

# COMMENTS

## A Fabric Design Has Been Found to be a Work of Artistic Craftsmanship: Will Response Clothing Cause a Shift in How UK Copyright is Assessed?

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© Copyright; Designs; EU law; Graphic works; Originality; Primary infringement; Textiles; Works of artistic craftsmanship

### Abstract

*This comment discusses the Response judgment in which HH Judge Hacon has found that a piece of fabric cannot be protected by copyright as a graphic work but can be protected as a work of artistic craftsmanship. This is an interesting development in UK copyright law which gives a relatively narrow interpretation of “graphic work”, a much wider interpretation of “work of artistic craftsmanship” than we have seen previously, and a very*

*wide interpretation of “public”. It is also the first UK decision which begins to consider the implications of the CJEU ruling in Cofemel.*

In one of 2020’s first judgments from the Intellectual Property Enterprise Court, and one which is likely to be talked about for most of the year, His Honour Judge Hacon has found that a piece of fabric cannot be protected by copyright as a graphic work but can be protected by copyright as a work of artistic craftsmanship.

*Response Clothing v Edinburgh Woollen Mill*<sup>1</sup> is an interesting development in UK copyright law and is the first UK copyright case which begins to consider the implications of the recent Court of Justice of the European Union (CJEU) decision in *Cofemel*.<sup>2</sup> *Cofemel* is discussed in detail in our previous article in E.I.P.R. Vol.42 Issue 3. In summary, *Cofemel* essentially said that originality was the only criteria required for a work to be protected by copyright, thereby potentially expanding the scope of copyright protection in the UK to areas previously left to design rights.

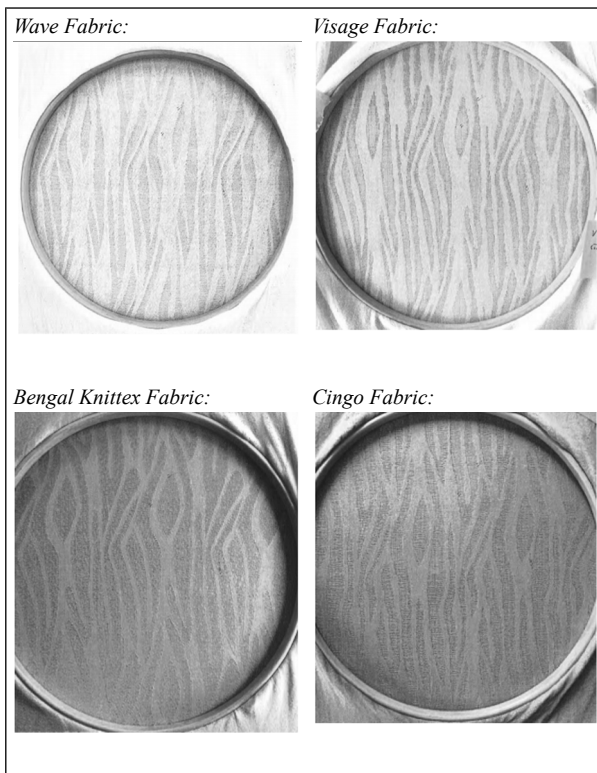
### Background

The claimant, Response, is a clothing company which designs and markets clothes. The defendant, Edinburgh Woollen Mill (EWM), is a major clothing retailer with approximately 400 stores across the UK. Between 2009 and 2012, Response supplied EWM with tops made of a jacquard fabric with a design referred to as a “wave arrangement” (the “Wave Fabric”) (see Table below for an example image). In 2012, Response attempted to raise the price of the tops, but EWM rejected the proposed increase and instead sought alternative suppliers. Since 2012 three other suppliers, Visage, Bengal Knittex and Cingo, supplied EWM with similar tops also made from jacquard fabric.

