

# Insights and Commentary from Dentons

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# COPYRIGHT COMMENT



Shona Harper

## Repeal deal

With the length of protection for some copyrighted designs being reduced from 70 years to 25 years, SNR Denton's **Shona Harper** and **Matt Peters** shine a light on the winners and losers

**In his judgment in *Lucasfilm Ltd v Ainsworth*,<sup>1</sup> Lord Walker stated that designs can be artistic creations, have 'eye appeal', be purely functional, or possess a combination of such qualities.**

Depending on how each design is classified, the laws of copyright, registered designs and design rights govern the length of protection. However, the boundaries between these laws are not clear, and have always been subject to controversy. The proposed repeal of s.52 of the Copyright, Designs and Patents Act 1988 (CDPA) (by s.65 of the Enterprise and Regulatory Reform Bill) is no exception. The government and design lobby groups have hailed the boundary shift as a victory for innovative design, while the replica industry relying on s.52 has been quick to denounce it. Will the repeal hurt more than it helps?

### Meaning and effect

S.52 provides an exception from full copyright protection (ie life of the author plus 70 years) usually given to a design classified as an 'artistic work' under s.4 CDPA. The exception applies where such works are exploited by the copyright owner (or with their permission) by making copies of that work through an industrial process, and where those copies are marketed. An 'industrial process' exists where more than 50 articles are made, or where the articles consist of goods which are not hand-made and are manufactured in lengths or pieces.<sup>2</sup> S.52 reduces the length of copyright

protection of the owner's original design to 25 years from the date that it was first marketed. It brings certain manufactured copyright works into line with registered designs, and limits the protection copyright owners enjoy when original designs are replicated on a large scale. Equally, it allows (after 25 years) third parties to replicate popular designs, increasing their popularity, often through the use of much lower quality replicas. Its repeal would prevent such replication.

### Pros and cons of a repeal

The government claims that repealing s.52 protects design rights and encourages creation. It harmonises the UK's approach to copyright protection with that of the EU (in *Flos SpA v Semeraro*,<sup>3</sup> the CJEU ruled that member states are not entitled to exclude copyright protection for industrial designs), and gives the UK design industry an equal footing to other creative industries. It should also limit imports from businesses taking advantage of the UK's current softer stance on design protection. An extended term of copyright protection ought to encourage the licensing of classic designs and result in a higher standard of replication. This would give designers an incentive to invest in the designs from their portfolios which generate the most value from licensing agreements.

Many of these arguments, while persuasive, are theoretical, and based on an impact assessment which has been criticised

for its lack of empirical data and lack of consultation with industry. It does not contain any specific data on revenue generated by the furniture replication industry, revenue which will be lost once s.52 is removed. Licensing may generate replacement income, but only if it is affordable, such that designs could be priced out of the market altogether. And while harmonisation within the EU may be legally (and perhaps politically) convenient, it is no guarantee of economic improvement. Again however, but for one these arguments are theoretical.

The government's "increasing creativity" argument is undermined by its own impact assessment, as the evidence does not show that replication impacts negatively on original design sales. Rather, it shows little or no competition between the two industries. Nine of the 10 replicas it lists are priced at 8.4% – 16% of the value of their original designs. The assessment thus concludes that replica and original design products are 'in separate markets and do not compete directly'. If the replicas are not genuine substitutes for originals, it is unlikely the original design industry will benefit to the size of the replica industry it seeks to remove.

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## A new liability

What does this mean for those in the replication industry? Take an Arco lamp, an original furniture design with artistic and functional applications that is over 25 years old and is industrially produced and marketed by its copyright owner (at premium prices) and replica manufacturers at considerably lower prices. When s.52 is repealed, owners of such designs may be able to claim copyright infringement by the replicators if the designs qualify as an artistic work under s.4 CPDA, either as works of 'artistic craftsmanship' or 'sculpture'.

