

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
INTELLECTUAL PROPERTY

HC13F02599

26 January 2015

Before:
ROBERT ENGLEHART QC
(sitting as a Deputy Judge of the Chancery Division)

BETWEEN:-

Fresh Trading Limited

Claimant

- and -

(1) Deepend Fresh Recovery Limited
(2) Andrew Thomas Robert Chappell

Defendants

Iain Purvis QC and Anna Edwards-Stuart (instructed by HGF Law LLP) for the Claimant
Michael Silverleaf QC and Kathryn Pickard (instructed by Kempner and Partners) for the Defendants

[2015] EWHC 52 (Ch)

**This is the official judgment of the Court and
I direct that no further note or transcript be made**

JUDGMENT

INTRODUCTION

1. This action is concerned with the copyright in, principally, a logo which has been used for many years in the marketing material of the well-known brand of Innocent smoothies. These are blended fruit juice drinks. The logo has been used by the Claimant (“Fresh”) ever since the commencement of its business. It has become the public badge of the business. Accordingly, Fresh is, in the circumstances which I shall outline, anxious to establish its title to the logo. On the other hand, the Defendants say that the First Defendant company (“Deepend Fresh”) is in truth the owner of the copyright. The logo consists of a cartoon depiction of a face with a halo and has become known as “the Dude”. It looks like this:



2. It is common ground that copyright subsists in the logo as an original artistic work. The dispute concerns the title to the copyright. Fresh puts forward a number of possible scenarios: (1) that Fresh is the legal owner of the copyright or (2) that Fresh is the owner in equity or (3) as a minimum, that Fresh has an implied exclusive licence under the copyright. The Defence and Counterclaim maintains, on the other hand, that Deepend Fresh is now by assignment the owner of the copyright in the logo as well as the owner of the copyright in other

works identified in the Counterclaim. If this be correct, then Fresh says that Deepend Fresh is precluded from any relief on account of acquiescence, estoppel, laches or a general bar to injunctive relief.

THE PARTIES

3. Fresh is the parent company of Innocent Limited through which the business of Innocent smoothies is now conducted. The previous owner of the business was a company originally also called Fresh Trading Limited but then re-named Naked Products Limited following the incorporation of the present Fresh. Naked Products Limited was dissolved in 2010. Some months before the dissolution, all its intellectual property rights were assigned to Fresh. There is no issue between the parties over the validity of the assignment and no dispute over Fresh's title to sue. For the purposes of this judgment I shall simply refer to "Fresh" without distinguishing between the former company and the present company unless it is necessary to do so. Only where it is so necessary, I shall adopt terminology sometimes used before me, that is "old Fresh" and "new Fresh".

4. Deepend Fresh is, as its full name might suggest, a company formed to lay claim to intellectual property rights in work commissioned by Fresh from a design agency formerly called Deep End Design Limited ("Deepend") and then re-named Deepend London Limited. It went into liquidation along with its then parent company, Deepgroup Limited, on 1 October 2001. However, just before the final creditors' meeting was called Mr Chappell, the Second Defendant, took an assignment from the liquidator of, amongst other matters, intellectual property arising out of work which had been carried out by Deepend for Fresh for £3,000. Mr Chappell is an investment banker who thought that there might

be an opportunity to turn a possible claim to the intellectual property to his financial advantage. Subsequently, he assigned all his rights, if any, in the intellectual property to Deepend Fresh.

THE BACKGROUND

5. Richard Reed, Adam Balon and Jon Wright had discussed from time to time, while they were students at St John's College, Cambridge in the early 1990s, the possibility of setting up in business together. But it was on a snowboarding holiday in February 1998 that they came up with the idea of establishing a company to sell smoothies. At this time, Mr Reed was working in advertising; Mr Balon and Mr Wright were each working for different management consultants.

6. After a period of testing of ingredients and mixtures and some rudimentary test marketing, Messrs Reed, Balon and Wright gave up their jobs in order to concentrate on the new venture. They were by September 1998 looking for office premises. Mr Reed heard that office space might be available at a design agency, Deepend. However, after the initial introduction to Deepend, discussions ensued with a view to Deepend assuming the design role for all aspects of the new business. Deepend was a young expanding company of entrepreneurs, and Mr Reed was impressed with their enthusiastic and dynamic approach to business. For their part, Deepend was also impressed with the possibilities for this new business venture. Mr Lockton, a founder and the managing director of Deepend, was clearly very keen on his company being involved, and - a factor of obvious attraction to a start-up company - Deepend was willing to work as the design agency for shares in the new company rather than for immediate payment for its design work.

7. In the above circumstances, Mr Reed set about drafting a contract to govern relations between the two companies. There seems to have been complete agreement from the outset that Deepend was to provide the full range of design services. In Mr Reed's words:

Yes, that was the spirit of the deal. They were going to be our one-stop shop for all design requirements in the first 18 months of the business.

8. The main subject of the negotiation concerned the level of shareholding for which Deepend was to work. After some discussion Mr Reed and Mr Lockton came to an agreement. That agreement, which I shall simply call "the Contract", had been drafted by Mr Reed and was agreed by Mr Lockton. No signed copy has been located. But unsigned electronic copies with attributions of 16 October 1998 in the case of Fresh and 19 October 1998 in the case of Deepend have been found in the computer records of both Fresh and Deepend. In evidence Mr Lockton readily acknowledged that he had agreed the Contract.
9. The provisions of the Contract are of central importance in the present case. The Contract records that it is made between Deep End Design and Fresh and is entitled 'Heads of Agreement'. Under the heading 'Obligations' Deepend's obligations are described:

2.1 Deep End take on the role of being Fresh's marketing partner. This entails fulfilling the following roles:

2.1.1 Working with Fresh to develop and finalise the brand foundations for the new juice range. This will include running sessions to determine the exact nature of the audience, the most compelling proposition and the right tone of voice.