Response issued infringement proceedings claiming that copyright subsisted in the Wave Fabric as an artistic work (under s.4 of the Copyright, Designs and Patents Act 1988 (CDPA 1998)) either as (a) a graphic work; or (b) a work of artistic craftsmanship. Response alleged that the fabrics supplied by Visage, Bengal Knittex and Cingo were infringing copies of the Wave Fabric and that EWM’s sales of tops made from those infringing fabrics amounted to acts of both primary and secondary copyright infringement.

<sup>1</sup> *Response Clothing Ltd v The Edinburgh Woollen Mill Ltd* [2020] EWHC 148 (IPEC); [2020] F.S.R. 25.

<sup>2</sup> *Cofemel Sociedade de Vestuário SA v G Star Raw CV* (C-683/17) EU:C:2019:721.



## The decision

The first issue that the judge had to decide was what type of copyright work the Wave Fabric qualified as under the categories set out in the CDPA. This is because the CDPA contains an exhaustive list of different types of “work” which will be protected by copyright. If Response could not demonstrate that the Wave Pattern was recorded in the form of a “work” within the definitions of the CDPA, then it would not be protected by copyright at all under that Act.

## Graphic work

Many fabric designers will initially create the pattern which will appear on their fabric design either on a traditional medium such as a drawing or a painting, or by using specialist computer software. That design will then be transferred into a machine which will produce a fabric reproducing the design shown on the original drawing, painting or computer program. Section 1(1) CDPA states that copyright subsists in artistic works, which are defined in s.4(1)(a) as including “graphic works”. Section 4(2) defines graphic works as *including*:

- (a) any painting, drawing, diagram, map, chart or plan, and
- (b) any engraving, etching, lithograph, woodcut or similar work.

Paintings and drawings expressly fall within the definition of graphic works, and so fabric designs initially created from paintings or drawings will be protected by copyright. The position is less clear regarding designs which are first created on a computer. While computer software is

protected by copyright as a literary work, it is the image which will appear on the fabric that is the subject of protection for fabric designs rather than the set of instructions making up the computer program. This issue was considered by Birss J in *Abraham Moon & Sons Ltd v Thornber* [2012] EWPCC 37, a case which involved the design of woollen plaid fabric (e.g. tartan designs). No sketches or CAD systems were used in the creation of the design in that case, called the Skye Design. Instead, the design was initially recorded in the form of a two page “ticket”, which was a set of instructions telling the producer of the fabric how to set up their weaving machines in order to make the fabric to the design. The first page recorded the pattern of threads that would create the plaid design, and the second page recorded the various colourway options. This was then used to create an initial woven fabric sample. Birss J therefore had to decide whether (a) the ticket and/or (b) the fabric sample fell within the definition of “graphic work” in order to be protected by copyright.

The ticket was found to be protected by copyright as an artistic work, namely a graphic work, being “a record of a visual design”. It did not matter that to a lay person the ticket was just a series of words and numbers, because to the expert machine operators it had “real visual significance” enabling them to visualise what the design looked like. In particular, the judge said that it did not matter that the “ticket was not produced by drawing lines”, or that no initial sketch was drawn because the designers did not need one in order to fix their visual impression of the design in material form.

The copyright in the ticket was then found to have been infringed by making a copy of the fabric design. It is important to distinguish this finding of infringement by reproducing the appearance of the design as recorded in the ticket, rather than by indirectly following the series of instructions on the ticket. The judge had also found the ticket to be protected as a literary work, but the act of copying the fabric design did not infringe that literary copyright because it did not copy the instructions, in the same way that making a cake to a recipe cannot be an infringement of copyright in the recipe. Accordingly, copying a design created on a computer would infringe the copyright in the record of the design saved in the computer file akin to a graphic work, rather than the copyright protection in the computer software as a literary work.

Birss J justified this by saying that

“Artistic copyright must relate to the content of the work of the artist and not the medium in which it is recorded. It is or should be a ‘content’ copyright and not a ‘signal’ copyright.”

