BL O/126/05

5th May 2005

COPYRIGHT, DESIGNS AND PATENTS ACT 1988

BETWEEN

Justwise Group Limited — Claimant

and

Magis S.p.A — Defendant

PROCEEDINGS — Reference under section 246 in respect of certain design rights

HEARING OFFICER — D J Barford

DECISION

Introduction

1 This decision addresses a request by the defendant that I should strike out this reference.

The law

2 The reference is made under section 246 of the Copyright, Designs and Patents Act 1988 ("the Act"), the relevant part of which reads:

> ***Section 246***
>
> *(1) A party to a dispute as to any of the following matters may refer the dispute to the comptroller for his decision-*
>
> *(a) the subsistence of design right,*
>
> *(b) the term of design right, or*

(c) the identity of the person in whom design right first vested:

and the comptroller's decision on the reference is binding on the parties to the dispute.

(2) ....

(3) The comptroller has jurisdiction to decide any incidental question of fact or law arising in the course of a reference under this section.

3 Also relevant to these proceedings are sections 4(1), 51(1) and 236. These read:

Section 4(1)

In this Part "artistic work" means-

(a) a graphic work, photograph, sculpture or collage, irrespective of artistic quality,

(b) a work of architecture being a building or a model for a building, or

(c) a work of artistic craftsmanship.

Section 51(1)

It is not an infringement of any copyright in a design document or model recording or embodying a design for anything other than an artistic work or a typeface to make an article to the design or to copy an article made to the design.

Section 236

Where copyright subsists in a work which consists of or includes a design in which design right subsists, it is not an infringement of design right in the design to do anything which is an infringement of the copyright in that work.

4 Thus under section 51(1) making or copying an article to a design can infringe copyright only if the design is for an artistic work (or a typeface); what is meant by "artistic work" being set out in section 4(1) and including, amongst other things, sculpture and works of artistic craftsmanship.

5 Under section 236, if making a copy does indeed infringe copyright, then it will not infringe any design right, that is to say in these circumstances copyright overrides design right.

The issues

6 On 26 August 2004, AA Thornton & Co, patent attorneys, filed a Design Right Form1 naming themselves as claimant - though subsequently they requested that the name of their client Justwise Group Limited ("Justwise") be substituted - together with a statement referring for decision by the comptroller, under section 246, a dispute concerning the subsistence of design right and the term of design right in a bar stool known as the Bombo bar stool ("the Design"), which is currently on sale in the UK from Messrs John Lewis.

7 The claimant states that on 3 August 2004 it sought from the defendant, an Italian company Magis S.p.A ("Magis"), a licence of right under section 237 in respect of the Design; pointing out that there are no relevant registered design rights in the UK.

8 The claimant describes the defendant's response as follows. The defendant responded on 16 August 2004 that no licence is available since copyright subsists in the Design as a work of artistic craftsmanship and/or as a sculpture**.** The defendant states that the stool was designed in 1997 by a distinguished architect and designer Mr Stefano Giovannoni pursuant to a commission from Magis, and that Mr Giovanni has granted exclusive rights in the Design to Magis. The defendant goes on to state that it has spent over £500,0000 on the design and development of the stool which has become a design icon, having received awards, been featured in film and on television, and appeared on an Italian postage stamp.

9 The claimant asks the comptroller to decide the following three questions:

> (i) Is it an infringement of any copyright in a design document or model recording or embodying the Design to make an article to the Design or to copy an article made to the Design?
>
> (ii) If the answer to the first question is no, does unregistered design right subsist in the Design?
>
> (iii) If the answer to the second question is yes, what is the term of that unregistered design right?

10 The claimant states that in its view:

> the answer to question (i) is no, having regard to section 51, since the stool itself is not an artistic work;
>
> the answer to question (ii) is yes, unregistered design right subsists under section 213(2);
>
> the answer to question (iii) is that design right expires at the end of 2007 and that licences of right are therefore allowable

11 In response the defendant has requested that the reference be struck out on the grounds that question (i) asks the comptroller to decide a copyright issue which falls outside his

jurisdiction.

12 The defendant points out that although the comptroller has jurisdiction under section 246(1)(a) to decide the subsistence of design right and under section 246(3) jurisdiction to decide "any incidental question of fact or law arising in the course of a reference under this section", the main issue in dispute is over copyright rather than design right.

13 The defendant also argues that, if the answer to question (i) is no, the parties are in fact in agreement on questions (ii) and (iii) and the *only* matter in dispute is the copyright issue.

