SVENSKT NÄRINGSLIV
SWEDISH ENTERPRISE

A design protection for the digital age

March 2022

Foreword

Modernisation of the design protection has of the European Commission been pointed out as an important part of the Intellectual Property Action Plan, which is a part of the Industrial Strategy as presented in 2020.

The Confederation of Swedish Enterprise (Svenskt Näringsliv) welcomes the revision of the EU legislation on design protection. It is an important initiative, as a strong IP framework is key to sustainable innovation.

The Confederation of Swedish Enterprise is Sweden's largest and most influential business federation representing 60 000 member companies. Among the member companies many are Small and Medium-Sized Enterprises (SMEs).

Good industrial design is a key selling point for many products. For customers, it can be as much a deciding factor when buying as price and quality. It can also act as a key differentiator for companies operating in competitive marketplaces.

However, design – like any other innovation – should be able to benefit from intellectual property protection. Yet although it is possible to secure such protection, it is one of the least-used areas of IPR. In part, this is because it's less widely known, but mainly because the existing legislation is in urgent need of modernisation.

It is therefore timely that such modernisation of the EU legislation on industrial designs is a component of the European Commission's Intellectual Property Action Plan. The aim is to make IPR for industrial design easier to access and exercise and thus to help support the transition to the digital and green economy.

While the adoption of harmonised legislation represented a major advance by aligning the different approaches in many Member States - it is vital that any new legislation is fit for purpose for the burgeoning knowledge economy.

The purpose of this paper is to describe what needs to be done to create a design protection fit for the digital age.

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[1] Designrätt – de överlappande skydden, Norstedts juridik 2016.

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1. The harmonisation success story

The harmonised design protection within the EU has been successful in many ways. Before the harmonised regulations there were countries that had a copyright approach to the design protection, whereas other countries had a patent approach. These different approaches had effects. Design that was protected in some Member States was not protected in others. What was considered as an infringement of the right in one country was not considered as an infringement in others. Neither of those approaches were really fit for purpose. With the harmonised protection a protection with a design approach was created.

The creation of a design protection for the EU took several important steps, not the least in creating a protection with a design approach. This approach is the foundation of a protection that is still largely fit for purpose.

However, there are some concerns. In a world where design is becoming of greater and greater importance design protection is underused, not only by SMEs but by all types of actors. This underuse must be addressed in a clearer way. Statistics show that the applications for design protection is not at all mirroring the importance that design has as a tool for different actors.

Another part of the design protection that has to be discussed is the design protection for spare parts of a complex product extends to the spare part aftermarket. The question whether design protection for spare parts of a complex product extends to the spare part aftermarket, or whether that market should remain open to competition has been a question asked and debated among stakeholders and policy makers throughout the years. The arguments are the interest in property of the earned and valid design right, and on the other, easier flow of competition, most likely reflected in pricing and supply.

In the desire to create a more circular economy it is important that companies actively working with the design of spare parts can obtain a protection.

The harmonisation of the protection of industrial design that came about around the turn of the millennium has been a tremendous success. For one, harmonisation of intellectual property is an important part of creating a single market. There is no free movement of goods if there are differences in what is protected in different Member States.

However, the harmonisation was not completed. There was still room left for national solutions, especially regarding spare parts. That is one reason to welcome the modernisation of the design protection. There are also some other problems that need to be addressed.

2. The importance of design

Industrial design is an important part of today's economy. As customers, the choices we make are often based on the design. It does not matter if it is the choice of buying a new car or a new lamp for the office, the design is the tipping point. This is not only true for consumer products, such as fashion items. It is also true for products for professional use, but also for creating environments for performing services. Many international companies, such as restaurants subject to franchising, have created specific designs to create an interior design that is appealing to the targeted market.

Design is in fact often used not only to make things look good. It is also often a tool for communication. Trade is today seldom done in a way that the consumer meets the producer. Instead of having a direct dialogue with the costumer, design is often used to communicate core values. Anyone going into a supermarket can easily spot if a product is targeting on being high end and/or has a special aim at being friendly for the environment.

EUIPO and EPO have done several studies on the impact of intellectual property, for example providing an assessment of the contribution to the economies of the EU from industries that use different types of intellectual property rights.[2]

According to this study, design-intensive industries represent 16.2 % of total EU GDP.[3] A design protection fit for purpose is not only important for companies. It is also important for the competitiveness of the EU.

[2] Intellectual property rights intensive industries and economic performance in the European Union (2019).

[3] https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/IPContributionStudy/IPR-intensive_industries_and_economicin_EU/WEB_IPR_intensive_Report_2019.pdf

3. The legal framework

All rules on intellectual property are part of a complex system. In section 8, there is a closer description of the landscape of rules on design protection. That section provides a deeper understanding of the rules, for those who are not familiar with that landscape.

Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs (Directive) and Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs (Regulation), have a matching effect; the former is meant to harmonise national legislation,[4] whereas the latter provides an EU-wide design right with direct effect.[5]

Design protection is a protection for how something looks. It is the appearance of a product, such as for example a chair or a car. When it comes to cars, they are an example of so-called complex products. These products are composed of multiple components which can be replaced. The design protection for these products is subject to specific rules, having an impact on the protection of spare parts.

