in Spain have risen since 2003 by about 15%⁵⁶ (and the Spanish Consumer Price Index by somewhat more). The fees for EU designations in International Designs were set in 2006 and have likewise not changed since. By way of contrast, the fees for EUTMs were reduced in 2005, 2009 and 2016, with specific reductions for electronically filed applications.

The fees were set with the benefit of a demand study performed in 2002,⁵⁷ the conclusions of which were as follows:

“According to companies, the OHIM could obtain their highest market share if they register Community designs at a total end user cost - including fees paid to industrial property agents - of between €440 and €1000. However they consider that a fair price would be €945. From the agents’ point of view the maximum market share would be obtained with fees of between €600 and €1000, a figure considerably higher than that suggested by the companies, since the companies’ figure was a total price, including the agents’ fees. The interviewed experts expect the price to be rather low, due to the simple application procedure. They believe it will be between €250 and €600.

A price test has shown us that 28% of the companies would be willing to register at a final price (including agents’ fees) of €1400, and this percentage rises to 34% for those who say that they would agree to applying for Community design registration at €1000. These companies are responsible for 90% of all designs presented for registration in 2001.”

At that time, the “agent’s fees” element of the “final price” for RCDs was unknown in advance, but the “final price” for national filings in Germany, Spain and Britain was found to be €100-€500 and that for Italy €500-1000.

The selected official fee level of €350, even with the addition of agent’s fees, resulted in a final price considerably under that which the applicants would have accepted, and that which they considered a “fair price”. The resulting high demand for the RCD system as compared to the national and International systems was therefore predictable in advance.

Since then, the EU has grown, the Community Design registration system has been computerised, and the time to registration has been slashed from months to weeks or even days. Initially, demand rose consistently but it seems to be constant over 2012-2015 (though this may partly be due to substitution by EU designations in International Design applications).

Current RCD application fees. The fees for RCD publication and registration fees depend on the number of designs in an application:

Table 5: Current RCD application fees

1st Design	2nd - 10th Design	11th Design on
€350	€175	€80

⁵⁶ Source: European Central Bank - Statistical Data Warehouse, Spain - Unit Labour Costs, Deflator, National currency, Working day and seasonally adjusted Index, ESA: ESA95 National Accounts.

⁵⁷ Prospective Study on Design Registration Demand.

Policy considerations. No single policy factor stands out from the legislation in relation to the level of RCD fees, but several are explicitly or implicitly present.

Low cost for small entities compared to national designs. The background to the Design Regulation was the pre-existing system requiring multiple parallel national registrations. Recital 3 CDR refers to the resulting "combined administrative expense with correspondingly high costs and fees for the applicant", which are only partly addressed by the Directive 98/71. Recital 24 indicates that "It is a fundamental objective of this Design Regulation that the procedure for obtaining a registered Community design should present the minimum cost and difficulty to applicants, so as to make it readily available to small and medium -sized enterprises as well as to individual designers."

It is clear from the conjunction of Recitals 3 & 24 that RCD costs are intended to be cheaper than those of EU-wide protection via the national systems. To be successful at the outset, it was necessary for the RCD fees to be competitive with the cost of an average European design filing program in 2003 – typically, 4-5 countries.⁵⁸ The current fee levels in fact deliver EU-wide protection at a price equivalent to those of three national filings.⁵⁹

Simplicity. Recital 24 envisages a system of minimum cost and difficulty so as to serve small and medium -sized enterprises as well as individual designers.

The 2002 Demand Study anticipated that⁶⁰ "The simplified process" (47%) and the "scope of protection" (33%), as well as the "price" (22%) are the key factors influencing companies' willingness to opt for registration through the OHIM.⁶¹ This is borne out by the responses to the questionnaire which indicate that while cost (68%) is a major reason for choosing the Community system, a larger number (72%) indicate "level of protection" as the reason, with ease/difficulty of use (53%) being the third most popular reason for selecting the RCD system.⁶² Advisors, however, considered that cost was the main reason for choosing the RCD system.⁶³

A simpler system may result in lower internal costs and agent charges, which may explain why simplicity was seen by the applicants who would choose to use OHIM as over twice as important as price. *Europe Economics (2015)* also found that in protecting designs "... the least important factors are the costs of enforcing protection and the costs of obtaining protection."⁶⁴ Continued investment by the Office in simpler systems for applicants⁶⁵ may be a more effective approach than fee reductions in minimising the overall burden on smaller applicants.

Designation fee basis. The designation and renewal fees for EU designations in International Designs are governed by Article 7 of the Geneva Act and "may not be higher than the equivalent of the amount which the Office of that Contracting Party would be entitled to receive from an applicant for a grant of protection for an equivalent period to the same

⁵⁸ See Musker, Community Design Law, Sweet & Maxwell 2002, para 3-072 p336

⁵⁹ Europe Economics (2015), p6.

⁶⁰ Prospective Study on Design Registration Demand, see above.

⁶¹ Of those applicants who were at that point undecided as to whether to use the RCD system, however, the as-yet unknown cost was the most important factor.

⁶² Annexe 1, Tables 11 & 12 Q7

⁶³ Annexe 1, Table 41

⁶⁴ Europe Economics (2015), p.99

⁶⁵ Building on past improvements such as online filing, Euro-Locarno machine translation and comprehensive online Manuals.

number of industrial designs, that amount being diminished by the savings resulting from the international procedure." Large reductions in RCD filing fees therefore potentially trigger linked reductions in International fees.

Balanced Budget. Article 139 of the EUTMR⁶⁶ indicates that "The revenue and expenditure shown in the budget shall be in balance", and Recital 1 of the CDFR accordingly indicates that "the amounts of the [RCD] fees should be fixed at such a level as to ensure that the revenue in respect thereof is in principle sufficient for the budget of the Office to be balanced." The EUIPO Draft Strategic Plan for 2020 indicates that the new EUTM fee structure will lead to an "as yet unknown but significant reduction of income" (expected to be €20 million to €40 million) which will take the budget much closer to balance.

The relevant Regulations refer to the budget of the Office as a whole, but the preparatory texts indicate that the Community Design system itself was intended to be self-supporting, sharing costs with but not subsidised by the EUTM system: "The self-supporting character of the Community Design Office must therefore be guaranteed by an appropriate level of fees."⁶⁷ At least initially, the budget surpluses were "almost entirely due to the revenues generated by the registration of the Community Trade Marks."⁶⁸ Design fees made up only about 10% of EUIPO revenue and therefore the impact of fee changes on the overall budget surplus was too low to justify changes. The Small Business Act⁶⁹ promised reductions in EUTM fees but was silent as to designs.

Effect of fee reductions on fee income. The European Parliament study "The income of fully self-financed Agencies and the EU budget"⁷⁰ noted that "econometric analysis by INNOtec shows that 'the 2005 fee reduction at [OHIM] increased trade mark applications from [all large European countries] substantially. This effect will have counteracted the direct effect of lower fees on the Office's income from trade mark fees and would do so for any further fee reductions.' This demonstrates that the demand for CTMs is elastic, i.e. that the take-up of CTMs can be fostered by reducing their price. Furthermore, in the OHIM fee reductions of 2005 and 2009, the income losses due to lower fee levels have been overcompensated by the additional income linked to the additional demand for cheaper CTMs."

It is therefore not possible in advance to predict whether reductions in RCD fees would in fact reduce or rather increase the EUIPO budget surplus, though it is clear that their impact would be low compared to that of EUTM fees. The current existence of a surplus does not in itself justify a fee reduction without considering wider policy issues.

Customer and public views on fees. As the UK Intellectual Property Federation⁷¹ recently put it, "In general, IP Federation members welcome any reduction in the official fees charged in order to secure IP rights, whether they are patents, designs or trade marks." They therefore urged the UK IPO "to press OHIM to consider making similar reductions to the fees

⁶⁶ Applicable by virtue of Article 97 CDR.

⁶⁷ See Draft Proposal COM(93) 342 final-COD 463 Brussels, 3 December 1993, comments on draft Articles 39, 40 & 127.

⁶⁸ Communication from the Commission to the European Parliament and the Council - The financial perspectives of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) COM/2006/0865 final

⁶⁹ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - "Think Small First" - A "Small Business Act" for Europe {SEC(2008) 2101} {SEC(2008) 2102} COM/2008/0394 final

⁷⁰ IP/D/ALL/FWC/2009 - 056/LOT6/C3/SC1, 20/09/2013

⁷¹ A representative organisation for large UK companies using intellectual property.

charged in respect of Community Registered Designs so that designers throughout the Community are encouraged to register more of their designs ...”⁷²

This being said, whilst all applicants would no doubt favour fee reductions in general, we are unaware of evidence showing an overall industry view that RCD fees are currently too high. *Europe Economics* (2015) found that "cost factors are less important in the overall decision of whether to protect design" and that within costs, lawyer fees were more significant than renewal or application fees.⁷³

Co-existence with unregistered protection. They also noted, however, that designers have the choice of registration or unregistered Community Design protection, and that cost factors do play a part in deciding whether or not to register (consistent with the intention expressed in Recitals 16, 17 & 25 CDR that the Unregistered Community Design should provide "protection without the burden of registration formalities").

Transparency. Registration confers additional transparency, which is desirable to others in the market.⁷⁴

Demand Regulation. An inevitable effect of official fees is to limit demand for industrial property protection and hence the number of design rights in existence.⁷⁵ However, this effect is not reflected as a goal in the texts relating to the RCD system. In fact, since unregistered designs are also protected, the registration fees operate to distribute demand between registered and unregistered protection rather than to reduce the overall number of rights.

Co-existence with the national systems. The impact of the RCD system on the national registration systems is not directly addressed in the Design Regulation, but the continued existence of national registration systems is required by the Design Directive and presupposed in the Design Regulation. The Parliament study quotes the Commission's comment that "the level of OHIM fees is generally considered to be one of the key elements for a balanced coexistence of [national and European trademark] systems, as stressed by a number of national offices in their contributions to the [Max Planck Institute] study". That view was expressed in relation to trade marks, but we are certain that the same is true of designs, and this is supported by the data in this review together with that in the Economic Review. A major reduction in RCD fees is capable of significantly affecting national filings, which would inevitably adversely affect the functions performed by national offices in supporting their local designers. The level at which this would occur would depend also on any fee reductions undertaken by national Offices. It is expected that assistance from the EUIPO to the national and Benelux Offices (for example, use of common software) will enable general national fee reductions, which would reduce the impact of parallel RCD fee reductions on national demand.

Further, for the same reasons as the authors of the Max Planck Study on trade marks, we think that "there is no objection in principle to setting the fees at a level which takes into

⁷² IP Federation Policy Paper PP01/16 Consultation on proposal for changes in registered design fees, 29 Jan 2016, downloaded from www.ipfederation.com/document_download.php?id=3088 on 27th March 2016.

⁷³ Europe Economics (2015), p.101

⁷⁴ IP Federation Policy Paper PP01/16.

⁷⁵ Musker, Community Design Law, para 3-072 p. 336, see above.

account additional considerations, such as a “steering function” facilitating a choice between CTMs and national marks, or the actual and potential value of the intellectual property right granted by the Office, even if this should lead to a permanent surplus.”⁷⁶ There appears to be no reason to treat surpluses arising from design activities differently to those arising from EUTM activities.

Co-existence with the International system. At its advent, when most of the significant Hague Member States were EU members, the RCD system caused a severe drop in the number of international (“IR”) filings. By acceding to the Hague system, the EU implicitly indicated its support. The availability of an EU designation may now be gradually eroding the number of RCD filings. Although the number of Hague members has increased and the impact on it of the RCD system has correspondingly been diluted, and although other factors affect the choice of route, the relative levels of the RCD fees, the EU Hague designation fee and the national Hague designation fees will play a part in distributing filings between the RCD and IR systems.

Policy Options. Various mechanisms for setting appropriate fee levels should be considered.

The “top 3” or “top 5” comparison. We believe that the RCD would probably remain popular if the fees at the filing stage were equivalent to those of these five countries (which would, because of the reduced need for professional assistance, mean that the total cost of the RCD would be considerably cheaper than these 5 national registrations).

Since each of the “top 5” countries uses an official language of the Office,⁷⁷ there are no language barriers for applicants from these States in switching between their national system and the RCD system.⁷⁸ If the RCD fees fall towards those of a single national application in a “top 5” country, there could be a loss of national business, on the same large scale and high speed as that which occurred on accession to the RCD system.

Our view is that the RCD application fees should therefore be set so as to remain at a level equivalent to (and calculated by reference to) several of the “top 5” national offices. The upper bound on fee levels should make the total cost (including professional charges) no higher than those of the “top 5” national offices, and the lower bound should make the total cost higher than that of any one of the “top 5”, if something like the current balance is to be maintained.

Multiple Design Fee Structures. Although small and large entities may file multiple designs⁷⁹ the current fee structures tend to most benefit larger entities, who (all other things being equal) have more designs per annum to file and are therefore more often to access the lowest rate. Some thought could therefore be given to adjusting the multiple application fee structure. For example, the UK IPO has recently announced an intention to cut the fees for multiple applications, providing some “free” additional designs in each application.⁸⁰

⁷⁶ Max Planck Institute, Study on the Overall Functioning of the European Trade Mark System.

⁷⁷ As do Ireland, Belgium and Austria.

⁷⁸ In fact, the RCD language regime for EU Member States not having an official language of the Office is also lower than the barriers between different national regimes

⁷⁹ For example, to protect separately several different features of a new design in a single application as indicated by the UK Supreme Court in *Magmatic v PMS* [2016] UKSC 12.

⁸⁰ £70 for up to 10 designs, see Proposal for changes to Registered Design Fees - Government Response, March 2016.

Setting a single fee break point at (for example) 7 designs, rather than a first at 2 designs and a second at 11, might allow a lower initial fee for smaller design applications without changing the overall fee income. Further, the restriction by Locarno class could be examined. The UK IPO has for some years operated a multiple design system without such a restriction, which adds to the cost of examining designs without apparent benefit.

Paper filing premium. Unlike the EUTM system, the RCD system has always applied the same fee whether designs are filed electronically or otherwise. The high rate of electronic filing indicates that lower fees were unnecessary as an incentive, and since non-electronic filing introduces additional scanning and data input costs it would now be appropriate that they should cost more.

Renewal fees. The application fees include the initial term of 5 years.⁸¹ The maintenance or renewal fees per design for subsequent 5 year terms are as follows:

Table 6: Renewal fees

Fee for the first period of renewal	€90
Fee for the second period of renewal	€120
Fee for the third period of renewal	€150
Fee for the fourth period of renewal	€180

Cross-subsidy of filing fees from renewal fees was explicitly foreseen at the outset of the RCD system: “As has been already stressed, particular importance will attach in this context to the renewal fee, whose possibly progressive structure will have to be determined by the authority adopting the Fees Regulation.”⁸² However, the current levels of application fees do not appear to need subsidization, and there is therefore little justification for maintaining the renewal fees at their current level.

By way of comparison, for IRs, each EU design renewal fee is only €31 and the fees are not progressive over time. Use of the International system also allows savings in renewal fee costs. To quote the UK IPO,⁸³ “One legal firm who we consulted with informed us that national filing maintenance for six countries would be £1,500 plus £500 for each national agent, adding up to £7,500. To maintain the same set of registrations through The Hague would cost £500”

Entity size. In order to target benefits at small entities, the possibility of tiered fees for smaller entities (as in the US) might be considered. The figures below show that whilst those for large entities are much higher, the fees applicable to micro-entities filing for designs in the US are lower than those in the EU:

⁸¹ From the scheme of the subsequent renewals, it could be inferred that the price to be paid for the first five years (as distinct from the cost of registration itself) would be €60 per design.

⁸² See Draft Proposal COM(93) 342 final-COD 463 Brussels, comments on draft Articles 39, 40 & 127.

⁸³ “UK Accession to the Hague Agreement for Industrial Designs”.

Table 7: US - direct design patent filing fees

Description	Fee	Small Fee	Entity	Micro Fee	Entity
Basic filing fee – Design	\$180	\$90		\$45	
Design Search Fee	\$120	\$60		\$30	
Design Examination Fee	\$460	\$230		\$115	
Design issue fee	\$560	\$280		\$140	
TOTAL	\$1,320	\$660		\$330	

Table 8: US - International design designation fees

Description	Fee	Small Fee	Entity	Micro Fee	Entity
International - First part	\$733	\$367		\$183	
International - Second part	\$540	\$270		\$135	
TOTAL	\$1,273	\$637		\$318	

At-cost basis. As against this, it might be said⁸⁴ that the fees charged should primarily reflect the cost of processing applications, rather than effectively subsidising smaller applicants from larger ones.

The need for a comprehensive fee review. Elapsed time and changed circumstances imply that a fee review is timely. We recommend an expanded repeat of the 2002 Demand Study, surveying applicants inside and outside the EU as well as national offices, to determine the effect of reductions of various sizes on demand before any changes are made. It follows from the forgoing that the review should consider the following elements:

1. The actual cost of registration of a single design at the Office;
2. The actual cost (presumably extremely low) of renewal;
3. The need for maintenance of high quality registration and for future improvement;
4. The effect of RCD fee changes on demand for Community designs;
5. The effect of RCD fee changes on demand for national registrations;

⁸⁴ And it is the policy of, for example, the Treasury and the IPO within the UK.

6. The trend of national registration fees;
7. The consequent changes to International designation fees for the EU and effects thereof;
8. The extent to which renewal fees are required to subsidise filing fees;
9. The fee structure for multiple designs;
10. The effects of differential fees for small entities;
11. The provision of a structure for regular fee review.

Regular periodic reviews. Subsequently, regular reviews of the RCD fees (as for EUTMs) are desirable. We would add that national offices of Member States might usefully discuss their own plans for future fee change at such meetings, so as to allow the changes on demand to be taken into account.

Summary. We do not currently have the data to model these parameters. The following comments are therefore interim and should be confirmed by the recommended research.

- Clearly, as with previous trade mark fee reforms, changes “... should not put at risk the EUIPO's high level of performance nor should it prevent an optimum cooperation with national offices. Neither should it lead to deficit situations in the future. Under all circumstances, the Office should be able to continue operating modern, efficient and effective registration systems for trade marks and designs in the interest of the users and the society as a whole.”⁸⁵
- We see no scope at present for significantly reducing the “headline” filing fee of €350 for a single design without negative impact on the national systems.
- The level of RCD application fees should be set by reference to the costs of using three or more of the “top 5” offices.⁸⁶
- In considering budget balance for designs, continuing and perhaps increasing cooperation with national offices (by way of software support and legal assistance rather than unallocated financial subsidy, so as to reinforce their support to individuals, small and medium sized applicants), should take priority over filing fee reductions.
- Fee changes elsewhere in the fee structure than the “headline” filing fee are less likely to affect national filings. It appears likely that the present filing fee structure for multiple applications should be changed. Some applicants protect different features of a new innovative product in separate designs – the more innovative the design, the more this is likely to be true. We therefore suspect that a structure which allows an applicant to include up to, for example, 7 designs for a single filing fee without extra charge would benefit innovative designers and companies, small and large. Beyond this, we do not see why it is necessary to provide a second fee breakpoint. There appears to be no reason why the processing costs would be lower for the 11th design than for the 10th in an application. The net beneficiaries are likely to be larger entities, and subsidising larger entities from smaller ones does not seem consistent with

⁸⁵ Communication from the Commission, The financial perspectives of the OHIM.

⁸⁶ Possibly taking into account some estimate of professional charges.

Recital 24. If it is feasible to reduce the filing fee for the first design or designs in an application by increasing that for the 11th onwards, this should be an objective.

- As the structure was not followed within the EU designation fee for International Applications, there is the potential that applicant filing behaviour will be distorted depending on the number of designs to be filed. There seems no merit in such distortion, so alignment should also be an objective.
- Renewal fee structures require careful review. As many designs are not currently renewed, we suspect that the level of RCD renewal fees is not a factor driving applicant choice between the RCD and national systems. We therefore recommend that if the overall fee income from RCDs is to be reduced, the principal target should be the renewal fees so as to reduce the impact on demand for national filings. We question why the renewal fees for RCDs are progressive, whereas those for EU designations on International Designs are flat. Again, there is the potential to distort applicant behaviour without any apparent logical reason.
- The fee for paper filing should be increased to reflect the additional work required by the Office.

2.3.7 Recommendations

There are cogent and economic reasons for retaining the national registration regime.

The costs and benefits incurred in maintaining and developing a national design regime is not necessarily perceptible from national filing numbers but instead is dependent on many factors, including:

- **the need for SMEs to have the choice, in relation to geographic extent and costs**
- **the fact that the international design regime is interlinked, and there is much diversity in their preferences** between national, European and international filings, indicating that each system has its own advantages

Conversely this chapter also shows the benefits from the pan-EU registration system, especially in terms of cheaper registration (usually) and administration costs; less delay than a multi-jurisdictional application; and overwhelming filing/grant success rate. Finally, the International System will eventually provide EU designers with a cheaper mechanism for obtaining protection beyond Europe.

It is recommended that the current parallel systems of registration, via national offices, WIPO and the EUIPO be retained, but that cooperation be strengthened in relation to areas which have caused divergences. These areas are highlighted below in Chapter 4.

It is further recommended that a Fee Review Study be commissioned, to determine the costs of the RCD system, and estimates of the user demand for each of the parallel systems in Europe, with a view to setting new fee levels and structures that maintain the viability of all of these parallel systems, taking into account the goal of budget balance, and that the fee levels be reviewed periodically in the light of the same factors.

3. Key substantive issues within the EU design framework

One of the benefits of the cascading methodological approach was that it enabled certain topics to be identified as more important, and requiring more emphasis during subsequent data collection phases. Certain issues were highlighted as being important during the legal desk research and survey phases. Emphasis was thus placed on these topics during the interviews and subsequent legal analysis. Set out below are the key issues of the *design acquis* which emerged from the empirical field work, concerning substantive areas. Key issues in relation to procedural areas are dealt with in Chapter 4.

3.1 Definition of a design

a) **Relevant provision(s)**

In respect of registered national designs, Article 1(a) of the Design Directive provides that design “*means the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation*”.

In respect of the Community Registered Designs, Article 3(a) of the Design Regulation contains an identical provision.

b) **Implementation and interpretation**

Generally the definition of design transposed into national law was identical to the definition provided in Article 1(a) of the Design Directive. There were a few notable differences, although none of these depart significantly from the definition in the Design Directive. For example, in France and Germany, the definitions of design specifically refer to the “2D or 3D” appearance of a product. Interestingly, in Poland, the definition of design incorporates the requirement of novelty and individual character. This gives rise to a slight difference between the Polish transposition and the Design Directive. Under the Design Directive, a design can exist without having novelty or individual character. However, without novelty and individual character, the design does not qualify for protection by means of a design right. By contrast, under the Polish transposition, a design does not exist in the first place without satisfying the criteria of novelty and individual character. These anomalies in the transposition of the definition of design can largely be attributable to the evolution of the definition from a pre-directive perspective. Thus, references to the two-dimensional or three-dimensional features are unsurprising considering the inclusion of such concepts in the pre-harmonised laws of most Member States, (and also in the earlier draft proposals for the directive). The inclusion of the criteria of protection within the definition of design, as in the case of Poland, is technically incorrect but does not appear to have caused any difficulties.

There are some problems with the interpretation of the definition of design in respect of the concept of appearance. For example, there does seem to be a divergence of interpretation between the Polish and Portuguese courts in relation to the senses which can be used to perceive the appearance of the design.

In Poland, the Supreme Administrative Court (SAC) held that the definition of design relates only to the appearance, as perceived by the visible senses.⁸⁷ This interpretation has since been sustained, by judgments of both the SAC, and regional administrative courts.⁸⁸ In addition, it held that it is appropriate for the court to disregard all elements which are not perceived by the visible senses, such as the structure of the product, or the materials used. By contrast, a recent judgment of the Lisbon Court of Appeals held that the appearance of the design relates to visible or palpable perception, which seems to indicate that the sense of touch can be relied upon.⁸⁹

Meanwhile, a judgment of the Patent County Court of England and Wales attempted to reconcile the narrower interpretation with the fact that the legislative definition includes a reference to “texture and/or materials” by holding that Community design law was only concerned with the “visual appearance of products. The materials can only be relevant insofar as they influence the appearance of a product”.⁹⁰ The EUIPO’s FAQ site suggests that whilst specific materials in the design cannot be protected by a Community Design, “using specific materials such as wood may add something to [its] outward appearance”. This view is further supported by the statement of the Advocate General in *PepsiCo Inc*, that the protection of designs under the Design Regulation “takes into account only the visual impression which the designs produce on the informed user”.⁹¹

Figure 10 below is an analysis of validity decisions of the Courts and the EUIPO concerning visibility, by jurisdiction. Although the samples are small, It is noteworthy that Polish decisions are much more likely to be negative than those of European institutions (the EUIPO and the Court of Justice).

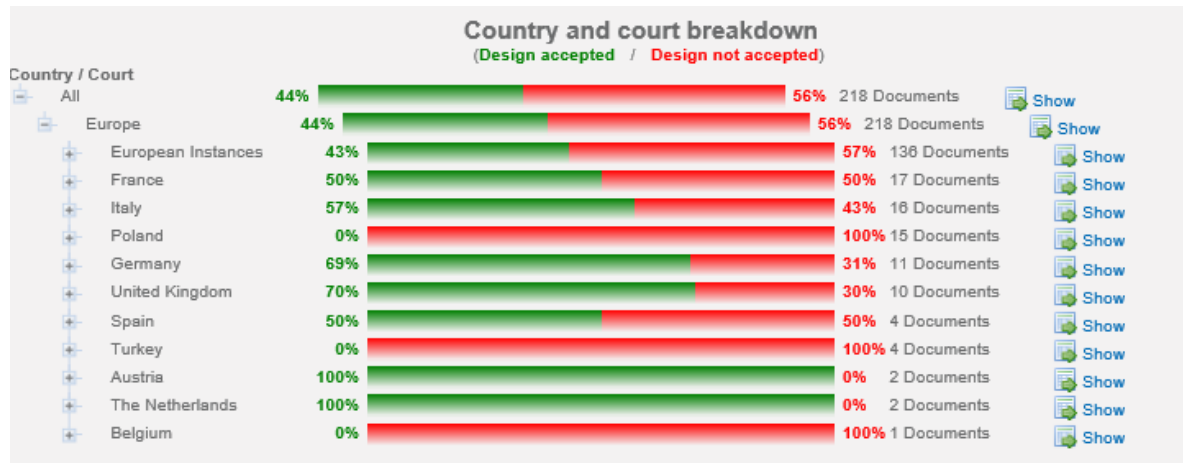
⁸⁷ Naczelny Sąd Administracyjny on 20.03.2007 (signature II GSK 276/06)

⁸⁸ See Regional Administrative Court of Warsaw on 20.02.2008, sign. VI Sa/Wa 2128/07 and on 7.03.2007, sign. VI Sa/Wa 2116/06

⁸⁹ Lisbon Court of Appeals, case 210/13.0YHLSB-A.L1-6, of 27.2.2014

⁹⁰ [2012] ECDR 25, para 25.

⁹¹ *PepsiCo Inc v Grupo Promer*, Advocate General’s Opinion, para 73.

Figure 10 Decisions concerning visibility (source: Darts IP case law database)

Due to the differing interpretation of the word “appearance” between the Polish and Portuguese courts, a question was addressed to industry stakeholders, in order to ascertain their preferred interpretation of the word “appearance”.

Of the total number of respondents:

- 76% preferred the narrower interpretation, linking the word appearance only to visual perception
- 24 % preferred the word appearance to extend to both visual and tactile elements

When the responses were broken down by industry sector, it was found that this percentage in favour of the narrower interpretation was even higher among respondents in the automotive sector, while it dropped to 50% for respondents in non-automotive sectors.⁹² In the interviews with industry stakeholders, there were mixed views, with a number of stakeholders indicating that the definition was “appropriate”,⁹³ or “sufficient”.⁹⁴ However, one interview participant from the fashion sector expressed concern that the definition of design is “too narrow for the modern economy”.⁹⁵ This view was echoed by a stakeholder in the furniture sector, who also advocated a widening of the definition.⁹⁶

A number of conclusions can be drawn from the responses of industry stakeholders who participated in the survey and the interviews. Firstly, it seems clear that stakeholders in the automotive sector are generally happy with the narrower interpretation of appearance. However, the picture is less clear in relation to other sectors, where at least some stakeholders would like to see a broader interpretation, more in line with that of the Lisbon Court of Appeal. Secondly, part of the confusion arises from the relationship between the words “appearance” and “visible”. Historically, in one of the early drafts of the Design Directive, there was a specific criterion that designs would only be protectable if they were outwardly visible. Under the current law, the visibility criterion is clearly

⁹² A significant proportion of survey respondents from the furniture, textile and electrical goods sectors were in favour of the broader definition of appearance.

⁹³ Interview participant from the cosmetics sector.

⁹⁴ Interview participant from the automotive sector.

⁹⁵ Interview participant from the fashion sector.

⁹⁶ Interview participant from the furniture sector.

expressed as being applicable only to component parts of a complex product (Art.3(3) of the Design Directive, Article 4(2) of the Design Regulation).⁹⁷ Nevertheless, the design laws or practices of some Member States (for example, the Netherlands and Poland), seem to have extended the visibility criterion to all designs.

c) Legal Analysis

The definition of a design set out in both the Design Regulation and the Design Directive refers to the appearance of a product, resulting from certain features. Included in a non-exhaustive list of features are the texture and the material of the product. The inclusion of these examples of features has caused some confusion, namely as to whether the concept of a design should be limited to visual perceptibility, with texture and material being relevant only insofar as they impact on the visual appearance (for example, the use of wood could be relevant insofar as it makes the product look wooden). Or does the inclusion of texture and material as features impacting on the appearance of the product call for a wider definition of the term appearance (i.e. extending it to mean more than mere visual perceptibility, to include *tactile* perceptibility)?

The seeming divergence of interpretation may stem from the inclusion of “texture and/or materials” in the definition – is texture something which can be fully appreciated with the sense of sight or do we need to touch it to fully appreciate it? Or does the inclusion of these words mean that the “appearance” of a design is to be understood as going beyond mere visual perceptibility, to include aspects perceived by other senses? The current reference to “texture and/or materials” appears to encourage a broader meaning of design to include designs perceived by sight *and* touch. This definitional dilemma can be especially relevant when courts and users are faced with modern designs which marry technology and ergonomics.

The 2008 WIPO Questionnaire reveals differences in approach between Member States to a number of “test case” borderline designs, as shown in Table 9 below:

⁹⁷ It should be noted that only the amended Commission proposal of 21 February 1996 (OJ C 142, 14.5.1996, p.7) contained such a criterion.

Table 9: Registrable designs within the EU

Design in question	Registrable	Not registrable
Colours (not single colour)	The EUIPO, BOIP, Bulgaria, Germany, Greece, Hungary, Latvia, Portugal, Romania, Spain, United Kingdom	Austria, Croatia, Czech Republic, Denmark, Estonia, Finland, Slovakia, Slovenia, Sweden
Integrated circuit layout	Austria, Czech Republic, Denmark, Finland, Sweden, United Kingdom	The EUIPO, BOIP, Bulgaria, Croatia, Estonia, Germany, Greece, Hungary, Latvia, Portugal, Romania, Slovakia, Spain
Animated icon	The EUIPO, Denmark, Austria, BOIP, Germany, Hungary, Latvia, Portugal, Romania, Slovakia, Slovenia, Spain, United Kingdom,	Bulgaria, Croatia, Czech Republic, Estonia, Finland, Greece, Sweden
Architectural plan as such	The EUIPO, Austria, BOIP, UK	Bulgaria, Croatia, Czech Republic, Estonia, Finland, Germany, Greece, Hungary, Latvia, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden
Texture or material	The EUIPO etc	Bulgaria, Denmark, Czech Republic, Sweden
Integral Parts	The EUIPO etc	Bulgaria, Estonia, Romania, Slovakia, Slovenia
Architectural Structure	The EUIPO etc	Estonia, Slovakia

Product of variable form, e.g. fountain or balloon	The EUIPO etc	Croatia, Spain
Hologram	The EUIPO etc	Bulgaria, Croatia
Graphic symbol	The EUIPO etc	Estonia
Ornamentation, e.g. figurative elements & patterns	The EUIPO etc	Czech Republic
GUI	The EUIPO etc	Czech Republic
Interior of a room, shop, vehicle, etc	The EUIPO etc	Bulgaria
Cartoon character	The EUIPO etc	Greece
Spare part	The EUIPO etc	Latvia

These results indicate that national offices and the EUIPO maintain substantial differences in interpretation. Greater education and co-ordination from the EUIPO may be necessary, pending guidance from the Court of Justice. Additionally, whilst there are variations, the responses of Bulgaria, the Czech Republic, Slovakia, Slovenia, Estonia and Croatia show a systematically restrictive view of the scope of design protection, which often differs from the general understanding and that of the EUIPO.

1. Argument for a narrow definition:

- (i) The purpose of design law is not to function as a residual or universal category of intellectual property that should protect all economic value,⁹⁸ including those elements which come under the aegis of other intellectual property rights, for example reputation, or principles of construction.⁹⁹
- (ii) Casting the net too widely to capture all types of designs might hamper competition and follow-on innovation. The reluctance of tribunals to extend the notion of design is understandable as the scope of protection may inadvertently extend to the structure, material or even the underlying ideas and principles of construction and design, which would be anti-competitive.
- (iii) The reference to the informed user “viewing” the design in Recital 14 of the Design Regulation as opposed to a more neutral term such as “observing” lends support to the notion of limiting the interpretation of appearance to visual elements.
- (iv) Such a broadening amendment may lead to unclear drafting or representation of design features (as it may be difficult to define with precision the nature of tactile or other non-visual features). Clearly, designs which cannot be clearly represented in the published registration should not be allowed for two reasons. First, this would have a serious impact on the scope of protection of the registered design, as well as the available freedom and legal security for third party users. Second, which follows from the first observation, is that the Court of Justice has already highlighted the dangers of unclear representation, and has held that trade mark representations should be “clear, precise, self-contained, intelligible and objective”.¹⁰⁰ It should be noted, nevertheless, that these strictures are only applicable in relation to registered designs, and not the unregistered EU design right.
- (v) The Design Directive should remove the confusion that has arisen with the national courts’ interpretation of design with the visibility criterion. Moreover, by codifying the current case law on the visibility criterion namely, that the definition of design under Art. 3 of the Design Regulation should be read in conjunction with Recitals 7, 12 and 14 - the resultant effect is that protection is clearly restricted to

⁹⁸ This view was expressed by an interview participant from Poland.

⁹⁹ Indeed, unfair competition protection has often offered an alternative or additional layer of protection to designs - see Anselm Kamperman Sanders, “Do whiffs of misappropriation and standards for slavish imitation weaken the foundations of I.P. law?”, in Research Handbook on the Future of EU Copyright, Derclaye (ed)., chapter 22; and U. Suthersanen, Design Law in Europe, Sweet & Maxwell:1999, chapter 21.

¹⁰⁰ The CJEU guidelines were in relation to *registered* trade marks - *Sieckmann*, Judgment of 12 December 2002, Case C- 273/00ECR. 1-11737, ECLI:EU:C:2002:748, paragraphs 46 to 55), and not applicable to unregistered national or pan-EU rights.

“visible elements”, “the product’s appearance”, and “the visible parts of the products or parts of products”.¹⁰¹

2. Argument for broad definition:

(i) The argument in favour of a broader interpretation of “appearance” is generally based on the concern that the narrower definition does not always protect the full economic and marketing value of the design; non-visual aspects of the design are an important aspect of marketability, particularly among stakeholders in non-automotive sectors where the qualities of a “good design” include the visible, tactile and utilitarian elements.¹⁰² It is undeniable that some of the design features may have overlapping functions, and hence be protectable subject matter under design, trade mark or even patent laws; but these instances are reduced via exclusionary provisions. The current EU trade mark law, for instance, excludes shapes or characteristics which gives substantial value to the goods. Thus, if the definition of design were to extend further to capture tactile appearance, the current trade mark rules would prevent the protection of such elements.¹⁰³

(ii) The Commission had initially expressed the view that the definition should be wide enough to cover any economic value attached to the appearance of the product, adding that the “texture” of a product should be included “if particular impression is made to the sense of touch”.¹⁰⁴

(iii) A narrow definition might be regarded as not being sufficiently rewarding of innovation. Moreover, it is arguable that other provisions of the Design Directive and Regulation, such as those on interconnections and functionally-dictated designs are aimed at preventing the hampering of technological innovation.

