



Neutral Citation Number: [2023] EWHC 7 (Comm)

Case No: CL-2022-000653

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
KING'S BENCH DIVISION
COMMERCIAL COURT

Royal Courts of Justice
Rolls Building, Fetter Lane,
London, EC4A 1NL

Date: 06/01/2023

Before :

THE HONOURABLE MR JUSTICE HENSHAW

Between :

EVERYTHING LTD

Claimant

- and -

CYRUS GILBERT-ROLFE

Defendant

James Laddie KC (instructed by **gunnercooke solicitors LLP**) for the **Claimant**
Darryl Hutcheon (instructed by **Birkett Long Solicitors LLP**) for the **Defendant**

Hearing date: 21 December 2022
Draft judgment circulated to the parties: 29 December 2022

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

Mr Justice Henshaw:

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(A) INTRODUCTION

1. The Claimant (“*Evrythng*”) applies for interim injunctive relief in the form of an order requiring the Defendant (“*Mr Gilbert-Rolfe*”) to comply with a non-competition covenant in his contract of employment, due to last until 13 June 2023, pending a speedy trial. The Claimant has discovered that the Defendant is currently working for a competitor, in alleged breach of that non-competition covenant.
2. The application, which was issued on 9 December 2022, is supported by the first and second witness statements, dated 9 December and 20 December 2022, of Mr Niall Murphy, Evrythng’s Executive Vice President, Chief Development Officer and General Manager. Mr Gilbert-Rolfe filed a witness statement dated 19 December 2022 in opposition to the application.
3. For the reasons set out below, I have concluded that I should not grant the interim relief sought. I will, however, order an expedited trial and, if necessary, certain other interim injunctive relief by way of reinforcement of the undertakings Mr Gilbert-Rolfe has already provided.

(B) FACTS

(1) Parties and roles

4. Evrythng’s main activity is the provision of information technology services to consumer product manufacturers. In particular, it offers and operates “software-as-a-service” platforms to its customers enabling such customers and their customers to obtain data about physical product items (via data carriers such as QR codes or

- barcodes). Evrythng serves a wide range of markets including fashion and apparel, food and beverage, tobacco, domestic goods, cosmetics and pharmaceuticals.
5. Mr Gilbert-Rolfe states that since the late 1990s he has worked in sales in the specific domain of emerging technologies. He started out working in sales at Netscape (a computer services company best known for its Web browser, Navigator, which is now part of America Online (AOL)). Between then and the beginning his employment with Evrythng, he worked in several other senior sales roles.
 6. Mr Gilbert-Rolfe commenced employment as Managing Director, EMEA and Oceania for Evrythng on 1 February 2021. Mr Gilbert-Rolfe describes himself as having been responsible at Evrythng for sales and business development in the EMEA and Oceania regions. Mr Murphy states that Mr Gilbert-Rolfe's role, essentially, was to lead Evrythng's sales team: to grow its existing business, onboard new customers and develop channels to market. He says Mr Gilbert-Rolfe was expected to directly manage the existing Sales function. He was a member of the executive team and reported directly to the CEO (who was Mr Murphy at the time of Mr Gilbert-Rolfe's recruitment). His annual salary was £200,000 (plus eligibility for a discretionary performance bonus and participation in Evrythng's share option scheme).
 7. Mr Murphy explains that, as part of Mr Gilbert-Rolfe's role, he was expected to, and did have access to substantial information about and influence over Evrythng's customers and prospective customers. There is some divergence of evidence about Mr Gilbert-Rolfe's precise role, since Mr Murphy says Mr Gilbert-Rolfe was *inter alia* responsible for prospecting for customers, an activity which gave him in-depth access to confidential information about Evrythng, its customers and its prospective customers. Mr Gilbert-Rolfe says he was not personally responsible for prospecting for customers, or undertaking many of the tasks Mr Murphy states he undertook in that context, but managed a team whose responsibility it was to do those things; and that he did not have an individual sales target. Mr Murphy takes issue with this in his 2nd statement, stating that Mr Gilbert-Rolfe was expected to be personally responsible for prospecting customers; that Mr Murphy attended a number of such meetings with him; that in his experience the head of a sales function is generally expected directly to prospect and engage customers; and that the tone of Mr Gilbert-Rolfe's correspondence with the companies he solicited (referred to below) suggests a degree of familiarity with his counterparts there consistent with his having had personal dealings with them.
 8. Mr Murphy describes in some detail the types of confidential information to which Mr Gilbert-Rolfe had access, and their importance, including information relating to Evrythng's strategic objectives, business plans, the product roadmap for the next 18 to 24 months, strategic development plans (usually valid for 18 to 24 months), customer contacts and contracts, prospect databases and market research data. He says Mr Gilbert-Rolfe also had access to Evrythng's pricing model and contractual terms, product capabilities, service delivery methodology, and Evrythng's competitive assessments of its value propositions and product capabilities compared to its competitors (including what Evrythng perceived to be its own strengths and weaknesses).
 9. Mr Gilbert-Rolfe agrees that he had access to confidential information, though he takes issue with parts of Mr Murphy's description, stating that he did not in fact access much of the information that was available to him; that some of the information which Mr

Murphy states to be “confidential” clearly is not because it is information in the public domain (for example, because Evrythng has published online much of the information relating to how its software-as-a-service platform operates); and that he does not recognise some of the specific information resources to which Mr Murphy refers to. For example, whilst Mr Murphy refers to “the Claimant’s pricing model”, Mr Gilbert-Rolfe says that to the best of his knowledge there was never a single or formal “pricing model” that the Claimant used with customers.

10. Mr Murphy replies, in his 2nd statement, that he would have assumed that Mr Gilbert-Rolfe would in fact access various types of confidential information as part of his job; and that Evrythng’s published information about its products does not represent the totality of what Mr Gilbert-Rolfe knows about it. Mr Murphy also says in his 2nd statement that:

“In a sales cycle the average product road map is longer than 12 months. The pricing information goes alongside the product road map. The length of the non-compete clause (12 months) is designed to ensure it protects the product road map, the pricing and other confidential information. A non-compete for 12 months also gives a replacement salesperson an opportunity to form relationships with customers and prospects”

and

“the Claimant maintains a specific pricing policy document and a pricing calculator tool utilised by the sales team to formulate pricing for prospective customers. The pricing tool is a standard component of sales training and is maintained by the product organisation of the Claimant. It is the policy of the Claimant not to issue pricing proposals to prospective customers without a non-disclosure agreement in place with such prospects. Pricing is confidential information and all customer agreements with the Claimant are subject to confidentiality provisions.”

(2) Executive Service Agreement

11. Mr Gilbert-Rolfe was employed under a written Executive Service Agreement dated 6 January 2021 (“*the ESA*”). Schedule 1 to the ESA contains obligations regarding the protection of Evrythng’s business interests. It includes a section on Evrythng’s intellectual property (clause 2), and a set of post-termination restrictive covenants (clause 3). The latter provisions are set out in Annex 1. They include an 18-month non-solicitation covenant (cl.3(a)), a 12-month non-dealing covenant (cl.3(b)), 12-month non-poaching and hiring covenants (cl.3(c)-(e)), and a 12-month non-competition covenant (cl.3(f)). The pre-ambule and non-competition covenant are in these terms:

“You recognise that as a result of your employment, you will have had access to confidential information and/or contacts of the Company (such as clients or staff). As a result you covenant with the Company that you will not during your employment and:

...

(f) for 12 months after Termination carry on or be concerned in any business concern which is or is setting up to be in competition with the Company.”

12. The restrictive covenants, including the non-competition covenant, are further explained and limited by the following contractual provisions:

[i] “The restrictions imposed on you by this clause apply to you acting: directly or indirectly; and on your own behalf or on behalf of, or in conjunction with, any firm, company or person; and in any Capacity. This means that the non compete restriction in (f) above includes you setting up a consultancy as a limited company or sole trader and providing services to a Restricted Customer in competition with the Company.”

[ii] “The periods for which the restrictions in this clause apply will be reduced by any period that you spend on Garden Leave immediately before Termination.”

[iii] “None of these restrictive covenants shall prevent you from being engaged or concerned in any business concern insofar as:

- your duties or work shall relate solely to geographical areas where the business concern is not in competition with the Company (i.e. an area where the Company is not active or in which it is not actively planning to develop its activities)
- your involvement is limited to holding an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company listed or dealt in on a recognised stock exchange or
- your duties or work shall relate solely to services or activities of a kind with which you were not concerned to a material extent in the 12 months before Termination.”

13. The main body of the Contract contains detailed provisions governing Mr Gilbert-Rolfe’s use of Evrythng’s confidential information both during and after employment.