2.1.2 developing the visual identity for the product (including bottle and label design) and its associated marketing

2.1.3 Acting as a source of innovative ideas for all types of marketing activity.

2.1.4 Overseeing the design and implementation of all the drinks' communication material. This will include a diverse and extensive range of items, including, but not only consisting of;
the delivery vehicles
in-store promotional material
individual juice menus for bars/restaurants
the brand web-site
sampling units
branded merchandise.

2.1.5 Designing the corporate identity for Fresh Trading Ltd

Clause 3 recited that this was to be a relationship of partnership rather than a "normal client/agency" one and clause 4 was headed 'Remuneration'. It provided that Deepend was to fulfil its clause 2 responsibilities until 12 months after launch and there was to be neither reimbursement nor extra remuneration whatever the hours needed. Clause 4 continued:

4.2 Both parties agree that this work has a value of approximately £87,350, split into three phases (pre-launch, which has a value of £25,350; the first six months, which has a value of £38,000; and the second six months, which has a value of £24,000)

4.3 Deep End are prepared to receive their remuneration in three phases in the form of equity in the company, paid in shares and granted at the end of each phase.

.....

4.5 This equity will be awarded in three stages. The first 1.52% will become valid at the point when the bottle and label first go into production. The second 1.64% will become valid at the end of the first six months of trading and the third 0.59% will become valid at the end of the second six months of trading if the responsibilities outlined in Section 2 are fulfilled.

4.6 Deep End accept the risk inherent in the remuneration and acknowledge that if the company ceases trading, or fails to begin to trade, then no fee will be paid.

.....

10. The critical provision for the purposes of the present dispute is Clause 5. It is headed "Intellectual Property" and provides:

5.1 Fresh Trading Ltd receive full intellectual copyright of any work, creative ideas or otherwise, presented by the agency and then subsequently approved by Fresh. Work not approved by Fresh remains under the ownership of Deep End.

11. The Contract concludes with a space for the signatures of, respectively, Mr Lockton as managing director of Deepend and Mr Reed as a director of Fresh. This is underneath the words 'Subject to contract'. There is, as I have indicated, disagreement between the parties as to whether the Contract was ever in fact signed. There is very little relevant contemporary correspondence to shed light on the question. There is an email from Mr Reed to Mr Lockton of 21 October 1998 which concludes: "PS Don't forget to send me the signed heads of agreement as soon as possible". A further email of 28 October concludes: "And Gary, please don't forget to sent [*sic*] the Heads of Agreement". Otherwise, there is no reference at all to signature of the Contract.

12. What clearly emerged from the evidence was that the Contract was fully agreed by both parties. As a matter of good administration it may not in fact have been signed. This was in dispute. But all parties proceeded entirely as if it had been. As Mr Reed put it: "We had done the deal". Indeed, there seems to have been an assumption at Deepend that the Contract had been signed. Thus, from the end of October 1998 Deepend started to work flat out on its design work. As Mr Reed put it:

But the work had started. Of course, the nature of the relationship, we had shook hands and done a deal as two business people. I never doubted Gary was going to sign and send the document. That was purely a bit of admin. Right from the beginning he said he had no problems with it. We had had the horse trade over the numbers. We agreed that and then we are off to the races. Yes, I have got the administration, I had to get that form back because it was important. But it would be illogical for me to say, "Do not do any work until you have sent me the signed copy", he has already agreed it and, of course, I want them to start working as soon as possible, as do they. It all makes total sense to me.

Mr Lockton's evidence was to similar effect:

But you did not care if it was signed; you just got on with it. Is that not the thrust of your evidence? You agreed it and just got on with it.

A. Pretty much, yes. We thought we had an understanding and we just ploughed on. Yes, I was not focused on signing it. I was not involved in very many of the meetings, yes.

13. There was considerable investigation in cross-examination of the Fresh witnesses of the extent to which Deepend had carried out various aspects of its design work. But, it is not necessary for me to conduct any detailed analysis of what Deepend did. The scope and extent of their work does not impinge on any issue before me. But, it is right to record that Mr Reed unreservedly acknowledged the effort put in by Deepend. He summed up his feelings towards Deepend: "They worked extremely hard, they were good guys and they were a pleasure to work with, certainly for the majority of the time". And: " I am not belittling what they did at all. I am on record repeatedly saying I appreciate what they did and they worked really hard".

14. I shall not dissect the evidence about what Deepend was doing by way of design from time to time, largely in the person of Mr Streek, known as 'Gravy'. But some key events were that (1) the brand name 'Innocent' was chosen for the smoothies at about the end of January 1999 after it was discovered that the previously preferred name 'Naked' was already registered as a trade mark and (2) it was in late February or early March 1999 that the Dude logo was first created.

15. There was some difference of recollection as to the precise circumstances of the Dude logo's creation. Thus, Mr Wright recalled having suggested to Mr Streek a face with a halo above, which Mr Streek then drew. The Deepend witnesses

disagreed that the initial idea came from Mr Wright. Nevertheless, differences in the detail of recollection may not matter. It is common ground between the parties that the logo was first drawn by Mr Streek. He was the author of the artistic work. It is also common ground that Fresh was very happy with what Mr Streek had produced. It was a simple but eye catching design. The logo was adopted by Fresh with enthusiasm. It has been used ever since in Fresh's marketing material. It has certainly become identified with Fresh and Innocent smoothies and was indubitably "approved" for the purposes of clause 5.1 of the Contract.

