EUROPEAN
COMMISSION

Brussels, 6.6.2024
COM(2024) 232 final

Recommendation for a

# COUNCIL DECISION

## authorising the opening of negotiations on the Design Law Treaty

# EXPLANATORY MEMORANDUM

## 1. CONTEXT OF THE PROPOSAL

### Reasons for and objectives of the proposal

The Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) serves as the forum of the World Intellectual Property Organization (WIPO) to discuss issues, facilitate coordination and provide guidance concerning the progressive international development of the law of trademarks, industrial designs and geographical indications, including the harmonisation of national laws and procedures.

The first proposals for the international harmonisation and simplification of design registration procedures were presented to the SCT in 2005.

After mapping the possible areas of convergence by 2009, the Secretariat of the SCT presented the first draft provisions on industrial design law and practice to the committee in 2010.

Historically, the European Union (EU or Union) has been strongly in favour of harmonisation in the design sector and have been calling to convene a Diplomatic Conference to adopt a Design Law Treaty (DLT or Treaty), which would have the potential to benefit all WIPO member states, regardless of their level of development.

In 2022, the WIPO General Assembly decided to convene two diplomatic conferences to be held no later than 2024. One conference to conclude an International Legal Instrument Relating to Intellectual Property, Genetic Resources and Traditional Knowledge Associated with Genetic Resources (GR instrument), and the other to conclude and adopt a Design Law Treaty.

To prepare for the Diplomatic Conference and to establish the necessary modalities of that Conference, the WIPO General Assembly decided to convene a Preparatory Committee in the second half of 2023. The Preparatory Committee considered the draft Rules of Procedure to be presented for adoption by the Diplomatic Conference, the list of invitees to participate in the Conference and the draft invitation letters as well as other organisational questions relating to the Conference. The Preparatory Committee also approved the Basic Proposal for the administrative and final provisions of the Design Law Treaty.

The Preparatory Committee decided to invite the EU to the Diplomatic Conference as a Special Delegation.

The WIPO General Assembly further directed the SCT to meet in a special session in the second half of 2023, preceding the Preparatory Committee, to further close any existing gaps in the draft Design Law Treaty to a sufficient level.

## 2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

Not applicable.

## 3. LEGAL ELEMENTS OF THE RECOMMENDATION

### The Basic Proposal on the Design Law Treaty

The objective of the Design Law Treaty is to harmonise certain procedural aspects and formalities of industrial design applications. For example, it deals with the different steps for filing an application, the publication of applications, the grace period, the representation of the design in the application, the description, and the obligation to record licences in the intellectual property registers. However, it does not concern questions of substantive law (the definition of a design, the conditions of validity, or the scope of protection).

The Design Law Treaty contains primarily procedural provisions on definitions (Article 1), general principles (Article 1bis), scope of application (Article 2), content of design applications (Article 3), representation (Article 4), rules for the according of a filing date (Article 5), rules for the grace period for filing design application in the event of earlier disclosure (Article 6), requirement to file the application in the name of the creator (Article 7), amendments and divisions (Article 8), publication of the design (Article 9), communications (Article 10), content of requests for renewal (Article 11), relief measures in respect of time limits (Articles 12-13), correction or addition of priority claims (Article 14), requests for recording a licence and effects of non-recording of a license (Article 15-17), indication of the licensee (Article 18), recording change of ownership (Article 19), changes in names or addresses (Article 20), correction of mistakes (Article 21), technical assistance to contracting parties (Article 22), and the Regulations annexed to the Treaty (Article 23).

Furthermore, Article 3 of the Design Law Treaty would allow the contracting parties to require applicants to disclose the origin or source of traditional cultural expressions, traditional knowledge, or biological/genetic resources utilised or incorporated in the industrial design. Although this is different in nature from the mandatory disclosure requirement proposed in the GR instrument, which contracting parties would be required to introduce into their domestic laws, it could still have disruptive effects on obtaining design protection in the jurisdictions that choose to implement it.

The administrative provisions and final clauses contain the institutional framework that will govern the Design Law Treaty. This includes the Assembly, where contracting parties will be represented and they will deal with all matters concerning the maintenance and development of the Treaty, among other tasks (Article 24), and the International Bureau of WIPO, which will be required to perform the administrative tasks concerning the Treaty (Article 25).

Rules are also set out on revision of the Design Law Treaty (Article 26), eligibility to become a party (Article 27), entry into force (Article 28), denunciation (Article 30), languages, signature and depositary (Articles 31-32).

The Design Law Treaty will benefit creative industries and industrial designers, in particular, by making the international registration of designs easier and more predictable. The disclosure requirement however could be considered to be incoherent with procedural rules on industrial design procedures.

### EU competence

A preliminary assessment of the EU's competence needs to be carried out before negotiations start on the Design Law Treaty text at the Diplomatic Conference. The preliminary assessment does not affect the final assessment of the EU's competence that should be carried out once the negotiating parties have agreed on the text. In this regard, Articles 3(1) and 3(2) of the Treaty on the Functioning of the European Union (TFEU) are of relevance when deciding on EU’s competence as regards the Design Law Treaty.