(iv) The current reference to “texture and/or materials” appears to encourage a broader meaning of design to include designs perceived by sight and touch. This definitional dilemma can be especially relevant when courts and users are faced with modern designs which marry technology and ergonomics.

(v) A significant proportion of survey respondents from the furniture, textile and electrical goods sectors (50% of respondents within non-automotive sectors) were in favour of the broader definition of appearance.

d) Recommendations - concepts of design, appearance, visibility

The notion of a design as a marketing tool was already expressed in the Explanatory Notes to the 1991 Max Planck Proposal for a European Design Law, which states “design

¹⁰¹ Case T-494/12, General Court, 9 September 2014, *Biscuits Poult SAS v OHIM*, Case T-494/12, Para. 20 - discussed below in Section 3.3.

¹⁰² See for example Edwin Heathcote, “What is good design? A look at the many definitions of quality”, *Financial Times*, January 14, 2016; and Trish Lorenz, “The return of ‘raw’ materials in home design”, *Financial Times*, January 15, 2016 - both articles discussing the current trends in design as including choice in materials and texture to influence the tactile experience.

¹⁰³ Article 4(1)(e), Trade Mark Directive (EU) 2015/2436

¹⁰⁴ EC Green Paper on designs, paragraph 5.4.7.2.

has become a marketing tool of ever-increasing importance”.¹⁰⁵ While the concept of a design as a marketing tool was not included in the recitals of the Design Directive or the Design Regulation as a general purpose of design law, the term “marketing asset” is nonetheless used in relation to mechanical fittings for modular products, in recital 15 of the Design Directive and recital 11 of the Design Regulation, in order to justify their eligibility for protection. The early Green Paper specifically refers to “any features of appearance which can be perceived by the human senses as regards sight and tactility”¹⁰⁶, and the word “appearance” was used interchangeably with this.

The current situation, where national judges have interpreted the term “appearance” as being limited to visual aspects, or as extending to tactile aspects has raised doubts within the national stakeholders as to the concept of “design”. This confusion threatens and undermines two fundamental premises of an effective and functioning framework:

- (i) the nature of equivalent protection, and hence the *acquis*, a stated goal of the Design Directive¹⁰⁷, and
- (ii) the purpose of design law, an essential element for operating a robust pan-EU right under the Design Regulation.

It is arguable that the case law has been clarified by the General Court in *Biscuits Poult SAS v OHIM* which held that the definition of design is clearly restricted to “visible elements”, “the product’s appearance”, and “the visible parts of the products or parts of products”.¹⁰⁸ It is also noteworthy that features of a design, which cannot be derived from the design representation in a clear, precise and objective manner, should not form part of the protectable subject matter.

Whether the narrower or broader interpretation of appearance is preferred is a policy choice, but it appears from a historical perspective, the policy was to have a wide definition of design. **It is recommended that clarity be introduced as the definition of design will have an impact on the scope of protection. In order to ensure that the amended law does not hamper innovation, it is recommended that the clarified ethos and amended values be incorporated into the recitals as follows:**

- one of the ancillary purposes of design law is the protection of the economic and/or market value of the design;¹⁰⁹
- the phrase “features of [...] texture and/or materials of the product” should include all relevant elements which contribute to the visual appearance of the design, as well as the economic and/or market value of the design
- only features which are shown visibly in an application, and can be represented in a clear, precise and objective manner are protectable.¹¹⁰

¹⁰⁵ Max Planck Institute, *Towards a European Design*, p.45.

¹⁰⁶ EC Green Paper on designs, para. 5.4.7.2.

¹⁰⁷ See Recital 10 of the Design Directive.

¹⁰⁸ *Biscuits Poult SAS v OHIM*, para. 20.

¹⁰⁹ This should not be understood as recognising broader protection to designs with reputation. Taking reputation into account would involve shifting the date on which scope of protection is judged, from the date of filing to the date of infringement (or litigation). This would involve the scope of protection changing over time and could lead to innovative design being diluted into unprotectable “style” – an approach criticised in *The Dutch Supreme Court Recognises “Dilution of Copyright” by Degeneration of a Copyright Design into Unprotected Style*, Herman Cohen Jehoram, 29 EIPR 205-208 (2007).

¹¹⁰ In accordance, moreover, with recital 11, Design Directive.

As the General Court has extended the notion of visibility to all designs, it is questionable whether the criterion of visibility should remain in relation to component parts. Moreover, the “visibility” criterion has contributed to muddying the waters in relation to the interpretation of appearance. See further discussion below in chapter 3.3 (d).

3.2 Informed user, individual character, and product sector

a) *Relevant provision(s)*

Article 5(1) of the Design Directive and Article 6(1) of the Design Regulation provide the following:

“A design shall be considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public ...”

Recital 13 of the Design Directive and Recital 14 of the Design Regulation attempt to clarify the interpretation of individual character:

“The assessment as to whether a design has individual character should be based on whether the overall impression produced on an informed user viewing the design clearly differs from that produced on him by the existing design corpus, taking into consideration the nature of the product to which the design is applied or in which it is incorporated, and in particular the industrial sector to which it belongs and the degree of freedom of the designer in developing the design.”

b) *Implementation and interpretation*

1. Informed user

All Member States have implemented the provision, though most have not provided a definition of informed user in their national legislation.

The French law refers to the “*observateur averti*”, which may be akin to “informed observer”, and not user; but this does not impact the scope of protection. A French Supreme Court decision applying the provision held that the informed observer is not the customer for whom the product is intended but rather an observer with particular vigilance by virtue of his or her personal experience or extensive knowledge of the sector.

¹¹¹ The German jurisprudence provides that the informed user is more circumspect than the average consumer, but not necessarily an expert. He observes the product with some degree of care, and keeps abreast of the general state of the art, but is not a specialist with a detailed knowledge of all the differences between products in the sector. In Austria, the Supreme Court held that the informed user is distinct from the “average consumer with average, reasonably well-informed and reasonably observant and circumspect” because of his well-founded knowledge about design and an open-minded approach regarding design issues.¹¹² Meanwhile, the Czech Supreme Court has held that

¹¹¹ C Cass, com, April 3 2013

¹¹² Austrian Supreme Court [OGH] 22.05.1997, 4 Ob 43/07p – Febreze

the informed user “is expected to be able to compare differences between different designs that produce a different overall impression on him”.¹¹³ Similarly, in the United Kingdom, it was held that the informed user “adds a notion of familiarity with the relevant matter rather more than one might expect of the average consumer”, and that it does “demand some awareness of product trend and availability and some knowledge of basic technical considerations”.¹¹⁴

A more helpful practical definition was set out by the UK courts in *Samsung v Apple*¹¹⁵, which summarised the CJEU, EUIPO and accepted national jurisprudence:

- i) “He (or she) is a user of the product in which the design is intended to be incorporated, not a designer, technical expert, manufacturer or seller;¹¹⁶
- ii) However, unlike the average consumer of trade mark law, he is particularly observant;
- iii) He has knowledge of the design corpus and of the design features normally included in the designs existing in the sector concerned¹¹⁷;
- iv) He is interested in the products concerned and shows a relatively high degree of attention when he uses them¹¹⁸;
- v) He conducts a direct comparison of the designs in issue unless there are specific circumstances or the devices have certain characteristics which make it impractical or uncommon to do so¹¹⁹.”
- vi) [...] the informed user neither (a) merely perceives the designs as a whole and does not analyze details, nor (b) observes in detail minimal differences which may exist.¹²⁰

This area of law has invited a lot of case discussion, and this trend of jurisprudential discourse should be encouraged.

2. Individual character and overall impression

The definition of individual character in the national legislation of all the Member States studied is the same as the definition in the Design Directive. The French Courts have, in the past, compared the standard of individual character to that under originality in copyright law, namely holding that a design was eligible for copyright and design protection if it could be shown that the design was new and had individual character. By satisfying the design threshold, the French courts held that the design had also simultaneously shown the author’s personality in the design.¹²¹ The more recent

¹¹³ Czech Supreme Court 26 March 2013, file No. 23 Cdo 1054/2011

¹¹⁴ *Woodhouse UK PLC v. Architectural Lighting Systems* [2006] RPC 1

¹¹⁵ *Samsung v Apple* UK Court of Appeal [2012] EWCA 133, paras 39-51.

¹¹⁶ *PepsiCo Inc v Grupo Promer*, C-281/10P, para. 54; *Grupo Promer*, para. 62; *Shenzen*, para 46.

¹¹⁷ *PepsiCo* paras. 59 and 54; *Grupo Promer*, para. 62

¹¹⁸ *PepsiCo* para. 59

¹¹⁹ *PepsiCo* para. 55

¹²⁰ *PepsiCo* para. 59.

¹²¹ Paris Court of Appeal, Pole 5, Ch 1, November 28 2012, *SAS The Kooples Diffusion v Société Gysele*; Paris Court of Appeal, Pole 5, Ch 2, January 14 2011, *SAS Interiors v Vincent C Holding*

jurisprudence has seen the French courts separating the two lines of analyses under design law and copyright law: designs which have been granted protection under design law have, nevertheless, been refused copyright protection, perhaps showing that the courts are applying a threshold of originality at a level that is perhaps higher than the individual character test under design law.¹²²

In the Czech Republic, guidance from the intellectual property office stated that the fact that the designs differed in many small details does not mean the design has individual character. The assessment should be conducted at the same time as the novelty test. While the test for novelty should concern itself with whether or not there are material differences, the individual character test should check for a different overall impression between the designs.¹²³ The Portuguese court has held that, for the presence of individual character, there must be significant difference from the overall impression created by the previous design; indeed, the overall impression is not dependent on “counting” the similar or different characteristics between the designs, or on a certain percentage of similarity or dissimilarity. Rather, the overall impression must be analysed through the perception of the design as a whole, and then assessing whether that perception as a whole differs from one design to the other.¹²⁴ In Austria, the Supreme Court held that it is irrelevant whether the single features of a design are distinctive as long as the overall appearance distinguishes itself from state of the art designs.¹²⁵ In Italy, the test of overall impression is sometimes gauged from the perspective of the consumers – a design will have individual character if it establishes itself in the minds of the consumer and partially influences the purchasing choice.¹²⁶ This latter example is not an ideal formulation. The informed user is not necessarily a consumer, and is a legal fiction.

The German Court held that the scope of protection of a design depends, on the one hand on the concentration of designs in the respective field and on the other hand, on the use the designer made of his freedom to achieve distance from known designs.¹²⁷ It held, in another case, that if in the particular field, there is a high concentration of designs and therefore only a small amount of freedom, then even the smallest differences in the design can give a different overall impression.¹²⁸ In the United Kingdom, it was held that design freedom

“may be constrained by (i) the technical function of the product or an element thereof; (ii) the need to incorporate features common to such products; and/or (iii) economic considerations (e.g. the need for the item to be inexpensive). The more restricted a

¹²² Paris Court of Appeal, Pole 5, Ch 1, June 8 2011, *Crystal Denim v BA&SH SAS and Spot SARL*; Paris Court of Appeal, Pole 5, Ch 2, June 24 2011, *Cyrillus SA v TOD’S SpA*; C Cass, crim, December 13 2011; C Cass, 1st civil, April 5 2012; TGI Paris, June 5 2014, *Sandro Andy v Zenith*; TGI Paris, May 22 2014, *IHT v EICHHOLTZ BV*

¹²³ See Non-binding Czech Intellectual Property Office’s Methodological Instructions on Industrial Design Protection (3.1.1.1.2 Individuální povaha průmyslového vzoru) <http://www.upv.cz/cs/prumyslova-prava/prumyslove-vzory/metodicke-pokyny-prumyslove-vzory.html>

¹²⁴ Lisbon Court of Appeals, case 210/13.

¹²⁵ Austrian Supreme Court, *Febreze*.

¹²⁶ Guidance provided on the website of the Italian Patent and Trademark Office (Ufficio Italiano Brevetti e Marchi, UIBM) (www.uibm.gov.it), which is generally accepted by the Courts.

¹²⁷ BGH, 7th July 2012 – Case No. I ZR 102/11 – “Kinderwagen II”.

¹²⁸ BGH, 24th March 2011 - Case No. I ZR 211/08 “Schreibgeräte

designer is, the more likely it is that small differences will be sufficient to produce a different overall impression on the informed user”.¹²⁹

3. EU Jurisprudence

Since the introduction of the Design Regulation, there have been several cases at EU level interpreting the concepts of “informed user”, “individual character” and “overall impression”. Thus, the concept of informed user:

“must be understood as lying somewhere between that of the average consumer, applicable in trade mark matters, who need not have any specific knowledge and who, as a rule, makes no direct comparison between the trade marks in conflict, and the sectoral expert, who is an expert with detailed technical expertise. Thus, the concept of the informed user may be understood as referring, not to a user of average attention, but to a particularly observant one, either because of his personal experience or his extensive knowledge of the sector in question.”¹³⁰

In relation to the freedom of the designer, the General Court has held that this must be considered in light of standardisation of certain features due to the constraints imposed by technical function and by any statutory requirements applicable to the product.¹³¹ The Advocate-General in *PepsiCo v Grupo Promer* agreed.¹³² Recently, the Court held:

“in order for a design to be considered to have individual character, the overall impression which that design produces on the informed user must be different from that produced on such a user not by a combination of features taken in isolation and drawn from a number of earlier designs, but by one or more earlier designs, taken individually.”¹³³

4. Link to product and industry sector

One difficulty which has been identified in relation to concepts such as informed user and individual character is the extent to which these tests should be linked to a specific product sector. The industry survey showed the following results for the question as to whether the individual character test be linked to a specific product sector:

- 59% thought the criterion should be tied to a specific product sector
- 41 % believed the criterion should be applied across all product sectors.

During the stakeholder interviews, the majority view was that the concepts of informed user and individual character should be linked to the sector in which the product incorporating the design circulates within. The logic of such a position can be explained by the example of a cigarette lighter in the shape of a golf ball. It would seem absurd if individual character was held not to be present on the basis that the same design is used for golf balls as such.

¹²⁹ *Dyson Ltd v. Vax Ltd* [2010] F.S.R. 39 ; 3. [2011] EWCA Civ. 1206.

¹³⁰ *PepsiCo Inc v GrupoPromer Mon Graphic SA*

¹³¹ *Ibid.*

¹³² Opinion of Advocate General Mengozzi in *PepsiCo v Grupo Promer*.

¹³³ C-345/13, *Karen Millen Fashions Ltd v Dunnes Stores*.

However, it is clear that the product classification for registration purposes does not preclude the CJEU from considering the design in respect of a different product sector.¹³⁴ Indeed, the French judiciary (PepsiCo) set out a flexible approach to this issue, stating that the informed user should have an “extensive knowledge of the sector”, thus linking the concept to the sector concerned, but holding that a knowledge of “neighbouring sectors” could not be precluded.

5. Analysis of possible national divergences

Figure 11 below is an analysis of infringement decisions of the Courts and the EUIPO concerning overall impression, by jurisdiction. Although the samples are small, some countries (e.g. Sweden) appear more generous than others (e.g. Hungary).

Figure 11: Overall impression – infringement decisions (source: Darts IP case law database)

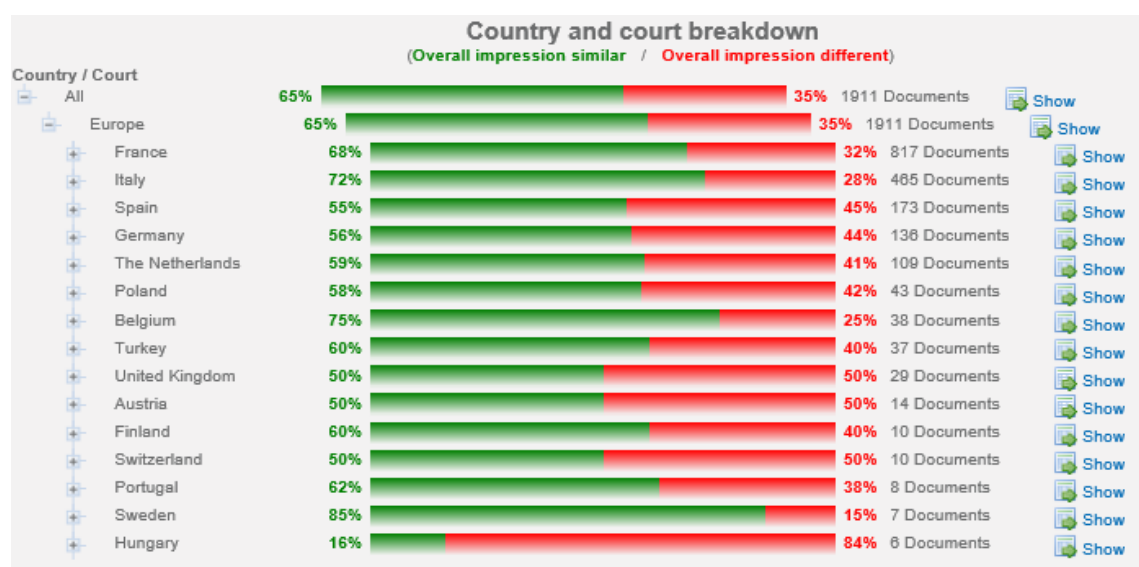
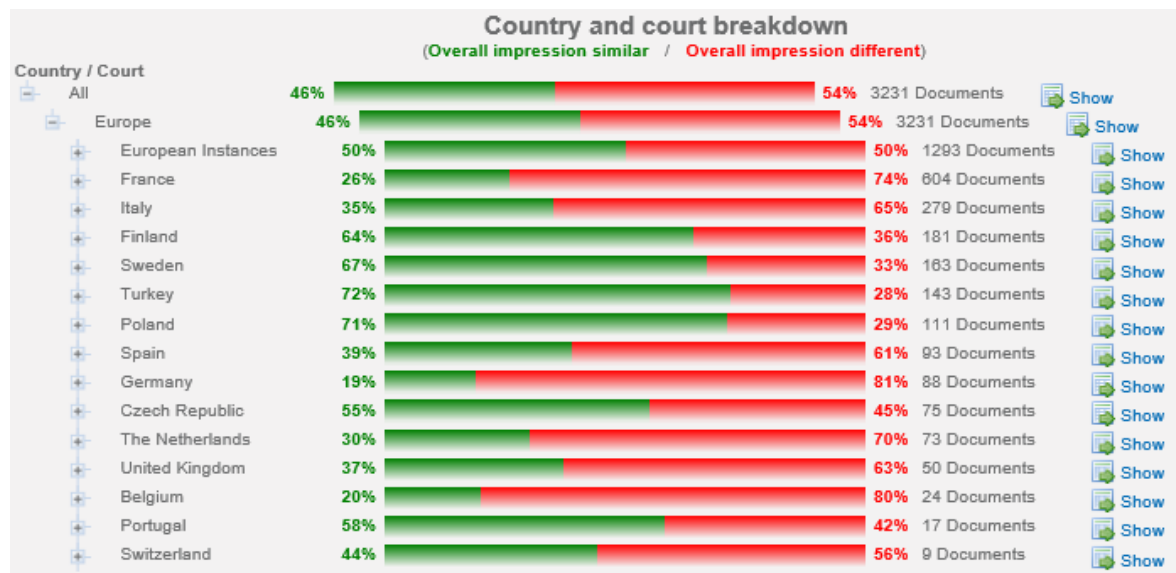


Figure 12 below is an analysis of validity decisions of the Courts and the EUIPO concerning overall impression, by jurisdiction. Again, although the samples are small, some countries (e.g. Sweden) appear more generous than others (e.g. France).

Figure 12 Overall impression – validity decisions (source: Darts IP case law database)

¹³⁴ *Grupo Promer Mon Graphic v OHIM*.



c) Legal Analysis

The evidence is that there are no major problems with the test of the individual character, and the definition of the informed user. This is clearly evidenced by the vigorous case law from the Member States, which in turn, has been guided by the CJEU decisions in clarifying: (i) the nature and role of the informed user, and (ii) the scope of the designer's freedom to create. Ultimately, it is a question of fact for the judge in each case to determine whether the informed user would regard the design as having individual character, and some level of subjectivity and divergence from case to case is inevitable. Minor anomalies as to the exact nature of the informed user will get eventually ironed out with further national references, and CJEU jurisprudence.

On a more negative note, it is apparent that sometimes the test is applied in disparate ways, and the study determined that the concept of "product", "design corpus" and "industrial sector" were particularly confusing to Member States' courts. These concepts are relevant in determining the economic value of the design by drawing the parameters and the extent of the prior art which is a key determinant for individual character. The issue is that the current EU approach invites a fluid interpretation of notions (i.e. design as opposed to product as opposed to the ultimate purpose of product), which in turn has led to national courts handing down varied decisions even when considering the same design, as was clear in the *Procter* decisions. These decisions were in relation to the actions brought by Procter & Gamble to enforce its Registered Community Design for air freshener sprayers. Most national courts held that the Community Design had been infringed.¹³⁵ However, both the Austrian and UK courts held for the defendant, stating that no infringement had occurred.¹³⁶

¹³⁵ U. Suthersanen, *Design Law: European Union and United States of America* (2nd ed., London, 2012), at p. 133. France Cour d'appel de Paris (14ème Chambre, Section A, n° 06/07360); Germany Landgericht Hamburg (308 O 267/06); Italy Tribunale de Milano (R.G.34781/06).

¹³⁶ Austria Oberste Gerichtshof (34 Ob 43/07p, at http://oami.europa.eu/pdf/design/cdcourts/4Ob43_0_d.pdf); and UK Court of Appeal *Procter & Gamble Co v. Reckitt Benckiser (UK) Ltd* [2007] EWCA Civ 936

Table 10 – *Procter & Gamble v Reckitt Benckiser* (the Febreze sprayer)¹³⁷

Country	1 st instance	Appeal
Austria	Interim injunction	Overtaken twice
Belgium	Interim injunction	Upheld
France	Interim injunction	Upheld
Germany	Interim injunction	Upheld
Italy	Interim injunction	--
UK	Infringement	Overtaken

There are several reasons for this.

1. The language of Recital 14 of the Design Regulation (and Recital 13 of the Design Directive) suggests a legal nexus between the following phrases and tests: overall impression; informed user; existing design corpus; nature of the product; in particular the industrial sector to which it belongs.
2. This nexus of factors has been referred to by the CJEU in the *Karen Millen* decision in respect of whether “mosaicing” of prior art is allowed i.e. whereby the individual character is adjudged by combining different elements of different designs incorporated within different products. In answering this query, the CJEU made two slightly contradictory statements. It noted that the accepted legal position was that the recitals of Regulations have no direct legal effect. Nevertheless, the CJEU went on to add that the reference to “existing design corpus” in Recital 14 in this case was not inconsistent with Article 6, although the phrase is absent in the body of the Design Regulation itself. Thus, what one understands from this is that (a) the overall impression test should consider all pre-existing designs, taken individually; and (b) such designs can be related to any type of product, having regard to the industrial sector to which the product or design belongs to. How wide should the notion of “industrial sector” be?
3. The reference to product nature and industrial sector is not clarified by the fact that under Arts. 10 and 36(6) of the Design Regulation, the scope of protection is linked to the design and not to the product to which the design is applied or incorporated into. Moreover, the scope of protection is not to be linked to the indication of product or class within the registered design application.
4. Nevertheless, what has become clear, not only from the *Karen Millen* decision, but also the *Grupo Promer* decision, as well as national decisions, is that the Courts have

¹³⁷ David Stone, “Some clarity, some confusion: 12 P&G v Reckitt Benckiser decisions help explain registered Community designs”, *Journal of Intellectual Property Law & Practice* (2008) 3 (6): 376-385.

utilised the recitals (i.e. product and sector) in order to measure individual character and to gauge the scope of protection. The General Court was clear in *Grupo Promer Mon Graphic SA v OHIM*¹³⁸ as to the extent of the prior art.¹³⁹

In *Group Nivelles/OHIM (Easy Sanitaire Solutions)*,¹⁴⁰ the General Court was faced with this very query - which prior designs should be taken into account for the assessment of novelty and individual character of Community designs. It held that for the purposes of novelty, all identical designs, even where such designs were applied to or incorporated into other products, which are made available to the public have to be considered as being novelty-destroying. However, the Court held that for individual character, *the product nature and the industrial sector to which it belongs are considered relevant*. Other products can be considered and are not excluded from the individual character assessment *per se*; however, there is no assumption that the informed user knows of the various designs which exist in relation to other products. Instead, the court re-confirmed prior case law that the emphasis should be on the “user” aspect; thus *one should concentrate on the use of the product, in accordance with the purpose for which that product is intended*.¹⁴¹

It should be noted that Group Nivelles/OHIM (Easy Sanitaire Solutions) is currently subject to an appeal to the Court of Justice.¹⁴² The EUIPO agrees that the industrial sector within which the design circulates may have an impact on the informed user's perception, as well as influence the manner in which a product is used and appreciated. However, the Office is of the view that the nature of the products is irrelevant when delineating the prior art to be considered. In short, under Article 6 of the Design Directive/Article 7 of the Design Regulation, an act of disclosure becomes effective if an earlier design has been made public and the only exception is where such an event 'could not reasonably have become known in the normal course of business to the circles specialised in the sector concerned, operating within the Community'. The Office's view is that the General Court has added a third exception to disclosure acts namely where designs pertain to different industrial sectors, the disclosure could not reasonably have become known to informed users.

d) Recommendations - individual character and product sector

The concepts of informed user, individual character and different overall impression are *per se* largely satisfactory. **This is a major achievement of the EU design**

¹³⁸ *Grupo Promer Mon Graphic v OHIM*.

¹³⁹ One of the issues was whether the OHIM Board of Appeal had incorrectly referred to the products (into which the design was incorporated) as ‘tazos’ or ‘rappers’ rather than the category for which the registration had been made, namely “promotional items for games”. The Court noted that although the Design Regulation does require applicants to indicate the product category (in which the design is intended to be incorporated or to which it is intended to be applied), this information does not affect the scope of protection as such. Thus, despite the indication given by the designer, the Court has a right to also consider the design itself, insofar as it makes clear the nature of the product and its intended purpose/function. This is perhaps understandable from the perspective of the court which rationalises that the informed user (as a fictional figure) would relate her impression of the design within a relevant product or trade environment. To do this, the informed user must be informed as to a particular design as employed within a specific product market.

¹⁴⁰ *Group Nivelles v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*, Case T-15/13, General Court, ECLI:EU:T:2015:281

¹⁴¹ Citing T-153/08, General Court, 22 June 2010, *Shenzhen Taiden/OHIM*, para. 46; Case T-10/08, General court, 9 September 2011, *Kwang Yang/OHIM*, para. 24.

¹⁴² C-405/15 and C-361/15

harmonisation programme. The framework introduced hitherto unknown qualities into the EU and international intellectual property regimes. The national and EU legal institutions have made a concerted effort in clarifying these new legal terms of art, and most of the national courts, offices, and users of the system understand the general thrust of these terms. Judgments at both EU and national levels show a degree of understanding and consistency on these points.

On the negative side, the linkages between overall impression, design corpus, product nature and industry sector in the Recitals, coupled with the lack of relevance of the classification process to the scope of protection, have produced considerable confusion. The recent EU jurisprudence serves to emphasise that these links are mandatory when applying the individual character test. This particular difficulty and confusion can be traced to the fact that all institutions require some guidelines in determining the product and neighbouring sectors, which in turn, are extremely important in delineating the prior art to be considered.

It is arguable that national and EU tribunals should be given some flexibility to determine the meaning of individual character, especially as this has been working well in practice. However, the empirical research and analysis shows that the provisions relating to individual character and informed user highlight a struggle which may not be easily sorted out by the courts.

It is, therefore, recommended that the Design Directive should introduce clarification as follows:

- **when determining the individual character of the design, national offices and courts should refer to the nature of the product, the manner of the use of the product, the purpose for which that product is intended, and the industrial sector to which it belongs, or circulates within (thus codifying aspects of *Group Nivelles/OHIM* (T-15/13), *Shenzen Taiden/OHIM* (T-153/08), and *Kwang Yang/OHIM* (T-10/08));**
- **to banish any doubt as to the binding effect of recitals, the revisions should be aligned with the language incorporated within Recital 14 of the Design Regulation and Recital 13 of the Design Directive namely that the assessment as to individual character should take into consideration “the nature of the product to which the design is applied or in which it is incorporated, and in particular the industrial sector to which it belongs”.**

Further guidelines should be given as to the concept of disclosure which determines the width of the prior art, and whether the procedural rules on graphic representations and product classification should be re-visited. This is dealt with later (see Chapter 4.1).

3.3 Visibility in relation to product and complex product

a) Relevant provision(s)

Article 1(b) of the Design Directive and Article 3(b) of the Design Regulation define “product” as *“any industrial or handicraft item, including inter alia parts intended to be*

assembled into a complex product, packaging, get-up, graphic symbols and typographic typefaces, but excluding computer programs”.

Article 1(c) of the Design Directive and Article 3(c) of the Design Regulation define “complex product” as *“a product which is composed of multiple components which can be replaced permitting disassembly and re-assembly of the product.”*

Article 3(3) of the Design Directive and Article 4(2) of the Design Regulation provide that:

“A design applied to or incorporated in a product which constitutes a component part of a complex product shall only be considered to be new and to have individual character:
(a) if the component part, once it has been incorporated into the complex product, remains visible during normal use of the latter; and
(b) to the extent that those visible features of the component part fulfil in themselves the requirements as to novelty and individual character.”

Article 3(4) of the Design Directive and Article 4(3) of the Design Regulation clarifies normal use: *“Normal use ... shall means use by the end user, excluding maintenance, servicing or repair work”.*

b) Implementation and interpretation

All of the Member States transposed the definition of product in an identical fashion to the Design Directive, except Poland. In Poland, the definition differs in structure (the reference to “parts” was transposed in a supplementary definition) but not in substance. There was very little case law at Member State level interpreting the term “product”. However, in Germany there was an interesting case involving 3 seemingly different items loosely arranged. The court held that if several individual objects are put together in such a narrow functional way that they constitute a single commercial product (combination), a registration of this “set” in a single design application is possible. However, this does not apply if the relationship of several objects which remain independent is solely based on their spatial relation to each other. All the Member States reviewed transposed the definition of “complex product” in line with the Design Directive. One exception is France, where the words “permitting disassembly and reassembly” are not included.

Three main issues have arisen in the Member States examined during this study in relation to the complex products. Two relate to the visibility criterion, while the other relates to the determination of whether a product is a complex product or simply a product.

1. Does the “visibility” requirement apply to all designs?

The first issue which arose is the subject matter to which the visibility criterion applies.

Should the criterion only apply to component parts of complex products or should it apply to all products? Some confusion has arisen in the Netherlands in the wake of a 2011 judgment of the Hague Court of Appeal, where the court seemed to indicate that the visibility criterion applied to all products and not just component parts of complex

products.¹⁴³ The urgency of resolving the question of whether the visibility criterion applies to all products or just component parts of complex products was addressed in Dutch academic literature.¹⁴⁴ In Spain, it has been suggested that the phrase “externally visible” be inserted after the word “appearance” in the definition of design, in order to prevent internal components from qualifying for protection.¹⁴⁵ 41% of the respondents to the industry stakeholder survey were of the view that the visibility requirement should apply to all products (47% were of the opinion that it should remain limited to component parts of complex products, while 12% expressed no opinion).

2. What is ‘normal use’?

The second issue arises in relation to the definition of “normal use”.

Both Article 3(3) of the Design Directive and Article 4(2) of the Design Regulation state that the design must be visible during “normal use”. Article 3(4) of the Design Directive and Article 4(3) of the Design Regulation clarify that normal use excludes “maintenance, servicing or repair work”. Several Member States have guidance (Czech Republic¹⁴⁶, Benelux region¹⁴⁷) or case law (Poland) indicating that design protection extends only to those parts of a complex product which are visible during normal use.

The concept of “normal use” was regarded as problematic by some stakeholders, with one stakeholder providing the example of an artificial tooth, which contains various components. Should the end user be the dentist or the patient? If the patient is regarded as the end user, the marketability of the design is ignored.¹⁴⁸ A Polish decision appears to adopt a stricter interpretation in that, in order to benefit from design protection, the part must be visible at time of purchase, as well as during use.¹⁴⁹ This would seem to be a stricter interpretation than set out in the guidance of the Czech and Benelux offices as the actual product may be in packaging during the point of sale, and visual images of the product may not convey the whole design as registered and claimed. By contrast, a 2013 judgment of the Danish Maritime and Trade Court held that, as the blades of a kitchen utensil (a herb grinder) needed to be taken out for cleaning, they were visible during normal use. Thus, cleaning the machine was regarded as normal use, rather than falling within the definition of “maintenance, servicing or repair work” in Section 4(2) of the Danish Design Act.¹⁵⁰

3. When is a product a “complex product”?

¹⁴³ Court of Appeal the Hague (summary proceedings), 17 May 2011, IER 2011/59, *I-Drain decision*

¹⁴⁴ P. Geerts, ‘Het zichtbaarheidsvereiste en het specialiteitsbeginsel in het modellenrecht’, *Intellectuele Eigendom en Reclamerecht* 2011/53

¹⁴⁵ Otero Lastres, J.M., in Fernandez-Novoa C., Otero Lastre, J.M. and Botana Agra, M, *Manual de Propiedad Industrial*, 2ª Edición, Marcial Pons, 2013, pp 370-371

¹⁴⁶ For example, the Czech Intellectual Property Office’s Methodological Instructions on Design state that “if the appearance of the component once incorporated into the complex product does not remain visible during normal use, it may not enjoy the protection.” ((3.1.1.2.2 Výrobek a část výrobku) <http://www.upv.cz/cs/prumyslova-prava/prumyslove-vzory/metodicke-pokyny-prumyslove-vzory.html>)

¹⁴⁷ For example, the Explanatory Note from the Benelux Office for Intellectual Property states that normal use is understood as being the intended use of the complex product, and being visible during repair is not sufficient to satisfy the visibility criterion.

¹⁴⁸ Interview with the Swedish Intellectual property Office.

¹⁴⁹ *ANITA Grzegorz Mordalski v Przedsiębiorstwo Produkcji Lodow KORAL*, Naczelny Sąd Administracyjny on 20.03.2007 (signature II GSK 276/06), discussed in ‘Poland: Are the Designs within an Ice-Cream to be Registered as an Industrial Design?’ K. Maciaszek, [2012] EIPR 656, 658.

¹⁵⁰ *Grace Manufacturing Inc. – Maritime and Trade Court - Judgment U. 2013.2135S*

The third issue which has arisen is how to determine whether a product is a complex product with component parts (with the component parts thus falling within the scope of Article 3(3) of the Design Directive and Article 4(2) of the Design Regulation) or whether it is a simple product. A 2007 judgment of the Austrian Supreme Court held that the packaging for Bernese sausages could be considered as a complex product, on the basis that packaging consisted of several parts: a box, a plastic sheet, a sticker and the sauce which is packaged separately; the sticker was held to be a component part of a complex product.¹⁵¹ The decision has been criticised as the Court did not apply the requirement for a complex product being capable of being dis-assembled or re-assembled, as “once the packaging seal has been broken and the sausages removed, the ripped packaging cannot be reassembled.”¹⁵² Conversely, a German court has held that the spatial relationship of the individual objects must be considered as to whether the whole should be treated as a single design, or multiple designs. In the Court’s opinion, if the individual objects are put together in a narrow functional way so that they constitute a single commercial product (combination), a registration of this “set” in a single design application is possible. However, this does not apply if the relationship of the objects remains independent based on their spatial relation to each other. The Polish lower court¹⁵³ has considered an ice-cream to be a complex product capable of being disassembled and re-assembled; the court subsequently held that the internal part of the ice cream was not visible during normal use, and therefore did not qualify for protection. In the UK, the court has treated an item of clothing as a “complex product”.¹⁵⁴ A further indication of confusion as to the “complex product” provision is the disparity between the EUIPO and national courts - for example, a building or part of a building is not a “complex product” according to the EUIPO’s line, but this was not so in Poland or Netherlands.¹⁵⁵

c) Legal Analysis

It is clear from the above discussion that there appears to be confusion as to: (i) whether or not the visibility test applies to products which are not complex products; (ii) the distinction between a product and a complex product; and (iii) the meaning of “visible during normal use”.

