

Design protection in a post-Brexit world

Sarah Wright and **Kaisa Patsalides** explore whether designs originating from the UK can still qualify for EU design rights in a post-Brexit world, in light of conflicting interpretations among EU courts on the meaning of "first making available within the Community"

The Community unregistered design right (CUDR) has proven to be a highly effective remedy for British designers in enforcing their rights on a pan-European basis. While the UK has some domestic laws that give a degree of protection for designs, they are not as comprehensive as CUDR (in particular, UK design right excludes protection for surface decoration) and do not confer any protection outside the UK.

Since the EU Referendum in June 2016, concerns have grown among the UK design industry that the potential loss of this valuable right could prevent British designers from enforcing their designs in Europe, leaving it open for plagiarists abroad to copy British designs with impunity. This significant erosion in the rights of UK-based design businesses could also trigger an exodus of design talent from the UK, if large numbers of British designers choose to relocate to the continent to safeguard their entitlement to pan-EU rights.

Crucially, there will no longer be any incentive for designers (wherever they are based) to launch their products in the UK first, if those designs will not attract CUDR protection post-Brexit – indeed, by showing them in UK without first securing EU registered design protection, the UK disclosure will be novelty-destroying. Needless to say, the potential impact on the UK's multi-billion pound creative industries is disastrous.

The elusive meaning of "within the Community"

A qualifying design which has been first marketed, promoted

1 MINUTE READ

Community unregistered design right (CUDR) gives broad and automatic EU-wide protection for new designs with individual character, provided they are "first made available to the public within the Community" according to Article 11 of the Community Design Regulation 6/2002. UK-based designers benefit from this valuable right in relation to designs that are first launched at UK fashion shows and trade events, such as London Fashion Week or 100% Design. However, one of the unintended consequences of Brexit will likely be the loss of CUDR for British designers, if their designs are first shown in the UK once it is no longer "within the Community". This article examines how the EUIPO and the courts in UK, France, Germany, Italy and Spain have applied the "making available" test and explores practical steps that UK-based designers could take to qualify for CUDR protection after Brexit.

Nature of the disclosure

Leaving the location of a disclosure to one side, are there other factors that UK businesses should take into account when considering how best to launch a product in a way that will still leave open the possibility of qualifying for CUDR?

Since the novelty and individual character requirements of the CUDR will be assessed not only by reference to disclosures made within the territory of the EU, but also by reference to any earlier designs that could reasonably have become known to the circles specialised in the sector concerned within the EU under Article 7, UK businesses need to be careful not to prior-publish their own designs in the UK prior to any planned EU launch.

The burden of proof is on the business seeking to rely on CUDR to prove that its design was made available to the public in the EU on the date claimed, and that no earlier designs that could destroy its novelty were made available prior to that date. As a result, it is critical that a UK business controls any disclosures of new designs, and maintains accurate records of when disclosures were made. For evidential purposes, in order to establish that a disclosure “could reasonably have come to the attention of the circles specialised in the relevant sector within the EU”, it is important to record and keep details of all EU attendees or participants to non-EU launch events.

or otherwise disclosed to the public within an EU member state will generally attract CUDR protection, provided that the disclosure could “reasonably have become known to the circles specialised in the sector concerned” in the EU. The rationale is that new designs must be capable of attracting the attention of the relevant industry in order to be protectable. In cases decided by EU courts, relatively obscure and small-scale disclosures have, in certain circumstances, satisfied this test.

What is surprisingly unclear is whether the disclosure must take place *within the territorial borders* of the European Union in order for CUDR to arise. In that context, the precise wording of Article 11 of the Community Design Regulation 6/2002 (CDR) is worthy of detailed examination. Article 11(2) states that a design can be deemed to have been “made available to the public within the Community” if it has been “published, exhibited, used in trade or otherwise disclosed in such a way that, in the normal course of business, these events could reasonably have become known to the circles specialised in the sector concerned, operating within the Community”.

The wording of Article 11(2) mirrors that of Article 7 which determines the extent of which a prior design is deemed to have been previously “made available” to the public in the Community and therefore potentially novelty-destroying. On the face of it, the relevant test is whether the disclosure could have *become known* within the Community, not whether the disclosure *took place* within the territory of the Community.