(3) Digimarc takeover and Restrictive Covenant Agreement

14. In early January 2022 Evrythng was taken over by a US company, Digimarc. By this time Mr Gilbert-Rolfe had been promoted to the role of Chief Revenue Officer. Mr Gilbert-Rolfe states that part of the arrangements for the takeover was that, in return for having his share options in Evrythng converted into “*replacement equity awards*” in Digimarc, Mr Gilbert-Rolfe was required to sign a “*Restrictive Covenant Agreement*” (“*the RCA*”) with both Digimarc and Evrythng. The RCA defined Mr Gilbert-Rolfe as “*Seller*”, Digimarc as “*Buyer*” and Evrythng as “*Company*”. It recited that:

“(A) On or around the date of this deed the Seller and various other shareholders of the Company, entered into a share purchase agreement with the Buyer and the Company for the sale and purchase of the entire issued share capital of the Company (the “SPA”).

(B) It is a condition of the SPA that the Seller enters into this Agreement.”

Clause 2.6 to the RCA stated that:

“The consideration for the undertakings contained in clause 2.1 is included in the consideration due to the Seller pursuant to the SPA.”

15. In fact, according to the evidence placed before me, Mr Gilbert-Rolfe was not a party to the Share Purchase Agreement (SPA) by which Digimarc acquired Evrythng. However, the SPA listed Mr Gilbert-Rolfe as one of four “*Key Managers*”, and recital G to the SPA recorded that:

“Concurrently with the execution of this Agreement and as a material inducement to the willingness of the Purchaser to enter into this Agreement, each Key Manager is entering into non-competition and non-solicitation agreements in substantially the form attached hereto as Exhibit C (each, a “Restrictive Covenant Agreement”), in each case to become effective upon the Closing Date.”

Article 2.4(e) of the SPA deals with unvested share options over Evrythng shares, such as those which Mr Gilbert-Rolfe held. It provided that:

“At the Closing, each Unvested Company Option shall, in each case, be cancelled and terminated without consideration upon the Closing. Within 45 days following the Closing Date, the Purchaser will grant equity awards (the “Replacement Equity Awards”), in such form as determined by Purchaser in its sole discretion, to the holders of Unvested Company Options that remain employed by the Company at the time of grant of such Replacement Equity Awards. The Replacement Equity Awards will de facto replace the Unvested Company Options, and that each Replacement Equity Award will have substantially equivalent economic value as the replaced Unvested Company Options; ...”

16. The RCA stated that it had been entered into as a deed, and the execution pages indicated that each signatory (including Mr Gilbert-Rolfe) had signed it as a deed.
17. The RCA contained differently worded, and more far-reaching, covenants than those set out in the ESA. They included a new non-competition covenant, the provisions relating to which (in addition to § 2.6 quoted above) are as follows:

“2. RESTRICTIONS ON THE SELLER

2.1 The Seller undertakes to the Buyer, the Company and each other member of the Company Group that it shall not:

2.1.1 at any time during the period of 2 (two) years commencing on the Closing Date, in any geographic area in which the Business (or any part of it) is carried on at the Closing Date, carry on or be engaged, concerned or interested in, a Restricted Business;

...

2.2 The undertakings in clause 2.1 are intended for the benefit of, and shall be enforceable by, each of the Buyer, the Company and the other members of the Company Group and shall apply to actions carried out by the Seller in any capacity (including as shareholder, partner, director, principal, consultant, officer, agent or otherwise) and whether directly or indirectly, on behalf of the Seller (or any other member of its Group) or on behalf of, or jointly with, any other person.

2.3 Nothing in clause 2.1 shall prevent the Seller from:

2.3.1 performing its obligations pursuant to its terms of engagement with the Company Group following Closing;

2.3.2 holding for investment purposes only:

(a) any units of any authorised unit trust; or

(b) not more than 3% of any class of shares or securities of any company.

2.4 Each of the Seller's undertakings in clause 2.1 is a separate undertaking and shall be enforceable by the Buyer, the Company and each other member of the Company Group separately and independently of their right to enforce any one or more of the other undertakings contained in that clause.

2.5 The parties acknowledge that the Seller has confidential information relating to the Business and that the Buyer is entitled to protect the goodwill of the Business as a result of buying the entire issued share capital of the Company. Accordingly, each of the undertakings in clause 2.1 is considered fair and reasonable by the parties.

...

8. SEVERANCE

If any provision or part-provision of this Agreement is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.”

“*Restricted Business*” is defined as:

“any business that is in competition with the Business”

18. The RCA does not state how it is intended to relate to the differently-worded restrictions in the ESA, and there is no evidence before me as to what, if anything, was said on that topic to Mr Gilbert-Rolfe at the time. Mr Murphy states in his witness statement that the restrictions in the RCA “*were in addition to rather than in substitution for the post-termination restraints in his Service Agreement*”, and that Evrythng is not seeking to rely on the RCA at this stage. In his second witness statement, Mr Murphy states that:

“The Defendant did not receive any consideration under the SPA or the RCA at the time of signing the RCA. The Claimant now appreciates (but did not then appreciate) that the effect of the above is that there was no consideration provided to the Defendant for entering the RCA.”

I consider this point further below.

(4) Termination of employment and subsequent events

19. On 13 June 2022, Evrythng gave the Defendant three months’ notice of termination (i.e. the notice required under the ESA). He was put on garden leave and his employment terminated on 13 September 2022. Mr Murphy states:

“I am advised that the circumstances leading to the Defendant’s dismissal are not relevant for the purposes of this claim and so do not go into the details, but there was a loss of trust and confidence in him, as the dismissal letter states.”

Mr Gilbert-Rolfe says the dismissal came out of the blue, in a call he was asked to join with Digimarc’s CEO on a Sunday, also joined by Mr Murphy, with no agenda provided in advance. He says:

“I was utterly shocked by this decision and did not see it coming. It made little sense given that I had been performing well and working so hard to achieve success for the business. While I understand that I do not need to go into details for present purposes, I came to the view that the decision to terminate my employment was not to do with performance, or with “trust and confidence”, but instead reflected something more sinister. In short, I believe that I was the victim of discrimination, and I am

in the process of bringing an employment tribunal claim in relation to my dismissal and the reasons for it. ...”

20. Mr Gilbert-Rolfe adds that from a personal perspective, the termination of his employment was a disaster: *“after a huge amount of work and investment of days, evenings, and weekends, we were starting to make real progress with work. I was left with no job, a horrifically damaged reputation, a catastrophic blow to my confidence, and not enough time to find a new role. I am still recovering from the mental blow that this decision made on me.”*
21. Mr Gilbert-Rolfe states that he then quickly started to make efforts to find an alternative source of work and income, applying for over a hundred jobs, and attending some interviews, all broadly in the domain of sales and digital identity. He produces a selection of emails and says all his applications were all unsuccessful until he was offered a consultancy agreement with Kezzler, a Norwegian company which is one of Evrythng’s competitors. Mr Murphy details in his witness statement the considerable overlap between Evrythng’s and Kezzler’s businesses (both companies operating in *inter alia* the tobacco, food & beverage and apparel markets), and examples of business for which they have both competed. Mr Gilbert-Rolfe states that it was hard to find alternative work partly because of his age, 56, there being a global trend of people over 50 being considered too old for sales roles (and he exhibits a selection of posts on this topic). In addition, he says, prospective employers find it unattractive that he was dismissed from his last employment after a relatively short time.
22. Mr Gilbert-Rolfe explains how, after an initial contact on 6 July 2022, and a series of ensuing discussions and meetings, Kezzler offered him a consulting contract which commenced on 31 October 2022. This is a sales representative position with a virtual team of 6 (currently), rather than an executive team with 48 reports (as he had when he worked for Evrythng) and pays much less than his job with Evrythng did. Mr Gilbert-Rolfe did not tell Evrythng that he was planning to join, or had joined, Kezzler as a consultant.
23. Mr Gilbert-Rolfe says Kezzler wishes him to help them build an industry practice, i.e. selling a product to a set of target companies that all operate in a single industry, and he mentions the apparel market in particular. Kezzler is a small company with fewer than 40 employees, who Mr Gilbert-Rolfe believes would find it hard to replace him. However, he says Kezzler have nonetheless made clear to him that they do not currently feel they would be able to keep a position open for him if he were suddenly unable to do anything for them for 4 or 6 months. There is at present no evidence direct from Kezzler on this point, though it seems inherently plausible that if Mr Gilbert-Rolfe had to cease work for them now, Kezzler would not keep a job open for him, bearing in mind the inevitable uncertainty about whether the injunction would be lifted following a trial or whether they would have to wait another 5½ months (until the non-competition covenant expired) before being able to use his services.
24. Between 8 and 17 November 2022 Mr Gilbert-Rolfe sent five emails to four leading apparel companies on behalf of Kezzler. One of these was then forwarded to Evrythng by the recipient, and the other four were disclosed by Mr Gilbert-Rolfe (through his solicitors) following correspondence from Evrythng’s solicitors.
25. The first of these emails, dated 8 November 2022, said this:

“Dear Russ,

I hope the world has been treating you well. It seems like ages since we had that lunch in Boston.

