

[2011] EWPC 3

Claim №: PAT 07046

IN THE PATENTS COUNTY COURT

Before: His Honour Judge Fysh QC

B E T W E E N:

(1) SUE DEAKIN  
(2) DEAN WOLF t/a FAITH IMAGE SOURCE

**Claimants**

-and-

(1) CARD RAX LTD (In dissolution)  
(2) THE BEES KNEES TRADING CO. LTD.  
(3) SALLY ANN DAVIES  
(4) CARD RAX UK LTD  
(5) SONIA ELIZABETH BROCK

**Defendants**

## **JUDGMENT**

Heard: 19-21, 24, 26-28 May, 7-9, 14, 30 June, 1 July 2010

*Michael Edenborough QC* and *Thomas Elias* instructed by McDaniel & Co (Newcastle-upon-Tyne), appeared for the Claimants.

*Guy Tritton* instructed by Hamblins, appeared for the second to fourth Defendants.

*Simon Malynicz* instructed by Edwin Coe LLP appeared for the fifth Defendant.

The first Defendant was not represented.

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

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# JUDGMENT

## *I Introduction and overview<sup>1</sup>*

1. This is the trial of a dispute in the greetings card business. These days, such cards are used not only as greetings to record birthdays, name days and religious festivals, but on almost any occasion. They are sent to express thanks, congratulation, condolence, as invitations – and so on. I shall refer to all these products simply as ‘cards’. Specialist card shops are to be found on many high streets in addition to the more traditional outlets such as Post Offices and stationers. The card business now embraces items such as wrapping paper and tags, ‘notelets’ and suchlike which are sold through the same outlets. These too come into the case (but to a lesser extent) and I shall often call them ‘add-ons’.
2. The principal litigants in this action have been two ladies, who run Small to Medium Sized Enterprises (‘SMEs’). A third lady finds herself involved in the litigation as an alleged joint tortfeasor in respect of the acts of the other four defendants.
3. The causes of action are threefold. The two main causes of action are interconnected and involve alleged breaches of licences to use artwork for cards and add-ons and certain concomitant copyright infringement allegations. Perhaps unusually, a claim for failure of a bailee’s duty of care also falls to be adjudicated. There are also satellite claims for additional statutory damages under the Copyright, Designs and Patents Act 1988 (‘CDPA ‘88’), s.97 and for multifaceted allegations of joint tortfeasance. This litigation has arisen from what seems to me to have been a rather unremarkable (if not trivial) dispute over the licensing of (and payment for) some of this artwork. Individually, all of these claims are of low monetary value but, says counsel for the claimants:

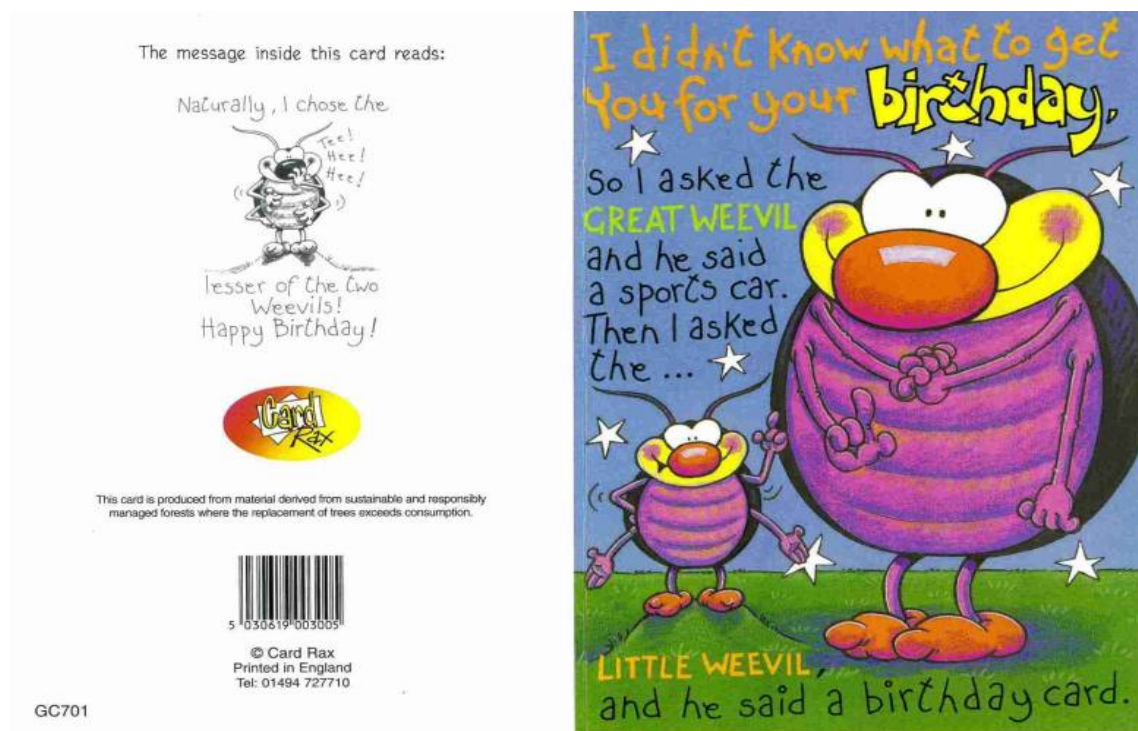
‘There is a whole salami but it consists of lots of thin slices.’

4. In fact there are five separate cases to adjudicate, three involving the corporate defendants and two involving the personal defendants. Some facts are shared, many are not. In fact, I have to resolve some 60 or more issues of fact and several points of law. There is also a counterclaim by the second defendant for damages for breach of contract [see A2/8/33 *et seq.*]. It has been a heavy case.

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<sup>1</sup> References are to bundle, tab and page thus: C2/5/24. Transcripts are referred to by day and page thus: T2/50. References to ‘Annexes A-N’ are to those annexes forming part of the Re-Re- Amended Particulars of Claim. The latter will be referred to for convenience as ‘**RRAPOC**’.

5. In this context, my attention has more than once been drawn to the fact that the claimants have availed themselves of a CFA and in addition, ATE insurance. I am not going into these matters at this stage, but I shall certainly need to take them into account when the question of costs falls to be considered.
  
6. The subject of the dispute relates to the artistic copyright which subsists in a substantial amount of artwork – some five hundred items in fact - of which the first claimant, Ms Sue Deakin, the first of the three ladies mentioned above, is the creator. She is the talented author of drawings and designs which feature on the cards and add-ons with which this case is concerned. Her *genre* features stylised people and anthropomorphic fantasies, animals and insects for example, romping about in a variety of imaginary situations. The drawings are usually of a humorous and occasionally, a mildly *risqué* kind. Her work also involves the creation of auxiliary visual features (stars, shapes, squiggles and stylised messages) together with colourways for some of these creations. A number of Ms Deakin's designs as printed on the cards were shown to me and to give a flavour of what this action is about, I have reproduced below what I think is a fairly typical sample in obverse and reverse views<sup>2</sup>. I record that I was also shown wrapping paper bearing Ms Deakin's designs together with tags to match, both of which were offered for sale within the same packaging.



<sup>2</sup> Note the copyright claim on the bottom of the back fold of the card: see para 24, post

7. Ms Deakin and her son, Mr Dean Wolf<sup>3</sup>, the second claimant, were represented by Mr Michael Edenborough, QC and Mr Thomas Elias.
8. Ms Deakin creates artwork for a number of clients but all the artwork with which this action is concerned was orally commissioned by and reflected the requirements and suggestions of her former client, the third defendant, Ms Sally Davies<sup>4</sup> who ran the first, second and fourth defendants ('the Davies companies'). This artwork was initially used on cards and add-ons produced by the first defendant which is now in liquidation and was unrepresented. Mr Guy Tritton appeared for Ms Davies and also for the second and fourth defendants. There is a separate issue about the status of a corporate logo which Ms Deakin designed for the second defendant.
9. The defendants, five in number, may be divided into two groups. The first group comprises Ms Davies and the Davies companies of which at various material times she has been majority shareholder, director and chief mover, if I may so describe her. The Davies companies are:

Card Rax Ltd ('Cardrax I'),  
The Bees Knees Trading Co Ltd ('BK')<sup>5</sup>, and  
Cardrax UK Ltd ('Cardrax II').

10. Cardrax I, the first defendant, went into voluntary liquidation on 3 January 2008, that is, six months after these proceedings had begun. The fourth defendant, Cardrax II, described by the claimants as the 'phoenix' successor to Cardrax I, was incorporated on 18 July 2007, that is, some three weeks after the proceedings were commenced. The second defendant, BK, was incorporated on 24 March 2006 and is in a different trading category to Cardrax I and II; of the three cases involving the Davies companies, it has proved to be the most controversial and difficult to resolve.
11. The fifth defendant (and the 'third lady'), is Ms Sonia Brock. She was joined in this action as a joint tortfeasor about a year after proceedings began (in fact she was joined on 19 March 2008) and is separately represented by Mr Simon Malynicz. There is no claim against Ms Brock as a primary infringer. Her involvement is based solely on allegations of joint tortfeasance with the other defendants. But her presence is additionally important since, as Mr Malynicz has succinctly put it, unlike Ms Davies, she is seen as having 'deep pockets'. With perhaps somewhat less diplomacy, Mr Tritton frankly described Ms Brock as a 'wealthy widow'.

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<sup>3</sup> Also known as Daniel John Pearson and Daniel John Deakin.

<sup>4</sup> Ms Davies is the second lady to whom I have referred above.

<sup>5</sup> The Companies House records show no apostrophe in the word 'Bees' though many of the documents in the action have the spelling 'Bee's' or 'Bees''. The spelling 'Bees' will be used in this judgment.

12. By the time the trial began, this action had become a claim for damages and certain ancillary relief only, appropriate undertakings having been given. But most importantly, by the time of trial, the action had in truth become a fight about its mountainous expenses and costs.
13. I have been troubled about what I am being asked to decide, there being so many possible issues – perhaps, 65 in all. I asked Counsel to agree a list but there has been disagreement among them and I have had to choose among various amended and re-formatted versions of issues as to what best approximates to the pleaded cases. I consider that Mr Malynicz’ version best serves my purpose and I have therefore referred to his version - which was handed up during trial as an *aide memoire*. I attach it to this judgment as **Addendum A [page 86]**.

## ***II Pleadings and admissions***

14. The proceedings were begun on 29 June 2007 and since then the pleadings have become much enlarged. The latest versions are a re-amended Particulars of Claim (hereafter ‘RRAPOC’) and two amended defences. At the beginning of this year, the defendants made certain factual admissions which have been characterised by Mr Edenborough as being culpably tardy and thus wasteful of time and money: see *Annex C* to the claimants’ closing submissions. Whether this submission has merit must await judgment on costs since I have been made aware that a number of unsuccessful attempts have been made to settle this action (and thereby save costs) prior to the latest amendments to the defences and the recent admissions.
15. These admissions mainly concern the Davies defendants and are of three main sorts. The first relates to the subsistence and ownership of the copyright in the many works in issue. The second relates to a qualified admission of joint tortfeasance by Ms Davies with the Davies companies to the extent that they may be found to be primary tortfeasors. The third category of admission relates to facts said to give rise to breach of contract/infringement by the Davies companies. This concerns *inter alia* some sales of cards by Cardrax I (and Cardrax II) outside the three year licence period, Cardrax I’s use of designs for wrapping paper and tags and the unauthorised modification of one wrapping paper design. In the context of the BK case, it is admitted that a £1500 bonus has not been paid to Ms Deakin. There was also an admission regarding the *locus standi* of Ms Deakin’s son, Dean Wolf, in these proceedings
16. The upshot of these developments is that I need not further consider originality and ownership of copyright or the standing of Mr Wolf. It also means that some breach of licence/infringement of copyright

now stands admitted by certain Davies defendants. Finally I would mention that it was stated in the amended defences that, ‘if necessary’, the defendants would undertake not to use any of Ms Deakin’s artwork in the future<sup>6</sup>. Moreover, it was confirmed at trial that the Davies defendants in fact have no intention of further using any of Ms Deakin’s artwork, save possibly for the BK logo<sup>7</sup>. The dispute therefore now concerns damages only and more importantly, its costs – and, of course, who is to pay them.

*‘Individual Licences’ and ‘The Collective Licence’*

17. The RRAPOC draws a distinction between the licences granted to Cardrax I on the one hand and those granted to BK on the other. In the first case, each drawing is said to have been separately licensed and thus, each Cardrax I licence has been referred to in the pleading as an ‘Individual Licence’ – some 500 of them in all. In the case of BK however, the three year licence is said to include all the items of artwork (and other things too), *en bloc*. Such a licence (called ‘The Collective Licence’) is pleaded as ‘one indivisible agreement’. This ‘all or nothing’ approach has a purpose. It serves to enable the claimants to justify their former solicitor’s<sup>8</sup> letter of 8 December 2006 [C1/27] whereby (as they would have it) they ‘accepted’ what was referred to as BK’s repudiatory breach of the Collective Licence, thereby terminating the *entire* BK agreement which was then (just) ongoing. The suggestion of repudiatory breach is the subject of astringent disagreement by the Davies defendants and the effect of the 8 December letter is in fact the foundation of BK’s counterclaim. Like almost everything in this case however, the reality is more complicated and I shall have to tackle it later in this judgment.

*Breach of licences and infringement of copyright*

18. The RRAPOC is structurally complex and contains two principal strands of claim: a number of allegations of breach of copyright licences and *in the alternative* (and resulting therefrom), corresponding allegations of copyright infringement. Standing in a separate category, there are some further allegations which are not so pleaded, for example, the claim in bailment. Moreover the claim against Cardrax II is not for breach of any agreement - since there was none; it is for infringement alone. The relief prayed for follows these threads: separate injunctions are sought to restrain breach of the licence agreements and infringement of copyright, neither of which are now of practical consequence. As to damages, the prayer for an

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<sup>6</sup> Amended defence, para 52. This undertaking will be required and will be incorporated in a recital in the final order. Since December 2008 (or possibly July 2009) none of the Davies defendants have been selling products bearing Ms Deakin’s artwork, anyway.

<sup>7</sup> However, see below, this litigation seems to have brought about the demise of Bees Knees as a trading entity .

<sup>8</sup> DWF Solicitors of Bristol. I shall have more to say about this important letter later.

enquiry (or in the alternative, an account), is directed *cumulatively* to both breach of the licences and infringement of copyright.

19. Mr Tritton saw this pleading as presenting a dilemma for the claimants. He submitted that the case should have been cast as a County Court money claim arising from alleged breaches of contract - and fit for the small claims track at that. This has generated some unusual legal considerations which fall to be examined before I consider the substantive cases: see Part X below.

### ***III Parties and witnesses***

#### *The claimants.*

20. For some forty years now, Ms Deakin has illustrated books, greetings cards, wrapping paper and suchlike for a number of clients and I have no doubt from what I have heard that she has made a good living out of it. She could fairly be described I think, as a successful (but not renowned) commercial artist.
21. Until the late 1990's, Ms Deakin worked under contract to an agency called 'Advocate', which I shall mention later. In mid-2006 however she fell ill<sup>9</sup> and asked her son Dean Wolf 'to control my works' through a new enterprise: Faith Image Source. With this in mind, on 13 June 2006, she assigned the copyright in all her extant works, the idea being for Mr Wolf's enterprise to act as a 'licensing portal' for her work<sup>10</sup>. She also gave him power of attorney *inter alia* to license her works to others. I was told that the claimants now wish to build up a library of 'Deakin artwork' to have ready to license to users both here and abroad. Mr Wolf also helps her in other ways since, for example, she neither drives nor (more importantly) uses a computer<sup>11</sup>. But I would add this: until after the seeds of this dispute were sown, Mr Wolf played no significant part in the business affairs of his mother.
22. The assignment to Mr Wolf did not contain the right to sue and recover damages for historical infringements of copyright nor breaches of any related licences. Neither did the assignment include the right to sue and recover damages for any claims that Ms Deakin might have in bailment relating to her artwork. Hence there are two claimants.
23. For some five years prior to the present dispute, Ms Deakin had been creating artwork for *inter alia*, Cardrax I to the order of Ms Davies, in part via Advocate. I would characterise their then business

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<sup>9</sup> This illness occurred at an important period in the history of this affair and I shall refer to it later.

<sup>10</sup> The assignment is annexed to the RAAPOC.

<sup>11</sup> Again looking ahead, the latter fact has some bearing on the bailment claim.



relationship as having been mutually beneficial<sup>12</sup>, friendly - and informal to the point of being casual, even haphazard. And therein lies part (at any rate) of the problems which has made this dispute so difficult to resolve.

24. It struck me as odd in view of the way aspects of this claim have been maintained, that neither Ms Deakin's name nor any related assertion of her copyright was ever made on any of the cards and add-ons in issue<sup>13</sup>. Claims to copyright in the cards were recorded thus: '© Card Rax', '© Cardrax Limited' and '© The Bee's Knees'. Cardrax II also made a copyright claim in the cards it manufactured (© Cardrax UK) but since that company has never *manufactured* any cards bearing Ms Deakin's designs, that is by the way. Mr Tritton asked Ms Deakin about her professional anonymity and her explanation, in my view, makes little sense: T5/401-403. The fact is, so far as her dealings with the Davies companies and the public went, she chose to remain completely anonymous.
25. It will be convenient at this juncture to record my impressions of the witnesses since much of this dispute revolves around the (often very conflicting) evidence given by these three ladies.

#### *The claimants as witnesses*

##### *Mr Dean Wolf*

26. Mr Wolf was a witness whose evidence was clear and largely uncontroversial<sup>14</sup>. I have however borne in mind that he was not an independent witness.
27. Historically, coming into the picture in mid-2006, Mr Wolf was a relatively late player in this dispute overall. But as I shall show, mid-2006 was a critical time in the history of the BK dispute. It was a time when (it stands agreed), delays in the timely delivery of artwork were occurring. The causes (and effects) of these delays were the subject of the most controversial and time-consuming aspect of the entire case, since this delay was ultimately the cause of the BK counterclaim. Mr Wolf's appointment at this very time is relevant because Ms Deakin handed over the business side of her professional life to him – ostensibly because of an illness: see C1/7, 15 April 2006. Looking ahead, Mr Tritton's case is that this illness was the most likely cause of the serious delay in the delivery of artwork for BK – and its consequent misfortunes. This is denied by Mr Edenborough who places the blame squarely upon the whimsical quality of Ms Davies' instructions and her ongoing propensity to demand change.

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<sup>12</sup> Involving fees of c £83,000 for Ms Deakin.

<sup>13</sup> See for example, the above illustration and footnote 2.

<sup>14</sup> Save as to some evidence regarding the BK £1500 bonus – see below.

*Ms Deakin*

28. Ms Deakin had evidently put much effort into the presentation of her case. I found her evidence to have about it a legal ring and thus to have a rehearsed quality that did not chime with her evidence of fact dating from the pre-action era. I also felt, particularly when she was giving evidence about practices of the trade, a tendency on her part to come up with facts which nicely fitted the evidence needed for her heads of claim. Her evidence was thus partisan in places and not based on genuine recollection<sup>15</sup>. More importantly, on numerous occasions her factual evidence was in direct conflict with that of Ms Davies.

29. I found Ms Deakin's evidence touching the part played by Ms Brock in this whole affair to have been particularly unsatisfactory, most of it being given in the future or future conditional tense and qualified by such phrases as 'my understanding', 'the evidence will show' and suchlike<sup>16</sup>. Her factual reason for applying to join Ms Brock was initially on the basis of inferences to be drawn from the incorporation of Cardrax II - for example, the fact that Ms Brock was said to be the owner of *all* the 49 issued shares in Cardrax II: G/1/7 and 8; this fact was wrong<sup>17</sup> and for this, she first tried to blame Companies House. In cross-examination, on being shown that the error was clear from one of her own exhibits [SD3], even then she would not admit her mistake. She said:

"I did not ignore it. I did not obviously make that amendment to my own thinking."

That was not, I think, a straight answer<sup>18</sup>. Another unsatisfactory incident involved Ms Deakin making unfounded allegations against Ms Davies and Ms Brock was in relation to the operation of BK. This involved inaccurate evidence relating to the participation which Ms Brock and Ms Davies were allegedly planning for the Leukaemia Research Foundation as a beneficiary in the new venture. As Mr Malynicz spent some time on this sub-issue I shall have to return to it later<sup>19</sup>. Moreover, for some reason, the allegations against Ms Brock came in two phases. At first, joint tortfeasance was alleged only in relation to Ms Davies and the setting up of Cardrax II – and that is how Ms Brock came to be joined. The allegations involving BK only arose later.

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<sup>15</sup> See for example, T6/702-707 regarding the 'omission' of Christmas cards..

<sup>16</sup> See the Court's question at T6/755.

<sup>17</sup> G/2/19 and 28 – being her own exhibit on the joinder application.

<sup>18</sup> T7/757-759

<sup>19</sup> See paragraphs 291,296, post.

30. Mr Tritton characterised Ms Deakin as a witness whose evidence was unsatisfactory and in *Annex 1* to his closing submissions he identified a number of incidents to support this. Mr Malynicz characterised her evidence in yet stronger terms: 'fantastical' and 'highly eccentric if not offensive'.
31. I have therefore received Ms Deakin's evidence with caution. I have found the conflict between Ms Deakin and Ms Davies very difficult to resolve but Ms Davies' evidence was at least substantiated in important respects by that of the three auxiliary witnesses who were called by her, two of whom were independent<sup>20</sup>.

*Ms Deakin's illness*

32. I have briefly mentioned how this comes into the case. There is no doubt that by April of 2006 Ms Deakin had fallen ill. The BK deal (see below) was agreed in May and by mid-Summer of that year significant delays in the flow of artwork to which I have referred, had begun to occur. Two pieces of evidence suggest that the illness was of a kind that might be affecting her work. Mr Wolf said that her hand had been 'in quite a lot of pain for some time' – that was in October 2006<sup>21</sup>. Secondly, on 9 October 2006, Ms Harrowell<sup>22</sup>, Ms Davies' then assistant, had to drive to Ms Deakin's house in Ipswich to pick up two blocks of delayed artwork for the BK project. When she arrived early in the morning, she noticed that Ms Deakin's hand was 'in ice' and that she was clearly in pain<sup>23</sup>

“ [she] blurted out on the doorstep that she had not finished the cards [and that] she was struggling to draw. And she was holding her hand in ice....She was in pain...It is my opinion that Sue had a big problem with her hand, maybe something like carpal tunnel and I believe that that was an integral part of all the delays that we suffered from start to finish. I do not think she could draw and I know that she was in a lot of pain.”

33. This came as a complete 'shock' to Ms Harrowell. On the other hand, Ms Deakin resolutely maintained that her illness did not in the least impair her ability to draw at this (or any other) time: she used pain-killers. Her explanation for the illness was 'sphincter duct enlargement' or pancreatitis. In cross-examination about it by Mr Tritton, she said this<sup>24</sup>.

Q Yet in between April and June 2006, Ms Deakin, you take on one of the most enormous commissions you had ever been given?

A Yes.

Q Yet at that time, you were still quite ill?

A Yes.

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<sup>20</sup> See para 44 below

<sup>21</sup> T7/877.

<sup>22</sup> And one of the independent witnesses referred to in the paragraph preceding.

<sup>23</sup> Harrowell W/s para 9 and T11/1345-1348.

<sup>24</sup> T5/535:

34. The significance of these dates and the issue of delay in delivery of artwork for the BK project are central to that case and Ms Deakin's illness is thus a matter on which I have to decide who was telling the truth. In my judgment, Ms Deakin was not being frank about either the nature or impact of the illness from which she was undoubtedly suffering. In my view, this illness materially contributed to her inability to deliver artwork in a timely fashion which was needed for the BK project. The significance of this and its impact on my decision will become apparent later. She also alleged that Ms Davies knew about the illness at the time of the BK agreement<sup>25</sup>. Ms Davies denied such knowledge (a 'bolt out of the blue', said Ms Harrowell) and in this further conflict of evidence, I believe Ms Davies. I cannot believe that Ms Davies would have agreed to her undertaking this vital task knowing that she might not be not up to it.