The 2014 decision of the General Court in *Biscuits Poult* addresses some of these confusions by defining design as including the notion of visibility.

1. Visibility and normal use

The General Court in *Biscuits Poult SAS v OHIM*¹⁵⁶ states clearly that the visibility criterion may already be part of the interpretation of the Design Regulation. The General Court held that the definition of design under Art. 3 of the Design Regulation should be read in conjunction with Recitals 7, 12 and 14 - the resultant effect is that protection is

¹⁵¹ OGH 13.02.2007, 4 Ob 246/06i – Mini-Berner, ÖBI 2007, 216

¹⁵² Stone, European Union Design Law, para 4.95.

¹⁵³ *ANITA Grzegorz Mordalski v Przedsiębiorstwo Produkcji Lodow KORAL* Naczelny Sąd Administracyjny on 20.03.2007 (signature II GSK 276/06)

¹⁵⁴ *DKH Retail Ltd v H. Young (Operations) Ltd* [2014] EWHC 4034 (IPEC) (08 December 2014)

¹⁵⁵ R 2300/2012-3, ‘Building materials’, para. 29

¹⁵⁶ *Biscuits Poult SAS v OHIM*, para. 20.

clearly restricted to “visible elements”, “the product’s appearance”, and “the visible parts of the products or parts of products”.

The General Court held that the function of Art.4(2) of the Design Regulation was to set a specificity within design law - the “normal use” visibility rule applies only to a design applied to or incorporated in a product which constitutes a component part of a complex product.¹⁵⁷ The judgement is thought-provoking.

First, the Design Regulation (and by corollary the Design Directive) does not require external visibility when a product is used as intended. The Explanatory Memorandum to the Design Directive used the interior compartments of a suitcase as an example, holding that such parts did not constitute component parts, but were a part of a product.¹⁵⁸ The distinction made is that some types of visibility will be discounted should a product be categorised as a component part of a complex product; in such cases, the “normal use” visibility criterion as set out in Art.4(3) of the Design Regulation will apply. This view is already in place, though not stated clearly, in the EUIPO decisions.¹⁵⁹

Secondly, design law will protect the different states of design if the various states are represented in the design registration. In *Biscuits Poult SAS v OHIM*¹⁶⁰, the case concerned the design of chocolate chip cookies, with the claimant’s Registered Community Design showing a broken biscuit with its filling shown. The argument was thus made that the layer of filling inside the cookie should be taken into account when individual character was determined. This was partly because, it was claimed, the internal design was visible during normal use - it would be broken at the time it is consumed, and this type of representation of an open cookie showing the filling reflects the advertising practices prevalent in the relevant sector. As the filling was part of the registration, arguably it should have been taken into consideration; on the other hand, the filling is arguably only visible as part of an irreversible process and degradation of the product. Having already determined that all designs were presumed to be visible, the General Court concluded that the internal layer was not visible in relation to Article 3 of the Design Regulation. The discussion of normal use did not enter the analysis of visibility as this was misreading the role of Art. 4(2) and (3) of the Design Regulation which could be viewed as a *lex specialis* for component parts of complex products.

Finally, the General Court’s view that the notion of “visibility” permeates design law is achieved by reliance on three recitals. National courts have experienced difficulty in determining the legality and strength of recitals; this clarification by the General Court will be beneficial. However, the clarification as to visibility was made by employing recital

¹⁵⁷ At any event, all parties had agreed that a cookie such as the one portrayed in the contested design was not a complex product.

¹⁵⁸ Explanatory Memorandum to Proposed Design Directive

¹⁵⁹ For example, see *Drahtwerk Plochingen GmbH v AVI Alpenländische Verundulungs-Industries*, Invalidity Division 16 Feb. 2007 (ICD 000003218), where wire mesh mats that are usually encased in concrete were held not to be a component part of a complex product as the design was not a design for a component part of a complex product, since wire mesh mats are not used in products which can be disassembled and reassembled again. Thus visibility during normal use was not a relevant issue. If the visibility test were to be extended to all products, rather than just component parts of complex products, such wire mesh may not qualify for design protection as their normal use involves them being sunk into the walls or floors of a house.

¹⁶⁰ *Biscuits Poult SAS v OHIM*, para. 20.

language – and it was already shown above in Chapter 3.2 (d) in relation to the *Karen Millen* decision, that using recitals to boost legislative interpretation does not necessarily clarify matters for national courts.

In its *Senz* judgment,¹⁶¹ the General Court expanded on the analysis of the *Biscuits Poult* case, downplaying the importance of “normal use” visibility of the upper surface of an umbrella:

“[...] if decisive weight were to be attached to the perspective during use for the assessment of the perception of an appearance by the user, all the objects which the user puts on (such as clothing), wears (such as hats, bonnets, glasses or helmets) or on or in which the user may habitually find himself or herself (such as bicycles), are, in principle, devoid of individual character because they have no distinctive appearance when used (glasses, helmets, hats) or a barely perceptible appearance and similar contours (bicycles, clothing). Clearly such a consequence does not reflect the reality in which the user makes his or her decision to purchase and decision to use these types of objects, which in most cases is based on their design. Moreover, even if the user sees certain products from only a limited perspective when using them, he or she will be aware of all the other perspectives at the time of use.”

2. Defining component parts and complex products

The “normal use” criterion is obviously to be narrowed, from the indication by the General Court. This will only work should the concept of “complex product” be construed narrowly. Moreover, whether the “normal use” visibility will apply in all aspects of the life of the product from manufacture to use, including the point of purchase and advertising and the point of consumption, depends on what type of complex product it is.

A review of the legislative discussion prior to the adoption of the Design Directive shows that the term “complex products” was originally intended to apply to “costly, long-lasting complex products such as motor vehicles”.¹⁶² Where several items are grouped together, the question arises as to whether this constitutes a complex product, or a single product comprising a set of articles, or several separate designs and articles. The EUIPO Guidelines state that the difference between a complex product and a set of articles is that, in contrast to a complex product, the articles of a set are not mechanically connected; if the articles are linked by aesthetic and functional complementarity, it will not be a complex product. Indeed, this original intention is evidenced in the wording of Article 3(3) of the Design Directive and 4(2) of the Design Regulation – the notion of replacing a part by dis-assembly and re-assembly is an action which is usually associated with durable products like motor vehicles. It seems clear that the concept of a component part of a complex product was never intended to apply to sausage packaging or ice creams. The fact that such confusion has arisen may point to a lack of clarity in the provision itself.

¹⁶¹ *Senz Technologies v OHIM*, General Court, 21 May 2015, Joined Cases T-22/13 and T-23/13, ECLI:EU:T:2015:310, at para. 97.

¹⁶² Para 9.3, Explanatory Memorandum to Proposed Regulation.

Moreover, it is clear that there is incredible confusion as to the application of the “normal use” visibility criterion. This provision was also specifically written into the law in order to stem the perceived problem of protecting internal components of motor vehicles. The image of the motor vehicle is instructive – a mechanic lifting the bonnet of a car in order to service it is not normal use of the car.

d) Recommendations - visibility, normal use and component parts of complex products

There are three interrelated issues: the nature and extent of the visibility criterion; the concept of normal use, and the definitional parameters of “complex product” (and component parts thereof).

1. Visibility and normal use

The provisions in Articles 3(3) and (4), Design Directive must be revisited in light of the confusion faced by courts as evidenced above; such revisions should be aligned with the recommendations made above in Chapter 3.1.

To this end, it is recommended that the Design Directive reflect the general visibility doctrine as evolved by the General Court in the Biscuits Poult case:

- the definition of “design” should signify that all designs should be “visible” in order to be protected;¹⁶³
- in line with the previous recommendation that the purpose of the law is to protect the market and economic value of the design, it is advised that the visibility criterion be linked to the informed user’s perspective¹⁶⁴;
- In summary, the law would confer a design right for the appearance of the design, which comprises of all features which contribute to the visual appearance of the design,
- including features of “texture and/or materials of the product”,
- which contribute to the economic and/or market value of the design, and
- which are visible to the informed user, when making decisions to either purchase or use the product incorporating the design.¹⁶⁵

The general visibility doctrine, set above, is to be distinguished from the *lex specialis* provision where the “normal use” visibility rule applies only to a design applied to or incorporated in a product which constitutes a component part of a complex product. It may be advisable to remove the references to “normal use” as set out in Articles 3(3) and 3(4) of the Design Directive; it is only reserved for component parts of complex products, and has caused much confusion in its application; in the alternative, it is recommended that it be made clear that the “normal use” criterion is not applicable to all designs.

2. Component parts/complex product

¹⁶³ As expressed in Article 1, Directive, and Recitals 11-13; Article 3(1), Regulation, and Recitals 7, 12 and 14)

¹⁶⁴ As expressed in the *Senz Technologies v OHIM*.

¹⁶⁵ *Ibid.* at para 44

The notion of component parts of complex products is a conceptually difficult legal construct. It has created confusion, as exemplified in the cases discussed above, and, by seeping into legal submissions in respect of cases concerning products which were never envisaged as being covered by Article 4(2) of the Design Regulation (and Article 3(3) of the Design Directive).

One option would be to remove the concept of component parts and complex products (by the deletion of Article 4(2) of the Design Regulation and Article 3(3) of the Design Directive). The problem remains that this is a politically sensitive issue in relation to the spare parts market. *The notion of “complex product” was specifically inserted into the law to encompass those sorts of designs of durable products, with an aftermarket – typically machinery, not buildings, food or clothes.* Moreover, the presence of “complex products” within EU design law is important considering the spare parts provisions which only apply to such products. (Art. 110 of the Design Regulation).

A second option would be to apply the notion of “normal use” to all designs, stating that only parts of products which are visible during “normal use” can contribute to novelty and individual character. In this way, there would be no need to worry so much as to the distinction between parts of products, and component parts of complex products. However, this would potentially impact the protection available to many innovative products.

A third option would be to restrict the definition of a “complex product” to, for example, “complex machinery”.

It is recommended that the notion of a complex product, together with component parts, be retained in order to deal with the after markets and spare parts markets, but that it is amended to be specifically restricted to complex machinery.

3.4 Disclosure rules

a) *Relevant provisions*

Article 6 of the Design Directive that a design will be deemed to have been made available to the public if *“it has been published following registration or otherwise, or exhibited, used in trade or otherwise disclosed, except where these events could not reasonably have become known in the normal course of business to the circles specialised in the sector concerned, operating within the Community, before the date of filing of the application for registration or, if priority is claimed, the date of priority”*.

Article 7 of the Design Regulation contains almost identical wording.

b) *Implementation and interpretation*

The definitions of disclosure in the national laws of the Member States are generally identical to the definition in the Design Directive. However, one minor difference is the expression of geographic scope. While many Member States refer to circles specialised in the sector concerned “operating within the Community”, others refer to the EEA rather than the Community (Austria, Germany), the European Union (Denmark), or the

“European Community or European Economic Area” (Netherlands, Luxembourg). The Benelux Intellectual Property Office has issued guidance stating that a design will be disclosed if it would *“be expected to be known to the people who are active in the sector in which the product shall be used”*. The reference to “people who are active in the sector” is not limited to Benelux designers. If it would be expected to be known by designers elsewhere in the EU, the test is satisfied.

As for disclosure outside the EU, a ruling of the Portuguese Supreme Court found that the fact that similar designs were being produced in the United States, exhibited and photographed for publication was enough to satisfy the threshold for disclosure.¹⁶⁶ There is not an extensive body of national case law concerning disclosure at non-EU trade fairs. However, the Austrian national legal expert for this study opined that exhibition at a non-EU trade fair would satisfy the disclosure criterion provided EU designers would be aware of the trade fair. In the Czech Republic, the intellectual property office has issued non-binding methodological instructions on the concept of public disclosure, stating that it was concerned with the availability of sources of information to an unlimited number of people (the scenario of a trade fair with limited guests has not seemingly been addressed).¹⁶⁷ In relation to the product scope, it is notable that in the UK, the Court of Appeal has confirmed the High Court’s ruling which extended the prior art to cover all sorts of goods, irrespective of the sector for which the design was registered.¹⁶⁸

Of the (non-automotive) respondents to the industry survey, 62% regarded the disclosure rules as unclear. Of this 62%:

- 72% believed that the rules concerning geographic scope of disclosure should be clarified;
- 23% expressed the desire to see the rules on product scope clarified;
- 21% wished for clarity concerning “circles specialised in this field”.

Most of the interview participants from national IP offices did not raise any concerns about the disclosure rules. In general, interview participants suggested that the rules were clear (Czech Republic, Germany, Spain and Poland), with the following exceptions:

- no opinion (Benelux office)
- lack of clarity of the terms “reasonably”, “normal course of business” and “circles specialised in the sector concerned” (Swedish IP office)
- the current rules on geographic disclosure is “a source of legal uncertainty” (French cosmetics sector);
- while the rules do not appear to be causing practical problems, the rules could be clearer, and that the lack of clarity may lead to different interpretations among competent authorities, thus causing legal uncertainty (Slovenian I.P. Office).

¹⁶⁶ Case 05A717, of 24.5.2005

¹⁶⁷ Czech Intellectual Property Office Methodological Instructions.

¹⁶⁸ *Green Lane Products Ltd v PMS International Group Plc & Ors* [2008] EWCA Civ 358

One clear difficulty is ascertaining whether foreign published or disclosed designs are relevant in considering the prior art. In a review of validity decisions, practitioners complained that the EUIPO tends to be “overly generous to foreign designers”.¹⁶⁹ One example arose in relation to toothbrushes, with the query as to why EU toothbrush specialists should monitor Japanese Patent Office publications¹⁷⁰

It was suggested that the appropriate source for clarification would be case law from the Court of Justice. The Advisory Board felt that the problem with this suggestion is that there is a relative paucity of design law cases, meaning it may be some time before the Court of Justice is next called upon to make a ruling. Given the views of the stakeholders who rely on the design system that the test is unclear, the Advisory Board suggested it is necessary to pro-actively seek a solution which provides more certainty.

a) Legal Analysis

The disclosure provisions in the Design Directive and the Design Regulation set out a “relative disclosure” test, and there is a clear discernible dissatisfaction with some aspects of the test, and in particular foreign disclosures and specialised circles.

1. The extent to which foreign disclosures are relevant

The Court of Justice has recently clarified that the act of disclosure does not need to take place within the EU in order to satisfy the test set out in Article 7 of the Design Regulation.¹⁷¹ The EUIPO has interpreted the rules on non-EU disclosure on several occasions. On one occasion, it held that disclosure at a trade fair in China was sufficient to satisfy the threshold of being reasonably known to circles specialised in the sector in the EU.¹⁷² The reason given was the volume of trade between the EU and China in the sector concerned. Due to the global nature of the market, it was assumed that designers of the products in question would have knowledge of the products available in China.

2. The meaning of specialised circles

As for the interpretation of “circles specialised in the product sector”, it is interesting to note that the EUIPO declared a design for a toy car invalid on the basis that the design for a real car had already been disclosed.¹⁷³ The Court of Justice has recently held, in relation to the disclosure of an unregistered Community Design, that it is possible such a design may not reasonably become known to circles if it has been made available to only one undertaking in that sector, or if it has been presented only in the showrooms of an undertaking outside the European Union. This was a question of fact, and was ultimately dependent on the assessment, by the community design court, of the particular circumstances of each individual case.¹⁷⁴

¹⁶⁹ MARQUES, *A Review of the First 400 Decisions on the Validity of Registered Community Designs*, 2009, 3rd edition.

¹⁷⁰ *Sunstar Suisse SA v Dentaid SL*, June 2005, OHIM.

¹⁷¹ *H. Gautzsch Großhandel GmbH & Co. KG v Münchener Boulevard Möbel Joseph Duna GmbH*, C-479/12, ECLI:EU:C:2014:75, paras 33-36.

¹⁷² *Kirschenhofer GmbH v WS Teleshop International Handels GmbH*, January 2006, OHIM

¹⁷³ *Supermarked A/S v Ferrari SPA*, November 2008, OHIM Board of Appeal

¹⁷⁴ *H. Gautzsch Großhandel GmbH & Co. KG v Münchener Boulevard*, paras 33-36.

Thus, the approach adopted by the national courts in taking into account disclosures made outside the EU is in line with that adopted by the EUIPO.¹⁷⁵ The EUIPO has also rejected the argument that the internet is unsearchable. However, the invalidity division did have regard to the fact that the internet is a perpetually changing environment, with webpages often being deleted without being archived.¹⁷⁶

Of specific concern is the fact that the expanded approach adopted by the EUIPO has led to a threshold of universal novelty. While practitioners may be frustrated with this provision, the EUIPO interpretation would seem to be consistent with the wording of the disclosure provision. Article 7 of the Design Regulation established a broad general rule that a design will be made available to the public if it is “*published*”, “*exhibited*”, “*used in trade*” or “*otherwise disclosed*”. The general schema is followed by an exception – “*where these events could not reasonably have become known in the normal course of business to the circles specialised in the sector concerned, operating within the Community.*” According to the principles of interpretation of EU law, exceptions such as these should be interpreted narrowly.¹⁷⁷ It is also important procedurally, in terms of where the burden of proof lies.¹⁷⁸

a) Recommendations - Disclosures, geographic extent and product sector

There are two options one can consider when reviewing the survey and interview results.

The first option is to amend the law. Suggestions offered varied from the introduction of a test for disclosure based on more objective criteria; or a tinkering of the rule, re-phrasing the exception as an additional criterion, and shifting the burden of proof (that the disclosure could have reasonably become known in the normal course of business to circles specialised in the sector concerned, operating within the EU) to the party relying on the disclosure.

The second option is to await further jurisprudence from the Court of Justice, in order to determine whether the current EUIPO decisions regarding the geographic extent of disclosure (*Kirschenhofer* and *Supermarked A/S*) are valid. The main reason for this view is that the legislative amendment may have the unintended effect of introducing more terms of art, and therefore muddying the waters even further. If further guidance is not forthcoming from the CJEU, there is the option of incorporating the EUIPO guidelines into the recital language of the Design Directive.

¹⁷⁵ *Crocs Inc v Holey Soles Holdings Ltd*, [2010] ECDR 11 (taking into account prior sales of Crocs shoes in the US, and display of such shoes in an US international Boat show); and *Unistraw Asset Holding v FelFoldi Edesseggyarto*, [2010] ECDR 10 (held that reasonable for confectionary sector to be aware of international patent applications).

¹⁷⁶ *Samsung Electronics and Others v Apple Inc.*

¹⁷⁷ Case C-150/99 *Stockholm Lindopark*.

¹⁷⁸ Currently, an applicant for invalidity has the onus of proving any prior disclosure on which it wishes to rely. Having satisfactorily proved the prior disclosure, the onus shifts to the design holder to prove that the disclosure was too obscure to count as a prior design—that is, that the disclosure could not reasonably have become known in the normal course of business to the circles specialized in the sector concerned, operating within the European Union. A concern expressed by practitioners about the current rules being overly generous to foreign designers was reflected in the discussions during the Advisory Board Meeting, with Prof Cohen Jehoram noting that in some cases, quite spurious disclosures are submitted, which the rightholder must prove could not have become known.

It was already recommended in Chapter 3.2 (d) that the Design Directive should be revised to clarify that the assessment as to individual character should take into consideration

- the nature of the product
- the manner of the use of the product
- the purpose for which that product is intended, and
- the industrial sector to which it belongs, or circulates within

In line with the above recommendations, clarity on the geographic scope and the extent of the product sector is highly desirable, and the recent jurisprudence from the EUIPO is attempting to clarify elements of the disclosure threshold.

It is recommended that the appropriate source of clarification should be the collective jurisprudence from the national courts, the EUIPO and from the Court of Justice. There are currently sufficient guidelines for the national offices and courts, emanating from EUIPO decisions. The Court of Justice should be given the opportunity to grapple with the topic and to confirm, or re-state the correct approach for determining the nature of the product sector, and the extent of the geographic market for the purposes of disclosure.

Instead, in order to assist the EUIPO, the national offices and the courts in relation to the determination of the relevant product/industry sector (which would, in turn, assist in defining the relevant geographic market), there is a further discussion below regarding the procedural rules on graphic representations and product classification.

3.5 Designs solely dictated by technical function

a) Relevant provisions

Article 7(1) of the Design Directive and Article 8(1) of the Design Regulation exclude design protection in respect of *“features of appearance of a product which are solely dictated by its technical function.”*

b) Implementation and interpretation

All Member States transposed this exception in line with the Design Directive. However, there seems to be a mistake in the Polish transposition. This exception was transposed into Polish law, but the manner in which Art.7(3) of the Design Directive was transposed means that the proviso qualifies both the technical function exception, as well as the interconnections exception.

Several Member States have case law concerning this exception. In the United Kingdom, in a case involving an alleged infringement of both a Community unregistered design and United Kingdom (unregistered) design right in relation to a design for a suitcase having an expander section, the Court of Appeal interpreted the exception in light of Recital 10 of the Design Regulation and held that Article 8(1) was to be construed narrowly. It further held that this provision only applied to a design where it was the only design by which the

product in question could perform its function.¹⁷⁹ In the Czech Republic, the Municipal Court of Prague held that the fact that the design features which are part of the complex product are not found in other similar competitive products demonstrates that these structural elements are not pre-determined by the technical function of the product.¹⁸⁰ In Portugal, the Oporto Court of Appeals held that modifying the geometric shape of some element of the design does not alter the exclusive technical function of the initial shape or the subsequent variations. It was held that, whether the design was in the shape of a square, a triangle or a diamond, the sole purpose of each shape was to serve a technical function.¹⁸¹

The Court of Appeal for Western Sweden held that various elements of the design were not dictated solely by technical function and therefore the design right could be claimed in relation to those elements.¹⁸² In the Netherlands, there is conflicting case law. On the one hand, it was held by the Hague Court of Appeal that the essential features of the design were chosen because of their technical functionality and were therefore non-protectable.¹⁸³ The fact that other designs could be chosen with the same technical functions was considered irrelevant. In another case, it was held by the Court of Appeal Den Bosch that the design was not determined solely by technical functionality because it was proven that a wide variety of other appearances could be devised with the same technical effect.¹⁸⁴ Clarification provided by the Hague Court of Appeal was as follows: the exemption concerns the scope of design protection, not the existence of protection per se. A design predominantly technically-determined can still be protected if it has distinctive non-technical features, but protection will cover those non-technical features only.¹⁸⁵

A review of decisions indicates that whereas Germany and the UK, for example, tend to find designs invalid for functionality at about the same rate as the EUIPO and the Court of Justice, some other Member States (Poland and Italy, for instance) have a much higher rate of invalidation.

¹⁷⁹ *Landor & Hawa International Ltd v Azure Designs Ltd* [2006] EWCA 1285, [2006] ECDR 31, [2007] FSR 9

¹⁸⁰ Decision of the Municipal Court in Prague from the 19 December 2012, file No. 9 Ca 328/2009

¹⁸¹ Oporto Court of Appeals, case 0636511, of 11.1.2007

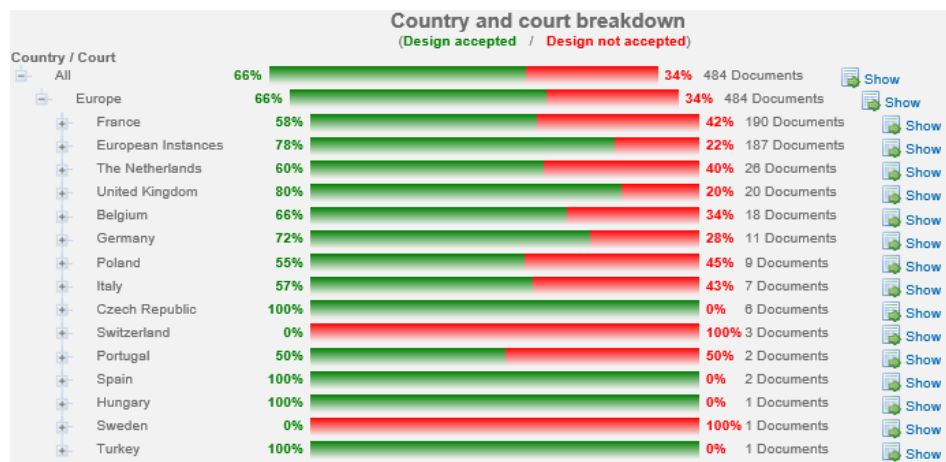
¹⁸² Court of Appeal for Western Sweden 8 June 2010 in Case T-3469-09

¹⁸³ Court of Appeal The Hague, 24 February 2009, IER 2009/49, Carmo/Reich

¹⁸⁴ Court of Appeal Den Bosch, 12 February 2008, IER 2008/41, Europochette

¹⁸⁵ Court of Appeal the Hague, 30 November 2010, BIE 2011/62, Hansgrohe/Tiger

Figure 13: Technical function, validity decisions (source: Darts IP case law database)



In the survey, the question posed to industry stakeholders was: which of the two main interpretations was preferable:¹⁸⁶

- 33% of respondents favoured the “multiplicity of forms” approach;
- 50% preferred the option of looking at the design at hand to determine whether each feature is dictated by technical function;
- 17% stated that they did not know which interpretation was preferable.

Two things are clear from the structured stakeholder interviews conducted during this study:

- First, there is no harmonised view as to which of the two principal approaches is appropriate, with evidence of different Member States regarding the different approaches as being more appropriate. Interview participants from several national offices regarded the current rules as clear.¹⁸⁷ When asked specifically as to the appropriate test, the multiplicity of forms test appeared to be the preferred approach for a few countries (e.g. Czech Republic), while others (e.g. Poland and Sweden) preferred the approach of looking at each of the features of the design to determine whether its purpose is technical.

¹⁸⁶ Participants were asked to choose between the “concentrate on the actual design at hand approach” (where courts concentrate on the actual design at hand and determine whether each and every feature of the product is dictated by function, irrespective of the availability of other shapes to fulfil the function as per *Amp/Lindner* decisions), or the “focus on availability of alternative shapes” approach (whereby courts deny protection to such features if there are no alternative design features available which will achieve the product’s technical function, as per the multiplicity of forms approach).

¹⁸⁷ Specifically, participants from the Czech Republic, Denmark, Spain, Lithuania and Poland, with the Spanish participant suggesting that this functionality exception may be more of a problem in theory than in practice.

- Secondly, stakeholders almost universally saw jurisprudence from the Court of Justice as the preferred solution to resolve which interpretation was appropriate.¹⁸⁸

c) *Legal Analysis*

The extent to which design laws should protect functional or quasi-functional design is a longstanding and controversial question. The EU design regime adopted a new “design approach”, which includes both the functional and the aesthetic in the definition of “design”.¹⁸⁹ While no distinction is to be maintained between aesthetic and functional designs, the EU legislators also recognized that the protection of functional designs can give rise to unduly restrictive effects on legitimate competition. Accordingly, the functional exclusion reflects the traditional policy (found also in trade mark and copyright laws) of demarcating design and patent laws. Thus, the rationale for Article 8(1) of the Design Regulation is expressed in Recital 10 as follows:

“Technological innovation should not be hampered by granting design protection to features dictated solely by a technical function. It is understood that this does not entail that a design must have an aesthetic quality.... Consequently, those features of a design which are excluded from protection for those reasons should not be taken into consideration for the purpose of assessing whether other features of the design fulfil the requirements for protection.”

It will be rare, though possible, for a whole design as such to be denied protection. It is also clear that the provision excludes such features which have no alternative physical manifestations by which to achieve the product’s technical function. The dilemma arises where there are two or more available forms which can fulfil the technical function. Other queries arise as well. Who decides whether a design has functional features? Is this to be determined from the perspective of the objective user, a panel of experts in the relevant product design field, or the “informed user”, who is the reference point in respect of individual character and scope of protection? Many products are perceived by the consuming public to be technically or functionally superior through astute marketing techniques,¹⁹⁰ though in actuality no real advantage is revealed. Alternatively, a very functional design made without any aesthetic considerations may, in time, acquire a certain sense of *eye appeal* in the marketplace.¹⁹¹

There are three main interpretative approaches to Art.7 of the Design Directive/Art.8 of the Design Regulation, based on the provision’s legislative history, Member States’ case law, and doctrinal discussions. There has as yet been no decision on the interpretation of the provision by the CJEU. Cases show that prior to enactment of the Design Directive

¹⁸⁸ For example, in response to Q.10, 92% of respondents were of the view that guidance on the correct interpretation of designs solely dictated by technical function was required.

¹⁸⁹ At the international level, the only provision on functionality is Art. 25(1) TRIPS where Members “may provide that ... protection shall not extend to designs dictated essentially by technical or functional considerations.” For further, see N. Pires de Carvalho, *The TRIPS Regime of Trademarks and Designs* (Kluwer Law International, 2006), para.25.7, p.402; Kingsbury, “International harmonisation of designs law: the case for diversity” [2010] E.I.P.R. 382, 388; and Suthersanen, *Design Law in EU and US*, (Sweet & Maxwell, 2010), chapter 3.

¹⁹⁰ See U. Suthersanen, *The European Court of Justice in Philips v Remington - Trade Marks and Market Freedom*, [2003] 3 *Intellectual Property Quarterly* 257, at pp 28 *et seq.* on how the perception of a product is shaped by the producers’ advertising message.

¹⁹¹ Consider Olivetti typewriters and Doc Marten shoes displayed in museums and art galleries today.

and the Design Regulation, there were two contrasting interpretations of the “technical features” exclusion under national laws.

1. Pre-directive *Amp* approach

The first approach was adopted by the UK House of Lords in the decision of *Amp Inc v Utilux Pty Ltd.*¹⁹² which excluded features which were “dictated solely by the function the article has to perform.”¹⁹³ The House of Lords, when faced with the design of an electrical terminal to be installed in a washing-machine, held that the test was whether every single feature of the shape of the product in question was dictated by the function “in the sense of being attributable to or caused by or prompted by” the terminal’s function. In deciding whether a design was dictated by functional considerations, it was the designer’s motivation which counted.

This approach may be the correct approach if one adopts a literal and teleological reading of the phrase “solely dictated by technical function”. What is relevant is not whether the feature is the sole feature which may achieve the technical function, but whether the sole reason for using the feature is the technical function it provides. Moreover, the words in the provision do not imply that the feature in question must be the only means by which the product’s technical function can be achieved. On the contrary, they imply that the need to achieve the product’s technical function was the only relevant factor when the feature in question was selected.

Conversely, it can be argued that this test is not completely ideal - it involves the tribunal in question trying to determine the intention of the designer, which may bring notions of aestheticism in order to refute functionality.

This approach was discontinued in UK after the amendments incorporating the Design Directive, but it seems to be the approach in the Netherlands.¹⁹⁴ It is also the approach when courts are faced with basic geometrical shapes, irrespective of modifications made to them (Portugal). It has also been embraced by the EUIPO recently as being the correct approach.

2. Member States’, the EUIPO’s and General Court’s multiplicity of forms approach

The second approach is to deny protection to such features only if there are no alternative design features available which will achieve the product’s technical function. The approach has its proponents¹⁹⁵, and was initially popularized by the French courts¹⁹⁶, and was the approach adopted by most Member States’ courts including the United Kingdom¹⁹⁷, France,¹⁹⁸ Germany,¹⁹⁹ Sweden,²⁰⁰ and Spain.²⁰¹ It was also the approach

¹⁹² *Amp v Utilux*, (1972) RPC 103.

¹⁹³ Section 1(1)(b)(i), Registered Designs Act 1949, before amendment.

¹⁹⁴ *Carmo/Reich; Hansgrohe v Tiger*.

¹⁹⁵ P. Schramm, *Der europaweite Schutz des Produktdesigns*, Nomos Verlagsgesellschaft, Baden-Baden 2005, at p. 242 et seq., U. Ruhl, *Gemeinschaftsgeschmacksmuster: Kommentar*, Carl Heymanns Verlag, Köln-Berlin-München 2007, at p. 169 et seq.

¹⁹⁶ D. Cohen, *Le droit des dessins et modèles*, 2nd edition, Economica, Paris 2004, at p. 22

¹⁹⁷ *Landor v Azure Designs Ltd* and, for IPO practice, see Designs Practice Notice DPN 5/03: Designs dictated by their technical function

suggested by the Advocate General in a trade mark decision – see below in discussing the EU jurisprudence to date.

This approach is certainly narrow and the concern is that it may be too narrow as there will in most cases be an alternative means of achieving the technical function.²⁰² Secondly, the approach does not adequately differentiate between the technical feature for which there is one alternative, and that for which there are a dozen alternatives. If it is accepted that a feature of a product's appearance is not 'solely dictated by its function' simply because an alternative product configuration could achieve the same function, Article 8(1) of the Design Regulation will apply only in highly exceptional circumstances and its very purpose will be in danger of being frustrated.

That purpose, as was noted above, is to prevent design law from being used to achieve monopolies over technical solutions, the assumption being that such monopolies are only justified if the more restrictive conditions imposed by patent law (and in some countries by the law of utility models) are complied with. If a technical solution can be achieved by two alternative methods, neither solution is, according to the multiplicity of forms theory, solely dictated by the function of the product in question. This would mean that both solutions could be the subject of a design registration, possibly held by the same person, which would have the consequence that no one else would be able to manufacture a competing product capable of performing the same technical function.

Although the CJEU has yet to pronounce on this provision, the functionality clause was discussed in *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd*,²⁰³ a case which dealt with the interpretation of the functionality exclusion under the Trade Marks Directive.²⁰⁴ Article 3(1)(e)²⁰⁵ of the TM directive excluded "signs which consist exclusively of the shape of goods which is necessary to obtain a technical result". According to Advocate General Colomer, the trade mark exclusion should be contrasted to the EU Design Directive exclusion which refused protection to external features "which are solely dictated by its technical function". From this difference, he concluded that

"the level of functionality must be greater in order to be able to assess the ground for refusal in the context of designs; the feature concerned must not only be necessary but essential in order to achieve a particular technical result: form follows function. This means that a functional design may, none the less, be eligible for protection if it can be shown that the same technical function could be achieved by another different form."²⁰⁶

¹⁹⁸ *Procter & Gamble Co. v Reckitt Benckiser France SAS*, Tribunal de Commerce d'Evry, April 5, 2006 (where the Court held that the shape of the cap used in Procter & Gamble's Fébrèze air freshener product was not a result of a technical function as there were many different sprays on the market that performed the same function with different caps.)

¹⁹⁹ 14cO 64/11 *Apple Inc v Jay-tech GmbH* (Landgericht Düsseldorf, 12.05.2011).

²⁰⁰ Court of Appeal for Western Sweden 8 June 2010 in Case T-3469-09

²⁰¹ Juzgado de lo Mercantil PTO Número Uno de Alicante, Auto No 267/07, 20 November 2007, in *Silverlit Toys Manufactory Ltd v. Ditro Ocio 2000 SL and others*.

²⁰² David Stone, *European Union Design Law: A Practitioner's Guide*, OUP 2012.

²⁰³ C-299/99; [2002] E.C.R. I-5475; [2002] 2 C.M.L.R. 1329, AGO.

²⁰⁴ First Council Directive (89/104/EEC) of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ 1989 L 40, p. 1. Now replaced by Directive 2015/2436, OJ L 336, 23.12.2015, p. 1–26 (the "EUTMD"). The scope of the directive is discussed in chapter 8.

²⁰⁵ Now 4(1)(e)(ii)

²⁰⁶ C-299/99; para.[A34].

The Advocate General's comment is clearly an obiter dictum since *Philips v. Remington* was a case on the interpretation of Article 3(1)(e) of the Trade Mark Directive. The General Court has seconded this opinion in *Industrias Francisco Ivars v OHIM* where it adopted the view that the product in question (housings of reducers) could be produced in different forms, and that this fact in itself was sufficient to show that the design features could not constitute elements dictated by their technical function.²⁰⁷

This was also the approach adopted by the EUIPO in the past.²⁰⁸

3. The EUIPO/Lindner approach

The recent jurisprudential development within the EUIPO has not helped matters.

