



Knowledge and Awareness Building Conference

Infringements of Designs
Protected by Design Law and
Copyright

18-20 November 2015

OHIM, Alicante

A close-up photograph of a hand holding a silver pen, writing on a document. The background is a blurred, light-colored surface, possibly a desk or another document. The lighting is soft and focused on the hand and pen.

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Overview

The President of the OHIM welcomed all participants to the seventh knowledge building seminar, which focused on infringements of designs protected by design law and copyright, the disparities in current national legislation, and cross-jurisdictional enforcement issues. The conference was organised in conjunction with Europol and Eurojust, with the aim to build knowledge and awareness concerning copyright and design protection issues across the Member States. Eurojust, the European Judicial Network (EJN) and Europol facilitate judicial cooperation and coordination, and international enforcement. The conference successfully enabled the consolidation of relationships and dialogue between IP offices, police, Customs, prosecutors and Industry, and promoted debate on new areas of potential national, international and multistakeholder cooperation.

Presentations were given by copyright and applied art and design experts, speakers from Industry including a 3D printing business, and prosecutorial and enforcement officials. Four workshops based on topic-led questions on the second day provided participants with the opportunity to discuss current issues surrounding Member States' civil and criminal enforcement practices, associated obstacles, and possible solutions.

Key messages raised during the conference emphasised the lack of harmonisation in criminal substantive and procedural law across the Member States, which acts as a barrier to transnational cooperation between enforcement bodies - especially in cases which involve sales of infringing design products via the internet. Additionally, the lack of specialisation on the behalf of the majority of judges and prosecutors - most of whom do not have experience of criminal IPR cases - was cited as a fundamental issue to address.

Workshops highlighted the professional and organised nature of the criminal groups which are involved in copyright and design infringement, and their use of increasingly sophisticated business models. Case studies from police authorities underlined the lucrative returns made by infringers, the transnational nature of IP crime and associated criminal activities including money laundering, tax evasion and reinvestment into organised crime. It was noted that infringers show a trend of operating across jurisdictions with lesser copyright and design legislation and using intermediaries to facilitate the distribution of products to targeted national audiences.

Presentations from the private sector – the majority of whom were SMEs – underlined the detrimental effects of commercial scale counterfeiting on both their businesses and on consumers, and their commitment of effort and resources in order to protect their intellectual property rights (IPR).

Day One

Welcome and Introductory Speeches

The IPR-Intensive Industry study¹ reveals that businesses which invest in IPR currently create up to 39% of the GDP of Europe. They generate almost 35% of the direct and indirect employment, and 90% of exports of the EU. Design intensive industries account for 12.8% of European GDP and approximately 53% of annual European exports.

Currently, the framework is relatively harmonised, but administrative practice regarding legislative interpretation is not coherent across the European Union, which causes problems for businesses who wish to register their rights across multiple Member States. To this end, the OHIM works alongside national offices, in order to support a common European practice. The holistic

1 - IPR-Intensive Industries: Contribution to economic performance and employment in the European Union" is a joint study carried out by the OHIM and EPO, published in September 2013.



aim is to create an improved framework regarding designs; to enhance the protection of design rights, once registered; and to focus on the establishment of a current, cost effective legislative framework - including fee reductions to make the design protection system more accessible to small and medium enterprises (SMEs).

Additionally, the OHIM has created 19 intellectual property (IP) tools including TMview and Designview in order to facilitate easy access to search for registered rights and also possibilities for e-filing, e-payments and e-registration by all users. The Enforcement Database (EDB) currently holds the data of 260 companies in order to facilitate searches by enforcement bodies and to enable the electronic filing of Applications for Action (AFAs) with regard to Customs enforcement. In future, tools will have an increased importance in the efficient enforcement of design rights. ImageSearch which is a tool for 2D designs will be finalised by OHIM in 2016, and will be followed by a project to endorse the feasibility to make a tool for 3D designs.

Session 1: Copyright in Applied Arts

Spoilt for Choice: Double Protection of Works of Applied Arts/Designs – Hungarian Copyright Experts’ Council

The presentation focused on the main branches of IP and the overlaps between them, and the main features of copyright protection and special features of national laws concerning works of applied art.

Dr Ficsor explained the overlapping relationship between works protected by copyright and protected works of applied art/designs. He referred to the WIPO/UNESCO meeting of the Committee of Governmental Experts on October 5th, 1987 which aimed to identify the problems of interpretation of law, and to form principles which could inform and guide governments on this matter.

He explained that European directives and other normative instruments do not contain specific provisions on works of applied art, and there are disparities in copyright law between the Member States: Germany and Switzerland, for example, have higher levels of protection, and have the possibility to protect the same product by design as by copyright. In Italy, it is possible to divide the utilitarian aspects from the aesthetic aspects of the form.

Additionally, the double protection of works of art, and the borderline area is further compounded by the differences between provisions of the Berne Convention and TRIPS. Article 1 of the Terms Directive (Directive 2006/116/C) provides for a 70 year term of protection from the death of the author, which is longer than the 50 year minimum period of the Berne Convention. The Berne Convention, under Article 2(1) provides protection for “every production” of literary and artistic works. Article 2(7) provides for Member States to protect applied art and industrial designs at their discretion, regarding the application of such rights. The main features of copyright were discussed, including the rights of reproduction, distribution and adaptation (which may be relevant for works of applied art).