*The Davies companies: Defendants 1, 2 and 4*

35. I shall now provide an overview of matters which I must go into in detail later. Though it has featured strongly in the evidence, the first defendant, **Cardrax 1**, was dissolved on 27 June 2009. Cardrax I was incorporated by Ms Davies and her former husband Dean on 25 August 1995, Mr Davies having 51% of the shares and Ms Davies the remainder. Cardrax I began trading in 1998 and Ms Davies became a director with her husband on 27 January 2004. Cardrax I has had two principal employees: Ms Debbie Harrowell (see above) and Ms Michelle Slack, both of whom gave evidence. Miss Harrowell now runs her own photographic business and has made it clear that she is an independent witness. Both ladies had contracts of employment with Cardrax I (only) and I shall explore their roles as employees in due course.

36. Cardrax I was the wholesale vehicle by which the cards and add-ons were designed, printed, packaged and sold to exclusive distributors for onward sale to the high street outlets which I have earlier mentioned. Operational headquarters was initially at an office and an adjoining warehouse for storing stock (and significantly, returned stock) at a business unit at Raans Road, Amersham, Buckinghamshire ('the Amersham office').

37. In view of some issues regarding implied terms, I would draw attention to the fact that Cardrax I started business *well before* the other Davies companies and as I understand it, traded in much that same way as it had always done up to its demise on 3 January 2008.

38. The other working component of the Davies defendants' businesses was its printer, Page Litho Ltd in Basildon, Essex. Their Mr Glenn Scott gave factual evidence for the Davies companies and was

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<sup>25</sup> T6/683. Ms Davies said that she got to know of the illness only in October 2006

primarily cross-examined on that evidence. However, seeing that he was the only witness who knew anything of practical value regarding the printing of cards and its demands, questions were also asked of him touching his professional experience in the printing business. No objection was taken to this as such and I found his answers helpful.

39. **Bees Knees ('BK')**, the second defendant, was incorporated on 24 May 2006 with Ms Davies as its director and a shareholding of 51 ordinary £1 shares. Ms Davies chose its corporate title. About a year later, on 21 March 2007, Ms Brock also became a director of BK and acquired 49 ordinary £1 shares in the company. I shall have to go into how this came about and also into the trading activities of Bees Knees in detail as it is the key corporate player in the counterclaim. I should however say that its trading style was altogether different to that of Cardrax I. Ms Davies' idea for BK was to sell through appointed agents who entered into standard agreements with BK and sold on to the public as they deemed best – 'Tupperware style' as someone suggested. Typical agents were envisaged to be office workers, schools, parish workers and so on.

40. **Cardrax II**, 'the phoenix company', was incorporated on 18 July 2007, a few days after the Particulars of Claim had been served. Again, Ms Davies became a director with a shareholding of 51 ordinary £1 shares. The following day, Ms Brock also became a director of Cardrax II with a shareholding of 49 ordinary £1 shares. The purpose (though not the cause) of this development is stated in §13 of the Amended Defence:

'the purpose and reasoning behind the incorporation of [Cardrax II] was to preserve the former trade and goodwill of [Cardrax I]'

which by then had got into in serious financial difficulties.

41. Mr Edenborough's first submission on Cardrax II must be stated at the outset. Days after service of the Particulars of Claim, the assets of Cardrax I were sold to Cardrax II. Cardrax I's assets (including its stock of cards and add-ons in the warehouse many but not all of which featured Deakin artwork) had in fact been valued professionally<sup>26</sup> at Ms Davies' request, at £120,000. This became the sum advanced by Ms Brock for her shareholding in Cardrax II. Thus, Mr Edenborough submits, the main purpose of incorporating Cardrax II was clearly (and dishonestly) to defeat the claim against Cardrax I. It was submitted that this manoeuvre was an intentional and deceitful collaboration by Ms Davies and Ms Brock which led *inter alia* to the joinder of Cardrax II and Ms Brock into this action.

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<sup>26</sup> There is no suggestion that the assets of Cardrax I were undervalued for sale.

*Ms Davies and the Davies defendants' witnesses.*

42. **Ms Davies** struck me as an articulate and energetic person with a good recall of past events. Moreover, she was the witness who, I felt, was most familiar with the card trade having been involved in it continuously since 1993, that is, even before the creation of Cardrax I. She was proud of her achievements in this area and was particularly interested in novel ways of marketing these products. In short, she struck me as a well-informed, go-ahead, 'ideas' person, capable of instilling enthusiasm in others. However as the guiding light behind the Davies companies, she was in my view, rather a lucky amateur – as Mr Edenborough was able to show in cross-examination. Her business skills seem to have been self-taught and her business practices were informal if not idiosyncratic. Sometime in the first half of 2006, her luck ran out. Cardrax I became engulfed in sundry debts (as I think, did she) and in addition, VAT and/or corporation tax problems followed. As will be seen, her new business venture, BK, got off to a shaky start and by the end of that year the seeds of the present litigation had been sown and had achieved effective germination as a result of an over-aggressive lawyers' letter before action<sup>27</sup>.
43. Ms Davies' evidence differed from that of Ms Deakin in a number of material respects and I shall have to form a view on who was telling the truth on such occasions. Like the evidence of Ms Deakin, I felt that her evidence was partisan (though not I think, rehearsed), and in common with Ms Deakin I think that some of her evidence was simply untrue.
44. The **auxiliary witnesses** for the Davies defendants, Ms Harrowell, Ms Slack and Mr Glenn Scott from the printers to the Davies defendants, were impressive under cross-examination, having a good recollection of events. In particular, I found their evidence most helpful in assessing the day-to-day part played by Ms Brock after she became 'involved' with the Davies defendants. I have therefore accepted their evidence without qualification and used it to help me resolve a number of evidential conflicts between the principal players. I should add this about Mr Scott. His company may not, I think, be of great size but in giving evidence I was impressed by his knowledge and experience of the card - printing business in particular. In my view, he was as near as one might get to being a relevant expert and though no provision was made at the case management conference for expert evidence, no objection was taken by Mr Edenborough to his evidence on technical matters. Indeed, he was cross-examined on technical matters by Mr Edenborough. Mr Edenborough invited me however to take his evidence with caution (so he submitted), Mr Scott was a mere salesman-cum-van driver.

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<sup>27</sup> On 8/12/06 [C1/27].

I reject this characterisation and accept the technical evidence he gave.

*Ms Sonia Brock*

45. Ms Brock loaned, invested or subscribed a substantial amount of money in a relatively short time to Ms Davies and to the Davies companies<sup>28</sup> - some £ 415,000 in all. The matter speaks for itself, says Mr Edenborough. This is no mere speculative investment, he said: this shows wholesale commitment to an ongoing, joint business venture with her friend and business partner, Sally Davies<sup>29</sup>. This broad approach became Mr Edenborough's main submission that Ms Brock was a joint tortfeasor.

46. I record that prior to becoming involved financially with the Davies defendants (that is, from about mid-2006 onwards), she knew no more about the greetings card business than the average lay person. Regarding Ms Brock, the following appears to be common ground:

- (a) She has at no time been a director of or has had *any* shareholding in Cardrax I,
- (b) At no time has she ever been employed or paid by *any* of the Davies defendants,
- (c) She has never been a controlling shareholder and has at most owned only 49% of the shares of any Davies company.
- (d) She attended no directors' meetings of any of the Davies companies<sup>30</sup>.

*Why was Ms Brock joined?*

47. Ms Deakin joined Ms Brock in this action as fifth defendant on 19 March 2008 on the basis of advice given to her by her present solicitors McDaniel & Co of Newcastle: Deakin II §§ 3 and 4. Ms Brock was joined for a number of reasons it seems, not least of which was so that any orders against the other defendants could be 'effectively enforced'<sup>31</sup>. The legal basis on which Ms Brock was joined is to be found in the amended Particulars of Claim dated 19 March 2008<sup>32</sup>. It was then said that she owned *all* the 49 issued shares in Cardrax II and that she had invested £120,000 in that company. The first allegation was in fact wrong, though the latter was correct: see para 29 above. On this basis and in the light of the

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<sup>28</sup> There is ongoing dispute as to the status of some of the transfers.

<sup>29</sup> Ms Brock appears in fact to have lost most if not all, of that money.

<sup>30</sup> Assuming (which seems doubtful) that any ever took place during her time.

<sup>31</sup> G/1/8. This was the evidence on the joinder application and was in fact the *only* obvious reason given by Ms Deakin for her joinder. Ms Deakin was cross-examined on this evidence: T6/262-263.

<sup>32</sup> A2/4/3

substantial amounts of money involved, it was alleged that there arose an inference of procurement, authorisation and common design with the alleged wrongdoings of all the Davies defendants. Ms Brock sought to strike out the claim against her but in the end (October 2009), abandoned her strike out application.

48. There then followed the much amended RRAPOC<sup>33</sup> wherein Ms Brock's alleged wrongful involvement with all the Davies defendants was considerably elaborated, mostly in my view, on the basis of surmise and inference. Dishonesty on Ms Brock's part was raised and in no time, she had become the *eminence grise* behind the galaxy of wrongdoings complained of – and there she has remained, legally personified as an alleged joint tortfeasor.

49. I further record that on the evidence :

- (a) Ms Brock neither met nor spoke to either of the claimants till they met at a failed mediation in January 2009<sup>34</sup>,
- (b) Ms Brock never had any business dealings with Mr Scott, the printer,
- (c) Ms Brock never gave any instructions or orders to any employees of the Davies companies regarding the day to day running of those companies. Neither is there evidence that she gave instructions to anyone else regarding the business of those companies.
- (d) In connection with Cardrax I, Ms Deakin said this about Ms Brock<sup>35</sup>:

Q Your experience in dealing with the company and the day-to-day activities of the company, did you detect Ms Brock's hidden hand?

A Not at the time, no.”

#### *Ms Brock as a witness*

50. Ms Brock was cross-examined concerning her general involvement with the Davies defendants and her motives for injecting so much money into them - corporately and/or by way of personal loans to Ms Davies. Surprisingly, in the light of authority (see below), she was asked much less about what role she allegedly played in the day-to-day business of Cardrax I and II and BK – and in their alleged breaches of licence or infringements of copyright.

51. Contrary to Mr Edenborough's submissions on the issue, Ms Brock struck me as having little experience in the world of business. What she had was of a general kind, even though she had once worked on a

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<sup>33</sup> A/2

<sup>34</sup> B/4/5

<sup>35</sup> In cross-examination by Mr Malynicz.: T6/791



money magazine, Money Marketing, in a secretarial or administrative capacity. In spite of this, I felt that if she was a businesswoman, she was a tyro: a naïve, well-heeled and well-intentioned amateur. For example, in spite of being willingly forthcoming with so much money for Ms Davies' projects, she never seems to have been told much about how her money was actually being spent by Ms Davies<sup>36</sup> and nor was she invited even to see company accounts or bank statements: First Witness statement B/4/4. In fact, I do not think she even asked to see them. In his cross-examination of Ms Davies, *a propos* Ms Brock, Mr Malynicz asked her this<sup>37</sup>:

Q ...Do you know what a dilettante is or means?

A No, not really.

Q Someone who dabbles in something they don't know very much about.

A Right, okay.

Q Would you agree that that was what Ms Brock was?

A Yes.

52. She struck me as a soft-spoken and a rather self-effacing sort of person. She was reserved in demeanour in comparison with the two other ladies but I do not suggest by that that she was withholding evidence. Moreover, she was nervously prepared to agree with most factual propositions put to her by all three Counsel - without much qualification. For these reasons and not because of any suggestion of dishonesty, I have found her a difficult witness to assess. I am driven again to look to the auxiliary witnesses for the Davies defendants for help in forming a view as to the role she played in this affair. By the end of the trial, she struck me as still knowing surprisingly little about the card business.

53. Though Ms Davies and Ms Brock fell out in 2008<sup>38</sup>, Ms Brock's evidence was accepted by Mr Tritton as being fair, accurate and credible.

#### ***IV Card production: Who did what?***

54. I find the sequence of events in card production by the Davies defendants, to have been roughly as follows<sup>39</sup>:

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<sup>36</sup> She did not know at the time how the £120,000 invested in Cardrax II was used to buy the assets of Cardrax I.

<sup>37</sup> T10/1263

<sup>38</sup> In January this year, Ms Brock registered a £150,000 charge on Ms Davies' remaining property [C7/2/6]

(a) Ms Davies ordered new card designs for Cardrax I about every two months. She decided what type of artwork was next required and discussed it with Ms Deakin by telephone. She often also talked about production details (e.g. ‘flittering’<sup>40</sup>) and timing. In relation to the BK contract, this was described by Mr Edenborough as a ‘specific briefing’.

(b) Within (usually) a week or two, Ms Deakin responded to these instructions with artwork which was sent to Amersham by post or fax.

(c) On receipt of the artwork, Ms Davies either accepted it or suggested amendment to what had been sent, in the latter case, Ms Deakin being informed by telephone or fax.

(d) If need be, Ms Deakin would make an appropriate amendment and revise and send back the artwork.

(e) When approved, the original artwork was sent to (or collected by) Mr Scott for print-proofing within a day or so after its receipt – but subject to ‘printing slots’. Mr Scott noted what he received in his (personal) Day Book. When proofs were approved, the full print run would take place. Again, everything was done with Mr Scott either face to face at Amersham - or by telephone. I would add that in the case of the BK brochures, the printing took about two weeks.

(f) The print run would be delivered to Amersham by Mr Scott by van some two to three weeks later. It would then be put in the warehouse ready for more or less immediate disposal to distributors or in the case of BK, to the agents.

(g) Within 4-5 weeks of (e) Ms Deakin (or latterly, Mr Wolf) would send a handwritten (and usually undated) invoice by post to Amersham – always after the print run<sup>41</sup>. Almost always, and in the case of both companies, a fair number of items of artwork were included and charged for on the same invoice as a batch of work.

(h) Save for the BK logo, Ms Davies never asked Mr Scott (or indeed anyone else) to reproduce any of Ms Deakin’s designs a second time, preferring *always* to commission new artwork.

(h) I gained the clear impression that at all material times, Cardrax I was Ms Davies: she *alone* ‘ran the show’<sup>42</sup>.

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<sup>39</sup> For the Cardrax I licences and, save as to actual delivery times of artwork, the BK licences as well. It will be seen that Ms Brock had nothing to do with any of this.

<sup>40</sup> Putting some sort of glitter on the surface of the item.

<sup>41</sup> T8/984

<sup>42</sup> This was also the view of Ms Deakin: B/1/9, and of Mr Scott: B/10/7

## ***V The licence agreements: Express and implied terms***

55. Before considering the pleaded cases against each of the Davies defendants, I must first say something about the terms, express and implied which governed the relationship of Cardrax I and BK with Ms Deakin. Cardrax II does not of course come into it since there was no legal relationship between it and the claimants. I have several times stressed that the relationships were most informal and above all, personal, involving Ms Deakin and Ms Davies alone. No formal contracts were ever drawn up. As Ms Davies in truth said<sup>43</sup>:

“I’m not great at writing letters.”

From the contents of the invoices however<sup>44</sup>, Counsel have been able to identify some express terms and make submissions upon their compass and effect. I shall therefore consider these express terms before coming on to the additional implied terms proposed by Mr Edenborough and Mr Tritton.

56. I must first say something about the Court’s approach to *implied* terms, since I was addressed on the relevant law by both Counsel. I would add that what I have to say in this regard applies both to the Cardrax I and to the BK cases and did not strike me as involving any novel propositions.

## ***VI Implied terms: The law***

57. Academic writers deal with three sorts of implied term: those implied in fact, those implied by law and those implied by custom. The first category concerns terms which have not been set out (or otherwise expressed as such) in an agreement but which, it is said, the parties ‘must’ have intended to include. The second category consists of terms imported by operation of law, although the parties may have been unaware of their existence at the time or may not even have intended to include them. In the third category, evidence of custom may be used to add to but not contradict what has been written. In this case I have been concerned with all three categories.

### *Terms implied in fact*

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<sup>43</sup> T9/1127. Ms Harrowell said: ‘Sue Deakin does not have email and Sally is not a letter writer.’ T11/1340.

<sup>44</sup> Which were almost all handwritten and were often undated and slightly different in wording.

58. Such terms are based on the presumed intention of the parties. However, it is not so easy to imply such terms into a contract<sup>45</sup>. Two tests have been applied to detect the legitimacy of implied terms, both of which must, I think, be satisfied. The first is the well-known ‘officious bystander’ test proposed years ago by MacKinnon LJ<sup>46</sup>:

“Prima facie that which in any contract is left to be implied and need not be expressed is something so obvious that it goes without saying; so that, if while the parties were making their bargain, an officious bystander were to suggest some express provision for it in the agreement, they would testily suppress him with a common ‘Oh! of course’.”

59. The second test has been called the ‘business efficacy’ or ‘necessity’ test. Lord Wright has described such a term as one

“of which it can be predicated that ‘it goes without saying’ some term not expressed but necessary to give the transaction business efficacy as the parties must have intended.”<sup>47</sup>

60. In other words, a party seeking to imply a term must show:

“that the implication was necessary, that the contract would have made no sense without it, and that the term was omitted ...because it was so obvious that there was no need to make it explicit.”<sup>48</sup>

#### *Terms implied in law*

61. Certain obligations which arise out of many types of contract are at any rate, presumptively determined by rules of law and some such obligations are said to be the outcome of implied terms. In such circumstances the subjective knowledge and intention of the contractors at the time, are irrelevant. Furthermore, terms which are implied by law do not have to be found within the terms of a statute.

62. In this category of contract are *inter alia* commissioned works which attract copyright protection and the use to which architectural plans may be put has generated a number of well-known authorities on the matter.

“The engagement for reward of a person to produce material of a nature which is capable of being the subject of copyright implies a permission or consent or licence in the person giving the engagement to use the material in the manner and for the purpose in which it was contemplated between the parties that it would be used at the time of the engagement. It seems to me that this must be a principle of general application.”<sup>49</sup>

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<sup>45</sup> See: *Liverpool City Council v Irwin* [1977] AC 239.

<sup>46</sup> *Shirlaw v Southern Foundries* [1939] 2 KB 206 at 227

<sup>47</sup> *Gardner v Coultts* [1968] 1 WLR 173

<sup>48</sup> *Stubbs v Trower, Still & King* [1987] IRLR 321 at 324.

<sup>49</sup> Per Jacobs J in *Beck v Montana Construction* [1964-65] NSWLR 229.

63. Moreover, the implied licence extends no further than the minimum which is necessary to give business efficacy to the contract.<sup>50</sup> The following practical question may be asked in order to determine the position: For what purpose (or purposes) would a reasonable person in the shoes of the licensee think he could make use of the work he had commissioned?

*Terms implied by custom or trade usage*

64. Evidence of custom or trade usage may be used to add to but not contradict terms of a contract. It has been said that a custom which is reasonable may bind both parties whether they knew of it or not at the time<sup>51</sup>.

65. However, a party asserting custom or trade usage as an implied term bears the burden of proving it and this may be heavy. In the context of a possible copyright infringement for example, it has been suggested (in my view, correctly) that the test is:

‘invariable, certain and general as opposed to mere common practice’<sup>52</sup>.

66. In my view, evidence that a certain practice has taken place in a particular field of business before the time in question, *a fortiori* in the recent past, is not enough; evidence of widespread and historic usage in business or industry is required. Such evidence may be given by one working in the industry or by an expert.

67. Armed with this analysis, I shall now examine the agreements which affect Cardrax I and BK (in that sequence), looking first at the express and implied terms of the Cardrax I agreements.

***VII Cardrax I: Express terms.***

*Express terms*

68. As noted, there were never any formal agreements governing the parties’ relationships. As Ms Deakin said, the written terms of their dealings were essentially reflected in the invoices<sup>53</sup> and all the rest was oral – usually conducted by telephone or sometimes by fax.

69. The express terms on which Ms Deakin licenced her copyright to Cardrax I (the ‘Individual Licences’ – see above) are straightforward. In addition, as one might expect from so personal a relationship, a number of implied terms have now been invoked by both sides which

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<sup>50</sup> *Stovin-Bradford v Volpoint* [1971] Ch 1007

<sup>51</sup> *Reynolds v Smith* (1893) 9 TLR 494

<sup>52</sup> *Copinger on Copyright* 15<sup>th</sup> Edn, 5-214

<sup>53</sup> T5/391-392

became the subject of dispute. I find the following, however, to have been the **express terms**<sup>54</sup>:

1. There was to be no royalty payment. Instead, the artwork for the cards was licenced to Cardrax I for a three year period for a 'fee' of £175 per design. The invoices contain minor variants of the following: '© Sue Deakin 3 yrs UK Card rights only'. [see for example D1/39 and C1/70]
2. For wrapping paper, the fee was £75. The invoices contain minor variants of the following: '3 yr UK Wrap rights only' [see for example D1/39/17]
3. Obviously *eventual* payment of these licence fees was also an express term (i.e. a promise to pay) but the time for such payment was not. In relation to Cardrax I it is not in fact pleaded that a time for payment is of the essence. This is not surprising. The invoices to Cardrax I (of which there are many) often state 'Due now' (even though many such invoices are undated). A number of invoices specify a date for payment. Some say nothing about the time for payment.

70. At this juncture, Mr Tritton invited me to note that in the case of Cardrax I (as opposed to that of BK), delivery times for artwork have never been an express term of the licences.

#### *Card rights/Wrap rights*

71. Some comment on these express terms is called for. '*Card rights*' and '*Wrap rights*' mean the right for Cardrax I to copy a particular Deakin design for a card or wrapper (as the case may be) by printing it on cards (or wrapping paper) as the case may be (or by getting a printer to do so) and thereafter to issue the copies of what has been printed to the public. This follows from CDPA '88, ss. 16 and 17. In my judgment, it does not enable Ms Deakin to control or still less, dictate, any 'downstream' acts by the licensee or *a fortiori* by those to whom Cardrax I had sold licensed copies. The licensed materials could therefore be sold on to whoever Cardrax I chose and (as happened), could even be binned.

#### *Tags*

72. Another comment may be made about the scope of the term 'wrap rights'. Mr Edenborough contended that if a tag made and sold by Cardrax I is printed with a Deakin design, this constitutes a separate infringement attracting further damages. Ms Deakin, he says, quite simply did not licence her designs for use on *tags*: see Annex D and para 28 of Ms Deakin's second witness statement [B/2/8]. Mr Tritton

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<sup>54</sup> These are not quite the express terms pleaded in RRAPOC, para 9

asks me reject this as commercial nonsense. In context he says, wrapping paper and tags go together.

73. In my view, this is another of Mr Edenborough's slices of salami which have been so thinly sliced as to become translucent. I have indeed found no evidence that Ms Deakin ever created designs for specific use on tags. But I have also found no evidence that any of the Davies corporate defendants ever sold tags separately from *matching* wrapping paper. Tags were included in the packs which were shown to me at trial, for example. I am unaware that any tags were sold separately
74. The licenced wrapping paper is used to wrap gifts and gifts normally require some identification of the donor. This is done by means of stickers and tags. In my judgment, the term 'wrap rights' as used by Ms Deakin covers both licenced wrapping paper and its matching tags and liability (if any) must be understood accordingly. I therefore reject the argument of a separate liability in relation to the tags.

'Only'

75. Note also the word '*only*' which is usually to be found in the invoices. This means what it says. Card designs may therefore only be used for cards and similarly, wrapping paper designs only used for wrapping paper (and matching tags). Card designs could not therefore be used on wrapping paper and *vice versa*. The pleaded contention of the Davies defendants that licensed Deakin artwork was available for any 'commercial purposes'<sup>55</sup> Cardrax I might have had in mind, is either unclear or – if read literally, is wrong.

### ***VIII Cardrax I: Implied terms***

76. The implied terms said to be present in the Individual Licences are set out in para 9 of the RRAPOC. But by the end of the trial the original five implied terms had been elaborated. The following are the implied terms which Mr Edenborough and Mr Tritton invited me to consider and adjudicate upon in relation to the Cardrax I agreements. I would mention that they are all applicable to the BK contract as well but the latter contains some additional items. I have listed the suggested implied terms in no particular order. Some were agreed to be implied terms<sup>56</sup>, others came separately from one or other Counsel<sup>57</sup>:

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<sup>55</sup> See A2/8/4 and 8

<sup>56</sup> Mr Tritton spoke of 'unspoken understandings' in respect of two of these - (a) and (f)- but I have treated these as implied terms

<sup>57</sup> Since Ms Brock was not involved with any of these contractual matters, Mr Malynicz was hardly involved with this part of the case.