I've made some pretty big decisions since I last saw you. After the acquisition of EVRYTHNG, I took over as CRO of the merged business. I had a chance to look deeply at the future strategy of Digimarc, and could see that it was not aligned with what I thought we were going to do, and certainly didn't represent a direction I personally wanted to go in.

Since then, Digimarc has started to [REDACTED], which was inevitable I guess. It's a disappointing outcome for a business that was once great.

The company I joined, Kezzler, have just won the largest digital ID project in apparel that I am aware of. We're at an early stage of partnership discussions with NEDAP. I think it would be helpful for your team to have a high level understanding of what we are doing as part of your continuing exploration into digital ID at Puma. I know this isn't the most important point, but our fees are about [REDACTED] of where Digimarc are.

Please let me know if any of your team are available for a call, or, if you are in Boston on Monday 11/14 or Tuesday 11/15 and available to meet with me, that would be even better. Sometimes this level of conversation is better done face to face, and I am in the US until Tuesday night.

Grateful for your thoughts,

Cyrus”

26. The first redacted passage refers to an action said to have been taken in relation to customers. The second is a percentage figure.
27. The second email, dated 14 November 2022, was as follows (with redactions of passages said to be commercially sensitive):

“Dear Jennifer,

I hope the world has been treating you very well. It must be odd looking at the trajectory of EVRYTHNG, as Niall Murphy has announced he is leaving the business before the end of 2022. It feels like the end.

After the acquisition of EVRYTHNG, I took over as CRO of the merged business. I had a chance to look deeply at the future strategy of Digimarc, and could see that it was not aligned with what I thought we were going to do, and certainly didn't represent a direction I personally wanted to go in. They are

extremely focused on [REDACTED], and the hoped for [REDACTED], which will potentially require a [REDACTED]. That will be huge, but doesn't include [REDACTED].

I imagine you are risk and continuation planning for Patagonia. In the last six months, Digimarc has started to [REDACTED], which was inevitable I guess. It's a very disappointing outcome for a business that was once great. Hopefully you either have hard commitments from them about [REDACTED], or you are starting to look around at EON and atma.io and so on.

The company I joined, Kezzler, have just won the largest digital ID project in apparel that I am aware of. Kezzler provides a fully featured EPCIS 2.0 repository, as well as context based scan redirection, brand integrity, and more - see kezzler.com/apparel. We are building a DPP Platform, which will require all of the above. We had to prove handling billions of supply chain events to win the project mentioned above. I think we are the only company not providing tags to have invested in this space so far.

If you think it would be helpful for your team to have a high level understanding of what Kezzler are doing as part of your continuing exploration into digital ID at Patagonia, please let me know. I know this isn't the most important point, but our fees are about of where Digimarc are. Our strategy is to help drive mass adoption on a completely standards based platform.

Either way, I hope you're very well. It would be great to have a coffee next time I am in LA.”

Mr Murphy says EON and atma.io are competitors of Evrythng, and infers that Mr Gilbert-Rolfe was seeking to harm Evrythng by mentioning them in this way.

28. The third email, also dated 14 November 2022, was as follows (with redactions of passages said to be commercially sensitive):

“Dear Jason,

I hope the world has been treating you very well. It must be odd looking at the trajectory of EVERYTHING, especially as Niall Murphy has announced he is leaving the business before the end of 2022. It feels like the end.

After the acquisition of EVERYTHING, I took over as CRO of the merged business. I had a chance to look deeply at the future strategy of Digimarc, and could see that it was not aligned with what I thought we were going to do, and certainly didn't represent a direction I personally wanted to go in. They are extremely focused on [REDACTED COMPANY NAME], and

the hoped for [REDACTED COMPANY NAME] optimisation, which will potentially require a [REDACTED]. That will be huge, but doesn't include [REDACTED].

In the last six months, Digimarc has started to [REDACTED], which was inevitable I guess. It's a very disappointing outcome for a business that was once great.

I imagine you are risk and continuation planning for Ralph Lauren. Probably you are talking to EON, which makes 100% sense for me. I love Natasha, and I think the company is fascinating and full of great ideas. The connection to Natalie and Imaginary is really important too. They will be a great partner for you.

The company I joined, Kezzler, have just won the largest digital ID project in apparel that I am aware of. It's more deep tech than where EON play, and I can imagine a future where we are partners. Kezzler provides a fully featured EPCIS 2.0 repository, as well as context based scan redirection, brand integrity, and more - see kezzler.com/apparel.

We are building a DPP Platform, which will require all of the above. We had to prove handling billions of supply chain events to win the project mentioned above. I think we are the only company not providing tags to have invested in this space so far.

If you think it would be helpful for your team to have a high level understanding of what Kezzler are doing as part of your continuing exploration into digital ID at Ralph Lauren, please let me know. I know this isn't the most important point, but our fees are about [REDACTED] of where Digimarc are. Our strategy is to help drive mass adoption on a completely standards based platform.

Either way, I hope you're very well. It would be great to have a coffee next time I am in New York.

All the best,

Cyrus”

29. The fourth email, dated 15 November 2022, was in similar vein, though not mentioning the pricing information cited in the first two. The fifth email, dated 17 November 2022, appears to have been a follow-up to the second one.
30. Mr Gilbert-Rolfe says he sincerely regrets sending these emails, and should not have done so, though he indicates that he did not send them believing that what he was doing was a breach of valid restrictive covenants owed to Evrythng. He disagrees with some of the ways in which Mr Murphy characterises what he did (saying that for example he does not understand how referring in the most general terms to being aware of

Digimarc's future strategy involves disclosing confidential information) but accepts the general criticism that he should not have sent these emails. He adds that nothing came of any of them.

31. On 22 November 2022 Evrythng's solicitors wrote to Mr Gilbert-Rolfe referring to the second email, dated 14 November 2022, which had been forwarded to it by the recipient. Evrythng's solicitors asked Mr Gilbert-Rolfe to give various undertakings, set out in an attached document. He took legal advice, and his solicitors wrote back on 5 December 2022 with a signed undertaking covering all of the material undertakings sought apart from the requested non-competition undertaking (which Mr Gilbert-Rolfe says would have required him to immediately resign from his consultancy with Kezzler and to forego his income). The undertakings read as follows:

"I, Cyrus Gilbert-Rolfe of [home address], hereby undertake as follows:

1. I will comply with the obligations concerning confidential information contained in clause Company property and confidential information in my Executive Service Agreement dated 6 January 2021 ("the Service Agreement").

2. I will not:

a. use or disclose any Company information or confidential information of the Company's customers including confidential information (as referred to in clause Company property and confidential information of the Service Agreement); and/or

b. pass to any third party any Company information including confidential information (as referred to in clause Company property and confidential information of the Service Agreement).

3. I will comply with the post-termination obligations contained in Schedule 1, clause 3 of the Service Agreement, including those found in clauses 3(a) and (b). In particular:

(a) I will not, until 13 December 2023, solicit or endeavour to entice away from the Company the business or custom of a Restricted Customer or Partner with a view to providing goods or services to that Restricted Customer in competition with the Company; and

(b) I will not, until 13 June 2023, be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer or Partner in the course of any business concern which is in competition with the Company."

32. Mr Gilbert-Rolfe states that he fully intends to comply with all of the undertakings he has given, and has no intention of doing anything which would place him in breach of them.
33. Counsel for Mr Gilbert-Rolfe indicated in oral argument that Mr Gilbert-Rolfe would be willing to give corresponding undertakings formally to the court, attracting the potential sanction of committal for contempt, save that he would not wish to do so in relation to (as I understood it) undertaking 1 above as currently formulated, due to insufficient clarity about what it would and would not prevent Mr Gilbert-Rolfe from doing.
34. The undertaking requested by Evrythng which Mr Gilbert-Rolfe declined to sign read as follows:

“(4)…

(a) I will not, until 13 June 2023, carry on or be concerned in any business concern which is or is setting up to be in competition with the Company (including Kezzler) unless my duties or work relate solely to services or activities of a kind with which I was not concerned to a material extent in the 12 months before 13 September 2022”

Mr Gilbert-Rolfe’s solicitors stated that they believed that to be an unreasonable restraint on Mr Gilbert-Rolfe which would not be enforceable against him; that his agreement to provide the other undertakings provided ample and reasonable protection for Evrythng; and that enforcement of the non-competition covenant would make it likely that Mr Gilbert-Rolfe would be unemployed and continue to incur substantial and ongoing loss following termination of his employment.

