



Copyright, Designs and Patents Act 1988 (“the CDPA”)

BETWEEN

Innermost Ltd

Applicant

and

Ms Corinna Warm

Licensor

PROCEEDINGS

Application under Section 247 to settle the terms of licence of right available under section 237 in respect of certain design rights

HEARING OFFICER

Phil Thorpe

Ms Warm represented herself.

Mr Russell Cameron, Director of Innermost Ltd, represented the Applicant

Hearing date: 19 February 2019

DECISION

Introduction

1. This decision concerns the terms of the Licences of Right that are available in respect of the design right belonging to Ms Corinna Warm for a variety of lighting products. The lights are spun aluminium lights in a variety of sizes and colours covering a range of pendant lampshades and wall lights referred to as “Circus”, and a second range of pendant lampshades referred to as “Glaze”.



Glaze Pendant Lights



Circus Pendant Lights

2. The Applicant, Innermost Ltd, has been manufacturing and selling the products for several years and has done so under exclusive worldwide royalty agreements with Ms Warm: one dating from April 2011 covering the Circus pendant lampshades and wall lights, and a second of November 2011 for the Glaze pendant lampshades.
3. The agreements were allowed to continue beyond their original five-year duration with renewal negotiations not commencing until March 2017. These negotiations were unsuccessful and by the end of the 2017 both agreements had been terminated by Ms Warm.
4. On 3rd April 2018 Innermost applied to the comptroller under Section 247 of the CDPA to settle the terms of a licence of right; one application being made for the Circus products and a second for the Glaze products. Ms Warm raised several objections against the applications.
5. Subsequent mediation failed to resolve the differences between the parties and so the matter came before me at a hearing held 19th February 2019. To clarify the key areas of dispute and to focus minds and arguments ahead of the hearing, I called a case management conference with the parties, held 8th August 2018 where it was agreed that the issues to be decided are as follows:
 - i) In respect of the Glaze pendant lights:
 - a. the date at which the articles were first made available for sale or hire, and thus the start date of the licence of right period, and
 - b. the royalty rate (4% is offered by Innermost whereas Ms Warm seeks 5%).
 - ii) In respect of the Circus pendant lights:
 - a. the royalty rate (4% offered, 7% sought).
 - iii) In respect of the Circus wall lights:
 - a. whether design right subsists,
 - b. if design right does subsist, the date at which the licence of right period commences, and
 - c. the royalty rate (4% offered, 7% sought).
6. Both parties represented themselves at the hearing, with Mr Russell Cameron speaking for and on behalf of Innermost Ltd. There was no cross-examination of witnesses.

The law

7. The duration of design right is set out in section 216 of the CDPA which reads

(1) Design right expires—

(a) fifteen years from the end of the calendar year in which the design was first recorded in a design document or an article was first made to the design, whichever first occurred, or

(b) if articles made to the design are made available for sale or hire within five years from the end of that calendar year, ten years from the end of the calendar year in which that first occurred.

(2) The reference in subsection (1) to articles being made available for sale or hire is to their being made so available anywhere in the world by or with the licence of the design right owner.

8. Section 237 governs the availability of licences of right and to the extent relevant here reads:

(1) Any person is entitled as of right to a licence to do in the last five years of the design right term anything which would otherwise infringe the design right.

(2) The terms of the licence shall, in default of agreement, be settled by the comptroller.

(3) ...

(a) ...

(b) ...

(4) ...

9. An application for a licence of right is made under Section 247, which reads:

(1) A person requiring a licence which is available as of right by virtue of—

(a) Section 237 (licences available in last five years of design right), or

(b) An order under section 238 (licences made available in the public interest), may apply to the comptroller to settle the terms of the licence.

(2) No application for the settlement of the terms of a licence available by virtue of section 237 may be made earlier than one year before the earliest date on which the licence may take effect under that section.

(3) The terms of a licence settled by the comptroller shall authorise the licensee to do—

(a) In the case of licence available by virtue of section 237, everything which would be an infringement of the design right in the absence of a licence;

(b) ...

(4) ...

(5) ...

(6) *Where the terms of a licence are settled by the comptroller, the licence has effect—*

(a) In the case of an application in respect of a licence available by virtue of section 237 made before the earliest date on which the licence may take effect under that section, from that date;

(b) In any other case, from the date on which the application to the comptroller was made.

10. To summarise section 216(1), the expiry of design right is either 15 years from the end of the year the design was first recorded or an article was made to the design, or 10 years from the date any article made to the design is made available for hire or sale anywhere in the world, but only if that act is authorised and takes place within the first 5 years from the end of calendar year in which the design was first recorded or made.
11. Section 247(2) prevents a licence of right application from being made earlier than one year before the licence of right period commences. With section 237(1) setting the licence of right period as being the final 5 years of the design right it means an application for a licence of right cannot be made earlier than six years from the expiry of the design right.
12. Design right does not exist in everything. Section 213(3) states that design right will not subsist in:
 - (a) A method or principle of construction,*
 - (b) Features of a shape or configuration of an article which –*
 - (i) Enable the article to be connected to, or placed in, around or against another article so that either article may perform its function, or*
 - (ii) Are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part, or*
 - (c) Surface decoration.*
13. Section 213(3)(b)(ii) which Innermost is relying on here, is sometimes referred to as the “must match” exclusion.

Glaze Pendant Lights

Previous agreement between the parties

14. It is somewhat unusual for parties involved in licence of right applications to have had a prior working relationship with one another, especially a relationship in which royalty rates have been formally agreed between the parties. In this instance, Innermost and Ms Warm have enjoyed what would appear to have been a harmonious and mutually beneficial relationship, evidenced from the numerous

historical email exchanges between the parties, underpinned by a Royalty Agreement for the Glaze range of products.

15. Ms Warm has provided a copy of the agreement. It is dated 1st November 2011 (but was not signed and dated by both parties until April 2013) and provides Innermost Ltd with an exclusive worldwide right to manufacture and sell the Glaze range of products over a five-year period commencing April 2011. In return for those exclusive rights, Ms Warm received an initial 7% royalty rate on paid net sales of the Glaze products. This rate applied up to 31st August 2014 after which it dropped to 5%. The first sales of the product by Innermost Ltd were made in January 2013. None of this is in dispute.