14 The defendant also points out that section 246 falls within Part 3 of the Act which relates to design right not copyright law and that in consequence it cannot have been intended for the comptroller's jurisdiction to extend to copyright matters.

15 The claimant filed an amended statement on 7 October 2004 in which the questions are re-framed as follows:

> (i) Does unregistered design right subsist in the Design?
>
> (ii) If the answer to the first question is yes, what is the term of that unregistered design right?
>
> (iii) If the answer to the first question is yes, who is the owner of that unregistered design right?
>
> (iv) Whatever the answer to the first question, is it an infringement of any copyright in a design document or model recording or embodying the Design to make an article to the Design or to copy an article made to the Design?

16 The claimant states that its case is that:

> the answer to question (i) is yes
>
> the answer to question (ii) is that design right expires at the end of 2007, and
>
> the answer to question (iii) is that Magis is the owner of the unregistered design right.

17 However the claimant goes on to state that it has not seen any evidence to support this understanding; and further that question (iv) is submitted as an incidental question asking the comptroller to decide whether section 51 applies to the Design; and the claimant's position on this is that the answer is no.

18 In a letter accompanying the amended statement, the claimant opposes the request for striking out, states that it requires the defendant to prove to the satisfaction of the comptroller that unregistered design right exists in the Design, that Magis is the true owner of the right and that the term of the right expires at the end of 2007, and points out that no evidence has

been filed as to the relationship between what it describes as the "alleged designer" and Magis. It refutes the defendant's argument that the question relating to the applicability of section 51 is not an "incidental" question, on the grounds that the section regulates the interface between Parts I and 3 of the Act and it is appropriate to ask whether the design right that exists in the Design is rendered irrelevant because of the enforceability of copyright.

19 In response the defendant argues that the amended statement is simply a change in form not substance, and maintains its request for striking out, confirming that:

> the answer to question (i) is yes, unregistered design right does subsist in the Design;
>
> the answer to question (ii) is that the unregistered design right expires at the end of 2007;
>
> the answer to question (iii) is that Magis is the owner of the unregistered design right.

It states that it is happy to provide evidence to confirm this.

20 The defendant argues that there is no dispute between the parties on questions (i) to (iii), but that question (iv) is solely a matter of copyright and not design right, and that the copyright question is the primary issue here rather than an incidental issue as required by section 236.

21 The claimant's response to this emphasises that section 246 provides a right to make a reference to the comptroller for a decision on issues relating to subsistence, term and identity and any incidental questions of fact and law arising in the course of the reference; and that the claimant's offer to provide evidence is irrelevant to that. The claimant submits that it is at least arguable as to whether the issue in dispute is an incidental question of law and points out that if the reference were struck out it would be prevented from submitting arguments on the issue. It states that it would be willing to have the validity of this question addressed as a preliminary issue.

22 The defendant resists having the matter addressed as a preliminary issue arguing that "the question whether the issue of enforceability of copyright is an incidental issue in these proceedings is the fundamental issue in relation to Magis SpA's application to strike-out these proceedings (and in fact the only issue between the parties)." In addition it submits that the claimant's use of the reference procedure is disproportionate in terms of costs given that there is no dispute over the questions relating to design right posed by the claimant, and that the costs incurred could have been avoided if evidence had been requested at the outset.

23 In subsequent correspondence both sides confirm that they are content for the application to strike out to be decided on the papers. The claimant asks for costs; and submits that the only alternative to the reference procedure would be an application to the Courts for a declaration of non-infringement which it submits would be costly and disproportionate. The defendant provides detailed submissions on costs, including a figure for its expenditure to date.

Striking out - the Civil Procedure Rules 1998 ("CPR")

24 Neither side has put in submissions as to the approach I should take in deciding the question of striking out. However it seems to me that I should have careful regard to those parts of the CPR which would guide the court in similar circumstances.

25 Under rule 3.4 of the CPR, a statement of case may be struck out if (a) it discloses no reasonable grounds for bringing or defending the claim, (b) it is an abuse of procedure or is otherwise likely to obstruct the just disposal of the proceedings, or (c) there has been a failure to comply with a rule, practice direction or order.

26 Paragraph 3.4.1 of Civil Procedure states that "grounds (a) and (b) cover statements of case which are unreasonably vague, vexatious, scurrilous or obviously ill-founded and other cases which do not amount to a legally recognisable claim or defence".

27 Paragraph 3.4.2 states that "Statements of case which are suitable for striking out on ground (a) include those which raises an unwinnable case where continuance of the proceedings is without any possible benefit to the respondent and would waste resources on both sides ... A claim or defence may be struck out as not being a valid claim or defence as a matter of law ... However it is not appropriate to strike out a claim in an area of developing jurisprudence, since, in such areas, decisions as to novel points of law should be based on actual findings of fact..."