Starting with the decision in *Lindner Recyclingtech*, the EUIPO Board of Appeal²⁰⁹ rejected the multiplicity of forms approach and instead re-cast the functionality test as follows:

“The significance of limiting protection to the visual appearance of products is that aesthetic considerations are in principle capable of being relevant only when the designer is developing a product’s visual appearance. Most of the time the designer will be concerned with both elements of good design: functionality and eye appeal. In some cases functionality will be the dominant preoccupation of the designer. The need to make a product that works will be uppermost in the designer’s mind and will largely determine the appearance of the product. As long as functionality is not the only relevant factor, the design is in principle eligible for protection. It is only when aesthetic considerations are completely irrelevant that the features of the design are solely dictated by the need to achieve a technical solution. This is not, it must be stressed, tantamount to introducing a requirement of aesthetic merit into the legislation. It is simply recognition of the obvious fact that when aesthetics are totally irrelevant, in the sense that no one cares whether the product looks good, bad, ugly or pretty, and all that matters is that the product functions well, there is nothing to protect under the law of designs.

Article 8(1) CDR denies protection to those features of a product’s appearance that were chosen exclusively for the purpose of designing a product that performs its function, as opposed to features that were chosen, at least to some degree, for the purpose of enhancing the product’s visual appearance”.²¹⁰

This approach is very much akin to that adopted in UK in the *Amp* decision - however, there is a difference in that instead of relying on the subjective intent of the designer, the Board assesses the matter from the viewpoint of a “reasonable observer”:

“from the standpoint of a reasonable observer who looks at the design and asks himself whether anything other than purely functional considerations could have been relevant when a specific feature was chosen.”

²⁰⁷ *Industrias Francisco Ivars v OHIM* — Motive (Mechanical speed reducer), T-246/10 General Court, 6/10/2011, ECLI:EU:T:2011:578.

²⁰⁸ ICD 867 Ampel24 Vertriebs- GmbH & Co KG v Daka Research Inc. – ID 01.12.2005.

²⁰⁹ Case ICD 3150 *Lindner Recyclingtech v Lars Fransson* (Invalidity Division, 3 April 2007; Case R 690/2007-3, (OHIM Board of Appeal, 22 October 2009), [2010] ECDR 1 (the Invalidity Division held that Art. 8(1) will not apply if the function can be achieved by an alternative design. The Board of Appeal rejected this approach.)

²¹⁰ *Ibid.*

The approach appears to be the favoured EUIPO interpretation, and it has been recently re-affirmed in *TrekStor*²¹¹ where the EUIPO Board of Appeal confirmed that Article 8(1) of the Design Regulation denied protection to those features of a product's appearance that were chosen exclusively for the purpose of a product's function, as opposed to enhancing its visual appearance. In another decision *Nintendo Co Ltd v Compatinet SLU*²¹², the Board of Appeal expatiated further on the test. In order to apply this approach to the registered design in question, namely the design of game cartridges for electronic games console, the Board held that:

“...it was first necessary to determine what the technical function of that product was. In the instant case, the appellant had described the products as game cartridges for electronic games or electronic games stations. It was difficult to see anything in the contested RCD that could have been influenced by anything other than designing a product that performed its function in the best possible manner. All the essential features of the RCD had been chosen with a view to designing a product that performed its function.”

4. The EUIPO's “designer freedom” approach

The EUIPO has additionally adopted an alternative approach in relation to defining the functionality provision. It has held that a “feature is not deemed to be solely dictated by its technical function where the designer still had some degree of freedom in the creation of the feature”.²¹³ The Board of Appeal has confirmed this holding that

“The technical constraints did restrict the designer's degree of freedom; there was still sufficient room for creativity in the design of these functional elements, however. The specific design of the features mentioned was not solely dictated by the technical function.”²¹⁴

This third approach to interpreting the functionality clause thus ignores the availability of technical forms, or perspectives from the reasonable observer. Instead, the tribunal focusses on whether the designer has any creative room in producing the design, and if the answer is in the affirmative, the design cannot be dictated solely by technical function.

5 Summary

It is clear from national jurisprudence that there has always been some difficulty in interpreting the functionality clause, with different interpretations having been adopted in different Member States. This is best demonstrated in the Netherlands, where two different approaches have been adopted by the different Appeal Courts. The views of the stakeholders interviewed were that, if there is to be clarification of the functionality provision, it should come from the Court of Justice. The risk, as was highlighted by one participant, was that any legislative revision which inserted more legislative detail, would give rise to new uncertainties.²¹⁵ Indeed, it is logical to assume that an amendment of

²¹¹ Case R 1997/2012-3, *TrekStor GmbH v ZAGG Inc* (OHIM Board of Appeal, 12 May 2014), [2015] E.C.D.R. 6; see also *ACV Manufacturing NV v AIC SA* (OHIM Invalidity Division), 13 December 2011; [2012] E.C.D.R. 13

²¹² *Nintendo Co Ltd v Compatinet SLU* (R 1772/2012-3), OHIM Board of Appeal, 14 April 2014, [2015] E.C.D.R. 3

²¹³ ICD 9231 decision of the Invalidity Division, of 30/04/2014; ICD 9136 decision of the Invalidity Division 13/06/2014.

²¹⁴ OHIM Board of Appeal of 17/09/2013, R2081/2011-3.

²¹⁵ Interview participant from the Slovenian national office.

Article 7(1) of the Design Directive (and Art.8(1) of the Design Regulation) will not necessarily lead to any harmonisation as this provision has been historically fiendish to define. Indeed, the EUIPO has adopted three different interpretations historically.

(i) Option 1: The Advocate General's suggested approach in *Philips Electronics NV v Remington* was that designs should be protectable as long as alternative shapes were available. This has for a long time stood as the *de jure* position - the functionality provision was to be interpreted on the basis of the multiplicity of forms test. Not only was it adopted in many Member States, it was also the standard approach in the EUIPO.²¹⁶ Moreover, it remains evident that the EUIPO has not fully disengaged from this approach: in a recent decision, the EUIPO held that the shape of the Registered Community Design was not solely dictated by its technical function because alternative shapes were plausible.²¹⁷

(ii) Option 2: Another option would be to adopt the current EUIPO practice which is based on the dominant trend of the Boards' case law, starting with the Lindner approach, which some Member States have begun to adopt.²¹⁸ The advantage of this approach is that it allows Art. 7(1) of the Design Directive (and Art.8(1) of the Design Regulation) to function in a more meaningful and purposive manner. Innovation would not be hampered as this interpretation would prevent the registration of a handful of technical shapes as Community designs. Moreover, as the Board of Appeal has confirmed, this approach would not invalidate the design as a whole; this would only occur if *all* the essential features of the appearance of the product were solely dictated by its technical function.

However, if we adopt the EUIPO's *Lindner* test, we have to grapple with the reasonable observer persona - one who does not care to see the product at the point of purchase or use. How does the "reasonable observer" stand against the informed user? Will it also be gauged from the perspective of the objective user, or a panel of experts in the relevant product design field? For establishing the technical function of a product, would it not be more feasible to view this assessment from the perspective of a technical expert, rather than a reasonable observer? Or even from the perspective of the designer's freedom to create.

A further dilemma posed by this second approach is that aesthetic considerations have to be taken into account, though practice guidelines stress that this is not "tantamount to introducing a requirement of aesthetic merit into the legislation."²¹⁹ But the more recent EUIPO decisions do not show a harmonised view as to what constitutes an aesthetic impression, especially where such effects are produced from technical means. For example, the design of mineral wool to provide thermal and acoustic insulation was considered to be not functional due to the colourful hues and surface patterns of the material, even though such features were achieved through the manufacturing process, which in turn, was protected by a patent.²²⁰ In relation to another decision on the design

²¹⁶ See *Megaflex spol. v Colop-Stempelerzeugung Skopek Gesellschaft*, Invalidity Division:14 March 2007; *Ampel Vertriebs v Daka Research*, 1 December 2005.

²¹⁷ R998/2013-3, 15/02/2015

²¹⁸ *Dyson Ltd. v. Vax Ltd.*, [2012] FSR 4 at para. 31

²¹⁹ OHIM, Examination of Design Invalidity Applications, para.5.3.3, pp.25–27.

²²⁰ *Rockwool International v Knauf Insulation* (R 2299/2012-3), 16 June 2014.

of a lighting tube, the EUIPO held that the luminous effect produced was of a “purely aesthetic nature”, rather than a feature of the LED diode lighting technology, and indeed irrespective of the kind of technology involved to product this effect.²²¹

(iii) Option 3: The Board of Appeal's case-law is, nevertheless, unsettled with a recent trend being based on a designer's freedom whereby technical function is determined in correlation to the designer's scope of freedom to create. Notwithstanding the lack of a ruling from the CJEU, and the uncertain Boards' jurisprudence, a recommended course of action would be to adopt the more recent swing towards designer's freedom and multiplicity of forms. There are two reasons why this may be the best approach.

First, the phrase “technical function” is not legally defined, and indeed, may defy definition. Is the phrase “technical function” to be construed solely in light of the patent law concept of technical effect, or should the concept be extended to include further considerations such as visual, communicative, manufacturing, or cost effectiveness terms (such as purpose, nature, effect, function, technical function (of the product) in order to identify the scope of design features meant to be tested on functionality grounds. Indeed, the EUIPO Guidelines go further and suggest determining the technical functionality of the features by taking into account the indication of the product specified in the application for registration (even though indication of product does not affect the scope of protection), the design itself “in so far as it makes clear the nature of the product, its intended purpose or its function”, as well as possible patent documentation which describes functional elements of the design (shape) at issue.²²²

Secondly, the EUIPO's Invalidity Division has recently re-drawn the line on functional designs to base the analysis on design freedom.²²³ Moreover, the attraction of this approach is that it is entirely consistent with the previous *de jure* approach where the “multiplicity of forms” analysis was the basis. This approach is also in conformity with the opinion of Advocate General Ruiz-Jarabo in *Philips v Remington* (Case C-299/99) and pulls Member States' case law into a coherent doctrinal umbrella. Therefore, where a product can only be made in one shape, there is a clear correlation to the designer's freedom. This approach, it is believed, may enable a more flexible approach, and simultaneously deal with some of the criticisms levelled at the “multiplicity of forms” analysis. Additionally, the approach of concentrating on the designer's freedom will hopefully eliminate subjective discussion on aesthetic considerations, which can result in a refusal of protection to deserving and novel designs.²²⁴

(iv) Option 4: The most cautious approach would be a recommendation that with the 3 pending approaches being utilised currently by some jurisdictions, as well as the EUIPO, it may be that stakeholders are correct in suggesting that the current wording in Art.7(1) of the Design Directive, and Art.8(1) of the Design Regulation be maintained, allowing the CJEU to determine the final approach. Until then, national courts and the EUIPO will have an opportunity to clarify the correct approach from the three alternatives.

²²¹ *Global Concept v Snowfall Europe* (ICD 8564), 21 January 2013.

²²² OHIM, Examination of Design Invalidity Applications, para.5.3.2, p.26. Also see Martin Schlötelburg, 'Design protection for technical products', *Journal of Intellectual Property Law & Practice* JIPLP (2006) 1 (10): 675-678.

²²³ Decision of the Invalidity Division of September 7, 2011 concerning RCD 1213904-0001, ICD 8225.

²²⁴ See L. Brancusi, “An autonomous test for functional exclusions”, [2016] *EIPR* pp 23 - 30.

d) Recommendations - functionality clause

This issue relates not only to legal interpretation of an existing provision, but also to policy considerations; there is a need to determine which interpretation of the functionality exclusion best achieves the policy goals of maintaining effective competition, while not hampering innovation. The functionality provision is clearly an example of an unharmonised position, though this is unsurprising as the present position reflects the pre-Directive landscape within the EU region.

In light of the above analyses, and having set out 4 alternative options above, it is recommended that clear legislative guidelines be incorporated within the Design Directive, whether via the recitals or the amendment of Art.7(1) of the Design Directive (with the consequent effects on Art.8(1) of the Design Regulation) to state clearly that in determining whether features of appearance of a product are solely dictated by its technical function, due consideration should be given to whether the designer has some freedom in the development of features of appearance of the design, where the presence of differences between the existing design corpus and the contested design would demonstrate that the designer had some freedom.

3.6 Relationship between Design Law and copyright**a) Relevant provisions**

Article 17 of the Design Directive provides:

“A design protected by a design right registered in or in respect of a Member State in accordance with this Directive shall also be eligible for protection under the law of copyright of that State as from the date on which the design was created or fixed in any form. The extent to which, and the conditions under which, such a protection is conferred, including the level of originality required, shall be determined by each Member State.”

Article 96(2) of the Design Regulation contains an identical provision in relation to Community Designs.

b) Implementation and interpretation

In all the Member States examined, cumulative protection under copyright and design law is possible. In order to benefit from cumulative protection, the design needs to satisfy the requirements for copyright protection under copyright law, and the requirements for protection under design law. The former is usually based on an “originality” test (in the Czech Republic, the test is whether it is a “unique outcome of creative activity”), whereas the latter requires “novelty” and “individual character”. It seems that in many Member States, the test for copyright protection is higher than for design protection; originality is more difficult to prove than novelty. However, in Austria, the expert opinion was that the requirements are different, rather than one being more difficult/easy than the other. In general, the ordinary test for copyright applies to designs. However, notably in Portugal, the requirement for copyright protection for designs was higher than that for copyright of other artistic works.

A number of Member States have provisions dealing with the overlap between these two rights. In Poland, for example, there is a provision stating that after the lapse of design protection, a designer shall not be able to benefit from his economic rights under copyright law. The purpose of the provision is to allow for commercial certainty, whereby a company looking to exploit a design checks the design register and sees that it is not protected. However, it should be mentioned that the Polish provision only excludes reliance on economic rights arising from copyright protection. The designer can still enforce his moral rights arising from copyright. However, the range of remedies is smaller, meaning the level of damages would be lower.

Interestingly, our industry stakeholder survey showed:

- 23% of non-automotive respondents viewed copyright as the most attractive form of protection;
- 66% regarded the design right as being more attractive

When the reasons for selecting a form of protection as most attractive are examined:

- 56% cited better/stronger protection as the main consideration,
- 48% cited ease of obtaining protection,
- 29% cited duration of protection, and
- 24% cited the threshold for obtaining protection.

a) Legal Analysis

One reason for which Member States traditionally imposing a higher threshold for the originality test in copyright was the idea that if copyright was too readily attainable for industrial designs, it would enable industrial designs to be protected for much longer than the maximum 25-year protection afforded under design law.

Copyright protection was notoriously difficult to obtain in some Member States which required additional criteria such as aesthetic or artistic merit (for example, United Kingdom, and Germany); while other Member States opted for the more liberal French-inspired *l'unité de l'art* approach (including Belgium). The final line of Article 17 of the Design Directive was thought to allow all Member States the complete freedom to impose national criteria in relation to protectable subject matter, or to impose extra conditions which must be satisfied before designs are protected, including the level of originality required. In the last few years, however, a few Member States' copyright laws have changed due to the *Flos* decision declaring that EU copyright and design protection is cumulative.

1. CJEU jurisprudence

However, the Court of Justice rejected this approach in *Flos v Semeraro*.²²⁵ The design in question was the well-known Arco lamp, designed and created by the Castiglioni brothers in 1962.²²⁶ Flos claimed that Semeraro imported from China and marketed in Italy the Fluida lamp design that imitates all the stylistic and aesthetic features of the Arco lamp, in breach of its copyright in that lamp. At the time of the allegedly infringing act, copyright protection of manufactured artistic works was heavily circumscribed by the condition of separability (*scindibilità*) under Italian copyright law, namely industrially manufactured objects were only protected by copyright if their artistic value could be separated from the industrial character of the product with which they were associated.²²⁷ This requirement excluded a large number of objects from copyright protection in Italy, including the Arco lamp. With the implementation of the Design Directive, the condition of separability was removed in 2001 and cumulative protection under copyright and design laws was permitted. Copyright protection would be accorded to designs as long as such works possessed creative character and artistic value.²²⁸ Copyright protection was restricted, however, to post-2001 artistic works having a creative character and an artistic value; moreover, pre-2001 works were subjected to a moratorium period which effectively curtailed any possibility of copyright protection to industrial art objects.²²⁹

Semeraro argued that it was lawfully entitled under the moratorium period to imitate the Arco lamp as the design had entered into the public domain prior to the 2001 national implementation of the Design Directive. Moreover, it had the right to continue to manufacture and market the allegedly infringing lamp design despite this implementation, under the transitional provisions. The Italian Government further argued that it had a right to impose such transitional provisions under Article 17 of the Design Directive, which allowed Member States to choose the manner in which copyright protection was applied. On reference by the Tribunale di Milano to the CJEU, the essential question was whether the implementation of the Design Directive effectively “revived” the copyright in the Arco lamp design; and whether transitional provisions protected third parties from overnight liability. The CJEU essentially re-interpreted Art. 17, Design Directive, stating that this provision:

“cannot be interpreted as meaning that Member States have a choice as to whether or not to confer copyright protection for a design protected by a design right registered in or in respect of a Member State if the design meets the conditions under which copyright protection is conferred”.²³⁰

It should be further noted that Advocate General Jääskinen gave a lengthy explanation of the state of play in *Donner*,²³¹ and concluded (in relation to furniture designs) that:

²²⁵ *Flos SpA v Semeraro Casa e Famiglia SpA*, Case C-168/09, [2011] ECDR 8

²²⁶ www.flos.com.

²²⁷ Art. 2(4), Italian Law No. 633/1941 on the protection of copyright and other related rights providing that works of sculpture, painting, design, engraving and similar figurative arts, including stage and set designs, and the industrial applications of such works, would be protected by copyright provided that their artistic value was separable from the industrial nature of the product with which they were associated.

²²⁸ Art. 2(10), Italian Law No. 633/1941, as amended by Italian Legislative Decree No. 95/2001.

²²⁹ Art. 25a, Italian Legislative Decree No 95/2001; subsequently incorporated into Arts. 239 and 44, Italian Intellectual Property Code.

²³⁰ *Flos SpA v Semeraro*, para 36.

²³¹ Case C-5/11 Criminal proceedings against Titus Alexander Jochen Donner, ECLI:EU:C:2012:195, para 29.

“... the Member States have no discretion to exclude works of applied arts and industrial designs and models, such as the items here in issue, from the scope of copyright protection. (...) This is so because of Directive 98/71/EC on the legal protection of designs (...) which binds the Member States to afford copyright protection in this area.”

2. Current national jurisprudence

Several member States have changed their approach to embrace cumulative protection of designs under both copyright and design. In their responses to WIPO's Survey, Slovenia, Spain, Finland, Denmark, Austria and Sweden indicated that they also had a “marked artistic character” test. The German position changed in a recent judgment where it was held the longstanding approach requiring a higher level of originality for applied art than for other art forms should be changed; and the same test of originality should apply to all types of artistic works.²³² The Netherlands Supreme Court has done likewise.²³³ The UK has amended its provision to remove the 25 year copyright limit on artistic works;²³⁴ and Italian courts have commenced to give copyright protection to artistic works which have recognised artistic stature.²³⁵

Other Member States will have to modify their current approaches to bring their laws in line with the CJEU decision. For example, the Polish and Estonian laws curtailing the exercise of economic rights under copyright law of design rights are in the process of being amended. In Portugal, it was held that, in order for a work of applied art to benefit from copyright, it must be eligible for registration as a design, which may not be the correct approach.

The extension of copyright law to more designs has the potential to divide the market, as a result of the “reciprocal treatment” provisions of the Berne Convention which allows Member States to refuse copyright protection to products designed abroad which would only be protected by design (and not copyright) in their country of origin. Countries of origin which are potentially affected include the US, Japan, China, India and Korea. Although the wording of Article 2(7) appears to make reciprocity mandatory, in response to the question “In your country, has copyright protection for applied art ever been refused for a work with a foreign country of origin pursuant to Article 2 (7) Berne Convention?” AIPPI's national groups reported²³⁶ that some countries (Denmark, Estonia, Finland, Hungary, Ireland, Italy, Latvia, Poland, Portugal, the UK) know of no such case whereas others (Austria²³⁷, France,²³⁸ Germany,²³⁹ Netherlands²⁴⁰) do apply the “reciprocal treatment” rule.

²³² *Independent Toy Designer v Toy Manufacturer*, Geburtstagszug/“Birthday Train”, German Federal Supreme Court, I ZR 143/12, 13 November 2013.

²³³ *Stokke v Hauck*, HG, 12th April 2013

²³⁴ Section 74, Enterprise and Regulatory Reform Act 2013 repeals section 52 of the CDPA, though this has not taken effect yet.

²³⁵ *Cassina SpA v Alivar Srl and Galliani Host Arredamenti Srl*, Case C-198/10, 9th September 2011.

²³⁶ Q231 - “The interplay between design and copyright protection for industrial products” (Seoul, 2012), Summary Report and Country Reports, Forum & Executive Committee Meeting 2013 online at www.aippi.org

²³⁷ Supreme Court decisions 4Ob12/90 – Piccadilly (bathroom cabinet), 4Ob 95/91 – Le Corbusier (Lounge Chair)

²³⁸ Judgments of the Commercial Chamber of the Court of Cassation Lamp (Cass. Com.), 26 March 2002) and Service of crockery (Cass. Com. 14 December 2004), Paris Regional Court, *Tods v Heyraud* (20 October 2006)

The Court of Justice has held²⁴¹ that the non-discrimination principle prevents this in relation to EU countries of origin. However, this still leaves different treatment of works originating beyond the EU. Setting aside non-discrimination, it might be argued that the rule itself serves a legitimate purpose, but if so, the purpose would seem to be applicable in all Member States or none. The effect of leaving in place different application of the “reciprocal treatment” rule to Member States is that a given product from one of the EU’s major trading partners may be protected by copyright in some countries and not in others, leading to division of the market. It appears to us that harmonization to ensure that either all Member States or none apply reciprocal treatment would be desirable.

If the evolving process of “cumulation” has the result of extending copyright protection to a significant proportion of registered designs, there will be as-yet unanticipated results. For example, it is unclear whether the 3-year unregistered Community Design,²⁴² or even the 25-year Registered Community Design, will offer the equivalent value as offered under the copyright umbrella, which comes with a 70 *post mortem auctoris* duration. Furthermore, the provisions in respect of defences, limitations of scope, and repair clauses applicable to design law do not currently align to those offered under copyright law. To maintain the consistency with copyright law which is implied by the “principle of cumulation”, it is recommended to add an additional paragraph to Article 20 of the Design Regulation to the effect that where a corresponding copyright in the design exists solely by virtue of Article 96(2), the acts listed equally do not infringe such copyright (and equivalent amendment to the corresponding provisions of the Design Directive). That would not affect Member States whose copyright regimes would protect such parts otherwise than by virtue of Article 96(2), whilst protecting those who have liberalized their spare parts market from the consequences of the extensions of copyright created by Article 96(2). This also should be relatively uncontroversial. Alternatively, such measures could be included in any future legislation harmonizing copyright in general.

b) Recommendations - overlap with copyright law

The law in relation to the overlap between design law and copyright has been clarified by the Court of Justice in *Flos v Semeraro*. Even Member States with hitherto impassable barriers to cumulative copyright and design protection have altered their approaches. **It is recommended that any Member State which has not yet altered their laws, should do so soon. Any disparities that exist at Member State level regarding this issue may be simply due to legislative inertia or judicial misinterpretation in those Member States.**

²³⁹ Higher Regional Court of Hamm judgment of 25 June 1992 (*Eileen Gray* floor lamp NJW 1993, 1479 et seq. – Tube Light), Higher Regional Court of Karlsruhe decision of 22 September 1993 (GRUR 1994, 283 et seq. – *Eileen Gray*), Higher Regional Court of Hamm decision of 11 January 1994 (4 U 190/93 *Eileen Gray* side table)

²⁴⁰ Amsterdam Court of Appeal judgment of 13 September 2001 *Mag Instrument vs Buzaglo* (BIE 2002/80), *Mag Instrument vs Edco c.s.* (LJN BK8821, Jure.nl), *Impag vs Milton Bradley* (Pres. Amsterdam Court, 23 October 1997 (Informatierecht/AMI,1998,p.49) and in appeal 21 January 2009, IER 1999, nr 21, p.129); Supreme Court *Impag vs Hasbro*, 29 June 2001 (IER2001/41), *Mag Instrument vs Edco c.s.*, 28 October 2011 (LJN: BR3059); District Court of Den Bosch in a decision of 11 March 1994 *Giorgetti vs Cantu* (IER 1994, nr.15) and, most recently, *Apple v Samsung*, tablet computer of US origin also protected by RCD.

²⁴¹ Case C-28/04 *Todd's v Heyraud*, Judgment of 30 June 2005, ECR 2005 I-05781, ECLI:EU:C:2005:418

²⁴² See Copinger & Skone James on Copyright, 17th Edition, Nicholas Caddick, QC; Professor Gillian Davies; Gwilym Harbottle, Sweet & Maxwell, 2016, para 13.334, point (2)

See Chapter 6.2 on spare parts for a further brief discussion of the relationship between copyright and design law.

4. Key procedural issues within the EU design framework

This chapter sets out the key issues which emerged from the empirical field work in relation to procedural areas, which may nevertheless have an impact on the substantive legal framework. A number of key procedural issues were identified during the different phases of research and surveys, which do affect the achievement of an efficient design access, especially in relation to the scope of protection, and ancillary institutional costs.

4.1 Representation of a design

a) *Relevant provisions*

Article 4(1) of the CDIR²⁴³ provides, in relation to Community Designs, that:

“the representation of the design shall consist in a graphic or photographic reproduction of the design, either in black and white or in colour”.

Article 4(1)(d) of the CDIR provides that

“where the application is filed by electronic means, the graphic or photographic reproduction of the designs shall be in a data format determined by the President of the Office”.

There is no provision in the Design Directive dealing with this issue, and the requirements for representation of a design are left to the Member States.

b) *Empirical evidence and legal analysis*

It is clear that among the Member States reviewed in this study, there is significant divergence in the requirements of national offices concerning representations of a design. Such divergences relate to the number of viewings, the size of the paper to be submitted, whether computer-aided representations are considered etc. For example, one interview participant mentioned the need to review the EUIPO requirement which states that that a maximum of 7 views can be submitted. This was also discussed in an interview with a design practitioner, who stressed that any changes should take into account international practice. For example, in the United States, an applicant can submit more than 100 views, whereas in Japan, a minimum of 6 is required. Most EU Member States have a varying range of maximum thresholds ranging from adopting the EUIPO maximum of 7 views (Spain) to no limits (France).

These divergences are not surprising, considering the Design Directive does not harmonise the requirements. Stakeholders from national intellectual property offices who were consulted during this study were universally in favour of common rules among national offices, rather than simply following the EUIPO practice as developed via the CDIR. To this end, there is an ongoing effort to harmonise practices among national

²⁴³ Commission Regulation (EC) No 2245/2002 of 21 October 2002 implementing Council Regulation (EC) No 6/2002 on Community designs, as amended by Commission Regulation (EC) No 876/2007 on 24 July 2007 (henceforth referred to as the CDIR).

offices via the EUIPO Convergence Programme, which links the EUIPO with both the national offices and user associations, in order to reach a consensus in areas where national offices have different practices. Of particular relevance are two projects within the Convergence Programme:

- CP6. Convergence on graphic representations of Designs
- CP7. Harmonisation of Product Indications.²⁴⁴

1. Graphic representations

The CP6 Convergence project on graphic representations intends to form a common practices scheme in three areas: (i) the use of visual disclaimers; (ii) the use of different types of views; and (iii) how to reproduce a design on a neutral background. There are several specific limitations within the project, including “computer-animated representations, 3D representations”, as it appears that a number of national IP offices have legal constraints.

2. Non-continuous lines: broken, dashed or dotted lines

An issue of concern is the manner in which certain visual elements are interpreted, such as non-continuous lines in the form of dots, dashes or broken lines. For example, EUIPO’s guidelines on broken lines within its Examination Guidelines state:

“Broken lines may be used in a view either to indicate the elements for which no protection is sought (for example, ornamentation applied to the surface of a given product whose shape is disclaimed) or to indicate portions of the design that are not visible in that particular view, that is, non-visible lines.”²⁴⁵

These rules, however, do not bind the national offices and Courts, and the result unsurprisingly is that the EU position is extremely unclear and divergent. For example, some countries such as Germany or Netherlands have no rules on broken lines.²⁴⁶ On the other hand, although the UK has rules on dashed lines,²⁴⁷ these are not binding on the Courts in an infringement action.²⁴⁸ Indeed, a UK judge admitted during a stakeholder interview, that (s)he had interpreted a dotted line otherwise than in accordance with the EUIPO interpretation.

The CP6 Convergence project basically restates the EUIPO examination rules:

“the features for which protection is not sought should be clearly indicated with broken lines, whereas the parts for which protection is sought should be indicated

²⁴⁴ <https://www.tmdn.org/network/web/quest/converging-practices>

²⁴⁵ Regulation 5,

²⁴⁶ Industrial Design Rights - An International Perspective (2nd Ed), eds Gray & Gao, Wolters Kluwer, 2015 pp. 161, 252.

²⁴⁷ UK Designs Practice Notices 2/03 and 1/04, discussed in Musker, Chapter 20 Industrial Design Rights: United Kingdom, in *Industrial Design Rights - An International Perspective* (2nd Ed), eds Gray & Gao, Wolters Kluwer, 2015 p.383.

²⁴⁸ *Samsung Electronics (UK) Ltd v Apple Inc* [2012] EWHC 1882 (Pat) at 11, upheld on appeal [2012] EWCA Civ 1339, [2013] FSR 9 at 21; *Kohler Mira Ltd v Bristan Group Ltd* [2013] EWPCC 2 at 19-29, *Sealed Air Ltd v Sharp Interpack Ltd & Anor* [2013] EWPCC 23 at 18-21. But they may well be influential on the interpretation: *PMS International Group Plc v Magmatic Ltd* (9 March 2016), [2016] UKSC 12, [2016] WLR(D) 126

with continuous lines”.²⁴⁹

The guidelines acknowledge, however, that the practice is also to use broken lines to indicate a feature of the design – in such cases, use of broken lines in this opposite meaning must be clear from the representation (for example, a magnified view should be filed). The issue is clearly important as the different views help to delineate precisely the design proprietor’s scope of protection and claim in relation to invalidity or infringement actions, especially when assessing novelty or individual character of the contested design.

3. 3D digital representations

The practice of accepting 3D digital representations of designs is not widespread at national level, although they are registrable at the EUIPO, which has recently introduced a tool for uploading 3D representations. Most interview participants at Member State level were in favour of such 3D representations. However, in some Member States, concern was expressed that it would involve the introduction of new technology (notably Poland and the Czech Republic). Notwithstanding this, they were not against the idea in principle.

In relation to 3D representations, the view is that it will tend to “concretise” the design by showing certain qualities which might not necessarily be visible in a line drawing, thus giving rise to the risk of narrowing the scope of protection. The reason for advocating the adoption of 3D representations may be partially due to the fact that there is no consensus as to how designs should be graphically represented, especially in relation to line drawings, non-continuous lines, colours and shading. It may be that practitioners have been advising against shading in the design, and optimistically allowing the judge to “fill in the gap” in order to widen the scope and claim of protection. The idea, based on Gestalt psychology, is that the judge is likely to complete the image in his own mind, on the basis of, inter alia, prior experience. This tactic avoids the situation where the judge focusses on minor differences which he notes from his comparison of the products of the complainant and respondent, such as the “feel” of the product, and holds that the designs are not identical on that basis.

4. Judicial interpretation

A notable example of such a dilemma can be seen in the recent *Trunki* decision²⁵⁰ which shows the implications of additional features in competing designs having an impact on the scope of protection. The key legal issue here, in relation to a Community design, was the extent to which the surface decoration should be taken into account when considering infringement of a registered design where that registration had no such decoration.

It should be noted in this regard, the Invalidity Division of the EUIPO has recently considered two proceedings in respect of designs where the prior design was a shaded drawing, and the contested (almost identical) design was in colour. The first proceeding concerned a design for a door, with the EUIPO holding:

²⁴⁹ Para. 3.1.4.1, available at <https://www.tmdn.org/network/documents/10181/e8ce4a96-c12f-4c3c-96e5-b96bae95c5d8>

²⁵⁰ *Magmatic Ltd v PMS International Group Plc* (28 February 2014), [2014] EWCA Civ 181, [2014] ECDR 20, [2014] RPC 24 and *PMS International Group Plc v Magmatic Ltd*, UKSC 12 [2016], *ibid*.

“Though the colours are features easily recognizable, being the only feature in which the RCD differs from the prior design [...], they do not deliver to the contested RCD individual character.”

Similarly, in an invalidity proceeding brought by the holder of a prior RCD for boots, where the prior design was a shaded drawing of boots and the contested design depicted (almost identical) brown boots, the Invalidity Division held:

“The colour does not confer individual character on the contested RCD with respect to the prior design.”

On the basis of this recent case law, it is not clear what the best approach is for design right applicants namely, whether to submit a plain line drawing, or whether to colour in the drawing. For that reason, it may still be preferable from an applicant's perspective to register a simple line drawing at the national office.

Of more concern than the harmonisation of the registration rules is the divergent interpretation of representations by the judiciary. The problem is two-fold, arising from the fact that national judges preside over cases concerning national design rights, and national judges sitting as community design judges (in a court designated Community Design Court pursuant to Article 80) preside over cases concerning Community Designs. When this judge sits in a Community Design Court, should he apply the EUIPO interpretative guidelines? As the Community Design is a pan-EU right, issues such as the meaning of dotted lines should be interpreted consistently throughout the EU. Where the judge sits in his capacity as a national judge, in a case concerning a national design right, should he interpret the representation in accordance with the EUIPO guidelines?

c) Recommendations - representations of designs

It was recommended in Chapters 3.2 and 3.4 that the procedural rules on graphic representation and product classification should be re-visited. This was suggested so that the EUIPO, the national offices and the courts would be able to ascertain the relevant product/industry sector, which would in turn, assist in defining the relevant geographic market.

The Convergence Programme between the EUIPO and national offices is a move towards a harmonised position in respect of design registrations and is to be commended as a positive aspect of the Design Directive. Although this is not specifically part of the legislative programme, the consequence of the harmonised position under the Design Directive has led to an initiative of harmonisation outside the legislative space. The general consensus does remain that the common rules should be agreed among the Member States themselves in accordance with the EUIPO.

It is difficult to think of any objective justification for maintaining divergent national rules. There is evidence from the survey of industry stakeholders that further alignment of procedural rules among national offices would encourage a significant portion of SMEs to register more designs at national level.²⁵¹

²⁵¹ 16% of companies having 0-10 employees, 21% of companies having 10-24 employees, 29% of companies having 25-50 employees, 33% of companies having 51-100 employees, and 23% of companies having 101-250

The first recommendation is that national offices should attempt to align their practices, where this is feasible in economic and institutional perspectives, with the convergence programmes run by the EUIPO. To this end, the recommended course would be to incorporate a reference to Article 123(c) of the newly amended EU TM Regulation which sets down guidance as to the cooperation expected between national offices and the EUIPO in order to promote the convergence of practices and tools.

The second recommendation is that in relation to graphic representations, the current approach in relation to the number of representations under the EUIPO procedure be changed to allow a higher number of representations, or as some Member States maintain, an unlimited number of representations. This is in accordance with the recommendation in relation to 3D representations, and also allows the courts to eventually place the design product within the appropriate product/industry sector.

In relation to 3D representations, the use of this technology has much to offer in terms of clarity of the claims and scope. **The EUIPO has launched the possibility to file 3D animated representations, and it is recommended that Member States should, if feasible, follow the EUIPO approach in this.** It is recommended that 3D representations of designs should be an optional registration tool, rather than a mandatory one. This allows the opportunity for national offices to adopt the technology when appropriate, but it allows applicants to opt for the method of representing their design which they consider provides them with the greatest scope of protection.

In relation to non-continuous lines: broken, dashed or dotted lines, it is recommended that national offices and the EUIPO employ the Convergence Programme to agree on the exact meaning of non-continuous lines.

A final recommendation is the extension of the convergence exercise to judicial practices being harmonised where judges sit in designated Community design courts.

4.2 Invalidity proceedings

a) Relevant provisions

Recital 6 of the Design Directive provides that Member States will be free to “fix the procedural provisions concerning registration, renewal and invalidation of design rights”, and the effects thereof. By contrast, the Design Regulation (Articles 24-26) sets out the rules concerning declarations of invalidity, the grounds therefor and the consequences thereof.

b) Empirical evidence and legal analysis

employees noted that they would be inclined to file more at national level if there was more procedural harmonisation.