35. Evrythng’s solicitors’ letter also asked Mr Gilbert-Rolfe to provide full details of his contacts with Evrythng’s customers, leading in due course to his disclosure of the remaining emails.
36. Evrythng’s solicitors also wrote to Kezzler, putting them on notice of the situation and the restrictive covenants in the ESA, and among other things seeking Kezzler’s assurance that it will “*prevent Mr Gilbert-Rolfe from working for Kezzler in any manner which causes him to breach his non-compete obligations in his agreement with our Client*”. Kezzler replied saying:

“I refer to your letter dated 22 November 2022. Kezzler AS (“Kezzler”) is conducting its business in accordance with applicable law, agreements and good business practice, and is taking all reasonable efforts to ensure that that its employees and independent contractors are doing the same.”

37. Evrythng issued the Claim Form and Application Notice on 9 December 2022. The Application Notice was sealed on 12 December. Mr Murphy’s witness statement includes the following points in support of the need for an injunction notwithstanding the undertakings already provided:

“29. Policing third parties’ misuse of the Claimant’s confidential information is extremely difficult. If the Claimant were to lose a bid/tender due to the Defendant’s misuse of the Claimant’s confidential information, it would be practically impossible for the Claimant to discover that fact. The Claimant would generally not receive feedback from the tender issuer as to why it failed in a tender, let alone receive information as to why the successful bidder was chosen. If the prospective customer was given the Claimant’s confidential information by the Defendant, then the Claimant would have no way of knowing what part this unauthorised disclosure played in the decision-making process of the prospective customer. By the same token, the Claimant would have no way of knowing if the Defendant (assuming he was working for a competitor) was using the Claimant’s confidential information to improve the competitor’s offering as against the offering being provided or offered by the Claimant itself. For example, the Defendant could readily provide the Claimant’s pricing information to a competitor to assist it to model its own pitches with a view to making them more competitive (even if such modelling was used by the competitor to construct a bid operating as a loss-leader).

30. The Claimant operates in a business-to-business (B2B) enterprise selling environment with lengthy sales cycles. The pre-sales relationship building process may take between 6-12 months prior to entering into a sales process for a specific application and which may take a further 3-9 months. In tender/sales situations, the Claimant often does not know who it is competing against. Many sales activities take place orally (in person, via Zoom or the like, or via events like trade shows or conferences) which again means that Claimant has no knowledge or ways of policing what is said by the Defendant and to whom.

...

51. Disclosure of the Claimant’s confidential information (and the confidential information of the Claimant’s customers) will seriously harm the Claimant. The Defendant has in-depth knowledge of the Claimant’s pricing, terms of business, current customer relationships, product capabilities, and current and future strategy.

52. The Claimant is further concerned that the Claimant’s confidential information will be used within Kezzler to provide it with a competitive edge in future bids/tenders also involving the Claimant. The Claimant is further concerned that the Defendant has shared and will further share details of the Claimant’s product roadmap with Kezzler.

53. The harm that would be done to the Claimant if the defendant is permitted to continue working at Kezzler in violation of his covenant and continues to use the Claimant's confidential information is the substantial loss of revenue from existing or prospective customers. In addition, Kezzler could change their product roadmap to take into account the Claimant's roadmap.

54. If the Defendant is allowed to compete with the Claimant during the currency of the restrictions, it would be difficult to discover any disclosure of confidential information made to Kezzler. The sharing of information could be direct or indirect and oral, in which case, the Claimant would have no realistic way of policing, let alone proving a breach of the non-dealing and non-solicitation clauses in his agreement and repeated in his undertaking. The fact that the Defendant paid so little regard to the obligations that he knew that he was under and only agreed to stop contacting the Claimant's customers when he was caught red-handed, does not lend the Claimant reassurance that he is a man of his word. Accordingly, the undertakings that he has provided are insufficient.

55. It would be extremely difficult to quantify the loss that the Defendant could expose the Claimant to if he is permitted to continue his engagement with Kezzler in violation of his covenant. If the Defendant were to secure business for Kezzler by his misuse of the Claimant's confidential information or by soliciting or dealing with Restricted Customers, the damage will have been done the moment that business was wrongly secured due to Defendant's actions, and the Claimant would continue to be unable to protect itself.

56. The Defendant has shown that he will disclose Claimant's confidential information even if not using it to compete. After trying to sow concern about the strategic ambitions and plans of the Claimant, he suggested that Claimant's customers also consider offerings from other companies."

38. Mr Gilbert-Rolfe's evidence on the specific topic of the proposed injunction includes the following points. He explains that he has no paid work other than his consultancy with Kezzler, and struggled a lot to find work until the Kezzler role came up. He has high monthly overheads and no other way of servicing them, including £700 per month in mortgage repayments on his home in Brixton, £600 per month towards the mortgage payments of his elderly mother (who lives alone in a bungalow and who relies on him for financial support), mortgage payments on a rental property (£1,400) and normal council tax and energy costs (£1,200). His dependants include his mother and an autistic son. Mr Gilbert-Rolfe says he has no savings, debts of £6,000, and no substantial assets other than his home and the rental property which is heavily mortgaged. Although he was well paid while employed by Evrythng, he used significant amounts of money to clear debts totalling £40,000 and started renovations to his home (not expecting to lose his job). He also had to travel to the USA to see his father, who has terminal lung cancer. Mr Gilbert-Rolfe's wife's cocktail business

employs her and one other member of staff, both at a rate of £15 per hour, and has been loss-making from the outset.

39. Mr Gilbert-Rolfe says that, if the non-competition covenant were applied in accordance with its terms, he does not know how he could apply for employment using the skillset he has. The only area he can use it is in digital identity, particularly in apparel and retail, and he has not worked outside of that sector for near on twenty years. In addition, being a 56-year-old man who has just been dismissed and cannot explain why, has hindered his ability to find work. Even if he did find a much lower paid job (less than what he is earning now), he would lose his house, which would probably also mean closing down his wife's business. If required to stop working for Kezzler, Mr Gilbert-Rolfe says he would have no income, £6,000 of bills a month, reasonably significant debts and would be looking for a job in the middle of a recession at the age of 56. It would genuinely be a crisis and he would likely face financial ruin.
40. The exhibits to Mr Gilbert-Rolfe's witness statement include documents on some of these points: job application communications (including one specific rejection message) and published materials about the difficulty in obtaining employment in the sector at Mr Gilbert-Rolfe's age. In addition, prior to the hearing he served (though did not exhibit) a bundle of documents including bank statements for the account into which he is paid (though not statements for a joint account held with his wife and said to be used for household expenses), invoices relating to the property renovations, and credit card statements. These are supportive of his account to a degree, though they do not present a full picture. For example, it is not clear whether, or where, they evidence the various mortgage payments which Mr Gilbert-Rolfe says he makes.

(C) PRINCIPLES

41. The starting point is that the Court should apply the principles in *American Cyanamid Co v Ethicon Ltd* [1975] AC 396, namely: (a) there must be a serious issue to be tried; (b) damages must not be an adequate remedy; (c) the court must consider which side the balance of convenience favours: see, e.g., *Lawrence David v Ashton* [1989] ICR 123 CA p.131.
42. As to the first stage, serious issue to be tried, Nugee LJ stated in the recent case *Planon v Gilligan* [2022] IRLR 684 that:

“an application for an interlocutory injunction is not the appropriate occasion to expect the Court to give any definitive answer to the question whether a covenant is enforceable or not. Ever since the seminal decision in *American Cyanamid v Ethicon Ltd*, it has been established law that the Court should not usually seek to resolve the substantive issues on such an application. At the first stage of the analysis the question is whether there is a serious issue to be tried. This is not a demanding test, and it really only serves to exclude the case where the claim is frivolous or vexatious, or otherwise demonstrably bad. If a restrictive covenant is clearly wider than is reasonably necessary for the protection of the employer's legitimate interests, then the Court can so hold and refuse an injunction, but prolonged examination of the merits at the

interlocutory stage is not appropriate and in many cases of this type...there will be at least a serious issue to be tried.” (§ 102)

43. Nugee LJ continued:

“It is also well established however that at the third stage of the analysis, when considering the balance of convenience, the Court may, in cases of this type, undertake some assessment of the merits: *Lansing Linde Ltd v Kerr* [1991] IRLR 80 (at 83), [1991] 1 WLR 251 (at 258C) per Staughton LJ. But I emphasise, as Staughton LJ did, that this is merely ‘some assessment’ or as Bean LJ refers to below, ‘a preliminary view’. The overall question at the third stage is what is the most just and appropriate way to hold the ring pending trial. Since in many cases there may not be a trial until much of the putative period of restraint has expired, or indeed at all, the Court may take into account such a preliminary view of the merits, particularly perhaps if it has serious doubts about the validity of the covenant. But it remains just that, not a definitive ruling, and it is only one of the factors that goes into the exercise of the discretion whether to grant an interlocutory injunction or not.” (§ 103)

44. In *Lansing Linde Ltd v Kerr*, cited in the passage quoted above, Staughton LJ said:

“If it will not be possible to hold a trial before the period for which the plaintiff claims to be entitled to an injunction has expired, or substantially expired... justice requires some consideration as to whether the plaintiff would be likely to succeed at trial...” (p.423)

45. As to the substantive issue of whether a non-competition covenant is enforceable, the following summary, based mainly on the judgment of Sir Christopher Slade in *Office Angels Ltd v Rainer-Thomas & O’Connor* [1991] IRLR 214 CA, at p.217, was largely common ground:

- i) A covenant in restraint of trade is prima facie contrary to the public interest and unenforceable. If such a covenant is to be upheld, the covenantee bears the burden of demonstrating that the covenant is reasonable in the interests of the parties and the public interest.
- ii) Covenants in employment contracts are treated more strictly than those in, say, vendor/purchaser agreements. The commentary in *Employment Covenants and Confidential Information*, Bloch & Brearley, 4th ed. (2018) §11.50 states:

“courts will scrutinise anti-competition covenants with particular care. We suggest that there are two principal, and related, reasons for this. First, it follows from the more far-reaching impact on the departing employees’ ability to earn a living in their area of particular expertise and experience, which is to be balanced against the employer’s reasonable interest in business protection. Second, the correlation between the legitimate interest to be

protected and the restriction is typically less precise in relation to such covenants, particularly in the employment context. Typically the covenant will serve to protect confidential information or customer connection, yet will bar the employee from involvement in a competitive business irrespective of whether they use the previous employer's confidential information or have any contact with its customers."