Duration of design right

16. Before I consider the royalty rate for the Glaze product range, I will consider whether Innermost's sales in 2013 should be regarded as the first time that the product was "*made available for sale or hire*". Ms Warm submits this is the case. Whilst her design originated in 2011, the act of making the design available for sale or hire did not occur until the product's launch by Innermost in early 2013. Mr Cameron on the other hand would like me to find that Ms Warm's production of design prototypes for a trade fair in 2011 (*SaloneSatellite*, Milan) and their subsequent display and marketing constitutes the act of making the design available for sale or hire.
17. The answer to the question is of importance as it determines both the duration of the design right and the date from which a licence of right would become available.
18. Mr Cameron's primary argument is that the products displayed at the Milan trade fair were not individually handmade prototypes. Rather they were made by spinning aluminium around a production tool and, whilst this tool may have been used for a small production run of just 20 items, it could have easily produced further items. Furthermore, the spun articles were produced on order, for Ms Warm.
19. The meaning of "made available for sale" as used in section 216 was considered by Jacob LJ. in *Dyson Ltd v Qualtex (UK) Ltd*¹ which was an appeal from a judgement of Mann J. Both sides were directed to this case in advance of the hearing.
20. In the relevant part of the judgement Jacob LJ. notes:

"116 If a man offers and takes orders for sale of articles for sale at the end of December, but does not actually deliver any until January, when does the five-year period of s.216(1)(b) start to run? When are articles "made available for sale or hire?" In [307] the judge held that it when the public first actually could get the articles. So in the example, it is January. And it would make no difference if there had been prior manufacture of a prototype, shown to the public but no more. The judge held merely taking orders with future delivery (contemplated by the contract or in fact) was not enough. The first actual delivery is when the article is "made available for sale."

¹ *Dyson Ltd v Qualtex (UK) Ltd* [2006] EWCA R.P.C. 31

117 Mr Arnold said that was wrong—the statute was aimed at exploitation of designs. This starts when orders for the article are actually taken. Mr Carr submitted that UDR was for a short period in itself. It was unlikely that in some cases (e.g. the example above) the period of full protection would be cut down to virtually four years only.

118 Neither argument is particularly persuasive. Again the provision is not well-thought out—potentially it makes a 20 per cent difference in the period of full protection whichever party is right. In the end I think the judge was right to go by the actual words without any notion of underlying policy to guide him. He reasoned thus:

“I consider that the natural meaning of the expression ‘made available’ connotes something that is actually in existence. If one imagines a case of an offer of goods which have yet to be made (in the sense that none of them are yet made) then I would not consider that those goods are ‘available’ for sale even if advance orders for them are taken. Taking orders for them is not making them available.”

119 I agree and see no point in trying to say the same in my own words.”

21. Mr Cameron notes that in *Dyson v Qualtex* it was held that taking orders for articles that are yet to be made does not constitute an act making the articles available for sale; existence of the articles is required. Here, in contrast, Mr Cameron argues that articles were produced from a production run so did actually exist and were delivered to Ms Warm at some point prior to April 2011, i.e. before the Milan trade fair. The act of ordering the prototypes alone would, in Mr Cameron’s opinion, constitute making the product available for sale. Mr Cameron also notes that those articles were publicised in the press and on Ms Warm’s website. Mr Cameron points to one article in particular, an extract from the March 2012 edition of German magazine “Möbel!Trends” which can found on Ms Warm’s website. In discussing the Glaze lampshade, the text of the article refers to “Prices on request”. On this, Mr Cameron says:

“We suggest that if something was not actually available for sale, then this would be clearly stated in the press article. For example, “Glazed lamps. Prototypes only” or “Glazed lamps: Not currently in production”.”

22. In Mr Cameron’s opinion the product not only existed in 2011, it was also made available for sale either at the point at which Ms Warm commissioned the production of the prototypes of the design or when the prototype products became available at or after the Milan trade fair. As a fall-back position it is also argued that the products became available for sale at the point the royalty agreement was established with Ms Warm in November of 2011.
23. Ms Warm accepts that 20 prototypes of the Glaze pendant lampshade were ordered so that she could go on to display them at the Milan trade fair and this was done simply to get the attention and feedback from prospective manufacturers. She explained that the unfinished prototypes were produced using a wooden tool over which each item was hand spun; the use of wooden tooling being commonplace in the creation of prototypes but not suitable for mass production due to wear. Ms

Warms submits that it would be for the manufacturer to create something that would be commercially viable.

24. Ms Warm says she encountered quite a few problems when creating and experimenting with the final finish of the prototype lampshades and this resulted in a high number of rejects. However, despite the problems, a sufficient number were in a "good enough state" to display at the trade fair to "communicate the concept" such that it could be taken on to further production. Upon return from the trade fair, Ms Warm claims that the finishes applied to the displayed prototypes had faded to such an extent that they also ended up being treated as rejects.

25. Ms Warm explained that generating and supplying material for the press was an important part of attending the trade fair. In particular she noted:

"We had begun to receive the interest of manufacturers as well as Innermost and the press, who come to these events to report on what young designers present at these fairs. One of the press clippings that the claimant has provided features myself as a designer and, basically, presents my body of work. It talks about various little pieces of furniture that I designed in the past and amongst them are the pieces that were shown as prototypes at the communal enclosure then. We did have CDs for the press because, not only is it important to be seen at the fair, but also it is a huge investment for somebody who is starting out in business. To do the fair in its own right is expensive, never mind all the costs related to it, such as getting out there as well as shipping the product out there. In any case, it is important to get press coverage. In actual fact, the Glaze Pennants were constantly shown in our magazine and the website. Another manufacturer had approached us who was interested in the design, but we had already entered negotiations with Innermost in putting these products into production for them to be launched commercially by Innermost."