- (a) Were the designs exclusive to Cardrax I ?
- (b) What is the date of commencement/expiry of the licences?
- (c) Were the licences ‘personal’? Was assignment or cross-licencing permissible?
- (d) Might the Deakin artwork (or its intended application) be modified?
- (e) Might artwork supplied for cards also be used for wrapping paper/tags and *vice versa*?
- (f) Could artwork be re-licensed without notice?
- (g) Was there an obligation to return original artwork?
- (h) Was there an obligation on Cardrax I to supply Ms Deakin with two free samples of all its products?

*Were the designs exclusive to Cardrax I?*

77. The three year period was, I consider, to be a period of exclusivity to Cardrax I: T5/392<sup>58</sup>. Section 92(1), CDPA ’88 requires, of course, exclusive licences to be in writing but I agree with Mr Edenborough that for present purposes at least, nothing turns on the fact that they were not in writing.

*What is the date of commencement/expiry of the licences?*

78. This flows from the express term and needs to be determined for the purposes of the inquiry as to damages. Mr Edenborough submits that, on statutory principle, it has to start prior to the works being *copied* by the printer. He therefore says that it is three years from the date of delivery of the approved artwork to Amersham since that is the date when it was first within Ms Davies’ control: [RRAPOC 9(a) and T5/399].

79. The position of the Davies defendants has varied. In her witness statement, Ms Davies suggested the date of the invoice as the proper date<sup>59</sup> but in oral evidence she said that in fact she used the date she received the cards from the printer and logged the job into their office computer<sup>60</sup> [T8/894]. She chose this date because (as noted) Ms Deakin’s invoices were often late and/or undated: see for example C1/70. This log-in happened before the relevant invoice arrived: D8/984. Finally, in the amended defence of the Davies defendants, the date is calculated as being one month prior to the date of the print run [A2/8/5].

80. There is in truth something inherently capricious about all of these suggested dates which well reflect the affairs of the two ladies at the

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<sup>58</sup> Originally this was pleaded by the claimants and then removed in the RRAPOC: A2/4/9 (c). But nothing, I think, turned on this in the end.

<sup>59</sup> B/7/4 i.e. 4 /5 weeks *after* the date of delivery of the artwork. There was evidence that e.g. Advocate used this date.

<sup>60</sup> To generate Product Activity Reports – of which more later: see para 132.



time. The date of the (sometimes dated) invoice is a poor choice since it always came in after the printing and delivery (and possibly even the distribution) of the cards etc [T8/984]. Furthermore, it transpired that neither lady kept a record of the date of delivery of the original artwork (and/or approval) anyway (see for example T5/394). Moreover, the printer was always for this purpose, Cardrax I's *agent*. So that date is useless. The only date of practical utility (and one that *was* always recorded) is the date of Cardrax I's computer entry viz when the cards were actually received from the printer. I see no reason why a date based on statute should be commercially determinative and so I have come to the conclusion that the date of commencement of the term will be that when each *print run* was received and recorded by computer at the Amersham office in the Product Activity Reports. In parenthesis, I note that though this point was thoroughly argued, it is unlikely to be of much importance at the enquiry as it is likely only to affect Cardrax I – which is now dissolved.

*Were the licences personal? Was assignment or cross-licencing permissible?*

81. The issue here is: is it 'necessary or obvious' to imply a term to permit assignment (or cross-licencing) from one Davies company to another? Mr Edenborough mentioned the custom within the publishing business and cited authority from that field on the non-assignability of publishing contracts, but I have not found this particularly helpful for a number of reasons (see below 'Customs of the trade'). For a start, this case is not in the traditional field of publishing as such.
82. *A propos* Cardrax I, assignment/cross-licencing could only arise of course *after* Bees Knees came into existence in 2006; before then, in the early days of the Cardrax I relationship, the issue was irrelevant. As Mr Edenborough submitted, it was in fact not even remotely 'on the cards' since there were no sister companies. And though Mr Tritton has sought to persuade me otherwise, that is the way I still see it. It was not necessary to imply such a term during the early days of the relationship and Cardrax I cannot in my view now take advantage of an adventitious commercial circumstance which arose at a later time so to imply one.

*An aside: Bees Knees*

83. Whilst I am dealing with this point now, I do not accept that cross-licencing was at least historically available as an implied term for BK to invoke (see Chapter XV below). Cardrax I and BK were to be run quite differently and separately as Ms Davies herself asserted on most (but not all) occasions: see T8/986 and *post*. Ms Deakin was well aware of this too: see T5/429. Therefore, in the unlikely event that in spite of this, cross-licencing might be of commercial interest,

one would expect such a novel term to be expressly recited. But it is not there. In my view, the licences are personal to the companies involved.

84. Mr Edenborough has raised an important, additional matter here. Were Cardrax I to use BK's Deakin designs *ad lib*, Ms Deakin would lose out financially since the BK fee was less than that for Cardrax I. Ms Deakin was aware of this: T5/414

*Might artwork supplied for cards also be used for wrapping paper/tags and vice versa?*

85. I have already noted (para 75 'Only') that the *express* terms of the relationship require that designs for cards cannot be used without permission as designs on wrapping paper and tags -and *vice versa*. In other words, that there should not be what the pleadings call a 'change of format'.
86. However, the real thrust of this topic did not concern a change of format. It concerned a qualitatively (and commercially) lesser change viz whether there was an implied term which permitted modification only to the Deakin *wrapping paper designs*<sup>61</sup> – in their constituent features (e.g. stars and moons) and/or in colourways. I have therefore no need to express a view on whether an implied term to modify is necessary or appropriate in the case of card designs –which, as the licence fee reflects, are more sophisticated in terms of visualisation and execution. The pleading states that 'modification *or* changed format' is an express term.<sup>62</sup> In my view, these are different situations; the latter is an express term but the former is not. There is no pleading that modification to a wrapping design is an implied term however and strictly speaking, that is the end of the matter. But since time was spent on the question of whether modification to a particular wrapping paper design [X/4] was without the terms of licence, I shall have to make a finding on the point.
87. As a preliminary point I would say this: Though from time to time Mr Edenborough has suggested that Ms Deakin had achieved some national notoriety at the relevant time as a commercial artist<sup>63</sup>, there is no claim to 'derogatory treatment' of her work under the CDPA '88 as a result of modification to her artwork by Cardrax I or by Ms Davies.
88. Next, I find this alleged implied term to be a topic on which it is inherently difficult to express a general view as the matter surely depends on the visual impact of a particular alteration to the wrapping paper; it is a matter of degree. There is, I consider, a

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<sup>61</sup> See Annex D to the re-re-amended particulars of claim and X/4.

<sup>62</sup> Re-re-amended particulars of claim para 9 (b)

<sup>63</sup> She contributed to the illustrations in some editions of Thomas the Tank Engine, for example.

spectrum of alteration for commercial purpose. Some alterations of this kind would hardly be noticeable to most people whereas the result of alteration in others would be immediately apparent. I was invited by Mr Tritton to consider some authority on the subject of alteration to copyright works by a licensee. He drew my attention to passages in Copinger on Copyright (15<sup>th</sup> Edn), 5-224, Laddie Prescott and Vitoria (3<sup>rd</sup> Edn) at 24.23, and to the well-known case of Frisby v BBC [1967] Ch 932 where at p 948, referring to an earlier edition of Copinger, Goff J said:

“It will be observed that what is there said is that the licence may expressly or impliedly require publication in an unaltered form or that no substantial alteration be made which seems to connote that, in the absence of such a prohibition, the licensee has a right to make alterations, even substantial ones, and I have come to the conclusion that that is right.”

89. I do not consider that any implied term can be needed to govern the modification of the wrapping paper. These cited passages concern what I may call a ‘loftier subject matter’ than artwork for wrapping paper, but their upshot is clear. In the absence of express or implied terms (as here), the licensee *may* make alterations, even substantial ones.

*Re-licencing without notice*

90. Cardrax I and BK maintain that should they wish to make use of a Deakin design beyond the initial three year period, they could do so by paying a further £175 (or £75), without getting (in the case of Cardrax I) the go-ahead from Ms Deakin: see Amended Defence A2/2/7(e). An extension of the licence is available automatically, says Mr Tritton, and I would add, presumably so *ad infinitum* till the copyright term expires.

91. I reject this submission. Such a term would be commercially astonishing and is certainly unnecessary.

*The obligations to return original artwork and the provision of samples: Customs of the Trade?*

92. These last two implied terms invoke alleged customs of the trade and I should make some general observations on the subject. First, one may reasonably ask: which is the relevant ‘trade’?

93. Based in part on the evidence and in part on personal ‘high street observation’, it is my view that since about the turn of the century, the card business<sup>64</sup> has become so ubiquitous in this country as to have become a trade in its own right; but it no doubt encompasses an ill-defined penumbra of kindred commercial activity such as printing.

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<sup>64</sup> i.e. that of the printing and ‘wholesale’ distribution of cards.

94. The addition of an implied term whose origin is in a custom of the trade, is of course, well recognised on authority. Any contract (whether written or not) may be deemed to incorporate any relevant and notorious<sup>65</sup> custom of the market, trade (or locality in which it is made), unless the custom is inconsistent with any express term. I have already commented in general on the implication of such a term and the burden - which must be borne by the party alleging their existence: see above, paras. 64-66.
95. The existence of such terms was denied by Mr Tritton and Ms Deakin therefore has the burden of proving their existence. Usually, in my experience, independent evidence is adduced to prove the existence of such a term but this was not done in this case. Ms Deakin obviously has experience of *inter alia* the card trade though as a commercial artist she no doubt has had other target clients as well. On the other hand, Ms Davies has had many years experience working *only* in the card trade and may thus be better qualified as a witness for present purposes. These witnesses have not been *ad idem* in their evidence regarding customs of the trade.
96. Mr Scott, the printer to the Davies defendants, has worked within the printing industry for years but was not asked any questions about either of these two alleged practices of the trade.
97. I have also considered the evidence of Ms Deakin on this subject. She has spoken of the existence of relevant clauses in certain third party contracts. She has also spoken of her own experience when she worked under contract with the Advocate agency, suggesting a 'carry over' albeit *sub silentio*, when she left the Advocate agency<sup>66</sup>. I do not regard this evidence as possessing the quality of being '*invariable, certain and general*' spoken of in Copinger (see above). Moreover, I doubt whether the 'obvious and necessary' criteria could be said to apply. Equally important in my view is the fact that Mr Scott's evidence conflicts with the claimants' evidence on the second of these proposed implied terms (*viz.* the provision of samples) on technical grounds - and I prefer it for the reasons already stated.
98. I shall next consider these last two implied terms in the light of the foregoing (together, for convenience, with the claimants' bailment case). I would however add this: neither of these alleged implied terms and consequences of their alleged breach, involves either Cardrax II or Ms Brock.

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<sup>65</sup> *Turner v RBS* [1999] 2 All ER (Comm.) 664

<sup>66</sup> Described in Mr Edenborough's closing skeleton argument as being 'broadly similar' to the later 'arrangements'.

*Was there an obligation to return the original artwork?*

99. This implied term is said to affect both the Cardrax I and BK cases. However, I have noticed that in neither case has a timeframe been proposed within which the original artwork was to be returned – which I should have thought, could be relevant. This suggests some *ex post facto* thinking on the claimants’ part.
100. The claimants say that about 177 of Ms Deakin’s original artworks (almost, all pre-dating 2004) have even now not been returned – notwithstanding that a substantial quantity of material *was* sent back from Amersham by Ms Slack on request at an early stage of the litigation. Ms Davies said in evidence that there simply *is* no more original artwork in the possession of the Davies defendants. So these 177 original items of artwork (the existence of which Ms Deakin apparently became aware from corresponding sample cards in her possession) have apparently been ‘lost’ while they were in the possession of Cardrax I or BK<sup>67</sup>. I say ‘apparently’ because I cannot help feeling that such was the degree of disorder in the business affairs of these two ladies, that there must be doubt as to whether particular items were returned or not. For example, in cross-examination, Mr Wolf said:

“We are still finding [artwork] to this day”<sup>68</sup>.

Furthermore, as noted above, much of that artwork from the period before 2005-2007 was been lost – which is the time when Ms Slack started running the warehouse at Amersham<sup>69</sup>.

101. Mr Edenborough suggested that the lost artworks were valuable – both inherently (apparently, as works of art) and because they could be licensed commercially, for example, for use outside the UK<sup>70</sup>. His case here primarily rested on antecedent practice within the Advocate agency (or ‘intermediary’ as he called it)<sup>71</sup> and as a supplement or fallback, to practice of the trade- both of which I reject.
102. There was also evidence from Ms Deakin that prior to this dispute, she frequently, indeed “many, many times”<sup>72</sup>, requested the return of her original artwork – always orally, never in writing<sup>73</sup>. Such requests were never refused but rather, ignored, so she said. Ms Davies’ evidence is rather different. Save for a request which she remembers in late 1999 (C2/155), no request for the return of

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<sup>67</sup> Mr Scott made it clear that he always returned all artwork to Amersham so the loss could not have arisen at the printers.

<sup>68</sup> T7/886

<sup>69</sup> She took over from a Ms Kennedy who could, said Ms Davies, have sent the artwork back. I must record that the facts here are unclear and I can make no finding on them.

<sup>70</sup> There was no evidence that this (or any other) licensing had ever occurred.

<sup>71</sup> See C2/158

<sup>72</sup> T5/380-381

<sup>73</sup> Indicating, said Mr Tritton, its low intrinsic value.

artwork prior to November 2006 (ie when this dispute began) was, to her recollection, ever made<sup>74</sup>. The evidence regarding these ‘previous requests’ is supported by that of Ms Slack, who since she started working for the Davies defendants in 2004, had no recollection whatever of *any* such demands by Ms Deakin<sup>75</sup> and for that reason, I accept Ms Davies’ version of events. Ms Davies did also suggest that some original artwork could have been returned by Ms Slack’s predecessor, a Ms Kennedy: see footnote 74.

103. In addition to inviting me to reject the proposed implied term, Mr Tritton submits that Ms Deakin has in any event never offered a Cardrax I or BK design to a competitor either within or without the UK: T5/457,458,460. He also said that in any event, Ms Deakin kept copies of nearly all artwork sent to Cardrax I and BK. This archive, in the opinion of Mr Scott, was of high enough quality to print from: Mr Scott D9/1163, 1168. In the light of this evidence, it was Mr Tritton’s submission regarding this implied term that it was trivial, having been crafted by the claimants’ lawyers to bolster their case overall and that it has been garnished by the procrustean (if not false) evidence of Ms Deakin. In the light of my earlier findings I need say no more about this submission but in case I am wrong about it, I should deal with the allied allegation of failure of a bailee’s duty of care, as quite some time was spent on it.

104. In summary, not only does no term relating to the return of artwork need to be implied, but even if it was a proper implied term, the Davies defendants are not in breach of it.

105. There is a curious footnote to this section which emerges from the BK case. I have held it to be an express term of the BK contract that original artwork had to be returned only if it was not used: see C1/32. So evidently the return of her original artwork

- (a) Was something which had occurred to Ms Deakin, but
- (b) Only if it had remained unused, and
- (c) If it was used, its return was not considered worth bothering about.

*Was there an obligation on Cardrax I to supply Ms Deakin with two samples of licensed products?*

106. This alleged term has no relevance to Cardrax II, to Ms Davies (as she was not in contractual relation with Ms Deakin) and it is of course of no relevance to the case against Ms Brock.

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<sup>74</sup> T5/380,385.

<sup>75</sup> T11/1360-1361

107. This alleged term is based *solely* upon custom of the trade. Ms Deakin's case was based upon the evidence of eight card manufacturers who *automatically* supplied card samples to their artists. On the other hand, one supplier of artwork, Image Source, *requested* samples – which were sent in response to their specific request: D1/3. For the reasons already given, this evidence is not strong enough to sustain this alleged implied term.
108. In fact, there was evidence that considerable numbers of card samples were provided to Ms Deakin by Cardrax I *when she asked for them*: (but not perhaps, from BK): T8/980-981. That this was done, was confirmed by Ms Slack<sup>76</sup> and I accept it as standard practice by the Davies defendants. Even if I had come to a different conclusion about the existence of this term, the complaint itself seems also to be quite trivial.

### ***IX Bailment***

109. This claim, which may, I think, be something of a novelty in the Patents County Court, is based on the matters discussed in paragraphs 99-105 above and it is therefore convenient to deal with it at this juncture. All the Davies defendants, it is said (but it is not so pleaded), are additionally in breach of their duty of care for the loss of original artwork.
110. According to the claimants, Ms Brock also comes 'unpleaded' into this part of the case because of her 'voluntary assumption of possession of the artworks', due to her association with Cardrax I, BK and Cardrax II<sup>77</sup>. Moreover, I can find no particularised *pleading* on this topic specifically directed to Ms Davies. The pleadings in fact identify two bailees only: Cardrax I (RRAPOC para 13A) and BK (para 20B, *ibid.* and Annex M). On my estimate, there are 16 items of artwork allegedly missing from the inventory of the only commercially relevant defendant, BK.
111. I should look first to some further facts. It is not in doubt that all Ms Deakin's artwork was returned to the Amersham office by Mr Scott after it had been used for printing – usually being returned by hand. There it was always consigned to a black, locked cupboard where, together with the artwork of other artists, it remained – until its return was recently requested. The cupboard key was kept in a drawer in the office: T11/1362. When requested in November 2007, all the Deakin artwork in the cupboard was returned via TNT at Ms Davies' expense. However, as noted, some 177 items are nonetheless apparently missing whereby, so it is said, Ms Deakin has suffered loss and damage.

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<sup>76</sup> T 11/1357

<sup>77</sup> Claimants' closing submissions, para 61.

*The relevant law of bailment*

112. It is not, I think, necessary to set out at length the essence of bailment or the duties of bailees which arise out of their voluntary assumption of the possession of another's goods; it is capable of extensive and learned exegesis. Nevertheless, this much must be said at the outset: a bailment action is neither simply an action in tort nor is it based on breach of contract. I think Mr Tritton was right when he submitted that it was in truth a common law cause of action, *sui generis*<sup>78</sup>.
113. I was referred to a number of authorities in this regard, among them, *The Pioneer Container* [1994] AC 324 and *Morris v Martin* [1967] 1 QB716. Both counsel also took me to passages in Palmer on Bailment 3<sup>rd</sup> edn, and Halsbury's Laws Vol 3(1). The aspect of the topic which is of present interest may be stated thus: the onus is on the bailee to show that he complied with a *duty of care*. When goods are lost while in the possession of a bailee, the bailee must prove either that he took reasonable care of them or that his failure to do so did not contribute to the loss: Palmer 1-053. The standard of care required is the standard demanded by the circumstances of each particular case: Halsbury's Laws 4<sup>th</sup> Edn. Vol 3(1), para 3. But a bailee is not under an absolute duty of care.
114. Mr Edenborough's case was simple. There is no doubt that the relevant Davies defendants were bailees of the artwork. Some of it has been lost and it is for them to show that whilst it was in their possession, they exercised reasonable care to keep it safe. These defendants have not made their case either on the evidence or by argument. *Ergo*, the bailment claim succeeds.
115. Not surprisingly, Mr Tritton first pointed to the locked cupboard and to Ms Slack's evidence that once used, *all* original artwork (not just Ms Deakin's) was put into it and the key put in a drawer. He also submitted (in my view rightly) that, once used, the art work was of little (but not perhaps zero) intrinsic value to anyone - except possibly to Ms Deakin. So there was no plausible reason for it to be removed from the locked cupboard. Cards were not re-printed and there had been no evidence of theft.
116. I consider that the steps taken by Cardrax I and BK to safeguard the original artwork were adequate. In the words of Palmer on Bailment 3<sup>rd</sup> Edn., 21-058

“The hirer, as an ordinary bailee for mutual advantage, must take reasonable care of the chattel and must use reasonable skill in its management and use.”

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<sup>78</sup> See Halsbury's Laws (4thEdn) Vol 3(1), para 86



What is reasonable must depend *inter alia* on the nature and value of the goods and on the nature and size of the bailee's undertaking - in this case of course that of a small-sized card manufacturer. The issue is essentially for the court, to be answered as a sort of jury question. I have no doubt that Cardrax I and BK took reasonable care of the original artwork.

117. *A propos* Ms Deakin's alleged damage resulting from this loss and considering the long period over which it was retained in the cupboard, Ms Deakin also had a duty to mitigate her loss by asking for the timely return of all her artwork shortly after the expiry of each three year licence period – whenever that was. She did not always do so. The bailment claim is in my view' hopeless.

### **X Unpaid fees for copyright licences: A debt or an infringement?**

118. This is a legal topic which is of importance in this case. In respect of two heads of claim, viz a small part of the Cardrax I case, (the so-called '12 Cardrax designs') and the BK case *in its entirety*, special considerations arose because of the consequences of the failure of these companies to pay (or in BK's case, fully to pay) Ms Deakin's licence fees. In both cases, the failure to pay gave rise to a purported termination of the licence agreements by the claimants' then solicitors by the letter of 8 December 2006. These claims were based upon Deakin artwork which had been commissioned and used by Cardrax I (in that one specific case) and by BK (for the entirety of the agreement), but

(a) in the case of Cardrax I, not paid for before use, and

(b) in the case of the BK agreement, largely but not completely paid for.

The claimants purported to terminate the licences on the ground of repudiatory breach of an express term viz as to the time for payment. I would add that in both instances, the use of the designs which had not been paid for (or not fully paid for) was still within their three year licence period. The resultant claims were pleaded in the alternative: either as repudiatory breaches of contract giving rise to a claim to recover damages (together with interest) or as traditional infringements of copyright. Though the pleadings seemed to be drafted more in relation to the former, the case as argued, rested more on the latter.

119. The questions raised by these terminations assumed a serious legal form in the capable hands of Mr Tritton and Mr Edenborough. Based on Australian authority and on standard textbooks, Mr Tritton

submitted that such terminations had not been justified and that the proper course for the claimants would have been simply to sue to recover the unpaid fees. He likened it to any money claim in respect of a promise to pay, suitable in the present case, so he suggested, for adjudication in the fast track of a County Court and not as one of copyright infringement.

120. I was taken to authority on the subject of the propriety of terminating agreements for failure to pay - both in general and in the context of copyright licences. In context, the basic question was raised as to whether time for payment was of the essence of the contracts<sup>79</sup> and thus whether the claimants were entitled to rescind.

121. Counsel drew my attention to general passages from Chitty on Contract (13<sup>th</sup> Edn) relating to the timing of payment under a contract (21-011, 21-013 - 017) and discharge by breach (24-001-015}. Mr Tritton also took me to Copinger on Copyright 5-226 and Laddie etc on The Modern Law of Copyright (3<sup>rd</sup> Edn) Vol 1 at 24.25. In particular, my attention was drawn to the Australian case of Ng v Clyde Securities Ltd [1976] 1 NSWLR 443 and various cases involving fees for architect's plans: see Blair v Osborne [1971] 2 QB 78 and Stovin- Bradford v Volpoint Properties (*supra*).

122. In dealing with the question of unpaid fees (under 'Infringement by Cardrax I', and in relation to the entire BK case), I have borne in mind Counsel's submissions on these citations. However as the issue is of central importance to the resolution of the entire BK case, I should now go into this matter in more detail. The problem for the claimants is well illustrated by direct reference to the Australian authority which I have mentioned.

*Ng v Clyde Securities Ltd (supra)*

123. The case of *Ng*, was in fact an architect's copyright infringement action involving an insolvent client. The question arose as to what an architect can do when his client cannot further pay his ongoing fees and the building under construction is taken over by a third party who then wants to use the architect's work in order to complete the building. It is a case which is particularly relevant in the light of the BK agreement since in that case, a substantial amount of money had already been paid to Ms Deakin (£15,000 - in fact, three quarters of her overall agreed fee) when she purported to terminate the licence and sue for damages/infringement. This I would add, is what led to the eventual failure of the BK project.

124. The problem and its solution appear from Wootten J's judgment<sup>80</sup>:

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<sup>79</sup> Which I have held in relation to the Cardrax I agreement, it was not. And in respect of the BK logo I shall likewise be holding it was not.

<sup>80</sup> At p 446.