- iii) Covenants against competition are never upheld on the ground of non-competition itself. They are upheld in order to protect the employer against the exploitation of his legitimate business interests.
- iv) The categories of legitimate business interest are not formally closed, but typically consist of one or more of the following: confidential information; client connection; workforce stability. Mr Gilbert-Rolfe points out, though, that not all 'confidential information' justifies the use of restrictive covenants: the way it was put in *P14 Medical v Mahon* [2020] EWHC 1823 (QB) §100-101 (citing the Court of Appeal's decision in *Thomas v Farr plc* [2007] EWCA Civ 118, [2007] IRLR 419)), is that only trade secrets or other information of equivalent confidentiality can be protected by post-employment restrictive covenants. The formulation used in *Lansing Linde* was "*information which, if disclosed to a competitor, would be liable to cause real (or significant) harm to the owner of the secret*". In the cases summarised in *P14 Medical* §§ 105-106 protected information has been held to include customer lists and contacts; costs and pricing information; and discounts, records of sales and marketing strategies.
- v) If a covenant is to be upheld, the covenantee must satisfy the court that the restrictions are no greater than are reasonably necessary for the protection of its legitimate business interests.
- vi) The reasonableness of the covenant is to be assessed at the time that the contract is entered into: *Gledhow Autoparts Ltd v Delaney* [1965] 3 All ER 1366, at 1375. This assessment includes consideration of what the parties objectively contemplated might occur under the contract: *Harcus Sinclair LLP v Your Lawyers Ltd* [2021] UKSC 32 §§ 67-70. In *Gledhow*, Diplock LJ said:

"The question of the validity of a covenant in restraint of trade has to be determined at the date at which the agreement was entered into and has to be determined in the light of what happen under the agreement, although what may happen may cover many possibilities which in the result did not happen. A covenant of this kind is invalid ab initio or valid ab initio. There cannot come a moment at which it passes from the class of invalid into that of valid covenant..." (p.1375)

46. Evrythng also relies on the following statements of principle:

- i) Non-competition covenants "*are in frequent use in modern employment contracts*" (Goulding, "*Employee Competition*" (3rd ed.) §6.248).

- ii) A non-competition covenant is in principle an appropriate means of protecting confidential information because: first, it may be difficult to draw the line between information that is confidential and information that is not; and secondly, it is difficult to police an express confidentiality clause: see, e.g., *Littlewoods Organisation Ltd v Harris* [1977] 1 WLR 1472, 1478, and see *Harcus Sinclair LLP v Your Lawyers Ltd* (*supra*) § 84(iv)).
 - iii) A non-competition covenant is in principle an appropriate means of protecting client connection because of the difficulty of policing lesser forms of restraint such as non-solicitation or non-dealing covenants: see *Thomas v Farr plc* § 48 and *Tradition Financial Services Ltd v Gamberoni* [2017] IRLR 698 § 96.
 - iv) A defendant “*who has entered into a contractual restraint, which is sought to be enforced, should seriously consider, when the matter first comes before the court, offering an appropriate undertaking until the hearing of the action, provided that a speedy hearing of the action can then be fixed and the plaintiff is likely to be able to pay any damages on his cross-undertaking. It is only if a speedy trial should not be possible that it would then be necessary to have a contest on the interlocutory application*” (*Lawrence David* (*supra*) p.135, per Balcombe LJ, with whom Fox LJ agreed). Goulding notes that these are words “*which have had, and continue to have a profound impact in practice*” (§10.28).
 - v) Haddon-Cave J stated in *QBE Management Services (UK) Ltd v Dymoke* [2012] EWHC 80 § 215 that it is “*only if the Court finds that a ‘much less far-reaching’ covenant would have afforded adequate protection is it likely to regard the existing restriction as unreasonable. The exercise is not a marginal one, otherwise Courts would be faced with a paralysing debate in every case about whether a covenant with x days shaved off would still provide adequate protection*”. That statement has been cited in several later cases.
 - vi) In *Delivery Group v Yeo* [2021] EWHC 1834 (QB) § 34(i), Saini J stated that the length of a covenant is an example of an issue which is unsuitable for determination at the interim stage, citing *Underwriting Exchange Ltd v Newall* [2015] EWHC 948 (QB) § 15 (where a 13 month restriction which was said to be common in the industry was held to be a matter for evidence at trial). I note, though, that that passage in *Underwriting Exchange Ltd v Newall* was merely applying the serious issue to be tried test, as opposed to giving provisional consideration to the apparent merits at the third stage of the *American Cyanamid* test in the way done in *Lansing Linde* and envisaged in § 103 of Nugee LJ’s judgment in *Planon*.
47. Turning to the second part of the *American Cyanamid* test, damages will often not be an adequate remedy for the employer. As Goulding states:

“First, it may be impossible to quantify the employer’s loss which is attributable to the employee’s wrongdoing. If the employee solicits the employer’s clients in breach of a restrictive covenant, the employer would face a number of evidential problems: How to prove that the loss of a client was due to the employee’s solicitation rather than for other reasons? What is the knock-on effect on the employer’s business of the employee’s

breach of covenant causing consequential loss to the employer?
Secondly, an employee may be unable to pay any award of damages that is made due to his relative lack of resources.” (§ 10.35)

48. Damages may also be an inadequate remedy for the employee. In *Planon*, Elizabeth Laing LJ (with whom Nugee LJ agreed) said there was no rule of law to the effect that damages are an adequate remedy for the employee, adding:

“I consider, in principle, that restraining an employee from taking up a new employment opportunity for many months may well cause him damage that cannot be compensated in money alone, if it turns out that at trial that the covenant is not enforceable. Although this case may be on the borderline, I consider that it was open to the Judge to hold that damages would not be an adequate remedy for [the respondent employee].” (§ 94)

Bean LJ (with whom Nugee LJ also agreed) said:

“In this case it is not disputed that there is a serious question to be tried as to the validity or otherwise of the covenant against competition. But ... it is quite unrealistic to argue that (since the Claimants have the resources to honour the cross-undertaking) damages would be an adequate remedy for the Defendant if an injunction against competition was granted at the interlocutory stage, but was proved at trial to have been an unenforceable restraint of trade. Except in cases of very wealthy defendants, or where the claimant employer is offering paid garden leave for the whole period of the restraint, this argument has no traction. Mr Gilligan’s evidence is that he has a wife and child, a mortgage and other family commitments. It is by no means clear that his current employers would be able and willing to transfer him to work which had no connection with facilities management software; indeed it would be risky for them to do so in the face of a non-competition injunction breach of which would be a contempt of court. The likely effect of such an injunction would be to deprive him of his income until and unless he can find a new job.” (§ 111)

49. The balance of convenience involves the court taking account of all of the circumstances of the case and deciding which path carries the lower risk of irremediable prejudice: see, e.g., *National Commercial Bank Jamaica Ltd v Olint Corp Ltd* [2009] 1 WLR 1405, §17.
50. Where factors are evenly balanced, the court should seek to preserve the ‘status quo’. The key authority on “status quo” is the decision of the House of Lords in *Garden Cottage Foods v Milk Marketing Board* [1984] AC 130, where Lord Diplock said:

“The status quo is the existing state of affairs; but since states of affairs do not remain static this raises the query: existing when?”