26. Ms Warm contends that no products were made available for sale at the show. She notes that she had issued a lot of press CDs and that it is quite common for journalists to put a "POA", a price on application, when a price is not available. She notes that she had, literally, just created a press CD with a press release, which said it was her design and they were prototypes. She suggests that there were five new prototypes for the Milan fair. The CD would not have had any information on pricing as it was not available, which is why the author of the article would have put "Price on application".

27. Ms Warm also contends that designers appearing at the Milan trade fair are "forbidden" from selling any of the products on display. She says that the terms and conditions of the show state that the products on show must be prototypes and no manufacturers, industrial or artisan, are admitted as exhibitors. To support this, Ms Warm drew my attention to a statement on the website for SaloneSatellite which reads (with original emphasis):

"New prototypes for the home and office: furniture, furnishings and lighting designed and produced by persons involved in the industry, such as industrial design studios, students of industrial design, designers, architects; no manufacturers, whether industrial or artisan, will be admitted."

28. The extract does not specifically refer to the 2011 trade fair and Ms Warm accepts that it does not explicitly say that items cannot be sold but nevertheless maintains that the event runs with a 'no sales' policy in place. Regardless of whether such a policy existed back in 2011, Ms Warm says that in respect of the Glaze prototypes shown none were fit for sale nor were they made available for sale.
29. I am satisfied on the evidence before me that prototypes of the Glaze lampshade were made and then displayed at a trade fair. That event undoubtedly had a commercial undertone to it as the exhibitors were seeking to make deals with the visiting retailers and manufacturers. I have no doubt that is what Ms Warm was doing: reaching out to manufacturers and retailers who could take her design concepts from the design studio to the end consumer. She was at the fair to market not just some of the conceptual designs within her portfolio but also herself as a designer of interior furnishings and the like.
30. It was entirely possible for some exhibitors to agree to one-off purchases of their displayed items and therefore 'make them available for sale', however, in terms of the Glaze lampshades, Innermost has not produced any evidence to show that is what happened. The 'price on request' statement in the German press clipping is not enough to demonstrate that products made to the design were actually available for purchase at or after the trade fair in 2011.
31. Further I do not regard Ms Warm's order for, and receipt of, 20 prototypes of the Glaze lampshades (prior to any finishing) to constitute making products made to the design available for sale. I would note that I do not entirely subscribe to Mr Cameron's suggestion that prototypes are by definition "individual hand-made mock-ups of a single design to prove that they work". It is perfectly normal to produce a batch of prototypes as appears to have happened here. That they were prototypes rather than finished products intended for sale comes out from Ms Warm's description of how they were made and the less than ideal resulting quality.
32. I also do not find the signing of a royalty agreement with Innermost in November 2011 as Ms Warm making the product available for sale. I find support for this from *Dyson v Qualtex* where Jacob LJ. found that pre-orders did not constitute making available for sale.
33. Considering all the arguments and submissions made, I have reached the conclusion that the time that the Glaze design was made available for sale was when the first sales of actual products took place by Innermost in January 2013. It follows that the design right in the Glaze design expires 10 years from the end of 2013 ie 31st December 2023. The licence of right of period therefore commenced on 1st January 2019.

Royalty rate

34. Innermost is offering a royalty rate of 4%. Mr Cameron says this is justified given the non-exclusive nature of the license, the increased costs associated with the supply of the Glaze products, and the further expenditure associated with monitoring the market and for taking down copies – a cost they have apparently so far shouldered. Innermost has also provided two royalty agreements they have with a different designer to exemplify how the industry commonly reduces royalty rates with the life

of a design. The latest of these agreements covers the design in its life outside of the duration of design right offered the CDPA and specifies a rate of 3.5%. An earlier agreement covering the design during the 5-year licence of right period specified a rate of 4%.

35. Ms Warm wishes the rate to remain at 5% but says it would not be unreasonable to ask for a higher rate since Innermost has continued to market and sell the product beyond termination of their earlier agreement and having a higher rate would cover lost income during that period. Ms Warm says that even though the product would be in its licence of right period, it's highly unlikely that anyone else would be able to gain a license and so Innermost would retain exclusivity.
36. I explained to Ms Warm at the hearing that these proceedings extend only to matters which relate to the terms of the licence of right and thus matters of alleged prior infringement and/or breach of contract are not for me to consider when considering the royalty rate. It is therefore not appropriate for me to make any adjustments to the royalty rate to cover any prior infringement, whether actual or alleged.
37. At the hearing, Mr Cameron stated that if it "helps to smooth all this over" Innermost would be prepared to accept a royalty rate of 5%, reflecting the rate it was prepared to renew the prior royalty agreement at before it was terminated by Ms Warm.
38. As I explained to the parties early in these proceedings, the basis on which the Comptroller normally assesses the royalty rate is to consider what a willing licensee and a willing licensor would agree. Lord Wilberforce in *General Tyre & Rubber Co v Firestone Tire & Rubber Co Ltd*², noted that:

"The "willing licensor" and "willing licensee" to which reference is often made (and I do not object to it so long as we do not import analogies from other fields) is always the actual licensor and the actual licensee who, one assumes, are each willing to negotiate with the other — they bargain as they are, with their strengths and weaknesses, in the market as it exists."
39. In this case I have the benefit of not only the previous licence between the parties but Mr Cameron's helpful concession at the hearing. On that basis since both parties appear willing to agree to a 5% rate, this is the royalty rate I will set in my order.

Circus Pendant Lights

Duration of design right and previous agreement between the parties

40. Innermost and Ms Warm have enjoyed the benefit of a second royalty agreement for the Circus range of lights. The agreement of 1st April 2011 relates to a range of spun metal lampshades for pendant lights. This was later extended with the consent of both parties, to cover a range of Circus wall lights.
41. The April 2011 date of the agreement reflects the commercial launch of the Circus range by Innermost and follows the appearance of prototypes of the pendant lampshades at the *SaloneSatellite* trade fair the year before. None of this is disputed

² *General Tyre & Rubber Co v Firestone Tire & Rubber Co Ltd* No2 [1975] FSR 273

by the parties and it was agreed at the case management conference that design right in the Circus pendant lampshades (but not the wall lights) commenced in 2012 with the 5-year licence of right period commencing at the start of 2017.