There is no statutory definition of 'artistic craftsmanship'. The House of Lords considered what works might qualify in *Hensher v Restawhile*,<sup>4</sup> but did not reach a clear conclusion. Other than considering there must be some degree of aesthetic appeal, and considering that factors such as the makers' purpose for creation and sale and the design's primary function are relevant, they did not formulate a conclusive test. Instead, they said that artistic craftsmanship primarily depends on evidence, so each case will fall to be determined on its facts. Specifically, the Court of Appeal in this case had earlier said that original furniture cannot universally be considered works of artistic craftsmanship, as that did not give enough weight to the word "artistic", with which Lord Simon agreed. Given this lack of a clear definition and the need for individual factual assessment, it is difficult to assess how many of the original furniture designs on which the replica industry is based may qualify as works of artistic craftsmanship.

The position as to whether furniture designs qualify as sculptures may be slightly clearer. In *Lucasfilm*, Lord Walker's assessment of a Stormtrooper helmet as a sculpture called on Mann J's nine guidance points for assessing whether a design (with both artistic and functional attributes) qualifies as a sculpture. Factors 6 – 8 of the test could prove key for those assessing whether or not to start future copyright infringement litigation:

- 6) It must have a visual appeal, capable of being enjoyed for that alone;
- 7) The fact that it has another use does not disqualify it from being a sculpture; and
- 8) Its purpose, as dictated by the creator, must be artistic.

Again, one can apply these principles to the Arco lamp, which is clearly produced industrially. It does have visual appeal (6), its function does not prejudice its artistic merit (7), and it has an artistic purpose in spite of it having other purposes (8). It is therefore arguably a sculpture (and therefore an artistic work under s.4), and its third party replicators are currently protected by s.52. This repeal therefore has the potential to expose such replicators to new and broad liabilities. How great the exposure depends on how the repeal is introduced by the UK legislators.

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## Balanced approach?

When considering its introduction, the following consequences of this repeal must be considered:

- 1) It will have *retrospective* effect: any repeal of s.52 will not only apply to new copyright designs, but also to existing designs which have not yet exceeded the full life plus 70-year term of copyright protection. This may therefore revive previously expired IP rights;
- 2) Copyright protection can last for significantly longer than 25 years; and
- 3) Copyright infringement carries criminal penalties.

By bringing industrial designs back into full copyright protection, the repeal gives

copyright owners back their potential to sue for infringement, with all the resulting remedies for successful actions. Replica manufacturers will be turned into wrongdoers overnight, so it is only fair that there is a more mature transition process than normal. The government acknowledges a long commencement period will be necessary to allow replica manufacturers, distributors and retailers to adjust and clear existing stock. It proposes a full consultation on the repeal's commencement date. Details of how it proposes to manage this complex transition have not (at the time of writing) been published. However it is managed, given the impact of retrospective effect on the replica manufacturers, it must be done in a sympathetic and fair way.

## Copyrights and wrongs

In *Lucasfilm*, Lord Walker commented that, "There are good policy reasons for the differences in the periods of protection, and the court should not, in our view, encourage the boundaries of full copyright protection to creep outwards."

A government repeal of s.52 counters this judicial opinion. That does not in itself condemn the move but it does indicate it should be carefully considered. The evidence presented in the Government Impact Assessment is lacking, but that does not guarantee a negative outcome. At present, it would appear that there are only two conclusions that can be reached with any degree of confidence. Firstly, the market is unlikely to substitute original designs for replicas that are purchased at less than one-sixth of the design price. Secondly, replica manufacturers', distributors' and retailers' liability will increase in a highly prejudicial way if the repeal is introduced too quickly. If many of the designs traded in the replication industry qualify for copyright protection, and the government's anticipated benefits from the repeal fail to materialise, it is likely that a repeal of s.52 will cause more harm than good.

## Footnotes

1. [2012] 1 A.C. 208.
2. Article 2, Copyright (Industrial Process and Excluded Articles (No 2) Order 1989 (the "Copyright Order").
3. Case C-168/09.
4. [1976] A.C. 64.