

HISTORY OF UNREGISTERED DESIGN PROTECTION IN THE UK

9.10 Historically in the UK, copyright subsisted in sculptures (under the Sculpture Copyright Acts) and in paintings, drawings and photographs (under the Fine Arts Copyright Act 1862), while rights in designs of articles of manufacture were acquired by registration from 1839 on. The domains of these various forms of right – the ‘aesthetic’ and the ‘applied’ – were clearly distinguished from each other in the relevant legislation, reflecting the established philosophy that art and manufacture were quite separate from each other. So, for example, the 1842 Designs Act excluded from its protection anything that was protected under the Sculpture Copyright Acts. It was only in the 20th century, with the Copyright Act 1911 as the first legislation to confer general copyright protection upon all original artistic works regardless of their aesthetic merit or quality, that the overlap between design protection and copyright law began to cause more complex problems needing to be addressed by law-makers.

9.11 It was to avoid cross-over between the hitherto separate domains of designs and copyrights that section 22 of the 1911 Act was passed. It provided:

‘This Act shall not apply to designs capable of being registered under the Patents and Designs Act 1907 [*the then-prevailing legislation on registered designs*], except designs which, though capable of being so registered, are not used or intended to be used as models or patterns to be multiplied by any industrial process.’

The aim of the Act here is manifest. Industrial designs were not to have the protection of artistic copyright. Registration was to be the means of protection. Unregistered designs could

not claim copyright if they were capable of registration and were used or intended to be used for the production of manufactured articles.

9.12 Too many difficult questions were left unanswered, however. What was meant by the phrase ‘capable of being registered’? What was the position of a design *incapable* of registration? Again, the design which had not completed the registration process had no protection. Copying of all sorts was therefore possible with unregistered designs. A further difficulty, that the section had not succeeded in its basic policy of excluding copyright from the field of industrial designs, emerged in the Popeye case, *King Features Syndicate Inc v O M Kleeman Ltd.*¹ Here it was held that copyright subsisted in drawings of the cartoon figure, Popeye the Sailor, and that it had been infringed by the unlicensed production of Popeye dolls, toys and brooches.

9.13 The Copyright Act 1956 made a new attempt to exclude copyright from industrial designs, taking account of the problems which had arisen under the 1911 provisions and giving effect to the recommendations of the Gregory Report on Copyright Law.² A change of approach was adopted. Section 10 of the 1956 Act recognised the existence of copyright in industrial designs but restricted the ways in which that copyright could be infringed.

First, where a design had been registered, its protection from unauthorised reproduction in the industrial field depended entirely on the rights conferred by the Registered Designs Act. If a design was applied industrially (that is to say, to no more than 50 articles) but not registered,

¹ [1941] AC 419.

² 1952: Part X.

it was to lose copyright protection in the industrial field against those acts which would have been infringements of the rights conferred had it been registered. In other words a design applied industrially but not registered had no protection against industrial copying until it was registered.

9.14 The Design Copyright Act 1968 then substantially amended section 10 of the 1956 Act. The 1968 Act was the outcome of the criticism of the registration system voiced by the Johnston Report on Industrial Designs in 1962. The committee had attacked the lack of protection for unregistered designs which, it argued, was having unfortunate results given the cumbersome nature of the registration process. Many manufacturers found it too difficult and expensive to register their designs: jewellery, toy and furniture makers were said to be particularly affected. The report proposed that unregistered designs should enjoy copyright protection, which would arise automatically with the creation of the design, but it should subsist only for the same period as the right under a registered design.

9.15 The difficulty that now arose did so because neither the Johnston Committee (understandably) or Parliament (much less excusably) took into account the kind of reasoning that led to a significant decision of the Court of Appeal in 1964, *Dorling v Honnor Marine*.³ This case was the first to consider the effect of the original section 10 on the industrially applied, unregistered design. The court held that, despite the section, such a design might retain full artistic copyright because it consisted of features dictated solely by the function to be performed by the article to which it was to be applied (a kit of parts for a yacht). So the design could *never* have been registered, and could never have had any registered rights to be

³ [1965] Ch 1.

infringed. Thus section 10 still left a gap in which a valuable design might be appropriated by a copyist, unless full artistic copyright continued to apply.

9.16 The 1968 Act also conferred full artistic copyright on designs but only for a period of 15 years from the date on which the article to which the design was applied was first sold, let for hire or offered for sale or hire. Thereafter no act in the industrial field could infringe the copyright in the design. The result was that a registered design now had dual protection for 15 years under both the registration system and copyright, while the unregistered design had copyright protection for the same period. One might have thought that this would have resolved the unfairness identified in *Dorling*, the vulnerability of the unregistered design to appropriation by others, so that the interpretation of section 10 as applying only to registrable designs could have been abandoned. But since, like the original section 10, the 1968 Act made no reference to the question of the registrability of the design, it was possible to argue that it was not intended to change the law declared in *Dorling*. Accordingly, the new provisions did indeed apply only to designs capable of registration; if a design was not registrable, *Dorling* still stood and the design had ordinary unlimited artistic copyright.