Royalty rate

42. The April 2011 Circus agreement set out a staggered royalty rate: a 7% rate being applicable for the first two years then dropping to a 5% rate for the remainder of the 5-year period covered by the agreement.
43. When asked about the purposes of the initially higher rate, Ms Warm was rather vague, however, Mr Cameron explained that this was to recompense Ms Warm for some of her early expenses in terms of the development, tooling, sampling and early production work; something Innermost has done previously with other designers. Ms Warm appeared to accept this explanation but went on to add that in her opinion it was a mistake to allow the rate to decrease to 5%.
44. Ms Warm referred to the negotiations that took place in 2017 to renew the 2011 royalty agreement and explained that before negotiations broke down a 7% rate was to be settled. This is the rate she would like to see in the licence of right.
45. Innermost would rather it set at 4%. Mr Cameron referred to the non-exclusive nature of the licence of right agreement and the pressures associated with staying competitive in the market, namely working to reduced margins due to lower price-points and increasing overheads, whilst also fighting competition from other products, some of which may be infringing the design right.
46. Ms Warm spoke at some length regarding the prior contractual agreements for dealing with infringement and Innermost's general behaviour in the period since negotiations to renew the 2011 agreement began. She also explained that originally, she had sought a 10% rate as part of her proposal for a slightly different business relationship between the parties, one that would see a closer collaboration between the parties with Ms Warm having a greater role in the promotion and sales of the product in the US, where she is now based. Ms Warm explained that Innermost would not entertain such a proposal and so negotiations moved forward on the basis of renewing the royalty agreement at 7%. Mr Cameron confirmed this was the case.
47. Ms Warm spoke also about the separate agreement she renewed in respect of a different product with a different company, Swedese. In these negotiations the rate has remained the same despite the product entering its licence of right period. Ms Warm uses this example to counter Mr Cameron's claim that it is industry standard for rates to drop once a product is in its licence of right period. Ms Warm also points to the success of the Circus range for Innermost something that she believes Innermost has tried to mask in negotiation, presenting a less positive outlook to justify a lower renewal rate.
48. Mr Cameron accepts that Circus has been a successful product and previously a best seller, but it isn't now. Mr Cameron also points to Ms Warm's agreement with Swedese as demonstrating that rates don't increase at renewal, going against Ms Warm's desire for a 7% rate for Circus. Mr Cameron maintains that because the

Circus range is now in its licence of right period and therefore non-exclusive, it would be fair to reduce to the royalty from 5% to 4%.

49. Although it would be tempting to set the royalty rate at 7%, a figure Innermost was apparently willing to accept when attempting to renew the prior agreement, I believe some account must be taken of the non-exclusive, territorially narrower protection offered by the licence of right. I am also left with the clear impression that future close collaboration between the parties - such as that which they have enjoyed in the past - is now unlikely. In these circumstances, I struggle to see any justification for Ms Warm's request for a 7% rate and I don't think it unreasonable for Innermost to reduce their pre-licence of right offer with something that is now lower. But how much lower would be reasonable? What would a willing licensor and a willing licensee agree?
50. The prior agreement serves as a good starting point and although Ms Warm has made it quite clear that she feels she made a mistake in accepting the reduction from 7% to 5% after the first two years of the agreement it is nonetheless the rate at which royalty payments were subsequently set. On balance, I believe it would be appropriate to maintain this 5% rate in the licence of right and my order will reflect this. The parties had an opportunity to agree to something different but for one reason or another that didn't happen. I believe a 5% rate strikes a fair compromise between the very different starting positions for this licence of right application and is consistent with the rate to be set for the Glaze range.

Circus Wall Lights

Previous agreement between the parties

51. The previous contractual position with regard to the Circus wall lights is a strange one as it seems to be by little more than an informal agreement between the parties that the April 2011 royalty agreement for the Circus pendant lights be extended, from around 2014-2015, to cover the new Circus wall lights. The two-year period in which a 7% royalty rate applied had expired by the time the wall lights were launched so payments were made at the lower 5% rate.
52. Ms Warm's submits it was a mistake to extend the original agreement. In her opinion the wall lights represented a new design, one that should have been the subject of a separate royalty agreement and with a licence of right period not commencing until 2021. Ms Warm says that this point was raised with Innermost prior to these proceedings.
53. Innermost's position is as follows:
 - a) at the time of launch, it was agreed by the parties that the wall lights would fall under the terms of the 2011 Circus royalty agreement by virtue of a clause in that agreement which covered designer approved amendments of the Circus design, thus it follows that the wall light is not a new design; and
 - b) no design right subsists in the wall light by virtue of the "must-match" exclusion set out in section 213(3)(b)(ii) of the CDPA.

54. In her submissions, Ms Warm says Innermost had also previously argued a case of joint ownership, and notwithstanding that that claim was dropped before the licence of right application was made, it does go to show that Innermost did consider that design right subsisted.
55. Clearly, I cannot consider any royalty rate until I have first determined whether the wall light represents a new design, different to the Circus pendant lights, and whether it is one within which design right subsists. If design right does subsist then I will also need to determine the duration of the design right that subsists.

Subsistence of design right?

56. The previous royalty agreement simply governed the royalty rates for articles that the parties jointly agreed to be covered by the terms of the contract. The agreement is in itself not determinative of the subsistence of design right in the Circus wall lights. The agreement is helpful in that it includes images of the Circus pendant lamps which pre-dated the wall light. I reproduce here the image used in the agreement.