This is well-defined in the legal rules. Article 1 of the Directive (Article 3 of the Regulation) gives that the definition of design is the appearance of the whole "*or part of a product*". A "*product*" eligible for protection includes "*parts intended to be assembled into a complex product*". Additionally, a complex product can be defined as "*a product which is composed of multiple components which can be replaced permitting disassembly and reassembly of the product.*"

There are, within the EU, two ways to obtain design protection. Or, in fact, there are two different design protections.

The registered design protection is obtained through applying for a registration. This registration can be done through a national office or through EUIPO. The protection can last for a maximum of 5x5 years (25 years).

[4] Proposal for a European Parliament and Council Directive on the legal protection of Designs (COM)93, 344 Final, December, 1993. C345/14

[5] Proposal for a European Parliament and Council Regulation on the legal protection of Designs (COM)93, 344 Final, December, 1993. C29/20

The unregistered design protection is obtained by introducing a design to the market. This is described as that the protection is valid "*as from the date on which the design was first made available to the public within the Community.*"[6]

The unregistered design protection only has a duration of three years. The protection obtained is also weaker than that of the registered designs.

One important factor in the design protection is linked to the fact that the purpose is to protect the appearance of a product. That means that a design where the features of appearance are dictated by the technical function is not possible to protect through design protection.[7] Technical function is to be protected through patent protection.

In order for a design to be protected under design protection it has to fulfil the requirements set out in the legislation. The core requirements are that the design must be new and has to have individual character.[8]

Novelty is described as: "*no identical design has been made available to the public:*
(a) in the case of an unregistered Community design, before the date on which the design for which protection is claimed has first been made available to the public;
(b) in the case of a registered Community design, before the date of filing of the application for registration of the design for which protection is claimed, or, if priority is claimed, the date of priority".[9]

Individual character is described as: "*1. 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: (a) in the case of an unregistered Community design, before the date on which the design for which protection is claimed has first been made available to the public; (b) in the case of a registered Community design, before the date of filing the application for registration or, if a priority is claimed, the date of priority.*

2. In assessing individual character, the degree of freedom of the designer in developing the design shall be taken into consideration."

Any design that does not meet those requirements cannot be protected under design protection within the EU.

[6] Article 11 of the regulation.

[7] Article 8 of the regulation.
[8] Article 4 of the Regulation.
[9] Article 5 of the Regulation.

4. The need of harmonisation

4.1 Design protection in a digital age

Even though the harmonised protection of industrial design was very welcome, it has now passed a few decades. There is therefore a need for modernisation. The time when the harmonised design protection was developed was in the beginning of the digital era. It was at the time difficult to foresee the immense changes that digitalization would, and will, initiate.

The fact that we now live in a digital age is one reason for the need to modernise the design protection. Another reason is that it is possible to draw conclusions from what has served us well and what has not.

A protection for industrial design must function as a suitable protection for the investments done to create the design. The intellectual property rights that are part of the industrial rights focus to a large extent on protecting investments. Patents are for example based on investments in research and development. A design protection fit for purpose must function in the same way.

In the following, emphasis is going to be put on three different aspects:

- Formal examination and the underuse
- Spare parts
- Digitalisation

It is also important to highlight that design issues are more and more mentioned from the perspective of green deal. The demands of a design are not only to create something that looks good, functions well and communicates with the target market. The design must also be fit for a more circular economy and be a part of creating products that can be repaired. Design can be a key factor in creating products that have a long life, that are not being used for a short period of time and then thrown away.

A flagship in the Green Deal is the Commissions's initative Sustainable Product Initative. The initiative aims "*to make products fit for a climate neutral, resource efficient and circular economy, reduce waste and ensure that the performance of frontrunners in sustainability progressively becomes the norm*." and covers all products on the European market except food, feed and medicines. To achieve this the Commission plans to for example regulate product durability, reusability, upgradability and reparability and also that the information to enable this is shared. The initiative has a lot of connections to IPS and trade secrets both concerning spare parts and the sharing of information and how this is to be handled is not yet set. A legal proposal for SPI will be adopted by the Commission on the 30th of March 2022.

Another ongoing initiative that is relevant concerning spare parts is the Right-to-repair. The aim of the initiative is, by incentives, encouraging consumers to have a more sustainable use of products and increase their ability

to repair defective goods. The Commission will be looking into measures that promote repair within and beyond the legal guarantee period. The Commission plans to adopt a directive for Right-to-repair in Q3 2022.

4.2 Formal examination and the underuse

Design is all around us, all the time. Therefore, it could be assumed that a possibility of filing for protection would be used by many. This is not the case. EUIPO received 115 815 filings for design protection in 2020, which can be compared to 167 700 filings of trademarks in the same year. For some Member States the difference is even bigger.

Swedish applicants were not using the design protection as much as one may believe, thinking of Sweden as a country of world-renowned designs. There were in 2020 1 875 filings for design protection by Swedish applicants (241 national applications and 1 616 Swedish applications at EUIPO) compared to 12 455 filings for trademark protection (8 697 national and 3 758 Swedish filings at EUIPO).[10]

Considering how design is used in the marketplace it seems as if there is an immense underuse of the registered design protection.