16. In the meantime, Deepend continued to work on the design of bottles, labels, point of sale material and the Fresh website. In particular, Deepend designed a website which portrayed a virtual "gym" – a novelty which did not meet with Fresh's wholehearted approval. There was some delay in launch of the Fresh products due, to some extent, to Deepend not managing to produce an entirely acceptable bottle design. However, eventually the Innocent smoothies were launched at the end of April 1999.
17. It is right to say that in the summer of 1999 Fresh's keenness for Deepend's design work gradually began to diminish. Mr Reed became not wholly satisfied with every aspect of Deepend's design work. Whether or not he was justified in this attitude does not matter for present purposes; appreciation of design is, of course, very much a matter of subjective judgment. But the upshot was that Mr Reed determined to try and achieve a reduction in Deepend's share entitlement. Under the Contract, Deepend would already have been entitled to a 1.52% shareholding in Fresh with the launch of the smoothies in April 1999. But neither Deepend nor Fresh paid any attention to the formality of share

allotment. This was ascribed by both parties to pressure of work and accelerating expansion, particularly in the case of Deepend.

18. On 15 July 1999 Mr Reed and Mr Lockton had a meeting at which it is common ground that Mr Reed raised the question of revising Deepend's overall share entitlement to 2%. Mr Reed's evidence was that Mr Lockton accepted this revision at the meeting, whereas Mr Lockton said that he did not finalise anything at the meeting. But, some months later, on 4 November 1999 Mr Reed wrote to Mr Lockton "to formalise the agreement reached" on 15 July 1999. The letter described adjustments to the "equity remuneration" with a not wholly accurate recital of what was in fact in the Contract and concluded:

It was further agreed that the first 1% equity was now transferable, and that the second 1% would become transferable once the website was completed to Fresh Trading's satisfaction, estimated to be March 2000.

This letter shall act as legal proof of the deal agreed between Deepend and Fresh Trading. Deepend will receive the actual share certificates when Fresh Trading has completed its share issue and when Deepend's outstanding work commitment is fulfilled.

19. The reference to completion of a Fresh Trading share issue in the letter of 4 November 1999 was, however, being overtaken by changes to the Fresh corporate structure. The old Fresh had been renamed Naked Products Limited with the company formerly called by that name becoming the new Fresh in 1999. Then in 2000 Innocent Limited was incorporated as a subsidiary of Fresh with the smoothie business being hived off to Innocent Limited. There were also changes for Deepend. It assumed the name of Deepend London Limited and became a subsidiary of Deepgroup Limited. No-one seems to have given

any thought to any effect which these changes might have on the Contract and the entitlement to a share allocation.

20. By the middle of 2000 it is evident from internal Deepend emails that there was dissatisfaction with the Fresh relationship. Mr Lockton was of the view: "If we can strike a deal where we take our equity and run then we should ...". Then, by the end of 2000 the dotcom bubble had burst. During 2001 Deepend and its parent came under increasing financial pressure. The question of a shareholding in Fresh was far from being a priority for Deepend. As for Fresh, the smoothie business was beginning to grow; Innocent smoothies were going on sale in supermarkets such as Waitrose. But the business was still relatively small. For Fresh also the issue of a small shareholding to Deepend was not a priority. Nevertheless, there was some communication in April 2001 between Mr Balon of Fresh and Mr Russell, the Group Finance Director of Deepgroup Limited, with a view to Deepgroup Limited acquiring a 2% shareholding in Innocent Limited. Their communications seem to have been wholly amicable. Whilst there is some confusion in the documents over the precise corporate structure envisaged at the time, it does seem that the principle of Deepend or its parent obtaining a 2% shareholding in the company operating the Innocent smoothie business was not at all in contention.

21. Neither Fresh nor Deepend was taking any steps to put the intended grant of a 2% shareholding into effect. Mr Balon explained that his letter to Mr Farnell of 2 April 2001 on the subject produced no response: "Russell Farnell never came back to me saying he was happy with the documents". He did not chase up Mr Farnell because Fresh was heavily involved in other business activities. As for Deepend, it may well be that its time was being taken up with trying to resolve

the increasing financial pressures. Unfortunately, by September 2001 it had become apparent that the group companies would have to be put into liquidation. On 1 October 2001 two partners in UHY Hacker Young LLP were appointed liquidators of Deepgroup Limited and its subsidiaries, including Deepend. The employee of UHY Hacker Young LLP who had the main responsibility for handling the liquidation, a process which for reasons which are not material for present purposes in the event took over 7 years, was Mr Kubik.

22. It was Mr Lockton's evidence that towards the end of 2001 it was suggested to him to by Mr Kubik that he contact Mr Reed to take up the question of the shares due to Fresh. Mr Lockton understood that Mr Kubik himself was not interested in pursuing shares; he was only interested in cash realisations. Mr Kubik for his part had no recollection of any conversation with Mr Lockton about Fresh at all. Indeed, he never even had sight of the Contract.

23. It is nevertheless common ground between the parties that Mr Lockton did telephone Mr Reed and inquire about the shares. But, the evidence of Mr Lockton and Mr Reed diverged over the content of the conversation. According to Mr Lockton, he was forcefully told by Mr Reed that since Fresh was in liquidation there was no way they would get anything. Mr Reed would only deal with the liquidators. According to Mr Reed, he told Mr Lockton that Fresh had failed to follow up the matter of the shares, and Mr Lockton was philosophical about it. In any event, there was no further communication at all about the shares. Mr Lockton considered that realistically the liquidator was not interested in pursuing something of very dubious cash potential. In any case, neither Mr Kubik nor Mr Lockton ever addressed their minds as to the potential

worth of a very small shareholding in what was then still a relatively small enterprise. In evidence Mr Kubik acknowledged that, if he had given any thought to the matter at the time, he would have been perfectly happy to have accepted something in the region of £3,000 to £5,000 in lieu of the 2% shareholding which had been envisaged.