However, HH Judge Hacon took a different approach in *Response*. Again, there was no evidence of a design drawing having been created, or use of a CAD system to record the resulting Wave Fabric design. The case proceeded on the basis that the design was first recorded in a fabric sample made on a knitting machine. The first

question for HH Judge Hacon was therefore whether a fabric sample could amount to a graphic work under the CDPA.

According to HH Judge Hacon's analysis, all the examples of graphic works set out in s.4(2) CDPA "are created by the author making marks on a substrate to generate an image". Despite acknowledging that the specific examples set out in s.4(2) CDPA are not exhaustive, the judge adopted a narrow interpretation of the statutory language, noting that "[i]t does not follow that the definition is endlessly flexible". He therefore held that the definition of a graphic work under the CDPA could not be extended to include a fabric design.

This part of the judgment is short, so there is no discussion of any policy reasons which may justify why someone should be denied copyright protection simply because they knitted their design rather than drew it. As explained above, Birss J took a different approach in *Abraham Moon* when he held that the focus should be on the content of the work itself and not the material upon which it is recorded. In fact, it is curious that HH Judge Hacon does not refer to *Abraham Moon* in his analysis of graphic works even though he does refer to the case in the context of s.18 CDPA, as we will see.

Later in his judgment, HH Judge Hacon refers to the CJEU decision in *Levola Hengelo*<sup>3</sup> (the case where the CJEU had to consider whether the taste of cheese could be protected as a copyright work), expressly quoting part of the judgment which refers to art.2(1) of the Berne Convention. This provides that the protection of artistic works includes "every production in the literary, scientific and artistic domain, whatever the mode or form of its expression may be". Having referred to this particular quote specifically, it is unclear why he decided to place so much weight on the medium of the Wave Fabric. Similarly, it is interesting to note that, although he considered the implications of the CJEU's judgment in *Cofemel* in the context of works of artistic craftsmanship (see below), he made no reference to it when interpreting the concept of graphic works.

### **Work of artistic craftsmanship**

Having concluded that the Wave Fabric was not protectable as a graphic work, HH Judge Hacon then considered whether the Wave Fabric could qualify for copyright protection under the CDPA as a work of artistic craftsmanship.

There have been surprisingly few cases which have grappled with the concept of what amounts to a work of artistic craftsmanship, since the term is not defined in the CDPA or in the earlier legislation. However, the leading case remains the House of Lords' judgment back in 1974 in *George Hensher Ltd v Restawile Upholstery (Lancs) Ltd*,<sup>4</sup> which concerned a prototype for a suite of furniture.

In this case HH Judge Hacon conducted a fairly extensive analysis of the House of Lords' judgment in *Hensher*, but surprisingly decided that he did not have to follow the decision (despite its technically being binding on him) as he felt unable to discern any binding principles on the meaning of artistic craftsmanship from it. HH Judge Hacon referred to the Supreme Court's judgment in *LucasFilm*<sup>5</sup> (the case concerning whether the Stormtrooper helmet featured in Star Wars was capable of amounting to a work of sculpture, the issue of whether it was a work of artistic craftsmanship not having been appealed beyond the High Court stage). He said that the Supreme Court had concluded that "it was difficult to identify the true principle of the judgment in *Hensher* and thus a meaning given to 'artistic craftsmanship' by the House of Lords". It is certainly a difficult judgment, with five Law Lords each giving their own opinions, but the authors would submit that it is possible to find a majority consensus on the following points:

- a) The words "artistic craftsmanship" should be given their natural and ordinary meaning (although they could not agree on what the meaning of "artistic" should be);
- b) The court should not make any aesthetic judgment, but should decide whether the work in question fell within the natural and ordinary meaning of the words;
- c) The designer's intention to create something artistic is an important factor, although not necessarily determinative;
- d) It does not matter that the main reason for acquiring the article is because of its functionality;
- e) More than simply distinctive features of design and skill in workmanship, or an original design with eye appeal, are required.

Indeed, the Supreme Court in *LucasFilm* did in fact acknowledge the first principle by saying:

"The speeches in *Hensher*, difficult though they are, show a general inclination to start with the ordinary meaning of the words of the statute."