Protected and unprotected Community design rights (RCD and UCD) were discussed, and the difference between design protection and copyright protection was highlighted. It was noted that copyright recognises concurrent independent creation – two authors could create exactly the same works. When unregistered design infringement is made on commercial scale and in bad faith, similar treatment occurs as that under trade mark law.

The overlapping systems of protection were presented, with reference to Article 17 of the Regulation² and Article 96(2) of the Directive³. The question was posed - has copyright protection been extended too far?

2 - Directive 98/71/EC of the European Parliament and of the Council of 13th October 1998 on the legal protection of designs.

3 - Regulation (EC) No 6/2002 of 12th December 2001 on Community designs.

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It was suggested that reciprocity could be applied, in cases where the artist and enforcement of the applicable right must be carried out in different States, and in cases where copyright and applied art have different levels of national protection.



EU Copyright Harmonisation – University of Southampton

The presentation by Dr Rosati focused on the interplay between copyright and design protection.

The current impetus for change to European copyright law in order to facilitate a current and efficient system for producers, businesses and consumers was discussed. The European Commission, via the Digital Single Market Strategy (DSM), seeks to redress issues posed by geoblocking, content portability, and text and data mining, and to facilitate discussion on the role and liabilities of online intermediaries and platforms.

There are currently different national scopes regarding exclusive rights and exceptions. It was noted that the European Court of Justice (CJEU) has not limited itself to the interpretation of existing legislation but has carried out *de facto* harmonisation via recent decisions which have focused on exclusive rights and e-lending, exceptions and limitations.

The *Labianca* case was explored (C-516/13) regarding distribution rights, and whether the law can be applied retrospectively. In the 2006 *Flos* case⁴, Italian law provided that artistic works could be protected by copyright on grounds of “scindibilità”. The CJEU concluded that designs in the public domain at the time of the national implementation of the Design Directive, fell outside of the scope of Article 17. However, this does not result in exclusion of their protection under the InfoSoc Directive⁵.

4 - *Flos SpA. v. Semeraro Casa e Famiglia SpA*, Case C 168/09, EUCJ.

5 - Directive No. 2001/29/EC of the European Parliament and of the Council of 22nd May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society.



Copyright protection with regard to distribution and permission to advertise the sale of protected works was discussed. In the *Cassina* case (C-456/06), the CJEU stated that there had been an act of distribution and “an offer for sale” (via steps taken prior to sale) which was directed at consumers from a specific Member State - and there had been a transfer of the ownership of the products in question, which constituted an infringement. This judgement could give rise to assumption that mere advertisement could suffice as infringement. However, UK law offers narrower protection under s18 CDPA⁶ which states that distribution is based on issuing copies to the public, not the act of advertisement. The interpretation of the legislative framework by the CJEU has led to some notions incompatible with national law. Dr Ficsor noted that, according to the Berne Convention, distribution must occur in order to fulfil a copyright infringement, and that in this case, the CJEU passed their area of competence by deciding on a national case. However, it was noted by a member of the Observatory that the increasing involvement of the internet in cross-border cases has made it necessary for the CJEU to make such an interpretation.

It was noted that the substance of the criteria for copyright protection has been partially harmonised by the CJEU, but that perhaps the threshold for protection has not been harmonised. For example, in the *Flos* case, the CJEU stated that copyright laws should be interpreted by national courts. By way of example, the UK has a loose understanding of originality which causes problems in harmonisation with regard to standards of originality.



Applied Arts Protection in the UK – UK IPO

In the UK last year, Sterling 71.7 billion was generated by copyright industries. In recent years, the UK government has worked hard to update design legislation. Many of the changes have resulted from the need to adapt to the digital age, and to update UK copyright law to match EU copyright law.

The UK legislative framework for copyright protected designs is partially harmonised at EU level - but the UK is one of few Member States which limited protection by reducing the term for industrially produced designs protected by copyright to 20 years in cases when over 50 copies are made. A number of other factors drove the change in law in order to ensure that producers are rewarded for their efforts, to ensure that businesses continue to invest in creative works, and to promote innovation and growth. Producers had argued that existing legislation had a negative effect on innovation and did not adequately protect their works. In order to facilitate changes in a fair and transparent nature, many steps, including stakeholder consultation (which included rights holders from across the Member States) prior to the legislative process to repeal the provision, were carried out. However, no date has been set for implementation of the change in law - and the change was decided to be delayed for five years, which could result in the date of April 2016 being delayed until April 2020.

6 - Copyright, Designs and Patents Act 1988.

As a result of the foreseen changes, all businesses must sell their existing stock and either stop copying, or ask permission in order to make copies. Additionally, mass produced artistic designs will have protection for the duration of the life of the designer plus an additional 70 years. Protection of designs will pose issues for Enforcement with regard to which designs are licensed. To conclude; there is a lack of clarity and case-law regarding industrial designs protected by copyright in the UK – however, the legislative framework is changing, and it is important to create a European body of knowledge regarding industrially produced designs protected by copyright in order to support enforcement efforts.

The Donner Case – Public Prosecutor’s Office, Munich

The presentation discussed penal sanctions regarding copyright injunctions in the context of European law, and concentrated on the *Donner* case - which was first heard in Landgerichte Munich II followed by Federal Court, and subsequently, the CJEU. German law prohibits the distribution of protected goods without the consent of the rights holders, whilst European law under Directive 2001/29⁷ prohibits “distribution to the public by sale or otherwise”.