24. Whilst Mr Kubik had apparently no interest in pursuing Fresh for the shares, it came to the attention of the Second Defendant, Mr Chappell, that it might nevertheless be possible to turn some possible intellectual property claims of Deepend to his financial advantage. Mr Chappell was an old friend of Mr Streek from whom he heard about these potential claims. In June 2006 Mr Chappell approached Mr Kubik to sound out the possibility of a company called IP Renaissance Limited acquiring from the liquidators some of Deepend's possible intellectual property claims. His email of 6 June 2006 refers to a number of possible claims, including one against Fresh, although it was Mr Chappell's evidence that ultimately none of these was pursued other than a claim against Fresh. There was no immediate follow up but by October 2007 Mr Chappell had learned that the liquidation was about to be concluded. At the last minute before this happened, Mr Chappell concluded on 10 October 2007 a deed of assignment with the liquidators under which he acquired for the sum of £3,000 all Deepend's interest, if any, in (amongst other matters) the copyright in all works created by Deepend for Fresh.
25. Fresh was entirely unaware of what was going on in the Deepgroup companies' liquidation, but on 9 March 2009 Messrs Reed, Wright and Balon received out of the blue letters from Mr Chappell intimating potential intellectual property claims and advising disclosure "to potential investors". Mr Lockton would not

be drawn over the reasons for the sudden sending of these letters but Mr Streek frankly acknowledged that it was press publicity over a potential acquisition of the Innocent business by Coca Cola which prompted the sending of the letters. Evidently, Mr Chappell was hoping that there might be claims with at least some nuisance value.

26. Mr Chappell's letters produced no reaction. He therefore decided to incorporate Deepend Fresh with a view to that company laying claim, as its name suggests, to any rights which might have been acquired by Deepend when it had been acting for Fresh. The company was incorporated with Mr Chappell and Mr Streek being each 40% shareholders and Mr Lockton holding 20% of the shares. On 16 April 2009 Mr Chappell then assigned to Deepend Fresh all the rights which he had previously acquired from the Deepend liquidators, and on 20 April 2009 Deepend Fresh commenced invalidity proceedings before the Office for the Harmonisation of the Internal market ("OHIM") in respect of the Fresh community trade mark consisting of the Dude logo. The basis of the challenge was that the copyright in the logo was owned by Deepend Fresh. Mr Chappell notified Fresh of the challenge on 28 April 2009.

27. Ultimately, on 15 December 2012 OHIM's Cancellation Division issued a decision upholding Deepend Fresh's challenge and declaring the trade mark invalid on the ground that use of the mark would infringe Deepend Fresh's copyright. I appreciate that this was a decision by the OHIM staff, but it is not entirely easy to follow the reasoning as regards, in particular, ownership in equity of the copyright in the logo. The decision reads at [30]:

The proprietor argues that regardless of who the owner is, there has been an equitable assignment or a licence of the copyright in favour of the proprietor. Therefore, according

to the proprietor, the copyright cannot be used to prohibit the proprietor to use the Work. The Cancellation Division is not convinced by this argument as it seems highly doubtful that the legal owner of a copyright could, *prima facie*, not enforce its right against an infringement. In any event, in the present case, the proprietor has not shown any actual use of the mark in question. The proprietor claims that its mark is reputed but there is no proof of any recognition of the mark on the market. Therefore, the proprietor has failed to prove that there is any equity in the copyright and this argument must be dismissed as unfounded.

Unsurprisingly, this decision caused some consternation at Fresh. It has lodged an appeal and also instituted the present proceedings for declaratory relief. The appeal has, I understand, been stayed pending determination of these proceedings.

THE ISSUES

28. Against the above background, I turn to consider the issues which I have to decide on the Claim and Counterclaim. There is a measure of common ground between the parties. Thus, it is not in dispute that Mr Streek was the original author of the artistic work consisting of the Dude logo. Similarly, employees of Deepend were the authors of the other copyright works identified in paragraph 51 of the Counterclaim (“the other Counterclaim works”). It is also not in dispute that (1) any copyright rights formerly vested in the old Fresh are now by assignment vested in the new Fresh and (2) any copyright rights formerly vested in Deepend are now by assignment and further assignment vested in Deepend Fresh.

29. The live issues before me are as follows:

- (1) Was the Contract signed by Deepend and, if so, was it effective to vest the copyright in the Dude logo (and the other Counterclaim works) in the legal ownership of Fresh?
- (2) Whether or not the Contract was signed, did it constitute a concluded binding agreement?
- (3) On the proper construction of the Contract, what was the event upon which the copyright in the Dude logo (and the other Counterclaim works) was to vest in Fresh?
- (4) Even if Fresh is not the legal owner, is it the equitable owner of the copyright?
- (5) If Fresh is neither the legal nor the equitable owner of the copyright pursuant to the Contract, what (if any) right under the copyright does it enjoy by implication?
- (6) If Deepend Fresh's Counterclaim is otherwise justified, is the Counterclaim precluded by acquiescence, laches or estoppel or is injunctive relief in any event inappropriate?
- (7) Is Mr Chappell a proper party to the proceedings?

THE CONTENTIONS OF FRESH

30. Fresh's primary case is that, even though an executed version or even copy cannot now be found, the Contract was in fact duly executed by Mr Lockton for Deepend. This was the clear evidence of Mr Reed who recalls details such as having placed the executed contract inside a blue folder. Mr Reed's recollection is supported by Mr Streek's belief that the Contract had been signed, as he subsequently so informed Mr Chappell. Mr Lockton's evidence went no higher than saying that he could not remember having signed the Contract. Moreover, there was no reason why the Contract should not have

been signed since everyone acknowledged that it had been agreed and all parties proceeded as if it had been signed. The limited contemporary documentary references to signature which exist are also consistent with the Contract having been signed. They show Mr Reed chasing for a signature and then silence. If the Contract was signed, then it would in the submission of Mr Purvis QC have constituted a legal assignment of copyright in the Dude logo when the logo was approved by Fresh, as it undoubtedly was. The same is true for the other Counterclaim works. Assignment was perfected at law by reason of section 90 or section 91 of the Copyright Designs and Patents Act 1988.