Circus pendant lampshades

57. As part of her submissions Ms Warm has provided several screenshots taken from Innermost's website, along with a 2015 price list for the Circus and Glaze product ranges. For the purposes of being able compare the wall light to the pendant lampshades, I provide here an extract of the price list and an image of the wall light, 'cropped' from one of Ms Warm's submissions:

Item Name	Drawings	Description	Code	Fitting	Dimensions	Bulbs included? (Yes/No)	Finish	UK TRADE (GBP)	UK RRP (GBP)
Lighting						0	0		
CIRCUS		15 WHITE	PC049120-01	E27 4m Cable	15cm D x 18cm H	No	Matt White Aluminium Gold Coloured Interior	£64.00	£160.00
		15 BLACK	PC049120-02	E27 4m Cable	15cm D x 18cm H	No	Matt Black Aluminium Gold Coloured Interior	£64.00	£160.00
		15 GREY	PC049120-04	E27 4m Cable	15cm D x 18cm H	No	Matt Grey Aluminium White Coloured Interior	£64.00	£160.00
CIRCUS		36 WHITE	PC049140-01	E27 4m Cable	36cm D x 42cm H	No	Matt White Aluminium Gold Coloured Interior	£134.00	£335.00
		36 BLACK	PC049140-02	E27 4m Cable	36cm D x 42cm H	No	Matt Black Aluminium Gold Coloured Interior	£134.00	£335.00
		36 GREY	PC049140-04	E27 4m Cable	36cm D x 42cm H	No	Matt Grey Aluminium White Coloured Interior	£134.00	£335.00
CIRCUS		56 WHITE	PC049160-01	E27 4m Cable	56cm D x 31cm H	No	Matt White Aluminium Gold Coloured Interior	£179.60	£449.00
		56 BLACK	PC049160-02	E27 4m Cable	56cm D x 31cm H	No	Matt Black Aluminium Gold Coloured Interior	£179.60	£449.00
		56 GREY	PC049160-04	E27 4m Cable	56cm D x 31cm H	No	Matt Grey Aluminium White Coloured Interior	£179.60	£449.00
CIRCUS		WALL WHITE	WC048120-01	Integrated LED Source	15cm D x 35cm H	No	Matt White Aluminium Gold Coloured Interior	£56.00	£140.00
		WALL BLACK	WC048120-02	Integrated LED Source	15cm D x 35cm H	No	Matt Black Aluminium Gold Coloured Interior	£56.00	£140.00
		WALL GREY	WC048120-04	Integrated LED Source	15cm D x 35cm H	No	Matt Grey Aluminium White Coloured Interior	£56.00	£140.00
GLAZE		14 CREAM & CHARCOAL	PG019110-05	E27 4m Cable	14cm D x 30cm H	No	Cream & Charcoal Aluminium	£88.00	£220.00

Innermost Price List for Circus (extract from Circus and Glaze price list)



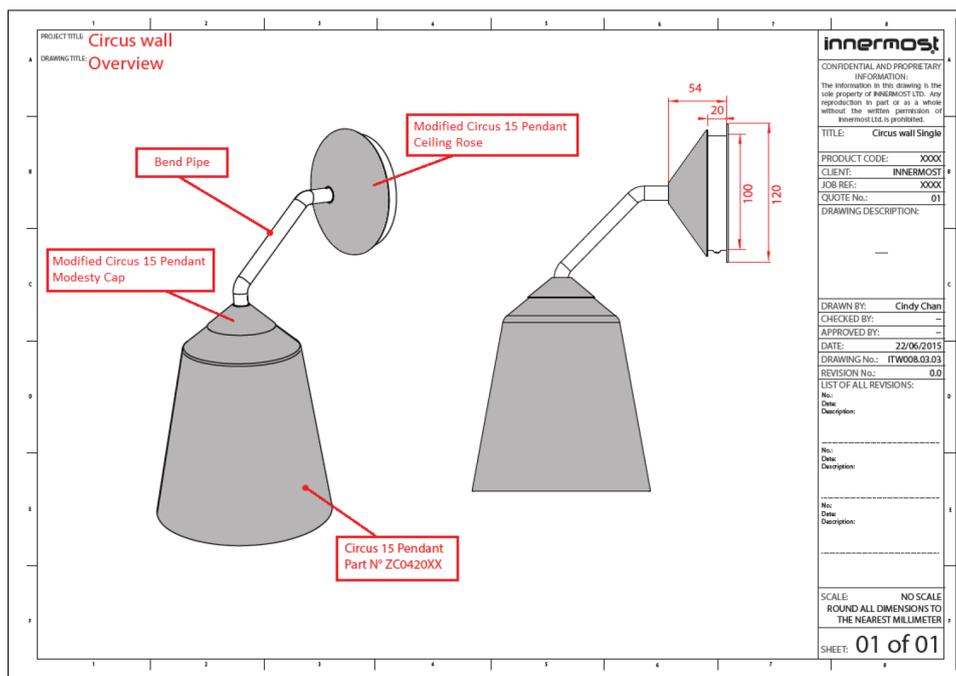
Circus wall light (cropped image)

58. At the hearing, Mr Cameron explained that Ms Warm developed the wall light from the following initial conceptual drawings provided to her by Innermost:

freedom. In support she drew my attention to an email dated 7th November 2014 in which Mr Cameron says to Ms Warm:

“The other comment made was our intention to keep the wall fittings simple and use existing tools for the shades where possible”.

64. The reference to “[t]he other comment made” suggests that some separate discussion had taken place between the parties and without details of that discussion it is unclear whether “our intention” is referring to a common shared intention, or an intention of just Innermost. Regardless, Ms Warm submits that ‘an intention’ is not the same as ‘a requirement’ and that she had design freedom when creating the eventual design for the wall lights. In her opinion she has created a highly original design for a product which is a different category to the previous products, not just a different size or colour. It is a completely different product category. It is a wall light, to be attached to the wall and not the ceiling. It was made unique with added functionality including for example the light shade itself which features a swivel to the top so that it could be moved.
65. Ms Warm also made a point of contrasting Innermost’s must-match argument with the position adopted prior to these proceedings in which Innermost was, allegedly, seeking joint ownership in the design right, thus in effect acknowledging that design right subsists.
66. So what should be made of Innermost’s must-match argument? I must confess that I am struggling to see any grounds for this line argument. There is no dispute between the parties that the lampshade used in the Circus wall light makes use of the same tooling used for the smallest of the Circus pendant lampshades. This appears to be also true of the modesty cap that sits atop the lampshade body as well as the covering for the wall mount. Four production drawings submitted by Innermost, show this to be the case:



Circus wall - overview

67. A lampshade by itself does not, in my opinion, make a wall light; a wall light needs something more than just a lampshade. What that something might be is open to interpretation. As Mr Cameron suggested at the hearing some people might take a conventional Circus pendant light and simply hang it from a conventional wall bracket. I agree, that is one possibility, but many others could exist. In this instance Ms Warm has taken the existing Circus lampshade as a starting point and designed a complementary wall mount and arm arrangement which together support a swivel-mounted LED unit covered by the lampshade – the lampshade being made using existing tooling. It's a collection of parts that are designed to work in aesthetic harmony with one another.
68. Thus, taking the wall light as a whole, I believe there was a significant degree of design freedom given to Ms Warm even if a tooling constraint was imposed, expected or agreed. If any must-match exclusion applies I do not think it is in the design of the wall light as a whole; Innermost has not demonstrated that there are any features of shape or configuration of the article (whether it be the lampshade, the arm, or the two covers, alone or in combination) which are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part. I conclude that the exclusion of section 213(3)(b)(ii) does not apply in respect of the wall light. What we're dealing with here is not a substitution of parts for which the 'must-match' exclusion is relevant but the creation of something different. But that leads on to a question of originality and where Mr Cameron's objection to the wall light I believe really lies.
69. Design right subsists in an "original design". It is useful to consider the entirety of paragraph 96 of *Dyson v Qualtex*, where Jacob LJ. considered the earlier decision of Mann J. on the question of originality of design in an item comprising existing components:

"I quite accept that there may be a new original design right by creating a combination of old designs. At that point the judge made no error. However he did not really consider whether an original design was created by adding the old [cable] winder to the rest of the [vacuum cleaner] handle. Just adding an old thing on to something else, even if that is new, is not enough to create an original new design. Here, the decision to add the old winder to the new handle was not one involving originality in the copyright sense. Borrowing from the language of patents, what was done was to create a mere collocation. So that part of the aspect of the design of the whole handle consisting of the old cable winder must be disregarded. I do not think it makes any difference to the overall result."

70. "Originality in the copyright sense" is a reference to the test set out in earlier case law, as discussed by Jacob LJ. at paragraph 85:

"It was common ground that to be "original" a design does not have to be novel in the sense used by patent law—absolute novelty is not the test. The test is as set out by Mummery L.J. in *Farmers Build Ltd v Carier Bulk Materials Handling Ltd* [1999] R.P.C. 461 at p.482:

"(2) The court must be satisfied that the design for which protection is claimed has not simply been copied (e.g. like a photocopy) from the design of an earlier article. It must not forget that, in the field of designs

of functional articles, one design may be very similar to or even identical with another design and yet not be a copy: it may be an original and independent shape and configuration coincidentally the same or similar. If, however, the court is satisfied that it has been slavishly copied from an earlier design, it is not an 'original' design in the 'copyright sense'".

71. At first sight one might say that this case has very clear parallels to the situation in *Dyson v Qualtex* where old was added to new: in this case the 'old' could be regarded as the smallest of the Circus pendant lampshades and the 'new' being everything else, namely the combination of wall mount cover and attached arm. To use the language of patents, this combination might therefore feel like a collocation; the lampshade arguably being independent of everything else and theoretically capable of substitution. Following the approach taken by Jacob LJ. I would have to conclude that original design right does subsist in the wall light but *not* in aspects relating the lampshade per se (within which separate design right subsists).
72. However, unlike the handle considered in *Dyson v Qualtex*, the Circus wall light assembly is not slavishly copying an earlier design for a wall light since there wasn't one to copy. Ms Warm has employed originality in arriving at a new creation, something that is different to the Circus pendant lampshade. Certainly, the Circus lampshade has been used as a basis for the design and, except for some minor modifications to the modesty cap and cosmetic cover there appears to be very little, if any, difference in the shade's shape or configuration. So does the combination of the shade and everything else result in something that is more than a mere collocation and render it original? I think it does. Whether this is regarded as adding 'old' to 'new', or 'new' to 'old', I think the result is a visually very different product, one where the whole is quite different to any one of its component parts. Ultimately the overall design is not a copy. I therefore conclude that design is original and thus design right does subsist.

Date Circus wall lights made available and duration of the design right

73. I can deal with the duration of design right in the Circus wall lights briefly. There is no dispute that the Circus wall lights originated in 2014. Both parties also accept that the commercial launch of the product took place in 2015. The 2015 price list for the Circus range goes to show this, along with other evidence submitted by Ms Warm including pictures showing the product on display at a trade show the same year.
74. The duration of design right for the Circus wall lights is 10 years from the end of 2015 with the product entering its licence of right period 1st January 2021. Thus, in accordance with section 247 (2) no application for a licence of right can be made before 1st January 2020.

Royalty rate

75. Given that the licence of right period for the Circus wall lights will not commence until 1st January 2021 and no application can be made to the comptroller to settle the terms of a licence more than 1 year before the licence is due to take effect, I do not need to consider royalty rates for this product. Either of the parties will be able to

make such an application at a later date however I hope that will be not be necessary and that the parties will be able to agree a suitable licence, possibly drawing on my decision here.

