

## DESIGN

# LEGAL PROTECTION UNDER EUROPEAN COMMUNITY LAW FOR SPARE PARTS USED FOR REPAIRING A COMPLEX PRODUCT

## I. History

The process of harmonizing European laws for the legal protection of industrial models was launched by the “Green Book”, an official report published by the European Commission in June 1991. It comprised three objectives:

- the harmonization of national systems as to this protection by means of a directive;
- the creation of a European Community model – unique legal title valid in the entire European Community territory; and
- the provision of this protection in parallel with copyright protection.

A draft directive and draft regulations were provided at the end of the Green Book.

Directive 98/71 concerning legal protection for designs and models, however, was not adopted until 1998. In effect, the discussions as to harmonizing legal protection for models in general demonstrated the difficulty of finding an agreement as to harmonized legal protection for spare parts, notably in the automobile industry. The opposing interests of automobile manufacturers (desirous of maintaining an exclusive right on spare parts protected by a legal filing) on one hand, and of producers and distributors of nonoriginal pieces opposing any such acquisition of rights on the other hand, arrived at a status quo and the adoption of a transitional system in order to separate this particular question from the debate concerning models and designs.

Article 14 of the Directive provides that Member States maintain existing legal protection as to the use of spare parts for repair with the possibility of modifying this protection only if the modifications lead to the liberalization of the market for such parts. It also provides that the European Commission reserves the right to make a new proposal within four years after the entry into force of the Directive that is, from October 2005.

This transitional phase permitted the publication of the Directive with the objective of harmonizing national laws of the Member States for the protection of designs and models and adopting regulations for the European Community model.

It is important to note that these two texts do not give the same protection to the parts of a complex product.

## **II. Protectable character of parts of a complex product in the sense of the Directive and European Community regulations:**

### **1. The Directive**

According to Article 1 of the Directive of 1998 and Article 3 of European Community regulations, a complex product is "a product comprising multiple pieces which can be replaced in a manner permitting the dismantling and reassembly of the product."

In applying the Directive of 1998, such parts can be made the object of national legal protection provided that they satisfy the conditions of novelty, an individual character, visibility in normal use, absence of a functional character, and lack of obligation to reproduce specific forms and contours.

Thus the registration of a model, within the spirit of Article 12, confers to its owner the exclusive right of use and the right to prevent any third party from using the model without consent, including the right to use a product into which the model is incorporated or to which it is applied.

### **2. The national laws**

It is noteworthy that the two grand principles -- free circulation of products and free competition -- pursued by the European Parliament and the European Commission have not been attained as only nine Member States have liberalized their spare parts market: Belgium, Hungary, Ireland, Italy, Latvia, Luxembourg, Holland, Spain, and the United Kingdom.

With respect to France, spare parts remain protected by national laws provided that the conditions for protection are satisfied.

Replacement parts were protected very broadly in France under old law.

Actually, although they remain protected, they must satisfy new legal requirements.

This means that, firstly, the parts must be visible, something which was not previously necessary. In addition, they must remain visible when they are incorporated into the product in which they are used. The replacement parts must also, by themselves, being new or have an individual character.

In addition, the new law provides that replacement parts can not be protected when their form and exact dimensions must necessarily be reproduced in order to be mechanically associated with another product by contacting, joining, placement on the exterior of the product, in such conditions permitting each of these products to fulfill its function.

As a result, the extent of protection for spare parts in France seems to be more restricted than before.

### **3. European Community regulations**

In applying European Community regulations, such parts, even if visible to a final user, cannot be made the object of an appropriation of rights by a filing if the parts are for the repair of a complex product.

According to Preamble 13 of this regulation, "it is appropriate not to confer any protection as a Community design for a design which is applied to or incorporated in a product which constitutes a component part of a complex product upon whose appearance the design is dependent and which is used for the purpose of the repair of a complex product so as to restore its original appearance, until the Council has decided its policy on this issue on the basis of a Commission proposal."

Thus, Article 110 of this regulation provides that:

Article 110: transitional phase

1. Until date of entry into effect of the modifications to the present regulation, by proposal of the Commission on this subject, a protection as a design or a community model does not exist with regard to a design or model which constitutes a part of a complex product which is used in the sense of Article 19, paragraph 1, for permitting the repair of such a complex product to restore its initial appearance.
2. The proposal of the Commission, set forth in paragraph 1, will be presented at the same time as changes that the Commission will submit on this same subject conforming to Article 18 of the Directive 98/71/CE, and will take into account these changes.

As a result, even if an original part can be protected under European Community law (provided that it be visible and that it satisfy the criteria of novelty, individual character, and that its form is not dictated uniquely by a technical function or must necessarily be reproduced), the owner can not assert his exclusive right against a third party who uses it in order to repair a complex product in order to restore its initial appearance.

In the area of free competition, the exemption regulation N° 1400/2002 of July 31, 2002 relative to the application of Article 81 § 3 of the Treaty to Categories of vertical agreements and joint practice in the automobile sector will have a larger scope if the European Parliament and the Council adopt the proposed modification of the Directive of 1998, as presented by the European Commission in September 2004, as discussed below.