In my opinion, the relevant status quo to which reference was made in *American Cyanamid* is the state of affairs existing during the period immediately preceding the issue of the writ claiming the permanent injunction... The duration of that period since the state of affairs last changed must be more than minimal, having regard to the total length of the relationship between the parties...” (at 140)

51. In *Planon*, for example, Elizabeth Laing LJ said:

“... R has now been in post for over 7 months, and the non-compete covenant has only about four months left to run. I consider that it would be contrary to the balance of convenience for this Court to enforce the non-compete covenant now. It seems to me likely that much, if not all, of the damage which R’s employment by SNU might have caused to A’s legitimate interests has already been caused. I also consider that, from the perspective of this Court, the status quo for the purposes of the balance of convenience is now that R is employed by A, and has been for several months.” (§ 99)

52. On the other hand, there is some support (in logic and authority) for the view that a defendant cannot improve his position in terms of the status quo by persisting in his wrongdoing or keeping it secret. As to the former, in *Frank Industries v Nike Retail* [2018] EWCA Civ 497, a passing off case, Lewison LJ stated that the interval (which was a matter of days) between the start of the offending advertising campaign and the cease and desist letter was so short that the relevant status quo was that which pertained before the start of the campaign, adding “*I do not consider that [the defendant] can improve its position by pushing on in the face of reasoned complaints*”.

53. Finally, Mr Gilbert-Rolfe cited the recent decision in *Quilter Private Client Advisers Ltd v Falconer* [2022] IRLR 227, finding a 9-month non-competition covenant to be unenforceable, taking account *inter alia* of the facts that (i) the employer had adduced little evidence to demonstrate that the non-competition covenant was no wider than reasonably necessary; (ii) the employee had been subject to a period of probation, during which her employment could be terminated with 2 weeks’ notice (and the non-competition covenant would have applied to bar her from working for a competitor for 9 months even if she was dismissed during probation); (iii) the non-competition covenant applied even if the employee left very soon after she arrived, despite the employer’s evidence that enduring personal relationships with clients took a long time to build in the industry; (iv) the employer’s interests could have been protected sufficiently by non-dealing covenants; and (v) the nation-wide nature of the employer’s business meant a “geographical carve out” was of little practical effect (§ 175).

(D) APPLICATION

54. It is logical to begin with the question of the applicability and enforceability of the non-competition covenant in the ESA, though bearing in mind that the present application is not the occasion for the court to form any definitive view about it. Mr Gilbert-Rolfe makes two submissions:

- i) the ESA covenant was superseded by the RCA covenants, and/or
- ii) in any event, the ESA covenant has not been shown to be no wider than reasonably necessary for the protection of Evrythng's legitimate interests.

I consider these in turn below.

(1) Whether the RCA superseded the ESA covenants

55. Mr Gilbert-Rolfe submits there is at least a serious doubt about whether the ESA restrictions apply, in the light of the parties having subsequently entered into the RCA. Mr Gilbert-Rolfe notes although Evrythng has repeatedly made clear that, for the purposes of this application, it relies only on the ESA restrictions and does not place any reliance on the RCA, it is unclear whether the former survived the latter. Evrythng required Mr Gilbert-Rolfe to enter into the RCA, which contains completely different restrictive covenants cutting across those in the ESA, and the RCA contains no indication that the parties nevertheless intended to preserve the very different covenants in the ESA.
56. Evrythng submits that the RCA can be disregarded because no consideration for it was provided to Mr Gilbert-Rolfe. That is a slightly surprising contention given that it appears to have been Digimarc and/or Evrythng who prepared the form of the RCA and required Mr Gilbert-Rolfe to sign it, but I leave that point to one side. Evrythng's submission is that § 2.6 of the RCA is incorrect in stating that the consideration for Mr Gilbert-Rolfe agreeing to the RCA restrictions was "*included in the consideration due to [Mr Gilbert-Rolfe] pursuant to the SPA*". Mr Gilbert-Rolfe was not in fact a Seller under the SPA, and recital A to the RCA is wrong in that respect. Further, the exchange, provided for in the SPA, of Mr Gilbert-Rolfe's existing unvested share options relating to Evrythng for replacement equity granted by Digimarc did not constitute a benefit for Mr Gilbert-Rolfe, because the exchange was designed simply to provide equivalent economic value.
57. I have some doubt about those contentions. As noted earlier, recital B to the RCA recorded that it was a condition of the SPA that Mr Gilbert-Rolfe enter into the RCA. Recital G to the SPA recorded that Mr Gilbert-Rolfe and others were entering into the RCAs concurrently with the execution of the SPA and as a "*material inducement to the willingness of [Digimarc] to enter into*" the SPA. So Digimarc's entry into the SPA, including the provision in Article 2.4(e) for the issue of replacement equity awards, could reasonably be regarded as a quid pro quo for Mr Gilbert-Rolfe entering into the RCA. I do not consider that it can be assumed, at least without further enquiry and/or evidence, that the issue of replacement equity awards provided nothing of value to Mr Gilbert-Rolfe. That would depend on what, if any, value his existing unvested options would have had if they had remained options over shares in Evrythng after it became (presumably) a wholly-owned subsidiary of Digimarc. It seems rather unlikely that the exchange carried no benefit from Mr Gilbert-Rolfe's point of view. A question might arise (though it was not canvassed before me in these terms) about whether Evrythng, as opposed to Digimarc, provided any consideration for Mr Gilbert-Rolfe's covenants under the RCA, but that could in turn lead to questions about the nature of those covenants (joint or joint and several promises), and about whether Evrythng provided consideration by continuing to employ Mr Gilbert-Rolfe following the execution of the RCA. There would also be a potential argument that the RCA covenants were binding

in favour of Evrythng (even if not necessarily enforceable by injunction) by reason of having been executed as a deed.

58. For those reasons, I am not persuaded that the RCA can simply be disregarded at this stage on the ground that no consideration was provided for Mr Gilbert-Rolfe's covenants.
59. Evrythng also submits that the RCA restrictions in any event did not supersede the 2021 covenants. The RCA covenants cover a different period – two years from the date of the SPA, rather than a period commencing on termination of employment – and serve a different purpose. Evrythng suggests that the two sets of restrictions continue alongside each other for the period of overlap.
60. That submission too appears reasonably open to doubt. It is true that the two sets of covenants apply during different periods, and may serve different purposes (the RCA being linked specifically to Digimarc's investment in the business pursuant to the SPA). However, according to their terms, the periods of application of the two sets of covenants overlap if (as in fact occurred) Mr Gilbert-Rolfe's employment ended during the two-year period following the SPA. Moreover, the RCA covenants were given in favour of not only Digimarc but also Evrythng.
61. It is, however, difficult to see how both sets of restrictions could apply during any such overlap period, because they are incompatible. For example, the ESA non-competition covenant contained the express 'functional' limitation quoted earlier, i.e. "*[n]one of these restrictive covenants shall prevent you from being engaged or concerned in any business concern insofar as ... your duties or work shall relate solely to services or activities of a kind with which you were not concerned to a material extent in the 12 months before Termination*". The RCA non-competition covenant contained no such exception. So it would prohibit Mr Gilbert-Rolfe from doing something which the ESA non-competition covenant in substance expressly permitted him to do.
62. If both sets of restrictions cannot be applied simultaneously, then it will be necessary at trial to decide which of the two prevail; or whether, in fact, the parties should be taken to have intended that the RCA restrictions, as the set of restrictions agreed later in time, simply replace the ESA restrictions during the two-year period for which the RCA applies (which seems a real possibility). If the latter is the correct position, then Evrythng would need to persuade the court at trial that either (a) the RCA non-competition covenant is enforceable or (b) if not, that the ESA restriction revives (even during the ostensible applicability period of the RCA). Evrythng does not at present advance a specific case on either (a) or (b).
63. I am not required, and probably would lack sufficient information, to form a definite view on this issue. However, insofar as it may be relevant to the first and third stages of the *American Cyanamid* test, my provisional view is that for the reasons given above there is a significant doubt about the applicability of the ESA non-competition covenant following the execution of the RCA.