In respect of the Community Design Right, the position is clear as invalidity proceedings may be brought before the Invalidity Division at the EUIPO. The situation across the EU Member States is very divergent. Every Member State has introduced a procedure for invalidating a design right. The major distinction which exists is between those Member States where invalidity proceedings can be brought before national offices (e.g. Austria, Czech Republic, Germany) and those Member States in which they may only be brought before a judicial body (e.g. Netherlands and Sweden). Most interview participants were of the view that the position should be harmonised across the EU region. However, the empirical surveys and interviews furnished no consensus as to the correct procedure.

According to the 2008 responses to the WIPO Questionnaire, supplemented by data from the published literature, there existed the following divergent practices in relation to invalidation proceedings before the Member States' national offices.²⁵²

- (i) such proceedings are available in: Bulgaria, Croatia, Slovakia, Austria, Czech Republic, Hungary, Ireland and the United Kingdom, with Germany having also introduced such a procedure;
- (ii) no such procedures were declared or are available for: Benelux, Estonia, France, Finland, Greece, Italy, Lithuania, Slovenia, Denmark, Malta, Latvia, Portugal, Romania, Sweden, Spain.²⁵³
- (iii) of those countries which do not provide a national office invalidation procedure, Denmark, Finland, Portugal and Romania, provide a pre-grant opposition procedure. Poland, Sweden, Spain, Latvia and Denmark provide a post-registration opposition procedure.

An inexpensive administrative procedure would benefit many users of the design system.²⁵⁴ However, the preference among interviewees for one institution or the other was motivated by the levels of expertise in design law present in the courts or in the offices. This view was expressed, for example, by a participant from the Czech IP office, who mentioned that the IP office had design law specialists who could assess the claims. If the function were entrusted to the courts, it would be necessary to establish a specialised chamber with judges who had sufficient expertise. In Germany, where the function was recently moved from the district court to the Patent and Trade Mark Office, the change was accompanied by a requirement for the office to have 3 lawyers involved in the procedure. Conversely, one interview participant expressed reservations about having invalidity proceedings heard in offices where it is designers hearing the case, rather than lawyers. The Spanish interviewees were in favour of these proceedings being held before the national office, as the office had more expertise in such matter.

²⁵² *World Manual on Utility Models, Industrial Models and Designs*, C. Adrian Zapatero (Author), Erwin Cortagerena (Editor), Equerion Information Services Corporation 2012; *Katzarov's Manual on Industrial Property*, André Reverdin; Konstantin Katzarov, Geneva, 1981; *Design and Copyright Protection of Products: World Law and Practice* Morag Macdonald, Spyros M. Maniatis, Uma Suthersanen, Cristina Garrigues, Sweet & Maxwell Connections Oct 1997-); *Designs & Utility Models Throughout the World*, Anne Marie Greene, WestGroup 2001

²⁵³ *Ibid.* The sources do not agree about the situation in Denmark and Sweden.

²⁵⁴ In the industry survey, 25% of respondents (rising to 35% for non-automotive stakeholders) noted that the different grounds for invalidation of a design in different Member States presented them with difficulties when seeking to invalidate a design right.

While national IP offices tend to have more expertise in design issues, a court with sufficient expertise was generally acceptable. The participant from the Swedish office noted that from the user perspective, designers and SMEs in Sweden tend to be less likely to turn to a court than to make an application to the office. The reason offered was partly due to cost, and partly due to the attitude of users of the system to the courts.

While it is clear that harmonisation of the approach is desired, there is no consensus on what harmonisation would mean (i.e. court or national office). Furthermore, there is a concern that many national offices lack sufficient expertise in design law. The paucity of litigation in design law generally, coupled with the fact that the number of national design registrations is reducing, leads to a logical conclusion that it is unlikely that all the Member States' national offices are likely to build up to an equivalent required expertise. Even relatively large national offices, such as the UK Intellectual Property office only handles one or two design invalidation cases every year. The best solution for assuring the necessary expertise would be more specialised Design Courts.

This, however, leads to the problem of unavailability of an inexpensive administrative procedure which is more reassuring to individual or SME users, or that which is available before the EUIPO. It is in the users' interests to have a quick, reliable and inexpensive invalidation procedure for registered rights. Countries with smaller design registries may not have the throughput to develop expertise and such countries would prefer the court system. A further point is that the lack of formal examination of registered Community Designs means that a quick and cheap invalidation procedure should be available. Applications to court for injunctions or declarations can add to the overall transaction costs involved in obtaining and maintaining a registered design in the EU. The subsequent delay can, in the long haul, discourage innovation and commerce.

Several practitioner comments offered various solutions to tackle the lack of expertise at national Intellectual Property office level:

- (i) inviting in experts to undertake the task;
- (ii) providing for an appeal procedure from the national office to the courts and/or CJEU;
- (iii) outsourcing the examination of the invalidation disputes to the EUIPO.²⁵⁵

c) Recommendations - invalidation proceedings

It is recommended that there be an effort to offer a quick and inexpensive invalidation procedure before national offices and courts. To this end, an obligation to mirror the one under Article 45 of the amended Trade Marks Directive would be beneficial for the EU design regime.

In relation to Member States without the requisite expertise, it is appreciated that options whereby the EUIPO undertakes to help national offices determine invalidation may require immense changes to the rules regarding the EUIPO's competence, which in turn, may be institutionally and politically unrealistic. More viable alternatives would be to invite special design experts as part of the judicial panel, and to provide for an appeal procedure to the courts (or allowing the

²⁵⁵ See comments on blog: "Registry or Court - which is better?", 27 January 2016, Class99-Marques blog - <http://www.marques.org/class99/>.

tribunal to have the right to refer questions to the CJEU).²⁵⁶ To this end, the secondment of EUIPO staff onto national tribunals may be a consideration, especially for such national offices who struggle with institutional capacity to hold such invalidation proceedings.

It is likely that national offices will have more familiarity with designs, as a consequence of registration procedures, than national courts. It is further recommended that cooperation between the EUIPO and national offices be increased on this point, so as to mitigate the lack of expertise. It is recommended that in accordance with the provisions of Article 92 of the Design Regulation, the Design Directive should also provide for appeal to or review by a judicial instance at least in case of procedural abuse or error of law.

4.3 Ex parte injunction

a) *Relevant provisions*

In relation to national design rights, the Design Directive does not harmonise the procedures for enforcement. In relation to the Community Design Right, the Design Regulation (Title IX, Section 2) sets out extensive rules on disputes concerning infringements of Community Designs. The Enforcement Directive also contains some minimum rules.

b) *Empirical evidence and legal analysis*

Neither the Design Regulation nor the Enforcement Directive harmonise the rules concerning applications for *ex parte* injunctions. The manner in which an *ex parte* injunction to restrain a design right infringement can be obtained in some Member States is regarded as problematic. There is anecdotal evidence that the ease of obtaining an injunction in Germany, for instance, is leading to “forum shopping”.²⁵⁷

It is unlikely, for example, that a litigator will seek an injunction in the UK, due to the stringent requirements placed on an applicant for an *ex parte* injunction under UK law. One practitioner suggested that *ex parte* injunctions should no longer be allowed to restrain infringement of a design right, except where counterfeit goods were concerned. Another practitioner suggested the problem might be resolved by inserting a requirement in the Design Directive (and the Design Regulation) stating that an *ex ante* injunction should not be granted unless the rightholder has discharged a certain minimum informational obligation. For example, the rightholder could be required to disclose such information on the prior art as he may reasonably be expected to be aware. This would bring the German procedure more into line with other jurisdictions, such as the UK.

²⁵⁶ As in the case of the IP TRANSLATOR decision (C-307/10), ECLI:EU:C:2012:361 (where there is a procedure for appeal under the UK rules, from the Intellectual Property office, to the Appointed Person, which is an appeals tribunal for trade mark decisions with the mandate to refer questions to the CJEU, under Section 76 of the UK Trade Marks Act 1994,

²⁵⁷ In Germany, for instance, an injunction is easily obtained due to the very short notice given to any alleged infringer to collect sufficient evidence to prove non-infringement. This was noted as being a problem by two leading practitioners during the interviews, and also by Prof. Jehoram during the advisory board meeting.

c) Recommendations

The Design Regulation contains specific provisions in respect of the requirements for provisional and precautionary measures such as *ex parte* injunctions. Article 91 of the Design Regulation refers to the possibility of requesting provisional measures “as may be available under the law of that State in respect of national design rights”. This is a matter of national law, as harmonised by the IP Enforcement Directive 2004/48, which applies to Community designs, with particular reference to Article 9 (in relation to provisional and precautionary measures) and Article 11 (post-judgement injunctions) of that directive.²⁵⁸

Moreover, there is no basis for insisting that a minimum informational obligation be introduced. There is already such a suggestion under Article 9(3), Enforcement Directive which directs the national judiciary to require an applicant: “to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed, or that such infringement is imminent”.

If such safeguards are not working to stakeholders' satisfaction, and there is perhaps some evidence that it may not be doing so in some Member States, the reference for amendments should be directed at the current consultation on the Enforcement Directive. It should further be noted that judgements by default have to fulfil additional requirements under EU law in order to be enforceable cross-jurisdictionally.²⁵⁹ **It is recommended that any difficulties encountered with Member States' laws should be dealt with under the Enforcement Directive.**

4.4 Non-availability of certain actions in all Member States

a) Relevant provisions

Article 81(b) of the Design Regulation provides that the Community Design Courts shall have exclusive jurisdiction for actions for declaration of non-infringement, “*if they are permitted under national law*”.

Article 82 of the Design Regulation sets out the jurisdictional rules for hearing cases concerning Community Design Rights (the “cascade”). The Design Directive does not have a similar provision, as national courts have exclusive jurisdiction to hear cases concerning infringement of national design rights.

b) Empirical evidence and legal analysis

Article 81(b) of the Design Regulation has the effect of limiting the exclusive jurisdiction of Community Design Courts. A party wishing to bring a claim for a declaration of non-

²⁵⁸ Directive 2004/48/EC on the enforcement of intellectual property rights.

²⁵⁹ On this point, it should be noted that *ex parte* injunctions are rarely classified as European Enforcement Orders in respect of a judgement by default issued against a defendant whose address is unknown, under Regulation (EC) No. 805/2004 of the European Parliament and of the Council of 21 April 2004 creating a European Enforcement Order for uncontested claims. Moreover, judgements by default against defendants will only be allowed if it is impossible to locate the defendant, if the document instituting proceedings has been served by public notice under national law, and the court seised of the matter has first satisfied itself that all investigations required by the principles of diligence and good faith have been undertaken to trace the defendant. See C-292/10, *G v Cornelius de Visser*, CJEU, 15 March 2012, interpreting Regulation 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

infringement of a Community Design Right cannot bring such a claim in a Member State whose national law does not permit such claims. Article 82(1) provides that an action for a declaration of non-infringement “*shall be brought in the courts of the Member State in which the defendant is domiciled...*”. In addition, Article 82(5) which provides that, in addition to the cascade set out in Article 82(1)-82(3), actions may also be brought in the courts of the Member State in which the act of infringement has been committed or threatened. In such cases, the ruling will only apply in respect of that Member State (as it is a ruling of a national court rather than a Community Design Court). However, actions for declarations of non-infringement are excluded from this Article 82(5) jurisdiction.

Declarations of non-infringement are a useful tool for a trader wishing to launch a product, but who is uncertain whether a third party's Community design right (registered or unregistered) may thereby be infringed. As one commentator has stated:

“Declarations for non-infringement are available in some member states (for example, Hungary, the Netherlands, Spain, and the United Kingdom) but not others (for example, France and Italy). They are a useful tool for legal certainty, and in the interests of consistency ought to be provided for in all member states, whether by amendment of the [Design] Regulation or Enforcement Directive, or adoption by national law in all member states.”²⁶⁰

The exclusion of the declaration of non-infringement from the jurisdiction conferred in Article 82(5) means that a declaration of non-infringement cannot be granted in respect of a single Member State. Such a declaration can only be obtained in relation to the whole of the EU.

c) Recommendations

This is an example of the deficiencies which currently exist in the current Community Design Court system. This is clearly not an ideal situation, and it seems difficult to reconcile it with the spirit of the Design Regulation, or the assertion in Article 1(3) that “[a] Community Design shall have a unitary character”. It is clear that there is a considerable lack of harmonisation in respect of actions for a declaration for non-infringement (which does not exist in all Member States), and this has a negative impact on the unitary character of the Community design, and may possibly lead to forum shopping (in relation to the Community design right).

One option is to review these jurisdictional rules in the context of a general review of the Community Design Courts, in which the number of courts which have been designated pursuant to Article 80, and the expertise of the design law judiciary could also be addressed. In relation to Article 81(b) of the Design Regulation in particular, it is suggested that the words “*if they are permitted under national law*” could be deleted in order to ensure consistency.

This particular issue has also been highlighted in relation to the EUTMR by the Max Planck Study on the overall functioning of the trade mark system in Europe. That study concluded:

“As regards declaratory actions for non-infringement, while clarification regarding

²⁶⁰ Stone, European Union Design Law, para. 22.24.

the availability of such actions may be useful, the issue would be better addressed in the context of the review of the Enforcement Directive and the question of introducing uniform remedies into the CTMR, in line with the provisions of the Enforcement Directive (“Remedies”). Issues concerning the proper venue for filing such actions and whether they may pre-empt subsequent claims for substantive remedies should be considered in the context of the Brussels I Regulation”.²⁶¹

The proposals to revise the CTMR have avoided this issue, and any changes would be best directed under the revisions planned for the Enforcement Directive **It is recommended that there be no changes in the Design Regulation.**

4.5 Ex ante examination of novelty and individual character

a) *Relevant provisions*

Recital 20 of the Design Regulation provides that the registration system for Community Designs “*should in principle not be based upon substantive examination as to compliance with the requirements for protection prior to registration, thereby keeping to a minimum the registration and other procedural burdens on applicants*”. In respect of national design rights, the Design Directive has no such provision.

b) *Empirical evidence and legal analysis*

Despite the Design Directive remaining silent on the issue of ex ante examination of novelty and individual character, the majority of the Member States examined (including the Benelux I.P. Office, Austria, Denmark, France, Germany, Italy, Poland, Portugal, Sweden, Spain and the United Kingdom) have opted not to conduct such an ex ante examination.

However, some Member States retain a system of *ex ante* examination of novelty and individual character:

- of the various Member States specifically reviewed in this study, the Czech Republic was the only one to have such a system in place;
- according to responses to AIPPI in 2012, Finland and Hungary also do so;²⁶²
- according to their responses to WIPO’s 2008 Questionnaire, so do Romania and Slovakia.

It should be noted that such *ex ante* examination exists in respect of trademark registration. The *ex ante* examination is usually limited to whether or not the applicant satisfies the formal requirements for registration, or whether the design is contrary to public morality (which is a rare event). Thus, the position in the majority of Member States in relation to the national design right reflects the position of the Design Regulation in respect of the Community Design Right, where the EUIPO does not conduct *ex ante*

²⁶¹ Max Planck Study, para. 3.139, p. 158.

²⁶² Hungary is the only EU Member State within the Hague system to list itself as an “examining office”.

examination. Beyond Europe, it is noted that Singapore has recently decided against introducing ex ante novelty examination.²⁶³

The ex ante examination of novelty and individual character upon registration is unhelpful and does not bring any significant benefits to users because:

- it adds to the administrative burden of the office, where costs tend to be passed on to applicants (or at least any savings due to the abolition of ex ante examination could be passed on to applicants);²⁶⁴
- it risks lengthening the average waiting time for registration. It is notable that in the Czech Republic, where ex ante examinations are conducted, the average waiting time for registration is 6 months. This can be contrasted with Member States which do not conduct ex ante examination such as Denmark (1-6 weeks) and the Netherlands (as little as 24 hours).²⁶⁵

There is, thus, a strong case for abandoning such a system, especially as there are only five Member States which currently adopt the practice.

The argument in favour of ex ante examination is that it provides more certainty, and prevents the filing of designs which are, in practice worthless, on the basis that they would not stand up to a challenge to their validity. However, the ex ante examination can only ever give part of the picture. While it can give an applicant an indication that their design is not obviously lacking in novelty or individual character, it cannot give an indication that it is novel and possessing of individual character. For example, the search conducted by the national office does not include unregistered designs which are already in use.

Another argument in favour of this procedure is that one fringe benefit for the five Member States is that they can deploy the ex ante examination procedure to accumulate more savoir faire and practical experience as to the EU design system, even helping to subsequently establish a robust invalidation procedures and office.

c) Recommendations

It is recommended that no changes occur as this is primarily a matter for national offices to determine, it may not be politically feasible in some of the more recent EU members to switch their intellectual property infrastructure, and finally, there may be a benefit in that it will assist in having a more experienced invalidation office. Finally, the administrative burden and delays that the system appears to entail may eventually persuade those remaining national offices to abandon the system.

²⁶³ Final Report on the Review of Singapore's Registered Designs Regime, 16th March 2016, Ministry of Law and Intellectual Property Office of Singapore, Recommendation 11 & paras 3.1.1 - 3.1.8

²⁶⁴ A recent study conducted a comparison of registration fees with respect to trademark and design filings, and found that in the vast majority of Member States, the fees for registering trademarks were significantly higher than for registering designs. In addition, the filing fee at OHIM was noted to be 3 times higher for trademarks than for designs.

²⁶⁵ See the Interview Report at Annex 2.

5. Other issues arising in design law

This chapter continues to discuss other provisions and issues which arise in the context of the Design Directive. The discussion below does highlight the aspects of EU design law which have been successfully implemented.

5.1 Novelty

a) Relevant provisions

Article 4 of the Design Directive and Article 5 of the Design Regulation provide, in short:

“A design shall be considered to be new if no identical design has been made available to the public...”

Designs shall be deemed to be identical if their features differ only in immaterial details.”

The novelty test requires a comparison between the design under consideration and previous designs in the prior art, which is done by assessing a) the disclosure of identical designs “made available to the public” and b) if the design features differ in material details. With regard to the concept of “making available to the public”, the Design Regulation makes a distinction between registered and unregistered designs, where for the first provision is made for designs for which priority is claimed (date of priority).

b) Implementation and interpretation

There are no significant differences between the definitions of novelty in the national provisions and the definition in the Design Directive²⁶⁶. The general interpretation is that a design will satisfy the novelty criterion so long as no identical or almost identical design has been disclosed previously.²⁶⁷ The EUIPO decisions on the novelty provision confirm that a design will not be deemed to be identical to a prior design despite similarities, if it can be shown that the two designs also differ in a number of features, and such features amount to material relevance in judging the appearance of the products.²⁶⁸ The Invalidity division should first list the perceived differences between the two designs, and then assess whether such differences are material or immaterial.²⁶⁹ A difference cannot be regarded as immaterial if it is perceivable when the designs are placed side by side.²⁷⁰ Guidance of the Benelux Office of Intellectual Property follows a similar line of reasoning as the EUIPO, and provides that a filed design should be compared to earlier designs as to their specific features, not according to the overall impression. The guidance also stresses that independent creation is irrelevant; novelty is judged purely objectively, regardless of whether the later design is based on or derived from the similar prior

²⁶⁶ In ES it was noted that there is a slight difference between the Directive and the Spanish provision, which uses the term *hecho accesible al público* (made accessible to the public). Although a leading commentator in Spain has stated this could imply a non-compliance situation with the Directive, in the opinion of our national expert however the difference seems to be minor and unintentional on the part of the Spanish legislator.

²⁶⁷ Italy, Netherlands, Luxembourg, Poland and UK.

²⁶⁸ *Built NY Inc v I-Feng Kao*, OHIM Invalidity Division, 8 May 2006; *Unistraw Asset Holding v Felfoldi Edessegyarto Kft*, OHIM 3rd Board of Appeal, [2010] ECDR 10.

²⁶⁹ Case R 1451/2009-3 *Antrax It srl v The Heating Company BVBA*, Board of Appeal, 2 November 2010

²⁷⁰ T-41/14 *Argo Development and Manufacturing Ltd v OHIM*. 28 January 2015

design. Courts should determine novelty on their own, and not from the perspective of an informed user (that test must be applied in determining individual character and different overall impressions).

As to which features should be considered, the Polish Regional Administrative Court of Warsaw²⁷¹ has held that in regard to novelty, a design must be considered as a whole, not as a set of particular characteristics. This reasoning seems to apply to any design, while it would have been possible to explain in case the design in question involved a more conceptually abstract matter such as texture and materials of the product.

It is also noteworthy that a French Court, which mainly concerned priority, has opined recently that a design cannot be regarded as new if it only adds a few different details to a prior design.²⁷² It is notable that in Portugal, the concept of novelty is based on confusion between designs. Thus, the Portuguese court has held that even where there are differences between the design and a previous design, it may fail the test of novelty if the designs can be confused. This would seem to be a higher threshold for novelty. On the other hand, the Portuguese legislation makes provision for an applicant to register a design which differs from one of his previous designs in only immaterial respects. This would seem to be contrary to the concept of novelty as defined in the Design Directive.

c) Stakeholder views and evaluation

While there was an option in the interviews to raise any issue of concern, according to our assessment of the national research in the selected Member States, novelty did not seem to raise any particulate problems at national level and none of the interviewees mentioned novelty as an issue. It can be said that the novelty test thus does not seem to give rise to any significant problems or obstacles at national level and that article 4 of the Design Directive or article 5 of the Design Regulation do not give rise to any interpretation issues.

Following our research at national level, there seems to be no apparent problem in the implementation or interpretation of the definition of novelty at Member State level, save for the Portuguese anomaly. It seems the general view across the EU is that novelty is an objective test, and does not require an assessment from the perspective of the informed user. It should only be considered if there is a prior design that is not identical. If there is a design which is not, strictly speaking, identical, it should be determined whether the differences are immaterial, for which the assessment may to a certain extent be regarded as arbitrary²⁷³, but which does not appear to give rise to any interpretation issues at national level. As the EUIPO Board of Appeal considered, it is not impossible that a design which passes the test for individual character would fail the test for novelty.²⁷⁴ A practical advantage of the novelty test is that it can act as an initial filter; if the design fails the novelty test, it will most probably not be necessary to spend time and money deciding on the issue of individual character.

²⁷¹ Regional Administrative Court of Warsaw, 11.12.2008, sign. VI Sa/Wa 1827/08.

²⁷² *J.M. Weston v. Capuce*, Cass. Com, 24 June 2014.

²⁷³ Suthersanen, *Design Law in EU and US* (2010), p. 113.

²⁷⁴ 1285/2008-3 *Erich Kastenholtz v Qwatchme A/S*, 2011 ECDC 15 (Board of Appeal, 2 November 2010)

The current provision on novelty in both the Design Directive and Design Regulation are satisfactory, and no change is recommended.

5.2 Designs of interconnections

a) Relevant provisions

Articles 7(2) and 7(3) of the Design Directive and 8(2) and 8(3) of the Design Regulation. Article 7(2) of the Design Directive and article 8(2) Design Regulation read as follows:

“(2) A design right shall not subsist in features of appearance of a product which must necessarily be reproduced in their exact form and dimensions in order to permit the product in which the design is incorporated or to which it is applied to be mechanically connected to or placed in, around or against another product so that either product may perform its function.

Recital 14 of the Design Directive (similarly, Recital 10 of the Design Regulation) provides:

“whereas, ..., the interoperability of products of different makes should not be hindered by extending protection to the design of mechanical fittings; whereas features of a design which are excluded from protection for these reasons should not be taken into consideration for the purpose of assessing whether other features of the design fulfil the requirements for protection.”

Article 7(3) of the Design Directive and 8(3) of the Design Regulation exclude modular products from the interconnection exception, as follows:

(3) Notwithstanding paragraph 2, a design right shall, under the conditions set out in Articles 4 and 5, subsist in a design serving the purpose of allowing multiple assembly or connection of mutually interchangeable products within a modular system.”

Recital 15 of the Design Directive (similarly Recital 11 of the Design Regulation) provides:

“Whereas the mechanical fittings of modular products may nevertheless constitute an important element of the innovative characteristics of modular products and present a major marketing asset and therefore should be eligible for protection.”

b) Implementation and interpretation

This exception has generally been transposed identically in the Member States. In Portugal, the provision contains an additional sentence *“either placing it in its interior, around it or against it, so that both products can perform their function”*. However, this does not seem to make any practical difference, but merely fleshes out the provision of the Design Directive.

Notably, in France the exemption on interconnections is being applied, inter alia, to non-visible parts of spare parts, and there is a debate as to whether it should be applied to

their visible parts²⁷⁵. The majority of the doctrinal discussion²⁷⁶ questions whether the implementation of the exception (and its limitation) is necessary, when interconnections perform a technical function, thus being already excluded from protection.

In Italy, jurisprudence historically found that imitation of the shape of mutually interchangeable products was not allowed even after the expiration of the design right, and was considered an act of ‘slavish *imitation*’, and therefore unfair competition. This principle has however now been overruled and repealed.²⁷⁷

It is also worth mentioning UK case law on the applicability of the exclusion clause and the concept of ‘product’. While the notion of ‘product’ is defined in the Design Directive and Design Regulation as an ‘*industrial or handicraft item*’, and not to a design which is to be placed against a ‘naturally occurring object’ (such as the human body), the UK courts have disallowed design protection for a naturally occurring object, such as lenses which must fit the eye.²⁷⁸ It is submitted that this is not in accordance with EU law.

Although the concept ‘modular system’, is not defined in the Design Directive or the Design Regulation, our research has not shown that this does not give rise to any interpretation issues at national level. Helpful guidance can be found in the Explanatory Memorandum to the draft Regulation²⁷⁹ and by the EUIPO on its website²⁸⁰:

“The typical example of a modular system is that of building blocks or tiles for children. This notion is also of particular relevance to the furniture industry as it includes items such as desks and tables, which may consist of a number of smaller tables that can be assembled in alternative configurations.”

c) Stakeholder views and Evaluation

The limitation to this exception with regard to mechanical fittings of modular products caters for designs such as building blocks and tiles for children and stacking chairs and/or tables. No noteworthy issues at national level were identified in this regard. It followed from the research at national level that the interconnections exception and its limitation regarding mechanical fittings of modular products did not seem to raise any particular problems at Member State level. No specific question was included concerning interconnections during the interviews or the stakeholder surveys. While there was an option in the interviews to raise any issue of concern, none of the interviewees has mentioned this as an issue.

It appears that the purpose of Article 7(2) of the Design Directive and 8(2) of the Design Regulation is to encourage the interoperability of products of a different make, which should not be hindered by extending protection to the design of mechanical fittings. The EUIPO case law appears to offer clear guidelines on the interpretation of the

²⁷⁵ Passa, Encyclopédie Dalloz, 2014, § 74.

²⁷⁶ *Ibid*, § 75.

²⁷⁷ Court of Cassation, 29/02/2008, n. 5437/08, *Lego case*.

²⁷⁸ *Ocular Sciences Ltd and Another v Aspect Vision Care Ltd and Others* [1996] EWHC Patents 1 (High Court of England and Wales (Patents Court), 11 November 1996); See Suthersanen, *Design Law in EU and US* (2010).

²⁷⁹ Commission Regulation Proposal, 15: “*fittings which permit a chair of a specific make to be fitted in rows to other chairs of the same make or permit the chairs to be stacked or the interconnecting elements of toys designed with a view to being assembled . . .*”

²⁸⁰ <https://oami.europa.eu/ohimportal/en/cd-general-questions#1.8>, lastly checked on 25/11/2015.

exception.²⁸¹ Unlike the exception concerning designs solely dictated by technical function, our research has shown that this exception has not created any significant difficulties at national level, with regard to its application or interpretation. It should however be noted that the UK courts seem to misinterpret the notion of ‘product’ within the meaning of the interconnection exception, by disallowing protection to a naturally occurring object (such as the human body).

The exception concerning interconnections is clear and unproblematic, and it is recommended that no change is needed.

5.3 Designs contrary to public policy/public morality

a) *Relevant provisions*

Article 8 of the Design Directive provides that a national design right will not subsist in a design which is “*contrary to public policy or to accepted principles of morality.*” For the Community Design, Article 9 of the Design Regulation sets out an identical provision. Recital 16 of the Design Directive states that it “*does not constitute a harmonisation of national concepts of public policy or accepted principles of morality.*”

b) *Implementation and interpretation*

This exception has been transposed almost identically in all Member States, with a few Member States fleshing out the provision as follows:

- some Member States (Italy, Poland) have specified that a design shall not be considered contrary to public policy or public morality just because it is against the law (with the exception of Portugal)
- under the Benelux Convention, the Benelux Office must test whether a design for which registration is sought is contrary to public policy or morality, and if it is, the applicant can either voluntarily withdraw the application or the Office can initiate proceedings to invalidate the applicant;²⁸²
- in Denmark, guidelines of the Danish Patent and Trademark Office²⁸³ state that the evaluation of the public policy exception must be compared to the evaluation of public policy in relation to trade marks.²⁸⁴
- in Poland, the Court clarified that this exception relates to the characteristics of the design itself rather than to the behaviour of the applicant (such as bad faith while submitting an application for registering a design).²⁸⁵

c) *Stakeholder views and evaluation*

²⁸¹ Case ICD 8384 *Camatic Pty Limited v Bluecube Limited* (Invalidity Division, 9 January 2012).

²⁸² Art. 3.13, and Art. 1.14 BCIP.

²⁸³ <http://deguidelines.dkpto.dk/aa/betingelser-for-designregistrering/offentlig-orden-og-saedelighed.aspx>

²⁸⁴ The PTO declines the registration of a design which contains a racial slur or religious symbols, but rarely designs of a sexual nature - see PTO Decision DA 2003 00220 (the design of an erotic tool was held not to be contrary to public morality).

²⁸⁵ Decision of the Patent Office of 1/06/2009; sign. Sp. 502/06, not published; Regional Administrative Court of Warsaw (decision of 16.02.2012, sign. VI Sa/Wa 1717/11).

The EUIPO's guidelines on the matter are:

"It is not necessary that the use of the design would be illegal and prohibited. However, illegality of the use of the design under European or national legislation is a strong indication that the design should be refused under Article 9 CDR. The safeguard of public policy may be relied on to refuse a Community design application only if there is a genuine and sufficiently serious threat to a fundamental interest of society (judgment of 14/03/2000, C-54/99, 'Église de scientologie', para. 17). Designs which portray or promote violence or discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation will be refused on that account (Article 10 of the Treaty on the Functioning of the European Union)."

As the provision relates to an internationally accepted policy in intellectual property laws of not according protection where public morality is offended or if the protection is against public policy,²⁸⁶ and **did not seem to raise any particular problems at Member State level, with none of the interviewees raising it as problematic, it is recommended that no change is required.**

5.4 Rights conferred by a design and limitations

a) Relevant provisions

Article 12(1) of the Design Directive and Article 19(1) of the Design Regulation provide, respectively, that a national design right and a Community Design shall:

"confer on its holder the right to use it and to prevent any third party not having his consent from using it. The aforementioned use shall cover, in particular, the making, offering, putting on the market, importing, exporting or using of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes."

Article 13(1) of the Design Directive and Article 20(1) of the Design Regulation set out the limitations to the exercise of these rights in respect of:

*"(a) acts done privately and for non-commercial purposes;
(b) acts done for experimental purposes;
(c) acts of reproduction for the purpose of making citations or of teaching, provided that such acts are compatible with fair trade practice and do not unduly prejudice the normal exploitation of the design, and that mention is made of the source."*

In addition, Article 13(2) of the Design Directive and Article 20(2) of the Design Regulation set out the limitations to the exercise of these rights in respect of:

"(a) the equipment on ships and aircraft registered in a third country when these temporarily enter the territory of the Community;

²⁸⁶ Examples of such provisions include, *inter alia*, the following: Article 27(2) of TRIPS Agreement in relation to patents; Article 53(a) European Patent Convention; s.43(1) Registered Designs Act, 1949 (UK); L 512-2(2) of 1992 Intellectual Property Code, Book IV (France); Article 1504.01(d) of the United States Manual of Patenting Examining Procedure (MPEP) applicable to both patent and design applications; Article 5 (i) of the Japanese Design Law (Law No. 125 of April 13, 1959, as last amended by Law No. 30 of 1990; Article 3(1)(f) EC Trademark Directive of December 21, 1988, (89/104/EEC); Article 6 quinquies Marks, B3 of the Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised at Stockholm on October 2, 1979.

- (b) *the importation in the Community of spare parts and accessories for the purpose of repairing such craft;*
 (c) *the execution of repairs on such craft.”*

b) Implementation and interpretation

1. Rights conferred

The rights conferred by the design and the limitations to the exercise thereof were generally transposed identically by the Member States reviewed during this study, with a few minor textual variations. Many Member States grant a right to prevent a 3rd party from not just using the registered design, but also any other design which does not produce a different overall impression on the informed user.²⁸⁷

Several Member States have included slight variations of, or additions to the types of actions which constitute “use”. For example, in Italy, use includes “holding of a design for any of the aforementioned purposes”. In France, use expressly includes “possession for these purposes”. In the Netherlands, use includes “delivery, hire or stocking”. However, these definitions do not deviate from those in the Design Directive, but rather they add extra examples of use, noting that the list of actions which constitute use is non-exhaustive. In Spain, the words “in particular” are omitted. However, this definition of use is nonetheless regarded as “open-ended”, and thus consistent with the Design Directive. In Poland, the scope of the right is expressed as extending only to the types of products in respect of which protection has been applied for.

2. Limitations

All of the Member States examined have transposed the limitations set out in Article 13 of the Design Directive. There are a few minor differences in some national measures including the following:

- in Lithuania, all 3 of the Article 13(1) limitations are limited to acts which are “compatible with fair trade and commercial practice and do not unduly prejudice the lawful interests of the rightholder”. This differs from the Design Directive, where only the exception in Article 13(1)(c) is subject to this qualification;
- in Poland, Article 13(1)(a) is transposed into national law as being for acts done “privately or non-commercially” rather than “privately and non-commercially”. In addition, the qualification to the Article 13(1)(c) limitation mentions acts compatible with “fair practice” rather than “fair trade practice”;
- in Denmark the transposition of Article 13(1)(a) refers only to acts done privately (the term “non-commercial” is omitted).
- in Lithuania, Article 13(2) is extended to all modes of transport rather than just aircraft and ships;
- the UK has introduced further limitations, in relation to (i) acts committed before registration, (ii) “Crown” use that allows any government department and any authorized person to use a UK registered design or Community design “for the

²⁸⁷ Austria, Germany, Italy, Lithuania, Netherlands, Poland and Spain.

services of the Crown” (but compensation should be paid to the rightholder on the basis of lost profits), and (iii) prior user right: this limitation applies to any person who, before the application date for a UK or EU registered design used a registered design in good faith or made serious and effective preparations to do so.

- in France and the Netherlands, a further limitation has been noted by the courts, where freedom of expression is concerned. These cases related to artistic or satirical works which used the registered designs to make a statement.

a) Legal Analysis

The rights conferred by a design and the limitations thereto have not caused any major difficulties in practice, save in relation to spare parts and 3D printing.²⁸⁸

The option of broadening the definition of use in order to incorporate “threatened use” should be explored. Currently, Community Design Courts only have exclusive jurisdiction over actions for threatened infringement to the extent that such actions are permitted under the national law of the Community Design Court in question (Article 81(a) of the Design Regulation)²⁸⁹. **It is recommended that further consultation should be made in respect of Article 19(1) of the Design Regulation as to whether the notion of use would be defined as covering “threatened use”, in order to facilitate more consistent protection of the unitary Community Design Right. However, any such consultation should bear in mind the impact possible revisions of the Enforcement Directive.**

5.5 Other forms of protection: national unregistered design right, unfair competition and passing off

a) Relevant provisions

There was no attempt to introduce national unregistered design rights under the Design Directive. Article 16 of the Design Directive confirms that the directive does not prejudice any Member State’s laws on unregistered design rights, civil liability or unfair competition. Article 1(2)(a) of the Design Regulation provides that a design will be protected by an unregistered Community design if made available to the public in the manner provided for in the Design Regulation.

b) Legal Analysis

1. Unregistered design right

Apart from the United Kingdom, no other national legal system under review comprises an unregistered design right. There are, moreover, no current legislative initiatives/proposals to introduce such a right in the future

The UK unregistered design right is a hybrid right, incorporating elements of both copyright and design laws. The criterion of protection under the UK regime is “originality”,

²⁸⁸ The limitation in relation to acts done privately and for non-commercial purposes; and in respect of spare parts is discussed in Section 5.