31. As for the suggestion that there was in any event no concluded binding agreement, this was untenable. It may be that agreement of further details was envisaged after agreement of the Contract, but this would not mean that the Contract itself was not binding. As for the rubric of “subject to contract”, it is to be remembered that Mr Reed was not a lawyer. Whilst an objective interpretation was required so that Mr Reed’s actual intention in using this phraseology may not be material, there is no doubt that the parties waived any initial suspensive effect of the “subject to contract” provision. The unequivocal conduct of both parties was only consistent with such a conclusion. Mr Purvis referred me to *RTS Ltd v Molkerei Alois Müller GmbH & Co KG* [2010] 1 WLR 753. In the language of Steyn LJ in the *Percy Trentham* [1993] 1 Lloyd’s Rep 25 at [50] it would be “unrealistic” to argue that there was no intention to enter legal relations.

32. Mr Purvis submitted that copyright in the Dude logo would simply have vested in Fresh as clause 5.1 of the Contract said, i.e. upon its approval by Fresh. There was no room for the mooted suggestion that the transfer of copyright

would be conditional upon shares being allotted to Deepend. The evidence simply did not justify any contention that the Contract incorporated Deepend's standard terms of business. This was a one off contract. The Contract did not contain conditional but concurrent obligations (a) to transfer the copyright upon approval and (b) to allot shares at specified stages. It would in any event be entirely unworkable to have a transfer of copyright dependent upon an obligation arising in stages.

33. If for whatever reason the requirements for a legal assignment were not fulfilled, then this was plainly a case of an equitable assignment. A contract to assign in the absence of the formalities necessary for a legal assignment is a paradigm case of an equitable assignment. The fact that in the event no shares were ever in fact allotted to Deepend following the liquidation of the Deepgroup companies did not mean that there was no effective assignment in equity. There was perfectly good consideration for the agreement to transfer copyright in the covenant to transfer the shares. Finally, under this heading Mr Purvis submitted that, if for some unknown reason the Contract was not binding, then this would be a classic case for implication of an (equitable) assignment or, at the very least, an exclusive licence in accordance with the principles set out in *Robin Ray v Classic FM* [1998] FSR 622.

34. Turning to the Counterclaim, Mr Purvis invites me to dismiss it on the basis that it is Fresh which is the copyright owner. However, if I were to find against Fresh, then Mr Purvis submits that this is the plainest possible case of acquiescence. No copyright claim was ever suggested by Deepend and only hinted at by Mr Chappell for the first time in March 2009. Over a period of some 10 years the Dude logo was being used by Fresh on an ever increasing

scale as the Innocent smoothie business grew to its present size. Similarly, the other Counterclaim works were being used in the normal way of business without any attempt at interference. There can be no doubt that Deepend was well aware in broad terms of Fresh's growth and never attempted to prevent use of the works in which Deepend Fresh now claims copyright ownership. Indeed, in one email in April 2003 Mr Streek noted: "I see my logo design for you everywhere now, even in supermarkets so you must be doing well". In short, Mr Purvis submits that this would be a paradigm case of estoppel, acquiescence or laches. Even the rigid *Wilmott v Barber* criteria for acquiescence are met on the present facts. Finally, Mr Purvis submits that, even if all his other arguments were to fail, this is not a case where any injunction against Fresh would be appropriate.

35. Finally, Mr Purvis submits that, given the history and the way in which the Deepend Fresh claims came to be mounted, it was entirely appropriate to have joined Mr Chappell as a Defendant to the proceedings. His presence has not increased the costs in any respect.

THE CONTENTIONS OF DEEPEND FRESH

36. For Deepend Fresh Mr Silverleaf QC begins from the starting point that, as is not in dispute, Mr Streek of Deepend was the author of the Dude logo, and he and other Deepend employees were the authors of the other Counterclaim works. Hence, Deepend was the first owner of copyright. And, Mr Silverleaf submits, there has never been any assignment valid either at law or in equity. At most Fresh was simply a bare licensee under the copyright with a licence terminable when the agreed remuneration by way of share allocation was not made.

37. Mr Silverleaf invites me to find that on balance the Contract was not in fact signed. He accepts that on the evidence there was no reason why it should not have been signed. But, he submits that, if it had been signed, it is inconceivable that no signed copy has ever come to light in the possession of Fresh, Deepend or any third party. Nor is there any reference to a signed contract in any of the documentation. A signed written document would, of course, be essential before there could be any valid legal assignment. Moreover, even if I were to find that the Contract had been signed, there would still be no valid legal assignment. Section 90 of the 1988 Act could not apply because clause 5.1 applies to future works. There cannot be a legal assignment of future copyright, aside from the specific case covered by section 91 of the Act. At most there could only be an agreement to assign. And section 91 of the Act can have no application in the present case because the Contract does not provide for copyright to vest in Fresh on the creation of a work. Under clause 5.1 copyright remains in Deepend and is only transferred to Fresh if and when a work is approved by Fresh.
38. Not only was there no legal assignment but, in fact, there was no concluded binding agreement and hence not even an agreement to assign. Mr Silverleaf draws attention to the express “subject to contract” rubric, to the fact the Contract is headed Heads of Agreement, to the fact that certain documents suggest that further formal documentation was envisaged and to the fact that the Contract only addresses “headline” terms rather than matters of detail. But, if the Contract were a binding agreement then it is suggested that, reading the document as a whole, the copyright in works created by Deepend was only to pass when Deepend was paid, i.e. by receipt of the agreed shares. Unless and

until this occurred Fresh was a mere licensee of Deepend's work. Retention of copyright until payment was said to be the normal practice in the design industry and appeared specifically in Deepend's standard conditions.