“But is that licence a consent given once and for all in return for a promise of payment, or is it given conditionally upon actual payment being made in terms of the contract so that it may be revoked if payment is not forthcoming or, as in this case, forthcoming only in part? There is nothing in the contract in this case that casts any light upon the problem...In my view it is not reasonable to imply a term that the licence once granted and acted upon may be revoked in the event of subsequent non-payment. This is particularly so when as here, a licence for the immediate use of the copyright is granted in return for promises of payments at the date of future events contingent on its use. The withdrawal of the licence would not merely affect the future activities of the licensee, but by preventing the completion of a building would render valueless what might be an enormous past investment in the building. Looking at the matter in terms of business efficacy, I find it unthinkable that an owner would agree to a licence revocable if a possibly temporary difficulty prevented him from paying his architect at the agreed time....It is more reasonable to regard him as giving the licence in return for a debt recoverable, if unpaid, by ordinary litigious processes. He is essentially selling something.....A further difficulty in implying a right of revocation in the present case is how the right could be fairly framed in its application when the plaintiffs have already received a substantial part of the payment which is undifferentiated consideration for their labours and the licence.”

125. And later at 448:

“Hence termination for breach would not allow the plaintiffs to take back the irrevocable licence which they had already granted, and for which, it may be noted, they had already received a substantial part payment.”

126. Mr Edenborough said that this case had not been followed in this jurisdiction – but I know it has been followed in the High Court of Australia: Concrete Pty Ltd v Parramatta etc [2006] HCA 55 at 75 and has been the subject of favourable commentary in the copyright textbooks – see above. The fact that it concerned plans for a building and not cards is to my mind irrelevant as will be seen when I come to consider the two ‘unpaid fees’ cases.

127. I propose following *Ng*. Looking ahead, it follows that the notices of termination were wrongly given by the claimants’ solicitors in both cases mentioned above. It also ultimately means that BK’s counterclaim succeeds.

## **XI Damages: Quantum to be postponed**

128. I shall next address the allegations and admissions of breach of licence and/or infringement, Individual and Collective. In his closing speech, Mr Tritton was at times moved to make simple calculations to show the trifling sums which he says, might be awarded by way of damages were the claimants to prove their cases. Mr Edenborough

challenged the validity of all such calculations, arguing that damages could only properly be assessed at the full enquiry which has been sought in the prayer for relief. With reluctance (in view of the prospect of yet further costly litigation), I have accepted Mr Edenborough's blandishment and in what follows I have therefore made little attempt seriously to comment on quantum. I have however indicated where I think breach of contract/ infringement has occurred.

## **XII Cardrax I: Infringement/breach of licence**

129. Having regard to the trading history of Cardrax I, to my findings below on Ms Davies' liability as a joint tortfeasor, and to my findings on the claimants' demand for additional statutory damages, this section may prove to be academic - save as to costs. But it was all argued and what follows are my findings relating to breach of contract/infringement against Cardrax I.

### *Sales outside the three year period*

130. It is alleged that Cardrax I has exploited Ms Deakin's artwork without the three year period: RRAPOC, para 10. The allegation was made on foot of 12 entries in Cardrax I's Order Forms and from Ms Deakin's 'discoveries' in local shops: see Annex C.

### *Another aside: Downstream sales*

131. As the issue has arisen more than once in these proceedings, I should first mention that Ms Deakin's 'discovery' of allegedly out-of-licence material in local shops is to my mind, irrelevant. Once Cardrax I has sold licensed products to any downstream seller<sup>81</sup>, the purchaser can do what he likes with them - whenever he wishes. So I have not heeded any of Ms Deakin's local 'discoveries'.

### *Ms Davies' investigations*

132. As a result of these allegations, Ms Davies undertook a thorough investigation of the situation, based on Cardrax I's Product Activity Reports<sup>82</sup> on all of the Deakin designs identified in Annex C. This exercise showed that some cards bearing Deakin designs, 27 out of 485 in all, were indeed sold outside the three year period – and most often, only just outside that period. However the number of *cards* thus sold was 3775 out of 5,577,995 ie 0.067%.<sup>83</sup>

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<sup>81</sup> See para 252 et seq.

<sup>82</sup> Computer print-outs showing all 'stock in' and 'stock out'. See para 79 above. These were disclosed after an application by the claimants.

<sup>83</sup> Davies, Witness Statement, Para 41. The figure was disputed by Mr Edenborough but not cross-examined to.

133. Such are the facts for which there are alternative explanations. Either these sales were made deliberately, clandestinely and dishonestly or it was (as Ms Davies and Ms Slack assert), a complete mistake, being a systemic failure which occurred without their knowledge. I have no hesitation in choosing the latter explanation.
134. In the first place, Ms Davies' evidence was that the stock of most cards bearing a particular Deakin design were exhausted within two years anyway – and that there was no re-printing. I accept that evidence. Then there was evidence (which I also accept) that distributors returned cards to Amersham for one reason or another and since most were in licence, in principle these were available for resale, rather than automatic binning in the skip which was kept there. That was Ms Slack's area of responsibility. Evidently the procedure was not 'fail-safe' and some cards were wrongly re-sold to distributors. I shall return to this finding below when I consider Ms Davies' position as an alleged joint tortfeasor: see paras. 282-289 below.
135. In the alternative, Mr Tritton submits that either this administrative error has a *de minimis* effect and can thus be overlooked or it is now capable of precise assessment<sup>84</sup>. Mr Edenborough invites me to reject both suggestions; the out-of-licence cards should not have been sold. Infringement has occurred (with which I agree) and an enquiry as to damages for copyright infringement may now go ahead- with which I also reluctantly agree. This is not of course, a question of unpaid fees.
136. Mr Tritton also remarked that this complaint first surfaced in the particulars of claim and not in pre-action correspondence. Had it been raised before, he said, it would have been investigated and resolved. I am not so sure.
137. As an addendum to this section I note that:
- (a) all sales of out-of-licence cards by Cardrax I occurred prior to July 2007 when its stock was transferred to Cardrax II: X/17.
  - (b) It was Ms Davies' discovery of out-of-licence material which led to the undertaking mentioned in para 16 above.
  - (c) There is no suggestion that Ms Brock had any knowledge of or part in the sale of out-of- licence material.

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<sup>84</sup> Viz, 27 x £175 = £ 4725.

*Use of card designs for wrapping paper and tags*

138. The allegation of infringement of the eight Deakin card designs mentioned in RRAPOC (see Amended Defence A2/8/8 and Annex D) was admitted by some of the Davies defendants. In addition to my findings on express terms (see 'Only' para 75 above) I have found no implied term allowing Ms Deakin's card designs to be used for wrapping paper/tags or *vice versa* within the Cardrax I arrangements. I have also held that for present purposes, wrapping paper and tags should be regarded as a single composite product. Infringement of these designs has thus taken place though (since a separate claim is made as to tags), not quite as pleaded. In my judgment, Ms Davies' evidence regarding such misuse is not credible: See T8/913,914 and 917.

139. Mr Edenborough has invited me to:

- (a) Make a finding of infringement on the facts.
- (b) Reject Mr Tritton's statement that the Davies defendants are unable to make any further disclosure on this matter.
- (c) Reject Mr Tritton's homespun calculation of damage (assuming that I make finding (a) above) viz. for 8 x £ 75 = £ 600
- (d) Order an enquiry as to damages in respect of infringement.

140. I accept (a) but on the basis that the wrap and tags go together. As to (b), whether or not the Davies defendants are being frank remains to be seen. I make no other comment on either (b) or (c) and therefore order an enquiry as to damages as requested at (d).

141. Again, according to the evidence, Ms Brock was not involved in this misuse.

*Modification of wrapping paper design*

142. This allegation relates to the *one* wrapping paper design only - which I was shown at trial: 'Happy Birthday' Annex D and X/4.

143. I have held (paras.85-89 above) that absent a specific prohibition, modification of a work (particularly a minor modification) such as this, may yet be within the scope of the licence. I have considered the evidence on this matter and have examined the modification itself. I conclude that the admitted modification was with the scope of the Deakin licence. This allegation therefore fails.

*The 12 Cardrax designs: An unpaid invoice.*

144. As indicated above, this allegation is in a factually different category to the preceding allegations but as it affects Cardrax I, I shall deal with it at this point. It concerns an unpaid invoice in respect of 12 designs used by Cardrax I.

145. As part of Cardrax I's ongoing orders for artwork, in about August 2006, Ms Davies ordered 11 'humour' designs: B2/37 and B7/34. These (plus, for some reason, one 'anniversary' design) were duly delivered to Cardrax I in September 2006 and were later printed and sold. This commission was under the ongoing terms of business with Cardrax I (see above) and details of the artwork are to be found in Annex E. An invoice for £ 2100 was rendered by Mr Wolf on 1 November 2006 to be payable ('due date') by 3 November 2006: C/35<sup>85</sup>.

146. Though the date for payment of that invoice was stated to be 3 November 2006, in that respect the invoice was not unlike many other Deakin invoices to Cardrax I - when a payment date was mentioned. But that does not make it a condition of the agreement. As can be seen from the fax header of D1/39/40, this invoice was re-sent on 23 November 2006 with the handwritten note: *'Please can you settle this as a matter of urgency. Thank you!'* Then, a 'final notice' was sent on 28 November 2006 which stated:

'This invoice remains unpaid. Payment must be made and cleared into the nominated account by no later than 30 November 2006. Should payment fail to reach the nominated account by said date the licence will be revoked as of 30 November 2006.'

No payment was made thereafter and as a result, the licence was spontaneously revoked by the claimants as of 30 November. It is admitted that Cardrax I nevertheless sold cards bearing the designs in question (up to October 2008 in fact, that is, still within the three year period): Amended Defence para 21(d). But they have not sold them thereafter.

147. A conditional offer to pay this invoice was made by solicitor's letter on 12 July 2007 (F1/5) but since this did not include an offer to pay interest and costs, it was rejected<sup>86</sup>. The relevant pleading (RRAPOC paras 11 and 12) puts the claim in respect of this item in the alternative, being either for damages for £2100 (plus interest) or for infringement of copyright. Either way the claim is against Cardrax I only.

148. Mr Tritton's response on behalf of Ms Davies was factually complex and was based upon an allegation by Ms Davies that she

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<sup>85</sup> But wrongly dated 29/1/07

<sup>86</sup> An unconditional offer was also made in the Amended Defence: para 21(f).

had been trying to reach some sort of trade off with Ms Deakin ‘in a practical commercial way’ in the Autumn of 2006 in relation to 11 ‘cute’ designs which had been ordered for BK. I confess to still not fully understanding the detail of the alleged cross-deal – which remains both disputed, oral and sketchy. But those discussions were overtaken by Mr Wolf’s uncompromising letter.

149. Following the *Ng* case, I conclude that this claim is to be disposed of as an action for the recovery of a debt outstanding (with interest). This part of the case will be therefore be disposed of by an appropriate order for payment of the invoice with interest, the rate and the date from which the latter is to run to be determined on enquiry.

### ***XIII Bees Knees***

150. The dispute regarding BK is factually complex and controversial and in other circumstances it would rank as a substantial piece of litigation in its own right. Whilst drafting of this part of the judgment, Mr Tritton’s clerk informed the Court as follows:

(1) BK had stopped trading.

(2) Its sales to December 2007 were £24,272, to December 2008 were £2,651.41 and there were no further sales after that save for a one off sale in July 2009 of £1,035, and

(3) Since July 2009, it had not traded and had not used the Bees Knees logo (see below) since then.

#### *Ms Davies’ new idea*

151. In my view it is essential to the proper resolution of this part of the dispute to appreciate what Ms Davies was trying to achieve with her new venture.

152. In the Spring of 2006, Ms Davies had a new business idea which was intended to compete with that being carried on uniquely by a major card company called Phoenix Trading<sup>87</sup>. As it was to operate in a different way to Cardrax I, she intended it to trade as a separate entity – though for reasons of convenience and economy, from the same premises and using the same staff, fax number etc – but a separate telephone number. For the larger part of 2006 it was to be her unremitting enthusiasm. But it was always intended to run parallel to and simultaneously with Cardrax I.

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<sup>87</sup> T11/1342



153. The idea was this: cards, together with an expanded range of add-ons<sup>88</sup>, would be sold direct to selected members of the public as *signed-up agents* (rather than to distributors) who would then sell them on at their own initiative. These sellers would be individuals who, acting as agents for Ms Davies' new company (called 'Bees Knees' ('BK')), would in effect be running a mini-card business of their own. On signing-up they would pay a fee to BK and receive various merchandising benefits in return. They would buy stock direct and sell on their own account at for example, schools (to parents), church halls, charitable events, stalls at local fairs etc as they thought fit.

*The Product Brochure and the website*

154. Most importantly, a BK product brochure would need to be prepared at an early stage to interest the would-be agents and thus, their own downstream customers. The brochure, which would require to be regularly updated, was central to Ms Davies' business model and its delayed publication features strongly in the dispute which is elaborated below. It was also intended to create a website for the venture, for the primary interest of would-be agents. This too features in the dispute but via its reference to a leukaemia charity, in relation to the induction of Ms Brock into the dispute. Ms Davies intended that the BK brochure (and website) would be the vehicle by which to demonstrate the current availability of the *full range* of products from which signed-up BK agents could choose what they wished to sell - and when.

155. From the outset, Ms Davies foresaw the need for other key sales features which would be unlike anything which had been used by Cardrax I. I have mentioned the brochure and the website. There was also to be an imaginary 'fun insect' working away for the benefit of the company and its agents: BUZZ. The incarnation of BUZZ was to be a BK corporate logo featuring the ubiquitous BUZZ which was to be used in connection with all aspects of sales and merchandising so as to give focus to the new company's business. In addition, agency agreements would have to be drafted, accountants consulted etc. It was envisaged that the agents would pay a 'start-up' fees – which by August had started (slowly) to come in. And not least, though she foresaw using some of her own money for the new venture, capital would have to be raised from investors. So, on 24 May 2006, she incorporated BK, she being its sole director and shareholder. As later events were to prove, it was a bold move.

156. Ms Davies said that her business idea had in fact begun to gather practical momentum by May 2006 with a view to catching the important end-of-year trade for 2006-2007. In order to raise money to advance the company, her first port of call was her accountant and

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<sup>88</sup> Such as bookmarks, place settings, 'notelets' and wrapping paper/tags.

the company secretary, Mr Simon Grainger FCA, who in June and July 2006 drafted some 'Terms of Offer', a Business Plan and other documents, intended to attract investors which, so the evidence shows, did generate some initial interest. These foundation documents have been disclosed<sup>89</sup> and were the subject of cross-examination and submissions. For present purposes, I need quote only one sentence from these documents. Under 'Description' para 2.1.2, one reads:

'Ms Davies will run the business on a day to day basis together with her experienced team'.

The 'team' was of course, Ms Harrowell and/or Ms Slack.

157. At the very start, in May or June 2006 in fact, Ms Davies told Ms Deakin all about her new project with a view to getting her involved as the *only* artist. Ms Deakin was very interested indeed. Though there is much dispute as to the extent to which Ms Davies made her fully aware of her plans for BK<sup>90</sup>, I have no doubt whatever that Ms Deakin was thoroughly briefed at an early stage. At any rate, the two of them orally agreed some 'basic terms'- but as usual, nothing was reduced to writing at the time.

158. I must mention two controversial matters relating to the first BK brochures which (it is agreed) were discussed at that time and which are relevant to the cause of the later breakdown of relations, both being mentioned in DWF Solicitor's December letter of termination (of the entire BK contract) to which I have already referred on a number of occasions<sup>91</sup>. I quote from that letter:

'Ms Davies explained to our client that the project would involve them having to deliver large amounts of artwork in a very short space of time but clearly if the project was successful, not only would the new company succeed but our client would be given the opportunity to provide artwork on an ongoing basis from which they would in turn profit. To that end our client was informed that you anticipated publishing two brochures per year.'

Later on, the letter (correctly) refers to Ms Davies' decision to postpone the publication of the first BK brochure to January 2007 because of unforeseen delays in the timely delivery of artwork and thus to the launch of the business – which is at the heart of this part of the dispute. From this, it is obvious that their original understanding was

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<sup>89</sup> see E1/2-32. See in particular E1/18

<sup>90</sup> Particularly her desire for BK's agents to be able to hit the end-of-year selling window.

<sup>91</sup> C1/27 of 8 December 2006

- (a) that the first product brochure would have to be published in the early Autumn of 2006 to catch the end-of-year market window, and
- (b) the brochure could itself only be published after *all* the artwork had been delivered, approved and printed.

#### ***XIV BK: Express terms***

159. The ‘basic terms’ of the BK contract were the following: that Ms Deakin would supply 123 artworks for cards (‘card artworks’), 45 (or possibly more) free ‘sweeteners’<sup>92</sup> and an unspecified number of wrapping repeats in return for a licence fee of £20,000. Though it was no doubt unimportant at the time, this yielded an itemised design fee (which, referring to the Cardrax I deal, Mr Edenborough described as ‘discounted’) of £162.60 for each item of artwork for the cards. Two other matters may now be mentioned which were also discussed at the start.
160. First, in spite of Ms Deakin’s repeated evidence to the contrary (see below), the importance of the end-of-the-year card market and the availability of the initial BK product brochure *were*, I consider, discussed.
161. Secondly, it is not clear from the contemporary documents whether a three year licence may have been initially contemplated as a term<sup>93</sup>. The matter is unclear- but probably no longer matters. I shall deal with the point now as I do not think it was a term. In the case of the BK contract the documents mention an eventual *assignment* of copyright in the artwork. This is first mentioned in X/23/3. It also came up just before the beginning of this dispute, in November 2006, when an outright assignment of the copyright in all the BK artwork (including the logo) was again contemplated. This emerges from the claimant’s ‘final’ invoice for the last tranche of the £20,000 which still remained unpaid<sup>94</sup>, Mr Wolf (on Ms Deakin’s behalf) wrote:

‘TERMS: Copyright will be assigned on completion of all stated *payments*.’

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<sup>92</sup> As I understand it, ‘sweeteners’ were to be artworks provided by Ms Deakin free of charge, other than greetings cards: see RRAPOC, para 17. These were 10 bookmarks, 10 place settings, 10 items for wrapping paper and 25 place cards: Amended Defence A2/8/13

<sup>93</sup> See for example, DWF Solicitor’s letter of 8/12/06 (*supra*), page 2, where a 3 year term is asserted.

<sup>94</sup> C1/17 The invoice, addressed to BK, (22/11/06) emanated from Faith Image Source, Mr Wolf’s company. Looking ahead, it was the failure of BK to pay this invoice which led to the purported termination of the entire BK licence by the 8 December 2006 letter from DWF Solicitors, which has been mentioned on several occasions.

And later

‘SUMS DUE: *Payment* to the value of £5000 by the 30 November 2006 (i.e. the **last tranche**),  
*Payment* to the value of £1500 by the first December 2006 (i.e. the **bonus**)  
Outstanding *payment* for the logo design to the value of £175 still overdue.(i.e. **the logo**)

[*Emphasis added*]

162. As noted, these ‘basic terms’ were originally oral but were later clarified and reduced to writing by Ms Deakin in important but undated, handwritten documents. This reduction to writing is important because the timings for the delivery of artwork were thereby first recorded. For the purpose of the intensive cross-examination on these documents, Counsel extracted the relevant material from the disclosure bundles to form the five pages of X/23.

163. There was a threshold dispute as to which of these documents in X/23 was ‘the original schedule’<sup>95</sup> -page 1 or page 2, both of which are entitled ‘Delivery schedule’. In my judgment, the first in time (the ‘Original Schedule’) was the page marked ‘Item 1’ [X/23/1]. The agreed timetable for payment for the artwork was set out in what was called the ‘Payment Schedule’ which forms X/23/4. There is some doubt about the probable dates of these documents but the Original Schedule was written down before the Payment Schedule, in about late June or early July 2006, the latter in about late July 2006. The net result consisted in my judgment of the following *express* terms:

1. Delivery of the **artwork** was to be in four instalments which were to occur on 13 July, 21 July, 28 July and 4 August 2006 ‘Subject to visuals being approved in time for artworks to be produced.’[X/23/1]. As I understand it, ‘visuals’ are draft artworks which had not yet been approved by Ms Davies<sup>96</sup>. In the light of what I have said and what I shall say below, in my judgment, so far as *delivery dates* go, time was of the essence.
2. The **£20,000 licence fee** was to be paid for ‘card artworks’ in four instalments of £5000 on 31 July, 31 August, 30 September and 31 October 2006<sup>97</sup>. In my judgment time was not of the essence so far as *payment* went.

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<sup>95</sup> In spite of Ms Deakin’s witness statement, para 68 and her oral evidence at T5/569.

<sup>96</sup> See Chapter IV ‘Card Production: Who did what?’

<sup>97</sup> T8/1014. It is to be noted that the final three *tranches* were to be paid only after *all* the artwork had been delivered. It is also to be noted that the BK logo was not an express term, but arose as a separate item.

3. A first **BK product brochure** would be produced showing fully what was to be on offer. It had to be available to give to BK's agents during early September 2006 so as to meet the end-of-year sales window.
4. 'Late payment or non[e]- payment of any of them [ie artworks] will deem them to be unsold and therefore returnable. Copyright cannot be assigned without payment. All artworks must be returned in the condition in which they were delivered should the 'deal' not be 'forthcoming'. (X/23/3)
5. An item called 'extras and postcards' [X/23] covered 25 extra items which were to be 'submitted as **sweeteners** to the deal'. Ten of these items were to be 'repeats'
6. At some time, there was also a provision for an 'additional sum'<sup>98</sup> (referred to in Ms Deakin's undated 'delivery schedule' [X/23], at trial and hereinafter as a '**bonus**') of £1500 to be paid to Ms Deakin subject to the publication of a second BK sales brochure during the first quarter of 2007. Later, in August 2006, this term was supplemented in that the £1500 bonus would also become payable in consideration of different and additional work to the cards by Ms Deakin called 'flittering': see the section entitled 'BK: The £1500 bonus', below, para 206.

164. Ms Deakin takes strong exception to item 3, regarding the brochure. Her evidence was that though she knew about the proposed BK brochures, at all material times she was *completely unaware* about the requirement that the first brochure should be available to agents by early September. For reasons to which I shall return later, I find her evidence on this matter quite incredible. Terms 1-2 from X/23 were put to Ms Davies and were, I think, accepted as being express terms: T8/1013-1016.

165. For reasons of convenience, I have appended a synoptic chart of these essential arrangements (taken from Mr Tritton's closing skeleton of argument) as **Annexure B** (p 94) to this judgment. From **Annexure B**, it is important to note the agreed sequence of events, in particular that the last *three* payments of Ms Deakin's fees followed delivery of *all* the artwork - and not the other way around. By reference to the decision in the *Ng* case, it is clear that the licences to use the artwork were given by Ms Deakin on a *promise to pay* and not *after payment*.

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<sup>98</sup> Re-re-amended Particulars of Claim para 17

166. It is also important to note that the Original Schedule provided for a batch of Christmas cards – which was later dropped. Thus, the timely availability of such cards for inclusion in the first brochure must have been in the minds of both Ms Deakin and Ms Davies at the time. Later, as we shall see, when the timely delivery of artwork broke down, this item had to be changed for a revised, proposed launch in January 2007.

167. Ms Deakin agreed that this was a *very* tight schedule to achieve in comparison with the more leisurely programme of delivery of material for Cardrax I.

Q Going back to the point I was saying, this is a very tight schedule for producing all those works. That would be correct, Ms Deakin?

A Yes <sup>99</sup>

That reply also makes me think that with their years of experience working together and in the light of the new company's aims, the ladies must have had the timing of the September brochure in mind.

*Another aside: Ms Brock and BK*

168. In May or June, Ms Davies also discussed her new idea with her friend, Ms Brock: T11/1141. Ms Brock was also interested. She was by now a widow of almost a year and was looking for something to do. She had three young children so her commitment had to be limited. Nonetheless, she was interested in working again and Ms Davies needed someone to help with the new project<sup>100</sup>. As Ms Brock said, she was '*keen to use my brain again*'<sup>101</sup>. She wanted to be involved<sup>102</sup>. She therefore hoped to become in some way physically involved with BK but at that stage it was still all in her mind. Her words were 'in the long term'. This was in about August 2006. She was told by Ms Davies about the financing problems that BK was then experiencing and so she also took professional advice about investing in the company<sup>103</sup>. This advice eventually led her to invest money (initially £50,000 and later a further £ 150,000) in BK - in October 2006. But, I note, at the time of the investment she had no commitment to working for BK and neither had she had a hand in setting BK up. These events are relied on by Mr Edenborough in connection with the allegation of joint tortfeasance. She was he said, the *sine qua non* of the entire BK affair.