²⁸⁹ For a further discussion of the jurisdictional rules, please refer to Chapter 4.4.

as opposed to novelty or individual character. Conflicts could theoretically occur should a designer claim both the national unregistered right, as well as the Community design right. In a recent decision, the UK court merely considered the design separately under the Community design law and the UK unregistered right, holding infringement under both laws.²⁹⁰ A study has shown that the UK Unregistered Design Right is used very often as a means of enforcement in the UK, and has a higher ratio in terms of court decisions, as compared to the UK registered right, and the Community Design right.²⁹¹

2.Unfair competition and passing off

The appearance of a product may be protected by unfair competition (France, Netherlands: “slavish imitation”, Sweden: “misleading imitation”) or passing off (UK and Ireland) laws. Rules such as unfair competition and passing off tend to focus on the use of the design, which is somehow regarded as unfairly prejudicing the interests of a party, and the unacceptable behaviour of the infringing party. In that sense, such provisions should not impact negatively on the unitary protection of the design right. The danger of applying unfair competition laws too liberally, however, to protect intellectual property subject matter is that an untenable monopoly can arise in relation to a design which has either been denied protection under other intellectual property rights or ceased to be protected under any intellectual property rights. Unfair competition laws can undermine the delicate balance between intellectual property laws and competition laws, thereby resulting in anti-competitive protection of designs. With this in mind, most courts in Member States have been reluctant to extend unfair competition protection to designs which have already enjoyed protection under design or copyright laws. The general principle is that the imitation of designs and other shapes is allowed if they are not protected by other intellectual property laws. This is especially true in the absence of further and special circumstances, such as behaviour contrary to ethical business practices, misleading or confusing behaviour, or unfair exploitation of the plaintiffs’ goodwill or obstructing the plaintiff from exploiting the economic benefits of his products.

As no major problems arise in practice, it is recommended that no change be made to Article 16 of the Design Directive.

5.6 Multiple applications

a) Relevant provisions

Recital 6 of the Design Directive provides that Member States will be free to “*fix the procedural provisions concerning registration, renewal and invalidation of design rights*”. Article 37 of the Design Regulation sets out the provisions regarding multiple applications, making the possibility of multiple applications “*subject to the condition that the products in which the designs are intended to be incorporated or to which they are intended to be applied all belong to the same class of the International Classification for Industrial Designs*”.

²⁹⁰ *Whitby Specialist Vehicles Ltd v Yorkshire Specialist Vehicles Ltd*, Amer Rubani, Omar Rubani, Ghulam Rubani [2015] E.C.D.R. 11.

²⁹¹ E. Derclaye, *Decade of Registered and Unregistered Design Rights Decisions in the UK: What Conclusions Can We Draw for the Future of Both Types of Rights*, IP Theory, Vol. 3, Issue 2 (2013), pp. [xii]-157.

b) Implementation and interpretation

Multiple applications are possible in all the Member States which were reviewed during this study. In most Member States, there is a requirement that the designs be subject to the same Locarno Classification. The exceptions are Germany, Luxembourg, the Netherlands, Poland and the UK. However, in Poland, the applications must all relate to the same design, meaning that in practice they would be expected to belong to the same Locarno Classification. In France, there is an exception to the requirement of belonging to the same class in respect of designs pertaining to industries that change the form and presentation of goods frequently.

The maximum number of designs which can be included in a multiple application varies. In Austria, Spain, Luxembourg and the Netherlands, up to 50 designs can be included, while up to 100 can be included in Germany, Lithuania and Portugal. In the UK, there is no limit.

c) Legal Analysis and Recommendations

As there are no rules in the Design Directive dictating the number of designs which can be included in a multiple application, nor the conditions according to which they can be submitted, it is unsurprising that there are differences among the Member States. The majority view among interview participants from intellectual property offices was that the requirement for the designs to fall within the same Locarno Classification was either not helpful or no longer necessary. However, there were a few who thought it was useful. The existence of different requirements across the different Member States may, in principle, hinder the cross-border registration of multiple designs. However, there was no evidence of this problem in practice.

In relation to the Community Design, the requirement to fall within the same Locarno Classification should be read in light of the aim set out in Recital 18 of *“keeping to a minimum the registration and other procedural burdens on applicants.”* Multiple applications, which facilitate the registration of several designs with a single application, and which cost less than a series of individual filings, would seem *prima facie* to achieve this aim. Abolishing the requirement for designs in multiple applications to belong to the same Locarno Classification may result in a lower average fee per design being received by the EUIPO. However, if this potential loss of revenue were offset by the resources saved due to the lessening of the administrative burden, it is submitted that the abolition of the requirement would follow the spirit of Recital 18.

5.7 Exhibition priority**a) Relevant provisions**

Article 44 of the Design Regulation provides for exhibition priority, whereby an applicant can claim priority for a design if he files it within 6 months of the initial disclosure at an exhibition. To do so, he *“must file evidence that he has disclosed at an exhibition the products in or to which the design is incorporated or applied.”* The Design Directive does not contain a corresponding provision. However, the Member States are signatories of the Paris Convention for the Protection of Industrial Property (the “Paris Convention”), Article 11 of which provides:

“The countries of the Union shall, in conformity with their domestic legislation, grant temporary protection to ... industrial designs ... in respect of goods exhibited at official or officially recognized international exhibitions held in the territory of any of them.”

b) Implementation and interpretation

While the Design Directive does not contain provisions on exhibition priority, some countries do provide for a special “exhibition priority, by virtue of their status as signatories of the Paris Convention. It should be noted, however, that the Paris Convention does not require “exhibition priority”, and many Member States have chosen to meet this obligation by providing a grace period (which gives no protection against intervening disclosures) rather than a priority right (which does give such protection).

c) Legal Analysis and Recommendations

The EUIPO’s practice note on exhibition priorities notes the following:

“It is important to underline that this provision ... is limited to exhibitions recognised under the Convention on International Exhibitions of 22.11.1928 and that only a very small number of exhibitions, in particular world exhibitions, fall under this provision ... For the time being and for the foreseeable future, there is no exhibition that would qualify for protection under these provisions. ... Applicants for Community designs and their representatives are therefore advised not to claim exhibition priorities for national exhibitions which do not fall under Article 44 of the Design Regulation.”²⁹²

The focus of many industries is on specific trade fairs, organised by private entities. In many Member States, exhibition certificates from such entities are accepted as evidence of priority. Countries with the exhibition priority include Hungary, Czech Republic, Germany, Spain Denmark, Croatia, Lithuania, Slovak, Latvia, Romania, Slovenia, Bulgaria and Poland.²⁹³ Those without it include the UK, Ireland and Estonia.²⁹⁴

However, this protection is outside the scope of the current CDR exhibition priority and The EUIPO does not accept such certificates.²⁹⁵ An interview participant from The EUIPO suggested that applications for exhibition priority based on such certificates are extremely rare. Indeed, the views gathered during the survey of industry stakeholders seemed to support the view of The EUIPO that this is not a major problem.²⁹⁶

²⁹² OHIM Communication No 1/03 of the President of the Office of 27 January 2003.

²⁹³ The data presented in this paragraph is a summary of the following treatises and manuals fully cited above: Gray & Gao *Industrial Design Rights* (2015); Zapatero *World Manual on Utility Models, Industrial Models and Designs* (2012); Reverdin *Katzarov's Manual on Industrial Property* (1981) ; Macdonald, Suthersanen et. al. *Design and Copyright Protection of Products* (1997); Greene, *Designs & Utility Models Throughout the World* (2001).

²⁹⁴ Macdonald, Suthersanen et. al., *ibid*.

²⁹⁵ An interview was conducted with an individual from European Major Exhibition Centre Association (EMECA), in order to gather their views on the issue, and it was clear that EMECA was unhappy with the current OHIM practice.

²⁹⁶ The overwhelming majority of survey respondents did not regard the current rules on exhibition priority as problematic.

It is recommended that in view of the minimal number of such exhibitions, and of the fact that Member States have some form of protection for such exhibitions in their national laws, it is doubtful whether a practical need for harmonization exists.

5.8 Deferred publication

a) Relevant provision

Article 50 of the Design Regulation provides for publication to be “*deferred for a period of 30 months from the date of filing the application or, if a priority is claimed, from the date of priority*”.

Recital 6 of the Design Directive provides that “*Member States should accordingly remain free to fix the procedural provisions concerning registration, renewal and invalidation of design rights and provisions concerning the effects of such invalidity*”.

b) Implementation and interpretation

Many of the Member States studied have provisions concerning deferred publication.²⁹⁷ Like Article 50 of the Design Regulation, the provisions allow for a deferral of publication for a certain period from the date of filing, or if priority is claimed, from the date of priority. However, the period of deferral varies significantly across the Member States. The periods of deferral are 6 months (Denmark, Sweden) to 12 months (Netherlands, UK, Luxembourg,

Slovenia), 18 months (Austria) and 30 months (Czech Republic, Spain and Lithuania). However, some Member States have no such provision (Poland²⁹⁸, and Italy²⁹⁹).

The usage of the system does not appear tremendous: in the Czech Republic, it was noted that 5% of applicants use the deferred publication facility; while in Slovenia, fewer than 10% use it; and in Sweden it was estimated that 20% of applicants used this option.

c) Legal Analysis and Recommendations

Most Member States have made provision for deferred publication, and do not cite any difficulties with the system.

In the Member States where deferred publication is possible, it was generally noted that there were no problems with the system, despite it being a problem in one Member State (Poland). The only possible issue might be that the differing periods of deferment may impact legal certainty and cross-border activity; these were not specifically measured in this study, so it is not possible to conclusively state whether or not this is a problem.

²⁹⁷ In Austria, they are “secret publications”.

²⁹⁸ In an interview with the Polish intellectual property office, it was noted that such a facility creates legal uncertainty.

²⁹⁹ According to their responses to the 2008 WIPO Questionnaire, Bulgaria is yet another example of a Member State without this provision.

It is recommended that it may be helpful to discuss this among national offices, as it may be that the concerns of some Member States can be assuaged by the sharing of experiences by the other national offices. It was unclear from the empirical data collection in the Member States the extent to which the divergent periods of deferment among Member States are simply due to a lack of legislative convergence, or if there is any basis for the diverging periods. The possibility of a common deferment period should be discussed among Member States, bearing in mind the need to accommodate the views of those Member States who do not provide for deferment.

5.9 Recommended amendments to align with other legislative instruments

The following tables set out the recommended amendments to the Design Directive and Design Regulation in order to ensure that the instruments are aligned with other key intellectual property law instruments at EU and international level.

Table 11: Recommended additions to the Design Directive to align with the EU Trade Mark Directive and draft WIPO legislation

Article	Change	Basis
Transfer	<i>ADD PROVISION</i>	EUTMD Art 22; WIPO Draft Article 19
Rights in rem	<i>ADD PROVISION</i>	EUTMD Art 23; CDR Art 29
Levy of execution	<i>ADD PROVISION</i>	EUTMD Art 24; CDR Art 30
Licensing	<i>ADD PROVISION</i>	EUTMD Art 25; CDR Art 32; Draft WIPO Article 15
property	<i>ADD PROVISION</i>	EUTMD Art 26; CDR Art 34
Application requirements	<i>ADD PROVISION</i>	EUTMD Art 37; CDR Art 36; Draft WIPO Article 3; WIPO Draft Article 5(2)(b)(iii); CDR Article 25(6), Directive Article 11(7), Hague Agreement Administrative Instructions Section 403
Date of filing	<i>ADD PROVISION</i>	EUTMD Art 38; CDR Art 38(1) & 36; Draft WIPO Article 5
Indication of products	<i>ADD PROVISION</i>	EUTMD Art 39; CDR Art 36(6); CDIR Article 3(2)
Amendment or division	<i>ADD PROVISION</i>	EUTMD Art 41; Draft WIPO Article 8
Invalidity	<i>ADD PROVISION</i>	EUTMD Art 45; CDR Arts 24, 52; TRIPS, Article 32 (by analogy)
Renewal	<i>ADD PROVISION</i>	EUTMD Art 49; Draft WIPO Article 11
Communication	<i>ADD PROVISION</i>	EUTMD Art 50; Draft WIPO Article 10
Cooperation	<i>ADD PROVISION</i>	EUTMD Art 51 & 52
Data Protection	<i>ADD PROVISION</i>	EUTMD Art 53
Name etc changes	<i>ADD PROVISION</i>	Draft WIPO Article 20
Corrections	<i>ADD PROVISION</i>	Draft WIPO Article 21
Non-Recording	<i>ADD PROVISION</i>	Draft WIPO Article 17(1)
Indication of Licence	<i>ADD PROVISION</i>	Draft WIPO Article 18
Publication	<i>ADD PROVISION</i>	Draft WIPO Article 9
Relief	<i>ADD PROVISION</i>	Draft WIPO Article 12
Restitutio	<i>ADD PROVISION</i>	CDR Article 67; Draft WIPO Article 13

Priority claim	<i>ADD PROVISION</i>	Draft WIPO Article 14
Continuation	<i>ADD PROVISION</i>	EUTMR Article 82; referred to in Draft WIPO Article 12(2)
Paternity	<i>ADD PROVISION</i>	CDR Art 18

Table 12: Recommended amendments to the Design Directive

Article	Change	Basis
12 – rights conferred by a design	Add provisions for re-export; also for "contributory infringement" to cover 3D printing	EUTMD Art 2 & 10(4); CDR Art 89(1)(c)
14 - spare parts	Repair Clause	CDR Art 110 and Recital 13

Table 13: Recommended amendments to the Design Regulation to align with the EU Trade Mark Regulation

Article	Change	EUTMR Article
Throughout	Replace 'Community design' by 'European Union design', and "EU design" Replace 'Community', 'European Community' and 'European Communities' by 'Union' Replace 'President of the Office' and all references to that President by 'Executive Director of the Office' / 'Executive Director' Replace 'Implementing Regulation' by 'acts adopted pursuant to this Regulation'	1
Throughout	Adopt delegated lawmaking by the Commission as under the CTMR	
19 Infringement	Add re-export provision	9(4)
21 Exhaustion	Align - EEA	13(1)

28 Transfer	Align - add rejection	17
29 Rights in rem	Align - add cancellation	19
30 Levy of execution	Align - add cancellation	20
32 Licensing	Align - add cancellation	22
32a Procedure for recording	Add	22a
32b Procedure for cancelling	Add	24a
35 Filing	Align - add filing receipt	25(2)
40 Classification	Add reference to Vienna Classification	--
47a Division	Add	44
48 Registration	Align - add (electronic) certificate	45(2)
49 Publication	Align - add correction	39(3)
50a Change	Add	48a
51 Surrender	Align	50
57 Appeal	Align - add point not raised	60(2)
60a Revision	Add	62
61 Actions before the Court	Refer to General Court	65
62 Decisions	Align - replace	75
65 Evidence	Align - notice and expenses	78
66 Notification	Align - replace	79
66a Loss of rights	Add	79a
66b Communications	Add	79b
66c Time limits	Add	79c
66d Correction	Add	79d
66e Revocation of decisions	Add	80
67a Continuation	Add	82
67b Interruption	Add	82a

68 General Principles	Align - replace	83
70 Costs	Align	85
71(2) Enforcement	Align 2nd sentence	86
72 Register	Align - replace	87
72a Database	Add	87a
74 Inspection	Align	88
75 Cooperation	Align	90
77 Representation	Align	92
78 Representatives	Align - "EEA"	93
79 Brussels Convention	Align - Brussels has been replaced	94
89(1)(c) Seizure	Align - replace (follows Enforcement Directive)	102(2)
104 Department	Refer to Art 133 EUTMR	133
106e Refusal	Align	154
106g Legal effect of transfer	Add	158a
106h Legal effect of recordal	Add	158b
106i Communications	Add	161a
106j Languages	Add	161b
109 Committee	Delete	162
109a	Cross-refer to 161a, 163 163a and 165 mutatis mutandis	161a, 163 163a and 165

Table 14: Other recommended amendments to the Design Regulation

Article	Change	EUTMR Article
96(2) Copyright	Clarify effect of <i>Flos</i> judgment	--
110	Align wording with Recital 13	--
110a(5)	Amend to clarify whether Unregistered Community Design exists if first disclosure is outside the EU	--

6. Optimisation of the EU design regime

The general aim of the study is to analyse whether the existing EU framework for design protection offers an innovation-friendly environment. Two of the further aims of the study is to evaluate whether the current legal infrastructure will withstand the test of time, and whether it will remain adaptable in light of future technological changes in relation to 3D printing, and the spare parts issue.

6.1 Three Dimensional (3D) Printing

a) 3D Printing and IPRs

At the most basic level, 3D printing technology can be understood as being a low cost means of easily reproducing objects that could potentially be protected by intellectual property rights, including design rights.³⁰⁰ The issue which arises is whether the current legal regime offers a balance between innovation and misappropriation.

On the one hand, it is evidenced that 3D manufacturing occurs in the fashion industries (to produce prototypes and models), and in consumer goods markets to manufacture products such as toys, games, home furnishings, sports equipment etc. artists, jewellers and fashion designers are also deploying the technology in a range of ways including to produce one off bespoke pieces.³⁰¹ Moreover, it is possible to have a 3D printer at home and several online platforms have emerged making it possible for individual creators and consumers to share ideas and designs or have their own creation produced.

On the other hand, it is becoming increasingly clear that consumers will claim the right to use 3D machines, and claim private use privileges under fair dealing, or private, non-commercial use defences. Such entitlements should be balanced against the rights of intellectual property owners to curb misappropriation of their inventions and creations. Indeed, the oft-cited claim is that 3D printing is a “technology that will do for physical objects what MP3 files did for music and film”.

To this end, this section confines its analysis the legal implications of 3D printing vis-a-vis the private and non-commercial clause within the Design Directive (and the Design Regulation). The area has already attracted much scholarship and opinion, especially from the United States legal sphere. It is clear that the technology will cut horizontally across various intellectual property rights, and industrial disciplines.³⁰²

³⁰⁰ In relation to the challenges and opportunities presented by 3D printing in the EU region, see *Opinion of the European Economic and Social Committee on Living tomorrow. 3D printing - a tool to empower the European economy*, CCMI/131 - Additive manufacturing, Brussels, 28 May 2015; Scapolo, F., Churchill, P., Castillo, H. C. G. & Viaud, V., “How will standards facilitate innovation and competitiveness in the European Union in the year 2025?”, December 2012. DRAFT FORESIGHT STUDY, s.l.: European Commission.

³⁰¹ AM Platform, *Additive Manufacturing: Strategic Research Agenda*, 2015 at 30, available <http://www.rm-platform.com/linkdoc/AM%20SRA%20-%20February%202014.pdf>

³⁰² For a discussion on copyright law, see Brian Rideout, *Printing the Impossible Triangle: The Copyright Implications of Three-Dimensional Printing*, 5 J. Bus. Entrepreneurship & L. 161, 163–64 (2012); Haritha Dasari, *Assessing Copyright Protection and Infringement Issues Involved With 3D Printing and Scanning*, 41 AIPLA Q.J. 279 (2013); Edward Lee, *Digital Originality*, 14 Vand. J. Ent. & Tech. L. 919 (2012); Michael Weinberg, *What's the Deal with copyright and 3D printing? public knowledge*, 2013, available at https://www.publicknowledge.org/files/What's%20the%20Deal%20with%20Copyright_%20Final%20version2.pdf; Lucas Osborn, *Of PhDs, Pirates, and the Public: Three-Dimensional Printing Technology and the Arts*, 1 TEX.

b) Relevant provisions

There are no specific provisions within the current design laws which refer to 3D printing, either in relation to definitions or permitted activities. Nonetheless, some 3D printing activities would come within the safe harbour offered under Article 13(1)(a) of the Design Directive (and Article 20(1)(a) of the Design Regulation) which provides that the rights conferred by a design right shall not be exercised in respect of “*acts done privately and for non-commercial purposes*”.

c) Legislative basis and implementation

This limitation to the exercise of the rights conferred by a design has been transposed in the Member States without any major difficulties. In Poland, there was a slight issue, as “privately *and* for non-commercial purposes was transposed as “privately *or* for non-commercial purposes”. However, the issue has not so far given rise to any problems in that Member State, and there has been, as yet, no case law.

In order to assess the viability of the pertinent provision it is necessary to understand its historical background. The provisions of Article 20(1)(a) of the Design Regulation and Article 13(1)(a) of the Design Directive have both their template in Article 27 (a) of the Community Patent Convention 1989 relating to patent rights. The rationale for exempting private and non-commercial uses was based on the belief that patent rights should not encroach into the private sphere - the “sanctuary of the family”.³⁰³ This means that the right holder should only be protected against acts committed within the marketplace and in competition with him.³⁰⁴ Additionally, private and non-commercial use was considered not to substantially affect the commercial interest of the right holder and that the enforcement of patent rights would raise the transaction costs of the patent system.³⁰⁵

It becomes clear that the above-mentioned underlying rationale for exempting private and non-commercial uses may be diluted in light of 3D printing. Consumers could rely on the defence against a claim of infringement which would invariably affect right holders where this becomes a mass phenomenon.

It is further arguable that the current exception could become contrary to Article 26(2), TRIPS Agreement which provides that all exceptions to the exclusive rights of right holders need to be compliant with the 3-step test. Of particular import is the second step which mandates that an exception in the design law of WTO Member States must not “unreasonably conflict with the normal exploitation of protected industrial designs”. Where

A&M L. REV. 811 (2014). For a discussion on patents and 3D printing, see Deven R. Desai & Gerard N. Magliocca, Patents, Meet Napster: 3D Printing and the Digitization of Things, 102 Geo. L.J. 1691 (2014); Davis Doherty, Downloading infringement: patent law as a roadblock to the 3D printing revolution, Harvard Journal of Law & Technology, Volume 26, Number 1 Fall 2012. For a discussion on design and trade mark law, S. Bradshaw, A. Bowyer & P. Haufe, The Intellectual Property Implications of Low-Cost 3D Printing, (2010) 7:1 SCRIPTed 5.

³⁰³ Josef Kohler, *Handbuch des deutschen Patentrechts in rechtsvergleichender Darstellung* (Bensheimer 1900) 432.

³⁰⁴ The European Commission transferred this rationale from patent law to designs – Green Paper on Industrial Design, p. 90.

³⁰⁵ That an excessive scope of protection of intellectual property works will inevitably result in market failure is pointed out by Posner, whose view is that incremental protection will raise the costs the market will experience in creating subsequent works; at times, it is even in the creators' interests to limit intellectual property rights to minimise possible market failure. ^{See} R. Posner, *Economic Analysis of Law*, Little Brown and Co.: Boston, 1992, pp. 41-42.

private parties are able to reproduce objects covered by design rights rather than purchasing the respective objects offered by the right holder or under his authorization, this could arguably be termed as affecting the “normal exploitation” of the design by the right holder.³⁰⁶ The private and non-commercial use exception could also violate the third step of Article 26(2) which holds that the exceptions should not “unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.”

d) Legal Analysis

The discussion of 3D printing requires more than just a legal assessment, but needs to take into account technological, economic and environmental discourses. While the discussion of balancing the potential benefits and harm of 3D printing is a complex one, it is clear that one potential harmful activity which may be facilitated by 3D printing is the spread of counterfeit goods. And while there is no doubt that 3D printing may bring many benefits, a balance needs to be struck between protecting the legitimate interests of rightholders and encouraging technical innovation.

In terms of economic impact, 3D printing is likely to lead to increased customisation, which in turn is likely to “create considerable added value”.³⁰⁷ Thus, when considering how to regulate 3D printing, it is necessary to appreciate the trade-off between the potential loss caused to the mass producer of the product bearing the design, and the benefit attained through customisation. The issue of customisation may also give rise to more case law concerning individual character – at what point does a customised product create a different overall impression on informed users. To attempt to understand the issue of private copying, it is instructive to look beyond design law at developments in relation to other intellectual property rights, particularly copyright, where the issue of proliferation of private copying is not new, due the development of technologies enabling files containing copyright-protected content to be copied with ease.

(1) InfoSoc Directive “fair compensation” approach

The Directive on Copyright in the Information Society specifically introduced limitations and exceptions in an attempt to balance rightholders’ control of works, especially within the digital environment.³⁰⁸ Article 5(1), InfoSoc Directive exempts temporary acts of reproduction which are essential and integral to technological activities, whereas Article 5(2)(b) allows Member States the option of providing for a private copying exception to the reproduction right, subject to fair compensation being paid to the rightholder, including “the introduction or continuation of remuneration schemes to compensate for the prejudice to rightholders.”³⁰⁹ An example of such a remuneration scheme was a private copying levy that was applied to digital reproduction equipment in Spain. The Court of Justice ruled that, due to the impracticalities of identifying each person who makes a copy of a protected work, it is acceptable to levy the charge on the equipment

³⁰⁶ In Canada – Patent Protection of Pharmaceutical Products Dispute, the Panel has held that normal exploitation in relation to the sister provision to Article 26(2) TRIPS in patent law, Article 30 TRIPS would be considered as “the commercial activity by which patent owners employ their exclusive patent rights to extract economic value from their patent” - Canada – Patent Protection of Pharmaceutical Products- Report of the panel (17 March 2000) WT/DS114/R [7.54].

³⁰⁷ Europe Economics, (2015) p.135

³⁰⁸ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001.

³⁰⁹ Recital 38, Directive 2001/29/EC.

itself, in order to compensate the rightholders for the harm caused by the private copying.³¹⁰

The Design Directive provides a wider exclusive right which allows the right holder to prevent others from using his design, which includes the act of reproduction. Unlike the InfoSoc Directive, however, the Design Directive provides a mandatory exception to all acts done for private and non-commercial purposes, and there is no corollary invocation to compensate the rightholder.

In the survey, stakeholders were asked if a “fair compensation” mechanism similar to that under EU copyright law was appropriate in design law in order to cater for private copying by 3D printing. The responses were ambiguous.³¹¹ In the non-automotive sectors, 45% of respondents considered it an appropriate option, 25% considered it inappropriate, 13% did not know, while 17% stated that it was not relevant for the work at their company.

(2) Private non-commercial use as a complete defence

As 3D printing is a relatively new technological phenomenon, its use by individuals in their homes is still very limited.³¹² For this reason, copying of products bearing protected designs has not yet become a significant issue. Rather, the concern is based on the anticipated impact of such copying.

The technology blurs the lines between that which is private and non-commercial and that which is commercial. What happens when there are millions of private individuals with 3D printers in their homes, with the ability to make a copy of a product bearing the design for their private use? According to the current limitation, the private individual would have a strong claim that his actions are private and non-commercial. At the same time, an individual who 3D prints several copies for sale or distribution cannot rely on the exception as his use is no longer “non-commercial”.

(3) Secondary infringement and intermediary liability

Parallel to the substantive issue of the extent to which a design right can be used against such copying is the practical issue of enforcement. As with all intellectual property rights, a design right is only as effective as the ability of the holder to enforce it. Broadly speaking, the two targets for a rightholder seeking to enforce against unauthorised 3D printing are the end-user and the intermediaries involved in facilitating the download and eventual reproduction by the end-user. It can be difficult and costly to enforce rights against end-users, due to the decentralised nature of the activity. Pursuing intermediaries, particularly online hosting sites, may provide a more streamlined enforcement option for rightholders. Injunctions against such sites have hitherto been granted in respect of copyright infringement.³¹³ There are not yet any examples of such an injunction being granted in respect of 3D printing in the EU. However, it is notable that the 3D sharing platform Thingiverse was issued with a court order in the United States

³¹⁰ Case C-467/08 *Padawan SL v Sociedad General de Autores y Editores de España (SGAE)*, ECLI:EU:C:2010:620.

³¹¹ The French Automotive Manufacturers were almost unanimously in favour of such a mechanism (98%).

³¹² Europe Economics, (2015) pp. 129-130.

³¹³ Also see Article 11 of the Enforcement Directive which requires Member States to ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right - Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

obliging it to remove an infringing file.³¹⁴ It may become more relevant to look at intermediary parties which are positioned upstream of the ultimate domestic printing.

There are several ways in which some of these issues may be resolved:

- **limiting the private use defence:** one way of limiting the private use defence is to employ the 3-step language as provided under the TRIPs Agreement.³¹⁵ The advantage of limiting the private use defence is that it might provide sufficient flexibility to allow a balance to be achieved between protecting legitimate interests of the rightholder and allowing for innovation. Although the introduction of additional criteria such as “normal exploitation” may create confusion, this may be easily resolved as there is already some guiding case law on this from the WTO Dispute Settlement Body.³¹⁶
- While restraining private and non-commercial uses, or individual users can be perceived as an option to address the potential gap in protection, it is generally perceived as being disadvantageous, politically and socially, to enforce intellectual property rights against end-users, who may be potential or actual customers. Additionally, it can become inefficient to enforce IP rights against end users due to the potentially large amount of infringers for a comparatively “small” individual infringement.
- **intermediary party infringement – indirect:** Unlike design law, European patent law provides against indirect 3rd party patent infringement.³¹⁷ These provisions can potentially be deployed to prevent anyone uploading a 3D printing file onto a website where the ultimate printed product would infringe a patent or design right. Having provisions against indirect design infringement would facilitate enforcement as it allows enforcing design rights against the distributor of a 3D printer file as the “spider in the web”. It would also allow a more effective enforcement in comparison to copyright law which appears to be the only possible avenue against private users, but remains highly unsatisfactory, especially against private end users.³¹⁸
- **intermediary party infringement - direct primary infringement by authorisation:** Another way to introduce a form of liability for intermediary parties is to introduce a provision that sanctions authorisation of design infringements. Such a provision is, for instance, available under UK copyright law.³¹⁹ The benefit of incorporating such a provision is the fact that it is a form of primary infringement. This has the advantage

³¹⁴ Brian Rideout, *Printing the Impossible Triangle: The Copyright Implications of Three-Dimensional Printing*, 5 J. Bus. Entrepreneurship & L. Iss. 1 (2011), 161.

³¹⁵ The proviso under Art. 26, TRIPS Agreement reads as follows: “provided that such acts do not unreasonably conflict with the normal exploitation of the design, and does not unreasonably prejudice the legitimate interests of the owner of the protected design owner, taking account of the legitimate interests of third parties.”.

³¹⁶ See for example Dispute Settlement Board decision WT/DS114 concerning the interpretation of the 3-step test as provided under Article 30 of TRIPS. The wording is similar to the wording in Article 5(5) InfoSoc Directive, it is useful to note that the CJEU has applied the 3 step test in copyright cases - see *Football Association Premier League Ltd and Others v QC Leisure and Others*, Case C-403/08; *Technische Universität Darmstadt v Eugen Ulmer KG*, Case C-117/13.

³¹⁷ Section 60 (2) UK Patents Act 1977, § 10 of the German Patent Act, stemming from the Community Patent Convention 1975.

³¹⁸ The difficulty of enforcement of copyright against private end users is well catalogued in copyright law, especially in relation to the unauthorized downloading of “pirated” music files. A detailed analysis of all these issues raised above in relation to 3D printing and its potential impact on design rights and IP rights are outside the scope of this study but generally warrant further research.

³¹⁹ Section 16 (2) Copyright, Designs and Patent Act 1988

that neither actual nor constructive knowledge would be required for a positive finding of infringement as would be necessary in relation to secondary liability. The risk of potentially encompassing an undesired liability for the producers of 3D printers can be avoided by applying the rationale of the leading decision.

- **infringing design activities:** However, it should be noted that this technology is developing very quickly. The strategy of targeting intermediaries could become obsolete if users have access to technology which enables them to make a scan of the object in their own home, and then print. This further decentralisation of the infringement carries an enforcement problem (whereby the CAD files can be created easily by end-users themselves). With this regard, it would be useful to clarify what constitutes design infringement by including the creation of a design document as an infringing use.³²⁰

e) Recommendations - 3D printing

The issue of 3D printing will become more acute, as the technology improves and the printers are able to reproduce perfect substitutes of the original design, thus having a negative economic and legal effect on the rightholder's market. It should however, be noted that it is extremely difficult to gauge the impact of 3D printing on other areas of intellectual property law. Revisions to design law may serve as an entry path to the eventual review and revision of other intellectual property laws.

These recommendations are based on alternative paths of review. The reason is that a concrete recommendation can only be made after a **comprehensive review of the impact made by 3D printing is undertaken**. The issue is a cross-cutting issues which impacts not only design rules, but also patent, trade mark, and copyright laws.³²¹ Revised policies in relation to this limitation should be assessed and examined across the intellectual property spectrum, taking into account the different product sectors affected by 3D printing.

A number of options for dealing with the impact of 3D printing were discussed above, and the following recommendations are offered:

- (a) Direct users:** the first recommendation would be to review the possibility of restricting the scope of the “private and non-commercial” use limitation by adopting provisos such as limiting 3D printing to “*acts which do not unduly prejudice the normal exploitation of the design*”, or something aligned to the 3 step test under the TRIPs Agreement.
- (b) Indirect parties:** the second recommendation is to review the possibility of introducing a provision on indirect 3rd party design infringement, which would be in line with the availability of such liability under patent law.

³²⁰ A template for such a provision could be Section 226 (1)(b) CDPA 1988 which extends primary design infringement to “making a design document recording the design for the purpose of enabling such articles to be made”. The definition of a design document is provided within Section 263 CDPA 1988 and states that “design document” means any record of a design, whether in the form of a drawing, a written description, a photograph, data stored in a computer or otherwise.” This definition encompasses CAD created for the purposes of 3D printing.

³²¹ See Annex 3 for a brief overview of the relationship between 3D printing and the principal intellectual property rights.

- (c) indirect parties: a third recommendation is to review the possibility of introducing, either as an additional or alternative remedy, a provision which makes intermediary parties liable for sanctioning or authorising design infringement.**
- (d) infringing design activities: A final recommendation was to review whether it would be advantageous to expand the definition of infringement to include that creating a design document which is a record of a design without authorisation would constitute an infringing use.³²²**

³²² A template for such a provision could be Section 226 (1)(b) CDPA 1988 which extends primary design infringement to “making a design document recording the design for the purpose of enabling such articles to be made”. The definition of a design document is provided within Section 263 CDPA 1988 and states that “design document” means any record of a design, whether in the form of a drawing, a written description, a photograph, data stored in a computer or otherwise.” This definition encompasses CAD created for the purposes of 3D printing.

6.2 Spare Parts

a) *Relevant provisions*

Article 1 of the Design Directive (Article 3 of the Design Regulation) provides that designs are the appearance of the whole “or part of a product”, and that a protectable “product” includes “parts intended to be assembled into a complex product”. In addition, a complex product is defined as “a product which is composed of multiple components which can be replaced permitting disassembly and reassembly of the product.”

Article 3 of the Design Directive (Article 4 of the Design Regulation) denies protection to “not visible” spare parts and Article 7(2) of the Directive (Article 8(2) of the Design Regulation) excludes protection to “must-fit” mechanical interconnection features of a product (such as a spare part).

Article 14 of the Design Directive reads:

“Until such time as amendments to this Directive are adopted on a proposal from the Commission in accordance with the provisions of Article 18, Member States shall maintain in force their existing legal provisions relating to the use of the design of a component part used for the purpose of the repair of a complex product so as to restore its original appearance and shall introduce changes to those provisions only if the purpose is to liberalise the market for such parts”.

Recital 19 of the Design Directive provides:

“whereas ... Member States should in the meantime maintain in force any provisions in conformity with the Treaty relating to the use of the design of a component part used for the purpose of the repair of a complex product so as to restore its original appearance, or, if they introduce any new provisions relating to such use, the purpose of these provisions should be only to liberalise the market in such parts; whereas those Member States which, on the date of entry into force of this Directive, do not provide for protection for designs of component parts are not required to introduce registration of designs for such parts; whereas three years after the implementation date the Commission should submit an analysis of the consequences of the provisions of this Directive for Community industry, for consumers, for competition and for the functioning of the internal market; whereas, in respect of component parts of complex products, the analysis should, in particular, consider harmonisation on the basis of possible options, including a remuneration system and a limited term of exclusivity;”

Article 110 of the Design Regulation provides:

“(1) Until such time as amendments to this Design Regulation enter into force on a proposal from the Commission on this subject, protection as Community design shall

not exist for a design which constitutes a component part of a complex product used within the meaning of Article 19(1) for the purpose of the repair of that complex product so as to restore its original appearance

(2) The proposal from the Commission referred to in paragraph 1 shall be submitted together with, and take into consideration, any changes which the Commission shall propose on the same subject pursuant to Article 18 of Directive 98/71/EC".