### **III. The exemption regulation N° 1400/2002 of July 31, 2002 relative to the application of Article 81 § 3 of the Treaty of categories of vertical agreements and of joint practices in the automobile sector**

This regulation seeks to ensure effective competition in repair and maintenance services in the automotive sector.

On reading this regulation, it is clear that the European Commission is opposed to all restrictions which could be imposed by a product manufacturer on a parts supplier as to reselling parts manufactured for the manufacturer via the parts supplier's own

commercial network.

Points (j) and (k) of Article 4.1 of this regulation give examples of such restrictions:

(j) the restriction agreed between a supplier of original spare parts or spare parts of matching quality, repair tools or diagnostic or other equipment and a manufacturer of motor vehicles, which limits the supplier's ability to sell these goods or services to authorized or independent distributors or to authorized or independent repairers or end users;

(k) the restriction of a distributor's or authorized repairer's ability to obtain original spare parts or spare parts of matching quality from a third undertaking of its choice and to use them for the repair or maintenance of motor vehicles, without prejudice to the ability of a supplier of new motor vehicles to require the use of original spare parts supplied by it for repairs carried out under warranty, free servicing and vehicle recall work;

Thus, a distribution agreement, including a clause by which the manufacturer obliges the parts supplier to surrender his intellectual property rights or know-how that the supplier itself developed for the purpose of restricting the parts supplier's right to sell spare parts to official and independent repairmen, could not be exempted under Regulation N° 1400/2002.

On the other hand, the regulation defines "spare parts" as those "goods which are to be installed in or upon a motor vehicle so as to replace components of that vehicle, including goods such as lubricants which are necessary for the use of a motor vehicle, with the exception of fuel."

The regulation also includes two new terms:

"original spare parts" are spare parts which are of the same quality as the components used for the assembly of a motor vehicle and which are manufactured according to the specifications and production standards provided by the vehicle manufacturer for the production of components or spare parts for the motor vehicle in question. This includes spare parts which are manufactured on the same production line as these components. It is presumed, unless the contrary is proven, that parts constitute original spare parts if the part manufacturer certifies that the parts match the quality of the components used for the assembly of the vehicle in question and have been manufactured according to the specifications and production standards of the vehicle manufacturer; and

"spare parts of matching quality" means exclusively spare parts made by any undertaking which can certify at any moment that the parts in question match the quality of the components which are or were used for the assembly of the motor vehicles in question.

It must be noted that this regulation does not distinguish between parts that are protected as an industrial model and those which are not.

The problem of liberalizing spare parts remains therefore narrowly linked to the presence or absence of a protectable character for these parts. This is why the European Commission proposed in September 2004 modifying the Directive of 1998 on legal protection of designs and models.

#### **IV. The proposal to modify the Directive of 1998 presented by the European commission on September 14, 2004**

The European Commission distinguishes the primary market for parts from the secondary market for the same parts in order to exclude legal protection for parts used in the secondary market and to permit their use for repairing a complex product in order to return it to its initial appearance.

Replacement parts used in a complex product at the time of manufacture or initial production constitute the primary market for original replacement parts. On the other hand, parts for repair or replacement in an already sold complex product and used by a final consumer constitutes the secondary market and are said to be spare parts ("must match").

This proposal applies uniquely to parts for the secondary market and therefore encourages free and unhindered repair.

It extends to all activities involving the repair of a complex product.

The text proposed on September 14, 2004 is as follows:

Article 14 of Directive 98/71/EC is replaced by the following:

"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 so as 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."

#### **V. Possible avenues of protection for spare parts**

As long as the proposed modification of the Directive is neither adopted nor put before the legislatures of the Member States, the protection of spare parts by a national filing could be of interest if this modification turns out to be inapplicable to previously acquired rights.

The interest of a filing is certain for an original part having a protectable form in itself and the manufacturer has the sole right to the form of the complex product.

Moreover, as long as it satisfies the condition of originality, models, including spare

parts, are equally protected by copyright in the majority of European Union countries.

In order to benefit from copyright protection in France, no registration is necessary. In addition, the duration of protection is at least 70 years, often more.

However, copyright protection frequently has difficulties with respect to proof of the date of creation and proof of ownership.

In addition, for foreign companies to be able to claim the benefit of copyright in France, they must satisfy the conditions set forth in Article 2.7 of the Berne Convention and Article L 511-11 of the French Code of Intellectual Property.

When a particular creation can be protected in the originating country uniquely by the industrial model protection, no copyright can be claimed in France.

In other words, if in Japan an industrial model can be uniquely protected by registering the model in question and if no copyright can be claimed, the possibility of copyright protection will be refused in France. As a result, if registration of the model has not been obtained, the model in question will not benefit from any protection in France.

As a result, filing an industrial model in France for foreign companies was and still remains useful for original parts.

It is well recognized that unfair competition can also constitute a cause of action in the case of models (in particular in an action for passing-off) when the protection of such a model is disputed or when the model is not protected.

Accordingly, despite legislative changes arising from European harmonization, protection of industrial models still exists and remains an effective means of legal protection in France.