The fact that there is no ex officio examination at the EUIPO and at a vast majority of national industrial property offices is probably a factor when it comes to the underuse of the design protection.

The lack of ex officio examination creates an uncertainty regarding the actual protection. The lack of ex officio examination also forces companies to themselves keep track on new registrations by (potential) competitors. This is especially burdensome for SMEs.

It is important that the rules are harmonized among the Member States and aligned with the procedures of the Community design system.

[10] https://euipo.europa.eu/ohimportal/sv/annual-report

4.3 Spare parts

The design protection for spare parts of a complex product was one of the key factors in delaying the harmonised design protection. It was very difficult to find a common understanding on the protection for these specific designs.

The questions concerned basic questions such as if a protection should be granted at all for spare parts, but also what the conditions should be if a protection was granted. In the end, this is one of the parts that has not yet been fully harmonised between the Member States.

Harmonisation of the protection is a key factor in creating an inner market. The protection of spare parts is not a discussion on spare parts as such. It concerns the question on the possible aftermarket for producers of complex products. This is why the harmonisation has been so difficult to obtain.

4.4 Digitalisation

The harmonised rules on protection of industrial design were very modern when it came. It was already fit for a more digital world, as it may be used for protecting for example icons for applications on smart phones. This is also an example of how these rules are to a large neutral to new technologies, since the smart phones did not exist when the legislation was developed.

However, digitalisation does change much more than just new types of design. One example is the increased use of additive manufacturing.[11] From one perspective, this may be seen as just one more way to manufacture. From another perspective, this changes everything. With the technology used for additive manufacturing also three-dimensional objects turn into binary code. We have all seen how the film- and music industries have been affected when film and music became binary code.

[11] https://www.epo.org/news-events/news/2020/20200713.html

5. Formal examination and the underuse

5.1 The underuse

Design is important. Design protection should be important. The possibilities to protect design is not being used nearly as much as it could. There are several reasons for this, some linked to the construction of the protection in the EU. There are also reasons that are not linked to the actual legislation.

Statistics on the use of design protection clearly shows that there seems to be an underuse internationally. World Intellectual Property Organization statistics showed that there were 17,2 million trademark applications 3,3 million patent applications and only 1,4 million design applications internationally in 2020. The underuse is therefore not just a European problem.

One factor that affects the use of the design protection is the lack of knowledge. In many countries, including Sweden, the awareness of the design protections is very low. Students studying to become designers almost never get any education on intellectual property. If they do get a lecture or a seminar, it often only highlights issues on copyright.

The lack of knowledge regarding the design protection must be addressed. EUIPO has done tremendous work in sharing knowledge on intellectual property. This work must continue. However, it is important that these efforts are done in collaboration also with authorities in the Member States.

It is important that efforts are made aimed at specifically awareness raising on design protection. So far, efforts on awareness raising often focus on patents, copyrights, and trademarks. Design protection is often left out.

One factor behind the underuse is due to too complex procedures and a structure of fees that is not optimal. The strength of the protection, the likelihood that a registration will hold in court, is another important factor. This means that it is not enough to only improve accessibility and affordability of design protection in the EU. The certainty of the protection must also be improved. Here, digital solutions may be used.

The complexity of design protection is even greater for companies operating also outside the EU. There are still many differences between not only the legal foundations in different parts of the world but also the procedures for registration. It would therefore be beneficial if the EU took lead in working on harmonising design protection internationally.

The underuse of the design protection does not only lead to the non-creation of a specific (potential) asset. It also has the effect that there is a lack of competence regarding design protection. One example can be the situation at the Swedish Intellectual Property Office, where only a few persons work regularly with design issues. That means that it is difficult to build a critical mass of knowledge.

This has as a consequence that there is a lack of competence within many companies, but also at law firms.

5.2 The lack of formal examination

There are different ways to obtain a design protection. One for the unregistered protection and one for the registered protection. As described above there are several requirements that have to be met in order for the design to be protected, such as the novelty requirement.

When it comes to the unregistered protection, under Article 11 of the Regulation, the actual examination will take place in court. In order for anyone to claim that there is a protection, the design will have to meet the requirements in Section 1. Article 11 states:
"*A design which meets the requirements under Section 1 shall be protected by an unregistered Community design for a period of three years as from the date on which the design was first made available to the public within the Community."*

The consequence is that no one can actually know if there is a protection or not until it has been tried in a real case. However, for a right that is not based on registration it is difficult to have it any other way.

When it comes to the registered design protection the situation is different. According to Article 12 "*a design which meets the requirement under Section 1 shall be protected by a registered Community design*". The requirements are crucial for the actual right.

The registration authority does however not do a formal examination, as is done when there is a patent application. According to Article 47, the grounds for non-registrability are:
"*If the Office, in carrying out the examination pursuant to Article 45, notices that the design for which protection is sought: (a) does not correspond to the definition under Article 3(a); or (b) is contrary to public policy or to accepted principles of morality, it shall refuse the application."*

Article 3(a) gives the definition of design:
"*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*"

The other requirements for protection, found in Article 4 through 6, are not mentioned in Article 47. That means that EUIPO as a registration authority does not examine whether the design fulfils the requirements of novelty and individual character. In article 48 it is stated that "*If the requirements that an application for a registered Community design must satisfy have been fulfilled and to the extent that the application has not*

been refused by virtue of Article 47, the Office shall register the application in the Community design Register as a registered Community design."