39. The contention that Fresh was in any event an equitable assignee was also resisted on the ground that an equitable assignment could only arise where the right to call for a legal assignment was enforceable by specific performance. Here it was said that equity would not grant specific performance in favour of Fresh because Fresh had refused to fulfil its side of the bargain, that is to allot shares to Deepend. In all the cases where there had been held to be an equitable assignment of copyright the creator of the copyright work had been paid for his work. It would be wrong to grant Fresh the copyrights without having to give any consideration at all. In his closing submissions Mr Silverleaf also alluded to a concept which had not featured in the pleadings, that is an unpaid vendor's lien; but in reply he expressly disclaimed reliance on some unpaid vendor's lien as an additional reason for refuting the existence of an equitable assignment.

40. As for estoppel or acquiescence, the critical matter was whether it would be unconscionable for Deepend Fresh to enforce its rights. The mere passage of time is not enough: cf. *Fisher v Brooker* [2009] 1 WLR 1764. Mr Silverleaf submits that Fresh never relied upon any act or statement of Deepend. It simply relied upon its own (incorrect) understanding of the legal position. Fresh suffered no detriment in consequence of anything said or done by Deepend. The position in which it now finds itself is attributable to its own conduct in taking the benefit of the copyright works without making any payment at all. As for the contention that, regardless of acquiescence, estoppel or laches, there might be a freestanding ground for denying injunctive relief, the authority on

which Fresh relied, *Coventry v Lawrence*, was in truth concerned with damages in lieu of an injunction. This is not material here. If there is no basis in equity for resisting an injunction, it would be irrational to say that nevertheless there should be no injunction.

41. In conclusion Mr Silverleaf invited me to say that here the joinder of Mr Chappell as a personal Defendant was wholly unwarranted. He is not making any personal claim to copyright. His joinder was merely an oppressive device. Whatever the outcome of the dispute, the claim against Mr Chappell personally should be dismissed with indemnity costs.

DISCUSSION

Legal Assignment of Copyright

42. Whether or not there was a legal assignment of copyright depends on section 90 or section 91 of the Copyright Designs and Patents Act 1988. Mr Purvis relies on these sections in the alternative. They provide as follows:

90.— Assignment and licences.

(1) Copyright is transmissible by assignment, by testamentary disposition or by operation of law, as personal or moveable property.

(2) An assignment or other transmission of copyright may be partial, that is, limited so as to apply—

(a) to one or more, but not all, of the things the copyright owner has the exclusive right to do;

(b) to part, but not the whole, of the period for which the copyright is to subsist.

(3) An assignment of copyright is not effective unless it is in writing signed by or on behalf of the assignor.

.....

91.— Prospective ownership of copyright.

(1) Where by an agreement made in relation to future copyright, and signed by or on behalf of the prospective owner of the copyright, the prospective owner purports to assign the future copyright (wholly or partially) to another

person, then if, on the copyright coming into existence, the assignee or another person claiming under him would be entitled as against all other persons to require the copyright to be vested in him, the copyright shall vest in the assignee or his successor in title by virtue of this subsection.

(2) In this Part—

“future copyright” means copyright which will or may come into existence in respect of a future work or class of works or on the occurrence of a future event; and

“prospective owner” shall be construed accordingly, and includes a person who is prospectively entitled to copyright by virtue of such an agreement as is mentioned in subsection (1).

.....

43. The first question for consideration is whether or not Deepend in fact signed the Contract, for a signed document is a requirement of both sections. Mr Reed firmly recalls that Mr Lockton signed the Contract and gave evidence of relevant points of detail, although it is right to say that he agreed that his recollection had firmed up over time. Mr Reed was undoubtedly an entirely honest witness. Furthermore, Mr Streek of Deepend also assumed that there was a signed contract, and Mr Lockton could not say positively that he had not signed. Moreover, there was complete acceptance on all sides that the Contract was agreed and there was no reason why signature should have been withheld. These are powerful points. Nevertheless, I have not been persuaded that I should find as a fact that the Contract was actually signed.
44. No signed copy has, of course, been located despite the most extensive search. I agree with Mr Silverleaf that it is highly improbable, if the Contract had been signed, that there would not have been a single copy of the signed document retained among the documents at either Fresh or Deepend. Furthermore, it would have been the signed version which would have been likely to have been sent to third parties such as solicitors and accountants. I have certainly borne in

mind the passage of time and that for Deepend the business was in turmoil from late 2001. It would be understandable if records were mislaid. Nevertheless, it is to be noted that there is not one reference in any of the documents to a signed version of the Contract. On balance, therefore, I have concluded that Fresh has not established that Deepend actually signed the Contract. Certainly, Mr Reed would have wished at the time for Mr Lockton to have signed the Contract but signature was not regarded as a matter of high priority. Everyone was satisfied that the parties were in agreement, and signature was merely an administrative matter. All efforts revolved around getting the new business off the ground, and both parties were working extremely hard to this end. I think it probable that actual signature was simply overlooked.

45. Given the absence of signature, I am unable to find a legal assignment. But, I also consider that there would in any case be other difficulties in Fresh's way. As for section 90 of the 1988 Act, I accept Mr Purvis's submission that there is no particular form of words prescribed for an assignment. What is required is a clear intention to assign. It must nevertheless be said that there is not here even a clear intent to assign the copyright in a work which may be created. There is only intent conditional upon Fresh's subsequent approval. The difficulty here is that when the Contract was made there was no work in which the copyright could then be assigned. There were only potential works which might come into existence and which then might, or might not, be approved by Fresh. It has long been the position that (aside from statute) there cannot be an assignment of a future work but only an agreement to assign. Both the leading textbooks, Laddie Prescott & Vitoria on The Modern law of Copyright and Designs (4th ed) and Copinger and Skone James on Copyright (16th ed) make this clear distinction between an agreement to assign and an assignment. Section 91 of

the 1988 Act does provide some statutory inroad into this position where it applies. It was viewed as necessary precisely because a future copyright could not be the subject of a present assignment. If Mr Purvis were correct in saying that section 90 is applicable in the case of an agreement to assign, section 91 would serve no purpose.