Other terms of the Licences of Right

76. Prior to the hearing I circulated to both sides draft licences for both the Glaze and Circus products leaving open the issues that were still outstanding. These draft licences mirrored in much of the content many of the licences previously ordered by the comptroller. Both sides have provided observations on these licences. I have sought to incorporate any suggestions made by the parties where I believe they are necessary and where they are unlikely to give rise to further disputes between the parties.
77. There are however several amendments suggested by Ms Warm that I have not incorporated, and I will briefly explain why. Ms Warm has requested that the licences explicitly and clearly state that the territory of the licences will be the UK only and not worldwide. I believe however that the scope of the licences is clear to both sides. The design rights in issue are UK design rights and the acts which, absence the licences, would be deemed as infringing are those occurring within the UK. These include for example making articles to the design within the UK or importing such articles into the UK. Hence, I do not believe any further clarification of this is necessary in the licences.
78. As I have discussed above it is clear that what appears to have been a harmonious relationship between Ms Warm and Innermost in the past is no more. This is reflected in some of the other amendments to the licences suggested by Ms Warm. For example, Ms Warm claims that Innermost has not provided access to carry out an audit as Ms Warm was entitled to do under the previous licence. She suggests that Innermost will likewise not abide by the terms of the licences relating to keeping and allowing inspection of the accurate records that I am ordering here. Ms Warm asks whether it is possible to provide in the licences for additional penalties for non-compliance in this regard.
79. Innermost contend that it has provided all the relevant documentation for the purposes of calculating the royalties under the previous agreements.
80. Given the contrasting views of the parties and the lack of any clear evidence of prior breeches of the previous licences, I am not minded to add anything more in this respect to the draft licences I previously circulated. It should however be noted that the licences that I am ordering here provide penalties, including possible termination of the licences, should Innermost fail to keep accurate records. I hope that those penalties will be sufficient to ensure compliance with the Licences.
81. Ms Warm contends that Innermost has disclosed confidential information about contractual and financial negotiations to third parties and has asked that a non-disclosure paragraph be included in the draft licences. This is again contested by Innermost who state that they have not disclosed such information. In the absence of clear evidence, I am not minded to add anything further to the licences though I would remind both parties that nothing in the licences I am ordering here diminishes in any way any obligations relating to confidentiality that both sides have.

82. It is of course open to either side in the future to request the comptroller to vary the terms of the licences that I am ordering here including terminating the licences. I hope that will not be necessary. Should such a request be considered necessary, and if it is shown that one side has breached the terms of the licence, then in addition to varying or terminating the licences it is also open to me to award costs to the side making the request, which costs can be full indemnity of the costs incurred.

Summary and order

83. I find that:

i) design right in the Glaze pendant lampshades has existed since 1st January 2014 with the five-year licence of right period commencing 1st January 2019.

ii) the royalty rate for the Glaze pendant lampshades will be 5%.

iii) design right in the Circus pendant lampshades has existed since 1st January 2012 with the five-year licence of right period commencing 1st January 2017.

iv) the royalty rate for the Circus pendant lampshades will be 5%.

v) The design of the Circus wall lights is original in nature and not excluded under Section 213(3)(b)(ii) (the so-called 'must-match' exclusion). Consequently, design right subsists for a period of 10 years from the end of 2015, with the product entering its licence of right period on the 1st January 2021.

vi) Since no application can be made to comptroller to settle the terms of a licence of right in respect of the Circus wall lights before 1st January 2020, I dismiss that part of the application.

and I order that the terms of the licences be as appended to this decision.

Costs

84. In applications under section 247 it is normal for parties to bear their own costs unless there are clear reasons to depart from that approach. At present I am struggling to see any such reasons here though of course I have yet to have the benefit of specific submissions on this. If either side wishes to make submissions on costs, then they should do so within 4 weeks of the date of this decision. If no submissions are filed within that time period, then I will make no order for costs.

Appeal

85. Under section 249 of the Act, any appeal lies to a person appointed under section 27A of the Registered Designs Act 1949 (an "Appointed Person"). Any appeal must be lodged within 28 days.

Phil Thorpe

Deputy Director acting for the comptroller
GLAZE PEDANT COLLECTION

LICENCE OF RIGHT

THIS LICENCE OF RIGHT is ordered between:

- (1) Corinna Warm whose registered office is 166 Middle Drive, Ponteland, Newcastle Upon Tyne, NE20 9DT ("the Licensor"); and
- (2) Innermost Limited whose registered office is at 202-204 Oxo Tower Wharf, Bargehouse Street, London, SE1 9PH ("the Licensee")

WHEREAS

- A. The Licensor owns design rights in the design of its Glaze Pendant Collection, photographs of which are attached at Appendix 1 ("the Design");
- B. The Licensor's design rights in the Design are subject to Licences as of Right under section 237 of the Copyright, Designs and Patents Act 1988 ("the Act");
- C. The Licensee wishes to take a licence in respect of the Design ("the Licence");
- D. The Licensor and the Licensee have failed to agree the terms of the Licence and the Licensee has applied to the Comptroller-General of Patents, Designs and Trade Marks ("the Comptroller) under Section 247 of the Act to settle the terms by an application on Design Right Form 3 dated 3rd April 2018 ("the Application")

The Comptroller orders that a Licence be granted on the following terms:

1. Licence

- 1.1 The Licensor hereby licences the Licensee to do anything which would otherwise infringe the design rights in the Design.
- 1.2 Subject to notifying the Licensor of the name of any sub-licensee and the grant of any sub-licence, the Licensee shall have the right to grant sub-licenses under the foregoing Licence to third parties, provided all such articles as are manufactured and/or imported and/or possessed for commercial purposes and/or sold and/or offered for sale by such sub-licensee are recorded in the records which the Licensee shall cause to be kept pursuant to clause 3.1 below.
- 1.3 All products made under this Licence by the Licensee or by any sub-licensee shall, in so far as is reasonably practical, be marked to indicate that the products originate from (as appropriate) the Licensee and/or any such sub-licensee, and shall not in any way be marked so as to indicate that the Licensee is licensed by the Licensor.

- 1.4 This Licence shall take effect from 1st January 2019 and shall continue until the last day of December 31st December 2023.
- 1.5 Nothing in this Licence shall be construed as a licence to the Licensee under any other rights of the Licensor.