For someone making a registration, the value of the registration is disputable. The first question to be answered in case of an alleged infringement is if the right should have been granted. If the design is later considered not to fulfil the requirements regarding novelty and individual character, the right is considered as non-existing.

Of course, all registered rights can be challenged. However, the lack of formal examination when it comes to design protection has as a consequence that the companies will have to monitor what other actors are doing. Even SMEs will have to take responsibility to challenge registrations done by competitors.

The lack of formal examination leads to a transfer of obligations, from the registration authority to the companies. This in a situation where they cannot rely on the registrations that they have done themselves.

Since the harmonisation of the design protection, the technological possibilities have changed. Today it is to a much larger extent possible to make search on design. EUIPO recently published a report on how AI can be used in regard to infringements and enforcement of copyright and designs.[12]

The same technology could also be used for formal examination, without being a too large burden on the authority. This would especially be beneficial for SMEs and could be seen as a good investment of the money EUIPO has built up over the years.

The lack of formal examination seems to be a crucial part of the underuse. Patents and trademarks are to a larger extent subject of formal examination. Both these protections are more widely used, despite the effect on having to wait for examination and the (potential) effect it may have on the fees.

[12] https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/reports/2022_Impact_AI_on_the_Infringement_and_Enforcement_CR_Designs/2022_Impact_AI_on_the_Infringement_and_Enforcement_CR_Designs_FullR_en.pdf

6. Spare parts

6.1 The legislative background

Both the EU directive and the regulation protect complex products "*composed of multiple components which can be replaced permitting disassembly and re-assembly of the product*." They also exclude the protection of product parts which features must be shaped in an exact way in order to allow a part to be incorporated into or connected with a complex product, i.e. "must fit" parts.[13] Functional considerations and non-aesthetic considerations have been the motivation as to why these are not eligible for protection[14]

When it comes to replacement parts for complex products, the two laws part diverge from one another. They differ in their treatment of parts of a complex product whose shape is dictated by the product's overall appearance, which are visible, and therefore play a part in the appearance of the product also known as "must-match" parts. Historically, the automotive industry has been the leading one in relation to the use and protection of these parts.

To be able to understand the protection for spare parts there are several different parts of the Directive and the Regulation that have to be taken into consideration.

Article 3 of the Directive (Article 4 of the Regulation) refutes protection to "*not visible*" spare parts and Article 7(2) of the Directive (Article 8(2) of the Regulation) excludes protection to "*must-fit*" technical interconnectedness characteristics of a product (i.e spare parts).

Article 14 of the 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 Directive states:
"whereas … Member States should in the meantime maintain in force any provisions in conformity with the

[13] The idea of an exception from connection details, must-fit, comes from the British Design Act. Article 7 (2) 61 of the Designs Directive is worded verbatim from Article 213 (3) (b) (i) of the Copyright, Design and Patent Act of 1988

[14] A solution to the "spare parts" problem which was rejected by the Commission in the Green Paper

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 Regulation:
"(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".

Article 110 (1) of the Regulation explicitly exempts protection when it comes to must-match parts, which would otherwise be subject to design protection, to the extent they are used to restore the original appearance of the product. This is also known as the "*repair clause*".

However, the Directive does not have a repair clause. After long going and hard negotiations, it was at last decided that the repair clause would not be included in the community legislative framework.

The Commission proposed that the extension of Article 110 in the Regulation was going to be subjected to national provisions – in order to make all Member States introduce an actual repair clause. They would consequently also have been required to have an article requiring third party spares suppliers to label their products. There was a proposal made by the Commission in 2004, the proposal did however not move forward and got abandoned in 2012.

The 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 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.

This was called the "freeze-plus" provision. The national provisions were only allowed if their purpose were to serve in favour of the market for spare parts. In 2014, the Commission expressed its intention to resume the

overall issue regarding spare parts. They did so by commissioning studies on the economic and the legal effects industrial design might have in the community which was published in April 2016.[15]

This discussion, the existence and definition of spare part protection has also been up for debate in the USA. Legislative proposals have been made in Congress since 2008. The interests are similarly aligned and the arguments in favour and against adoption of a repair clause equally similar. One notable difference is the fact that the provisions of the proposed bills have changed over the years. The primary across-the-board exclusion of replacement parts applicable to all industries was replaced with a limited period of protection of 30 months and to only specified motor vehicle parts.[16]

6.2 Design rights and the aftermarket

There are primarily two types of products: a consumable product (for example a cup, a lightbulb or a chocolate bar) or a durable product (for example a watch, a car or a pair of expensive shoes). The main difference is that the consumable product once broken, consumed or damages, is replaced. A durable product is instead to a larger extent repaired and/or modified. This consequently leads to that the durable product has two or more markets. A primary market first time around it is sold, and a secondary or third market for spare parts or adjustments – a so called “aftermarket”.

The most heard common economic argument against protection of aftermarket parts can be condensed 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. On the other hand, can the protection itself to a higher degree ensure that the line of quality is not broken and that there can be seen a more sustainable ‘flow’ on the market.

