

From: Sean Murphy <sean.murphy@voga.ie>  
To: copyright@djei.ie  
CC:  
Date: 29/09/2016 9:32:32  
Subject: Consultation Process - section 78A

Dear Sir/Madam,

In regards to the current consultation process we would like to make our contribution, as follows.

Although companies have known, since 2013, that section 52 of the UK copyright law would be repealed and their business model could be forced to change, it was always businesses' plan to transfer their operations to Ireland.

The reason for this is that there were no indications of any review of the Irish laws and/or any consultations planned around copyright laws. To support this further, there was/is no active presence of any copyright holders in Ireland, as they do not consider it a priority market. To our knowledge, the copyright holders have no direct operations within the territory, and have no plans for it in the near future either.

As such we continued to forecast for new investments over 5 years of income from our replica furniture business to further build and/or grow other business models. So to hear that there is a consultation, with an unusual short timeline for submissions, and with an indication of a clear outcome, comes as a surprise and will undoubtedly create a significant impact to our business, partners, commitments and employees.

On the expectation of operating over the next 5/10 years we have invested heavily in non-replica furniture and new online businesses that are related to selling furniture online which are completely reliant on income from the replica business in the first few years until they can sustain themselves.

The outcome for all of our investments will be lost, new business will likely be closed down or will have obtain external funding as they won't be able to develop enough traction to survive without the support of the current replica business. With the amount of money spent we will go into bankruptcy from an accounting point of view, most likely taking a number of partners with us, as we will not be able to honour the long term contracts made with them. We have a number of long term partnerships that have adapted their operations to us and built on the fact that long trading was secured.

From our point of view, a full review of the situation is required, as no-one really benefits from the law changing in Ireland, if anything a number of companies will be heavily affected, and failing to stay as per the current one, a substantial grace period that allow us:

Re-align our business model to one that can trade on-going with no restrictions from Ireland  
Re-coup some of the investment made in moving parts of the operation to Ireland  
All our distribution, legal and accounting is in Ireland  
We gave notice to the service company in the UK with a view of a move to Ireland as of 01.01.2017 for marketing, customer service, IT and sourcing.  
This will mean people relocating to Ireland or new jobs in Ireland  
Potentially downsizing the team based on changes  
Re-negotiate and adjust existing contracts with product and services suppliers.

From our point of view, a consultation would make sense if any party would benefit (customers, copyright holders, replica sellers). In this case we do not see anyone benefiting in Ireland from the change.

If the change of laws went ahead, a 5 year period would be the minimum for us to survive without any external investment, as we would then re-invest all profits from replica furniture into the design process and into integrating off-the shelf products into our current lines. Although profitability of the new business model might not be reached until year 7, the companies will thrive and employee-wise numbers would go towards a similar number to our current


ones.

With a 5 year transitional period we would rush through the development of new product lines or new business models. This is a process which is extremely difficult to get right, even without being pressurised. Myfab.com can be taken as an example. They built a company based on own designs and off-the-shelf furniture. After being widely unprofitable for a number of years they were acquired by Fab.com. In the meantime their only widely successful product was a beanbag. In spite of extensive consumer testing they had difficulties choosing bestselling products. This can be because of a preference in tastes, preferences, bad merchandising, bad marketing etc, but is definitely an indicator towards the difficulty of choosing/designing a bestselling product.

A good case to look at in terms of how difficult to be a pure play online shop and have success is Made.com. Made have spent a lot of time and money on sourcing products and own designs and still made a 5 million pound loss, this in spite of influx of investment. Made have now had to change their business model and have decided upon opening physical showrooms. The case of made just shows how difficult it is to choose winners and to make it big, selling furniture that is of your own design. For us being forced to open showrooms to be successful would move us even further away from the core of what we are now: (read about made.com here): <http://www.retail-week.com/sectors/home-and-diy/madecom-sales-surge-68-as-international-roll-out-gathers-pace/5064675.article?blocktitle=Latest-news-&-analysis&contentID=13145> ).

When we originally move to Ireland we did so consciously, as there were no indications of any changes in the legal frame. As a consequence, we did spend a significant amount of money transferring the business over to Ireland, adjusting our legal set up and also investing heavily in developing the structures within to keep on supplying customers as normal.

We have only been trading for a few months, however invested a lot up front, and the consultation is already in progress. It would make sense to us that a minimum 5 year period could be given to allow the company to change its product offering, marketing strategies while re-structuring its supply chain and supporting services.

 Not to say that there is a number of ongoing financial benefits from us and other similar companies trading out of Ireland, from tax payments (VAT and corporation tax), to accounting and legal fees, logistics companies, supporting services such as marketing and IT.

To sum it up, changing the law now will have a massive impact on our business and customers could suffer as a consequence. Not offering a reasonable grace period will most definitely close operations down unless time is given for us to re-structure. As an example, in the UK there were talks for years before a decision was made, allowing some to make the transition. Many, knowing that Ireland would be a good trading hub, did not feel the need for it. Should we say that it has to finally come to that, we hope that it can be implemented in a sensible way. As mentioned above, copyright holders have no interests in Ireland or plan to have any significant trading in the near future, therefore changing the law brings no benefit to anyone operating in the country but will surely create a massive problem to companies that relocated earlier in the year.

We hope that you take into consideration our submission.

Many thanks in advance for your support.

Best regards,

Sean Murphy ATTACHMENTS: