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## The ride is over – Magmatic loses its battle for exclusivity in the children's ride-on animal suitcase market

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### SPEED READ

Last week the Supreme Court (the SC) handed down its judgment in *Magmatic Ltd v PMS International Ltd*<sup>1</sup> concerning the infringement of a Community Registered Design (CRD) in a children's Trunki ride-on suitcase owned by Magmatic Ltd, resulting from PMS's importation and sale in the UK of their Kiddee Case.

The SC has dismissed Magmatic's appeal, and upheld the judgment of the Court of Appeal that PMS's Kiddee Case does not infringe Magmatic's CRD. It stated that the Court of Appeal was right to hold that the CRD was for a wheeled suitcase in the shape of a horned animal and was not a claim for the shape alone, but for one with a strap and wheels in a colour which contrasted with that of the remainder of the product. In addition, it affirmed the Court of Appeal's analysis that the ornamentation and colours on the Kiddee Case could influence the overall impression of the shape and thus needed to be considered as part of the assessment of infringement.

The SC refused the request from Magmatic and the Comptroller General of Patents, Designs and Trade Marks (the Comptroller General)<sup>2</sup> to make an Article 267 TFEU reference to the Court of Justice of the European Union (CJEU).

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<sup>1</sup> [2016] UKSC 12

<sup>2</sup> in his capacity of Registrar of Designs, who however took no other position in relation to the issues on the appeal.

## What this means...

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End of the road for Magmatic who may see their markets eroded with an influx of similarly shaped but differently decorated children's suitcases. CEO of Magmatic, Mr Robert Law, has stated that he is “devastated” by the decision, which he claims will bring a “wave of uncertainty” to designers in Britain<sup>3</sup>. In his judgment, Lord Neuberger was sympathetic to Magmatic, noting that he would have reached the same decision as the Court of Appeal “with some regret” as the concept of the Trunki case was both “original and clever”.

While CRDs remain a valuable way to protect design rights, the decision casts doubt on the scope of protection afforded by CAD drawings as it is now clear that colour contrasts can be a feature of a design and can accordingly restrict the scope of protection. In addition, surface decorations (or lack thereof) can influence the overall impression given by a shape and need to be taken into account when assessing the similarity of two designs,

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<sup>3</sup> As reported by BBC news on 9th March in an article titled “Trunki loses ride-on animal suitcase court case” (<http://www.bbc.co.uk/news/uk-england-bristol-35762610>)

providing a useful tool by which competitors can avoid infringement.

There will be many who welcome the decision, and companies seeking to enter already crowded consumer goods markets may find that this judgment exposes gaps in rights protection which can be exploited. Consumers will no doubt benefit from the price reductions that the resulting increased competition brings. On the other hand, established companies which rely on design rights to protect their products may wish to review their IP portfolios to ensure that, where CAD drawings have been used, their CRDs are adequately protecting their market position.

Looking ahead, design attorneys will need to take care not to use shading on CAD drawings save where intentionally incorporating a colour contrast into designs, or alternatively return to the use of line drawings, which are less appropriate for showing colours or other decoration. In addition, as the presence or absence of surface decorations can influence the overall impression of a design, it may be prudent to file several variations of a design to ensure the concept is afforded an adequate scope of protection.

## Background

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Magmatic Limited, founded by designer Mr Robert Law, is the manufacturer of the well-known Trunki ride-on kid's suitcase and owned a series of CRDs protecting the suitcase. The CRD for the original Trunki design

consists of six images prepared by a 3D Computer Assisted Design (CAD) program showing the Trunki from various angles and perspectives (CAD drawings), two of which are shown on the following page.



*Trunki CRD image*

The Trunki design was originally licenced to a third party, however in 2006 Magmatic started selling Trunki suitcases itself to enormous success. Different varieties of Trunki suitcase have been sold, including versions with animal and insect prints. PMS, an importer and

distributor of discount goods, began to sell the Kiddee Case in 2012. It was freely admitted at trial that the design of the Kiddee Case was “inspired in part” by the success of the Trunki.



*Two Kiddee Cases, on the left, a ladybird, on the right, a tiger*

Magmatic sued claiming PMS infringed on its CRD on the ground that the Kiddee Case did not “produce on the informed user a different overall impression” from the CRD within article 10(1) of the Council Regulation (EC) No 6/20012 (the Regulation)<sup>4</sup>. Magmatic also contended that the Kiddee Case infringed certain other of its IP rights including UK unregistered design rights and copyright (in packaging).<sup>5</sup>

At first instance, Arnold J found that the Trunki was a substantial departure from the design corpus existing at the date of application for the CRD, and that as a result it should have a wide scope of protection. He identified the detailed similarities and differences between the CRD

and the Kiddee Case, emphasising that what mattered was “how those similarities and differences would affect the informed user's overall impression”<sup>6</sup>. Whilst recognising some differences between the designs, he held that given the wide scope of protection to be afforded to the CRD, the Kiddee Cases produced the same overall impression. In addition, Arnold J found infringement of several unregistered design rights relating to the Trunki.

In reaching his decision, Arnold J stated that the CRD only protected the 'shape' of the Trunki suitcase: “The CRD is evidently for the shape of the suitcase, and the proper comparison is with the shape of the Kiddee Case,”<sup>7</sup> and as a result, when comparing the CRD with

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<sup>4</sup> Para 11 of the SC judgment (Magmatic Ltd v PMS International Ltd [2016] UKSC 12) This being the test for infringement under the Regulation

<sup>5</sup> The alert will not concern itself with the other IP infringements

<sup>6</sup> Para 76 of Arnold J's judgment (Magmatic Ltd v PMS International Ltd [2013] EWHC 1925)

<sup>7</sup> Para 69 of Arnold J's judgment

the Kiddee Case, the colours and graphical designs on the surface of both the CRD and the Kiddee Case were ignored.

PMS appealed solely on the issue of whether the Kiddee Case infringed the CRD, and the Court of Appeal allowed the appeal<sup>8</sup>. Overturning Arnold J's decision, the Court of Appeal found that the Kiddee Cases did not infringe.

Kitchin LJ identified two errors of principle in the judgment of Arnold J<sup>9</sup>: firstly he had been wrong to concentrate on the shape of the designs alone. The Court of Appeal held that a global assessment of the designs required consideration of the visual impression they each created, and if that visual impression was affected by features appearing on the designs, those features needed to be taken into account: “the CRD is relatively uncluttered and it conveys a distinct visual message.

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<sup>8</sup> [2014] RPC 24.

<sup>9</sup> As set out in paras 41-42 and 47-48 of Kitchin LJ's judgment

Here then the first of the judge's errors can be seen: he failed to appreciate that this is a design for a suitcase which, considered as a whole, looks like a horned animal”. Secondly Arnold J had failed to take into account “the colour contrast between the wheels and the body of the CRD”. This was a striking aspect of the CRD that was not present in the Kiddee Case design and one which needed to be taken into account in the global comparison.

Concluding that these were material errors<sup>10</sup>, the Court of Appeal carried out its own comparison and held that the overall impression conveyed by the two designs was different: while Magmatic's CRD created the impression of a horned animal, and had a sleek and stylised design, the Kiddee Case designs were softer, more rounded and evocative of an insect with antennae or an animal with floppy ears.

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<sup>10</sup> And that it was therefore open for the Court of Appeal to consider and determine the issue for itself

## The Supreme Court's Judgment

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The SC reaffirmed the function of an appellate court in intellectual property cases of this nature, ie not to reverse a lower court's decision unless it has erred “in principle”.<sup>11</sup> It was therefore only able to interfere with the Court of Appeal's conclusion on infringement of the CRD if it found Kitchin LJ had “gone materially wrong in his approach”.<sup>12</sup>

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<sup>11</sup> Lord Hoffmann said in *Designers Guild Ltd v Russell Williams (Textiles) Ltd (trading as Washington DC)* [2000] 1 WLR 2416, 2423:

<sup>12</sup> Para 24 of the SC judgment

On this basis, Lord Neuberger analysed the Court of Appeal's judgment, for convenience treating Kitchin LJ's two criticisms as three (in essence teasing out two elements from Arnold J's first ‘error’): (i) that the judge failed to give proper weight to the overall impression of the CRD as an animal with horns (ii) that he failed to take into account the effect of the lack of ornamentation on the surface of the CRD and (iii) that he ignored the colour contrast between the body and the wheels.

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### (I) ARNOLD J HAD FAILED TO GIVE PROPER WEIGHT TO THE OVERALL IMPRESSION OF THE CRD AS AN ANIMAL WITH HORNS

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The SC concluded that this first criticism was justified. Having conducted a detailed analysis of the similarities

and differences between the CRD and the Kiddee Case, Arnold J had neither specifically mentioned the horns on

the CRD images nor had he given any consideration to the horned animal appearance of these images. Lord Neuberger noted that while one cannot expect a trial judge to mention every factor that influenced a decision, when a trial judge has given a full and careful judgment and has mentioned the points that weighed with him, it is

correct to conclude that failure to mention a specific important point means that he overlooked it.<sup>13</sup>

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<sup>13</sup> Para 39 of the SC judgment: "However, when a judge has given a full and careful judgment, conscientiously identifying and specifying a significant number of points which weigh with him, an appellate court can properly conclude that his failure to mention a significant point means that he has overlooked it".

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## (II) ARNOLD J FAILED TO TAKE INTO ACCOUNT THE EFFECT OF THE LACK OF ORNAMENTATION ON THE SURFACE OF THE CRD

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Kitchin LJ had disagreed with Arnold J with regards to the significance of decoration, or the lack thereof, on the surface of the cases. Kitchin LJ was of the view that the absence of decoration/ornamentation on the CRD reinforced the horned animal impression made by the CRD, and that by contrast the Kiddee Case, with its two tone colouring of the body and the spots on its flanks meant that the case "looks like a ladybird and the handles on its forehead look like antennae". Lord Neuberger accepted that "any decoration could well detract from the animal impression, and, even if it consisted of such items, it could be said to distract the observer's attention from the horns."<sup>14</sup>

Magmatic argued that this raised an important question on whether absence of ornamentation can, as a matter of law, be a feature of a registered design, and if so, whether it was a feature of this particular CRD. Magmatic submitted, with the support of the Comptroller General, that this required a reference to the CJEU on the basis that it was a point of EU law that was not *acte clair*.

Lord Neuberger refused to make a reference to the CJEU on this point, stating that Kitchin LJ had not in fact raised a "free-standing contention that a feature of the CRD was that it contained no decoration".

However, Lord Neuberger does proceed to give an obiter comment on whether absence of ornamentation can be a feature of a registered design, stating that "it seems plain to me that absence of decoration can, as a matter of principle, be a feature of a registered design. Simplicity

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or minimalism can notoriously be an aspect of a design, and it would be very curious if a design right registration system did not cater for it."<sup>15</sup>

Lord Neuberger finds support for this view in the first instance, and Court of Appeal decisions in *Samsung Electronics (UK) Ltd v Apple Inc.*<sup>16</sup> In that case, the line drawings included one or two small features (an opening catch and a rim around the edge), and the natural implication was that no other ornamentation was intended, a view supported by the fact that the plainness and transparency of the surface was subtly indicated by a few pairs of short lines suggesting the incidence of light on that surface. As Jacob LJ had expressed in the Court of Appeal, "If an important feature of a design is no ornamentation, as Apple contended and was undisputed, the judge was right to say that a departure from no ornamentation would be taken into account by the informed user". Lord Neuberger points out that in practice a line drawing is much more likely to be interpreted as not excluding ornamentation than a CAD image, noting however that each CRD image must be interpreted in its own context.

In relation to this particular CRD, it was not necessary to decide if absence of ornamentation was indeed a feature of the CRD. There were arguments in both directions, but the Court of Appeal had not (despite what Magmatic contended) resolved the issue, and Lord Neuberger preferred to leave it open.

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<sup>15</sup> Para 44 of the SC judgment

<sup>16</sup> [2013] ECDR 1 and [2013] FSR 9

<sup>14</sup> Para 41 of the SC judgment

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### (III) ARNOLD J IGNORED THE COLOUR CONTRAST BETWEEN THE BODY AND THE WHEELS

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The SC took the view that the colour contrast between the wheels and the strap, on the one hand, and the body on the other, was a feature of the CRD, and that Kitchin LJ was therefore right to conclude that the CRD claimed not merely a specific shape, but a shape in two contrasting

colours, and that Arnold J was correspondingly wrong in holding that the CRD was a claim simply for a shape.<sup>17</sup>

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<sup>17</sup> Para 53 of the SC judgment

## Conclusion

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Lord Neuberger held that the Court of Appeal was right to conclude that Arnold J had misdirected himself in respect of the three aspects discussed above, and consequently to reconsider the question of infringement

for itself. Furthermore, Lord Neuberger saw no grounds for questioning Kitchin LJ's conclusion of non-infringement, stating that he would probably have reached the same conclusion.

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### REFERENCE TO THE CJEU

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Magmatic and the Comptroller General requested that questions raised by the second and third criticisms (absence of surface decoration and colour contrast) be referred to the CJEU. The SC refused on the basis that

the questions did not raise a point of EU law, or a point which was suitable for reference to the CJEU, as the issue regarding the absence of surface decoration was an obiter part of the Court of Appeal's judgment.

## Commentary – the protection afforded by CRDs

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The SC took this opportunity to comment on the central importance of the representations or drawings in registered designs. Lord Neuberger emphasises that “an applicant for a design right is entitled, within very broad limits, to submit any images which he chooses” and that “it will almost always be those images which exclusively identify the nature and extent of the monopoly which he

is claiming”. Lord Neuberger points to a paper by Dr Martin Schlötelburg, the co-ordinator of OHIM's Designs Department, who advises that “the selection of the means for representing a design is equivalent to the drafting of the claims in a patent: including features means claiming them”. The applicant is expected to balance the benefit of claiming a generalised design against the risk that it

will encompass prior art. Furthermore, where the applicant wishes to exclude features of a design there are a number of ways this can be achieved. In addition, there is no limit to the number of applications and designs that can be submitted. As such, unless expressly excluded, every feature of the submitted images will be relevant to the assessment of the scope of a CRD. In this regard the judgment is entirely consistent with previous case law and guidance.

The element which has taken the design community by surprise is the introduction of a qualification to the well-established principle that black and white drawings or photos cover all colours. It was widely assumed that this principle meant colour restrictions could not be interpreted from black and white drawings or photos at all, and that this principle extended to colour contrasts. However, whilst confirming that the basic principle still applies, the SC affirmed the Court of Appeal's decision that it does not extend to colour contrasts and, in

particular, that shading in monochrome 3D images can be a feature of the design.

The decision highlights the risk of relying on a single generalised design for a wide scope of protection; the finding that surface ornamentation can influence the overall impression generated by a shape, and the obiter comments confirming that lack of ornamentation can be a feature of a design provide a clear indication that strategic but minor modifications can be used to circumvent design rights. From the perspective of rights holders, the judgment appears to tip the balance in favour of making a multitude of applications to cover as many variations as possible on a given design concept.

The judgment brings into focus the difficulties facing companies and designers to ensure their original works are protected using design rights. The narrow interpretation given to Magmatic's CRD highlights the need for a wide portfolio of rights to ensure an adequate breadth of protection is granted to creative designs.

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