The economic argument that is commonly used in favour of design protection of parts states is that recycling and recoupment must be encouraged in the aftermarket in order to stimulate the primary market as it is widely known that the primary market can be very competitive.

In the area of vacuum bags, competition between vacuum cleaner companies tends to keep the prices of vacuum machines down. The aftermarket is consequently where further profit can be generated. This is true for several industries: gaming, vehicles, etc.

[15] Legal review on industrial design protection in Europe Under the contract with the Directorate General Internal Market, Industry, Entrepreneurship and SMEs (MARKT2014/083/D)

[16] U.S. Bill H.R. 1057 and Sec. 560 to amend 35 USC Sec. 271 (2015).

6.3 The non-existent harmonisation for spare parts and its consequences

Since there is no harmonisation regarding spare parts, there are differences among the Member States in relation to how they are regulated. Some Member States have chosen to adopt the clause mentioned above, while others have chosen to keep the existing national provisions.

The following data has been collected and released by the Commission in relation to a Questionnaire WIPO sent out in 2008[17], all but Latvia reported that they protect spare parts.

- Repair clause for component parts of complex products: Italy, Luxembourg, Netherlands, Poland, (UK)[18] and Spain
- No provisions for repair: Austria, France, Germany, Finland, Lithuania, Portugal, Slovenia, Sweden, Czech Republic and Denmark
- Shorter term of protection for component parts: Sweden, Finland 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 replacement), whereas in other Member States, national design rights cannot be used to protect component parts for the same purpose. To obtain protection for spare parts in each of the Member States where it is available, a national design right must be applied for in every Member State respectively. 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 indications have been made that they have recovered during the past years.[19]

Many of the relevant registrations have been made in relation to the automotive sector. Both stakeholders within and outside of the automotive industry expressed a preference in relation to harmonisation in relation to Community Design protection. The figures within the automotive industry have however been lower than the companies and stakeholders outside of the automotive industry.

[17] 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/.

[18] No longer relevant due to Brexit.

[19] Legal review on industrial design protection in Europe (report 15 April 2016) Austria, Denmark and Lithuania (none of which have a repair clause) for example.

The automotive industry stands for the lions' share of the application in most Member States that provide protection for spare parts.[20] In some Member States, especially those with a 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.

Up until 2022, there has only been one single case relating to spare parts (and in this case the repair clause) decided by the CJEU[21] The case revolved around Ford Motor Company ("Ford") and the company Wheeltrims srl ("Wheeltrims"). Ford is a well-known and large manufacturer of vechiles, spare parts and car related accessories. Wheeltrims is a distributor of spare parts and car accessories. It sells wheel trims on which trademarks of various car companies (including those of Ford) are reproduced, without the consent of car manufacturers. Ford filed a lawsuit in the Court of Turin against Wheeltrims in order to stop them from supplying wheel trims embossed with the Ford Trademarks. Ford also wanted compensation for damages. Ford argued that the unauthorised reproduction of the trademarks on the wheel trims constituted an infringement of their exclusive rights in the Ford trademarks.

Wheeltrims countered with that the use of the Ford trademarks was merely descriptive and based its defence on the repair clause (in article 110). Wheeltrims argued that in reproducing the Ford trademarks on the wheel trims, they did not intend to indicate the origin of the spare parts but was to identify the manufacturer of the main product (the car).

The Court of Turin escalated the case to the CJEU and awaited their interpretation. The CJEU decided that the repair clause does not allow producers of spare parts and related accessories to reproduce marks on their products which are identical to the registered trademarks owned by the car manufacturer simply because that use of the trademark would lead to the renewal of the original appearance of the complex product.

The aftermath has been focused on the impact the case had (or did not have) and that spare parts questions overall more likely are best left to the legislator. It was more or less a case that set boundaries for trademark law and not really design law. Cases related to national protection for spare parts have however also been sparse. Given the vastly different national provisions in each Member State, the case law would most likely not be of any jurisprudence other than in the Member State itself.

[20] In Sweden, Scania and Volvo has historically used the national design regime, whereas other Swedish companies, such as IKEA, utilise the Community Design Rights.

[21] C-500/14 - Ford Motor Company

6.4 The markets view regarding a harmonised spare part protection

In a project with the Commission in 2004[22], a Study Team asked questions relating to the view of spare parts. The interviewees were Stakeholders within the industry and the survey had the following question: "Do you favour design protection for visible spare parts for repair or replacement?" with the three alternatives being "Yes", "No", and "I do not know".

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 replies were broken down by area, 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. Many non-automotive stakeholders stated that they 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. This survey, albeit a non-recently created one, clearly states that the existence of spare part protection itself is uncontroversial, but the harmonisation has historically been a factor where stakeholders have been reluctant to view it as a possible future reality. One theory to why this could be is due to lack of information and education relating to the actual effect a harmonisation would have and the reduction of costs for the industry and stakeholders. The lack of information overall in relation to design protection, especially the EU design protection, adds fuel to the fire that there ought to be national provisions for something where a well-balanced solution and harmonisation could solve a lot of issues and gaps in the economic links and the sustainability possibilities in EU.