Instead of further considering any of these principles from *Hensher*, HH Judge Hacon decided to adopt the test which was framed in a High Court decision from New Zealand in *Bonz*,<sup>6</sup> a case concerning woollen sweaters. Adopting the approach of the judge in that case, HH Judge Hacon explained that in order to qualify as a work of artistic craftsmanship it would be necessary to show that the Wave Fabric was:

<sup>3</sup> *Levola Hengelo BV v Smilde Foods BV* (Case C-310/17)

<sup>4</sup> *George Hensher Ltd v Restawile Upholstery (Lancs) Ltd* [1976] A.C. 64 HL.

<sup>5</sup> *Lucasfilm Ltd v Ainsworth* [2011] UKSC 39; [2012] 1 A.C. 208.

<sup>6</sup> *Bonz Group (Pty) Ltd v Cooke* [1994] 3 N.Z.L.R. 216.

- a) a work of craftsmanship in the sense that it was made by a person in a skilful way who took justified pride in their workmanship; and
- b) artistic in the sense that it was produced by a person with creative ability and had aesthetic appeal.

Based on the facts of the case, HH Judge Hacon was satisfied that the creation of the Wave Fabric involved the necessary craftsmanship, finding that the fact that the design was created on a machine did not matter. He also concluded that, on the assumption that the design was created by a craftsman working in a skilful way (there was no evidence on this issue), it could be assumed that they would have taken justified pride in their workmanship. He also assumed that their primary goal was to produce something that would be aesthetically pleasing to customers, which he concluded must have been the result since the design was a commercial success.<sup>7</sup> Accordingly, he concluded that the Wave Fabric did qualify as a work of artistic craftsmanship because it fell within the *Bonz* criteria, which had subsequently been approved by two English High Court decisions.

The decision to follow this High Court level judgment in place of the House of Lords' judgment in *Hensher* was all the more interesting because HH Judge Hacon expressly stated that it was his impression that, had the House of Lords' Law Lords from *Hensher* considered the facts of *Response*, they would have found that the Wave Fabric was not a work of artistic craftsmanship. Although he was unable to identify any guiding principles from the *Hensher* judgment, he did appear to be able to conclude what the House of Lords would have decided on the facts of *Response*, so to reach the opposite conclusion does appear to suggest that he was not applying a judgment which should have been binding upon him.

His justification for doing so might have been a shift of approach to copyright which has taken place in recent years through various CJEU decisions, in particular *Infopaq*,<sup>8</sup> *Levola* and most recently *Cofemel*. These cases have left us with the position that a work must be protected by copyright if it is original, which means that its subject-matter "reflects the personality of its author, as an expression of his free and creative choices". This will not be the case if "the realisation of a subject matter has been dictated by technical considerations, rules or other constraints, which have left no room for creative freedom".<sup>9</sup> HH Judge Hacon acknowledged that he had to apply the *Marleasing* principle,<sup>10</sup> which required him to interpret the CDPA so far as possible in conformity with those CJEU cases.

It can therefore be seen that both the criteria listed above from the majority in *Hensher* and the two criteria summarised by HH Judge Hacon which he derived from *Bonz* are additional criteria over and above the single originality criteria as required following the *Cofemel* judgment. This suggests that UK copyright law is no longer compliant with EU law if judges continue to apply these additional criteria when interpreting the words "work of artistic craftsmanship". HH Judge Hacon did expressly recognise that

"[c]omplete conformity with art.2 [of the InfoSoc Directive], in particular as interpreted by the CJEU in *Cofemel*, would exclude any requirement that the Wave Fabric has aesthetic appeal and thus would be inconsistent with the definition of work of artistic craftsmanship stated in *Bonz Group*."