9.17 By now a flood of other cases was coming forward for decision. Many of them concerned parts of complex machines, in particular motor vehicles. Until the 1970s car manufacturers seem to have been little concerned by the activities of other manufacturers and dealers specialising in the supply of replacement parts for their vehicles. The development of

the law of copyright in relation to functional designs just outlined, however, appears to have been seen as providing a way of taking control of a thriving market at a time when profits from traditional activities were dropping for a variety of reasons. It seemed to give car manufacturers an exclusive right to reproduce the design work for their products, which would endure for far longer than the commercial life of those products or any patent protection which the product might have. As a result, the manufacturer had a choice: either he could exploit the market by himself, eliminating competition by copyright infringement actions, or he could regulate it by means of the threat of litigation against other manufacturers and the grant of licences on his own terms and conditions. Not surprisingly, moves in either direction were strongly resisted by the spare parts industry; and it was this that led to a spate of litigation in the early 1980s.

9.18 The most significant of these cases, because it went to the House of Lords, was *British Leyland v Armstrong Patents*.⁴ The facts were stereotypical. The design in question was that applied to the exhaust pipes of Morris Marina cars, vehicles manufactured by British Leyland. It was an unregistrable design. Armstrong Patents manufactured replacement exhaust pipes for Marinas. By a majority of 4:1, the House of Lords confirmed the general position that unregistrable designs enjoyed full artistic copyright. The speeches show that all members of the panel were fully aware that somehow the law had taken a wrong turning but they were inclined to blame Parliament rather than to impugn the judicial interpretation of the 1956 Act and its amendments.

⁴ [1986] AC 579.

9.19 The result of this development of the law was quite extraordinary: a total reversal of legislative policy accomplished by judicial decision. The policy in general terms was to protect only designs with ‘eye appeal’, and even those only for a maximum period of fifteen years. Now all designs had protection if within the scope of the Copyright Act; those which it had been the legislative policy to exclude from protection altogether had it for a period a great deal more than three times longer than that provided by design legislation. Moreover, as spare parts cases made clear, design copyright, while not conferring a monopoly in the manner of a registered design did, enabled manufacturers to take control of the market in their products and to eliminate competition if they so wished.

9.20 The *British Leyland* case represented the highwater mark of the development of design copyright in the UK, being the most authoritative declaration of all that unlimited artistic copyright subsisted in functional design work. But the case also saw the turn of the tide, in that, despite its findings as to the general position on copyright, the House of Lords found for Armstrong and dismissed British Leyland’s action. The House was manifestly conscious that the law under its interpretation of the 1956 Act was unsatisfactory from the point of view of policy, and accordingly set out to limit its effect by drawing on other principles of law found outside the copyright legislation.

9.21 The policy problems had already been made clear by the contemporary competition law investigation into the Ford motor company’s exercise of its copyrights to control the market in replacement parts for its vehicles. In May 1984 a reference in the following terms was made to the Monopolies Commission under the Competition Act 1980:

‘(a) The persons whose activities are to be investigated by the Commission is Ford
[Motor Company

Limited];

- (b) the goods to which the investigation is to extend are replacement body parts;
- (c) the course of conduct to be investigated is the pursuit by Ford of a policy and practice of not granting to any person (other than to persons supplying body parts to Ford) a licence to manufacture or sell in the UK any replacement body part where Ford claims to be entitled to prohibit such manufacture or sale by virtue of the copyright subsisting in the drawings or designs of body parts.

For the purposes of this reference: “body part” means any body panel fitted to a motor vehicle as standard equipment when sold new and “replacement body part” means any body panel sold as complete or partial replacement for a body part; “copyright” shall include copyright arising from the registration of a design under the Registered Designs Act 1949.’