One of the reasons to why this has been an area more difficult to harmonise could very well be connected to the special role that spare parts play on the first and secondary market. In the automotive industry, this is made apparent as it is the industry in which spare parts and the repair clause mostly are used.

For example, an individual part of a complex product is produced and sold to meet the request in the primary market. Consumables for example. They serve the purpose for the product to work in the first place but is not considered to be repairing or facilitating maintenance. Spare parts are on the other hand to be considered as a part of the aftermarket and the original manufacturer could very well also have an upper hand on the market. The are some that argue that competitors could face a difficulty entering the aftermarket for spare parts. This is a natural consequence of that a spare part serves the purpose to repair or restore an original state. In many

[22] 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

cases, they must therefore in detail match the original look in terms of appearance, size, shape, connectivity, etc.

Even though the position of the owner of the “main” design on which spare parts can be used is strengthened, this should not exclusively be seen as a factor that weakens the fair competition on the community design market. Spare parts are in many cases in close connection to either ‘must match’ or ‘must fit’ parts and there are cases in which technical function play a big role. The possibility for a competitor to be innovative and secure parallel protection for a competing spare part is therefore not unsubstantial.

A well-functioning harmonised protection for spare parts could also be regarded as a possibility for the owner of the “original” product to make spare parts durable and the preferred choice in relation to durability. The need for durable and sustainable solutions are increasing and a well-functioning spare part protection could ensure that the return on investment in relation to the innovation is maintained.

The costs for national registration for design of spare parts, where stakeholders need to apply for protection in each Member State is also an issue which should not be overlooked. Not just the cost that is in the figures of almost 30 times the cost for a Community Design in relation to official fees in each Member State. All the costs for the stakeholders, their legal representatives and the time and labour for the Registration Offices of each Member States ought to be recognised.

The overall efficiency in relation to actual costs, the possibility for overlooking and searching of spare products as well as the incentives for the market to protect and consequently create designs independent of the ones owned by the ‘original’ manufacturer/stakeholder are all solid arguments as to why this is a solution that the market needs.

7. Digitalisation

The development of additive manufacturing, or 3D-printing, is speeding up. According to a study from EPO, European patent applications for additive manufacturing increased at an average annual rate of 36 % from 2015 to 2018.[23] The study also reveals that Europe is a hub for additive manufacturing.

Additive manufacturing is not one single technology. The most well-known is perhaps the different ways to print objects in plastics. Already several years ago, Lady Gaga started to wear shoes that were made through additive manufacturing. For many, that was a starting point to realizing that this is a modern technology that is coming in a fast pace.

Additive manufacturing can be used for many different types of objects. There is research being done on using additive manufacturing to build houses. There are also ways to make biological material, such as blood vessels, through additive technology.

The increased possibilities may change how design is being used. As mentioned above, the harmonised rules on design protection were already adopted to some of the needs in a digital world. Icons for applications, fonts, design of webpages are possible to protect through design protection.

The challenges that are raised with an increased use of additive manufacturing are therefore not primarily linked to what can be protected. The challenges are more linked to the actual protection.

Additive manufacturing can be viewed from different stages of the process, that all lead to new legal questions. First stage is how the design is being created that is to be “printed”. This could be done by actually having a three-dimensional object to start with. This object can be scanned, which will be part of creating the blue print necessary to use a 3D-printer.

When looking at this process, there are many other intellectual property rights that may have to be considered. The necessary computer programs are protected under copyright, the printers contain patented inventions. The object itself that is being printed may be protected through copyright protection and trademark protection, not to mention that it may be a protected design.

Another way to initiate the printing process is to start with creating the print. Computer programs can be used to create these designs. These programs do not only focus on the actual look, but also the technical demands

[23] https://www.epo.org/news-events/news/2020/20200713.html

that have to be met in order to make the printing process work and to be able to print a product fit for purpose.

The next stage is the actual printing, the additive manufacturing. If all of this is done by the rightsholder this is covered by the rights held. If this is done by someone else new questions may arise. First, the process might be considered as an infringement itself. The method might for example be covered by several patents and the use could be seen as a patent infringement.

Second, the design printed may be protected. As mentioned above, design can be subject to many different protections. Design protection is one, copyright is an example of another. Depending on which right that is applicable, printing may be seen as an infringement or not. For example, the design protection opens up for the use of private persons. If someone is printing at home with their own printer, there is not likely an infringement in the design protection. Copyright protection does to some extent allow private copying, in some Member States.

The major challenge with the technologies behind additive manufacturing is however that they may transform tree-dimensional objects to binary code and binary code to three-dimensional object. When film and music were subject of the same transformation, it changed the entire industries. We have probably not yet even seen the beginning on how the technologies behind additive manufacturing will transform different industries.

When looking on how a key protection of three-dimensional objects have to be altered in order to be fit for a digital age it is crucial that some concern is spent on these challenges. All these challenges are not to be met by the design protection. A key factor is however to consider the relationship between different intellectual property rights. As described, additive manufacturing is more or less a journey through the intellectual property. How these rules interact will be a key factor.

The most important aim for the legislator must be to not undermine the position Europe has at the moment as a hub for additive manufacturing. This is a competitive advantage for Europe, this advantage should be recognized and promoted.