The defendant in the *Donner* case was based in Italy, and targeted, advertised and sold to German consumers, with storage facilities within Germany. In Italy, the furniture did not have copyright protection at the time of sale, but in Germany, however, the furniture was copyright protected.

Gem/24

5. Judgment of the court (Entscheidung des EuGH)

„A trader who directs his advertising at members of the public residing in a given Member State and creates or makes available to them a specific delivery system and payment method, or allows a third party to do so, thereby enabling those members of the public to receive delivery of copies of works protected by copyright in that same Member State, makes, in the Member State where the delivery takes place, a „distribution to the public“ under Article 4(1) of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society.

Article 34 TFEU and Article 36 TFEU must be interpreted as meaning that they do not preclude a Member State from bringing a prosecution under national criminal law for the offence of aiding and abetting the prohibited distribution of copies of copyright-protected works where copies of such works are distributed to the public on the territory of that Member State in the context of a sale, aimed specifically at the public of that State, concluded in another Member State where those works are not protected by copyright or the protection conferred on them is not enforceable as against third parties.”

The Munich Court found the defendant guilty, but on 11th November 2005, the ruling was dismissed. However, the defendant, *Insporm*, did not cease trading but subsequently moved their products to an Italian warehouse, marked with German consumer addresses, and the consumers were contacted to collect or arrange delivery themselves. Subsequently, Munich Court II analysed *Insporm* bank accounts in order to recover funds made through sales, in addition to freezing their accounts and carrying out searches within Germany. Detective reports identified the distribution process and over 200 items were seized, but there were difficulties in identifying which pieces of furniture infringed copyright. The defendants ar-

gued that the sale of goods in Italy was permissible and that the Munich Court decision was illegal. Citing Article 4 Directive 2001/29 regarding distribution rights, they stated that the property had been transferred in Italy; they also cited an April 2008 CJEU decision regarding transfer of ownership.

The General Prosecutor stated that Article 4 of Directive 2001/29 must be considered – that distribution without a direct change of ownership should come to conclusion that sale had not taken place - but that the matter of importance in the case, was the company’s targeting of consumers and offering goods for sale in another country, and that distribution came through the sale of goods in that State. The CJEU⁸ stated that targeted advertising in a language of another Member State, including making

7 - Directive No. 2001/29/EC of the European Parliament and of the Council of 22nd May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society

8 - Judgment in Case C-5/11, Titus Alexander Jochen Donner, 21st June 2012, EUCJ.



available a payment and distribution system tailored for that territory – in this case, the intention to sell to German consumers - a product which was prohibited in that State, constituted an infringement of rights. They admitted that in their judgement, a limitation on free circulation was justified. Additionally, an important factor for the Court’s consideration was that distribution was not carried out with the agreement of the rights holder, and that the rights could not be enforced in that Member State. Notably, the Federal Court and CJEU focused on the fact that the infringement was avoidable, and that Mr Donner had made no effort to inform himself. He was sentenced to two years in prison.

Questions from the floor underlined the large financial returns made in this case. It was noted that in some Member States, this infringement would not be criminalised owing to the lack of clarity in the law. In criminal cases in Denmark, the parties would be encouraged to meet and manage a settlement – but if the civil claim had the potential to be lengthy, it would be set aside. It was noted that Danish legislation was amended to increase the maximum amount of imprisonment to six years following a case of imported counterfeit toys, carried out in bad faith.

A discussion about the potential harm posed to consumers by dangerous and substandard counterfeit goods including toys and household goods - in addition to the economic harm caused to right holders - took place. A Danish prosecutor underlined that the focus of their national courts is on the dangerous nature of such goods. Eurojust asked the floor about securing the services of reliable independent experts in such cases. It was stated that it is extremely difficult to obtain the help of an independent expert in many court cases, and the Netherlands emphasised the low possibility of successful criminal prosecution owing to the difficulties in proving intention.

Design Protection Basics and Community Registered and Unregistered Designs– OHIM

The presentation focused on case-law on registered and unregistered designs. Registered Community designs (RCDs) must have novelty and individual character -and once registered, have absolute protection. A design must manifest itself as a hand-craft or industrial item, with the exclusion of computer programmes.

THE COMMUNITY DESIGNS

In 2014, the Office received close to 99 000 registered Community designs, up 1% on 2013. Of this total, international filings rose by 5% to more than 10 300.

RCD VOLUMES

	2012	2013	2014
Direct	83 125	86 948	87 454
Ind	9 163	9 854	10 302
Total	92 288	96 802	97 756
Value of Total	100%	100%	119%

During the year, design filing continued to grow in popularity, reaching 30% of the total in December, 12 percentage points higher than in 2013.

WHAT IS A DESIGN?

- ‘Design’ means the appearance of the whole or part of a product resulting from the features of, in particular, the lines, contours, shape, texture and/or materials of the product itself and/or its ornamentation (Article 3(a) CDR).
- A ‘product’ means any industrial or handicraft item, including inter alia parts assembled into a complex product, packaging, get-up, graphic symbols and typographic typefaces (but excluding computer programs). (Article 3(b) CDR).
- The Community Design Regulation (Council Regulation (EC) No. 6/2002 of December 12, 2001) creates two forms of Community designs, registered Community designs (RCDs) and unregistered Community designs (UCDs).

