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From: Permanent Representatives Committee (Part 1)
To: Council

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Subject: Review of EU legislation on design protection:
(a) Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the legal protection of designs (recast)
(b) Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Council Regulation (EC) No 6/2002 on Community designs and repealing Commission Regulation (EC) No 2246/2002
- General approach

I. INTRODUCTION

1. On 10 November 2020, the Council adopted conclusions on *Intellectual property policy and the revision of the industrial designs system in the Union* which called on the Commission to present proposals ‘to modernise the EU design protection systems and to make design protection more attractive for individual designers and businesses, especially for SMEs’¹. This call was reinforced by the European Parliament in its Resolution of 11 November 2021².

¹ Doc. 12750/20, p. 8.

² 2021/2007/INI.

2. Industrial design rights protect the appearance of a product. The visual appeal created by a design is one of the key factors influencing a consumer's choice in preferring one product over another. Therefore, well-designed products constitute an important competitive advantage for producers. Design-intensive industries represent almost 16% of GDP and 14% of all jobs in the Union.
3. On 28 November 2022, the Commission published a legislative package to modernise the 20-year-old EU system of design protection. This initiative is one of the key elements of the Commission's 2020 Intellectual Property Action Plan³.
4. The legislative package comprises the above-mentioned proposals for a Directive on the legal protection of designs (recast of Directive 98/71/EC)⁴ and for a Regulation amending Council Regulation (EC) No 6/2002 on Community designs⁵. The proposed Directive is based on Article 114(1) of the Treaty on the Functioning of the European Union (TFEU), while the proposed Regulation is based on the first subparagraph of Article 118 TFEU.
5. The proposed revision aims to ensure a well-functioning internal market for designs to the benefit of growth within the Union, furthering the competitiveness of businesses and taking fully into account the interests of consumers. It seeks to encourage innovation by making the EU designs *acquis* fit for the digital and green transitions, and aims to make the design protection system more accessible and efficient, in particular for small and medium-sized enterprises (SMEs) and individual designers.
6. With that in mind, the package streamlines and modernises registration procedures, and it clarifies the subject matter, definitions and scope of rights and limitations, in particular, with a view to further specifying the scope of protection in the digital environment, such as digital graphical user interfaces or icons, and to removing doubts as regards design rights in the context of 3D printing.

³ Doc. 13354/20.

⁴ Doc. 15400/22.

⁵ Doc. 15390/22.

7. In line with the successful 2017 trade mark reform, the revision also provides for new and further substantive and procedural harmonisation in the field of designs protection at national level.
8. In the context of such further harmonisation, the revision aims, in particular, at completing the internal market for repair spare parts by introducing a ‘repair clause’ into the Designs Directive. For coherence, it aligns the repair clause that was already contained in the 2002 Designs Regulation with the new repair clause of the revised Designs Directive.
9. The European Economic and Social Committee adopted an opinion on the proposals on 22 March 2023⁶.
10. In the European Parliament, work in the Committee on Legal Affairs (JURI) is well underway. Parliament is expected to adopt its report in early November 2023.

II. WORK IN COUNCIL PREPARATORY BODIES

11. The examination of the package in the Working Party on Intellectual Property started on 19 December 2022 under the Czech Presidency, and has likewise been prioritised by the Swedish and Spanish Presidencies, with the objective of reaching a General Approach at the meeting of the Council (Competitiveness) on 25 September 2023.
12. The Working Party discussed the proposals at 10 meetings, during the course of which it deliberated on three Presidency compromise texts on the draft Regulation and four Presidency compromise texts on the draft Directive. The joint impact assessment accompanying the proposals was examined at two Working Party meetings, on 19 December 2022 and 10-11 January 2023. Delegations generally welcomed the two proposals and their aims, as well as the methods and criteria, and the preferred policy options set out in the impact assessment.

⁶ Doc. 7835/23.

13. At its meeting on 6 September 2023, the Permanent Representatives Committee (Coreper) endorsed compromise texts on the draft Directive and Regulation⁷, and agreed to forward them to the Council (Competitiveness) of 25 September 2023 for the approval of a general approach on these compromise texts.
14. The compromise texts, as set out in ADD 1 and ADD 2 of this Note, reflect the efforts of the Presidency and the Member States to strike an appropriate balance between the different positions of the delegations, while maintaining the above-mentioned objectives of the Commission proposal.

III. MAIN ELEMENTS OF THE COMPROMISE PACKAGE

i) Definition of ‘design’ and ‘product’

15. The suggested modernisation of the definitions of ‘design’ and ‘product’ (in Article 2 of the Directive and Article 3 of the Regulation), which are aimed at making the definitions and the scope of the Directive and Regulation fit for the digital transition, were broadly welcomed. However, to make the definitions even more future proof, a few adaptations in the terminology have been introduced in the Presidency compromise texts (e.g. ‘digital’ was replaced by ‘non-physical’).

ii) Repair clause

16. Discussions on the harmonisation of design protection for spare parts have been ongoing for more than 20 years, without achieving an agreement, meaning that the legislative landscape on this matter has remained fragmented.