28 The defendant's case for striking out is that the issue to be decided falls outside the jurisdiction of the comptroller, and that there is no dispute between the parties under section 246(1). It seems to me that falls squarely under grounds (a), and that the question I have to decide is whether or not the claim is valid in law.

Does the comptroller have jurisdiction?

29 The defendant argues that the answer to this question is "no" on the grounds that copyright is the primary issue here rather than an incidental question within the comptroller's jurisdiction under section 246. The claimant argues that its question relating to the applicability of section 51 is an "incidental" question since that section regulates the interface between Parts I and 3 of the Act and it is appropriate to ask whether the design right that exists is rendered irrelevant because of the enforcability of copyright.

30 It goes without saying that a reference to the comptroller for a decision on copyright in isolation could not be entertained; the comptroller clearly has no such jurisdiction. Here however a copyright issue is presented in the context of a question of design right, where the comptroller does have a certain jurisdiction - including that set out in section 246 quoted above to decide matters relating to design right, and also that set out in section 247 to settle the terms of licences of right.

31 Considering the case where a reference is legitimately made under section 246, if a

defendant were able to have that reference struck out by doing no more than submitting that his copyright would be infringed - without justifying that submission - and the comptroller had no jurisdiction to decide the copyright matter, then it seems to me that the provisions of section 246 would be rendered effectively irrelevant. Equally, without that jurisdiction, in the case of a work where both design right and copyright are alleged to be enforceable, the comptroller would not be in a position to settle the terms of any licence of right under section 247. In short it seems to me that, where there is an issue over copyright that impinges on a question of design right, then if such an issue is held not to lie within comptroller's jurisdiction then he will be unable to exercise his jurisdiction in respect of design right, and I conclude that in these limited circumstances he does have that jurisdiction.

Is there a dispute under section 246(1)?

32 However, is this overridden in any case by the defendant's submission that there is no dispute under section 246(1) and therefore section 246(3) cannot bite?

33 The claimant submits that section 246 provides a right to make a reference to the comptroller, that it is at least arguable whether or not the issue in dispute is an incidental question of law, and that if the reference were struck out it would be prevented from putting forward submissions on the point.

34 Is it then legitimate for a claimant to seek confirmation, by way of a reference, of any matters falling under section 246(1) - even if there is *prima facie* agreement between the parties - thereby opening the door to section 246(3)?

35 It seems to me that the terms of section 246(1) are unambiguous, namely that a party to a dispute over one or more of the three matters explicitly set out in section may refer the dispute to the comptroller for decision. It follows inevitably it seems to me that if there is no dispute over any of these matters then the terms of the section are such that a reference cannot be legitimately made. If that is the case then it follows that section 246(3), which is dependant on a reference having been made, cannot bite.

36 In the present case there is no dispute over the subsistence of design right or over the term of design right. The claimant has also questioned who owns the design right. On this point I note firstly that this is not a matter for decision under section 246(1), section 246(1)(c) being limited to disputes as to the identity of the person in whom design right first vested, and secondly, in any case the claimant asserts that the owner is Magis and the defendant agrees.

37 I conclude that there is no dispute under section 246(1)(a),(b) or (c), and that section 246(3) cannot therefore bite. Accordingly I strike out this reference.

38 These proceedings arose in the course of the claimant's seeking from the defendant a licence of right under section 237. Disputes over the terms of licences of right may be referred to the comptroller under section 247, to which I have referred above when considering jurisdiction. Although no application has been made to the comptroller under that section in the present case, for completeness I note that, in the context of the issues raised for the

purposes of this decision, the terms of section 247 appear to be more accommodating than those of section 246.

Costs

39 The defendant has won and so is in principle entitled to costs. The defendant has submitted that the claimant's use of the reference procedure under section 246 is disproportionate in terms of costs and has provided detailed submissions on costs, including a figure for its expenditure to date. However I am not persuaded that the claimant has acted in bad faith, and that it would therefore be right for me to depart from the published scale. I therefore award the defendant the sum of £300 to be paid by Justwise not later than 7 days after the expiry of the appeal period. If an appeal is lodged, payment will be automatically suspended pending the outcome of the appeal.

Appeal

40 Under section 251(4) of the Act, any appeal against a decision under section 246 lies to the High Court; and under the Practice Direction to Part 52 of the Civil Procedure Rules, any such appeal must be lodged within 28 days.

DAVID BARFORD
Deputy Director acting for the Comptroller