(2) Enforceability of ESA covenant if not superseded

64. Mr Gilbert-Rolfe's second submission is that even if the ESA non-competition covenant applies, it has not been shown to be no wider than reasonably necessary for the protection of Evrythng's legitimate interests. He submits that:
- i) The relevant ESA restriction is a non-compete clause, and thus must be scrutinised particularly closely.
 - ii) It has a duration of 12 months, which is at the high end of the spectrum of non-competition covenants that have any chance of being enforced. Twelve months is "*a very substantial period of time to keep any employee, even a well-remunerated employee... out of the only market in which he has employment experience*" (*Patsystems v Neilly* [2012] IRLR 979, §44).
 - iii) Despite its long duration, the covenant applied to Mr Gilbert-Rolfe as soon as he entered into Evrythng's employment and despite Evrythng also reserving the right to terminate his contract with only one month's notice during his probation period. That is despite Evrythng's evidence that it takes many months to build client relationships.
 - iv) While the covenant contained a geographical carve-out, it had very limited value for Mr Gilbert-Rolfe given that his work was going to span the entirety of the Europe, Middle East and Africa region.
 - v) The non-competition covenant was very broadly formulated. It purported to prohibit the Defendant from "*being concerned in*" "any business concern" which was in competition with Evrythng. It did not carve out involvement with a competitor where the work would not involve relevant parts of the business (contrast with *Law By Design Law v Ali* [2022] EWHC 426 (QB), [2022] IRLR 610). The "*services or activities*" exception is ambiguous and it would be very hard for Mr Gilbert-Rolfe to make sure he stays on the right side of the line.
 - vi) Certainly at this stage, Evrythng's evidence fails to properly explain why this particular covenant, with this particular duration and this particular scope, was required. It is incumbent on the employer to produce evidence like this as it bears the burden of showing that the covenant was no wider than reasonably necessary (whether in its duration, its scope, or its inclusion in the contract at all).
65. I see force in some but not all of these points. The covenant, at 12 months, is probably at the outer limit in terms of acceptability, though that is mitigated to a degree by the fact that the period of (paid) garden leave takes up the first three months of it. The geographical limit is of little benefit from the employee's perspective, given the very broad area to which the job related (contrast, for example, *Law by Design*, where the covenant applied only to the North West of England plus the area of a specified clinical commissioning group).
66. As to functional limitation, the covenant upheld in the case Mr Gilbert-Rolfe cites, *Law by Design*, contained an exception for "*being engaged or concerned in any business concern, provided that the Employee's duties or work shall relate solely to services or*

activities of a kind with which the Employee was not concerned to a material extent in the 12 months before Termination". That is similar to the functional limitation in the present case. Asked in oral argument what in practice that would cover, counsel for Evrythng suggested that it would mean Mr Gilbert-Rolfe could not be involved in a sales role. Since the post for which Evrythng recruited Mr Gilbert-Rolfe was a senior sales role, it is inherently likely that his main experience and expertise would lie in sales, and on a fair reading of his CV I consider it largely focussed on sales-related activities. So from Mr Gilbert-Rolfe's point of view, the functional limitation would not significantly alleviate the restrictive nature of the covenant.

67. On the other hand, the fact that the functional limitation restricts the covenant to activities of the kind Mr Gilbert-Rolfe undertook for Evrythng (broad as it may be), is a factor in support of its enforceability since it helps tie the covenant to Evrythng's legitimate interests and the risks it may face. Further, whilst it is true that the evidence from Evrythng at this stage as to why a non-competition covenant in these terms is reasonably necessary to protect its interests is relatively brief, I consider that the evidence from Mr Murphy referred to in §§ 8 and 10 above provides at least the beginnings of an explanation for the scope and duration of the restrictions in the present case, linking them to Evrythng's typical sales cycle and the length of time it would take a replacement to build up relationships with the customers. It would not necessarily be practicable to provide a large amount of supporting detail or documentation at the interim relief stage (just as Mr Gilbert-Rolfe has, in support of his evidence as to the effect of the proposed injunction on him, not so far provided full documentation). Mr Gilbert-Rolfe was a senior employee who accepts that he had access to confidential information.
68. As to the fact that the non-competition covenant applies even where the employee is dismissed (on short notice) during the probation period, I acknowledge that the court in *Quilter* regarded that as a factor against the enforceability of the covenant there. On the other hand, that does not appear to be factor highlighted in other cases, and counsel informed me that it is uncommon (or perhaps even unknown) in practice to see non-competition covenants with graduated effect so that their duration is shorter in the event of dismissal during a period of probation. Moreover, as indicated in *Egon Zehnder Ltd v Tillman* [2017] EWHC 1278 (Ch) § 27, when assessing the position as at the start of the employment relationship, it is appropriate to consider what the parties are likely to have envisaged looking forward (which might include promotion, and would certainly include the employee being kept on after the probation period). I am not persuaded that the probation period point is a significant factor.
69. Overall, my provisional view for present purposes is that it is well arguable that the ESA non-competition covenant is enforceable. However, I would not put it higher than that: there remains scope for argument that Evrythng has not (provisionally) justified a covenant of the broad scope and long duration of this covenant.

(3) Application of American Cyanamid test

70. The considerations set out above lead me to conclude that there is a serious issue to be tried as to the applicability and enforceability of the ESA non-competition covenant. I am not persuaded by Mr Gilbert-Rolfe's submission that the doubts referred to in sections (1) and (2) above mean there is no serious issue to be tried. They are, however,

factors to which it is appropriate to have some regard at the third stage in the circumstances of this case.

71. I consider that damages would be unlikely to provide a sufficient remedy for Evrythng, for the reasons Mr Murphy gives in the passages quoted in § 37 above, concerning the difficulties in policing the other covenants and proving breach or loss.
72. I doubt that damages would provide an adequate remedy for Mr Gilbert-Rolfe either. I refer in §§ 38-40 above to Mr Gilbert-Rolfe's evidence about the effect the proposed injunction would have on him. As I note earlier, his account is not fully supported by documents. On the other hand, he does provide some support for his evidence that he have found it, and would find it, very difficult to find work (given his age and skillset) or to meet his financial commitments if he were suddenly required to stop working for Kezzler. I do not accept Evrythng's assertions, which seem to me to lack any real basis, that Mr Gilbert-Rolfe is likely to have substantial resources available to him and that the period of unemployment is likely to be short. My provisional view is that the grant of the injunction would be likely to have a severe, and quite possibly ruinous, effect on him and members of his family. The comments of Bean LJ (with whom Nugee LJ agreed) in *Planon* are in my view pertinent in the present case.
73. Turning to the balance of justice, it is perhaps artificial simply to look for a 'status quo', whether that be Mr Gilbert-Rolfe's position before he started work for Kezzler as Evrythng suggests, or his current position having started work for Kezzler, as Mr Gilbert-Rolfe suggests. Either of those approaches carries the risk of losing sight of the underlying question of what is just and appropriate, which requires consideration of the degree of irremediable harm which the grant or refusal of the injunction would cause.
74. I do not find the balance particularly easy in the present case. I bear in mind, among other factors, the genuine areas of doubt considered in sections (1) (in particular) and (2) about the applicability and enforceability of the ESA non-competition covenant. It is relevant to have some regard to those matters, bearing in mind that even an expedited trial could not reasonably be expected to result in judgment before mid March. By that time, 9 months of the total 12 months' duration of the covenant would have elapsed. The grant of an injunction now would therefore give Evrythng a significant portion of the relief it would seek at trial.
75. I bear in mind that if the injunction is not granted, Evrythng could suffer irremediable harm from misuse (deliberate or inadvertent) of sensitive commercial information which Mr Gilbert-Rolfe knows about from his work there. On the other hand, that risk is or can be mitigated to a degree by the facts that (a) Mr Gilbert-Rolfe, having taken legal advice, has given undertakings in respect of non-solicitation and non-use of confidential information, and has accepted that the five emails (four of which he disclosed himself after the other came to Evrythng's attention) should never have been sent; (b) Mr Gilbert-Rolfe has expressed willingness to give corresponding undertakings to the court, subject to one exception relating to confidential information, and the court can if necessary address that exception by granting an injunction in appropriate terms; (c) Kezzler is now on notice of the restrictions which apply to Mr Gilbert-Rolfe, and must know it would be at risk of legal liability were it to encourage any further infringement; and (d) I can order an expedited trial, with the result that the risk of harm to Evrythng would be limited to the incremental loss of the protection of

the non-competition covenant (i) over and above the other restrictions referred to in (a) and (b) above, and (ii) during the limited period between now and an expedited trial.

76. Set against that, although it is impossible to be certain, I consider that even with an expedited trial timetable, the grant of an injunction would carry a substantial risk of Mr Gilbert-Rolfe losing his post with Kezzler, and being unable to find employment at all for a very considerable time, with serious adverse consequences for him and his family.
77. Weighing up these various considerations, I have concluded that it would not be just to grant the interim relief sought. Instead, I shall transfer the case to the general King's Bench list (it being more appropriate there in terms of nature and value) and order an expedited trial timetable as follows:
- i) Evrythng to serve Particulars of Claim by 4pm on Friday 6 January 2023.
 - ii) Mr Gilbert-Rolfe to serve a Defence by 4pm on Tuesday 17 January 2023.
 - iii) Evrythng to serve any Reply by 4pm on Tuesday 24 January 2023.
 - iv) Standard disclosure by list and inspection by provision of copy documents by 4pm on Friday 3 February 2023.
 - v) Witness statements to be exchanged by 4pm on Friday 17 February 2023.
 - vi) An expedited trial be listed as a fixture, with a time estimate of 2 days plus half a day's pre-reading time, for the earliest available date on or after Wednesday 1 March 2023.

I shall hear counsel on the precise terms of the order.

78. I shall also grant injunctions, unless suitable undertakings to the court can be agreed, to reflect the terms of the undertakings which Mr Gilbert-Rolfe has already given contractually, subject to hearing counsel as to the need for more specificity as to what is and is not permitted with regard to confidential information.