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<sup>99</sup> T6/594

<sup>100</sup> To work 'alongside her' B/5/3

<sup>101</sup> B/6/13.

<sup>102</sup> T11/1413-1414

<sup>103</sup> From her brother-in-law and Mr Grainger.

169. I shall return to this later but I cannot find that there is anything to show Ms Brock being involved either in the formative phases of BK or dealing with the numerous practical problems which soon beset it before, in October 2006, she put money into the company and began visiting the Amersham office on a somewhat more regular basis.

## ***XV BK: Implied terms***

### *The ‘Collective Licence’*

170. Mr Edenborough submitted that the same basic terms should be implied into the BK contract as were to be implied in relation to the Cardrax I arrangement: see para 76 et seq., above. However there were some important differences, he said. The BK agreement was intended to be a single composite deal<sup>104</sup> which was to be inherently different to the Cardrax I agreement. The other main differences were in particular, in the ‘discounted’ artwork fee, in the ‘sweeteners’ and in the possibility of a bonus for Ms Deakin at the end. Thus, he submitted, the licence was *a fortiori* ‘personal’ to BK; it was a ‘one off’. I agree that it was ‘personal’ to BK but I do not I think, need to regard it as ‘collective’ – and shall not do so.

171. Mr Tritton took much the same view of terms to be *implied* in the BK contract as he did in relation to Cardrax I. But, he submitted, there was one important consequence of the way the *express* terms were agreed which (on the usual tests), sounded as if it were a proper implied term. It arose as a result of the fact that three-quarters of the payment due to Ms Deakin became due only after all the artwork had been delivered: see above. Thus he submitted, if *all* the artwork is not delivered, the last tranche of £5,000 cannot be due. If a lesser amount of the artwork is delivered *but not all*, then a *pro quanto* sum may due. I agree and as will be seen, I shall apply such an implied term to this case,

172. He also submitted that the BK logo should be dealt with separately as it was not an item of artwork for cards etc as such, and in relation to it, he made a number of self-standing submissions. In fact, both parties dealt with the BK logo and the ‘bonus’ issues as distinct items under the BK umbrella, and I shall do likewise.

173. With regard to Mr Edenborough’s notion of a ‘collective agreement’, Mr Tritton considered the agreement to be an ongoing collection of agreements directed to the use of separate artworks as and when they became available – just as they were batched in invoices with Cardrax I. I shall also do likewise as I see no legal difference between the two.

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<sup>104</sup> Referred to in the RRAPOC as ‘the collective agreement’

## ***XVI The BK logo and commissioned works***

174. I have noted that the BK logo stood in a place apart from the other artwork since its function was always intended to be quite different. In this part of the enquiry, the basic question which arose was this: should there be an implied term that the commissioner of a copyright work shall *own* the copyright or rather, is a term to be implied that the commissioner shall merely have a *licence*- and if so, what is the nature of such licence? With an eye to the minimalist legal tests for the implication of terms (and to make matters simpler), I need approach the question from the point of view of an implied licence only.

175. Generally, in the absence of a contractual provision, I take the correct approach to the question of a licence to be that stated in New South Wales by Jacobs J. in *Beck v Montana Constructions Pty Ltd* [1964-5] NSWLR 229 (which was approved by the Court of Appeal in *Blair v Osborne & Tomkins* [1971] 2 QB 78):-

“The engagement for reward of a person to produce material of a nature which is capable of being the subject of copyright implies a permission or consent or licence in the person giving the engagement to use the material in the manner and for the purpose in which it was contemplated between the parties that it would be used at the time of the engagement. It seems to me that this must be regarded as a principle of general application.”

The implied licence therefore extends no further than the minimum which is necessary to give the contract business efficacy: *Stovin-Bradford v Volpoint Properties* [1971] Ch. 1007. See also para 5-213 of Copinger.

176. The ownership of the copyright in commissioned works and the scope of their use has been the subject of a number of reported cases, particularly in connection with the work of architects. The law is I think, perfectly pragmatic. In the absence of express agreement, it looks first to the purpose for which the work was created. In some circumstances, it regards the issue as one of limited licence whereas in others a term may be implied so as to give equitable ownership of the copyright to the commissioner, to be perfected in due course (if necessary), by a written assignment. Absent agreement, the legal ownership remains with the author, subject always to the commissioner’s equitable title<sup>105</sup>.

177. In this context, I was also referred to R. Griggs & Co v Evans [2003] EWHC 2914 Ch., a case concerning ownership of the logo for ‘Doc Martens’ shoes. Like Mr Peter Prescott QC<sup>106</sup> whose judgment

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<sup>105</sup> Subject of course to the purchase of the legal title in good faith without notice of the equitable interest.

<sup>106</sup> Sitting as a deputy judge of the Chancery Division



it is, I have found threshold guidance in the criteria set out by Lightman J in an earlier case, Robin Ray v Classic FM [1998] FSR 662. From the judgment of Lightman J, I quote this principle (at (7)):

“Circumstances exist when the necessity for the assignment of copyright may be established As Mr Howe has submitted, these circumstances are however only likely to arise if the client needs in addition to the right to use the copyright works, the right to exclude the contractor from using the works and the ability to enforce the copyright against third parties.”

From the judgment of Mr Prescott QC, I find this ( para 37):

“Indeed it seems to me, in the ordinary way, a logo is a paradigm case falling within principle (7) of Lightman J’s formulation.”

*The BK logo: The history.*

178. The New Oxford Dictionary defines a logo as:

‘A symbol or other small design adopted by an organisation to identify its products...’

179. As a separate item to her requirements for artwork for cards and wrappers, Ms Davies commissioned Ms Deakin to produce a logo specifically for BK and in her witness statement, Ms Davies describes what instructions she gave Ms Deakin to this end. She wanted her ‘fun’ bee BUZZ to become the central feature of the logo with the full company name (which she had devised) to encircle BUZZ. It was to be a conceptually simple, commercial logo as may be seen from the reproduction of its final form which is shown below.



180. After consultation with Ms Davies involving some sketches, a logo was finalised at the end of May 2006; it was just what Ms Davies wanted and as early as 3 July 2006, BK was already using it in its

national newspaper advertising: C2/118<sup>107</sup>. It was at once used on all the company advertising material, brochures, sales kits, lever-arch files, its website and so forth, examples of which have been produced.

181. Ms Deakin's case on the BK logo was that when paid for, it was licenced for use like all her other designs, for a three year period only. Thereafter it could 'automatically' be re-licensed with her permission (apparently indefinitely) but only upon payment of another licence fee: RRAPOC para 14. There is nothing in writing about this and not surprisingly, Ms Davies strongly disagreed with the submission.
182. What astonishes me about this part of the case is that when the claimants made their final demand by invoice to BK for payment of the £175, they contemplated an outright *assignment* of *inter alia*, this logo. I regard this as another symptom of the muddle into which these ladies had got themselves by the end of 2006.
183. This logo was undoubtedly created for BKs' use alone. When it was created, Ms Deakin had been fully briefed about the BK venture and in creating it she well knew what the logo was for. The suggestion she made at trial (see below) that BUZZ could at some later time be re-cycled for potential use by a third party (minus of course the encircling company name) makes no commercial sense and struck me as having been concocted. The BK logo is the *entity* which I have reproduced above – and no less.
184. The ladies agreed a fee of £175 for this logo<sup>108</sup>, a sum which was the same as the fee Ms Deakin charged for the three year licence to Cardrax I for her *card* illustrations. And this co-incidence seems to be the origin of another sub-dispute which I have to resolve.
185. Referring to the invoice raised for the logo, Ms Deakin's evidence was that this sum was intended to cover a *licence* to use the logo for three years, which *with her permission* and upon payment of a further £175, could be re-licensed by Ms Deakin for BK's use for another three years. She says that this was in fact *expressly agreed*: Witness statement B/2/15, para 62<sup>109</sup>. She also gave evidence to the effect that for her, at that time, the going rate for the creation of a corporate logo was about £5,000. Thus, a mere £175 could not possibly be regarded as a proper fee for a transfer of ownership or even for an ongoing royalty-free licence in BK's favour to use the logo for as long as it wished.

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<sup>107</sup> For further examples of its usage, see C1/29

<sup>108</sup> As opposed to the £162.60 fee for items of artwork.

<sup>109</sup> Though I think her reason for saying this derives from the wording on the relevant invoice (see below).

186. When it did arise for the first time during this litigation, this development surprised Ms Davies. This is what she said in her witness statement:

“I admit that I did not address the issue of whether the £175 would be a one off fee for an outright assignment of the logo as other transactions for logos [*also drawn by Ms Deakin for Cardrax I’s ranges of cards*<sup>110</sup>] had either been an outright sale or provided free of charge (e.g. the logo for Hooter’s Zoo ... was provided free of charge by Ms Deakin). Relying on the perceived goodwill which I believe existed between us, I simply agreed the fee of £ 175.”

187. I accept Ms Davies’ version of events; no express terms were agreed covering the use of the logo. The parties simply did not, I think, address the matter. Much attention was however directed to the unusual structure of the invoice raised for this design work. Unfortunately, in order to resolve this issue, I shall have to go into yet further factual detail.

188. Sometime after delivery of the logo artwork to Ms Davies, Ms Deakin submitted an *undated, un-numbered* handwritten invoice for it: see Annex G and C1/70/10<sup>111</sup>. This document must be considered carefully. Apart from being undated, it is invoiced to *Cardrax I* alone. Why? Because, no doubt, the invoice *also* relates to 11 artworks drawn by Ms Deakin for use on Cardrax I cards.<sup>112</sup> The last entry on the invoice (which is written below and separately from the entries for Cardrax I’s 11 artworks), was identified by Ms Deakin as ‘Bees Knees Trading Co logo design’. The entry is preceded by an asterisk which refers to the following sentence written in the payment column of the invoice:

‘\*Logo to extend to all advertising requirements’<sup>113</sup>.

189. The fee of £175 has been entered into the appropriate column on the invoice. In manuscript, at the bottom of the invoice, one reads:

‘Payment made £1925 18 July 2006. Logo unpaid’

This is correct; the 11 drawings were indeed properly paid for by Cardrax I – but not the BK logo. But there was a reason why Cardrax I did not pay for the logo - to which I shall return and in relation to which, there arose yet another conflict of evidence.

190. I must next refer to some more relevant facts. First, as Ms Davies said, Ms Deakin had created two previous *logos* for Cardrax. The

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<sup>110</sup> Reproductions of these logos were in evidence.

<sup>111</sup> According to the evidence, probably in mid-July 2006.

<sup>112</sup> All charged at the usual fee of £175

<sup>113</sup> In using the phrase ‘all advertising requirements’, I do not think that Ms Deakin intended to limit the use of the logo literally to BK’s advertisements. General commercial use by BK must I think, have been contemplated.

first was for another new Davies venture called The Sticker Company<sup>114</sup> wherein Ms Deakin had charged £175 for an ‘outright sale’ in respect of its ‘corporate logo’<sup>115</sup>. The second fact relates to a range of cards called ‘Hooter’s Zoo’ [X/6] for which Ms Deakin had provided a logo free of charge. There was of course no question of the use of either of these logos being limited by time.

191. Thirdly, Ms Deakin elaborated on the evidence relating to her ‘going rate’ for corporate logos. Her going rate for the outright sale of the copyright in any commissioned logo was, so she said, around £5000<sup>116</sup>; £175 was thus well below her going rate for the assignment of a logo. In support she gave evidence of a commission for a third party, Jools @ Carte Blanche Ltd (‘Jools’).
192. Mr Tritton made two comments on these facts. First, the Jooles invoice having been produced [X/27], he rightly pointed out that the commission had been a very substantial one indeed, involving for example different colourways, carrier bags, and new ‘design releases’; in other words, a new corporate image for what he referred to as an established, multi-national enterprise. Secondly, Ms Deakin tried to explain the £175 charged for The Sticker Co logo on the basis that it was a very simple design<sup>117</sup>. Mr Tritton pointed out however that this was at odds with her general premise on the subject of logos viz that charging large sums for logos had nothing to do with the complexity (or simplicity) of the artwork involved, but rather with the fact that her valued work was intended to be used as a logo. One could envisage a situation he said, in which a visually simple logo could be worth as much (or more) commercially than a complex one.
193. These factual matters regarding logos were also the subject of sustained cross-examination of Ms Deakin: see T5/539-567. I was not at all impressed with her evidence on this issue. In fact, I gained the impression that it had been crafted for use in this case.
194. These criticisms are I think, justified. In the circumstances, I hold that Ms Deakin’s £175 fee is not an indication that use of the logo was intended to be limited to a licence for a three year period. In practical terms, whether what was intended was the possibility of an outright assignment when the logo was paid for or for BK to have the benefit of an unlimited ongoing licence, does not really matter in practical terms. The BUZZ logo was created for BK alone for it to use for as long as it wished – assuming of course, that Ms Deakin’s work was paid for. But (see below) the logo has still not been paid for.

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<sup>114</sup> A2/5/100. This sold enterprise stickers with artwork on them.

<sup>115</sup> D1/39/18. .

<sup>116</sup> Witness statement: B/2/15, paras. 2/62-63

<sup>117</sup> T/5 /548-549

195. I have said that the so-called ‘logo licence’ was summarily terminated on behalf of Ms Deakin by her then solicitors, DWF Solicitors, in the letter of 8 December 2006, a mere six months after its commercial deployment had begun<sup>118</sup>, the reason for termination being that the logo had not been paid for. The fact that at the date of institution of these proceedings BK was continuing to use the logo is now alleged *in the alternative*, to amount to an infringement of Ms Deakin’s copyright in the logo: RRAPOC, paras 14-16.

196. A curious postscript to the question of the logo may now be mentioned. In an open letter dated 6 May 2010<sup>119</sup>, an offer to settle the case was proposed by Ms Deakin’s present solicitors<sup>120</sup>. It included a requirement for *all* the defendants to pay 2 x £175 within 14 days (i.e. the licence fee for two 3 year periods), to immediately cease using the BK logo and to pay costs in full of this part of the action. The claimants, who have no present use for the logo, are evidently as sure as ever that they own it and can thus control its use – and thus, by remote control, affect how the BK carries on its business. To my mind, this makes no commercial sense and further illustrates the unreal attitude which Ms Deakin has taken to this issue.

197. In the present case, it must have been *obvious* to Ms Deakin when she undertook this commission, that the BK logo was intended to become the focus of Ms Davies’ intended business. Through use, it was to become the harbinger and location of BK’s goodwill. This business was not Ms Deakin’s to affect (let alone to hold to ransom) at the snap of her fingers. She had in truth no interest in the logo once it had been paid for. Moreover, its creative provenance, so far as the public was concerned, was unknown. In the circumstances (and applying the usual criteria) I have no hesitation in implying a term into the agreement for the creation of the logo, that Ms Deakin was owner of the copyright in it but when BK had paid £175 for it, Ms Deakin would (if required) do what was necessary to assign that copyright in it to BK.

*Why was the invoice not paid?*

198. I have already identified Ms Deakin’s still unpaid invoice to *Cardrax I* - for £175. Quite simply, as Ms Davies repeated in her oral evidence, this bill was not paid as it was not directed to her new company BK, and as she said, this was of importance to her. Though logical, I regard this as rather a thin excuse for non-payment.

199. By mid-August 2006 Ms Deakin was becoming concerned at Ms Davies’ apparent reluctance (or inability) to pay other company’s

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<sup>118</sup> C1/27

<sup>119</sup> F2/409-410

<sup>120</sup> The offer was rejected.

bills on time. At that time, matters were not going well for Ms Davies and BK. There was a growing financing problem since the investors Ms Davies had originally put her hopes on, one Mike Parker for example, were getting cold feet and in addition, said Ms Davies, the flow of artwork from Ms Deakin was not up to schedule<sup>121</sup>. Nonetheless, regarding the logo, Ms Deakin well knew what the problem was: see her 22 August 2006 letter C1/10/2.

“You had explained to me that you did not want the finances of Cardrax and Bees Knees to overlap.”

This chimes with Ms Davies’ evidence: she had asked for an invoice to be made out to BK but none was ever rendered till 22 November 2006.

200. By November 2006, Mr Woolf had taken over his mother’s paperwork; accounts were now typed and more importantly, were dated. On 22 November 2006, he submitted the statement of account to BK which I have already described. Under ‘Sums Received’, the statement showed that £ 15,000 had been paid by BK from 31 July to 2 November 2006 for designs completed Under ‘Sums Due’, one reads *inter alia*, the following:

‘Outstanding payment for the logo design to the value of £175 still overdue.’

201. However, as Ms Davies pointed out in evidence, BK had still not been properly invoiced for the logo - as she had specifically requested. She took the view that:

- (a) without a proper invoice, nothing was outstanding
- (b) that the claimants knew this, and
- (c) she knew that she had a debt of £175 still to pay to Ms Deakin.

And that remained the position until the commencement of proceedings. However, the invoice of 22 November 2006 was addressed to BK and again I consider that this is a thin excuse.

202. But that is not quite the end of the logo story. On 12 July 2007, Ms Davies’ then solicitors in an early attempt at settlement (and almost a year before Ms Brock was added as fifth defendant) wrote a three page open letter to McDaniel & Co, Ms Deakin’s present solicitors, proposing a comprehensive settlement. Included in the proposed terms of settlement was a proposal to pay a sum of money specifically to include the £175 for the logo. Solicitor’s cheques were enclosed. By return, McDaniel & Co replied enclosing the particulars of claim. The last brief paragraph in their covering letter headed ‘Offer to Settle’, included this second and last sentence:

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<sup>121</sup> Though payments were still being made to Ms Deakin by Bees Knees at this time.

*'We will take our clients' instructions but we will not be advising to settle on the basis of the terms set out in your letter of 12 July 2007. Find enclosed the cheques sent in your letter of July 12 2007.'* [Emphasis added]

203. Thus the £175 for the logo remains unpaid. However Ms Davies told the Court that she has been ready to pay it for some time. On the other hand., Mr Edenborough's instructions remain: to refuse payment and go for an enquiry.

#### *The BK logo: Conclusion*

204. This is the second of the 'unpaid invoice' claims but it is of course factually different from the Cardrax I '12 designs' case. In my view, it is if anything, even more apt to be disposed of under the *Ng* approach. And that is what I propose doing. I shall order the claimants' invoice for the logo to be paid with interest, the latter to run at a rate and from a time to be determined when the decision as to the form of order is made. There will be a further order that once paid for in full, Ms Deakin will at her expense do all that is necessary to assign the copyright in the logo to BK to avoid further trouble.

#### ***XVII BK: The £1500 bonus***

205. This sub-dispute, which like the logo dispute is amenable to resolution apart from the main claim in the BK case, is a microcosm of why this case has been so difficult to resolve: nothing about it was at first reduced to writing and later, what seems to have been agreed orally was changed - orally. As pleaded, this aspect of the dispute concerns the extra *postcard* (or 'notelet') designs, of which there were originally to have been 25 in all [see C/1/11 Deakin letter and X/23]. But it is agreed that the bonus did not originate with the postcard designs.

206. Regarding the bonus, it is I believe not seriously in dispute that:

- (a) Originally the bonus of £1500 was to be paid to Ms Deakin in December 2006 either if a second BK product brochure was published or the cards were 'flittered'<sup>122</sup>, but
- (b) Such a brochure was never published and the cards were never 'flittered'.

207. Mr Tritton says that that is the end of the 'bonus story'; no bonus is payable. Moreover, the postcards were sweeteners and not cards.

208. But in her witness statement<sup>123</sup>, Ms Deakin says that the above agreements were superseded at some time in late August 2006.

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<sup>122</sup> This involves extra work in adding glitter to the postcards.

Instead, the same sum was, she says, re-allocated as a December bonus if Ms Deakin made 32 designs ('additional work') for the postcards – which, as noted – were nonetheless apparently to count as part of the free 'sweeteners': see C/12 letter 30 August 2006. In the event, Ms Deakin made 22 (not even the agreed 25) designs which were to be used for such postcards. These were delivered on 8 October 2006. BK decided to use 10 of these 22 designs to double up as both 'thank you' and 'invitation' cards. This was done by using the same design with a different (BK) overprint [B/7/51]. These were referred to as 'repeats' and Ms Deakin was aware that this was being done [C1/34]. No extra work was required of her for making a repeat. In all therefore 32 BK *postcards* existed bearing Deakin designs, 10 of them being repeats: these were therefore printed and sold by BK. Thus says Mr Tritton, even on her own telling, Ms Deakin is not entitled to a bonus. She only *worked on* 22 designs though, true, BK printed and sold 32 postcards bearing Deakin designs.

209. The pleadings on this topic are hardly helpful: see RRAPOC, paras. 17 and 17A and amended defence paras.24(b)(iii), 24(c) and 24(d)(iii). In the RRAPOC, the additional work relied on is limited to work in respect of the sweeteners only. The only such work actually identified in the pleading includes 'the production of *seven* additional designs'<sup>124</sup>. This refers to work over and above the agreed original 25 designs for the postcards, so that 32 different postcard *designs* in all would be involved.

210. Ms Davies denied that this variation involving the increase to 32 postcard designs ever happened and in addition, has poured scorn on the notion, for financial reasons: T8/1036. At £1500 for seven new designs, she would have been agreeing to pay over £200 per *postcard* design when, as we have seen, card artwork was £175 per design at most - and it was invariably more complicated than that used for postcards.

211. In my judgment, this discussion is sterile unless one appreciates what the word 'bonus' means. It carries with it the notion of a reward for *extra* work. The New Oxford Dictionary has the following definition:

'A payment or gift added to what is usual or expected.'

212. I have found the cross-examination of both ladies on this matter as confusing on the transcripts as I did at the time. The fact is that even on her own evidence, Ms Deakin produced and delivered designs for

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<sup>123</sup> Witness statement para 89. Note the use of the past tense: 'because of all the work I *had done*'. The work had not been done at that stage (or indeed, even later).

<sup>124</sup> RRAPOC, para 17A. I have not found evidence of any other relevant work to the sweeteners than this.



only 22 postcards and not 32, though BK indeed sold 32 postcards, 10 of them being repeats.

213. Having regard to my understanding of what a bonus is, I do not think on this evidence that Ms Deakin possibly qualifies for the December bonus.

### ***XVIII BK: Exploitation of BK ‘Cutes’ by Cardrax I***

214. It is alleged in the RRAPOC paras. 24 and 25 (Annex I) that 10 so-called ‘cute’ designs (and wrapping paper) made for BK (and delivered in mid-August 2006) were wrongly appropriated to Cardrax I and used by it. It is alleged that Cardrax I is thereby an infringer. It is not denied that Cardrax I used these BK designs but, so it is said, Ms Deakin gave BK/ Ms Davies permission for this transfer. As Ms Deakin was paid at the lower ‘BK’ rate for these designs, the sub-dispute, if proved, is not of major monetary importance.
215. Though it is alleged that Cardrax II has also infringed under this head, there is no evidence to sustain this allegation. The cards identified in Annex I for example all state: ‘© Cardrax Ltd’ i.e. Cardrax I. In passing, I would also add the usual refrain that there is no evidence to implicate Ms Brock in any of what follows.
216. I have held there to be an implied term in the BK Collective Licence agreement that the Deakin licences were personal to BK: see paras. 83 and 84, above. If the facts support the claimants’ contention, this is indeed a breach of the BK licence and is additionally an act of joint tortfeasance involving Cardrax I and Ms Davies – unless of course, the ladies agreed to the ‘swap’.
217. If such a ‘swap’ took place (which is denied by Ms Deakin), Mr Edenborough has rightly pointed out that it flies in the face of Ms Davies’ insistence that BK’s timely delivery schedule was under grave threat from delay. Were it to be true, it also, he said, supports his submission that at the time, Ms Davies was constantly changing her instructions to Ms Deakin – which Ms Deakin alleges to be the main reason for the delay to the BK project.
218. On this matter, there is as usual nothing specific in writing to assist me either way. Mr Tritton first reminded me that whilst all the focus at the time was on getting the BK project onto its feet, Cardrax I was still very much trading and needed a ‘feed’ of artwork – which at the time was in short supply. There is indeed evidence that in July 2006 for example, ‘cutes’ had been ordered for Cardrax I from Ms Deakin: B/2/18. para 76. He also points to the fact that there is no suggestion that these 10 ‘cutes’ were used by *both* Cardrax I and BK. This incident occurred, he says, because at Ms Davies’ request, Ms

Deakin gave Ms Davies oral *permission* (note) to use these 10 BK ‘cutes’ for Cardrax I. Ms Deakin was of course pressed hard on this in cross-examination and a number of handwritten documents<sup>125</sup> were examined in connection with it. However, Ms Deakin never agreed that permission for this ‘swap’ was given: T6/715-725.