Under Article 3(1) TFEU, the EU has exclusive competence for matters falling within the scope of the common commercial policy. International commitments concerning intellectual property can fall within the common commercial policy if they display a specific link with international trade in that they are: (i) essentially intended to promote, facilitate or govern such trade; and (ii) have direct and immediate effects on it. To assess whether these conditions are met, it is necessary to consider the purpose and content of the international commitments.

The purpose of the Design Law Treaty is to harmonise industrial design application procedures, therefore providing common rules for the sector. There is however no specific provision in the draft text of the Design Law Treaty detailing its objective. It contributes to legal certainty and consistency, and therefore benefits the industrial design system. Harmonising the formal requirements and the grace period, based on which applicants can obtain design protection contributes to the participation on an equal footing of the economic operators trading across the globe. From these elements, it can be assumed that the main objective of the Design Law Treaty is to improve the efficacy, transparency, consistency and legal certainty of the industrial design system, hence promoting, facilitating and governing international trade.

The content of the Design Law Treaty deals primarily with the formalities applicable to design applications and does not contain substantive provisions (eligibility of designs for protection, scope of protection of designs, etc.), apart from the grace period. Harmonisation of formalities could be considered as affecting international trade. For instance, in case C-389/15[1], the Court of Justice of the European Union held that setting-up a single registration mechanism would result in the revised Lisbon Agreement on Appellations of Origin and Geographical Indications to have the direct and immediate effect of altering the relevant conditions between the EU and non-EU countries (see para 70). In addition, the Design Law Treaty includes a substantive provision (Article 6): the harmonisation of the grace period (to either 6 or 12 months). The length of the grace period has a direct effect on the eligibility of protection of a design that has been disclosed before filing an application for design protection. This provision of the Design Law Treaty could have direct and immediate effects on design disputes arising in the context of international trade in goods eligible for design protection.

Under Article 3(2) TFEU, the EU has exclusive competence to conclude an international agreement in so far as it may affect common EU rules or alter their scope when the commitments fall within an area that is already covered to a large extent by such rules (without a need for the areas to fully coincide). An analysis carried out under Article 3(2) TFEU must take into account: (i) the areas covered by EU law and the provisions of the draft international agreement; (ii) their foreseeable future development; and (iii) the nature and content of those rules and those provisions in determining if the international agreement is capable of undermining the uniform and consistent application of EU rules and the proper functioning of the system which they establish.

There are two pieces of EU legislation (and two legislative proposals) for designs, the relevance of which should be assessed in the context of the Design Law Treaty.

*Directive 98/71/EC on the legal protection of designs*

*Proposal for a Directive on the legal protection of designs 2022/0392(COD)*

The Design Law Treaty applies to all industrial designs that can be registered under the law of a contracting party (Article 2). It includes provisions governing the procedure for the

[1] Judgment of 25 October 2017, C-389/15, EU:C:2017:798

application for and registration of designs, including the permitted requirements that may be included in applications (Article 3), rules on filing dates (Article 5), rules on the grace period (Article 6), time limits and relief measures (Article 12). It also includes specific provisions on the reinstatement of rights (Article 13) and the correction of mistakes (Article 21). Some of these provisions leave a degree of discretion to the contracting parties. For example, Article 3 (on applications) provides that *"[a]ny Contracting Party may require that an application contain some or all of the following indications or elements*…" However, that discretion is not absolute as Article 3(2) provides that "*[n]o indication or element, other than those referred to in paragraph (1) and in Article 10, may be required in respect of the application".* It therefore sets an outer limit to the scope of the Contracting Party's freedom to determine their own procedural requirements. Conversely, some provisions allow contracting parties to derogate from substantive obligations where granting the request would not be authorised under domestic law (see for example Article 21 on the correction of mistakes).

Directive 98/71/EC (the "Directive") harmonises certain aspects of the substantive design laws of EU Member States. Article 6 of the Directive provides for a grace period to obtain protection for previously disclosed designs – the same subject matter that Article 6 of the Design Law Treaty governs.

The foreseeable future development of EU law also needs to be taken into account for the analysis of competence to conclude the Design Law Treaty. The proposal for a Directive on the legal protection of designs 2022/0392(COD) (the "Proposed Directive") has been adopted by the Commission on 28 November 2022 and is now subject to adoption by the European Parliament and the Council in the ordinary legislative procedure in late 2024.

The Proposed Directive aims to harmonise design law not just from a substantive point of view, but also as regards certain aspects of procedure and registration. It includes new provisions on application requirements (Article 25), the representation of the design (Article 26), the date of filing (Article 28) and the deferment of publication (Article 30), being all matters which are also regulated by the Design Law Treaty.