(E) CONCLUSIONS

79. For the reasons set out above, I decline to grant an interim non-competition injunction. I shall, subject to hearing counsel further, make the further directions and, if necessary, injunctive relief referred to in §§ 77 and 78 above.

ANNEX 1 – RESTRICTIVE COVENANTS IN THE EXECUTIVE SERVICE AGREEMENT

SCHEDULE 1 – PROTECTION OF BUSINESS INTERESTS

DURING AND AFTER EMPLOYMENT

1. Definitions

In this Schedule the following definitions apply:

Capacity: as agent, consultant, director, employee, owner, partner, shareholder or in any other capacity.

Employment Inventions are any Invention that is made wholly or partially by you at any time during the period of your employment with the Company except for Inventions you created, conceived or wrote or made wholly outside your working hours **and** which are wholly unconnected with any business activity undertaken or planned to be undertaken by the Company or any Group Companies from time to time **and** in relation to which you have not used any Company or Group Companies confidential information premises or resources.

Employment IPRs are Intellectual Property Rights created by you during the period of your employment with the Company except for those you created, conceived or wrote or made wholly outside your working hours **and** which are wholly unconnected with any business activity undertaken or planned to be undertaken by the Company or any Group Companies from time to time **and** in relation to which you have not used any Company or Group Companies information, premises or resources.

Intellectual Property Rights (IPRs) means patents, rights to Inventions, copyright and related rights, trademarks, trade names and domain names, rights in get-up, goodwill and the right to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights to use and preserve the confidentiality of information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

Invention means any invention, idea, method, concept, process, sketch, drawing, plan, discovery, development, improvement or innovation, whether or not patentable or capable of registration, and whether or not recorded in any medium.

Restricted Business: those parts of the business of the Company or any Group Company with which you were involved to a material extent or about which you knew confidential information in the 2 years before your last day as an employee.

Restricted Customer: any firm, company or person who, during the 6 months before your last day as an employee, was a customer or prospective customer of any of the Company or any Group Company (such as a brand manufacturer of consumer goods or co-selling partners) and with whom you had (directly or through people reporting to you) contact in the course of your employment or about whom you were aware of material confidential information. A prospective customer of the Company or any Group Company is a customer with whom the Company or a Group Company was actively engaged in negotiations which had not yet concluded at the time of Termination.

Restricted Person: means any person employed or engaged by the Company or any Group Companies in a senior sales, marketing, technical, operations or executive management role in the last 6 months prior to Termination and with whom you had material dealings.

2. Intellectual property

You acknowledge that all Employment IPRs, Employment Inventions and all materials embodying them will automatically belong to the Company to the fullest extent permitted by law. To the extent that they do not vest in the Company automatically, you hold them on trust for the Company. You agree, at the request and expense of the Company, to do all things necessary or desirable to substantiate the rights of the Company in respect of such Employment IPRs and Employment Inventions and to secure as far as possible that ownership is vested absolutely in the Company (or such other person as it may direct).

You agree:

- promptly on their creation to give the Company full written details of all Inventions and IPRs which: were conceived, developed, discovered, devised or produced by you alone or with one of more others during your employment; which pertain to or are actually or potentially useful to the activities or product or service from time to time of the Company or any Group Companies or which pertain to, result from or are suggested by any work which you or any other employee of the Company or any Group Companies has done or may during your employment do for the Company or any Group Companies. This is to enable the Company to determine whether rights to such Invention or IPR vest in the Company. To the extent that rights to such Inventions or IPR vest in you, the Company shall return to you any documentation provided by you pursuant to this obligation and keep such details confidential unless or until such time as such details are in or enter the public domain, other than by a breach of this contract.
- at the Company's request and in any event on the termination of your employment to give to the Company all originals and copies of correspondence, documents, papers and records on all media which record or relate to any of the Employment IPRs;
- not to attempt to register any Employment IPR nor patent any Employment Invention unless requested to do so by the Company;
- not to do anything during your employment or at any time thereafter to affect or imperil the validity of any IPR obtained, applied for or to be applied for by the Company; and
- to keep confidential and not make use of any Invention or IPR which is the property of the Company unless the Company has consented in writing to its disclosure by you.

You waive all your present and future moral rights which arise under the Copyright Designs and Patents Act 1988, and all similar rights in other jurisdictions relating to any copyright which forms part of the Employment IPRs, and agree not to support, maintain or permit any claim for infringement of moral rights in such copyright works.

You acknowledge that, except as provided by law, no further remuneration or compensation other than that provided for in this agreement is or may become due to you in respect of your compliance with your obligations under this clause titled “intellectual property” (this is without prejudice to your rights under the Patents Act 1977).

You undertake to use your best endeavours to execute all documents and do all acts both during and after your employment by the Company as may, in the opinion of the Company, be necessary or desirable to vest the Employment IPRs in the Company, to register them in the name of the Company and to protect, maintain and enforce the Employment IPRs. Such documents may, at the Company’s request, include waivers of all and any statutory moral rights relating to any copyright works which form part of the Employment IPRs. The Company agrees to reimburse your reasonable expenses of complying with this clause.

You agree to give all necessary assistance to the Company to enable it to enforce its Intellectual Property Rights against third parties, to defend claims for infringement of third party Intellectual Property Rights and to apply for registration of Intellectual Property Rights, where appropriate throughout the world, and for the full term of those rights.

You hereby irrevocably appoint the Company to be your attorney in your name and on your behalf to execute documents, use your name and do all things which are necessary or desirable for the Company to obtain for itself or its nominee the full benefit of this clause. You acknowledge that a certificate in writing, signed by any director or the secretary of the Company, that any instrument or act falls within the authority conferred by this agreement will be conclusive evidence that such is the case so far as any third party is concerned.

3. Restrictive covenants

You recognise that as a result of your employment, you will have had access to confidential information and/or contacts of the Company (such as clients or staff). As a result you covenant with the Company that you will not during your employment and:

- (a) for 18 months after the last day of your employment contract (Termination), solicit or endeavour to entice away from the Company the business or custom of a Restricted Customer or Partner with a view to providing goods or services to that Restricted Customer in competition with the Company;
- (b) for 12 months after Termination, be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer or Partner in the course of any business concern which is in competition with the Company;
- (c) for 12 months after Termination in the course of any business concern which is in competition with the Company, offer to employ or engage or otherwise endeavour to entice away from the Company any Restricted Person;
- (d) for 12 months after Termination in the course of any business concern which is in competition with the Company, employ or engage or otherwise facilitate the employment or engagement of any Restricted Person, whether or not such person would be in breach of contract as a result of such employment or engagement;

- (e) for 12 months after Termination offer to employ or engage or otherwise endeavour to entice away from the Company any Restricted Person;
- (f) for 12 months after Termination carry on or be concerned in any business concern which is or is setting up to be in competition with the Company; and
- (g) at any time after Termination, represent yourself as connected with the Company in any Capacity, other than as a former employee, or use any registered names or trading names associated with the Company.

The restrictions imposed on you by this clause apply to you acting: directly or indirectly; and on your own behalf or on behalf of, or in conjunction with, any firm, company or person; and in any Capacity. This means that the non compete restriction in (f) above includes you setting up a consultancy as a limited company or sole trader and providing services to a Restricted Customer in competition with the Company.

The periods for which the restrictions in this clause apply will be reduced by any period that you spend on Garden Leave immediately before Termination.

If, at any time during the your employment, two or more Restricted Persons have left their employment, employment or engagement with the Company to work for a business concern which is, or intends to be, in competition with the Company, you will not at any time during the three months following the last date on which any of those Restricted Persons were employed or engaged by the Company, be employed or engaged in any way with that business concern.

Each of the restrictions above is intended to be separate and severable. If any of the restrictions will be held to be void but would be valid if part of their wording were deleted, such restriction will apply with such deletion as may be necessary to make it valid or effective.

None of these restrictive covenants shall prevent you from being engaged or concerned in any business concern insofar as:

- your duties or work shall relate solely to geographical areas where the business concern is not in competition with the Company (i.e. an area where the Company is not active or in which it is not actively planning to develop its activities)
- your involvement is limited to holding an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company listed or dealt in on a recognised stock exchange or
- your duties or work shall relate solely to services or activities of a kind with which you were not concerned to a material extent in the 12 months before Termination.

If you receive an offer to be involved in a business concern in any Capacity during the employment, or before the expiry of the last of the covenants in this clause, you will give the person making the offer a copy of this Schedule and will tell the Company the identity of that person as soon as possible after accepting the offer.

If your employment is transferred to any firm, company, person or entity (the "New Employer") pursuant to the Transfer of Undertakings (Protection of employment) Regulations 2006, you will, if required, enter into an agreement with the New Employer containing post-termination restrictions corresponding to those restrictions in this Schedule, protecting the confidential information, trade secrets and business connections of the New Employer.