219. Once again I am in the invidious position of having to prefer one witness’ evidence to the other; there is no middle way. I was strongly pressed to prefer the evidence of Ms Deakin since the money-losing aspect of the ‘swap’ was simply not credible: see Ms Deakin’s evidence on this at T5/414-416.

220. In inviting me to accept Ms Davies’ account of the affair, Mr Tritton relied on the matters mentioned above. He also relied on the fact, so he says, that Ms Davies was not seriously challenged about her version of this conflict. He therefore relies on the recently re-affirmed principle<sup>126</sup> that when a court is asked to disbelieve a witness, the witness should be cross-examined fully on the matter; and failure so to cross-examine may be treated as an acceptance of the truth of that part of this evidence. But Ms Deakin was cross-examined and so also was Ms Davies: see for example T9/1098-1099<sup>127</sup>.

221. I have carefully considered this conflict and have come to the conclusion that on this occasion, the evidence of Ms Deakin is to be preferred. There was, I consider, no such agreement as Ms Davies has suggested. The BK ‘cutes’ were wrongly used by Cardrax I. This is not an *Ng* case. In my view, the Claimants’ allegations on this issue have been proved: there has been a breach of the BK licence agreement followed by an infringement of copyright. On her general admission of joint tortfeasance, Ms Davies is also jointly liable. This finding will therefore constitute another item for the enquiry as to damages.

222. In Annex I there is also another minor ‘swapping’ allegation, this time of a design for BK wrapping paper being sold on wrapping paper for Cardrax I: see C2/105 and C2/116<sup>128</sup>. The facts are not in dispute and this will therefore become another item for the enquiry.

## ***XIX BK: Return to the main claim***

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<sup>125</sup> See for example, X/23

<sup>126</sup> See *Markem v Zipher* [2005] RPC 761 at 784 applying *Browne v Dunn* (1894) 6 R 67.

<sup>127</sup> This is the only reference I have found - but there may be more.

<sup>128</sup> Since both are marked ‘Cardrax’ I do not consider that these products appertain to Cardrax II

223. Having dealt with of these three co-incident issues, I shall now return to the main dispute involving BK. I have already set out the express terms which have been I think agreed: See Addendum B.

*An overview*

224. Before becoming immersed in the extensive and conflicting detail in what follows, it is as well momentarily to stand back and try to take stock of commercial realities. This is essential because it is in connection with this part of the case that Ms Deakin's and Ms Davies' evidence is most in conflict – and most lacking in direct contemporaneous back up.

225. Ms Davies' new venture depended critically on the confluence of three events:

(a) The successful working relationship of its two principal players, who had of course been working together successfully for quite some time on Cardrax I's business.

(b) The timely advent of adequate working capital to finance BK at least initially, and

(c) The timely availability of artwork for the cards and add-ons so that BK could get going and start yielding returns as soon as possible. That is, to enable it to sell products to its agents via the brochure – in order to capture its first seasonal sales window in the December-January period of 2006. To this end, the agreed original delivery schedule was to my mind, *critical*.

226. It is also relevant that the Cardrax I business was simultaneously to continue and also needed to be 'fed' with fresh artwork by Ms Deakin as before, that is, every two months or so.

227. I have also borne in mind that in the light of their long relationship in the card business, both Ms Deakin and Ms Davies must be taken to have known what they were letting themselves in for in the BK deal, above all, in terms of delivery and thereafter, payment. Moreover, they must in my view, be taken to have factored into their agreement the various matters which I set out in Chapter IV '**Card Production: Who did what?**', including of course, the fact that some amendment to the artwork by Ms Davies (and thus some inevitable delay arising therefrom) would *in any event* be likely to arise.

*Delays*

228. Although Ms Deakin and Ms Davies had had years of experience of working together, the project failed in all the three respects identified above. It actually failed initially and in my assessment, principally, because the delivery schedule for the artwork failed. There were delays in the timely delivery of artwork from the start - and thereafter at every one of the dated stages which had been agreed. The facts are not in dispute as the third annexure to this judgment shows: see **Annexure C**<sup>129</sup> [p.95].
229. The first thing to notice from **Annexure C** is that 12 (or 13) out of the 123 items of artwork were *never* delivered. The second point is that by the latest delivery date, 4 August 2006, Ms Deakin had failed to deliver almost 50% of the promised artwork. In practical terms, the relevant Davies witnesses were adamant that this was a disaster.
230. The magnitude of the effect of these delays on the project became of course, cumulative and incremental - and as the evidence shows, were felt from the very first failure to deliver in mid-July. A few days here and there might not have mattered much but it will be seen from **Annexure C** that the final delivery of *all* the artwork was to have taken place by August 4 at the very latest. By August (I hesitate to state the exact date but it seems to have been by early August), the 2006 card-selling season had to be aborted and a new launch date established for January 2007. Worse, delivery of the artwork foreseen in the Original Schedule was not (and was never to be) complete. And to make matters worse, there were no sales brochures available for the first agents to use. Though Ms Davies on several occasions tried to rescue her vision for BK (for example by outsourcing artwork from Image Vision,<sup>130</sup> to replace the remaining 15 or so designs which Ms Deakin had never produced), by that time BK was in truth, in free fall. The end was near, and so Mr Tritton said, the commencement of these proceedings was the final blow from which BK never recovered.

#### *More facts*

231. More (but still not all<sup>131</sup>) of the artwork was finally delivered at the beginning of November 2006. The card printing was complete by the beginning of December 2006 and the first BK brochure finally became available only on 8 December 2006, three months late. Not surprisingly, by 8 December 2006, BK had only 14 signed-up agents – all no doubt, still eagerly awaiting their brochures.
232. On the other hand, the most important consideration from Ms Deakin's point of view was that, as I have shown, her invoices were also being paid late – every one of them - or in the case of the final

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<sup>129</sup> Also adapted from a chart in Mr Tritton's closing skeleton of argument

<sup>130</sup> In October 2006.

<sup>131</sup> In the end, 111 out of the 123 items were delivered

tranche, not at all. Ms Deakin was becoming increasingly worried and irritated with this. By early December the ladies were nonetheless still in informal discussion about how to continue - but to no avail. By then BK had paid Ms Deakin £15,000 (albeit late) of the £20,000 originally agreed for the BK artwork. On 24 November 2006, Ms Davies wrote to Ms Deakin (on BK paper) in a friendly but frank tone and in a spirit of hopeful compromise :

‘As you owe us 11 designs for the Bee’s Knees and we owe you payment for 12 designs on Cardrax these can obviously be netted off and Cardrax will pay you the difference of £ 175.’

Ms Davies also revealed that BK was worryingly over-budget because of the delays and she put forward some figures in support.

233. The death blow to the project came when the impact of the DWF Solicitor’s letter of 8 December 2006 was felt shortly after. The four page letter was hostile and uncompromising in tone and identified a debt at the time of £6,675<sup>132</sup> - for which a demand for payment within a week was made. The passage which served to detonate this litigation into its present form reads thus:

‘In repudiatory breach of contract you have failed to make those payments. Please accept this letter as formal notification of our clients’ acceptance of that breach.’

I regard this letter as quite disproportionate and in today’s commercial climate, ill-conceived. It is also legally incorrect, a fact picked up in the Amended Defence: see para 23(e) for example. As I have stated on a number of occasions, this was a claim for a debt outstanding in respect of commissioned copyright works together with a disputed liquidated bonus. It is another clear *Ng* case in my view and is thus a sum in debt to be recovered as such. The correct course of action should have been for DWF Solicitors to have written a more temperate letter before action, failing which the matter could have been litigated in an appropriate track in a non-specialist County Court – or otherwise resolved. But before reaching a conclusion on the BK claim as it is now framed, I shall again have to backtrack somewhat in the story.

#### *The 2006 sales window and the Brochure*

234. I have said that this was the first area of serious factual conflict on the delay issue. Ms Deakin asserted that she was *completely unaware* that early September was the deadline for the publication of the BK Brochure if the 2006 season was to be tapped. The evidence shows that she was apparently the *only person* in the entire BK ‘team’ who was unaware of this but she stuck to her story T6/251 and pages following; nobody had told her. Pages of cross-examination are devoted to this issue. For example, at T6/597 we find this:

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<sup>132</sup> For the last tranche of the £20,000 licence fee, the bonus and the £175 for the logo.

Q Going back to early June, why agree a tight schedule if the date of launch is unimportant?

A The date of launch was not something I was made privy to. The dates were to look at how quickly we could put together the possible contents of a brochure.

Given that she had been fully briefed about BK, I find Ms Deakin's evidence (again), literally incredible. Though some dates for the publication of the first brochure were mentioned, I find as a fact that:

- (a) It was to have been available by mid-September at the very latest
- (b) That it was to have deployed BK's *full* intended product range as contemplated in the Original Schedule so the agents could use it for the Christmas trading window, and
- (c) That Mrs Deakin was aware of this.

### *Timings*

235. The seasonal window for cards and wrapping paper is, as everybody knows, from December to January. The two fixed holidays of Christmas and New Year occur at that time, as so do the two lunar festivals of Hanukkah (16 December 2006) and Islamic New Year (20 January 2007). If independent evidence is needed for the importance of this season, Ms Harrowell certainly gave it<sup>133</sup>. Working backwards, cards have therefore to be available to the public before the beginning of December at the very latest<sup>134</sup>. They would of course have to have been available in the hands of BK's agents well before that having regard to how the product was to be sold. Mr Scott took two to three weeks to print the cards and allowing for some work to produce and print it, the brochure could indeed have been ready as had been allowed for in the Original Schedule. Agents would have then been able to get on with their role in sales during October and November.

### *Who then was to blame?*

236. A good deal of the BK case was devoted to each side blaming the other for these delays and long sections of the witness statements go into inordinate (and conflicting) detail on this topic. This issue also took up a great deal of time in cross-examination, with Counsel reading and posing questions on invoices and handwritten notes on scraps of paper and often listening to confused memories as to what items of artwork the documents even being referred to. In a moment

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<sup>133</sup> T11/1323. "The biggest by far is Christmas", she said.

<sup>134</sup> This passage was written at the beginning of November 2010 and I have noticed that the two specialist card shops on High Holborn *principally* feature seasonal cards.

of memorable understatement, Ms Davies recorded in her witness statement<sup>135</sup> that:

”My working relationship with Sue Deakin over the years leading up to this dispute was not conventional.”

237. In brief, Ms Deakin blamed the entire delay on Ms Davies’ constantly capricious and shifting instructions which were engendered, so she suggested, by a volatile if not increasingly eccentric and skittish attitude to the welfare of her new project. Having regard to the strong impression I gained listening to Ms Davies’ version of events and to her ongoing if not heroic attempts to keep the project afloat even in December 2006, I find this evidence lacks conviction and cogency.

238. Moreover, having denied being the cause of the delay, Ms Davies suggested that Ms Deakin had not come clean about why she was constantly late with deliveries of artwork, suggesting on the basis of the evidence to which I have referred, that Ms Deakin had been hampered in her ability to draw because of an illness. It was also said in this connection that Ms Deakin’s work had also lately become so coated with Tippex® amendments that Mr Scott had to charge extra for printing from it.<sup>136</sup>

239. Ms Davies admitted that she had amended her instructions from time to time (e.g. in relation to ‘flittering’ for the bonus – which was never done anyway) as she had done in the past in the case of the Cardrax I work. But, she said, there was nothing remarkable about that; that was inherent in the production process. Mr Tritton also addressed the question of Ms Davies’ amended instructions on timing. He submitted that changes had to be made once Ms Davies had decided that the delays had made a September Brochure launch impossible – that is, in early August or later. This is what Ms Davies said about delay at this time<sup>137</sup>:

“Any changes which I made to the brief as the project developed were as a direct result of Ms Deakin’s inability to adhere to her own delivery schedule and were my attempts to accommodate her difficulties<sup>138</sup> and to give her every possible opportunity to meet the deadlines and make the September launch date.”

240. Ms Davies nevertheless tried to keep the project alive by agreeing to a revised delivery timetable for a possible November Brochure

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<sup>135</sup> B/8/24, para 56

<sup>136</sup> From the technical point of view, Mr Scott explained what was involved (‘a bit of a bugbear for us’) and I accept that evidence: see T9/1183-1188. Had the printer been supplied with digital files (as was usual by that time) this remedial work would not have been needed. This is also one of the items of damage appearing in BK’s counterclaim. See Davies witness statement B/7/15, para 33 and para 251, *post*.

<sup>137</sup> Witness statement B/7/15, para 33.

<sup>138</sup> Such as changing from ‘florals’ to ‘generals’

and a January 2007 launch: see X/23/5. But she was again disappointed and gave up with Ms Deakin on receipt of the December 2006 solicitor's letter,

241. This judgment is quite long enough without a blow-by-blow analysis of the serious detail of all this evidence and I shall not (and indeed, need not) go into it. I would in any event find it difficult to say with confidence who was telling me the truth regarding each item. I have however re-visited the evidence and Counsel's submissions on the issue of delay and on balance I prefer the evidence of Ms Davies. Moreover, on the basis of general commercial common sense<sup>139</sup> I also prefer the evidence of Ms Davies – who was, it should be said, backed by Ms Harrowell's evidence as to the events of the night of 8 October 2006 in Ipswich. I therefore consider that in contractual language, BK was the innocent party.
242. In my judgment, since less than half the cards had not been delivered by 4 August 2006, without conspicuous fault on BK's part, Ms Deakin was in breach of contract and thus BK *prima facie* has a claim for damages against her.
243. Ms Davies did not of course abandon her project on 4 August 2006 and repudiate; she re-scheduled the entire programme with a view to saving BK. And in the same spirit, she did it again later apparently still having confidence in Ms Deakin's ability eventually to deliver. It was only I think, after receiving the December 8 2006 solicitor's letter (with artwork still outstanding) that *she* repudiated the agreement on BK's behalf. Mr Edenborough relies on the fact that BK continued in this way to vary the agreed terms as to delivery times and soldier on. He also relies on the fact that the variation on delivery times were accepted by Ms Deakin; she continued to deliver artwork which until November 2006, BK accepted. Having thus re-affirmed the agreement, he submits, BK cannot now complain and further, must now pay all the remaining £5,000 *tranche*. I disagree with both propositions. The failure to pay the last tranche of £ 5,000 by either 31 October or 30 November 2006<sup>140</sup> was not a breach of the BK agreement by BK.
244. First, I have held BK to be the innocent party in this aspect of the dispute. Having elected to affirm the continued existence of the contract, BK does not thereby necessarily relinquish a claim for damages in respect of any loss sustained as a result of the initial breach: See Chitty 30 Edn. Vol. 1, 24-010. Hence, says Mr Tritton, BK's counterclaim.

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<sup>139</sup> Such as her decision in October 2006 to buy 'off the shelf' artwork from Image Source – which is another specific item in BK's counterclaim

<sup>140</sup> Mr Dean Wolf's 'new' date arising from his invoice of 22 November 2006.



245. With regard to Mr Edenborough's second submission, I must first go back to way the express terms were agreed. Three-quarters of the fees were payable only *after* all the artwork had been delivered and I have held there to be an implied term that until all the artwork was delivered there was no obligation to pay all the last *tranche*. Moreover, Mr Tritton has drawn my attention to Chitty (*supra*) 24-034 to 24-037 for the proposition that where as here, there are dependent promises (*in casu*, a promise to deliver and a promise to pay), a party is entitled to treat himself as having been discharged from further performance by the prior breach.
246. Mr Tritton had a further submission on this part of the claim which he says applies here, on the assumption this time that *both* parties are in breach. I have held that Ms Deakin was herself in repudiatory breach of the BK agreement when the claimants purported to terminate the BK agreement by their solicitor's letter on 8 December 2006. What he submits is this: where a Party A is in itself in breach of contract which entitles Party B to terminate the agreement, the law is that a subsequent repudiatory breach by Party B cannot be relied upon for the purposes of Party A terminating the contract: Chitty (*supra*) 24-015. Regard must be had to the order in which the breaches occurred. I agree that on this basis also, the claimants were not entitled to terminate even if the failure to pay was a repudiatory breach.

*The BK money claims: Conclusion*

247. First, the BK money claims should in my view have been framed from the start as claims in debt and this is in fact, so pleaded in the alternative in RRAPOC. There is thus no question of joint tortfeasance in this respect.
248. The Davies defendants owe the claimants for the BK logo and for certain artwork made under the contract. They have already paid the claimants £15,000 under the BK agreement and owe more *pro rata* for the incomplete artwork which is still not paid for. They must pay for this - a fact which was acknowledged in a letter from solicitors acting for the Davies defendants dated 12 July 2007 (a fortnight after commencement of these proceedings) in offering to pay for all the 111 items of artwork actually delivered under the agreement (together with £175 for the logo). As with other offers for settlement, this was rejected. The proper rate of interest on these sums has yet to be determined and I cannot see why this should not be calculated when, with other matters such as costs, this case again comes before me. There is no ongoing use of any artwork and BK is now dormant in any event. Counsel will please address me generally on the appropriate form of relief in the light of my findings.

***XX BK: The counterclaim***

249. This first became part of the litigation in the Amended Defence of January 2010, over three years since the parties fell out and two and a half years after the action was begun. On more than one occasion Mr Edenborough stated that the counterclaim was merely tactical but whether it is so or not is irrelevant; it too has to be adjudicated. The counterclaim is based upon the financial consequences of the admittedly late delivery of the BK artwork by Ms Deakin. I have already considered the evidence *in extenso* and have held there to have been a continuing breach of the BK licence agreement up to the date of the claimants' purported termination of the licence. I can therefore go straight to the alleged heads of damage – which I should say, were not gone into in the same depth as the rest of the case.

250. BK's counterclaim is to be found following the Amended Defence of the Davies defendants: A2/8/33-37. The particulars identify the following alleged heads of loss and damage:

- (a) Wasted costs in advertising the aborted September 2006 launch.
- (b) The cost of 15 designs purchased from Image Source.
- (c) Envelopes for cards bearing the Image Source designs (being square rather than the usual rectangular format).
- (d) Lost opportunities by reason of missing the end-of-year seasonal window in 2006, and
- (e) Remedial costs incurred at printers as a result of the excessive use of Tippex® on the original artwork (see above).

251. In the pleading, specific sums of money have been ascribed to each head of loss and damage, totalling altogether £52,966 plus interest. Ms Davies has given some slight evidence in respect of the calculation of some of these heads of damage: see her witness statement 2/7/53. As to (e), Mr Scott gave clear evidence under cross-examination of the remedial work undertaken by his firm and of the extra costs thereby involved: T9/1182-1189<sup>141</sup>. I have considered these heads of damage and am satisfied that each of them has been properly claimed as such. I am not however satisfied that the sums claimed have been properly proved. I am therefore of the view that in relation to BK's counterclaim, quantum should be considered with the other matters to which I have referred above, at an enquiry as to damages to follow.

## ***XXI Cardrax II***<sup>142</sup>

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<sup>141</sup> See D8/146, being an email to BK of 24 November 2006 wherein he elaborates the printer's technical complaint and claims for 65hrs @ £45/hour [i.e. £2,925] in respect of this remedial work. This is the sum duly particularised for item (e).

<sup>142</sup> I was informed by Mr Tritton (via his clerk) that Cardrax II carries on trading with a turnover of some £4000 per month

252. None of the claimants' designs featured on any cards *manufactured* by Cardrax II since the trading relationship had ceased by the time the company was formed because of the issues in this litigation. If proved, the case against it therefore sounds in copyright infringement alone.
253. The claimants allege that all sales by Cardrax II of the 'Deakin' stock which it *bought* from Cardrax I in July 2007, even if such was within Cardrax I's 3 year licence period, are infringing sales. In the alternative, RRAPOC, para 11 alleges that the relevant infringing acts are the wrongful reproduction or issue to the public of copies of the artwork. It is common ground that only the latter needs to be considered. This allegation is made on the basis of the implied term (discussed above) that Ms Deakin's licences to Cardrax I were personal to Cardrax I and thus could neither be assigned, sub-licensed or otherwise alienated to a third party. Cardrax I was therefore not entitled to make this sale. It is alleged that Ms Davies (together with Ms Brock) dishonestly engineered this sale of Cardrax I's stock and that liability on the part of Cardrax II and joint tortfeasance on the part of the two ladies, follow.
254. Cardrax II came into existence in July 2007 just after proceedings were begun. Mr Edenborough castigated the defendants for this as a blatant and dishonest manoeuvre to defeat this claim. However, pointing to the liquidator's report<sup>143</sup>, Mr Tritton says that the reality is otherwise. Once again I shall have to go into detail because I do not consider that this transfer on its face bears even the *taint* of prejudice for which Mr Edenborough contends.
255. In mid-2007, Mr Dean Davies (who it will be recalled, owned 51% of the shares in Cardrax I) deserted Ms Davies in particularly distressing and poignant circumstances - which I need not go into. This happened on I think, 16 July 2007. On 18 July 2007, Ms Davies having again consulted her accountant, Mr Grainger, decided that the remaining assets of Cardrax I needed protecting from her husband's potential depredations and on his advice, she incorporated a company which (again on his advice) was called 'BD Cards Ltd'. Not surprisingly, in connection with the joint tortfeasance case, Mr Edenborough made much of the fact that 'BD' stood for 'Brock Davies'. The following day, on the 19 July 2007, the name of the new company was changed by Ms Davies to Cardrax UK Ltd since she wished to preserve such goodwill as she had generated in the name 'Cardrax'<sup>144</sup>. The day following, Cardrax I's assets were sold to Cardrax II. This was gone into in detail in cross-examination and I am inclined to accept Ms Davies' account of this affair: T8/1038-1040. On the evidence, I am also sure that all these major decisions

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<sup>143</sup> C2/79

<sup>144</sup> The name was finally registered on 21 August 2007

were taken by Ms Davies alone - following the advice of Mr Grainger<sup>145</sup>.

256. The purchase of the Cardrax I stock for the assessed sum of £120,000 was financed by Ms Brock who on 19 July 2007 became a 49% shareholder and a director in return.

257. In addition to Ms Davies' marital problems, at about the same time, two major distributors of Cardrax I retired, a dispute arose with another and worst of all, a long-standing VAT dispute with HMRC was coming to a head. Moreover, Cardrax I had been trading at a loss for some two years. Then these proceedings against the company were begun which, right or wrong, cast a long shadow over the future of Cardrax I. Not surprisingly, Ms Davies could find no investors for the ailing company and that is what caused her again to consult Mr Grainger about its future.

258. I therefore reject Mr Edenborough's allegation of single-minded dishonesty over the formation of Cardrax II; the origin of Cardrax II was in truth due to the conjunction of a number of events of which these proceedings was but one.

259. Turning now to the substantive case against it, I can see no merit in the claimants' allegations against Cardrax II for a number of reasons. In fact, were she to succeed in the claim as put forward, Ms Deakin would be gaining quite a windfall - as I shall explain.

260. It will first be borne in mind that Cardrax II never caused cards (or add-ons) bearing any Deakin design to be printed; that much is agreed. The only available complaint by Ms Deakin is therefore on a point of law viz that Cardrax II has infringed by virtue of CDPA '88 s 18 by 'issuing to the public copies of a [Deakin] work' without the licence of Ms Deakin. This section provides (in slightly abbreviated form):

(1) The issue to the public of copies of the work is an act restricted by the copyright in every description of copyright work.

(2) References ...to the issue to the public of copies of the work are to  
(a) the act of putting into circulation in the EEA copies not previously put into circulation in the EEA by or with the consent of the copyright owner.  
(b)....

(3) References .. to the issue to the public of copies of a work do not include  
(a) any subsequent distribution, sale,...of copies previously put into circulation.

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<sup>145</sup> I do not think that Mr Grainger ever acted for Ms Brock.