However, HH Judge Hacon concluded that because he was able to decide that the Wave Fabric did qualify for copyright protection as a work of artistic craftsmanship under the "additional" *Bonz* criteria, it did not matter in this case whether these additional criteria were more than those laid down in *Cofemel*. Had he concluded that the Wave Fabric was not a work of artistic craftsmanship because, for example, it was not the work of a craftsman or that it lacked the necessary artistic quality, it seems he could not then have avoided addressing the apparent conflict between UK and EU copyright law head on.

Nevertheless, he concluded the section of his judgment dealing with the issue of works of artistic craftsmanship by providing the following clarifications to the *Bonz* definition of work of artistic craftsmanship:

- being made on a machine does not preclude a work from qualifying as a work of artistic craftsmanship;
- aesthetic appeal can be of a nature which causes the work to appeal to potential customers; and
- a work is not precluded from being a work of artistic craftsmanship solely because multiple copies of it are subsequently made and marketed.

The first and third points would still be consistent with the *Cofemel* criteria, but at best the second bullet point is irrelevant because aesthetic appeal can play no part in the *Cofemel* definition of a copyright work. By providing these clarifications, perhaps HH Judge Hacon was envisaging the possibility of the UK moving away from EU copyright law post-Brexit so that the *Bonz* criteria would still be applied in future cases.

<sup>7</sup> Contrast the conclusion that commercial success was proof of aesthetic appeal with Lord Reid's comments in *Hensher*: "In the present case I find no evidence at all that anyone regarded the appellants' furniture as artistic. The appellants' object was to produce something which would sell. It was, as one witness said, 'a winner' and they succeeded in their object. No doubt many customers bought the furniture because they thought it looked nice as well as being comfortable. But looking nice appears to me to fall considerably short of having artistic appeal. I can find no evidence that anyone felt or thought that the furniture was artistic in the sense which I have tried to explain."

<sup>8</sup> *Infopaq International A/S v Danske Dagblades Forening* (C-5/08) EU:C:2009:465; [2012] Bus. L.R. 102.

<sup>9</sup> *Cofemel* (C-683/17) EU:C:2019:721 at [30] and [31].

<sup>10</sup> *Marleasing SA v La Comercial Internacional de Alimentación SA* (C-106/89) EU:C:1990:395; [1992] 1 C.M.L.R. 305.

Before moving on to infringement, it is worth pausing to note that, despite providing a justification as to why it was not necessary for him to deal head-on with the apparent conflict between EU copyright law following *Cofemel* and UK copyright law, no mention was made of *Cofemel* when he was considering whether the Wave Fabric could be a graphic work under the CDPA. The exhaustive list of different types of work laid down in the CDPA, within which a particular work must fall in order to be protected by copyright in the UK, is in direct conflict with the judgment in *Cofemel* which confirmed that anything will amount to a work which is capable of attracting copyright protection provided that it is original, and capable of sufficiently precise and objective identification (which is why in *Levola* the taste of cheese was found not to be a work, because taste was a subjective sensation which would be perceived in different ways by different people). The English Court of Appeal has already identified that there are gaps between different types of work as defined in the CDPA within which a design could fall through, namely the track top in *Lambretta*,<sup>11</sup> whose particular combination of different coloured body, sleeves and zip did not fall within any of the definitions of work under the CDPA. In *Response*, HH Judge Hacon said that he did not have to resolve the issue of whether EU law has removed these gaps. However, that would not have been the case had he found the Wave Fabric not to have been a work of artistic craftsmanship, since he had already found it did not amount to a graphic work. That would have meant that, despite the judge having found that the Wave Fabric was original, it would not have been protected under the CDPA, contrary to *Cofemel*. The same would have been the case had the claimant not argued in the alternative that the Wave Fabric was a work of artistic craftsmanship, and instead relied solely on it being a graphic work. It is therefore not clear why no mention was made of the *Cofemel* criteria when the judge found the Wave Fabric not to be a graphic work, and the authors would suggest that a conclusion that an original fabric sample is not protected by UK copyright because it is not a graphic work is not compatible with *Cofemel*.

