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on the proposal for a Directive of the European Parliament and of the Council
amending Directive 98/71/EC on the legal protection of designs

COM(2004)582 final - 2004/0203(COD)

Committee on Legal Affairs

Rapporteur: Alexander Radwan

I. Contents of the proposal for a Directive

The proposal for a directive relates to the design protection of spare parts intended to restore the appearance of complex products such as motor vehicles. It aims to complete the liberalisation of the secondary market for spare parts.

The proposal is concerned exclusively with the secondary market (aftermarket) for spare parts, and only those spare parts for which the design is necessary to restore the original function or appearance of the product; in other words, the part or component of the complex product can only be replaced by a spare part identical to the original part ('must match' spare parts).

Article 1 of the proposal for a directive which modifies Article 14 of Directive 98/71/EC excludes these spare parts on the secondary market from design protection. It introduces a 'repair clause' whereby *'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'*.

II. Background

Directive 98/71 of 13 October 1998 on the legal protection of designs

In accordance with Directive 98/71 on the legal protection of designs¹, the visible features of a product can be protected from use by third parties. Design protection of designs confers exclusive rights for the appearance of an individual product, a complex product or a component, provided it is new and has individual character (see Articles 1 and 3 of the Directive).

At the time when Directive 98/71 was adopted it was not possible to reach consensus on harmonisation of design protection for 'must match' components. The directive therefore contains no harmonisation of design law in respect of the downstream spare parts market and does not exclude spare parts from design protection. The design protection conferred for the new part on the primary market can therefore be applied to the component on the secondary or aftermarket.

Article 14 of Directive 98/71 contains transitional provisions, the essence of which is that *'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 will maintain their existing legal provisions in this area and may only amend them if this results in liberalisation of trade in such components (the 'freeze plus' solution).

The Commission first submitted proposals for EC legislation on the legal protection of designs in 1993, although it was only in 1997 that the Council was able to agree on a common position. At its first reading Parliament identified the design protection of spare parts for repairing complex products (such as motor vehicles) as a major political issue. However, the Council was not in a position to agree to harmonised provisions on the design protection of

¹ OJ L 289, 28.10.1998, p. 28

spares for repair purposes. At its second reading on 22 October 1997 Parliament decided by an overwhelming majority, to retable the 'repair clause' adopted at first reading and ignored by the Council. This provision was intended to permit the use of a design for the purpose of repairing a complex product provided the user offers the owner of the design fair and appropriate remuneration. Parliament was of the opinion that this system of compulsory licences, which is common in other areas of intellectual property legislation, was the best way of approximating national legislation in this area, which in some cases displayed considerable disparities. Since the Council was not able to adopt these amendments either, the conciliation procedure was launched. The result of the long and difficult negotiations was the 'freeze plus' solution contained in Article 14 of Directive 98/71/EC.

Situation in the Member States:

Now that all Member States have transposed Directive 98/71/EC into their national legislation the situation is as follows:

- * Austria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Lithuania, Malta, Poland, Portugal, Slovakia, Slovenia and Sweden still have design protection for spare parts.
- * In Belgium, Hungary, Ireland, Italy, Latvia, Luxembourg, The Netherlands, Spain and United Kingdom there are repair clauses allowing design protection on new products but leaving the possibility for alternative parts for repair or replacement purposes in the aftermarket.
- * Greece has a repair clause combined with a term of protection of five years and fair and reasonable remuneration. This system of remuneration has not yet been put into practice.

Parallel developments

In accordance with Article 110(1) of **Council Regulation (EC) No 6/2002 on Community design**, and in contrast to national design, legislation there is no legal protection for 'must match' components on the aftermarket.

Regulation (EC) No 1400/2002 on the application of Article 81(3) of the Treaty to categories of vertical agreements and concerted practices in the motor vehicle sector¹ offers users the choice between competing spare parts but does not answer the question whether such spares are subject to commercial protection.

III. The rapporteur's view

At this stage the rapporteur would like to confine himself to identifying a number of problems and questions connected with the liberalisation principle underlying the proposal for a directive. In particular, the planned hearing of experts should shed light on the issues, make explicit the pros and cons of the proposal and help in pointing the way to reconciling the

¹ OJ L 2032, 01.08.2002, p. 30

divergent interests. The aim is also to take a legislative initiative to anticipate any ruling by the European Court of Justice in this respect.

De facto product monopoly or undermining rights to intellectual property

Although in principle the proposal for a directive covers all spare parts used to repair a complex product 'so as to restore its original appearance', it is essentially being examined in the light of its most important area of application: spare parts for motor vehicles. It is important to remember, however, that fundamental questions of the scope of design protection are at stake.

There are two different attitudes towards the question of design protection for 'must match' spares on the secondary market:

On the one hand, there is the view that design protection for spare parts is the logical consequence of legislation on intellectual property. From this point of view, a distinction between the primary market and the secondary market for components would violate general principles of intellectual property legislation.

On the other hand, there is the view that design protection should not extend to spare parts on the secondary market as otherwise this would lead to an unwarranted monopoly. This school of thought favours the repair clause of the proposal for a directive as the appropriate solution to the problem.

The question, then, is whether extending design protection to 'must match' spare parts would represent abuse of the design protection system, or whether the repair clause would undermine intellectual property rights. This question can only be answered in the context of the purpose of design protection, in the light of relevant decisions of the European Court of Justice.

Economic effect of liberalising the spare parts market

The Commission's impact assessment of 14 September 2004 (SEC(2004)1097) for the proposal in question is based on the study carried out for the Commission by EPEC on the impact of various ways of liberalising the secondary market for spare parts. This study considered the following options:

- Maintaining the status quo
- 'Liberalisation'. i.e. no design protection for spare parts. This is what the Commission has opted for with its proposal for a directive to amend Directive 98/71/EC for 'must match' parts
- A system providing design protection for spare parts for a limited period. At the end of the period design protection for spare parts would cease and they could therefore be produced by any manufacturer.

- A system of remuneration for the use of protected designs, with fixed fees. With this alternative, independent producers could manufacture spare parts on payment of an appropriate fee to the owner of the design.
- A combination of the last two.

The following questions arise:

Do the results of the EPEC study and the Commission's impact assessment justify liberalisation of the spare parts market?

Is the information provided a sufficient basis for the impact assessment required by Article 18 of Directive 98/71/EC, or is additional information needed?

What is the approach to 'must match' components in other countries, in particular in the USA and in Asia?

Alternatives to the repair clause

A hearing of experts should also establish what alternatives there are to the proposed repair clause and whether these alternatives are economically viable. The rapporteur would like to concentrate on the following questions:

Is there any point in a system of design protection for a limited period? Would the practical effect of such a system be to prevent the positive impact of a repair clause on prices and on competition?

Is a system of remuneration for the use of protected designs, including a fixed level of fees, or a combination of limited design protection with a system of fees a realistic alternative to the repair clause?

Effect of liberalisation on product quality and product safety

The proposal for a directive is concerned with questions of design protection and hence not with questions of the safety of motor vehicles or of their spare parts. Yet liberalisation can have an immediate effect on product quality and therefore on safety. Accordingly, the rapporteur would like the hearing of experts to consider the following questions:

Is there a need for additional measures to guarantee the quality of spare parts on a liberalised market?

Is the type approval procedure sufficient to guarantee the safety of spare parts?

What other measures are appropriate and necessary to guarantee safety?