261. In other words, only the person at the head of the distribution chain can be liable for infringement and in this context, Mr Tritton drew my attention to Copinger on Copyright 7-80. In this case, Cardrax I, being ahead of the chain of distribution, had the right to sell copies of the work to *any* of its distributors<sup>146</sup>
262. Thus, when Ms Deakin had been paid for a design, Cardrax I was entitled to do with it virtually whatever it wished – as I have already said. Downstream sales should have been of no concern to Ms Deakin; her rights were now exhausted. Cardrax II’s position is in my view, no different in this respect from that of any other distributor. I accept that the position might have been different had the sale been fraudulent or a sham<sup>147</sup>, but this sale was from one company to another with no common control, with different shareholders - and different shareholdings. Similarly, the advent of Ms Brock as the indirect agent of purchase cannot be ignored. I have recorded my view that she had nothing to do with Cardrax I and in enabling Cardrax II to purchase its assets she must be taken to have done as a member of the public – for which she received her shareholding in the vehicle set up to retain and make use of her investment.
263. In her third witness statement, Ms Davies breaks down the composition of the stock which Cardrax II purchased on 18 July 2006. She did this from Cardrax II’s Activity Reports: see X/17/15. This shows that 400 (out of 161,441) cards were sold which were out of licence –“in error”, as she says.
264. Secondary infringement by possession or dealing with an infringing copy is covered by CDPA ’88, s. 23. This requires knowledge on the part of the alleged secondary infringer: the section says ‘*which he knows or has reason to believe is an infringing copy of the work*’. Secondary infringement is not pleaded against Cardrax II and in the light of the facts as I have found them on the possession and issue of out-of-licence cards by Cardrax I, it would not be available even if it had been pleaded.
265. In my judgment, the case against Cardrax II fails in respect of all sales of the stock which it bought from Cardrax I.

## ***XXII The Cardrax II website***

266. There is however another allegation against Cardrax II (RRAPOC, para 23) in that it allowed images of cards which were licensed to Cardrax I to appear briefly on its website: [www.cardraxuk.com](http://www.cardraxuk.com). As before, the pleading is in the alternative and also as before, there is no evidence that Ms Brock had anything to do with this complaint.

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<sup>146</sup> Even to distributors in which it had a shareholding, for example.

<sup>147</sup> For example, if say, the vendor retained control over the assets sold.

267. The facts here were hardly gone into at trial but it appears that such images were put on a prototype website for testing by a local website company, Chiltern PC of Great Missenden, which had been asked by Ms Davies to act for Cardrax II. On complaint by the claimants, Ms Davies contacted Chiltern PC and the image (a front page) was at once removed. There is no evidence that the composition of this front page was created by Ms Davies or that it was even intended for public viewing. The details of this seemingly trivial incident are set out in a letter ‘To whom it may concern’ in C1/19. However Mr Edenborough has been instructed to pursue this infringement to enquiry. So be it. But in my judgment, the enquiry is fit to be pursued against Cardrax II only.

### ***XXIII Joint tortfeasance?***

268. In recent years, the courts have taken a number of opportunities to set out, explain and apply the law of joint tortfeasance, often in relation to intellectual property cases. Most of these cases are I know, reported. In opening, Mr Edenborough said

“I am perfectly happy to live with the law as it is. I am not asking you to make new law.”<sup>148</sup>

There is therefore no need for me to attempt yet another essay in lengthy legal exegesis on the topic.

#### *Joint tortfeasance: The law*

269. The doctrine of joint tortfeasance holds two persons liable for the same damage where they are linked to the tort complained of. This case is about what has been called a ‘participation’ link – in contrast to a ‘relationship’ link<sup>149</sup>. All three classic instances of the former sort of joint tortfeasance have been pleaded and formally elaborated against Ms Davies and Ms Brock: authorisation, procurement and common design<sup>150</sup>. The pleadings allege that Ms Davies and Ms Brock were the controlling minds behind Cardrax I<sup>151</sup>, BK and Cardrax II and that they jointly had ‘the responsibility and control of the day-to-day management of BK and Cardrax I’. It is said that they both ‘personally performed, authorised etc each and every act relating thereto’. The pleading was colourfully described by Mr Malynicz as a ‘kitchen sink pleading.’

#### *Authorisation*

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<sup>148</sup> T2/125

<sup>149</sup> For example, as say, principal and agent.

<sup>150</sup> Re-re-amended particulars of claim, paras. 6-8

<sup>151</sup> In Ms Brock’s case, only from May 2006 until its liquidation in January 2008.

270. For authorisation to arise said Mr Malynicz, ‘permission or command’ was the key consideration. There had to be a ‘grant or purported grant’ to do the act complained of. In support of this, he referred to passages from Lord Templeman’s speech in the well-known House of Lords case, CBS v Amstrad [1988] RPC 567.

#### *Procurement*

271. In relation to procurement, Mr Malynicz again cited CBS v Amstrad (at 608-609) in which Lord Templeman analysed the subject in some detail. He said:

“A defendant may procure an infringement by inducement, incitement or persuasion....Generally speaking, inducement, incitement or persuasion to infringe must be by a defendant to an individual infringer and must *identifiably* procure a *particular* infringement in order to make the defendant liable as a joint infringer.”[Emphasis added]

272. Mr Malynicz also cited PRS v Ciry [1924] 1 KB 1. One must look he said, to find first an act of ‘incitement, inducement or persuasion’ on the part of the alleged joint tortfeasor. But that is not enough. That act must in addition be causative of the specific acts of the primary infringer of which complaint is made.

#### *Common design*

273. The law relating to the third of the acts of participation under consideration, common design, was the subject of more extensive submission by counsel and was, I think, Mr Edenborough’s main ground for the case against Ms Brock. Counsel began (as is usual under this head) by citing the well-known passage of Scrutton LJ in The Koursk [1924] P 140. He then moved on to the parent/subsidiary company cases for strike outs: Unilever v Gillette [1989] RPC 583 and Gillette v Chafaro [1994] FSR 135. Mr Edenborough invited my particular attention to the following observation of Mustill LJ in Unilever v Gillette (at p 603):

“I use the words ‘common design’ because they are readily to hand but there are other expressions in the cases, such as ‘concerted action’ or ‘agreed on common action’ which will serve just as well. The words are not to be construed as if they formed part of a statute. They all convey the same idea. This idea does not, as it seems to me, call for any finding that the secondary party has explicitly mapped out a plan with the primary offender. Their tacit agreement will be sufficient. Nor, as it seems to me, is there any need for a common design to infringe. It is enough if the parties combine to secure the doing of acts which in the event prove to be infringements.”

274. Both the Gillette cases were reviewed by Laddie J in another parent/subsidiary strike out case, Mead Corp v Riverwood [1997] FSR 484. In each of these cases the shareholding and *potential*

control by the parent was at the heart of the argument on joint tortfeasance. Laddie J pointed out that overall control, both financially and by vote, was not enough by itself to enable the court to conclude that there was a good arguable case that the necessary inference of assistance or common design could be drawn.

275. The upshot of these cases, it seems to me, is that for joint tortfeasance to arise it has to be shown not only that there has to be an agreement between the parties concerned *to do* a particular act but in addition, that the secondary tortfeasor has participated in (or allowed itself to be inculpated in) a *specific tortious act* in furtherance of that agreement. It was necessary to show that the secondary party actually in some manner took part in the primary act of infringement. Mr Edenborough noted that many of these authorities were ‘joinder’ or ‘strike out’ cases or other pre-trial applications involving parents and subsidiaries where a question was (for example) whether there was a ‘good arguable case’ at trial for joinder. In such cases, issues could be dealt with by the courts in a more general way. This had to be contrasted with the present case where the trial had taken place and where relevant facts (and particularly the fact that a *very* substantial amount of money had been advanced by an *individual*) had been established. I understand the distinction and have borne it in mind.

276. Reference was also made to MCA v Charly [2002] FSR 26, an appeal after full trial in a copyright infringement case involving a ‘shadow’ director. The second finding in the headnote epitomises a principle which is germane to this case:

‘A director would not be treated as liable with the company as a joint tortfeasor if he did no more than carry out his constitutional role in the governance of the company. Nor would it be right to hold a *controlling* shareholder liable as a joint tortfeasor if he did no more than exercise his power of control through the constitutional organs of the company.’ [Emphasis added].

277. I was also taken to the decision of the Court of Appeal in Sabaf SpA v Meneghetti [2003] RPC 14 and in particular to its approval of the decision of the Canadian Federal Court of Appeal in a patent infringement case: Mentmore Mfg Co v National Merchandising 89 DLR(3<sup>rd</sup>)195 (which was separately cited to me). In the Canadian case, Le Dain J said this<sup>152</sup>:

“What however is the kind of participation in the acts of the company that could give rise to personal liability? It is an elusive question. It would appear to be that degree and kind of personal involvement by which the director or officer *makes the tortious act his own*. It is obviously a question of fact to be decided on the circumstances of each

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<sup>152</sup> At p 203



case....There would appear to have been a knowing, deliberate, wilful quality to the participation.’ [Emphasis added]

Referring with approval to this Canadian authority, Peter Gibson LJ said:

“That notion seems to us what underlies all the decisions to which we were referred..”

278. Finally, reference was made to part of a decision of this court in HandiCraft v B Free World [2007] ECDR 21 touching on joint tortfeasance after a full trial. The Court stressed the determinative importance of the evidence to this issue:

“Liability will depend on the facts and in the end the Court has to make a value judgment in the light of that evidence. If there has been a full trial (as opposed say, to an application for a strike out) the court will be in a particularly good position to assess joint liability.”

279. In my consideration of the three heads of possible participatory activity leading to joint tortfeasance (i.e. procurement, authorisation and common design), Mr Malynicz warned me to beware the danger of finding joint tortfeasance in cases of ‘mere facilitation’. He contrasted the position under the criminal law of aiding and abetting a criminal act and cited the classic decision of the Court of Appeal in Belegging etc Lavender BV v Witten Industrial Diamonds [1979] FSR 59 – which I would add, was considered at length in CBS V Amstrad (supra):

” Facilitating the doing of an act is obviously different from procuring the doing of an act.”<sup>153</sup>

### *Pleadings*

280. The allegation of joint tortfeasance against Ms Davies is pleaded in para 6 of RRAPOC and that against Ms Brock is at para 8 of the same document. This re–re-amended pleading, which for the first time condescends to some detail of the case against Ms Brock, was served 18 months after she was joined. It contains the usual generic allegations relating to all the three traditional ‘participation’ links mentioned above. Mr Malynicz submitted that in all its editions, the pleading was at best, a guess and was in fact more an exercise in Micawberism.

281. Before considering liability however, two threshold matters should be borne in mind. First, we are here considering joint *tortfeasance*. Thus neither lady can be liable under this head for breaches of contract nor for an alleged failure of duty as a bailee. As to the latter, joint tortfeasance was evidently being run against Ms Brock in

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<sup>153</sup> Per Buckley LJ in Belegging etc, supra

relation to an *unpleaded* allegation of joint *tortfeasance* in that Ms Brock was said to have been jointly responsible for the alleged failure of the other defendants as joint bailees in respect of Ms Deakin's artwork. Mr Malynicz described this allegation as 'exotic' since, apart from not being pleaded, the cause of action is not itself based on a tort in the first place. In my view, the allegation in relation to the bailment case is misconceived at law, and is also factually unfounded. Indeed, it was I think, never even put to Ms Brock that she had had anything to do with the receiving, storage or return of any artwork. This issue will be dismissed.

*The liability of Ms Davies.*

282. The amended defence admits Ms Davies' various directorships and majority shareholdings and in addition, avers that she alone was in day-to-day control of Cardrax I, BK and Cardrax II.

283. Ms Davies has accepted joint liability for copyright infringement with her companies - save for one admitted act of infringement. She does not accept liability for the sales of out-of-licence cards by Cardrax I (*a fortiori* downstream e.g. by Cardrax II and retailers) outside the three year period. These, she says, in addition to being *de minimis*<sup>154</sup>, were caused by mistakes of her employee Ms Slack (who managed the stock in the warehouse) rather than as a result of any authorisation, procurement etc, by her. It has not been suggested that she actually knew about these out-of-licence sales by Cardrax I when they occurred, but as Mr Edenborough points out, that is irrelevant so far as the joint tortfeasance issue is concerned. What matters is whether she combined with another to do acts which *turn out* to infringe: see *Unilever v Gillette* [1989] RPC 583 at 608 per Mustill LJ.

284. We are considering of course only the sale of printed cards which were out-of-licence; there was no evidence of any reprinting. Ms Davies' evidence was that she had in place a company policy not to sell outwith the three year period<sup>155</sup>, to commission new cards as required and not to re-cycle or worse, to re-print 'old' cards. With this in view, they had a yearly check (T11/1369)<sup>156</sup> and kept a skip at the office at Amersham in which (*inter alia*) to dispose of material stored as a result of returns by distributors which were no longer in licence.

285. There was no *infallible* 'fail-safe' system in place at Amersham though there was a Sage accounts computer package to alert staff as to when stock came out of licence: T11/1368. A proper fail-safe

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<sup>154</sup> It will be recalled that the stock of most cards were exhausted within 2 years anyway.

<sup>155</sup> Of which I am sure her staff were aware.

<sup>156</sup> Described critically by Mr Edenborough "one tidy-up each year". It should, he suggested, have been checked for out-of-licence material much more frequently.

system, said Mr Edenborough rather than a Product Activity Report system, would have been the *only* sure way of addressing the matter for her companies and by not setting up such system, Ms Davies failed in her duty to Ms Deakin. In fact, the only *check* made by Cardrax I when cards were swapped was in relation to the quantities of cards and not to whether what was returned was ‘in licence’: T11/1370. Again, said Mr Edenborough, this was just not good enough. In truth there was no *effective* system in place and Ms Davies, as the person in overall charge of Cardrax I, must now bear the consequences. Moreover, she herself had admitted that there was no *accurate* system in place: T9/1087.

286. Ms Slack has explained how as a result of distributors’ returns and swapping with distributors, out-of-licence cards occasionally and wrongly (but unintentionally) remained in the warehouse for potential distribution. This happened as a result of her mistakes and not Ms Davies<sup>157</sup>. I have considered this matter elsewhere and believe that these were indeed errors which are likely to prove overall small in number – but they were infringements nonetheless.

287. One can always be wiser after the event. The system which was in operation in Amersham to detect and reject out-of-licence stock was clearly not ‘fail safe’ in character. In a bigger organisation, one might expect higher standards with the expense of routine and more frequent checking. But the business world still has room for smaller operations such as SMEs. It has taken these proceedings to reveal that a relatively small number of cards were indeed sold out of licence.

288. I am satisfied that there was no deliberate intention on the part of any of the Davies defendants to sell out-of-licence stock. Furthermore, neither did Ms Davies allow a ‘couldn’t care less’ attitude to prevail in this regard<sup>158</sup>. In my view, Ms Davies’ system was imperfect but it was neither non-existent nor was it cosmetic.

289. I have considered the words ‘authorise’, ‘procure’ and ‘common design’ above. On authority, all these words demand some positive act on the part of an alleged joint tortfeasor so as to avail a claimant in this context at least. The actor’s state of mind is relevant. ‘Joint tortfeasance by omission’ (to coin a phrase) may I suppose be possible, but in my judgment it is not available against Ms Davies in this case. Ms Davies is therefore not a joint tortfeasor in relation to any unlicensed sales by Cardrax I, BK or Cardrax II.

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<sup>157</sup> Witness statement: B/8/9, para 6. See also Ms Davies witness statement B/7/45-47

<sup>158</sup> For example on the sale of Cardrax I’s stock, Ms Davies destroyed 36,320 cards which had fallen out-of-licence whilst stored within the warehouse: Davies first W/S B/9/48. This situation was revealed by their Sage computer package.

*The liability of Ms Brock*<sup>159</sup>

290. Ms Davies has known Ms Brock for some time – since 2004 in fact. Both ladies had daughters of about the same age at Heatherton House School, Chesham Bois, Buckinghamshire. They were then acquaintances – ‘school mums’. In October 2005, Ms Brock, now the mother of three children, two young girls and a baby boy, suffered a sudden, personal tragedy. Her husband Julian (39) was diagnosed with acute myeloid leukaemia. Three days after diagnosis he became unconscious and three weeks later, he died. Ms Brock was then 37 and her life was dramatically transformed; she needed help of all kinds. In this part of her evidence, she spoke eloquently of the mental grief and social upheaval with which she had to cope after her husband’s death. So she turned to Sally Davies and in her found an understanding local friend. Ms Davies seems to have started helping her in fact, immediately after her husband’s funeral – and went on giving her and her children support thereafter. For example, she became godmother to one of the Brock children. They both went on holiday together with their children – and so on.

*Leukaemia*

291. At this juncture I must briefly explore the incident to which I have referred in paragraph 29 above which much exercised Mr Malynicz, who described it as one of Ms Deakin’s ‘fantastical theories’. In fact it turned into an attack on Ms Deakin as a reliable witness.

292. In her second witness statement and in connection with the allegation of joint tortfeasance, Ms Deakin devoted several paragraphs to her ‘understanding’ of Ms Brock’s role as a director of BK: B/1/7-9. The gist of this evidence was that two matters in particular pointed to her involvement in BK to an extent that made her jointly liable with it for its alleged wrongdoings: the size of her investment in it (£100,000) and her ‘attempts to set up donations to a charity’ through the sales of BK products. The charity was the Leukaemia Research Foundation (‘LRF’) of Great Ormond Street, London WC1. She said [B/1/10]:

‘It does not seem comprehensible therefore that [Ms Brock] was never informed or involved with the products of the venture to which she was investing such large sums of money *and that was set up primarily to donate money to a charity to which she had a connection.*’ [Emphasis added]

293. A BK website aimed at agents and dated November 2006 contained the following sentence [C1/64]:

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<sup>159</sup> This section must be read in the light of my earlier observations on Ms Brock as a witness (see paras, 45-53 above) and in connection with my findings as to her involvement with BK: see paras 168-169 above, *et passim*..

‘You will also be helping to support our dedicated charity: The Leukaemia Research Foundation.

294. After some extensive (but fruitless) enquiry on the part of her solicitors, Ms Deakin reported that this statement was false and this led to yet another sub-plot in the case. Disclosure by Ms Davies showed that she had in fact ‘jumped the gun’. Although LRF had seemed initially enthusiastic about the proposed collaboration with BK, by December 2006 they had cooled to the idea – but had not actually dismissed it. The relevant clip of *inter partes* emails [C2/124] were exchanged between Ms Davies alone and LRF. In response to a question posed earlier by LRF, Ms Davies had stated:

‘There is a personal reason behind this as the other director of [BK] lost her husband last year to acute myloid leukaemia.’

Its revealing message apart, Mr Edenborough was quick to point out that since Ms Brock did not become a director of BK till March of the next year, this response was also both irresponsible and dishonest.

295. Let me assume that Ms Brock’s personal plight was indeed the catalyst of this incident and further, that Ms Brock was privy to idea of the charitable donation when the website went active. Is that enough to inculcate Ms Brock as a joint tortfeasor? In my judgment it is clearly not enough. Apart from the fact that charities are common beneficiaries of card sales these days, the evidence shows that the decision to activate and follow up the notion of working with a charity was Ms Davies’ alone. Moreover, what she was seeking to accomplish with the LRF was itself not even blameworthy.

296. Mrs Deakin was cross-examined over this incident from which it emerged that her evidence had been wrong. Mr Malynicz rightly submitted that its effect had backfired: see T6/782. Ms Deakin and not Ms Brock was thus discredited over the matter. Nevertheless, I feel that overall the incident was not really as important as Mr Malynicz considered it to be.

#### *Return to Ms Brock’s liability*

297. Concerning Ms Brock, Mr Edenborough mainly relied on what I may call the ‘big picture’: without Ms Brock, we should not be here to day, he said. This is a sentiment, with which, I guess, few would quibble – but maybe for other reasons. Mr Edenborough’s main submission with regard to Ms Brock was unambiguous: she was the hidden hand controlling the Davies defendants ‘just as the puppeteer is the controlling hand that controls the actions of the puppets.’ Moreover, according to him, she was ‘an experienced businesswoman’. I disagree with both propositions.

298. As pleaded, Ms Brock's corporate role in this case was alleged to be *equal* to that of Ms Davies. It was said for example, that she co-controlled BK and Cardrax II and had joint responsibility for their day-to-day running. Again, I disagree. In fact, Mr Malynicz exposed the claimants' problem with their case against Ms Brock in his first question of cross-examination of Ms Deakin [T6/755]:

Q Can I ask you a general question to start with? I have sat here for two days listening to some details about your dealings in the three companies Cardrax I, Cardrax II and Bees Knees. I have not heard Ms Brock's name mentioned once. Do you not find that a little bit remarkable given that you have sued her as a joint tortfeasor?

A No. As far as I am aware the person I was dealing with was Sally [Davies] but that does not necessarily mean that only Sally was accountable and I do not know any more than that at this stage, other than what the evidence will show.

Ms Deakin's reply also illustrates the 'legal ring' to which I have earlier referred.

299. Mr Edenborough's first difficulty is this: all the acts of copyright infringement relied upon to inculcate Ms Brock as a joint tortfeasor, are the numerous results of alleged breaches of the licence agreements. If proved, some of these at least sound in damages for breach of contract (unpaid invoices for fees, for example) and not in tort. In respect of acts that do sound in tort (such as selling out-of-licence products), Ms Brock personally had nothing to do with the acts complained of - as I have stated in each section above.

300. I have heard the evidence of Ms Davies who accepted liability as joint tortfeasor for almost all the alleged wrongdoing of the Davies companies (in spite of having fallen out with Ms Brock). I have also heard and accept the supporting evidence of the three independent witnesses called by Ms Davies, all being to the effect that as far as they were concerned, Ms Brock's involvement with the day to day running of the Davies companies was both intermittent and informal, if not essentially social. In such circumstances, one might have thought that the case against Ms Brock might have been dropped. But no; it went remorselessly on, even perhaps gaining momentum. Yet the pleaded case (see A/2/4/ 2 and 3) is all generality and, like the evidence, no relevant detail. Three broad allegations are made:

(a) That via her directorships, Ms Brock (with Ms Davies) was the directing or controlling mind behind the Davies companies.

(b) That Ms Brock was a shareholder in BK and Cardrax II and for that further and additional reason, she directed or controlled the Davies companies with Ms Davies, and

(c) That Ms Brock performed day-to-day tasks for the Davies companies in the Amersham office. I shall examine this allegation separately after I have considered the corporate role actually played by Ms Brock in the Davies companies.

*Did Ms Brock loan £20,000 to Cardrax I ?<sup>160</sup>*

301. One day in May 2006, some six months after Julian Brock's death, Ms Davies told Ms Brock that she and her husband Dean were having an ongoing tax problem with Cardrax I<sup>161</sup>; there were also bank loans, an overdraft and other debts. Having consulted their accountants, Ms Davies was advised that they urgently needed about £20,000 to get Cardrax I out of trouble. Having heard this, her friend Ms Brock obliged and was asked by Ms Davies to make the payment directly into Cardrax I's account – which she did. This happened on 12 May 2006: see E1/1. This incident is important as it is the principal reason why the claimants allege that Ms Brock is a joint tortfeasor with Cardrax I. As Ms Deakin said in cross-examination (by Mr Malynicz) *a propos* the £20,000 [T7/796]:

Q ..I am trying to ascertain when you say Ms Brock influenced the Cardrax I business?

A I cannot identify what the influence was other than there was investment being made on that basis.

302. There is a dispute about both the motive for and effect of this payment to Cardrax I, Mr Edenborough contending that it was no mere personal loan to help out the Davies'; it was a true business investment in the company alternatively, in BK (see: T7/795 and 805). There is no specific documentary material to advance the inquiry either way – other perhaps, than Ms Brock's negative observation that when Cardrax I later went into liquidation, she was not among the list of creditors. In fact, she lost all this money: B/5/8. This is what she said about the matter on cross-examination by Mr Edenborough [T11/1386-1387]

A. Yes, I did not realize .... I mean, I thought it was a personal loan obviously to Sally. That is what she said. The reason it went into Cardrax was to expedite the payment as far as I am aware.

Q. But it was done for the purposes of business.

A. I do not know whether it was a personal tax or whether it was a business tax. All I knew was

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<sup>160</sup> This topic is covered in detail in Ms Davies' evidence: see particularly, X/17/11. I accept Ms Davies' evidence on this matter on which I would add, she was cross-examined.

<sup>161</sup> Probably corporation tax see T10/1246

that she was in difficulty with the Inland Revenue and she asked me if I could help her out.

Q. So you did not know whether it was a personal tax or business tax, but you were happy for the money to go directly to the corporate entity.