46. In the present instance, however, I also think that section 91 of the 1988 Act cannot apply. The section is applicable to a “future copyright” which is defined as a copyright which will or may come into existence on creation of a work or the occurrence of an event. The problem here for Fresh is that section 91 has effect, if at all, “on the copyright coming into existence”. It is then that an agreement may have the effect of creating a legal assignment. However, in the instant case the copyright in all works created by Deepend employees vests in Deepend “on the copyright coming into existence”. It is only in the case of those works “subsequently approved by Fresh” that copyright is to be transferred to Fresh.
47. I therefore conclude that neither section 90 nor section 91 of the 1988 Act assist Fresh. It is at most an equitable rather than legal assignee of the copyright in the Dude logo and the other Counterclaim works.

The Contract

48. Both Fresh and Deepend were united in regarding the Contract as having been agreed. Indeed, not only was it implemented by Deepend but there was no dispute that Deepend was contractually entitled to shares in Fresh. Nevertheless, it is now contended that the Contract was not in fact a binding agreement. Leaving aside the words “subject to contract”, the Contract

certainly reads like an intended binding agreement. It may be that, as Mr Silverleaf says, the parties would have intended more specific agreement of detail in due course. But that is a common situation and does not indicate the absence of a present intent to be bound. Similarly, I attach no importance to the title “Heads of Agreement”. Again, it is common in the commercial world for heads of agreement to be concluded and to be contractually binding, even though some further future agreement may be contemplated. In *RTS Ltd v Molkerei Alois Müller GmbH & Co KG* [2010] 1 WLR 253 Lord Clarke of Stone-Cum-Ebony summed up the relevant principles as follows at [45]:

The general principles are not in doubt. Whether there is a binding contract between the parties and, if so, upon what terms depends upon what they have agreed. It depends not upon their subjective state of mind, but upon a consideration of what was communicated between them by words or conduct, and whether that leads objectively to a conclusion that they intended to create legal relations and had agreed upon all the terms which they regarded or the law requires as essential for the formation of legally binding relations. Even if certain terms of economic or other significance to the parties have not been finalised, an objective appraisal of their words and conduct may lead to the conclusion that they did not intend agreement of such terms to be a precondition to a concluded and legally binding agreement.

Putting to one side the rubric “subject to contract”, I am in no doubt that application of these general principles leads to the conclusion that there was an agreement between the parties on the terms set out in the unsigned draft – an agreement which both parties regarded as covering their relations and as contractually binding.

49. As for the words “subject to contract”, I do not place any reliance on Mr Reed’s evidence as to his own subjective intent when using the words, understandable though this intent may be for a non-lawyer. I must, of course, consider the objective position and the normal inference from these words that parties do not

regard themselves as bound pending conclusion of a further agreement. Nevertheless, whilst this may be the initial starting point, there is no doubt that the words “subject to contract” may be waived like any other contractual provision, even though such a waiver is not lightly found. Indeed, the *RTS* case cited above was such a case. There, Lord Clarke considered that any other conclusion in the circumstances “makes no commercial sense” and that “the reasonable, honest businessman ... would have concluded that the parties intended that the work should be carried out for the agreed price on the agreed terms without the necessity for a formal written agreement, which had been overtaken by events”: [210] 1 WLR 253 at [86]. In my view the same reasoning would apply to the circumstances of the present case.

50. As for the suggestion that on the true construction of the Contract copyright in the Dude logo was only to vest in Fresh upon issue of the agreed shares to Deepend, I can see no basis for the suggestion in the language of the Contract itself. The obligation to transfer a copyright under clause 5.1 and the obligation to allot shares under clause 4 are concurrent conditions. Neither is expressed as a conditional obligation. Indeed, the obligation to allot shares could in theory (if unlikely in practice) arise even if no copyright became transferable to Fresh under clause 5.1. Mr Lockton said that it was normal in the design world for a client only to obtain copyright upon payment and this was the effect of Deepend’s standard conditions which he assumed, although he did not specifically recall, would have been sent to Fresh. I can place no weight at all on this evidence. The Contract was undoubtedly not a standard client/design agency agreement. It was specially tailored for the circumstances. Moreover, Deepend Fresh has been unable to point to any contemporary document referring to the Deepend conditions of the time or even, indeed, to the

conditions themselves as they were in 1998. In my view clause 5.1 can only be regarded within the context of the Contract as a whole as simply requiring a transfer to Fresh of the copyright in any Deepend work which came to be approved by Fresh. Such a conclusion not only accords with the language of clause 5.1 but also makes commercial sense. The balance struck was that Fresh obtained the copyright in what it wanted for its business whilst Deepend was free to use for other clients any work which Fresh did not want.

Equitable Ownership of Copyright

51. It is not in doubt that the consequence of an agreement to assign the copyright in a future work will often (assuming section 91 of the 1988 Act is not applicable) give rise to an equitable assignment of the copyright when the contractual conditions for the assignment arise. The general principle is not in dispute. I need do no more than note in passing the two well-known authorities to which Mr Purvis referred: *Re Casey's Patents* [1892] 1 Ch 104 and *Performing Right Society v London Theatre of Varieties* [1924] AC 1. I have already addressed, and rejected, the objection that there was here no concluded binding agreement. I now turn to the objection that no shares in Fresh were ever allotted to Deepend as required by the Contract. Indeed, Mr Silverleaf submits that this is a case where Fresh simply "refused to pay". Accordingly, he says that there can be no equitable assignment because specific performance of an obligation to provide a legal assignment would be refused. Mr Silverleaf relies in particular on Mr Lockton's evidence as to what was said in his telephone conversation with Mr Reed shortly after the Deepgroup companies went into liquidation.

