

Yearbook

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A global guide for practitioners

The economic value of designs

Lubberger Lehment

Rani Mallick and Eva Maierski

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The economic value of designs

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“When two products are equal in price, function and quality, the better-looking product will outsell the other.” This is an uncontested truth. First declared by the creator of industrial design Raymond Loewy in 1929, it is still worth quoting. It may hold even more truth in the digital world. On the screen, the immediate attention that a product attracts for just a few seconds may decide its economic success or failure. The phrase ‘you never get a second chance to make a first impression’ is a good addition to what we have learned from the past if we want to shed light on the value of design today and in the future.

At the beginning of industrialisation in the 19th century, focus was on the technical aspects of a product. Products to solve certain problems were invented, such as the sewing machine, the light bulb, the bicycle and the modern car. The design generally followed the technical requirements of the product and the development of new products was driven by technical inventions. But those times have long gone. Today, the advantages of a product are not seen only in its utility, safety and technical function. Consumers are increasingly asking for good design. Meanwhile, many products are equivalent in their technical functions or differ only in minor aspects, which makes design even more important and, as Loewy said nearly a century ago, the better design will succeed.

In a 2016 study, 75% of German consumers said that design was more important to them

than it had been five years earlier (study by Adobe, “State of Create”, 2016, p. 22). Nearly half of the consumers were willing to spend more money for a product with good design. In a time where the products with which we surround ourselves define who we are, product design is essential to our purchasing decisions. This also applies to fast-moving consumer goods. For that reason, product design has developed into one of the most important marketing tools and decisive competitive factors. Today, a successful brand is defined not only via the trademarks used, but also by unique and memorable designs.

According to a report by the European Patent Office (EPO) and the EUIPO from 2019, “IPR-intensive industries and economic performance in the European Union” (September 2019), IP rights-intensive industries made €6.6 billion between 2014 and 2016, which is 45% of the European gross domestic product. Of this sum, €2.4 billion was earned by companies in design-intensive industries. A 2021 report concluded that IP-driven businesses have a 20% higher revenue per employee than others (EPO and EUIPO, “Intellectual property rights and firm performance in the European Union”, February 2021). When looking only at design owners, this leads to a 32% higher revenue compared with non-owners.

Product design has developed into one of today’s key competitive factors. For designers

and developing companies, it is therefore more important than ever to ensure effective protection of their product design.

Benefit of registered design protection

According to the latest WIPO figures from September 2020, trademarks head the ranking of IP rights by 15.2 million global registrations and filings, followed by patents at 3.2 million, utility models at 2.3 million and industrial designs at 1.4 million. It would appear that industrial designs are less attractive; however, this is not the case. It is more the overlap with other registered and unregistered rights that causes the relatively low quota of registered industrial designs. This is probably because their benefits have not been recognised enough.

General principles of registered community designs

The Community Design Regulation provides protection for registered and unregistered

designs. The outer appearance of any industrial or handcrafted product can be the subject matter of design protection – including, *inter alia*, parts intended to be assembled into a complex product, packaging, get-up, graphic symbols and typographic typefaces. To be valid, a Community Design must be new (Article 5 of the Community Design Regulation) and original (Article 6) compared to the prior art.

A registered Community design is an untested protection right. The EUIPO does not verify that a registered design fulfils the requirement of novelty and originality, but looks only at formal requirements. This carries the advantage that a registered protection right granting a monopoly can be gained within a few days and for a comparatively low cost. Novelty and originality normally only become relevant within infringement proceedings when enforcing the registered Community design rights.



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Unregistered Community designs provide protection against imitations only, starting from the first publication of the design within the European Union and ending three years later, compared to 25 years in the case of a registered Community design.

Copyright

In most countries, copyright exists by the mere fact of fixation in a tangible work. Copyright is comparably attractive because it exists cost free and without the formal requirements of a registration. In contrast, copyright is often questionable in regard to its existence and protectability, unclear and vague as to content and scope, the identity of rights holders and the date of priority. Registered designs must also survive a validity test, but this test is based on the relatively clear criteria of novelty and originality. Content, ownership and priority are clear.

Trademarks

The outer appearance of a product can also be protected by three-dimensional (3D) or two-dimensional trademarks. These protection rights are attractive because they can be registered for an unlimited period. Over the past 25 years, the excitement with which European rights owners initially welcomed the new opportunity of 3D marks has been replaced by scepticism. IP rights holders have developed a method of scrutinising the absolute grounds of refusal and many initial registrations have since been cancelled due to a higher threshold being set. In addition, courts in infringement proceedings started to question either the format of use as a trademark on the side of the defendant or the effects on the origin function. These are uncertainties that registered Community designs do not face. Moreover, registered Community designs' scope of protection is not limited to their product indication and there is no requirement of use for keeping them valid.

Unfair competition

Some European countries, such as Germany and the United Kingdom, provide design protection through the back door by means of unfair competition law. Again, the immediate advantages of cost-free and form-

free protection are, however, diluted by the uncertainties related to this approach. In Germany, for example, unfair competition law provides no protection for designs as such, but only for their competitive uniqueness compared to the current competitive environment. The way that they are copied and the perception of the consumers also plays a significant role within infringement proceedings. The outcome of infringement proceedings is therefore hardly predictable and differs from court to court. Registered Community designs, moreover, provide a clear time break and grant a monopoly against any design that creates the same overall impression.