8. The design protection landscape

8.1 The background and international rules

In order to put the suggested solutions into a context, it may be important to have more of an in-depth understanding of the design protection. As described above, there is a lack of knowledge on design protection. The consequence is that it is common to have a conception of design protection that is based on knowledge of other intellectual property rights.

The protection of industrial design has not been subject to the same levels of harmonisation as for example the trademark protection. The industrial rights have their international basis in the Paris Convention from 1883.[24] From that convention many of the principles for both patent and trademark protection can be found. The contracting parties form the Paris Union.

The Paris Convention does however not give very much details on for example the definitions or the content of the actual right. Article 5quinquies only states: "*Industrial designs shall be protected in all the countries of the Union*". The most important part laid out in the Paris Convention is the fact that there is a system of priority in case of international applications.

Priority means that if an application has been made, a period of a six-month priority starts. During this period, it is possible to apply for protection in several countries. These registrations then apply the application date in the first country. The novelty requirement is not affected.

With the Paris Convention in mind, the protection of industrial design developed in different ways in different countries. Even within Europe, different countries had a totally different approach to the protection of industrial design. The Swedish act on protection of industrial design was for example more or less a blueprint of the Patent Act whereas other neighbouring countries had protection for industrial design that had much more of a copyright approach.

In the 1990's the TRIPS agreement came about as part of a new framework for international trade.[25] The countries being part of the World Trade Organization (WTO) are obliged to follow this agreement. That means

[24] The Paris Convention has to date 178 contracting parties (to be compared with the 193 members of the United Nations).
[25] TRIPS stands for Trade Related aspects of Intellectual Property.

that the 164 countries that are part of WTO have agreed to have rules in place to protect various intellectual property rights.[26]

To some extent, the rules of the TRIPS agreement refer to other international conventions. One example of that is that Article 9 of TRIPS refers to the Berne Convention, stipulating that the main principles of copyright are the ones established in that convention.[27] For other rights, the TRIPS agreement gives more of a solid ground for harmonisation. This is valid for protection of business secrets, Article 39 TRIPS agreement.[28] This is also valid for the protection of industrial designs, Articles 25 and 26.[29]

Until the harmonisation of design protection within the EU there were however fundamental differences between the protection in different countries.

8.2 The rules in the EU

The harmonised rules on design in the EU are based not only on a directive, but also on a regulation, as described above.

Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs (Directive) and Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs (Regulation), have a matching effect; the former is meant to harmonise national legislation,[30] whereas the latter provides an EU-wide design right with direct effect.[31]

All national design regulations in EU Member States, like Mönsterskyddslagen (1970:485) in Sweden, are laws submitted under the Directive and its implementation. In the early stages of the harmonisation, the Directive and the Regulation started from a joint draft. The approach was to diverge from the national provisions and the patent and the copyright approach respectively and harmonise design law in the EU.[32]

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[26] https://www.wto.org/english/tratop_e/trips_e/trips_e.htm#issues

[27] https://www.wto.org/english/tratop_e/trips_e/intel2_e.htm#copyright
https://www.wipo.int/treaties/en/ip/berne/

[28] This article contains for example a definition of the notion of trade secrets.

[29] https://www.wto.org/english/tratop_e/trips_e/intel2_e.htm#industrialdesigns

[30] Proposal for a European Parliament and Council Directive on the legal protection of Designs (COM)93, 344 Final, December, 1993. C345/14

[31] Proposal for a European Parliament and Council Regulation on the legal protection of Designs (COM)93, 344 Final, December, 1993. C29/20

[32] Green Paper on the Protection of Industrial Designs – 111/F/5131/91-EN, Brussels, June 1991

9. The solutions - what could a new harmonisation look like?

9.1 Is there a need of further harmonisation?

In the beginning of this paper, it was described how the EU harmonisation of the design protection has been a success story. A further harmonisation could be a way to continuing that success. However, as presented it is not necessarily so. Harmonisation that does not mirror the needs of a modern design protection could cause more harm.

There are some parts of the design protection that need to be addressed. So far, we have mainly pointed out dilemmas and problems. In the following we are also going to point out possible solutions.

9.2 Formal examination and the underuse

Maintaining status quo

It may seem like a system without examination would provide a protection that is easy to obtain also for small and medium sized companies. However, the underuse of the design protection might be a consequence of the lack of formal examination.

Patents are subject to an extensive formal examination. The protection granted when a patent is registered may of course be challenged. The patent holder does however have a more solid trust in the registered patent. The same goes for trademarks, that are also subject to an examination.

Maintaining a status quo for design protection will lead to a continuation in having a weaker design protection compared to several other intellectual property rights. Anyone arguing for maintaining status quo must also argue on why investments in design do not deserve the same type of strong protection as investments in technical solutions.

Introduce formal examination

Introducing formal examination for registration of designs will be something new for some countries. One often used argument against formal examination for design has been that it is too difficult to make searches of design, compared to the possibilities to search for information regarding trademarks and patents.

Since the harmonisation of the design protection within the EU, the possibilities to search for images have developed immensely. The possibilities are not just there for the most advanced professional services, they are used every day by all types of people.

