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NOTE

From:	Presidency
To:	Permanent Representatives Committee
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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 - **Analysis of the final compromise text with a view to agreement**

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 echoed by the European Parliament in its Resolution of 11 November 2021[2].

[1] Doc. 12750/20, p. 8.
[2] OJ C 205, 20.5.2022, p. 26.

2. 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 Plan[3].

3. 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 designs[5].

4. 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. 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.

6. 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. The revision 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.

7. 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.

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3 Doc. 13354/20.
4 Doc. 15400/22.
5 Doc. 15390/22.

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8. Corresponding to the successful 2017 trade mark reform, the revision also provides for further substantive and procedural harmonisation of design protection at national level.

9. To achieve 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, the review aligns the repair clause that was already contained in the 2002 Designs Regulation with the new repair clause of the revised Designs Directive.

10. The European Economic and Social Committee adopted an opinion on the proposals on 22 March 2023[6].

11. The European Parliament confirmed the reports of the Committee on Legal Affairs (JURI) (A9-0317/2023 (Directive) and A9-0315/2023 (Regulation)) in plenary on 29 November 2023, and granted the Rapporteur Mr Gilles LEBRETON (I&D, FR) a mandate to start negotiations with the Council on that basis.

12. Two political trilogues were held, on 15 November and 5 December 2023. A provisional agreement between the co-legislators was reached at the second trilogue.

13. COREPER was informed about this provisional agreement and its core elements on 8 December 2023. The major elements of the compromise text were presented to the Working Party on Intellectual Property on 12 December 2023, and were broadly welcomed by delegations. The compromise reached is also supported by the Commission.

14. The final compromise text of the draft Directive and the draft Regulation is set out in ADD 1 and ADD 2 to this Note.

[6] Doc. 7835/23.

II. MAIN ELEMENTS OF THE COMPROMISE PACKAGE

a) Repair clause

15. Discussions on the harmonisation of design protection for spare parts have been ongoing for more than 20 years, without achieving an agreement. The legislative landscape on this matter had therefore remained fragmented. Reaching an agreement on this question is the most tangible achievement and most important element of the compromise package from an economic perspective.

16. In the trilogue negotiations on the repair clause, the Council managed to achieve its main objective of keeping the **form-dependency requirement** and the scope limitation of said clause to spare parts used for the purposes of repair of a complex product, in a coherent approach in both the Directive and the Regulation *(Article 19(1) and recital (35) of the Directive, and Article 20a(1) and recital (16) of the Regulation)*.

17. To avoid having a **presumption rule** that any spare parts are used for repair – as has been suggested by the Parliament, but has raised severe concerns of the Council and the Commission as regards legal certainty in practical application – as a compromise a new paragraph was added in the provisions on the repair clause to clarify, in line with ECJ case law, that manufacturers/sellers of spare parts are not required to guarantee that these parts are used for repair *(Article 19(new 2a) in the Directive and Article 20a(new 2a) the Regulation)*. The paragraph is accompanied by a recital on the due diligence of the manufacturer/seller. *(new recital (35a) of the Directive, and new recital (16a) of the Regulation).*

18. Moreover, a clarification was introduced as regards the **information to** be given to **consumers** in order for spare part manufacturers/sellers to benefit from the exception of the repair clause. Under the compromise text it is now required that information is provided on the "commercial origin" of the spare part and the "identity of the manufacturer" *(Article 19(2) and recital (35) of the Directive, Article 20a(2) and recital (16) of the Regulation)*.

19. As part of the overall compromise on this point, the **transitional period** for the repair clause under the Directive was reduced to a harmonised period of 8 years *(Article 19(3) of the Directive)*.

b) Fees for the Union designs system *(Annex of the Regulation)*

20. With a view to ensuring, on the one hand, financial sustainability of the EUIPO and a viable co-existence of national and EU designs protection systems, and to encouraging, on the other hand, that designs that are no longer used by the design holder are liberated for free use, the co-legislators agreed a progressive increase of the amounts of the renewal fees applicable under the Regulation, as follows: EUR 150 for the 1st renewal, EUR 250 for the 2nd renewal, EUR 400 for 3rd renewal, and EUR 750 for 4th renewal.

c) Cultural heritage

21. After discussions, the Parliament could accept the Council provisions on grounds for invalidity and non-registrability of a design involving a total or partial reproduction of elements belonging to cultural heritage that are of national interest *(Articles 13(1b) and 14(1a) of the Directive)*. However, the Parliament based its acceptance on the condition that additional specifications of cultural heritage be provided in the recitals. To that end, the compromise text of recital (27a) of the Directive includes a reference to the 1972 UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage and the 2003 UNESCO Convention for the Safeguarding of the Intangible Cultural Heritage, and some examples.

d) Registration symbol

22. As part of the overall compromise, the Parliament agreed to the use of the letter D surrounded by a circle as the registration symbol for a registered design, as is recommend by two ISO standards (Standard ISO 16016 (Technical Product Documentation Standard) and ISO/IEC/10646 (Universal coded character set)). *(Article 24 of the Directive, Article 26a of the Regulation)*

e) Transposition period (Directive) and review period (Regulation)

23. The Parliament accepted the Council-proposed longer transposition period for the Directive (36 months). Council, in turn, agreed to a shorter review period for the Regulation (60 months, instead of 84 months). *(Article 36(1) of the Directive and Article 110b(1) of the Regulation)*.

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f) Other issues:

i) Notification of the design holder before the end of renewal period

24. As part of the overall compromise, Council accepted the Commission proposal (supported by the Parliament) on the obligatory notification of the design holder by the national IP offices before the expiry of the design right. *(Article 32(2) of the Directive)*

ii) Refund of excessive sums paid by the users to the EUIPO

25. The compromise on this issue reflects the Parliament position, which provides that all excessive sums paid by the users to the EUIPO be refunded, even in case of "insignificant amounts". *(Title and paragraphs 1, 3 and 4 of Article -106ad(3) and (4) of the Regulation)*

iii) Use of electronic means under the Regulation

26. As part of the overall compromise, the Parliament was able to accept that all notifications of the EUIPO and all communications between the EUIPO and its users be conducted by electronic means, on the condition that it is clarified in recital (22) of the Regulation that the EUIPO will offer online and offline assistance to its users.

III. CONCLUSION

27. In the light of the above, the Committee of Permanent Representatives is invited:

– to give its approval to the compromise texts set out in ADD 1 and ADD 2 to this Note; and

– to mandate the Presidency to inform the European Parliament that, should the Parliament adopt the text of the two proposals in the exact form as set out in the ADD 1 and ADD 2 to this Note – subject to legal-linguistic revision – at a forthcoming plenary meeting, the Council would adopt the proposed Directive and proposed Regulation thus amended.

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