The Commission proposed³²³ the extension of Article 110, Design Regulation to national laws, so as to require all Member States to introduce a specific repair clause, coupled with a provision requiring third party spares suppliers to clearly label their products. The new repair clause would have read as follows:

"Article 14

1. Protection as a design shall not exist for a design which constitutes a component part of a complex product used within the meaning of Article 12(1) of this Directive, for the purpose of the repair of that complex product so as to restore its original appearance.

2. Member States shall ensure that consumers are duly informed about the origin of spare parts so that they can make an informed choice between competing spare parts."

The proposal received guarded support from the ESC and the Parliament, and was eventually withdrawn in 2012 after a lack of agreement within the Council.

b) Implementation and interpretation

1. Summary of Member States' positions

Component parts are protectable subject-matter, and of those Member States responding to WIPO's 2008 Questionnaire, all but Latvia reported that they protect them. In 11 Member States, such parts cannot be protected in relation to repair activities. Of the Member States covered by this study, the following dataset could be extracted in terms of legislative responses:

- *Repair clause for component parts of complex products:* Italy, Luxembourg, Netherlands, Poland, UK and Spain
- *No provisions for repair:* Austria, France, Germany, Lithuania, Portugal, Slovenia, Sweden, Czech Republic and Denmark
- *Shorter term of protection for component parts:* Sweden and Denmark have retained their previous shorter term of protection for spare parts (15 years instead of 25).

This leads to a situation where in many Member States, national design rights can be used to protect component parts (which can constitute spare parts for repair or

³²³ Proposal for a Directive amending Directive 98/71/EC on the legal protection of designs.

replacement), whereas in other Member States, national design rights cannot be used to protect component parts for this purpose. It also means that, to get spare parts protection in each of the Member States in which it is available, a national design right must be applied for in that Member State. Applying for a Community Design Right (applicable in all Member States) will not grant protection for component parts for the purposes of repair of complex products.

In terms of registration figures, there could also be a link between the attractiveness of national design registration and the availability of protection for spare parts in national design law. For instance, while the number of national registrations fell significantly with the introduction of the Community design right in some countries without a repair clause,³²⁴ they have now begun to stabilise at a low level. Many of these registrations are in relation to the automotive sector. Similarly, in Poland, where a repair clause was introduced as recently as 2008, the number of national registrations has halved since 2009. There is further corroboration of this line of analysis from the survey of industry stakeholders, where the majority of non-automotive stakeholders expressed a preference for the Community Design registration system;³²⁵ the responses from the automotive sector, on the other hand, indicated that only 13% favoured the Community Design registration system.³²⁶ This has led to a rather anomalous situation within the EU where automotive companies dominate the national registration scene in some Member State.³²⁷ In some Member States, especially those which offer generous protection for component parts of complex products, the national competition authorities have issued reports calling for a liberalisation of intellectual property protection of spare parts for repair purposes in the vehicle repair and maintenance sector.³²⁸

2. National survey and interview results

As the Extended Impact Assessment was published in 2004, the Study Team decided to explore the options in stakeholder interviews and surveys, with the following results:³²⁹

³²⁴ Austria, Denmark and Lithuania (none of which have a repair clause). The information was derived from interviews with national offices, or retrieved from the websites of the national offices.

³²⁵ 52% in the textile sector, 63% in the furniture sector, and 71% in the electrical goods sector. The respondents were given a choice between 4 options: national design registration system of their home Member State; the Community Design registration system; national design registration system of another Member State; or no preference.

³²⁶ However, it should be noted that 80 of the 409 responses to the industry stakeholder survey were traced to 3 IP addresses in France which corresponded with 3 major French automotive manufacturers.

³²⁷ For example, in Sweden, SCANIA and VOLVO employ the national design regime, whereas other major Swedish companies, such as IKEA, utilise the Community Design Right regime.

³²⁸ The French Competition Authority issued an Opinion in 2012 supporting liberalisation of spare parts for repair, but advises that a transitional period would be necessary in order to give automotive manufacturers time to adapt to the new legal framework. However, the Opinion is now 3 years old, and has not been followed by legislative action. See Opinion no. 12-A-21 of 8 October 2012 on competition in the vehicle repair and maintenance sector and the spare parts manufacturing and distribution sector/ Avis n°12-A-21 du 8 octobre 2012 relatif au fonctionnement concurrentiel des secteurs de la réparation et de l'entretien de véhicules et de la fabrication et de la distribution de pièces de rechange, available at http://www.autoritedelaconcurrence.fr/doc/12a21_en.pdf. The Romanian Competition Council also issued an Opinion in favour of the "repair clause" in 2013 - see Iustinian Captariu, Ioana Tirca., "The Romanian Competition Council publishes its final conclusions regarding the automotive spare parts market", February 2013, e-Competitions, N°51103, available at www.concurrences.com; and Iustinian Captariu, "Observations and conclusions to the Romanian Competition Council's report on the automotive spare parts market", www.kinstellar.com

³²⁹ The survey asked a straightforward question "Do you favour design protection for visible spare parts for repair or replacement?" with the three possible answers being "yes", "no", and "don't know". During the interviews at

- a) 58% of the overall responses to the industry stakeholder survey were in favour of design protection for spare parts
- b) 32% were not in favour of design protection for spare parts
- c) 9% stated that they did not know

When the responses are broken down by sector, the following results ensued:

- d) 92% of the automotive manufacturers were in favour of spare parts protection
- e) 70% of those in the “automotive services” sector were opposed to spare parts protection
- f) 65% of non-automotive stakeholders indicated their preference for protection of spare parts.

The next question asked whether participants believed there should be a harmonised position in relation to the protection of spare parts. The vast majority of non-automotive stakeholders favour a harmonised position throughout the EU. On the other hand, 92% of French automotive manufacturers, and 40% of automotive manufacturers from other Member States were opposed to a harmonised position across the EU.³³⁰

In the national stakeholder interviews, it was noted that interview participants from national IP offices were either reticent with regard to this particular question, or invariably opted for the “no change required” approach. Some noted that it is a political issue (Czech Republic), others (Austria) noting that the official position is that there is no discussion of changing the rules. In Lithuania, it was noted that the current rules “are clear”, while in Poland, it was noted that the current rules “function well”. Others did not express a concrete opinion (Netherlands, Denmark). The participant from the German office noted that they “see no reason for change”. In Spain, it was noted that the current rules do not seem to be problematic in practice, so there is “probably no need to change”. The participant from the Swedish office noted that the office can “live with” the current solution.³³¹ The Slovenian interviewee indicated that the Office was in favour of the Commission’s initial proposal for a repairs clause,³³² although interestingly Slovenia has not introduced a repairs clause. Industry stakeholders were generally less reticent. The participant from Design Austria suggested that it is fine to allow design protection of spare parts provided the rightholder satisfies the needs of the market. Alternatively, a limited duration of protection could be introduced. A Danish participant noted that they were in favour of protection of spare parts, as well. The UK firm stated that there was evidence of consumers buying counterfeit versions of their parts under the mistaken belief that they were buying genuine parts; thus, it was not against the repair clause in UK design law but pointed to the absence of a provision to stop third parties mis-selling

national level, the issue was discussed with an open question “what is your view of the current rules?” being presented to participants in order to capture their views in a general way. Finally, the Study Team also conducted two interviews at EU level, in order to capture the views of the automotive manufacturers, on the one hand, and the spare parts distributors on the other.

³³⁰ It should be noted that the question did not propose what form harmonisation would take, but merely asked whether the position, whatever that might be, should be same in every Member State. It should be noted also that the survey was not addressed to consumers.

³³¹ The “current solution” referred to in Sweden is the slightly shorter, 15 year protection.

³³² Proposal for a Directive amending Directive 98/71/EC on the legal protection of designs.

or misrepresenting spare parts as genuine parts. An Italian fashion company noted the possible detriment to competition arising from protection of spare parts, with a concern about the application of dissimilar conditions to equivalent transactions or issues of dominance. Astutely, the firm further noted that the existence of 3D printing tools would make the control and enforcement of intellectual property rights on spare parts much more difficult.

Thus, the national level interviews did not show any clear preference, with some participants for and some against protection of spare parts. At the EU level, an interview was organised with the European Automobile Manufacturers' Association (EAMA), and the chosen representative of the European Campaign for the Freedom of the Automotive Parts and Repair Market (ECAR).

3. Jurisprudence on “repair clause”

One criticism voiced by industry³³³ was that the Repair Clause wording, reproducing that discussed above within Art 110 CDR, appeared to cover all spare parts and not merely “must match” spare parts (i.e. those whose appearance is dependent on the appearance of the entire product, e.g. car), whereas the justifications for denial of protection arose chiefly from the facts that “must match” parts have neither an economically³³⁴ nor aesthetically³³⁵ independent existence.

Since that time, however, German automobile manufacturers have brought a series of test cases on the effects of repair clauses under the CDR and in national law, with the following results:

In the UK, the Patent Court found³³⁶ that the Art 110 CDR Repair Clause was in fact limited to “must match” spares, so that alloy wheels were not covered (i.e. the design rights in alloy wheels could be enforced).

In Italy, the first instance Court of Milano³³⁷ likewise found that alloy vehicle wheel rims were not covered by the Repair Clause, characterising these as accessories not spares;

In Spain, the Courts of Alicante at both instances³³⁸ reviewed the position of wheels (considering also the Italian case law) and concluded that these fell outside the “Repair Clause”.

The German Courts have in several decisions considered that alloy wheels, for example, are not within the Repair Clause.³³⁹

³³³ See for example Comments of the Trade Marks Patents and Designs Federation of 4 January 2005 on the Commission Proposal, online at www.ipfederation.com/document_download.php?id=22

³³⁴ *Ford Motor Company Ltd, R (on the application of) v Registered Designs Appeal Tribunal & Ors* [1994] UKHL 10, [1995] 1 WLR 18, [1995] RPC 167, [1995] RTR 68, [1995] WLR 18

³³⁵ *Ford Werke AG v Construcciones Metalicas Arregui SA* (Unreported - Appeal Court of Vizcaya (Bilbao), Spain) discussed in Spare parts in Spain and from a European perspective, Luis Gimeno, E.I.P.R. 1997, 19(9), 537-544

³³⁶ *Bayerische Motoren Werke Aktiengesellschaft v Round and Metal Ltd* [2012] EWHC 2099 (Pat) (27 July 2012)

³³⁷ *Bayerische Motoren Werke v I Wheel* Decision of 29-10-2010, see also *Audi AG v Acacia & Pneusgardia*, Milan, 27 November 2014; *Audi*, IP Court of Milan decision 2271/2015 of 19 February 2015;

³³⁸ *Bayerische Motoren Werke vs. Acacia Autohaus Motorsport* decisions of 16-01-2013 and 20-2-2014

In Italy, the first instance Court of Torino³⁴⁰ found that generically made and marketed spares (vehicle lights), not marketed for repair of any particular vehicle, were not covered by the national Repair Clause.

The basis for several of these decisions³⁴¹ is the divergence between the text of Art 110 CDR and corresponding Recital 13 CDR - the latter is limited in effect to “dependent” (i.e. “must-match”) designs. The divergence appears to result from a drafting error, as the text of Article 110 is clearly missing some words.³⁴²

A second development is the recent Court of Justice decision C-500/14 *Ford Motor Company*, holding that Art 110 does not confer any right for third parties to use a trade mark. This will reduce the possibility that consumers will be confused as to the origin of third-party spare parts.

According to the Court of Justice in C-500/14, the “repair clause” of Article 110 CDR does not create a free-standing right to repair. Accordingly, consideration should be given to the competitive effects of this probable extension of other forms of intellectual property, and particularly copyright, to spare parts. **It might be desirable to extend Article 110 to any copyright subsisting by virtue of Article 96(2).**

A third development arises from the parallel language “component part of a complex product” which arises also in Articles 3(c) and 4(2) of the Design Regulation (and equivalently in the Directive). This is discussed below in relation to aftermarkets [chapter 6.2(c)(1)].

c) Legal analysis

The various approaches adopted by Member States, in conjunction with the result of the surveys and structured interviews, and in light of the Commission’s own analysis in its 2004 Assessment, show an extremely unharmonised market in relation to design (and to a certain extent copyright) protection of spare parts. The following discussion summarises the key issues, and the alternative solutions available.

1. Identifying the Dilemma

IPRs and aftermarkets

The difference between a unit product (a food product, a shoe or a cup), and a durable product (a watch or printer or car) can be appreciated thus: the former, if broken, is usually replaced, whilst the latter can be repaired by replacing parts so as to resemble the original product. There is also a further type of durable goods which requires accessories and services - e.g. the coffee machine or the photocopying machine. Durable goods generate two types of markets: the primary market where the product is sold to users and consumers; and

³³⁹ See e.g. OLG Stuttgart, 2 U 46/14, 11 September 2014, GRUR 2015, 380 Tz 34, LG Hamburg, 09.18.2015 - 308 O 143/14 Design of a wheel designs, LG Dusseldorf, 30.04.2015 - 14c O 183/13, *Porsche v Acacia* LG Düsseldorf 14c O 304/12 28-11-2013

³⁴⁰ *Aspoeck Systems v Eurolites* Decision of 13-01-2012

³⁴¹ Those of Milan and the UK for example

³⁴² See Musker, Community Design Law (2002), para 2-668, p312

the secondary or aftermarket, where the primary product requires parts, accessories or services in order to upkeep or enhance the previous purchase.

Thus, contrary to single “unit products”, the market for durable products (primary market) is closely related to the market for accessories and services (secondary market or aftermarket). Most durable goods can be protected by intellectual property rights, including design, copyright, trade mark and patent rights. The intellectual property right can be concentrated on the whole product, or on a component part of the product. Such parts of products can, in turn, be either internal or external i.e. within the machine/product, or part of the exterior look of the product. The conflict arises when the IPR concerned extends to parts of the product, and when an anti-competitive situation arises in relation replacement parts.

Several main issues should be noted here.

First, the main economic argument that arises against protection of aftermarket parts can be summarised as follows: protection of component parts can result in higher prices for the consumer than would be the case if such parts were not protected. These higher prices are not necessary to enable recoupment of the investment in innovation in the primary market for cars.

Secondly, the economic argument in favour of design protection of parts states that recoupment is necessary to encourage innovation in the primary market. Primary markets can be very competitive. For example in the area of printer cartridges, the competition between various printer manufacturers tends to keep the prices of printers, especially for the domestic consumer market, down. The prospect then is for the manufacturer to generate profit margins in the aftermarket. This is true for other types of industries e.g. the gaming market (i.e. consoles and cartridges), cars (internal and external spare parts and accessories), kitchen appliances such as coffee machines (e.g. Nespresso-type machines with pods), and indeed all products requiring parts and services (e.g. watches, smartphones).

And therein lies the essential dilemma.

There is an increasing tendency for manufacturers in certain product sectors to rely on IPRs, especially design and copyright protection, to control the aftermarkets. With such control, the concern arises as to whether the anti-competitive effect generated by the IPR extending to the aftermarket product:

- (i) is outweighed by the economic rationale for incentives to innovate - as it always is when there is an IPR-competition nexus - or
- (ii) whether the anti-competitive effect justifies a legislative intervention, and if so, by what means (namely a curtailment in the scope of the IPR, or via competition law).

A third issue is that there has been a steady extension of the “complex product” concept within EU design law. The Repair Clause was drafted in the knowledge that it would apply to machines in general, and would be focussed on the relationship, within the durable goods sector, between the primary market of complex products, and the aftermarket comprising component parts. But, the recent jurisprudence has considered a vast range of designs as

being applied to “complex products” including building structures, clothing and food.³⁴³ If this is so, then their component parts are subject to the “repair clause”. The economics, design and innovation processes of these industries differ from those of the automotive sector. **Unless the Court of Justice gives guidance on the meaning of the terms “component part” and “complex product”, consideration should be given as to the fact that the repair clause would extend to all durable goods which show some sort of afterlife markets. Further consideration should be given to whether the Repair Clause, if retained or amended, should apply to machinery, rather than “complex products” per se.**

Competition issues

Of particular note is *Europe Economics (2015)* which noted that “in common with the other policy options, impacts on innovation are likely to be negligible³⁴⁴.” It continues to state that, in an economic sense, a law granting design protection in relation to spare parts has the same effect as a contractual clause in the sale agreement between the manufacturer and the consumer obliging the consumer to have all of the repairs carried out by the manufacturer.

This stance can, of course, still be classified as anti-competitive behaviour. One issue that must be decided before one can even conclude that it is harmful to the consumer in the marketplace, is to define the “market”. What is the secondary or aftermarket? How does one conclude anti-competitive behaviour? Are not high prices justified in the name of innovation?

The test discussed in *Europe Economics (2015)*, following the Court of Justice in *EFIM v Commission*³⁴⁵, defines dominance on the aftermarket as being excluded to the extent that: (i) a customer can make an informed choice including lifecycle pricing; (ii) that he is likely to make such an informed choice accordingly; and (iii) that in case of an apparent policy of exploitation being pursued in one specific aftermarket, a sufficient number of customers would adapt their purchasing behaviour at the level of the primary market within a reasonable time. The idea is that, if these conditions are present, then substitution in the primary market means that the aftermarket should not be considered as a separate market. *Europe Economics (2015)* concludes that there is no general presumption that secondary markets are automatically separate from primary market.

However, the cases in which the test has been developed concern products such as printers and toner for printers, which needs to be replaced with such regularity that it might be reasonable for the consumer to consider the price of toner when purchasing the printer.³⁴⁶ It may also be reasonable to expect the consumer to be able to estimate the life-cycle cost of the printer, on the basis of his usage of toner. *Europe Economics (2015)* does not address the issue of whether “crash parts” would be expected to satisfy this test.³⁴⁷ Nor is it within the

³⁴³ See Chapter 3.3.

³⁴⁴ *Europe Economics (2015)*, p.141

³⁴⁵ *EFIM (European Federation of Ink and Ink Cartridge Manufacturers) v European Commission*, Case C-56/12 P, September 19th, 2013 (ECLI:EU:C:2013:575)

³⁴⁶ For a further discussion, see A. Coscelli & G. Edwards, “Dominance and market power in EU competition law enforcement Handbook on European Competition Law: Substantive Aspects”, eds.: Ioannis Lianos, Damien Geradin, Edward Elgar, 2013, chapter 8.

³⁴⁷ *Europe Economics* concludes separately (p. 160) in relation to spare parts protection that there is “no broad economic justification for forbidding the repairs clause”, *Europe Economics (2015)*.

scope of the legal study to attempt to second guess the ability of the consumer to estimate the impact of the cost of replacing such parts on the life-cycle cost of a car, or attempt to determine the likelihood of a consumer in doing so. An intuitive conclusion is that it may prove difficult for the consumer to do so, but it may be the case that a sufficient number of consumers adapt their purchasing behaviour in the primary market on the basis of reported average costs of repairing such products. If it is not possible for consumers to make an informed choice about the likely impact of the additional costs associated with crash parts on the life-cycle cost of the car, this would indicate that the market for crash parts is a separate market, in which the original equipment manufacturer is dominant. This conclusion would seem to corroborate the findings of the 2004 Extended Impact Assessment.

Moreover, the Court of Justice has not hitherto ruled that the mere existence or enforcement of design rights in spare parts constitutes an abuse. Indeed, a main argument from proponents of the repair clause is that competition law has failed to produce a balanced solution for independent manufacturers, and thus the EU legislature is obliged to introduce such a repair clause in order to introduce competition in the aftermarket.³⁴⁸

One possibility is to review the need to introduce an EU wide Block Exemption Regulation whereby unacceptable practices in the spare parts aftermarket (either in the motor vehicle market alone, or other sectors) are set out explicitly.³⁴⁹ This would give the EU an opportunity to apply the exemption to other intellectual property rights (e.g. copyright) while defining the sectors concerned with greater precision. Such an approach, if legally feasible, might bring greater clarity to industry. A related issue that should be addressed is ensuring that design manufacturers do not unduly suffer from reputational loss through the sales of poor quality spare parts. To some extent, the usage of a Block Exemption Regulation may help.

2. The solutions: Limited term of exclusivity for spare parts

Under this approach, a shorter period of design protection is accorded for spare parts. The option of limiting protection of visible spare parts to 3 years was first floated by the Commission in 1993. After that 3 year period the design right could not be relied on to prevent use of design in parts for repair or replacement. As noted above, in Sweden and Denmark the period of protection is shorter in respect of spare parts, adopting a 15 year period of protection.³⁵⁰

The main disadvantages of this approach are as follows:

- (i) this may be contrary to 25(1), TRIPs Agreement which imposes a minimum term of protection of 10 years. The exception may be also contrary to Art. 26(2), TRIPs Agreement which imposes the 3 step test, as the Repair Clause does cause an

³⁴⁸ See *Radio Telefis Eireann v ITP (Magill)*, [1995] ECR-I, 743; *IMS Health GmbH v NDC Health GmbH*, [2004] ECJ I-503; Josef Drexler, Reto M. Hilty, Annette Kur, "Design Protection of Spare Parts and the Commission's Proposal for a Repairs Clause", [2005] 36 IIC 448, 452-453.

³⁴⁹ See for example the past Motor Vehicle Block Exemption Regulations whereby vehicle owners have the freedom of having their servicing and repairs done at their chosen workshop - COMMISSION REGULATION (EC) NO 1400/2002 of 31 July 2002. Also see Recitals 17-18, for example in Commission Regulation (EU) No 461/2010 of 27 May 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices in the motor vehicle sector.

³⁵⁰ In Finland, which was not assessed during this study, the law also provides for a limited period.

unreasonable conflict with normal exploitation as the design owner cannot preclude third party sale of products within all industries. In both of these cases, it is arguable that TRIPS allows the curtailment of protection for national or regional socio-economic reasons, as well as offers the possibility that Members may exclude designs which are technical or functional;³⁵¹

- (ii) given the limited life-span of cars, a system granting legal protection to original producers for a limited period would eliminate the economic incentive for independent suppliers to enter the market as the market share left after the expiry of the protection might not be worth the necessary investment (2004 Impact Assessment; ECAR); this option would de facto develop into the “full protection” scenario (2004 Impact Assessment);³⁵²
- (iii) conversely, this approach would give too short a period of protection to car manufacturers, and would be akin practically to a full liberalisation of the market (EAMA);
- (iv) a final important consideration is the effect of the recent Court of Justice decision instructing Member States to be flexible and generous in the copyright protection of designs.³⁵³ The minimum term of protection of designs under copyright law internationally is 25 years.³⁵⁴ Curtailing the lifetime of designs may prove to be ineffective to the extent that parallel copyright protection exists.

3. The solutions: Compulsory licensing and remuneration system

This approach is based on the recognition of protection for must-match (visible) spare parts, but would require the compulsory licence of the design to any user for a fair and reasonable remuneration (FRAND). The main advantage of this approach is that independent producers could produce spare parts immediately from the start of the design right registration, in exchange for a reasonable remuneration to be paid to the holder of the design right. Compulsory licensing is also not prohibited under the TRIPS Agreement.³⁵⁵

Nevertheless, the disadvantages are numerous including most importantly the fact that a remuneration system is administratively burdensome and offers little legal certainty. National offices, or the EUIPO itself, would have to be involved in some manner in setting guidelines as well as to ensuring that licences are compatible with EU competition regulations. It was already noted in the 2004 Impact Assessment that this approach would be impractical and would not produce significant benefits in comparison with other options. This is especially so in respect of the delays and costs involved in negotiations and compliance of compulsory licensing terms (notably, the interview participants from both EAMA and ECAR regarded this option as impractical).

³⁵¹ Arts. 7 and 8, 25(1) TRIPS Agreement. In relation to the functional/technical exclusion, it should be further noted that it would require a rather wide and tortuous definition of functionality to include must-match parts. See also J. Straus, “Design Protection for Spare Parts Gone in Europe? Proposed Changes to the EC Directive: The Commission’s Mandate and its Doubtful Execution”, EIPR 391, at 397 (2005).

³⁵² The argument extends to state that “crash” parts, contrary to wearing parts, are required from day one a new car model is on the roads and the independent supplier in the aftermarket would be forced to refer his customer to the vehicle manufacturer competitor during the protection period and would have great problems to win the customer back later-on - 2004 EC Extended Impact Assessment.

³⁵³ For a full analysis, see chapter 3.6 above.

³⁵⁴ Article 7(5), Berne Convention in relation to for works of applied art.

³⁵⁵ A. Firth, “Repairs, Interconnections and Consumer Welfare in the Field of Design”, in *Spares, Repairs, and Intellectual Property Rights*, Eds. Christopher Heath, Anselm Kamperman Sanders, Instituto de Estudos Europeus de Macau (IEEM International) 2009, at p170. See also D. Gervais, *The TRIPS Agreement: Drafting History and Analysis*, Sweet & Maxwell 2012, at para 2.345.

4. The solutions: Liberalisation of the spare parts market

This approach envisages no design protection of spare parts, and eventually would lead to the revision of Directive 98/71/EC removing design protection for must-match parts across the European Union.

The advantages of a liberalised market can be summarised as follows:

- abolition of design protection in the aftermarket would lead to increased competition in all parts of the value chain. This option would assure maximum potential competition (2004 Extended Impact Assessment);
- increase in legal certainty (2004 Extended Impact Assessment);
- the approach is in accordance with the purpose of design law namely to encourage innovation (ECAR);
- improves the functioning of the Internal Market and allows access and participation of SMEs in this market, without serious drawbacks (2004 Extended Impact Assessment);
- as a complex product, the lifetime costing of motor vehicles is difficult to calculate, especially in relation to “repair parts” or “crash parts”; thus the pricing strategy of the automotive manufacturer on the aftermarket will not influence the sale of cars in the primary market (ECAR)³⁵⁶
- the approach would allow for more competition in the aftermarket and consumers benefit from more choice and lower reasonable prices (2004 Extended Impact Assessment), especially in relation to “repair parts” (ECAR).³⁵⁷

One issue sometimes raised as a negative aspect of liberalisation of the spare parts market is that it may lead to a decline in standards of product quality and safety. The concern expressed by automotive manufacturers is that certain companies may produce spare parts which match perfectly the spare parts of the original equipment manufacturers, but which use inferior materials. A related concern is the likelihood of an increase in counterfeit spare parts on the EU market, especially by non-EU entities. The corollary argument to this is expressed in the study by ECAR on safety and the Design Directive.³⁵⁸ The study highlighted that the body repair sector consists mainly of independent SMEs who face a growing problem with repair skills, in the face of the increasing complexity of materials and fastening techniques used in vehicle assembly. This factor, they argue, constitutes a far more serious potential risk to safety than the use of non-original body parts. Their recommendations were that a better approach would be to employ a common accreditation schema which would guarantee to some extent that safety requirements are met. Further considerations included cooperation between the wider body repair sector (including motor insurers and their research arms) and

³⁵⁶ This particular argument should be read in light of the test in Case C-56/12 EFIM v Commission, where dominance in the aftermarket was excluded where: the customer can make an informed choice about the life-cycle; that he is likely to make such an informed choice accordingly; and sufficient customers would adapt their purchasing in the primary market within a reasonable time in the event of exploitative pricing in the aftermarket.

³⁵⁷ A participant drew a distinction between “crash parts” and “wear and tear” parts, where the latter comprised brake pads and tyres which may need to be replaced at relatively predictable intervals.

³⁵⁸ The consequences for the safety of consumers and third parties of the proposed directive amending Directive 98/71/EC on legal protection of design rights, September 2006, by Juri/Autopoli/Thatcham, committed by the Legal Affairs Committee of the European Parliament, available at <http://www.ecar-eu.com/documents/EuropeanParliamentfinalE.pdf>.

vehicle designers to enhance the reparability of vehicles after accidents, and also making repair information effectively available to all repairers. This view appears to be further corroborated by the ECAR analysis which argues that design legislation should not be concerned with assuring the safety of spare parts; the issue of safety should rather be dealt with by a rigid type-approval or authorisation process.³⁵⁹

A further legal argument supporting the liberalisation of the market is the inevitable lock on secondary markets which automotive manufacturers may have through design rights. Thus, a repairs clause is advocated, which in turn will liberalise the market, by several commentators.³⁶⁰

5. The solutions: Maintaining the status quo

This is the current status, where Member States have been left to liberalise the market and introduce competition, especially in respect of the repairs clause. In Member States without a “repairs clause”, manufacturers would continue to benefit from the lock-in of customers in the aftermarket. In Member States with a “repairs clause”, competition could evolve in the aftermarket, but as this market would not comprise the entire internal market, it suffers from certain inefficiencies (2004 Extended Impact Assessment). The main argument in favour of maintaining the status quo is that many Member States in the EU allow for protection of spare parts; this is also the case in many countries outside the EU such as Japan.

Finally, Member States can still develop and increase the threshold for functional designs. As discussed elsewhere, the functionality exclusion exists and does, to some extent, exclude some types of spare parts. It should be further noted that many spare parts contain some aesthetic/non-functional features and are visible, so adopting a sui generis functionality provision for spare parts suffers the same limitations as that discussed above.³⁶¹

Moreover, a secondary argument is that it is not shown that protection of spare parts does not improve the innovative aspects within the motor vehicle industry (EAMA). The recoupment of investment in the spare parts market was vital to encourage innovation, not only in the automotive sector, but in other sectors comprising electronic consumer-focused complex products including vacuum machines, printers, coffee machines, photocopies etc. On the other hand, industrial nations with large motor vehicle industries, such as the US and Canada, do not have specific Repair Clauses.

6. The solutions: Other jurisdictions

³⁵⁹ ECAR, “Why a few Member States should no longer block the liberalisation of the vehicle spare parts market - Analysis of the legal, economic and political status of the “Repairs Clause”, 2011, at p.6, available at http://www.ecar-eu.com/documents/ECARExtendedPosition-Analysis_1July2011doc.pdf

³⁶⁰ Drexel et al “Design Protection of Spare Parts” (2005); For further support of the repair clause, J. Drexel, Responding to the Challenges for Development with a Competition-Oriented Approach, ICTSD, Selected Issue Briefs no. 1, June 2007, 17; A. Horton, Industrial Design Law: The Future for Europe, [1991] 12 EIPR 442, 446; A. Kur, Limiting IP Protection for Competition Policy Reasons – A Case Study based on the Spare-Parts-Design Discussion, in: Drexel (ed.), Research Handbook on Intellectual Property and Competition Law (2008), 313; B. Posner, Protection of Car Designs and Component and Spare Part Designs under Future Community Law, International Business Lawyer, 1994, 108114; Schovsbo, As If Made for Each Other – Intellectual Property Rights and Protection of Compatible Products, IIC no. 5/1998, 510, 525 et seq.

³⁶¹ Chapter 3.5 above.

There are further ways in which this issue may be solved, especially if one compares the situation in other jurisdictions.³⁶²

United States design patent

Essentially this model requires a higher threshold of protection, including non-obviousness, ornamentation and novelty.³⁶³ This is not necessarily a recommended option as it would represent a major policy shift within the EU as to the rationale and ethos of design law.³⁶⁴ Moreover, the situation in the US in relation to a design for a component part of a complex product is rather complex. Such parts are not necessarily denied protection under US design patent law unless they come within two judicially developed doctrines.

The first is the functionality doctrine. While there are no specific statutory provisions within the law which deny design patent protection to functional designs, the granting office and the judiciary have developed a functionality doctrine in an attempt to prevent the circumvention of patent law by technically dictated designs.³⁶⁵ This is through the statutory requirement for ornamentation, which is determined by asking the following question: is the design in question solely governed by the function of the article of manufacture? If the functional or mechanical characteristics of the article dictates the primary purpose of the design, a design patent will not issue.³⁶⁶ The second applicable doctrine is the right to repair doctrine which is surmised to limit the protection of component parts of complex products.³⁶⁷ In addition to this, there have been several unsuccessful attempts to introduce an “Access to Repair Parts Act” to liberalise the aftermarket with a repair clause.³⁶⁸

United Kingdom /Australia approaches

Another option would be to introduce a clause which ab initio excludes “must-match” parts from design protection - this solution reflects the former UK design law (and current UK unregistered design right law), and that of some other countries. Design features of a component which are dependent on the appearance of the entire product of which it forms part are excluded from protection. Despite severe criticism from the UK courts,³⁶⁹ this system is reasonably well-understood. It could be justified either on the basis that “style interface” elements should be free for competitors to use, or that “dependent” features of a design necessarily lack design freedom as they are dictated by the appearance of the rest of

³⁶² Firth, “Repairs, Interconnections and Consumer Welfare in the Field of Design” (2009) p.170.

³⁶³ Suthersanen *Design Law: European Union and United States of America* (2012) chapter 10.

³⁶⁴ Adopting a pro-US approach would require an amendment to Recital 10 of the Design Regulation (14 of the Directive) which provides that a design need not have an “aesthetic quality”. It would impact on all designs, not just those for spare parts.

³⁶⁵ 35 U.S.C. §171; for a further discussion of the statutory requirements and the functionality doctrine, see Suthersanen *Design Law in EU and US* (2010) chapter 10.

³⁶⁶ *PHG Technologies v. St. John* 469 F3d 1361 (Fed. Cir. 2007).

³⁶⁷ *Aro Mfg. Co. v. Convertible Top Replacement*, 365 U.S. 336, 128 USPQ 354(1961).

³⁶⁸ Access to Repair Parts Act, H.R. 3059, 111th Cong. (2009). For a discussion on the legislative recommendations by various sectors, see N. Hawker, *The Automobile Aftermarket: Crash Parts, Design Patents, and the Escape from Competition*, The American Antitrust Institute, 2010, available at http://www.antitrustinstitute.org/sites/default/files/aaai%20collision%20repair%20parts%20commentary_032220101350.pdf ; and W. Fryer, COMMENTS TO THE U. S. PATENT AND TRADEMARK OFFICE ON PENDING LEGISLATION H. R. 5638 (110TH CONGRESS, 2D SESSION) AND DESIGN PROTECTION, 2008 (available at <http://www.uspto.gov/sites/default/files/web/offices/pac/dapp/opla/comments/designstownhall/fryer.pdf>).

³⁶⁹ See, for example, *Dyson Ltd v Qualtex (UK) Ltd* [2006] RPC 31, [2006] EWCA Civ 166

the product, though the latter argument falls down for the first-designed component of a product. This approach operates at the level of features rather than at the level of components, and whilst it allows for competition, it does not impact at all on some components and it does not legitimise identical copying of any. It is therefore not as far-reaching as the repair clause implemented within the Design Regulation as regards repair activities, and arguably unduly limits protection in relation to other activities (copying an entire car, for example).

A clear manner in which component parts can be excluded is the Australian clause which states that the use, or the authorisation to another person to use, “a component part of a complex product” (namely one “which embodies a design that is identical to, or substantially similar in overall impression to, the registered design”) does not constitute infringement provided that the part is used

“for purpose of the repair of the complex product so as to restore its overall appearance in whole or part.”³⁷⁰

Repair is defined to include restoring or replacing decayed or damaged components, as well as carrying out maintenance. Use of products embodying registered designs for other purposes can still be an infringement. The clause was further reviewed by the Australian Government in 2006, and 2014 with the recommendation that it be retained. The former report found that

“the right to repair provision strikes an appropriate balance between the Government’s policy objectives to encourage innovation by protecting component suppliers in the primary market; [to] open up the spare parts aftermarket to greater competition; and [to] operate an accessible design registration system that strikes the appropriate balance between consumer benefits, compliance costs for business and industry and administrative costs for the Government.”³⁷¹

7. Fragmenting the internal market

The 2004 Extended Impact Assessment noted the following:

“The current situation with a mixed protection regime is creating trade distortions in the Internal Market: resources and production are not allocated within the Internal Market on the basis of competitiveness, i.e. the capacity firms have to produce high quality products most efficiently at lower prices for the aftermarket. Production is not determined by market mechanisms but by firms’ management decisions. Prices are distorted and there are obstacles to trade.”

As the Design Directive does not harmonise the position in relation to spare parts, the different treatment of spare parts in the different Member States leads to an incomplete

³⁷⁰ Section 72, Australian Designs Act of 2003.