### ***Infringement***

Having concluded that copyright subsisted in the Wave Fabric, HH Judge Hacon went on to find that the other subsequent fabrics used in the garments sold by EWM (and identified in the table above) copied a substantial part of the Wave Fabric design. EWM's sales of tops made from those infringing fabrics therefore amounted to secondary infringement contrary to s.23 CDPA because EWM were aware of the Wave Fabric and so had reason to believe that the subsequent fabrics were infringing copies.

However, EWM were also alleged to be primary infringers of copyright under s.18 CDPA for issuing copies of the Wave Fabric to the public. Section 18 makes the first person who "issues to the public" an infringing copy in the UK liable for copyright infringement, irrespective of whether or not they knew or had reason to believe that the copy was infringing. "Issue to the public" is defined in s.18(2) as "the act of putting into circulation in the UK copies not previously put into circulation within the EEA by or with the consent of the copyright owner". There is an express exclusion for "any subsequent distribution, sale, hiring or loan of copies previously put into circulation". A typical chain of supply starts with a manufacturer and ends with a retailer who sells the products to the public, with one or more wholesalers in the middle. The manufacturer of an infringing copy is already primarily liable for making infringing copies under s.17 CDPA, so whether or not they know they are making an infringing copy is irrelevant. At the end of the chain, many retailers will not know the provenance of a product (e.g. one which they have simply bought off the shelf from a wholesaler), so the CDPA only makes them liable as secondary infringers if it can be shown that they knew or had reason to believe that what they were selling was an infringing copy (most commonly when they were involved in having the infringing product created for them). It would therefore be odd if s.18 made retailers primarily liable if it was only them who issue copies to the public. While it is true that some retailers could be liable under s.18 where they themselves bring the infringing copy into the EEA and put it on the market for the first time (e.g. by buying it direct from a Chinese manufacturer), most retailers are supplied by wholesalers.

In *Response*, EWM accepted that, in respect of the Bengal Knittex and Cingo fabrics, they were liable under s.18 if those fabrics were infringing copies, presumably because EWM had bought them outside the EEA and brought them into the EEA themselves to put on to the market in the UK. However, they denied infringement under s.18 in respect of the Visage fabric because EWM had bought that fabric from Visage in the UK. The judge therefore had to decide whether it was the wholesaler, Visage, who had issued the copies to the public in the UK, or the retailer EWM.

This scenario had already been considered by Birss J, as it had also come up in *Abraham Moon*. In that case, the copy plaid fabric had been sold by the manufacturer to a wholesaler, who in turn sold the fabric to a single retailer. All the parties were based in the UK. Neither the manufacturer nor the wholesaler sold to the public, so the claimant argued that it was the retailer who first issued the copies to the public. Birss J agreed, saying that the wholesaler had only sold the fabric to the retailer, and that the position would have been different had the wholesaler also sold to the public.

<sup>11</sup> *Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd* [2004] EWCA Civ 886; [2005] R.P.C. 6.

That factual position appears to be the same as in *Response*. EWM had supplied a sample of the claimant's Wave Fabric to Visage in the UK in order for them to supply tops made from a similar fabric. It does not therefore appear from the judgment that Visage were supplying the fabric to anyone other than EWM, in response to their request. However, HH Judge Hacon reached the opposite conclusion to Birss J, finding that it was Visage, rather than EWM, who first issued the copies of the Wave Fabric to the public in the UK. Both judges had been referred to the CJEU's judgment in *Peak Holding v Axolin* (C-16/03). In that case, which concerned the exhaustion of trade mark rights, the CJEU held that goods are placed on the market for the purposes of the EU's law of exhaustion when they are sold to an independent undertaking. In *Abraham Moon*, the defendant had argued before Birss J that the concept of issuing to the public under s.18 should not be narrower than the concept of putting on the market under trade mark law, so that applying the judgment in *Peak Holding* required the judge to find that the sale from the manufacturer to the wholesaler, being a sale to an independent undertaking in the UK, was the first act of putting on the market. Birss J rejected this submission saying that the CJEU were not considering a factual situation such as the one in *Abraham Moon* where the wholesaler only sold to one party, namely the retailer. In *Peak Holding* the CJEU was considering the question of whether the owner of a trade mark which had imported its goods into the EEA with the intention of selling them in its own shops or in a sister company's shops, but had not yet sold any, had "put them on the market".