The Court of Justice of the European Union (CJEU) endorsed the former interpretation in its decision in the *Gautzsch Großhandel* case (2014). Specifically, it ruled that a design could reasonably have become known in the normal course of busi-

ness to the circles specialised in the sector concerned, operating within the EU, even when it was exhibited in a showroom of an undertaking in China which fell outside the scope of normal market analysis. It was for the national court to assess, having regard to all the circumstances of the case, whether events taking place outside the EU could *in fact* have reasonably become known to persons forming part of those “specialised circles”.

The EUIPO Board of Appeal took a similar approach in the *Crocs Inc v Holey Soles* case. That case concerned the validity of a registered Community design, and specifically, whether that design lacked novelty due to having previously “become known in the normal course of business to the circles specialised in the sector concerned, operating within the Community”. The Board of Appeal held that the design in question lacked novelty in the EU in the light of prior disclosures in the United States. It specifically noted that the launch of a new product on the marketplace always attracted attention from the public at large, the press and business circles, and that news of this sort circulated instantly and easily in the internet era. Notably, it accepted that the act of posting pictures on a website could qualify as a novelty-destroying “exhibition” within the EU.

It is relevant to note that, in both *Gautzsch* and *Crocs*, the courts were dealing with Article 7 of the CDR relating to novelty (as opposed to Article 11(2) relating to subsistence of CUDR); however, as noted above, the wording of these provisions is identical in substance. In either case, the interpretation of the “making available” test is significant for British businesses who may wish to rely on CUDR in relation to new designs first made available in the UK after Brexit. As there is no nationality qualification for CUDR, it should remain possible for UK-based design businesses to secure CUDR protection by showing that such designs – despite being launched in the UK – could reasonably have become known to the relevant sector within the EU.

Viewpoints from EU courts – and the dangers of the German approach

Location of disclosure

The German courts, in particular, have adopted an interpretation which requires that a disclosure must be made *within the territory of the EU* in order for the design to qualify for CUDR protection under Article 11(2). The resulting uncertainty in Community law is unwelcome news for British designers. It casts serious doubt on whether designs first shown in the UK (even at high-profile events such as London Fashion Week or 100% Design) can *ever* attract CUDR protection *even if* they become widely known to the relevant specialist circles in the EU.

While there has been no ruling by the Italian courts to date on whether a disclosure outside the territory of the EU can nevertheless be protected by CUDR under Article 11(2), a number of Italian courts have considered the issue in the context of invalidity actions sought in respect of an Italian registered design, that is, under Article 34 of the Italian Code of Industrial Property which enacted Article 7.

Launch scenarios for the post-Brexit world

Despite the difficulties that are likely to be faced by UK businesses in claiming CUDR protection post-Brexit, the fact remains that there is no EU nationality requirement for CUDR protection to arise. Accordingly, it will still be possible for British businesses to benefit from CUDR through some careful forward-planning of the practicalities and timing of their product launches.

Post-Brexit, we can envisage that UK businesses and designers may seek to launch their products in the UK and EU simultaneously. Provided that the UK launch does not take place prior to the EU launch, there is nothing on the face of the CDR, or in EU case law to date, that prevents an EU disclosure that is simultaneous with a UK launch from qualifying for protection under CUDR (indeed, Article 5 of the CDR states that the novelty of a later-claimed design will be destroyed by an identical design being made available to the public "*before the date*" on which the later design was launched).

This opens up the possibility of CUDR protection being obtained by UK-based businesses through a *simultaneous* launch in the UK and in a post-Brexit EU member state. Indeed, all of our continental colleagues agree that a simultaneous UK and EU disclosure should, in principle, be suffi-

cient to be considered a valid disclosure "within the EU" by courts in Germany, France, Italy and Spain provided that it is sufficiently prominent to become known to the relevant EU sector. This is particularly important for events such as London Fashion Week, which could collaborate with one of their continental neighbours in (for example) Paris or Milan to enable live streaming of the London shows at locations within the EU. This could ostensibly be achieved by a live screening event being arranged at a venue in a member state, or by online real-time streaming that is accessed and viewed by trade circles operating in the EU. In either case, the UK business would need to be able to demonstrate the extent to which the simulcast of the London event was *in fact* viewed by EU industry representatives, so these attendances should be systematically monitored and tracked.