Examples of designs which were decided as having individual character; designs which have been declared invalid; and contested designs, were given. It was emphasised that the impression formed by the “informed consumer” with regard to designs is important in deciding the possibility of violation of design rights. An example of an RCD declared invalid (R 378/2012-3 “Bottles”) was given. In this case, the role of the “informed user” was judged as including the marketing team involved in the production and sale of the bottle.

It was noted that the daily role of enforcement officers is difficult and pressurised, when attempting to identify the characteristics of designs, especially when faced with such volumes of counterfeit goods. Maltese Customs underlined the use of unregistered designs in the clothing industry which adds an additional factor of uncertainty when checking containers of design products on a daily basis.

A Seizure of Toys at Valencia Harbour – Valencian Customs

The presentation focused on the practical aspects of Customs work, in situations where no entry or storage declaration has been made. Customs carry out risk analysis based on data, and although they are, at times, unable to identify the number of consignments, analysis offers indicators of illicit goods including the port of origin, the type of goods, and consignee. Almost all files concerning data on IP infringing goods indicate their origin in China.

Customs use a corporate database which allows them to filter other criteria, including the identification number and name of the company, which may have passed off or infringed products historically. Once identified, Customs tag a container and officers will be alerted to inspect the container on arrival - either by opening the container and inspecting goods, or non-intrusively, via a mobile scanner.

A case example of the successful implementation of data analysis by Customs was given; a significant volume of *Mattel* toys were identified by analysing the company name and consignee, which were known to Customs. The presentation underlined the difficulties faced by Customs, when attempting to identify whether a trade mark or design has been infringed – in this case, the dolls did not bear the trade mark or logos of *Monster High* dolls, but the trade mark owner had notified Customs of the consignment of dolls which copied their designs. The presentation emphasised the threat to public health posed by such products, owing to substandard parts and the lack of quality checks.

Questions from the floor underlined the use of intelligence by right holders, who are subsequently able to inform enforcement authorities, and train enforcement officers about their products. The speaker informed the floor that Spanish Customs have forged links with Customs in other Member States, and judicial links with countries of origin - including China - in order to increase checks prior to exit.

The Experience of the Italian Furniture Company, Flou

The presentation focused on the activities of a family furniture company, which is based near Milan in Italy. Formed in 1978, the company now has an annual turnover of EUR 30 million, and designs, makes and sells high quality furniture, including a range of beds.

The company became aware of websites advertising infringing bed designs and using the Flou trade mark. The infringers were taken to court, but subsequently changed the name of the product and continued copying Flou's designs after litigation. The speaker underlined the fact that infringers do not care about the quality of their products, the harm caused to the public, or breaking the law; they care about the economic returns which they can make through infringement of designs. Following a recent court case, in which the infringers were ordered to pay over EUR 3 million to the claimant, they have stopped copying the Flou brand. The presentation revealed the emphasis which commercial scale infringers place on the economic returns made through IP violation, and the effects of successful civil litigation. However, it also highlighted the cost to individual companies in terms of resources and finances, in order to protect their IPR.

Day Two

Session 2: Workshop Session – Case Challenges

Participants were divided into four workshops which focused on the topic of design infringement within a fictitious case from four different perspectives; the right holder and the IP involved; Customs actions; police investigation; and prosecution.



Based on the mock case, participants were asked to discuss:

1. What are the roles/competences of each stakeholder?
2. What would be your approach in the mock case?
3. Can cooperation with other stakeholders be improved?
4. How do we ensure adequate information is shared?
5. What is your experience in design cases?

Below are the main points discussed in the workshops:

- There is currently very little knowledge regarding interventions on designs.
- The roles of the European Judicial Network (EJN) to enable judicial information exchange, and Eurojust to facilitate judicial coordination were highlighted, as well as the obligation of prosecutors to report serious, cross-border cases when more than two Member States are affected. Also, the importance of data upload by law enforcement agencies (LEAs) to Europol was stressed by another participant in this context.
- A presentation by the legal representative of Vitra underlined the scale of counterfeits manufactured large Far Eastern production sites supported by aggressive marketing. The distribution route relayed is a common one, in which shipments are made directly from Asia to the internet client, via a third company. The presentation underlined the low costs, low risks, lucrative returns and in most cases, avoidance of taxes by infringers. It also emphasised issues with civil law enforcement across multiple Member States owing to the disparities in copyright law.
- Norway, France and Sweden reported very effective Customs' seizures owing to education by, and liaison with rights holders.
- Discussions focused on successful cases in which payment service providers, advertising partners, freight forwarders and webhosts worked in cooperation in order to terminate trading by the infringing company.
- Discussions by Customs officials underlined the extreme difficulty in identifying copied design products without assistance by rights holders.
- There was a discussion about the Donner case. The main obstacles in this case were the lack of genuine product knowledge by Customs, including the counterfeit country of provenance. It was noted that design copies often do not bear a trade mark and are less easily identifiable. The need for specific training and for specific design tools was highlighted.
- The round table discussion highlighted the differences in national practical investigations: in Serbia, a criminal charge must precede prosecutorial investigation, and Customs cannot report directly to the Public Prosecutor. In Bulgaria, Poland and Romania, both police and Customs are able to directly contact the Public Prosecutor. In other Member States, the difficulty of securing expert witnesses leads to acquittals. Albania reported use of joint investigation teams (JITs), whilst the UK reported a more independent approach following direct referrals from right holders.
- Some Member States reported a lack of specialisation on the behalf of judges, especially with regard to criminal IPR cases. Additionally, there is a general lack of prioritisation surrounding IP crime at judicial level.
- Bulgaria, Finland, Spain, Estonia and Romania reported their use of the Enforcement Database (EDB). They highlighted its utility at ground level when identifying transport routes, but only when few routes are involved. There should be a greater use of existing databases and tools including COPIS and EDB.