2 Royalty

- 2.1 The Licensee shall pay to the Licensor royalties at the rate of:
 - 2.1.1 5% on all paid net sales of the Design.
 - 2.1.2 Net selling price being that invoiced by the Licensee or its sub-licensee less
 - a) the cost of shipping and delivery of the Design, and
- 2.2 All the above royalty payments are exclusive of VAT which shall be payable in addition by the Licensee, together with any other taxes, duties or governmental duties levied on the Licence on receipt of a VAT invoice.
- 2.3 Payments due under clause 2.1 above shall be made by electronic bank transfer:
 - 2.3.1 within thirty (30) days of 30th September 2019 in respect of royalties accruing in the period from the 1st January 2019 up until 30th September 2019; and thereafter
 - 2.3.2 quarterly by the following method: within 30 days of each of the [last day of relevant month], [last day of relevant month], [last day of relevant month] and [last day of relevant month] ("Quarterly Dates"), payment shall be made in respect of royalties due for the quarter terminating on the said Quarterly Date; and finally
 - 2.3.3 a payment shall be made within 30 days of the 31st December 2023 in respect of royalties due (if any) from the period [first day of relevant month] to 31st December 2023.
- 2.4 In the event of any delay in effecting payment due under this Licence by the due date specified, and without prejudice to the provisions of clause 4(a) below, the Licensee shall pay to the Licensor interest (calculated on a daily basis) on the overdue payment from the date such payment was due to the date of actual payment at a rate of three (3) per cent over the base lending rate of HSBC Bank from time to time.
- 2.5 Each payment under clause 2.1 above shall be accompanied by a statement setting out the amount of royalties due.

3 Accounts

- 3.1 The Licensee shall cause to be kept full and accurate records pertaining to its operation under this Licence from which the accuracy of the statements in clause 2.5 may be independently verified. These records should include a breakdown of products sold by size, colour and by version and net selling price.
- 3.2 The Licensee shall permit an auditor appointed by the Licensor to inspect and audit such records at all reasonable times at the Licensor's expense, except that the Licensor's auditing expenses shall be paid by the Licensee if the actual payments made to the Licensor are more than 5% less than the correct figure.
- 3.3 The Licensee may remove from such records any information which enables any person inspecting the records to identify any of the Licensee's customers except where the auditor can demonstrate that such information is necessary to verify the accuracy of the figures and the auditor also agrees by way of a signed confidentiality agreement not to disclose to any other person, firm or company, including the Licensor, the identity of the Licensee's customers.
- 3.4 The Licensor shall give 28 written days' notice of such inspection.
- 3.5 The right of inspection under this clause shall continue for a period of two months after termination of this Licence.

4 Termination

- 4.1 The Licensor shall have the right to terminate this Licence with immediate effect by written notice to the Licensee if:
 - (a) the Licensee is in breach of any term of this Licence and fails to remedy that breach within twenty eight (28) days of a notice from the Licensor calling upon the Licensee to remedy the breach;
 - (b) the Licensee's inspection under clause 3.2 above reveals that actual payments in any quarter are more than 10% less than the correct figure; or
 - (c) the Licensee shall enter into liquidation (other than for the purposes of reconstruction or amalgamation).

5 Indemnity

- 5.1 The Licensee shall indemnify the Licensor against any costs, claims, losses, damages or expenses which the Licensor may incur as a consequence of the Licensee's exercise of its rights under the Licence

6 Service

- 6.1 Service may be by registered first class post from within the United Kingdom in which case it shall be deemed for the purposes of the Licence to have been

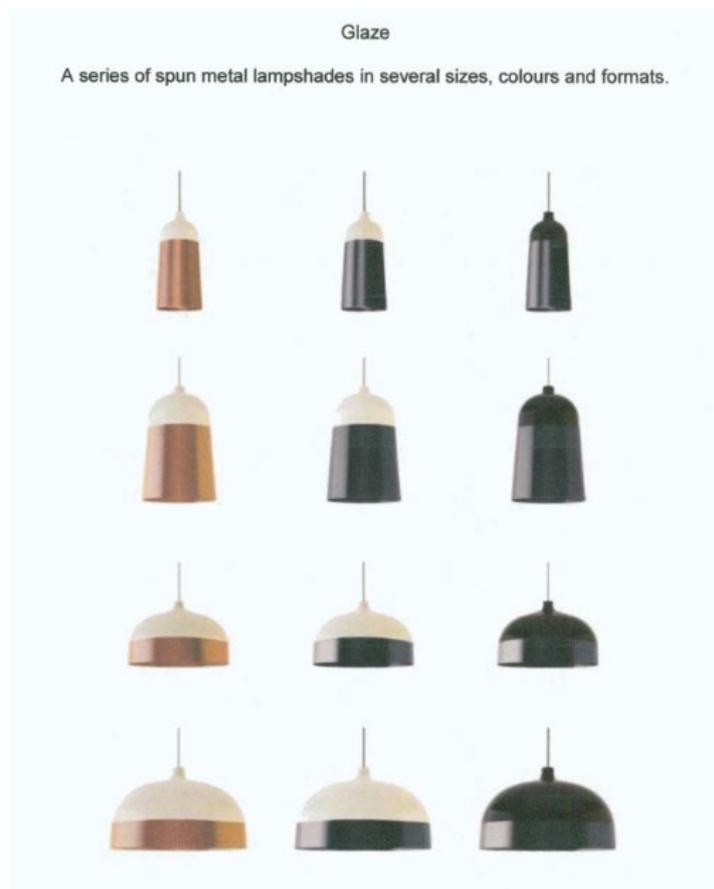
received on the third working day after posting or by acknowledgement email transmission in which case it shall be deemed to have been received on the date of the acknowledgement.

- 6.2 Service upon the Licensee shall be to the Licensee's address at the address provided at the beginning of this Licence or to such other address in the United Kingdom as the Licensee shall give by notice in writing to the Licensor.
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7. **Governing Law**

This Licence is governed by and shall be construed in accordance with English Law, and all disputes relating to or arising in respect of it shall be subject to the exclusive jurisdiction of the English and Welsh Courts.

APPENDIX 1 TO THE LICENCE



CIRCUS PEDANT COLLECTION

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 - (b) the Licensee's inspection under clause 3.2 above reveals that actual payments in any quarter are more than 10% less than the correct figure; or
 - (c) the Licensee shall enter into liquidation (other than for the purposes of reconstruction or amalgamation).

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transmission in which case it shall be deemed to have been received on the date of the acknowledgement.

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APPENDIX 1 TO THE LICENCE