While a simulcast may be a practical solution for a fashion business, the same may not apply for a consumer product business where the physical product needs to be seen for a disclosure of the design to take place. For businesses in that sector, if it is important to have a UK event (perhaps because the majority of its customers are in the UK), then it is likely that a similar launch event would need to be held within the EU *on the same date*, or

even the day before. Again, a twin launch, which happens at the same time in the UK and the EU, should be capable of satisfying the Article 11(2) test even in Germany and France which have adopted the stricter approach.

Another potential launch scenario we have considered with our continental colleagues is a product launch held in the UK to which a significant number of EU industry representatives are invited and attend. While such an event arguably complies with the requirements of Article 11(2) since the products launched will become "known" by circles specialised in the sector within the EU, following the German Federal Court's reasoning in the *Pastry Press* case, the design could be excluded from protection under the CUDR because the launch event itself takes place outside of the territorial borders of the EU. Even though the courts in Spain and Italy have taken a more favourable view of these types of launches, at present (unless and until the position is clarified by the CJEU) it would be unsafe for a UK-based business to rely on a UK-only launch event to satisfy the Article 11(2) "making available" test *regardless of whether* it is widely known to, and/or attended by, numerous EU industry representatives.

The Court of Turin held in a decision dated May 31 2007 that a design for a piece of jewellery was invalid as a result of a prior design made available through various channels by a competitor *outside* the EU, including evidence of a prior sale in Japan. The Court held that the specialised sectors operating in the EU would have reasonably been aware of the existence of the competitor's design, even though the disclosure was outside EU territory.

This approach was endorsed by the Court of Naples in a subsequent case dated December 19 2013, where the Court confirmed that an Italian registered design can be deemed to have been made available to the public within the Community *irrespective of* the location of the disclosing event, provided the disclosure was brought to the attention of the specialised circles within the EU.

Similarly in Spain, the local courts have not had the opportunity to consider the meaning of the test under Article 11(2) of "making available to the public within the EU" and the question of whether a design first marketed outside the territory of the EU could qualify for CUDR protection. However, decisions relating to Article 7 confirm that disclosures which take place *outside* the EU can and will amount to prior art for the purposes of examining novelty and individual character, where the disclosure

outside the EU could reasonably have become known to the circles specialised in the sector.

Indeed the EUIPO considered the validity of a Community registered design owned by a Spanish company in the *Bottles* case and ruled that a published US design patent was a relevant and novelty-destroying earlier design since it would reasonably have come to the attention of the specialised circles within the EU. The EUIPO held it was reasonable for EU businesses to run searches of the USPTO registry prior to any product launch given the importance of the US market to most EU businesses. As a result, the EUIPO Board of Appeal held that since EU businesses tend to take a pro-active interest in new designs that are launched in the main global markets, including the USA, such designs can be qualifying disclosures when considering the validity of a later Community design.

Germany is the only EU country where there has been a reported decision regarding whether a design first marketed outside the EU can qualify for protection as a CUDR under Article 11, namely the German Federal Court (the *Bundesgerichtshof*) ruling in the *Pastry Press* case dated October 9 2008.

In that case, the German Federal Court took a restrictive approach to interpreting Article 11. It placed significant reliance

on an amendment of the CDR in the form of Article 110(a)(5), which was brought into force in 2004 by the Act of Accession when new member states Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland and Slovenia joined the EU. The amendment reads: “Pursuant to Article 11, a design which has not been made public *within the territory of the Community* shall not enjoy protection as an unregistered Community design” (emphasis added). At the time of accession, the EUIPO issued a Communication Number 05/03 which summarised the effect of the amendment as regards Article 11: “Finally, Article 11 CDR is qualified by the new Article 110a (5) CDR which provides that, pursuant to Article 11, a design which has not been made public within the territory of the Community shall not enjoy protection as an unregistered Community design.”