So why, despite the factual situation in *Response* apparently being equivalent to that in *Abraham Moon*, did HH Judge Hacon reach the opposite conclusion in finding that Visage rather than EWM was the party which issued the copies to the public? The answer cannot be found in the judgment. HH Judge Hacon cited the passage from *Abraham Moon* described above where Birss distinguished *Peak Holding* and concluded that the retailer was liable under s.18. Without any comment about *Abraham Moon*, HH Judge Hacon then set out the relevant passages from *Peak Holding* where the CJEU reached the conclusion that only a sale which allows the proprietor to realise the economic value of his trade mark exhausts the exclusive rights in the trade mark. He then concluded:

"It seems to me that the sale of infringing fabric by Visage to EWM qualified as issuing that fabric to the public if, by that sale, Visage transferred to EWM the right to dispose of the fabric. The requirement in *Peak Holding* that the transaction must realise the economic value of the trade mark implies that in addition the disposal must have been to an independent party."

Since EWM was an independent party to Visage, there was no primary infringement by EWM because Visage was the party who had issued the copies to the public.

It seems strange that HH Judge Hacon made no attempt to explain why he reached the opposite conclusion to Birss J, particularly when the same CJEU case which he decided laid out the requirements for the correct interpretation of s.18 had been expressly considered by Birss J and distinguished.

## Conclusion

When the various different findings in *Response* are drawn together, it is very much a judgment of contrasts:

### *Interpretation of words:*

The judge found that the definition of "graphic work", although non-exhaustive, was not "endlessly flexible", and because all the examples given in the CDPA involved the author making markings on a substrate, the definition should not be "stretched" to include a fabric.

However, he was prepared to interpret the apparent natural and ordinary meaning of the words "work of artistic craftsmanship" to include an original fabric design made on a machine for mass-production, the appearance of which appealed to potential customers, provided that it was created by "a craftsman working in a skilful way".

So, in the same judgment, he gave a relatively narrow interpretation of "graphic work", a much wider interpretation of "work of artistic craftsmanship" than we have seen in previous cases, and a very wide interpretation of "public".

### *Application of previous UK case law:*

The judge came to the opposite conclusion to Birss J in *Abraham Moon* on both the interpretation of "graphic work" and the identity of the party which first issues copies to the public under s.18 CDPA, despite very similar facts.

He applied the criteria for what amounts to a work of artistic craftsmanship from a New Zealand High Court case and two subsequent English High Court cases, rather than the House of Lords' judgment in *Hensher*, even though he thought that that court would have reached the opposite conclusion to his findings in this case.

### *Application of previous EU case law:*

Finally, despite summarising the effects of the CJEU's decision in *Cofemel* and its apparent incompatibility with the concept of having an exhaustive list of "works" in the CDPA, the judge made no mention of that judgment when deciding that the Wave Fabric was not protected by copyright as it fell outside the category of graphic works.

However, when interpreting s.18 CDPA, he specifically applied the CJEU's reasoning in a trade mark exhaustion of rights case.

The decision is being appealed, so there is certainly plenty for the Court of Appeal to grapple with. Their approach may well depend on the appetite for continuing to follow the EU's simplified approach to the subsistence of copyright post-Brexit, and the Court of Appeal's ability to move away from previous CJEU case law without the case being further appealed up to the Supreme Court. If the concept of a work of artistic craftsmanship is opened up as wide as is suggested by the decision in *Response*, it would seem that designers who up until now have had to rely on the (usually 10 year) UK unregistered design right or the three-year unregistered Community design right will now be able to rely on copyright to protect their designs, with its much longer duration (life plus 70 years) and broader scope of protection. In fact, very similar to the state of UK copyright law before 1 August 1989!