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- In the Netherlands, applied arts cases are normally handled as copyright. It was suggested that it rests at the judge's discretion to determine whether an item is a work of art.
- It was agreed that it is extremely difficult to proceed an investigation based only on design infringement. It is effective to combine IPR with other criminal acts including money laundering, tax evasion, confiscation of proceeds of crime and substandard products etc.
- It was agreed that in many transnational cases, the procedures involved can pose obstacles and can be lengthy. It was noted that a lack of harmonisation concerning criminal procedural law is a barrier to transnational cooperation between LEAs.
- Cooperation on an informal basis between LEAs can be swift.
- Feedback suggested that in some cases, it is quicker for authorities to proceed with the case at hand rather than involve Eurojust. However, it was noted that Eurojust requires information from Member States in order to act effectively - and through this information, will be able to develop intelligence which is reflective of the true situation regarding countries of origin. Mutual legal assistance (MLA) can effectively trace infringers based in different Member States.
- It was noted that there is a hiatus in knowledge between rights holders and police/Customs. The most useful evidence is summaries of court decisions from the same country, on the same matter; a decision handed down in another State is of limited use. Discussions highlighted the need for enhanced training of, and education material for enforcement officers, who are more confident when dealing at operational level with trademarks.
- If there is insufficient information, a case must be pursued via the civil route. However, from the right holder's perspective, a civil claim cannot be successfully pursued against Chinese infringers.
- It was noted that in general, Customs deal with the matter internally and via Regulation (EU) No 608/2013, rather than notifying the police. Right holders are more interested in destruction of the fake goods, and keeping the items away from the market. Therefore, it is very difficult to trace and pursue the organised crime groups behind the sale of counterfeit goods.
- The need to raise penalties through future legislation, other than fines, was highlighted.
- In Sweden, the Copyright Council model is implemented, whose opinion is not binding but is directional. It was asked whether this model could exist on a European level.
- In all countries, it is possible to pursue a criminal case on design infringement but there are relatively low penal sanctions; the administrative route is often followed and prison time is extremely rare.
- The cooperative model in Nordic countries was highlighted - legislators, prosecutors and Enforcement work in cooperation. Participants discussed the most effective ways of turning differences into advantages owing to the different levels of decision making.
- It was agreed that prosecution should be reserved for the most severe cases of infringement.
- There is a need for a common strategy across Member States, rather than individual countries acting at a national level.
- With regard to the supply chain, discussions focused on best practices of effective interventions. It was agreed that joint investigation teams (JITs) should be implemented with more frequency in IP cases. Participants underlined the need to work more closely with intermediaries which would reduce the necessity of interception at borders. It would be useful to



focus on the ways in which criminals use intermediaries. It was suggested that open dialogue with online advertisers, in order to persuade them not to advertise alongside infringers could be an effective method of reducing the income stream so attractive to infringers.

- Increasingly, the “Follow the Money” approach is implemented by Enforcement. Cooperation with intermediary companies including Western Union could be useful to identify criminal organisations, so that analysis on the flow of money can be carried out.
- The limits surrounding EU risk analysis were emphasised, including high volumes of infringing products and focus placed on border interventions.
- It would be useful for Customs officers to use a scanning system which can compare goods in real time and at ground level.
- It was agreed that the possibility to freeze bank accounts and associated assets would be very effective in criminal cases.
- In general, good cooperation between enforcement authorities was reported. However, there is room for improvement for cooperation between police and Customs, who in general do not have access to each other’s databases. In some countries, the authorities do not follow up on complaints after handing over the case from their department.

Session 3: Scandinavian Applied Arts Cases

Applied Arts Piracy Challenges to Industry – Louis Poulsen

The presentation underlined the efforts of a lighting design company to work alongside Enforcement, in order to protect their brand.

Pro and reactive approach

- Pro-active
 - Customs applications in EU, US, China
 - Monitor design and trademarks
 - Raise awareness + training internally + externally
- Reactive
 - Cease and desist e-mails and adequate follow up
 - Test-purchases always examined at our laboratory by test engineers for public safety risks
 - Risk-analysis based approach

LOUIS POULSEN

Over 60% of the company’s assets are based on IP. In markets where there is a high risk of copying, the products are protected by the registration of copyrights alongside trade mark rights. A small team of brand protection staff work both proactively and reactively, by monitoring websites selling copied products, carrying out test purchases, filing applications for action (AFAs) in the EU, US and China; raising awareness about the dangers surrounding purchases of fakes; and sending cease and desist communications to infringers. The company also works with Underwriters Laboratories (UL) in the US, with national Customs, and the Danish Confederation of Industries. An important part of the team’s work is focused on criminal enforcement and on protecting their customers from substandard and dangerous lighting products.