The Bundesgerichtshof has relied on this amendment to argue that Article 110a(5) intended to clarify the qualification for protection as a CUDR under Article 11 to ensure that only designs that were *first shown* within the territory of the EU could fulfil the criteria of “first making available in the EU”. Indeed, the German Federal Court confirmed that even when there was evidence that a particular design had come to the attention of the specialist circles within the EU, it would be denied protection unless it had been *first* made available within the territory of the EU.

By contrast, the German Federal Court accepted the case law of the CJEU relating to Article 7, finding that a prior disclosure made outside the territory of the EU *could* be deemed to have “reasonably come to the attention of the specialised circles within the EU” for the purposes of destroying the novelty of a later design. Accordingly, the Bundesgerichtshof has made a distinction between Article 7 (the question whether a design has previously been “made available to the public within the EU” for the purposes of assessing “novelty” and “individual character”) on the one hand, and Article 11(2) (the requirement of “first making available” for obtaining protection as a CUDR) on the other hand. In doing so, the German Federal Court has effectively treated the words “reasonably have become known to the circles specialised in the sector concerned, operating within the Community” as an *additional* requirement to the disclosure taking place physically within the territory of the EU.

In France, a case from the Paris Court of First Instance of May 14 2013 number 13/07769 confirmed that an online publication could qualify as a valid disclosure where it occurred on the Facebook page of the claimant, being a French company, written in French. However the action based on unregistered designs was rejected together with the action based on copyright law because the claimant had failed to prove that the date of disclosure pre-dated the date of creation of the allegedly infringing design.

Although there has been no decision of the French courts considering the interpretation of Article 11 CDR, we understand that there is a general tendency among French academics to follow the German approach and to interpret the meaning of Article 11 alongside Article 110(a)(5) such that, in order to qualify for protection as a CUDR, the first disclosure must be *within the territory* of the EU. On the other hand – and like their

German counterparts – French courts still consider a disclosure outside the EU to be sufficient to destroy the novelty of a later-claimed Community unregistered design, if that disclosure could “reasonably have become known” to the circles specialised in the relevant sector within the EU.

Articles 7 and 11 – spotting the difference?

There is nothing on the face of either Article 7 or Article 11 which justifies a different interpretation of the words “reasonably have become known to the circles specialised in the sector concerned, operating within the Community” in these two circumstances. The only difference is that Article 7 is worded as a “double negative” – that a design will *not* be deemed to have been “made available within the Community” if it *could not* have reasonably become known to the relevant circles, whereas Article 11 is worded positively. In any event, it would seem logical that a disclosure which, on the one hand, is deemed sufficient to be capable of destroying the novelty of a subsequent design should, by that same disclosure, be capable of attracting CUDR protection of its own. The German courts’ diverging interpretation appears to be rooted almost entirely in their understanding of Article 110(a)(5).

UK academics and scholars including Martin Howe QC, James St Ville and Ashton Chantrielle (the editors of Russell-Cooke & Howe, a leading textbook on UK design law) have suggested that it would be surprising if Article 110(a)(5) – a transitional provision concerning the accession of new member states into the EU – had been intended to *amend* the general EU position on the qualification for CUDR protection. Indeed, their view is that wording of Article 110(a)(5) is consistent with the original language employed in Article 11, since it simply refers to designs that become “public” within the territory of the EU (which could be as a result of being published outside the EU, but then known in the normal course of business to the specialised circles within the EU). The opening words of Article 110(a)(5) are “Pursuant to Article 11”, which strongly suggests that the amendment was not intended to alter the meaning to Article 11, but rather reflect and clarify the existing meaning.

Further, it is difficult to reconcile the interpretation placed by the German Federal Court on Article 110(a)(5) with the original text of Article 11, which made it clear that designs could qualify for protection if they could *reasonably have become known* to the circles specialised in the sectors concerned operating within the EU. If the EU legislators had intended to impose a territorial qualification to such disclosures, it would have been a simple matter for them to say so expressly.