## ***Sisvel v Xiaomi*: A SEP Dispute in The Netherlands Highlights the Global Challenge of FRAND Licensing**

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☞ Fair reasonable and non-discriminatory terms; Interim injunctions; Netherlands; Patentees; Proportionality; Right of access to court; Smart devices; Standard-essential patents

### **Abstract**

*This comment examines the patent litigation battle over standard-essential patents (SEPs) that took place between Sisvel and Xiaomi at The Hague Court of Appeal in the Netherlands in early 2020. The case is an indicator that courts in different European jurisdictions will continue to go their own way when it comes the crucial decision of whether to grant injunctions on SEPs. The UK, which a decade ago was viewed as a jurisdiction better known for revoking patents than for issuing injunctions, appears to have become more “patentee-friendly” (at least in the case of SEP-owners). The Netherlands, meanwhile, applies an approach that appears more critical of the activities of NPEs, taking their lack of manufacturing*

*productivity into account when determining the balance between whether to grant an injunction or not. This approach could well prove influential on other courts, and perhaps even the CJEU, if the rate of NPE litigation of SEPs increases in Europe in the years to come.*

### **Introduction**

The debate over standard-essential patents (SEPs) is dominated as much by the rules governing competition as issues of patent law per se. At the European level, EU Institutions acknowledge the fear that the owners of patents on technological standards (SEPs) could block competitors from making use of standards, and thus obstruct the development of efficient and thriving information and communications technology (ICT) and Internet of Things (IoT) sectors.<sup>1</sup> The aim ought to be to balance the role of monopolistic patent rights (granted at the non-EU EPO) in the context of the EU's overriding focus on competition (embedded in arts 101 to 109 of the Treaty on the Functioning of the European Union (TFEU)). Yet, the inherent fragmentation of the European patent system, which has significant EU, non-EU and national elements, works against the regulatory centralisation typically favoured by the EU. Further fragmentation is caused by the self-regulation model of standard-setting, which occurs at independent standard organisations such as ETSI and ISO. Yet, the EU is still able to exert a great deal of influence—in particular, disputes over SEPs national courts are obliged to follow the CJEU's guidance on what amounts to fair, reasonable and non-discriminatory licensing of standard-essential patents (FRAND). At the judicial level, the challenges of resolving this issue are compounded by tension between the CJEU's role in making prescriptive rulings on matters of intellectual property and the implementation of these rulings by national courts in complex domestic litigation. In the absence of the long-gestating Unified Patent Court, national rulings are of great importance in this field.<sup>2</sup>

### **Sisvel v Xiaomi**

On 17 March 2020 the latest patent litigation battle over standard-essential patents (SEPs) took place between Sisvel and Xiaomi at The Hague Court of Appeal in the Netherlands.<sup>3</sup>

Sisvel is an IP management company—sometimes described by scholars as a “non-practising entity” or “patent assertion entity”—that grew out of an Italian joint venture, but which is now a multi-national corporation curating and licensing a huge portfolio of patents. Within the Sisvel portfolio are several patents that have been declared essential to information and communication technology (ICT) standards vital for 4G such as Long-Term Evolution (LTE) and Global System for

<sup>1</sup> Luke McDonagh and Enrico Bonadio, “Standard Essential Patents and the Internet of Things”, In-Depth Study commissioned by the European Parliament's Policy Department for Citizens' Rights and Constitutional Affairs at the request of the JURI Committee (January 2019), [https://www.europarl.europa.eu/RegData/etudes/IDAN/2019/608854/IPOL\\_IDA\(2019\)608854\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2019/608854/IPOL_IDA(2019)608854_EN.pdf) [Accessed 1 September 2020].

<sup>2</sup> Luke McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court* (Cheltenham: Edward Elgar, 2016).

<sup>3</sup> *Sisvel International SA v Xiaomi Corp*, decision of 17 March 2020, case ID: 200.265.3895/01.