52. Undoubtedly, implementation of the obligation to allot shares to Deepend proceeded at a leisurely pace. Neither Fresh nor Deepend exhibited any urgency in dealing with the matter. Perhaps, neither party regarded the possession of a very small shareholding in Fresh as being of much, if any, value. Nevertheless, there did continue to be some fairly desultory communication about it. Whilst Mr Reed wished to negotiate Deepend's shareholding downwards to 2% from the contractual 3.75%, the discussions over granting shares in Innocent Limited rather than old Fresh and to do so in favour of Deepgroup Limited suggest a willingness to fulfil the substance rather than the letter of the agreement. I do not accept that Fresh ever "refused to pay". The high water mark of Mr Silverleaf's submissions is Mr Lockton's disputed version of what was said by Mr Reed in the telephone conversation following the liquidation. However, even on Mr Lockton's disputed understanding there was no outright refusal to honour Fresh's contractual obligations. Mr. Lockton's summed up his understanding of Mr Reed's attitude in this passage of his evidence:

Q. "I am not dealing with you. I will deal with the Liquidator if necessary, but I am not dealing with you"?

A. I think so, yes.

Q. That is the impression he gave?

A. I think so, yes.

53. Not only was there no refusal by Fresh to honour its contractual obligations but also I do not consider that actual allotment of shares to Deepend would be a precondition for specific performance to perfect the clause 5.1 obligation. Such allotment is now, of course, impossible; both old Fresh and Deepend have long since dissolved. But I do not think that this can affect the position: cf. *Peer International Corp v Termidor Music Publishers Ltd* [2004] RPC 22 at [76] –

[81]. In any event Fresh's consideration for the clause 5.1 and other obligations was the promise to allot shares in accordance with the agreed timetable rather than actual allotment. Indeed, the obligation to transfer copyright to Fresh arose on Fresh's approval of a work whereas the obligation to allot shares arose in stages over a full year.

Other Issues

54. In the light of my conclusion as to the Contract and the effect of its express terms, it is unnecessary for me to decide what the position would be if there were a requirement to make some implication following the principles set out in *Robin Day v Classic FM* [1998] FSR 622. Indeed, it would be rather an artificial exercise for me to attempt to do so. I shall merely say that to my mind there would in any event be much to be said for the implication of an equitable assignment of copyright in the Dude logo and the other Counterclaim works. They were created specifically for Fresh and approved by Fresh for the purposes of the Fresh business. Fresh itself collaborated with Deepend over the production of design materials generally, even though Fresh employees may not have been the actual authors of specific works. As Mr Wright put it in evidence: "it was a close collaborative process where ourselves and Deepend were working together to iterate things and improve on them". It would be wholly unrealistic to envisage Deepend using works which were employed as Fresh marketing materials for themselves or for other clients. Moreover, given the potential effect on the Fresh business, the possibility of licence termination does to my mind tend to militate against the implication of a mere licence.
55. My conclusions in relation to equitable assignment also render it unnecessary for me to decide questions of acquiescence, estoppel and laches. But, I should

indicate that, if I had found that Fresh had no legal or equitable interest or even an irrevocable licence in the copyright in the Dude logo, my inclination would have been to reject a notion that Deepend Fresh is now able to obtain injunctive relief against Fresh.

56. The lapse of time since the creation of the work is considerable. During this time Fresh has built up from small beginnings a very substantial business indeed. The Dude logo has become fully identified with Innocent smoothies in the public perception. Deepend initially made every effort to contribute to the success of Innocent smoothies under the insignia of the Dude logo. Thereafter, Deepend was evidently aware of the growing success of Innocent smoothies. Yet, at no point until Mr Chappell's letters of 9 March 2009, following the publicity over the imminent sale to Coca-Cola, was there ever even a hint that Deepend might have owned the copyright in the Dude logo. I tend to agree with Mr Purvis that the facts of the present case fit within even the formerly strictly applied "probanda" of *Wilmott v Barber* (1880) L.R. 15 Ch D 96. The facts fit even more within present day principles expressed in cases such as *Taylor Fashions v Liverpool Victoria Trustees* [1982] QB 133. Mr Silverleaf has pointed out - correctly - that Fresh has never been positively misled by Deepend into thinking that it owned the copyright. However, an affirmative representation to the other party is not a requirement of this area of the law. If it had been necessary for me to decide this Fresh alternative case, I would have been inclined to rule upon it in Fresh's favour. However, I do tend to agree with Mr Silverleaf that, if I were to reject defences based on acquiescence, estoppel or laches, it would be hard to see the justification for nevertheless refusing injunctive relief.

THE COUNTERCLAIM

57. It follows from my conclusion that Fresh has title in equity to the copyright that the Counterclaim must be dismissed.

THE SECOND DEFENDANT

58. I agree that the joinder of unnecessary parties to an action may be oppressive and is thoroughly undesirable. Nevertheless, I am of the view that here it was not inappropriate to have joined Mr Chappell as a personal Defendant. Although he had never himself had any involvement with Deepend, he was the individual who made the acquisition from the liquidators and first intimated a possible claim. He was the person who arranged for the creation of Deepend Fresh, and the assignment to it, and who was responsible for the institution of the OHIM cancellation proceedings.
59. There is, of course, no need to demonstrate a cause of action against a Defendant where declaratory relief is sought. The history of the way the Deepend Fresh claim surfaced does lend force to the submission that Mr Chappell was personally responsible for its appearance and that he should be personally bound by declaratory relief so as to ensure that the claim does not again re-surface in the future. And Mr Chappell's presence as a party has not added to the costs of the action at all.

CONCLUSION

60. In the result, I find that Fresh is the owner in equity of the copyright in the Dude logo and the other Counterclaim works and shall make a declaration accordingly. The Counterclaim is dismissed. I shall hear the parties on the

form of the declaratory relief and on any other matters consequential upon this judgment.