Design-protection strategies

Although it is crucial to file a design application as early as possible in order to receive the best possible priority, rights holders should decide carefully about the scope, content and territory of their design application before filing. With regard to all of these factors, rights holders can follow different strategies that are decisive for the most effective and best-suited design protection, always bearing in mind the later enforcement of these registered design rights against competitors and potential copycats.

Scope – determining the subject matter of protection

According to the Community Design Regulation, protection is granted for the outer appearance of a specific product (or product part). In a first step, applicants must define the product for which they are seeking protection. If the targeted product exists in variations, more than one design registration might be needed. Each variation leads to an individual and separate product, which, if desired, generally needs to be protected by a separate design registration.

At the same time, the applicant has the option of covering different product variations by way of one abstracted design registration; for example, by abstracting the design registration from a specific colour (providing protection for the design irrespective of its colouring) or by disclaiming the back view of a product (protecting the front view of a product irrespective of a specific back part appearance). This possibility of abstractions

exists since registered Community designs are not bound to an actual existing product and there is no use requirement.

If several design registrations are favourable, and provided that these designs belong to the same Locarno class, then one multiple application is best practice. Each design contained in a multiple application is examined and dealt with separately. At the same time, the costs for a multiple design application before the EUIPO decrease notably from the second design and again from the eleventh design onwards.

Content – mandatory requirements and filing strategies

Illustrations: The EUIPO allows the filing of up to seven illustrations showing the outer appearance of the product for which protection is sought. Seven illustrations are optional, not mandatory. However, it is advisable to file as many illustrations as needed to reflect the overall appearance of the product in the best way possible.

The illustrations of a design registration are the core of a registration: Only the illustrations determine the subject matter of protection. Neither the product indication nor any description has an impact on the scope of protection of the design (Article 36(6) of the Community Design Regulation). The appearance of a (potentially) underlying product is equally irrelevant and cannot assist in interpreting the illustrations.

No inconsistencies: Since Article 3(a) of the Community Design Regulation expressly refers to the appearance of ‘a product’ as the subject matter of protection, it is mandatory that all illustrations filed within one design application show one unitary product. The illustrations must not provide any inconsistencies that could lead to the assumption of two or even more different subjects.

Such inconsistencies can either be challenged by the EUIPO within the application process (which leaves room for corrections before registration) or – even worse – after registration within invalidity proceedings initiated by an attacked infringer. Accordingly, consistency of the illustrations

is one of the crucial aspects of a design application.

Photographs or drawings: There are no formal requirements regarding types of illustration – photographs and technical drawings are, however, the most common forms. Both forms offer pros and cons. Whereas drawings allow more abstraction (ie, providing a broader scope of protection), photographs of the product may reflect its actual appearance in a more accurate way (ie, focusing protection on the product actually being distributed on the market). If a broad protection is desired, protection by way of drawings and photographs (through two separate registrations) would be the optimum. Different forms of illustration should, by contrast, not be mixed within one application.

Black and white or colour: Drawings, as well as photographs, can be submitted in colour or in black and white (not combined). Whereas black-and-white illustrations provide the general benefit of a broader scope of protection (ie, providing protection irrespective of a specific colouring), colour illustrations are advisable if the specific colouring of the product is one of the main characteristics determining the overall appearance of the design. This also applies in the case of dark and light contrasts or striking patterns, which should also be reflected in black-and-white illustrations.

Disclaimer: By way of a graphic disclaimer within the illustration, the rights holder can exclude individual elements of a product from protection. This can be conducted by blurring the excluded element out, by circling the part that is to be protected or by using dotted lines within drawings. This technique can be helpful to show the protected product in its context (but without making the context part of the design protection), or to limit the protection to parts of a complex product.

Product parts: In general, parts of a product can also be protected by a registered Community design, provided that it complies with the following requirements:

- The part must be visible during normal use of the complex product in which the part is

incorporated (Article 4(2) of the Community Design Regulation).

- The part must not constitute a component part of a complex product serving the repair of that complex product in order to restore its original appearance (Article 110).

Alternating positioning: In some cases, products provide functions or are movable, which can lead to different positionings that optically differ from each other (eg, an open and closed laptop, an extendable sofa-bed or moving user-interfaces). If such different positionings are logically explainable on the mere basis of the illustrations and without any contradictions, these functions can be included within one design application.

Claiming priority: When filing a registered Community design, it is possible to claim priority based on a previous national application of the same design within six months calculated from the application date of that earlier application. Consequently, the later registered Community design receives the application date of the earlier application and protection takes effect from this date.

The basis for claiming priority is the Paris Convention. Member states committed to this convention have mutually agreed to accept the priority of national registrations of the other member states. Besides the European Union, other important industrialised countries such as the United States, China and the United Kingdom have joined the convention.

Territory

Of course, protection by way of design registrations can also be sought in non-European states as well as in singular

EU member states by way of a national registration. The WIPO offers the possibility of obtaining design protection in up to 91 member states by means of a single application and thereby simplifies the management of several international design registrations at once. The evaluation of the substantive requirements still lies in the responsibility of the respective national IP offices. Since the details in requirements and scope of examination vary from office to office, it is advisable to be clear about the respective requirements in advance. This is even more true when the applicant is planning to claim priority at a later stage, where the basis application and the later registrations need to be identical.

Comment

Registered designs constitute an easy and effective means of protecting new product designs. Unfortunately, registered designs are still underestimated in IP strategies and their possibilities have by no means been fully exploited. **WTR**



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