A. That is where Sally asked me to pay it because it would have expedited the payment. That is what she told me. I did not question it, I must say, at the time.

Q. So in about May 06 you began to become a little bit more involved in the business of Ms.Davies.

A. Not May 06, no.

Q. You have lent her £20,000.

A. Yes.

Q. So she must have given you some reason for that - the need for the money.

A. Yes, the Inland Revenue.

Q. You had no idea at that stage, are you saying, what the business of Cardrax was?

A. I knew it was cards obviously as the name says, and Sally was in the card business, yes.

303. Ms Davies was also insistent that this was simply a personal loan; T10/1244 and 1247. I have considered all the evidence relating to this incident and have come to the conclusion that that £20,000 was a personal loan by Ms Brock to her friend to help her out. Mr Edenborough suggested that this was a concoction thought up by these two ladies. I reject that suggestion and accept their evidence.

304. I have also sought (but not found) *any* evidence of Ms Brock's involvement with Cardrax I other than in regard to this £20,000 loan.

305. Who then ran Cardrax I? Ms Brock of course denied having anything to do with running it but Ms Davies' evidence on the matter was to my mind conclusive. She alone ran Cardrax I from start up to its liquidation and directed the staff. It was a 'one man band': T10/1241. *A propos* any involvement with Ms Brock in Cardrax I, Mr Malynicz put to Ms Davies every issue on his version of the List of Issues (see **Annexure A** hereto). Ms Davies was very clear on every item: Ms Brock was not involved in any decisions concerning orders placed on or on behalf of Cardrax I or with any of the corporate acts of Cardrax I.

306. The factual case against Ms Brock as a joint tortfeasor with Cardrax I is, even to a non-lawyer, speculative. At law, it is in my judgment, simply non-existent and that case against her must fail.



307. I would add this. On the evidence, Ms Brock had nothing commercially to do with *any* of Ms Davies' *business* affairs until in August or early September 2006, she was asked by her to *consider* putting money into her new venture, BK, with a view possibly to her further involvement in *that* business. Ms Brock was indeed interested in this - as I have mentioned elsewhere. As one might expect, in October 2006 she took independent advice before doing so<sup>162</sup>. Up to then, as she put it<sup>163</sup>:

“...I never really knew much about Sally's business. I knew that she and Dean worked in the card industry but I did not know what they did or how well they were doing. They never really talked about business when I saw them.”

This is evidence which I accept. I further hold therefore that up to and including 4 October 2006 (see below). Ms Brock's involvement in *any* of Ms Davies' business interests in any sense relevant to the present enquiry was nil.

#### *Bees Knees*

308. I have already recounted the BK story – at length. Ms Brock was first told about BK in about July/August 2006 – informally. She first became formally involved with BK on 4 October 2006 when she injected £50,000 into Ms Davies' new company purely as an investment, in exchange for a 10% shareholding, Ms Davies having first suggested for her consideration this possible investment at the end of August or at the beginning of September of that year. The first thing to note in this connection is that by the beginning of October, BK was not only fully set up but it was meant to have been *in full operation*. Cards had been designed and printed, its logo had been commissioned and was in use, advertisements had been placed in national papers, agents appointed etc (see above) and it had begun partially to operate as intended. Others had already invested some money into company and had done the spade work. Ms Brock had nothing to do with any of this. She was joining Ms Davies' ongoing business; for her, it was a classic investment. In addition, it was only during October 2006 that from time to time, she first began to visit the offices of the Davies companies at Amersham on an unpaid, informal basis.

309. By then, Ms Brock had other ideas for herself - as I have recounted above. She wanted something useful to occupy her time and BK appeared to her to be a possible chance to do so.

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<sup>162</sup> For some reason, this is one of a number of prudent steps taken by Ms Brock *unilaterally* before becoming further involved with BK, upon which Mr Edenborough particularly relies to ground his case of joint tortfeasance.

<sup>163</sup> Second witness statement: B/5/7.

“Of course I was keen to use my brain again and to come into the office and help out on an unpaid part-time basis when I could.”<sup>164</sup>

310. I have looked carefully at the relevant evidence and have come to the clear conclusion that her connection with BK up to the time of its demise was nevertheless overwhelmingly unilateral, informal and preparatory to some possible further involvement.
311. On the basis of the authorities involving directorships and the ownership of shares and joint tortfeasance, there can be no question of Ms Brock’s liability on those facts alone; the claimants have to go beyond that and show additional, personal involvement in the detail of corporate management. The high water mark of Ms Deakin’s case was that Ms Davies said in evidence that she indeed *hoped* that one day, when Ms Brock was up to it, she might become more closely involved with BK – and that Ms Brock knew this<sup>165</sup>.
312. There was ample evidence to support Ms Brock’s denial of the allegation of active involvement in the running of BK during the period under consideration. For example, Ms Davies alone dealt with Ms Deakin, she alone appointed and directed the staff and the printer and signed the documents appointing agents etc.<sup>166</sup>. There is also no relevant documentary disclosure to support a closer association with BK. BK was obviously Ms Davies’ creature through and through.
313. In addition, the independent evidence (or lack of it) is telling. Ms Harrowell was not cross-examined on her clear evidence regarding the role of Ms Brock<sup>167</sup>. Cross-examination of Ms Slack on her evidence regarding Ms Brock got nowhere<sup>168</sup>. Mr Scott, who struck me as an observant person did meet her and talk to her at the height of the BK *debacle* and was thereby able to form a view on the issue. Under cross-examination on the subject, he produced the only moment of mild comedy in the entire affair: Ms Brock, it seems, was the provider of luncheon pizzas on one occasion [T9/1190]. Though he was a regular visitor to the Amersham office, he never took instructions from Ms Brock. I regard this independent negative evidence as being important.
314. There was also evidence from Ms Davies as to what Ms Brock did when she visited the office –most of which struck me as trivial in character. Ms Davies’ recollection of this was tested in cross-examination by Mr Edenborough (at T10/1236) and even more so by Mr Malynicz (T10/1263-1266). In her view, Ms Brock was a welcome visitor and sometimes a helping (but always unpaid) visitor. But no more.

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<sup>164</sup> Third witness statement. B/6/13

<sup>165</sup> B/7/28.

<sup>166</sup> T10/1255.

<sup>167</sup> B/9/4

<sup>168</sup> See B/2/8 para 12 and T11/ 1372-1374

### *Conclusion on Ms Brock*

315. Whatever her aspirations for the future, Ms Davies remained firmly in the driver's seat. *A propos* her erstwhile friend, Ms Davies fairly summed up the position thus:

“Sonia wasn't in a state to discuss business, she really wasn't. You know, she wasn't good; she just needed people around her. So she'd just pop in and pop out.”

316. In relation to every one of the allegations of infringement made against each Davies defendant, I have earlier considered the possible involvement of Ms Brock—usually, at the conclusion of each section. According to the authorities, that is the way joint tortfeasance has to be tested in a case like this, that is, particular act by particular act. In all the cases under scrutiny, it was Ms Davies who made the decisions and gave the orders, not Ms Brock. Being ‘there’ present is not even enough. Mr Edenborough's ‘big picture’ may be emotively handy but it is not determinative for present purposes; it is the closer picture which counts. And that is where I think Mr Edenborough's submissions fail. In my judgment, Ms Brock was never a joint tortfeasor with the Davies defendants.

### ***XXIV Additional damages***

317. Additional damages have been claimed against *all* the defendants both (so it seems) generally<sup>169</sup> and specifically in relation to copyright infringement by reason of CDPA '88, s.97 (2): RRAPOC § 26. It is said that the pleaded wrongdoing has resulted in an ‘unjust benefit’ that has thereby accrued to all the defendants ‘individually and collectively’. In fact, the case for additional damages was argued only on the statutory basis and so that is all I need now deal with. Non-copyright issues need not therefore be considered under this head.

318. Section 97(2) CDPA '88 is directed to the award of additional damages under certain circumstances when infringement has been proved or admitted - as here - and provides:

*‘(2) The court may in an action for infringement of copyright having regard to all the circumstances and in particular to-*

- (a) The flagrancy of the infringement, and*
- (b) Any benefit accruing to the defendant by reason of the infringement,*

*award such additional damages as the justice of the case may require.’*

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<sup>169</sup> The claim in RRAPOC for example, claims damages for unjust enrichment.

319. This enhancement of damages is evidently discretionary and it was common ground that the decision as to whether to award additional damages falls to be made by the trial judge, even though its quantitative assessment must await the general enquiry as to damages. There was no significant difference between Counsel as to the applicable law and so I shall again be brief in stating my approach.

*The law.*

320. Counsel introduced me to the relevant law by reference to some authorities. In Ravenscroft v Herbert [1980] RPC 193, the Spear of Longinus case, Brightman J held that flagrancy implies the existence of some degree of scandalous or deceitful conduct and *included* deliberate and calculated infringement. ‘Benefit’ in the section implied that the defendant had reaped a pecuniary advantage in excess of the damages he would otherwise have to pay on enquiry or account. In the field of the infringement of a literary copyright at least, this is, I think, still the leading authority on statutory additional damages.

321. However, ‘benefit to the defendant’ in this context, is to be interpreted widely and not just in financial terms: Redrow Homes v Bett Bros [1999] 1 AC 197 at 209. A deliberate act on a defendant’s part was not essential for a finding under the section. Carelessness sufficiently serious to amount to an attitude of ‘couldn’t care less’ could be sufficient to aggravate infringement: Nottinghamshire NHS Trust v News Group Newspapers Ltd [2002] RPC 49 at §52. In addition, there is no need for knowledge on the part of a defendant that what is alleged to amount to infringement of copyright is indeed an infringement, for an award of additional damages to be made; the defendant’s state of mind is thus irrelevant: Cala Homes v McAlpine Homes [1995] FSR 818 at 838.

322. Nevertheless, an award of statutory additional damages remains exceptional and is not available, for example, as an optional ‘add-on’ to the relief normally available in intellectual property cases..

*Application to the facts*

323. The claimants’ case is put in two ways. First, says Mr Edenborough, the sheer scale of the infringement coupled with Ms Davies’s knowledge of all the material facts, alone justifies an award of additional damages. This, he says, is indicative of gross, personal dishonesty which it has taken these proceedings to expose. Secondly, he relies on the fact that the claimants had to make an application to the Court for specific disclosure for key documents which for the first time disclosed the scale of the infringement - for example, for the Product Activity Reports for Bees Knees. These computer print-

outs, he said, could and should have been disclosed without difficulty at the start. That the claimants had to fight for their disclosure, he says, reveals a dishonest propensity deliberately to conceal vital evidence. In a copyright infringement action, these are matters of which the Court, should take a poor view .

324. It will be noted that, as before, no specific matters are put forward as to why Ms Brock should also be liable for additional damages under this head, the very quality of her involvement with the Davies defendants being evidently sufficient to establish her liability.

325. In my judgment, this is not a case for an award of additional damages. I have come to this clear conclusion in the light of my appraisal of the nature and scale of the infringements. First, though I make no assessment of its magnitude, there has been no mindless infringement or massive abuse of Ms Deakin's rights such as by the extensive reproduction of works without permission. Moreover, neither Ms Davies nor her employees knowingly sold out-of-licence material and what was done, did not in my view amount to a 'couldn't care less' attitude to copyright. Save as to the wrapping paper (and unlike most cases of copyright infringement) there is no question of any deliberate copying. How the wrapping paper came to be copied was described by Ms Davies and I have dealt with that already. The return of the artwork and like matters do not of course, come into it. Neither has there been evidence of an intention to obtain (or the actual obtaining of) any unusual pecuniary advantage or commercial benefit from the infringements that would not be covered by a regular award of damages e.g. by payment of a licence fee with interest on sums awarded.

326. Moreover, late applications for disclosure of specific documents (which, one finds, usually yields a dividend) are very common in this Court. The disclosing party usually has to pay costs but (and without wishing to discourage prompt and frank disclosure) that of itself does not (at any rate, in many cases) imply turpitude on the part of the non-disclosing party.

327. The claim for an award of additional damages will therefore be dismissed.

## ***XXV Conclusion***

328. It is not useful to attempt to epitomise *seriatim* the foregoing findings in short form. It has been in my judgment, a mixed result. The Claimants have succeeded on some issues against Cardrax I, BK and Ms Davies. But they have failed on others. They have entirely failed in their claim against Ms Brock and largely, against Cardrax II.

329. In the light of what has occurred since the pleadings were drafted, there will be no need for an award of injunctive relief.
330. I shall now invite counsel to collaborate and draw up a list of the issues adjudicated on the basis of 'successes and failures' (whether in whole or in part) in a convenient synoptic form for the Court to consider when the final order is settled and the telling question of costs falls to be adjudicated.

## ANNEXURE A

### LIST OF ISSUES

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#### **Cardrax (D1)**

1. What were the express terms of the Cardrax licence? In particular,
  - (a) Was it an express term that artwork supplied by Cardrax could not be altered/modified or substantially altered/modified?
  - (b) Was there an express term as to time for payment?
  - (c) Was there an express term that artwork supplied for the purpose of greeting cards could not be used for wrapping paper/tags?
2. What were the implied terms of the Cardrax licence? In particular,
  - (a) As a matter of business efficacy, when did the licence expire? Was it 3 years from the date of delivery of the artwork? D2-D4 are prepared to concede that it was 3 years from the date of delivery of the artwork?
  - (b) As a matter of trade custom, was the licence personal to Cardrax?
  - (c) As a matter of business efficacy, could Cardrax renew the licence upon payment of £175 after the expiry of the 3 year period?
  - (d) As a matter of business efficacy, was Cardrax obliged to return the artwork [**is this relevant if it only goes against Cardrax?**]?
  - (e) As a matter of custom, was Cardrax obliged to supply 2 samples of the printed artwork to Deakin? [**is this relevant if it only goes against Cardrax and no infringement issue arises?**]

### **Cardrax - breach of contract/copyright infringement**

3. Did Cardrax issue the Cs' designs to the public outside the 3 year licence period other than admitted in the Amended Defence and evidence of Davies?
4. If there was a term against artwork supplied for greeting cards being used for wrapping paper/tags, did the Claimants consent to the use of such artwork being used in wrapping paper/tags?
5. If there was a term against (substantial) modification/alteration of artwork which was supplied for wrapping paper to Cardrax, do the instances of wrapping paper where such artwork is altered as particularised in Annex D of RRAPOC breach such a term/amount to copyright infringement?
6. If there was a term preventing Cardrax licensing artwork supplied to it by Deakin to Bees Knees, does the single instance pleaded (Annex I, third bullet point) of use of the Happy Birthday WP06 wrapping paper breach the term/amount to copyright infringement?

### **Cardrax – bailment**

7. Did Cardrax return all the Cs' artwork that was supplied to it by Deakin?
8. If not, is Cardrax liable as bailee for the failure to return that artwork which it did not return? In particular, what were Cardrax's duties as bailee with regard to the artwork in its possession?

### **Cardrax – 12 designs**

9. In respect of the 12 Cardrax Designs which Cardrax issued to the public,
  - (a) What were the terms for time of payment?
  - (b) Did Cardrax breach those terms?
  - (c) If so, was it in repudiatory breach by failing to pay by 30<sup>th</sup> November 2006?



- (d) If a repudiatory breach, did the Claimants' remedy lie in debt or were they entitled to terminate the copyright licence for the 12 Designs on 30<sup>th</sup> November 2006?

**Cardrax/Bees Knees cutes**

- 10. If the licence to Bees Knees was personal, was the marketing by Cardrax of the 10 cute designs (see Annex I of RRAPOC) licensed to Bees Knees consented to/authorised by Claimants?

**The Bees Knees Trading Company (D2)**

**Logo**

- 11. What were the express terms of the Logo Commission? In particular
  - (a) Did the parties expressly agree that the logo was licensed on the same terms as for Cardrax Artwork, in particular a 3 year licence for £175?
  - (b) If there was no express agreement,
    - (i) Is there an implied term that BK owns the equitable copyright in the logo?
    - (ii) If assigned in equity only, what fee (if any) is payable to the Cs to perfect the assignment?
  - (c) If the Logo was only licensed,
    - (i) What were the terms for payment? In particular,
      - 1. was payment due prior to the sending of an invoice?
      - 2. Was payment due prior to 8<sup>th</sup> December 2006?
      - 3. Was time of the essence with regards to payment?

(ii) If payment was due on or before 8<sup>th</sup> December, was failure to pay a repudiatory breach?

(iii) If a repudiatory breach, did the Claimants' remedy lie in debt or were they entitled to terminate the copyright licence for the logo on 8<sup>th</sup> December 2006?

### **Main Bees Knees Contract**

12. What were the express terms of the Bees Knees Agreement? In particular, with regard to:-

- (a) What artwork was to be supplied?
- (b) Terms for time for payment and whether time was of the essence?
- (c) Time for delivery of artwork and whether time was of the essence?
- (d) Whether payment was dependent on delivery of artwork?

13. What were the implied terms of the Bees Knees Agreement? In particular, with regard to

- (a) Was the licence personal to Bees Knees (i.e. so that it could not cross-license Cardrax)?
- (b) Provision of 2 samples?
- (c) Delivery up of artwork supplied by Deakin?

14. Was the agreement with Bees Knees a collective licence in respect of the artwork supplied or a collection of individual licences?

15. Was the failure to supply all or a substantial amount of the artwork by 4<sup>th</sup> August 2006

- (a) A breach?
- (b) A repudiatory breach?

16. Was the failure to supply 13 out of the 123 items of the artwork by 8<sup>th</sup> December 2006

- (a) A breach?

- (b) A repudiatory breach?
17. Were the above terms varied during the course of dealings between the parties? In particular
- (a) Was time for payment extended by the Claimants to 30<sup>th</sup> November 2006?
18. Was the failure to pay £5000 by 8<sup>th</sup> December 2006
- (a) A breach of the agreement?
  - (b) A repudiatory breach?
  - (c) If a repudiatory breach, did Cs action lay in debt or was it entitled to terminate the licences or licence?
19. Why were the last 13 artwork items not supplied?
20. As a consequence of the above, whether:
- (a) BK is liable for infringement of all the Artwork and Sweeteners supplied to BK by the Cs, or
  - (b) BK is liable to pay the £5,000, or
  - (c) BK is liable to pay some other sum (taking into account the 12 artworks not supplied and the sweeteners supplied as part of the overall deal).
21. Did Bees Knees agree to pay the Bonus of £1,500? If so, is such legally enforceable?

**Cross-licensing by Bees Knees to Cardrax?**

22. If there was a term preventing Bees Knees from cross-licensing Cardrax, did Deakin consent to the cross-licensing of the 10 cutes to Cardrax (see Annex I of RRAPOC)?

**Return of Artwork**

23. As a matter of fact, did BK return all the Cs' artwork?
24. If not,
- (a) Is BK liable for breach of contract?

- (b) Did BK discharge its duty of care as bailee?

**Cardrax UK (D4)**

- 25. Did the sale of the stock incorporating the artwork of Deakin from Cardrax to Cardrax UK amount to an “issuing to the public” pursuant to s.18 Copyright Designs & Patents Act 1988?
- 26. If Cardrax UK is entitled to sell the stock purchased from Cardrax, do any of Cardrax UK’s activities amount to copyright infringements on the basis that if such activities had been done by Cardrax, they would not have been licensed e.g. sale outside 3 year period, sale of greeting card designs on wrapping paper, modification of designs)?

**Sally Anne Davies (D3)**

- 27. Is Ms Davies liable as a joint tortfeasor in respect of the issuing of cards to the public beyond the 3 year licence period?
- 28. Is Ms Davies liable as a bailee for any lost artwork?

**Sonia Elizabeth Brock (D5)**

- 29. Is Ms Brock liable as a joint tortfeasor for the following acts of Cardrax:
  - (a) The alleged issue to the public of any of Cs’ designs outside of the 3 year licence period (admitted in the Amended Defence of D2-D4 and the evidence of Ms Davies or otherwise)
  - (b) The alleged use of greeting card artwork for wrapping paper/tags.
  - (c) The alleged modification/alteration of artwork;
  - (d) The alleged use of Happy Birthday WP06 wrapping paper.

- (e) The alleged issue to the public of the 12 Cardrax designs
  - (f) The alleged marketing by Bees Knees of the 10 cute designs
30. Is Ms Brock liable as a bailee for any lost artwork in relation to any such artwork supplied to Cardrax?
31. Is Ms Brock liable as a joint tortfeasor for the following acts of Bees Knees:
- (a) The alleged failure to pay for the Bees Knees logo.
  - (b) Use of Bees Knees logo in alleged breach of copyright and/or contract
  - (c) The alleged failure to supply all or a substantial part of the artwork by 4 August 2006;
  - (d) The alleged failure to supply 13 of of 123 items of the artwork by 8 December 2006
  - (e) The alleged failure to pay the £5,000 by 8 December 2006
  - (f) The alleged cross-licensing of the 10 cutes to Cardrax:
32. Is Ms Brock liable as a bailee for any lost artwork in relation to any such artwork supplied to Bees Knees?
33. Is Ms Brock liable as a joint tortfeasor for the following acts of Cardrax (UK)
- (a) The alleged sale of stock incorporating artwork from Cardrax to Cardrax (UK);
  - (b) The alleged copyright infringements by Cardrax (UK) by the sale of items outside the 3 year licence period, greeting card designs on wrapping paper and/or modification of designs.

**Additional Damages**

34. Are the Defendants or any of them liable to additional damages?

### **Counterclaim by BK**

35. Were the Cs in breach of the BK agreement by reason of late delivery of artworks? If the Cs were in breach:
- (a) did the breach cause the advertising costs to be wasted (if they were wasted)?
  - (b) did the breach cause the loss relating to the work commissioned from Image Source?
  - (c) did the breach cause BK to purchase square designs from Image Source (and was any loss caused by the purchase of square envelopes)?
  - (d) did the breach cause the launch of BK to be delayed until January 2007; and if so, what should the quantum of any loss be?
36. Were the Cs in breach of the BK agreement by providing artworks not fit for purpose or not of merchantable quality (particularly in relation to the use of Tippex®); and if so, did this breach cause any loss; and if so, what should the quantum of any loss be?

## **ANNEXURE B**

### Delivery Dates

Block	Description	Delivery Date
1	15 flittered Cards	13.7.2006
2	12 male Cards	13.7.2006
Sweetener	10 bookmarks	13.7.2006
Sweetener	10 place settings	13.7.2006
3	15 funky Slims	21.7.2006
4	12 cute Age Bears	21.7.2006
5	15 general Cutes	21.7.2006
6	15 mixed Slims	28.7.2006
7	12 General Birthday	28.7.2006
Sweetener	25 postcards/notelets	28.7.2006
8	12 humour cards	4.8.2006
9	15 Xmas cards	4.8.2006
Sweetener	Wrap Repeat	4.8.2006

### Payment Dates

31.7.2006	£5000
31.8.2006	£5000
29.9.2006	£5000
31.10.2006	£5000

## ANNEXURE C

### Delivery Dates

Blocks	Order	Designs delivered	Due Date	Delivery Date
1	15 slims	15 slims	13.7.2006	24.7.2006
2	12 Fats	12 Fats (Male)	13.7.2006	24.7.2006
Sweetener	10 b/marks	12 bookmarks	13.7.2006	24.7.2006
Sweetener	10 placecards	12 placecards	21.7.2006	24.7.2006
3	15 slims	15 slims	21.7.2006	24.7.2006
4	12 cutes	11 cute <sup>170</sup> 10 were used for Cardrax.	21.7.2006	30.7.2006 - 14.8.2006
5	15 general cutes	15 general cutes	21.7.2006	14.8.2006
Sweetener	25 postcards	22 postcards <sup>171</sup>	28.7.2006	Late September 2006
6	15 mixed slims	15 mixed slims	28.7.2006	10.10.2006
7	12 general birthday	12 general birthday <sup>172</sup>	28.7.2006	10.10.2006
8&9	27 mixed	15 mixed 12 never delivered	4.8.2006	3.11.2006

<sup>170</sup> 1 design was rejected and 1 was carried over to Block 7.

<sup>171</sup> 10 of the designs were duplicate i.e. the artwork was the same but contained different wording sourced by Bees Knees.

<sup>172</sup> Although 12 were delivered, the block consisted of 13 as 1 design was carried over from Block 4.



Sweetener	Wrapping paper	Wrapping paper	4.8.2006	End of October/beginning of November 2006
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