⁷ Doc. 12183/23 ADD 1 and ADD 2.

17. The repair clause, proposed by the Commission to be introduced into Article 19 of the Designs Directive, would allow manufacturers to produce design protected component parts of complex products that are necessary for the repair of such products. The proposed repair clause is limited to form-dependent ‘must match’ parts of complex products; it would apply to all future designs and would provide for a transitional 10-year period to safeguard the protection of existing design rights.
18. This ‘middle ground’ approach, based on many years of comprehensive consultations and preparatory work, was considered by the Commission to constitute a balance between the objectives of market liberalisation and the consumer and business interests involved. For alignment between the Directive and the Regulation, the scope of the repair clause in Article 20a of the Regulation will be clarified and fully brought into line with the new repair clause in the Directive.
19. Following detailed discussions in the Working Party, the Presidency compromise text takes on board the original Commission proposal, with many delegations considering that this solution achieves the appropriate compromise between the different views expressed, both in relation to the scope of liberalisation and the duration of the transitional period. Discussions have proven that this compromise constitutes a very delicate and fragile balance between the interests involved; and any change, in one direction or the other, would cross a red line of one or the other group of like-minded delegations, with possible implications on achieving a qualified majority.

iii) Grounds for non-registrability

20. The proposal to make the examination of design applications across the EU subject to the same limited grounds for non-registrability was welcomed by delegations. This being said, these grounds have been slightly adjusted, to accommodate delegations' requests that any improper use of items covered by Article 6ter of the Paris Convention or of other badges or emblems of national interest, or of elements belonging to cultural heritage of national interest, may also be taken into account in this context (Article 13 of the Directive, Articles 25 and 47 of the Regulation).

iv) Administrative invalidity procedures

21. The Commission proposal suggests introducing mandatory administrative invalidity procedures also in the area of designs, as they have been introduced for trade marks by Directive (EU) 2015/2436. Delegations emphasised, however, that an obligation to set up such mandatory procedures for designs would be disproportionate and not justified by current needs. They drew attention to the low number of invalidity procedures, particularly in light of the limited validity period for designs, and to the fact that most cases of invalidity would be linked to questions of copyright or unfair competition, which would in any event have to be dealt with by courts.
22. In order to give the necessary flexibility allowing Member States to organise national procedures in the most efficient way and not give rise to unnecessary administrative burdens, the Presidency compromise text on Article 31 of the Directive therefore suggests that the administrative invalidity procedures be introduced as a non-mandatory provision (i.e. as a 'may' clause).

v) *Fees*

23. The Commission proposal suggested streamlining the fees applicable under the Designs Regulation (Annex I) and, in that context, proposed to reduce the level of certain fees and abolish of the ‘unity of class’ requirement for multiple applications, in order to allow more applicants to benefit from bulk discounts.
24. In the discussions of the fees structure, it was of great importance for delegations that viable co-existence of national and EU designs protection systems continue to be ensured and that inappropriate competition between the fees for design protection at Union level and protection at national level be avoided.
25. In this context, delegations emphasised that the registration of a national design, with a national reach only, should continue to be considerably less expensive than registering an EU-design, and that EU-level fees should not be comparable to national-level fees. Setting the fees for an EU-design at an equivalent level to fees for a national design would not adequately reflect the greater relative value of the EU-design, and would put at risk the appropriate balance between the EU and national design protection systems.
26. Furthermore, it was of great importance to delegations that the financial sustainability of the European Union Intellectual Property Office (EUIPO) be ensured, not least in view of new tasks being assigned to the EUIPO. Moreover, in light of recent high levels of inflation, to be future-proof, delegations strongly emphasised that particular caution should be exercised in revising the level of fees, and that the amount of these fees should rather not be decreased at this point in time.
27. The Presidency compromise on the level of fees, as set out in Annex I of the draft Regulation, takes into account all these considerations seeking to accommodate them in a balanced way.

vi) Transposition of the Directive

28. Regarding the proposed period of 24 months for transposing the new provisions of the Directive into national law, delegations broadly emphasised the need for a longer period. In the compromise text, the transposition period in Article 36 of the Directive has been extended to 36 months.

vii) Other issues

29. Other issues of a more technical nature related to the following points:

- Representation requirement of the design in the application and its link to the filing date (Articles 26 and 28 of the Directive, Article 36 of the Regulation);
- Deferment of publication (Article 30 of the Directive);
- Principle of cumulation of design and copyright protection (Article 96 of the Directive, Article 23 of the Regulation).

The respective compromises on these provisions can be found in the compromise texts set out in ADD 1 and ADD 2.

IV. CONCLUSION

30. In light of the above, the Council (Competitiveness) is invited, at its meeting on 25 September 2023, to agree on a general approach regarding the texts set out in ADD 1 and ADD 2 to this Note, and to mandate the Presidency to enter into negotiations with the European Parliament with a view to achieving a first reading agreement.