³⁷¹ *Review of the “Spare Parts” Provision of the Designs Act of 2003 (2006)*, <http://www.ipaustralia.gov.au/media/resources/Report%20-%20%20Review%20of%20Designs%20Spare%20Parts%20Provision.pdf>; and *Review of the Designs System - Final Report, Australian Government Advisory Council on Intellectual Property, 2014*, http://www.acip.gov.au/pdfs/ACIP_Designs_Final_Report.pdf.

internal market for spare parts for repair. The current situation leads to anomalous situations, which are not ideal. For example, if a spare part is moving from Country A (where there is no protection) to Country C (where there is no protection), it cannot be prevented from traversing Country B (where there is protection).³⁷² However, it can't be sold or offered for sale in Country B. This is hardly an ideal scenario. This would seem to be inconsistent with the intention of the Design Directive, as stated in Recital 10, to *“facilitate the free movement of goods, to ensure in principle that registered design rights confer upon the right holder equivalent protection in all Member States”*. It is submitted that current situation is not fully facilitative of the internal market for goods. Nor does it seem likely that Member States will resolve this issue without legislative action at EU level. The 2004 Extended Impact Assessment noted that there was *“no trend towards harmonisation among Member States on a voluntary basis or through self-regulation by the industry”*.³⁷³ Since 2004, there have been some limited movement towards a harmonised position, with Poland adopting a repairs clause as recently as 2008. However, it does not seem that the trend has changed significantly, and it is not expected that harmonisation will occur on a voluntary basis or through self-regulation by the industry.

8. A final aspect - cumulative copyright protection

The Design Directive and the Design Regulation both require some level of cumulative protection with copyright. The Flos decision of the Court of Justice³⁷⁴ concerning “cumulation” with copyright may enable an extension of copyright protection for spare parts (already in existence in some Member States) that likewise has the power both to divide the European market and to limit competition in the repair market which would be permitted in many countries under design law. The Court of Justice, in the Flos decision, and the AG Opinion in the Donner case, has given a strong indication that this implies “total cumulation” according to the French approach.³⁷⁵

The likely outcome of the current CJEU case law is that component parts of complex products, which pass the design threshold will also probably be protectable by copyright law, especially with the new standards set by the CJEU in several copyright decisions. An extension of copyright laws to protect spare parts does not appear to have been an intended consequence; neither the Design Directive nor the Design Regulation, or other EU legislation, provides explicitly for it, and UK national copyright law was amended in 1989 specifically to prevent it. If this extension is considered undesirable, amendment to EU copyright legislation may be necessary.

³⁷² Case C-23/99 *Commission of the European Communities v French Republic* [2000] ECR I-7653 (where the Court of Justice ruled that design rights held in a State (France) through which spare parts (not made by the rights-holder) were transshipped from a source State to a destination State in both of which they were unprotected, could not be enforced to prevent the shipment. However, it is not seen that this would apply had the parts been shipped into rather than through France, so that significant potential for division of the market and restraint of movement of goods remains. For example see Case C-38/98 *Renault v Maxicar*

³⁷³ COM(2004)582 final, p. 18

³⁷⁴ Case C-168/09, [2011] ECDR 8

³⁷⁵ See the discussion in Chapter 3.6.

The “repair clause” of Article 110 of the Design Regulation does not create a free-standing right to repair, according to the Court of Justice in Case C-500/14 Ford Motor Company v Wheeltrims srl. Accordingly, consideration should be given to the competitive effects of this probable extension of copyright law to spare parts. It will be desirable to extend any introduction of a repair clause within EU design legislation to any copyright subsisting solely by virtue of Article 96(2) of the Design Regulation (and Article 17 of the Design Directive), for example, as otherwise those Member States which have liberalized their design laws relating to spare parts may find that liberalization undercut by the effect of “cumulation” with copyright.

Any extension of copyright law to spare parts also has the potential to divide the market as a result of the different implementations of the discrimination provisions of Article 2(7) of the Berne Convention, discussed above.

d) Recommendations - Spare parts

In its 2004 Extended Impact Assessment³⁷⁶, the Commission emphasised that “the decision to open up the aftermarket for competition was already taken at the moment of adoption of the Directive, leaving the choice of its implementation.”³⁷⁷ As a voluntary agreement among industry was not forthcoming, the Commission decided to assess the options which had been explicitly included in Recital 19 of the Design Directive, namely the remuneration system and the limited term of exclusivity. In addition to these, it also examined the options of the status quo and full liberalisation. This section adopted a similar approach by juxtaposing the current legal environment and the empirical evidence gathered and the discussion in part 6.2(c) reflects this analytical synthesis.

There is a clear fragmentation of the market, and this is not likely to change on a voluntary basis or through industry self-regulation. The current situation is facilitative of neither the completion of the internal market for goods, nor the goal of conferring equivalent protection on rightholders.

Of the several approaches discussed above as to what the next steps should be, it is clear that the only viable approaches are: (i) status quo, (ii) full liberalisation of the market with a repairs clause/excluded subject matter, (iii) a mixture of a repair clause together with competition/consumer law input.

The evidence from stakeholders suggests that while automotive manufacturers are largely in favour of protection for spare parts, as are non-automotive stakeholders, other automotive stakeholders (such as manufacturers of spare parts) are largely against. The economic evidence suggests that there is no broad economic justification for maintaining spare parts protection, and that removing spare parts protection would be likely to have a minimal impact on innovation. The evidence further suggests that spare parts protection

³⁷⁶ COMMISSION STAFF WORKING DOCUMENT, PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING DIRECTIVE 98/71/EC ON THE LEGAL PROTECTION OF DESIGNS - EXTENDED IMPACT ASSESSMENT, SEC(2004) 1097, {COM(2004)582 final}.

³⁷⁷ Ibid., p.16

is leading to higher consumer prices in certain Member States, due to the dominance of original equipment manufacturers in the market for spare parts.

It is clear on the one hand that harmonisation is highly desirable, and on the other that there has not yet been unanimity as to an acceptable solution. Legislative amendment at the EU level appears necessary. The Commission's now-lapsed proposal commanded considerable support and has the merits of harmonising European and national design protection. There is not a more acceptable solution on the horizon. It is possible that the national decisions curtailing the scope of the "repair clause" to only "must-match" spare parts sold specifically for repair, coupled with the decision of the Court of Justice in Case C-500/14 (*Ford v Wheeltrims*) denying third parties the use of manufacturer's own marks, could make an amended proposal more acceptable to industry.

It is recommended that Article 110(1) Design Regulation should be re-cast as a defence to infringement and accordingly moved to Article 20(2), to clarify its effect and its permanent status. Article 110(2) should be deleted. Corresponding amendments to Recital 13 should be made. It should also be amended to adopt the language within Recital 13, so that the repair defence is limited to "must match" spare parts (namely parts whose appearance is dependent on the appearance of the complex product).

The Court of Justice has already ruled (in Case C-500/14 *Ford v Wheeltrims*) that Article 110 in its current form does not create a defence to trade mark infringement, but this could be put beyond doubt by amending the corresponding Recital to indicate that the defence is without prejudice to trade marks. We think these proposals should be uncontroversial, as bringing much-needed clarity to the present provision.

In relation to national law:

Option 1

It is further recommended that the Commission's previous proposal (which would extend the solution adopted under Article 110, Design Regulation to Member States' laws via the Design Directive) be revisited so as to add an exactly equivalent provision to Article 13(2) of Directive 98/71, with corresponding amendments to Recitals 19 & 20. We recognize, of course, that reaching any solution in this area will be difficult, but it is possible that the more limited scope of the liberalization (limited to "must-match" spare parts) might be agreed.

Option 2

In the alternative, it is recommended that the status quo in national law be retained for the present, pending further review when future legislation to harmonise copyright in this area (which we think essential) is considered. We recognize that although a substantial number of experts in this area favour liberalization of national law in the automotive area, the survey of industry stakeholders indicated that non-automotive stakeholders are generally in favour of protection of spare parts. If the alternative is the more palatable approach, it is strongly suggested that this area be reviewed, in tandem with the review of 3D printing, as the latter technology may also impact the manufacture and distribution of spare parts.

7. Conclusions and recommendations

7.1 General conclusion on the EU design regime

The harmonisation of design protection through the Design Directive and the establishment of a complementary unitary system by the Design Regulation have contributed to the Innovation Union Strategy insofar as they have been largely successful in creating an internal market for goods embodying designs, by removing many divergences hitherto present among national design systems. Compared with the situation prior to these two instruments, it is cheaper and easier to obtain design protection across the EU. This increased harmonisation of the level of protection, and reduced cost of obtaining protection, are positive factors in the creation of a system which encourages innovation, product development and investment in manufacturing. Nonetheless, as discussed below, certain challenges remain.

Design Directive

The study examined whether the harmonisation of the term of protection afforded by registered design rights has facilitated the functioning of the internal market with regards to goods embodying designs. Design Directive harmonises the period of protection at 25 years (an initial period followed by renewal periods of 5 years)³⁷⁸. The purpose of this was to ensure the smooth functioning of the internal market.³⁷⁹ As noted by Musker, it is designed to “avoid division of the market as a result of lapse at different times in different states.”³⁸⁰ In the Member States examined during the study, there were no divergences in transposition, with all transposing it as an initial period of 5 years, with renewable 5 year periods up to a total of 25 years. Renewal of the 5 year period was not dependent on fulfilling any conditions, aside from the payment of the renewal fee. No relevant case law was identified in these Member States concerning the terms of protection. The only distinction that remains in relation to the term of protection concerns protection of spare parts, where in some Member States, there is protection for 25 years, in some Member States, there is no protection, while in Sweden and Denmark, there is a limited period of protection (15 years). Indeed, the divergence among Member States in the treatment of spare parts goes beyond simply the term of protection, with a divergence also concerning whether or not protection is available under national design law. This is an area of design protection in which efforts to harmonise have not been successful, and a source of continued fragmentation of the internal market for goods embodying designs.

The study further analysed the extent to which implementation of the Design Directive by Member States has caused any major difficulties and whether those difficulties have an adverse impact on the functioning of the design protection system. No major problems have been noted in relation to the transposition of the Design Directive, with the Member States examined transposing the provisions into their national legislation without any great difficulty. The implementation of the Design Directive has been largely satisfactory, although a number of issues have arisen in relation to the interpretation of certain provisions. This can be

³⁷⁸ Article 10, Design Directive

³⁷⁹ Recital 17, Design Directive

³⁸⁰ Musker, *The Design Directive* (CIPA, 2001, ISBN 0 903932 12 1), p.72

explained by the fact that the Design Directive introduced into design law several new legal terms of art, which courts, practitioners and users of the design system needed to grapple with. A major achievement of the Design Directive in terms of harmonisation is the fact that concepts such as informed user, individual character and different overall impression have been introduced into the national legal frameworks without major difficulties arising as to what such concepts mean *per se*. Among the difficulties of interpretation are:

- The extent to which the informed user, individual character or different overall impression are to be interpreted in light of the product or industry sector;
- The concepts of “visibility” and “normal use”;
- The “relative disclosure” test;
- Designs solely dictated by technical function.³⁸¹

These issues have sometimes given rise to different interpretations in different Member States, or sometimes even within a given Member State. While the implementation of the Design Directive has largely been satisfactory, particularly given the introduction of several new terms and concepts, it is vital that the aspects which still present interpretation difficulties are clarified, as continuing legal uncertainty might have a negative impact on the functioning of the design system.

It was also examined whether there is a need for further harmonisation of national legislation – within and beyond the scope of the Design Directive - which would bring benefits for the users. It is proposed that certain aspects of design law could benefit from further harmonisation or alignment in order to bring benefits to users, and to improve the simplicity and coherence of the system. One such example is the current national rules concerning representation of a design. Rather than necessitating legislative harmonisation, benefits could be delivered to users of the national design system by Member States harmonising their rules in the context of the convergence programme. Another example is the current lack of harmonisation among Member States regarding invalidity proceedings, where users of the national design system would benefit from having an efficient and expeditious administrative procedure. A legislative provision requiring Member States to ensure the availability of such a procedure could be included in the Design Directive.

Design Regulation

In relation to the added value of the unitary system, and advantages and disadvantages the EU design system entails in relation to national protection, the following observations have been made. The filing fee for design registration in any single Member State is significantly lower than the filing fee for registration at the EUIPO. However, the cumulative filing fees to file at all 28 national offices would be many multiples of the filing fee at the EUIPO. This is before administrative and translation costs arising from filing in several national offices (as well as the costs of professional fees where the parties are represented) are considered. There are clear benefits to be drawn from the pan-EU registration system, especially in terms of cheaper registration (usually) and administration costs; less delay than multi-jurisdictional applications; and overwhelming filing/grant success rate. This is reflected in the reduction of

³⁸¹ The difficulties which have arisen with respect to these concepts are discussed in Chapter 3, with a summary of the recommendations presented in Chapter 7.2.

national registrations in the years immediately following the introduction of the Design Regulation.³⁸²

At the same time, the national design system retains an attractiveness, particularly for smaller companies, with the survey of industry stakeholders showing smaller companies as more likely to state a preference for registration in their “home” national office. Such a trend is confirmed when looking at the substitution of registrations at the EUIPO for national registrations, where it has been noted that the reduction in the numbers of national design registrations was less pronounced in the case of designs being registered in the “home” national office, as opposed to the national office of another Member State. Thus, the question of which system of filing (national vs EU) is more advantageous depends to an extent on the size of the company which is filing and the geographical extent of their economic activity. There are cogent and economic reasons for retaining the national registration regime, and it is recommended that the current parallel systems of registration, via national offices and the EUIPO be retained, but that cooperation be strengthened in relation to areas which have caused divergences.

One aspect which appears to threaten to undermine the unitary nature of the Community Design is the difference among Member States regarding the level of difficulty in obtaining an ex ante injunction to restrain the infringement of a design right. There is evidence that this is leading to forum shopping, which Recital 30 of the Design Regulation states should be avoided as far as possible.³⁸³ However, measures to improve the situation in order to best meet the needs and expectations of stakeholders should be explored in the context of the review of the Enforcement Directive.

Design Directive and Design Regulation

Since the drafting of the Design Directive and the Design Regulation, there has been a great deal of technological change, in particular the development of 3D printing. A major impact of 3D printing is that it enables the proliferation of private copying of goods embodying designs. While both the Design Directive and the Design Regulation predate the development of this kind of technology, both provide for a limitation to the rights conferred by a design in the case of “acts done for private and non-commercial purposes”, which brings at least certain acts of copying by 3D printing outside of the scope of the rights on the holder of a design right. While the issue of 3D printing has not yet given rise to any legal issues, it is likely that the continued development of technology will give rise to issues (similar to those which arose in the context of the music industry) in the future, particularly if the situation arises whereby personal 3D printers are found in every home. Thus, it is necessary to find a solution which caters adequately for the rights of holders of registered designs. While 3D printing is an issue which impacts upon several intellectual property rights, and not just designs, and an approach to deal with 3D printing should only be adopted after a comprehensive assessment of its impacts, this report discusses a number of options for dealing with the issue, as well as a number of recommendations.³⁸⁴

With respect to the compatibility and interactions between the national design protection systems harmonised by the Design Directive and the unitary protection provided for in the

³⁸² See Figure 2 and Table 4.

³⁸³ See Chapter 4.3 for a discussion of this.

³⁸⁴ See Chapter 6.1.

Design Regulation, no significant difficulties were noted due to divergences concerning terminology, requirements and conditions for protection, which posed problems for users in practice. One minor issue which arose concerned the period of deferral in the case of deferred publication. The Design Regulation sets out a deferral period of 30 months, whereas differing deferral periods are provided for under some national design systems. In practice, this has not been noted as presenting any difficulties for users. However, the possibility of converging the periods should be explored in order to improve legal certainty, particularly if no basis for the divergence is identified beyond lack of legislative alignment on the point.³⁸⁵

7.2 Priority issues and adverse aspects

While, as noted, the overall functioning of the EU design regime is good, there are some major issues which have been identified within this study, and recommendations have been made as to the resolution of these problems, so as to bring more benefits to consumers and users, and to improve the accessibility and smooth running of the design system. The cross-issue dilemma with the current EU design regime is the difficulty of grounding and limiting the concept of design, which in turn affects all the different aspects of the law. The main recommendations above focus on the fact that flexibility is essential to sustain and develop the jurisprudence especially in the areas which have been working well in practice. Nevertheless, some areas generated a lot of confusion and uncertainty. This is mainly due, ironically, to the cohesive and interlinked structure of EU design law. In many cases, as we have seen above, this has led to a positive development and enhanced protection.

However, in one major way, the inherent linkage between the definition of design, the individual character test, the notion of disclosure and prior art, and the scope of protection, has caused confusion. The interpretation and application of phrases such as appearance and visibility, overall impression, informed user, design corpus, industrial sector and nature of product inevitably lead to a connected problem. One way of dealing with this would be to revise or amend all these areas; however, this can lead to further disconnection within the law, and between the Design Directive and Design Regulation, as well as enhance the uncertainty of the terms.

The recommendation is that guidelines should be given a priority, especially such guidelines which emanate from EUIPO and CJEU decisions, and which are already being adopted by national courts. Such guidelines can be validated and strengthened by:

- (1) cooperation and convergence exercises between the EUIPO and national offices, especially in relation to procedural problems; and
- (2) incorporation of guidelines within the recitals of the Design Directive, especially in relation to substantive issues.

This recommendation stems from the appreciation that the appropriate source of clarification should be the collective jurisprudence from the national courts, the EUIPO and from the Court of Justice. There are currently sufficient guidelines in many areas for the national offices and courts, emanating from the EUIPO decisions.

³⁸⁵ See Chapter 5.8.

We detail below the recommendations in problematic areas.

7.2.1 Design, appearance and visibility

There is a good deal of confusion as to whether the term “appearance” is limited to visual aspects, or whether the concept of the design goes further to embrace tactile and other aspects, which constitute the economic value of the design.

The current situation, where one national judge interprets the term “appearance” as being limited to visual aspects, and another national judge holds that it extends to tactile aspects does not help consistency. This approach is a threat to equivalent protection, which is a stated goal of the Design Directive³⁸⁶ and conformity of the “purpose of design law” is essential for the effective operation of the pan-EU right set out in the Design Regulation. On the other hand, it is arguable that the case law has been clarified by the General Court in *Biscuits Poult SAS v OHIM* which held that the definition of design is clearly restricted to “visible elements”, “the product’s appearance”, and “the visible parts of the products or parts of products”.³⁸⁷

The notion of a design as a marketing tool was already expressed in the Explanatory Notes to the 1991 Max Planck Proposal for a European Design Law, which states “design has become a marketing tool of ever-increasing importance”.³⁸⁸ While the concept of a design as a marketing tool was not included in the recitals of the Design Directive or the Design Regulation as a general purpose of design law, the term “marketing asset” is nonetheless used in relation to mechanical fittings for modular products, in recital 15 of the Design Directive and recital 11 of the Design Regulation, in order to justify their eligibility for protection. The early Green Paper specifically refers to “any features of appearance which can be perceived by the human senses as regards sight and tactility”³⁸⁹, and the word “appearance” was used interchangeably with this.

Whether the narrower or broader interpretation of appearance is preferred is a policy choice, but it appears from a historical perspective, the policy was to have a wide definition of design. **It is recommended that clarity be introduced as the definition of design will have an impact on the scope of protection. In order to ensure that the amended law does not hamper innovation, it is recommended that the clarified ethos and amended values be incorporated into the recitals as follows:**

- **one of the ancillary purposes of design law is the protection of the economic and/or market value of the design;**
- **the phrase “features of [...] texture and/or materials of the product” should include all relevant elements which contribute to the visual appearance of the design, as well as the economic and/or market value of the design**
- **only features which are shown visibly in an application, and can be represented in a clear, precise and objective manner are protectable.**

³⁸⁶ See Recital 10 of the Design Directive

³⁸⁷ *Biscuits Poult SAS v OHIM*, para. 20.

³⁸⁸ Max Planck Institute, “Towards a European Design for Foreign and International Patent” (1991) p.45

³⁸⁹ Green Paper on Designs, para. 5.4.7.2.

There are three further interrelated issues: the nature and extent of the visibility criterion; the concept of normal use, and the definitional parameters of “complex product” (and component parts thereof).

1. Visibility and normal use

It is recommended that the directive reflect the general visibility doctrine as evolved by the General Court in the Biscuits Poult case:

- the definition of “design” should signify that all designs should be “visible” in order to be protected;
- in line with the previous recommendation that the purpose of the law is to protect the market and economic value of the design, it is advised that the visibility criterion be linked to the informed user’s perspective;
- In summary, the law would confer a design right for the appearance of the design, which comprises of all features which contribute to the visual appearance of the design,
- including features of “texture and/or materials of the product”,
- which contribute to the economic and/or market value of the design, and
- which are visible to the informed user, when making decisions to either purchase or use the product incorporating the design.

The general visibility doctrine, set above, is to be distinguished from the *lex specialis* provision where the “normal use” visibility rule applies only to a design applied to or incorporated in a product which constitutes a component part of a complex product. It may be advisable to remove the references to “normal use” as set out in Articles 3(3) and 3(4) of the Design Directive; it is only reserved for component parts of complex products, and has caused much confusion in its application; in the alternative, it is recommended that it be made clear that the “normal use” criterion is not applicable to all designs.

2. Component parts/complex product

The notion of component parts of complex products is a conceptually difficult legal construct. It has created confusion by seeping into legal submissions in respect of cases concerning products which were never envisaged as being covered by Article 4(2) of the Design Regulation (and Article 3(3) of the Design Directive).

One option would be to remove the concept of component parts and complex products (by the deletion of Article 4(2) of the Design Regulation and Article 3(3) of the Design Directive). The problem remains that this is a politically sensitive issue in relation to the spare parts market. *The notion of “complex product” was specifically inserted into the law to encompass those sorts of designs of durable products, with an aftermarket – typically machinery, not buildings, food or clothes.* Moreover, the presence of “complex products” within EU design law is important considering the spare parts provisions which only apply to such products. (Art. 110 of the Design Regulation).

A second option would be to apply the notion of “normal use” to all designs, stating that only parts of products which are visible during “normal use” can contribute to novelty and

individual character. In this way, there would be no need to worry so much as to the distinction between parts of products, and component parts of complex products. However, this would potentially impact the protection available to many innovative products.

A third option would be to restrict the definition of “complex product” to, for example, “complex machinery”.

It is recommended that the notion of a complex product, together with component parts, be retained in order to deal with the after markets and spare parts markets, but that it is amended so that it is specifically restricted to complex machinery.

7.2.2 Scope and criteria of protection

The concepts of informed user, individual character and different overall impression are largely satisfactory, and judgments at both EU and national level show a degree of consistency on these points. Nevertheless, the linkages between overall impression, product nature and industry sector in the recitals, coupled with the lack of relevance of the classification process to the scope of protection, have resulted in confusion and disparate decisions within Member States. It is, therefore, recommended that the Design Directive should introduce clarification as follows:

- when determining the individual character of the design, national offices and courts should refer to the nature of the product, the manner of the use of the product, the purpose for which that product is intended, and the industrial sector to which it belongs, or circulates within (thus codifying aspects of *Group Nivelles/OHIM* (T-15/13), *Shenzen Taiden/OHIM* (T-153/08), and *Kwang Yang/OHIM* (T-10/08));
- to banish any doubt as to the binding effect of recitals, the revisions should be aligned with the language incorporated within Recital 14 of the Design Regulation and Recital 13 of the Design Directive namely that the assessment as to individual character should take into consideration “the nature of the product to which the design is applied or in which it is incorporated, and in particular the industrial sector to which it belongs”.

7.2.3 Disclosure, nature of product, and geographic market

It is clear that certain aspects of the disclosure rule are unclear for stakeholders, and are causing some concern among practitioners. There has been considerable confusion as to the geographic scope of the disclosure and the extent of the product sector. There has also been a concerted attempt from the EUIPO to clarify elements of the disclosure threshold.

There are two options one can consider when reviewing the survey and interview results.

The first option is to amend the law. Suggestions offered varied from the introduction of a test for disclosure based on more objective criteria; or a tinkering of the rule, re-phrasing the exception as an additional criterion, and shifting the burden of proof (that the disclosure could have reasonably become known in the normal course of business to circles specialised in the sector concerned, operating within the EU) to the party relying on the disclosure.

The second option is to await further jurisprudence from the Court of Justice, in order to determine whether the current EUIPO decisions regarding the geographic extent of disclosure (*Kirschenhofer* and *Supermarked A/S*) are valid. The main reason for this view is that the legislative amendment may have the unintended effect of introducing more terms of art, and therefore muddying the waters even further. If further guidance is not forthcoming from the CJEU, there is the option of incorporating the EUIPO guidelines into the recital language of the Design Directive.

It has already been recommended in that the Design Directive should be revised to clarify that the assessment as to individual character should take into consideration

- the nature of the product
- the manner of the use of the product
- the purpose for which that product is intended, and
- the industrial sector to which it belongs, or circulates within

In line with the above recommendations, clarity on the geographic scope and the extent of the product sector is highly desirable, and the recent jurisprudence from the EUIPO is attempting to clarify elements of the disclosure threshold.

It is recommended that the appropriate source of clarification should be the collective jurisprudence from the national courts, the EUIPO and from the Court of Justice. There are currently sufficient guidelines for the national offices and courts, emanating from the EUIPO decisions. The Court of Justice should be given the opportunity to grapple with the topic and to confirm, or re-state the correct approach for determining the nature of the product sector, and the extent of the geographic market for the purposes of disclosure.

7.2.4 Designs dictated by technical function

It is clear from case law at Member State level that there have been different interpretations in respect of the functionality test. In general, the views of the stakeholders interviewed was that, if there is to be clarification of the correct interpretation, it should come from the Court of Justice.

This issue relates not only to legal interpretation of an existing provision, but also to policy considerations; there is a need to determine which interpretation of the functionality exclusion best achieves the policy goals of maintaining effective competition, while not hampering innovation. The functionality provision is clearly an example of an unharmonised position, though this is unsurprising as the present position reflects the pre-Directive landscape within the EU.

In light of the above analyses, and having set out 4 alternative options, it is recommended that clear legislative guidelines be incorporated within the Design Directive, whether via the recitals or the amendment of Art.7(1) of the Design Directive (with the consequent effects on Art.8(1) of the Design Regulation) to state clearly that in determining whether features of appearance of a product are solely dictated by its technical function, due consideration should be given to whether the designer has some freedom in the development of features of appearance of the design, where the presence of differences between the existing design corpus and the contested design would demonstrate that the designer had some freedom.

7.2.5 Relationship between Design Law and copyright

The law in relation to the overlap between design law and copyright has been clarified by the Court of Justice in *Flos v Semeraro*. Even Member States with hitherto impassable barriers to cumulative copyright and design protection have altered their approaches. It is recommended that any Member State which has not yet altered their laws, should do so soon. Any disparities that exist at Member State level regarding this issue may be simply due to legislative inertia or judicial misinterpretation in those Member States.

7.2.6 Procedural issues: representations

It has been recommended that the procedural rules on graphic representations and product classification should be re-visited. This was suggested so that the EUIPO, the national offices and the courts would be able to ascertain the relevant product/industry sector, which would in turn, assist in defining the relevant geographic market.

The Convergence Programme between the EUIPO and national offices is a move towards a harmonised position in respect of design registrations and is to be commended as a positive aspect of the Design Directive. Although this is not specifically part of the legislative programme, the consequence of the harmonised position under the Design Directive has led to an initiative of harmonisation outside the legislative space. The general consensus does remain that the common rules should be agreed among the Member States themselves in accordance with the EUIPO.

It is difficult to think of any objective justification for maintaining divergent national rules. There is evidence from the survey of industry stakeholders that further alignment of procedural rules among national offices would encourage a significant portion of SMEs to register more designs at national level.

The first recommendation is that national offices should attempt align their practices, where this is feasible in economic and institutional perspectives, with the convergence programs run by the EUIPO. To this end, the recommended course would be to incorporate a reference to Article 123(c) of the newly amended EU TM Regulation which sets down guidance as to the cooperation expected between national offices and the EUIPO in order to promote the convergence of practices and tools.

The second recommendation is that in relation to graphic representations, the current approach in relation to the number of representations under the EUIPO procedure be changed to allow a higher number of representations, or as some Member States maintain, an unlimited number of representations. This is in accordance with the recommendation in relation to 3D representations, and also allows the courts to eventually place the design product within the appropriate product/industry sector.

In relation to 3D representations, the use of this technology has much to offer in terms of clarity of the claims and scope. The EUIPO has launched the possibility to file 3D animated representations, and it is recommended that Member States should, if feasible, follow the EUIPO approach in this. It is recommended that 3D representations of designs should be an

optional registration tool, rather than mandatory one. This allows the opportunity for national offices to adopt the technology when appropriate, but it allows applicants to opt for the method of representing their design which they consider provides them with the greatest scope of protection.

In relation to non-continuous lines: broken, dashed or dotted lines, it is recommended that national offices and the EUIPO employ the Convergence Programme to agree on the exact meaning of non-continuous lines.

A final recommendation is the extension of the convergence exercise to judicial practices being harmonised where judges sit in designated Community design courts.

The moves towards a harmonised position in respect of design registrations are to be welcomed and encouraged. It is difficult to think of any objective justification for maintaining divergent rules.

7.2.7 Procedural issues: invalidity proceedings

It is recommended that there be an effort to offer a quick and inexpensive invalidation procedure before national offices and courts. To this end, an obligation to mirror the one under Article 45 of the amended Trade Marks Directive would be beneficial for the EU design regime.

In relation to Member States without the requisite expertise, it is appreciated that options whereby the EUIPO undertakes to help national offices determine invalidation may require immense changes to the rules regarding the EUIPO's competence, which in turn, may be institutionally and politically unrealistic. More viable alternatives would be to invite special design experts as part of the judicial panel, and to provide for an appeal procedure to the courts (or allowing the tribunal to have the right to refer questions to the CJEU). To this end, the secondment of EUIPO staff onto national tribunals may be a consideration, especially for such national offices who struggle with institutional capacity to hold such invalidation proceedings.

7.2.8 Procedural issues: Ex ante examination of novelty and individual character

It is recommended that no changes occur. The *ex ante* examination of novelty and individual character does not bring any significant benefits to users of the design registration system, but adds to the administrative burden of the offices.

7.2.9 Cross-border issues: Ex parte injunction and declaratory actions

A few of the complaints which arose revolved around injunctions and declaratory actions. However, these issues cannot be addressed within the Design Directive or Design Regulation. The recommendation is that the reference for amendments should be directed at the current consultation on the Enforcement Directive.

7.3 Optimisation of the EU design regime

A final consideration within the study was to analyse whether the law needed updating in light of the competition needs, and technological advances made since the Design Directive and Design Regulation were first passed. Two of the further aims of the study is to evaluate whether the current legal infrastructure will withstand the test of time, and whether it remains adaptable in light of future technological changes in relation to 3D printing, and the spare parts issue.

7.3.1 3D printing

The issue of 3D printing will become more acute, as the technology improves and the printers are able to reproduce perfect substitutes of the original design, thus having a negative economic and legal effect on the rightholder's market. It should however, be noted that it is extremely difficult to gauge the impact of 3D printing on other areas of intellectual property law. Revisions to design law may serve as an entry path to the eventual review and revision of other intellectual property laws.

The recommendations made are based on alternative paths of review. The reason is that a concrete recommendation can only be made after a comprehensive review of the impact made by 3D printing is undertaken. The issue is a cross-cutting one which impacts not only design rules, but also patent, trade mark, and copyright laws. Revised policies in relation to this limitation should be assessed and examined across the intellectual property spectrum, taking into account the different product sectors affected by 3D printing.

A number of options for dealing with the impact of 3D printing have been discussed, and the following recommendations are offered:

- (a) Direct users: the first recommendation would be to review the possibility of restricting the scope of the "private and non-commercial" use limitation by adopting provisos such as limiting 3D printing to "*acts which do not unduly prejudice the normal exploitation of the design*", or something aligned to the 3 step test under the TRIPs Agreement.
- (b) Indirect parties: the second recommendation is to review the possibility of introducing a provision on indirect 3rd party design infringement, which would be in line with the availability of such liability under patent law.
- (c) indirect parties: a third recommendation is to review the possibility of introducing, either as an additional or alternative remedy, a provision which makes intermediary parties liable for sanctioning or authorising design infringement.
- (d) infringing design activities: A final recommendation was to review whether it would be advantageous to expand the definition of infringement to include that creating a design document which is a record of a design without authorisation would constitute an infringing use.

7.3.2. Spare parts for repair and replacement

In its 2004 Extended Impact Assessment, the Commission emphasised that "the decision to open up the aftermarket for competition was already taken at the moment of adoption of the

Design Directive, leaving the choice of its implementation.” As a voluntary agreement among industry was not forthcoming, the Commission decided to assess the options which had been explicitly included in Recital 19 of the Design Directive, namely the remuneration system and the limited term of exclusivity. In addition to these, it also examined the options of the status quo and full liberalisation. The present study adopted a similar approach by juxtaposing the current legal environment and the empirical evidence gathered and the discussion in part 6.2(c) reflects this analytical synthesis.

There is a clear fragmentation of the market, and this is not likely to change on a voluntary basis or through industry self-regulation. The current situation is facilitative of neither the completion of the internal market for goods, nor the goal of conferring equivalent protection on rightholders.

Of the several approaches examined in this study as to what the next steps should be, it is clear that the only viable approaches are: (i) status quo, (ii) full liberalisation of the market with a repairs clause/excluded subject matter, (iii) a mixture of a repair clause together with competition/consumer law input.

The evidence from stakeholders suggests that while automotive manufacturers are largely in favour of protection for spare parts, as are non-automotive stakeholders, other automotive stakeholders (such as manufacturers of spare parts) are largely against. The economic evidence suggests that there is no broad economic justification for maintaining spare parts protection, and that removing spare parts protection would be likely to have a minimal impact on innovation. The evidence further suggests that spare parts protection is leading to higher consumer prices in certain Member States, due to the dominance of original equipment manufacturers in the market for spare parts.

Legislative amendment at the EU level appears necessary. It is clear that on the one hand harmonisation is desirable, and that on the other there has not yet been unanimity as to an acceptable solution. The Commission's now-lapsed proposal commanded considerable support and has the merits of harmonising European and national design protection. There is not a more acceptable solution on the horizon. It is possible that the national decisions curtailing the scope of the "repair clause" to only "must-match" spare parts sold specifically for repair, coupled with the decision of the Court of Justice in Case C-500/14 (*Ford v Wheeltrims*) denying third parties the use of manufacturer's own marks, could make an amended proposal more acceptable to industry.

It is recommended that Article 110(1) Design Regulation should be re-cast as a defence to infringement and accordingly moved to Article 20(2), to clarify its effect and its permanent status. Article 110(2) should be deleted. Corresponding amendments to Recital 13 should be made. It should also be amended to adopt the language within Recital 13, so that the repair defence is limited to “must match” spare parts (namely parts whose appearance is dependent on the appearance of the complex product). The Court of Justice has already ruled (in Case C-500/14 *Ford v Wheeltrims*) that Article 110 in its current form does not create a defence to trade mark infringement, but this could be put beyond doubt by amending the corresponding Recital to indicate that the defence is without prejudice to trade marks. We think these proposals should be uncontroversial, as bringing much-needed clarity to the present provision.

To maintain the consistency with copyright law which is implied by the “principle of cumulation”, it is recommended to add an additional sentence to the effect that where a corresponding copyright in the design exists by virtue of Article 96(2), this defence applies equally to such copyright. That would not affect Member States whose copyright regimes would protect such parts otherwise than by virtue of Article 96(2), whilst protecting those who have liberalized their spare parts market from the consequences of the extensions of copyright created by Article 96(2). This also should be relatively uncontroversial.

In relation to national law:

Option 1

It is further recommended that the Commission’s previous proposal (which would extend the solution adopted under Article 110 of the Design Regulation to Member States’ laws via the Design Directive) be revisited so as to add an exactly equivalent provision to Article 13(2) of the Design Directive, with corresponding amendments to Recitals 19 & 20. We recognize, of course, that reaching any solution in this area will be difficult, but it is possible that the more limited scope of the liberalization (limited to “must-match” spare parts) might be agreed.

Option 2

In the alternative, it is recommended that the status quo in national law be retained for the present, pending further review when future legislation to harmonise copyright in this area (which we think essential) is considered. We recognize that although a substantial number of experts in this area favour liberalization of national law in the automotive area, non-automotive stakeholders are generally in favour of protection of spare parts. If the alternative is the more palatable approach, it is strongly suggested that this area be reviewed, in tandem with the review of 3D printing, as the latter technology may also impact the manufacture and distribution of spare parts.

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