Based on the provisions of Articles 7 and 11 and the above case law, it would appear that although there is some divergence of opinion about whether a disclosure outside the EU can qualify for CUDR protection, there is unanimity in terms of the approach as regards the meaning of a “disclosure” for the purposes of assessing the validity and individual character of a *later* design. In the context of Article 7, all of our continental colleagues agreed that a disclosure outside the EU which has become known to the relevant specialist circles operating within the EU

(which will include a UK disclosure post-Brexit) should be taken into account as part of the existing design corpus known in the EU. This should, at least, prevent copycat designs derived from British designs from attracting CUDR protection if the original design was previously disclosed in the UK so as to become known to the relevant EU design circles.

However, it also means that a prominent *first* disclosure of a design in the UK is likely to destroy its ability to attract CUDR, even if it is subsequently launched *within the territory of the EU* (as the UK disclosure would have destroyed its “novelty” for the purposes of CUDR under Article 7). Despite some criticism among UK commentators of the German approach, the position in relation to Article 11 remains regrettably unclear. Post-Brexit, UK businesses will need to think carefully about where they launch new designs. In addition, they need to consider the timing of any disclosure outside the EU, to ensure that a “first disclosure” in the UK (or elsewhere) does not subsequently prevent them from claiming CUDR.

The repercussions – unless something is done

The divergence of opinion among EU courts regarding the interpretation of “making available within the EU” for the purposes of first disclosures of designs is unfortunate, and introduces real uncertainty for UK-based design businesses who rely on Community design rights. If followed by other EU courts, the German and French courts’ approach to Article 11(2) also raises serious doubts about the future of UK-based fashion shows and trade fairs that are used as a launch-pad for countless British and European designs.

Until some much-needed clarity is introduced by the CJEU to reconcile the conflicting views of EU courts on this issue (and in the absence of any current “test” cases that might resolve the issue before Brexit), British designers will be left to navigate some muddy waters in seeking to have their designs protected by CUDR. In the meantime, there are various practical steps that UK-based designers could take to maximise their chances of securing CUDR protection for their British-born designs. Whilst potentially impractical and costly, the safest option would be to adopt the conservative German/French approach and ensure that UK designs are launched simultaneously at events taking place *within the territorial borders* of the EU.

While individual designers may be able to structure their launch events in this way on a case-by-case basis, the repercussions for the UK design industry as a whole will be more difficult to address. If the German approach becomes the long-term view across the EU, then regrettably it seems inevitable that London Fashion Week and other major UK trade shows will face a fight for survival. Not only will there be no real incentive for European designers to show their products in the UK first, many British designers may be tempted to refocus their product launches to the continent in an effort to secure better and wider protection for their designs.

In the meantime, and as a back-up option in the absence of an adequate Brexit deal, UK-based designers could still achieve

EU protection for their new designs by registering them as Community registered designs. In the face of such great uncertainty in relation to unregistered rights, this option may be attractive for businesses that produce fewer designs with more longevity. However, the administrative burden and cost implications could make this prohibitively disruptive for design-rich businesses (such as those in the consumer products and fashion industries), which generate a large number of designs with a much shorter shelf-life. Ultimately, registration is unlikely to provide a satisfactory long-term fix for the loss of valuable unregistered rights which are widely relied on by UK businesses in enforcing their designs both domestically and throughout the EU.

Potential outcome of the Brexit negotiations

As the UK government has repeatedly acknowledged in the wake of the EU Referendum, despite leaving the EU, the UK will not be leaving Europe. The well-established commercial realities of the trade relationship between the UK and the European continent that has operated without borders for more than 40 years will similarly not disappear overnight. It is therefore critical for the UK design industry to come together to lobby the UK government to introduce provisions in the Brexit package which will safeguard British designers’ rights without having to rely solely on cumbersome and expensive tactical product launches within the territory of the EU.

Ideally, such measures would include an acceptance by EU member states of UK-based product launches qualifying as disclosures “within the EU” for the purposes of Article 11(2), given the special and unique status of the UK as a former EU member state and the likelihood that UK product launches will be known to EU businesses operating in the same industry. The Government should also seek to agree mutual recognition between the UK and EU member states of their respective design rights, in order to maintain the *status quo* and enable European designs to be protected and enforced in a pan-EU basis.



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