The new possibilities to make searches of design should be used to the benefit of the (potential) users of design protection. This would be especially beneficial for small and medium sized companies. The lack of formal examination leads to consequences that affect them the most. The lack of formal examination leads to that they themselves must go beyond their knowledge and make their own examination. It also leads to that they also have to investigate what others are registering.

Introducing formal examination would be a welcome reform.

Facing the lack of knowledge

The underuse is also linked to a lack of knowledge. It has been highlighted that many small and medium sized companies lack knowledge of intellectual property rights on a whole. When it comes to design protection, the knowledge level is even lower.

One factor behind this is that the education, at all levels, is seldom adjusted to the needs of the knowledge economy. Education should be developed so that all and everyone acquires necessary knowledge of knowledge-based assets.

It is also important that efforts done towards small and medium sized companies, such as the SME Fund, must continue.[33]

9.3 Spare parts

Maintaining status quo

Member States have been left with the legislative responsibility to according to their own provisions, decide how and if protection for spare parts can be protected. As mentioned in this paper, this is the current outlook and position in the EU today.

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 and China. They do however not do this consequently enough to ensure that a spare part would be protected in the same manner throughout the EU, quite contrary.

Even though it would be more cost efficient at first, to keep things as they are, under a principle “if it ain’t broken, don’t fix it”, the long-term costs are hard to overlook and assess. This pertains to costs for separate protection in all relevant Member States as well as the difficulty for i.e., SMEs to assess the value of a protection, creating a strategy etc.

[33] https://euipo.europa.eu/ohimportal/en/online-services/sme-fund

Mandatory licensing

This approach is somewhat controverse and based on the recognition of protection for must-match (visible) spare parts but would require a mandatory license of the design to any user for a fair and reasonable remuneration (FRAND).

There are some argued advantages of this approach and that 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. Mandatory licensing is also not prohibited under the TRIPS Agreement.

The disadvantages are however many, including the fact that a remuneration system is very administratively burdensome and offers little legal certainty. It was noted in the 2004 Impact Assessment[34] that this approach would be unfeasible. One of the main arguments being that the costly and lengthy negotiations in order to reach valid settlements would be insurmountable.

Liberalisation of the spare parts market

This approach that the Commission themselves mentioned in their report[35] has the outline that no design protection of spare parts would be allowed in the EU. An exemption both relating to a harmonised protection and provisions in the Member States.

This would then in the end lead to the revision of the Directive, eliminating design protection for must-match parts across the EU. This would without doubt lead to a decrease and decline in standards of the products on the aftermarket and would be detriment towards the stive for more sustainable product cycles in the EU. Not to mention the decrease in product 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. This would consequently not be a valid option moving forward.

Shorter term of protection for spare parts

Under this approach, a shorter period of design protection is allowed for spare parts. As mentioned previously, in Sweden and Denmark and Finland the period of protection is shorter in respect of spare parts, adopting a 15-year period of protection, with a renewal every 5 years. Article 25(1) of the Trips Agreement imposes a minimum term of protection of 10 years. This would render the previous suggestion made by the Commission,

[34] Under the contract with the Directorate General Internal Market, Industry, Entrepreneurship and SMEs (MARKT2014/083/D)

[35] Legal review on industrial design protection in Europe (report 15 April 2016) Austria, Denmark and Lithuania (none of which have a repair clause) for example.

relating to 3 years protection, invalid.[36] A suggestion in line with the wording of the Trips Agreement would then be that the suggested time for protection would be at least 10 years but no more than 15 years.

Given the alternatives provided, the most appealing one would arguably be that the Nordic approach is harmonised, albeit with a slight shortened duration of 10 years. Given the fact that the lion's share of Swedish national design protections is made by foreign or Swedish companies who wish to have protection for their spare parts on the aftermarket – this could be seen as signatory for how the harmonisation might look in the end and how there is a need and request for and from the market.

9.4 Digitalisation

Develop the legislation

Digitalisation has changed the world. One way to look at legislation and technical change is that legislation always should be neutral regarding technology. The problem is that technology does change everything, including human behavior.

The fact that the development of additive manufacturing has as a consequence that three-dimensional object can become binary code. At the same time binary code can turn into three-dimensional objects. What this leads to can be disputed. Will we see illegal file-sharing of houses and toys? Will there be a re-industrialisation of Europe since production costs may be lower? Will high quality printers be found in almost all households?

These speculations may trigger a desire to develop the legislation regarding additive manufacturing and design protection. Since the consequences are yet to be seen, it may be too early to analyse what has to be done in the actual design protection. Some of the foreseen problems may be better handled in other legislation, such as rules on trademarks.

Remember the turtles

At the Supreme Court in Washington D.C. there are turtles everywhere as a symbol of how law should be developed. It is important that legislation is relevant at the same time developing legislation should be done with care. There are through time many examples of situations where the legislator has acted to quickly to adopt legislation to new phenomenon.

There are some examples in this paper where the new technical possibilities should be acknowledged in changed legislation. Most important example is the possibility to do searches for design, allowing for formal examination of design applications.

[36] Explanatory Memorandum to Proposed Design Directive, COM(93) 344, December 23, 1993 [1993]