9.22 The Commission reported in February 1985, concluding that Ford’s refusal to grant licences in respect of its body panels was an anti-competitive practice, since it had the effect of preventing competition in the supply of body panels in the UK. Moreover, the practice was adverse to the public interest. Ford’s prices were higher than those of the independents and the competition tended to keep the Ford price down. Corrosion part panels had been introduced by the independents and clearly satisfied a previously unmet need. It was doubtful whether Ford would have done this. ‘In this way, competition has been the spur of innovation and has brought benefit to members of the car-owning public.’ Ford argued that the competition of the independents was unfair since their low prices were the result of not having to pay for either research and development or a royalty. Over the five years from 1979 to 1983 the company had spent £379.6 million on R&D: there had to be some return on this level of investment. The incentive for Ford to keep its replacement part prices low was that

the consumer took the cost of obtaining spares into account in making his initial purchase. The Commission's reply to this line of argument was, first, that Ford's sales revenue from replacement parts (between £30 and £40 million in 1983) was only a small portion of its total sales in the UK (£2,679 million in 1983); and second, following survey evidence, that the cost of replacement parts was not a crucial factor influencing the decision of purchasers, and was accordingly not a sufficient control on Ford's freedom to set prices in a market otherwise without competition.

9.23 The difficulty for the Commission lay in providing a remedy for Ford's anti-competitive conduct. The Secretary of State had no power under the Competition Act to order the grant of licences by Ford. Some change was therefore necessary in the law which gave Ford its capacity for acting in an anti-competitive manner; and to at least some extent it was this gap which the House of Lords set out to fill in the *British Leyland* case. But the competition investigation of Ford also continued: in 1985 the European Commission commenced an investigation into the matter under Community competition law. Eventually, however, that case was settled in 1990 rather than pressed to a conclusion, Ford having given undertakings that it would not insist upon absolute exclusivity in the exercise of its rights and that it would grant licences on reasonable terms.

9.24 The UK competition investigation and its European follow-up were therefore recent and ongoing events as the House of Lords decided the *British Leyland* case and sought to remedy the failures of the law to that point to control what seemed clearly to be abusive use of copyright. There was already a thread of authority holding that the owner of goods held an implied licence to infringe copyright in repairing them, drawn from the existence of such a principle in patent law. It appeared, however, that the right of repair did not permit third

parties to set up a business of manufacturing and supplying replacement parts without a prior specific order from the owner. This thread was picked up in the *British Leyland* case, in which it was held at first instance, and again in the Court of Appeal, that Armstrong could not plead a licence to repair, because they were third parties whose business of making and supplying spare parts arose before any order or commission from owners of goods in which there existed design copyright.

9.25 The House of Lords, however, set the whole argument on a new footing by shifting away from the concept of implied licence to a consideration of the rights of an owner of a product. It was clear that in general there was a right to repair what one owned and there was no need to invoke implied licences to create it. The questions were, therefore, how far did this right of the owner extend in enabling him to contract with third parties for repair, and to what extent was his right limited by the rights of others?

9.26 The court answered these questions by applying the common law principle against derogation from grant – that is to say, one is not allowed to give a thing with one hand and take it back with the other. The principle is familiar in both English and Scots law, used mainly in certain well- defined relationships, such as those between landlord and tenant, or the vendor and purchaser of a business. Nonetheless it seems clear that the principle is one of general application and one can readily imagine situations involving copyright where it could operate: for example, the granting of copyright licences. Nor is it confined to contractual situations: a common example of the application of the principle is to rights of servitudes and easements, which do not arise simply from contracts between the parties but also from their relationship, and the relationship of their respective successors in title, as proprietors and users of land.

9.27 Where was the grant in the *British Leyland* case? The speeches of the majority suggest that it consisted in the manufacture and sale of the cars to the public: the beneficiaries were members of the public acquiring the vehicles. Because car manufacturers seldom if ever sell direct to the public, the grant was not a contractual one. Moreover the grant benefited not only the first owner but also all subsequent ones. While there was a vague parallel with easements and servitudes, the application of the principle here went well beyond any previous case. There is clearly an ongoing legal relationship between the owners of neighbouring properties, which is quite distinct from that between the owner of a secondhand car and its manufacturer.

9.28 Further, the defendants in the case, Armstrong Patents, were not the beneficiaries of the grant and, on the orthodox view, as strangers to it were not entitled to plead the non-derogation principle. The argument of the majority in response to this point was that the activities of third parties such as Armstrong were the only way in which the beneficiaries of the grant could economically exercise their right to repair their property. A simple answer to such an argument, however, is that it is not the function of the law, or of the principle against derogation from grant, to enable people to exercise their rights more cheaply, particularly when it is done at the expense of the rights of other people. Moreover, this kind of reasoning could be extended to justify the activities of copyright pirates, because they enable the public to exercise the right to listen to music or view films more cheaply than is possible from the

versions made available through the copyright owners. Further, unlike Ford – an example referred to by Lord Bridge – British Leyland were not proposing to prevent the public from exercising the right to repair through third parties. This was why the court emphasised that derogation occurred as a result of British Leyland's control of the market leading to an uncompetitive situation where the lowest possible price would not be obtainable.