The speaker gave some examples of cases in which substandard copies had been seized by Customs owing to information about the products given by a member of the public. Customs used risk analysis on containers with incorrect documentation to discover the goods in questions. The perpetrator was subsequently prosecuted. The presentation underlined the transnational nature of IP crime and associated criminal activities including cigarette trafficking, money laundering and tax evasion. It was

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noted that infringers show a trend of moving to jurisdictions with inadequate legislation, and that EU domestic production of fakes is increasing.

The presentation also emphasised the support given by the Swedish Special Task Force and by the State Prosecutor’s office. The company has successfully filed a number of criminal complaints in to addition successful civil actions launched in cooperation with competitor companies. However, the huge obstacles faced by small and medium sized organisations with regard to protecting their brands and products were highlighted. It was noted that large, internet-based manufacturers of counterfeit designs are able to adapt quickly, once detected, and SMEs do not have sufficient resources to effectively match – and fight - the infringing business models. Additionally, the speaker underlined that their efforts in China have proved fruitless. Instead, they currently monitor new types of lighting designs emanating from China in order to identify potential counterfeits.

Criminal Complaints in Applied Arts Cases – Danish Rights Alliance

The Danish Rights Alliance is an interest organisation which represents almost all the creative industries in Denmark. Most of the organisations are in the process of moving their businesses online, and face the many practical challenges which online trade presents. The organisation works alongside the Danish police, Swedish police, Enforcement and politicians, in order to support the enforcement of copyright on the internet. The alliance facilitates the signing of voluntary agreements by intermediaries and raises awareness about legal online offers. Recently, there has been a holistic shift in the treatment of piracy on the internet. The platform aims to educate consumers through the “Share with Care” initiative, rather than scare or blame them with regard to pirated content and counterfeit products.



There have been successful criminal convictions in cases including *The Pirate Bay*⁸, and in blocking torrent sites and streaming sites. The Alliance aims to file a combination of civil and criminal actions. New approaches include maximising enforcement decisions, and supporting criminal cases, with an emphasis on criminal activities. The Alliance also reported success in effectively blocking illegal sites via a civil complaint.

The presentation highlighted the problems posed by cross-border IP crime and gave the example of the *Designers Revolt* case. By working alongside the Swedish police, who had jurisdiction, they were able to stop a company (registered in the Isle of Man and using imports from China to the UK, subsequently sent to Sweden) which was targeting Swedish consumers with products infringing copyright and trademark legislation.

The alliance has implemented a code of conduct with Danish internet service providers (ISPs) to encourage providers to conform to the standards of the Alliance. Additionally, a memorandum of understanding (MoU) has been signed with stakeholders

9 - Neij and Sunde Kolisoppi v Sweden - app no 40397/12 (decision 13th March 2013).



to minimise the risk of working alongside criminal intermediaries - such as through advertisement - and to minimise any subsequent financial gains made by such groups.

The floor was opened for questions, and the alliance confirmed that they currently take responsibility for obtaining a court order against infringement. In the future, they would like to report the matter to the police, and for the police to proceed with the case. The alliance confirmed that their government is actively involved in facilitating the code of conduct. The UK IPO Intelligence Hub referred to the *Newzbin2* test judgement¹⁰. The decision in the civil case has been helpful in developing the criteria by which the London Police Intellectual Property Crime Unit (PIPCU) work with other intermediaries, including ISPs against “criminally infringing websites”, without the requirement of a court order.

Criminal Investigation and Prosecution in Applied Arts Cases – Danish State Prosecutor for Serious Economic and International Crime, and Swedish Prosecution Authority, National IP Crime Unit

The presentation focused on the process of a cross-jurisdictional criminal investigation which was carried out in the UK, Germany and Denmark. The structure of the criminal organisation emphasised the actors’ knowledge of the market, the gaps in existing national legislation, and Enforcement capabilities. It also highlights the infringers’ wish to avoid detection by using different companies, bank accounts, and loopholes in national law. The Danish citizen who masterminded the infringing business operation worked alongside an ex-Special Branch Danish police officer and was financially backed by a third individual, with business dealings in China.



The warehouse which was used to store the infringing products (furniture) was moved from the UK to Germany, in order to avoid criminalisation due to the changing laws in the UK. From there, the furniture was transported to Denmark and Sweden using British and Spanish bank accounts, and under the guise of a Spanish and Italian company. The police intercepted phone calls to a call centre in Denmark and carried out surveillance which revealed the transport routes of the products, from China to UK and from there to Italy and Germany – and finally, to customers. Payment for the products took place in Italy and Spain, and the payment was subsequently exchanged into other currencies, including UK Sterling and Euros.

The suspects were taken into custody and an indictment was drafted by the Public Prosecutor’s office; the defendants’ lawyers were keen to cooperate with regard to a plea bargain. The claim placed by the Public Prosecutor was that of “severe character”, which sat within the Penal Code application. The prosecution underlined the professional, organised structure of the organisation and the economic drivers behind the action. Features of the Donner case were used to support the claim for infringement of the Danish Copyright Act, owing to the fact that advertising was made in the Danish language, with targeted delivery to customers within Denmark and that a payment system had been set up by the infringers so that it was possible

10 - A UK judgement handed down on 28th July 2011 by Mr Justice Arnold which provided for a large UK ISP (BT) to abide by the terms of the court order to block links to a file sharing site, which infringed the copyright of music and film producers.