As to its objectives, Recital (10) of the Proposed Directive provides that it is "necessary to approximate procedural rules in order to facilitate acquiring, administering and protecting design rights in the Union. Therefore, certain principal procedural rules in the area of design registration in the Member States and in the EU design system should be aligned. As regards procedures under national law, it is sufficient to lay down general principles, leaving the Member States free to establish more specific rules."

As to the relationship between national procedures and EU law, Recital (3) of the Proposed Directive explicitly acknowledges that *"coexistence and balance of design protection systems at national and Union level constitutes a cornerstone of the Union's approach to intellectual property protection."* Recital (9) provides that *"it is necessary to extend the approximation of laws achieved by Directive 98/71/EC to other aspects of substantive design law governing designs protected through registration pursuant to Regulation (EC) No 6/2002."*

As to the manner in which the provisions are formulated, there is some variance between the different obligations. In some respects, the Proposed Directive establishes mandatory minimum requirements but leaves it open to the Member States to adopt additional measures. For instance, Article 25 sets out minimum application requirements. Other provisions are entirely optional. For example, Article 28(2) allows Member States to impose a fee on the accordance of the date of filing (but does not render it mandatory). A third category of provision combine a fixed rule with the right to charge fees (see for instance Article 25(2) on filing). Indeed, several time limits are fixed explicitly in the Directive. A greater degree of

margin is left to Member States to determine national invalidity procedures, but such procedures must nonetheless comply with certain minimum requirements (Article 31).

*Council Regulation (EC) No 6/2002 on Community designs (CDR)*

*Proposal for a Regulation amending Council Regulation (EC) No 6/2002 on Community designs and repealing Commission Regulation (EC) No 2246/2002*

The CDR establishes an EU-wide system to obtain a Community design covered by unitary protection. It also sets out the procedure to register Community designs with the European Union Intellectual Property Office. All provisions of the Design Law Treaty have their counterparts in this Regulation. This means that the commitments the EU undertakes when concluding the Design Law Treaty fall within an area already covered by EU law.

Taking into account the foreseeable future development of EU law, the Proposal for a Regulation amending Council Regulation (EC) No 6/2002 on Community designs and repealing Commission Regulation (EC) No 2246/2002 (the "Proposed Regulation") has been adopted by the Commission on 28 November 2022 and is now subject to adoption by the European Parliament and the Council in the ordinary legislative procedure in late 2024.

The Proposed Regulation aims to modernise and improve existing provisions and improve the accessibility, efficiency and affordability of EU design protection. Provisions of the Design Law Treaty also have their counterparts in the Proposed Regulation.

*Assessment*

The matters falling within the scope of the Design Law Treaty should be regarded as falling under the exclusive competence of the Union.

Firstly, the matters regulated by the Design Law Treaty fall within an area which is already regulated by Union law, as illustrated by the substantive scope of the CDR and the harmonisation of the grace period for obtaining protection for previously disclosed designs in Article 6 of the Directive.

Secondly, the same area is affected by the foreseeable future development of Union law, as apparent from the Proposed Regulation and the Proposed Directive. Indeed, the Proposed Directive reflects an explicit choice on the part of the Union legislature to regulate and harmonise procedural requirements in the field of designs which had been left to the discretion of the Member States in Directive 98/71/EC. Such substantial further harmonisation pursued by the Proposed Directive will leave only a certain residual discretion to the Member States as regards procedural matters.

Based on the provisions above, it must therefore be considered that concluding the Design Law Treaty falls within the EU's exclusive competence based on Articles 3(1) and 3(2) TFEU.

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# COUNCIL DECISION

## authorising the opening of negotiations on the Design Law Treaty

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 218(3) and (4) thereof,

Having regard to the Recommendation from the European Commission,

Whereas:

(1) Efforts to harmonise at international level certain procedural aspects regarding industrial design applications have been ongoing under the auspices of the World Intellectual Property Organization (WIPO) since 2005.

(2) As a result of these efforts, a Diplomatic Conference to conclude and adopt a Design Law Treaty was convened in 2022 by the WIPO General Assembly to take place by 2024.

(3) The Diplomatic Conference to negotiate future provisions of the Design Law Treaty is scheduled to take place between 11 and 22 November 2024.

(4) The objective of the Design Law Treaty is to harmonise certain industrial design application procedures and formalities for the benefit of creative industries, industrial designers, by way of making the international registration of designs easier and more predictable.

(5) The Union should participate in the negotiations on the Design Law Treaty,

HAS ADOPTED THIS DECISION:

*Article 1*

The Commission is hereby authorised to open the negotiation for the Design Law Treaty in the context of the World Intellectual Property Organization on behalf of the Union, in consultation with the Intellectual Property Working Party (Special Committee).

*Article 2*

The negotiating directives are set out in the Annex to this Decision.

*Article 3*

This Decision is addressed to the Commission.

Done at Brussels,

*For the Council*
*Charles Michel*
*The President*