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to make payment made in Danish crowns. The Danish Penal Code with regard to crimes of “severe character” provides for 6 years imprisonment and allows for phone tapping by the police in their investigations. Notably, the Danish prosecution has used reports of the OECD, OHIM and Europol in order to educate Danish judges regarding the structure and scale of cross-border crime, and its effects on the European economy.

Following this presentation, the Swedish Prosecution Authority gave a presentation on their structure and work. The Swedish Prosecution office set up a centralised IPR Unit in 2008, which includes 4 specialised prosecutors who have national investigatory competence. In 2010, financial experts joined the unit and have carried out cases involving mutual legal assistance and international cooperation. It is foreseen to have 10 IP crime investigators and computer forensic experts in future.

The presentation focused on the differences between national, criminal law and European law. Two case examples underlined the cross-jurisdictional nature of organised IP crime and the subsequent issues with applicable national law. The national differences in evidential levels, the differences in perception regarding aiding and abetting, and differences regarding what is viewed as the preparation or an attempt of a criminal act were discussed – national disparities which could sit at odds with current European law on distribution.

Reference was made to the Cybercrime Convention, with regard to websites targeting specific national consumers. In extra-territorial cases, there should be an attempt by the prosecution to proceed with a full indictment, even if only a small percentage of actual purchases were undertaken by those nationally targeted.

The presentation concluded by underlining the need to “Follow the Money” owing to the transnational and organised structure of organised IPR criminal groups – with front men in one country, bank accounts scattered throughout Europe, and with additional third countries involved in the site production of counterfeit products. The challenges to Enforcement posed by cross-border crime and the sophisticated business models of infringers were highlighted, as were the threats to public health caused by counterfeit design products.

Day Three

Session 4: 3D Printing

Technical Presentation of 3D Printing - Materialise

The presentation gave an overview of the history of 3D printing, and its technological capabilities. Currently, a 3D home printer costs approximately EUR 1000 and is able to produce items of lower quality. An industrial 3D printer costs hundreds of thousands of euros.

Materialise uses engineering tools, 3D CAD software and industrial 3D printers (using mammoth stereo lithography – SLA) to create exact design models of prototypes including medical and dental devices, and automotive and industrial production parts, in low volumes. Historically, the company has focused on the production of prototypes for commercial clients who wish to improve their designs. Fused deposition modelling (FDM) is used for small parts manufacture and low volume orders, which can be produced quickly. 3D printing can be used to produce lightweight, exclusive lines of vehicle parts. Interestingly, parts which are slightly different can be produced for the same amount of money as parts of identical size. This poses huge business opportunities for the production of bespoke parts, which might only be possible via 3D printing. Whole and larger design products have not been produced, to date.

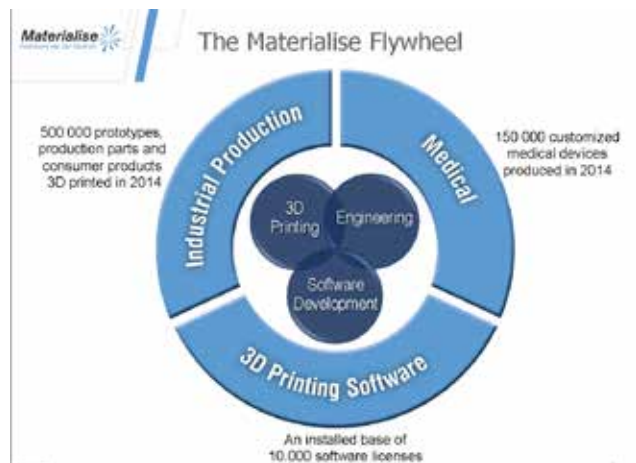
The presentation underlined the importance of client confidentiality via the secure transfer of files - and the importance of subsequent quality testing on 3D design models. Materialise carries out security checks on potential clients, in order to avoid producing counterfeit design products, and Materialise staff receive training on IP, to this end. The quality of the files sent by the



customer offers information about the provenance of the files. Additionally, it is the Materialise company policy to not produce weapons.

It was noted that industrial scale 3D printers could be used to produce counterfeit container seal labels which could pose huge problems for Customs, and that industrial 3D printing machines could be used within China.

In answer to questions from the floor, Materialise confirmed that they would be interested in forming a regulated trade body in 3D printing.



A Legal and Empirical Study into the Intellectual Property Implications of 3D Printing – Bournemouth University and The University of Southern Denmark

The presentation focused on a quantification study commissioned for the UK IPO, and published in 2015. Bournemouth University carried out the study of online sharing platforms dedicated to 3D printing of replacement parts (domestic and automotive parts); customised goods; and small, high value products.

The first patent for the concept of 3D printing was granted in 1977. Notably, appropriate software and quality design files are necessary in order to facilitate works by a 3D printer. There are current applications on the market, which require no downloading,

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which facilitate the creation of 3D models from photos taken on phones and mobile technology.

The possibility to create 3D models poses questions regarding copyright law. EU copyright law underlines the importance of the author’s personal touch or intellectual creation. The UK’s reasoning on copyright law in *Interlego v Tyco*¹¹ underlines that “copying, per se, however much skill or labour may be devoted to the process, cannot make an original work”; furthermore, “there must be some element of material alteration or embellishment which suffices to make the totality of the work an original work”. In terms of bespoke products such as jewellery, if the creator designs the product but it is subsequently altered by the buyer to suit them, should the buyer be entitled to some IP rights as well? It was noted that, at the stage when 3D printing is able to produce mass customisation to its maximum potential, problems will arise with regard to who owns the IP of designs.



The conclusions of the study cite an increasing annual interest in 3D printing online platforms – in particular, fashion platforms are popular and users tend to share files. However, the number of downloads is not linked to price, but could be related to a lack of access to the relevant materials. Notably, online platforms should explain to users the different types of licence available – currently, only 35% of users licence their products and make their choice in accordance with the type of product which they choose to upload.



At present, there are no indications that 3D printing online platforms lead to piracy and counterfeiting, or that it has reached the stage of a mass phenomenon. However, there have been cases of file sharing of smaller objects online, including replacement parts (domestic and automotive parts); customised goods; and small, high value products. The study concludes that it will take 5 years before an impact is made on the general public by online 3D printing; notably, business models could evolve further during this time.

Under current UK patent law, a 3D printer and associated software, through the supply or offering to supply any of the means relating to the essential element of the invention, would constitute a direct infringement. Additionally, there could be direct infringement if a consumer makes a part via 3D printing, rather than buying a replacement: this act could be regarded as “making” through modification, rather than “repair”.

11 - Interlego AG v Tyco Industries Inc (1989) AC 217, the Privy Council of England and Wales, 5th May 1998.



Recommendations of the study focus on steps taken with regard to the traceability of spare parts, particularly in the automotive sector. The findings recommend a “wait and see” approach, in order to avoid hasty legislation which could result in stifled creativity. However, the study also recommends the prudence of establishing a working group on this matter, led by the UK IPO or another relevant organisation. Recommendations also focused on the need for online platforms to encourage more awareness amongst consumers regarding the different types of licences. With regard to industry, it was recommended to adopt secure streaming of 3D files, and pay per print business models.

In future, a legal and empirical study of 3D scanning, 3D printing and mass customisation of ancient and modern jewellery is foreseen, which will be funded by Research Councils UK (RCUK).

A study carried out by the University of Southern Denmark which focuses on the activities of websites sharing 3D files analysed data of 17 websites, during the period of November 2008 to January 2014. The first four websites analysed account for 87% of the total number of files online, and 78% of all users; the 7 most popular websites account for 99% of all content shared online. Each uploaded file has an ID number and can be traced to the user.

Findings show that most users upload a small amount of files - the most popular of which were art, miniatures, jewellery, design and household products. Also, file sharing of *iPhone*, *Lego*, and *iPod* were very popular, which involves copyright issues. To account for the reduction in growth of both users and files, as found, it is assumed that the costs of both 3D printers and printing materials have reduced. Licence schemes are subjectively applied to the uploaded files and it was found that only 35% of all files have an associated licence.

A Business Perspective– Materialise

The presentation focused on the legal and corporate considerations of the company, owing to both the commercial opportunities and challenges posed by 3D printing. The company’s focus rests on the software and applications of 3D printing. In addition to 3D printing services, Materialise sells software licences for their own 3D printing services - for example, to car manufacturers who wish to set up their own facility. In terms of medical products, such software facilitates the design of a perfect copy of patient organs, on which a surgeon is able to practice. Additionally, the company has an online ordering department (i.materialise) which offers an online service for 3D designs including figurines and jewellery to individual internet consumers - although the company does not view this as the core of their future business.

The presentation concluded by focusing on the challenges posed by 3D printing – including the production of weapons and the piracy of Materialise software products. Currently, internal IP counsel advise Materialise staff on IP matters, including checking against a protected design database following requests from customers. However, it is not possible to identify all infringing design products; notably Materialise clients hold all liability for design infringement. The company aims to raise awareness about pirated software and the dangers of such products.

Conclusions and Closure of the Conference

A review of the main points discussed during the conference was carried out. The need to build strong relationships with the private sector in order to obtain timely intelligence was highlighted. The difficulties when investigating a case based only on design infringement were discussed, and it was noted that it could be effective to combine an IPR claim with associated economic crimes such as money laundering, tax evasion, and placing substandard and dangerous products on the market.

Presentation from Customs and the ensuing discussion underlined the difficulties at ground level in identifying copied designs which do not bear a trade mark or logo, especially in cases when no entry or storage declaration has been made.

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The loss of revenue suffered by rights holders was emphasised, alongside the threat to public health with regard to copied household products, electrical goods, and products for children which have not undergone quality checks.

The current impetus for change to European copyright law was discussed, in order to facilitate a current and efficient system for producers, businesses and consumers. However the proposed Digital Single Market Strategy does not include full harmonisation regarding copyright at European level.

The Director of the Observatory underlined the importance of design intensive industries to the European economy, and the vital role played by enforcement authorities in the protection of design rights across Europe for the benefit of consumers, SMEs, and Industry in general. He added that an additional Memorandum of Understanding (MoU) between OHIM and Europol has resulted in a transfer of EUR 0.5 million to support Europol's IPR activities. It is foreseen to sign a MoU between OHIM and Eurojust in the coming months.

All speakers and participants were thanked by OHIM, Europol and Eurojust for their contributions, and the conference was closed.



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