

Case No: CC12P00283

Neutral Citation Number: [2012] EWPC 17
IN THE PATENTS COUNTY COURT

Date: 18 April 2012

Before :

Mr John Baldwin QC
(sitting as a Deputy Judge)

Between :

BRUHN NEWTECH LIMITED

Claimant

- and -

(1) DATANETEX LIMITED
(2) PETER LASHBROOK

Defendants

Robert Onslow (instructed by **Trethowans LLP**) for the **Claimants**

Denise McFarland (instructed by **Richard Griffiths & Co**) for the **Defendants**

Hearing date: 9 March 2012

JUDGMENT

Mr John Baldwin QC:

1. This is a dispute about ownership of any intellectual property rights and, in particular, any UK unregistered design rights (URD rights) and Community unregistered design rights (CURD rights) subsisting in three versions of a device which is said to be useful in the field of predicting hazards. By a claim form dated 28 September 2011 the Claimant seeks a declaration that it is the owner of any such rights. It also seeks injunctive relief to restrain infringement of these rights and damages. In addition, there is a separate claim for wrongful interference with goods.
2. An unusual feature of the claim is that the Claimant does not set out to establish that there are any URD rights or CURD rights in relation to any of the various versions of the device in suit, nor does it attempt to identify any designs in which rights might subsist and that it claims to own. Its position is that, if there are any URD rights or CURD rights in any aspects of these devices, they belong to the Claimant.
3. Counsels' researches have revealed no authorities upon whether or not it is appropriate to grant declarations of ownership over rights in circumstances where no attempt has been made to identify those rights or establish whether or not any subsist. Miss McFarland for the Defendant says that this is because the point is so obvious; she submitted that such a declaration is clearly inappropriate and could well be oppressive. Mr Onslow for the Claimant did not agree. He submitted that such declarations can and should be granted because they can have real value.
4. Mr Onslow gave this example. Indeed, he said it pertained to the facts of this case, although there was no evidence to that effect. He said consider the position where party A asserts to party B that B is infringing A's rights by dealing in product X. Now add in the fact that B's customers demand to be told whenever a third party asserts that product X infringes its rights. He said that in those circumstances B is at a real disadvantage because he has to alert his customers to the claim and has to prove to them that the claim is unfounded. Mr Onslow submits that B ought to be able to establish before the court that B is the

owner of any rights in X and be granted a declaration to that effect since that would solve the problem with B's customers.

5. Moreover, Mr Onslow pointed out that in correspondence before action Datanetex had asserted that it was the owner of any design rights in the products it had manufactured. He submitted that by so doing it was estopped from asserting that subsistence of such rights had not been proved, at least for present purposes.
6. Entitlement cases in patents are commonplace, as is the remedy of a declaration of non-infringement of a patent. And it is easy to imagine cases where a party could seek a declaration of ownership of or non-infringement of copyright, or design right for that matter. But all of these cases have a common factor. The rights which are alleged to be owned or which are alleged not to be infringed are properly identified. It seems to me that it would be dangerous to grant a declaration of ownership of intellectual property rights and in particular unregistered design rights which had not been shown to subsist at all, one reason being that third parties who saw that declaration might well be led to believe that some such rights did subsist and alter their economic behaviour accordingly.
7. Furthermore I do not accept Mr Onslow's estoppel argument in relation to subsistence of design rights. None of the conventional attributes¹ of a successful estoppel argument were put forward or established.
8. The three versions of the product in issue in the proceedings have been referred to as V2, V2A/2.2 and V3 and they all relate to a system or product called Hazkey. The Claimant ('Bruhn') asserts that it is the owner of whatever URD rights and CURD rights might subsist in the V2, V2A/2.2 and V3 products. The basis for this assertion is the contention that the products were designed and made pursuant to a commission for money's worth, and reliance is placed on section 215(2) of the Copyright Designs and Patents Act 1988 (CDPA). Moreover, and in so far as the claim cannot be made good under this section (and it is accepted that it cannot in relation to any designs made prior to any

¹ e.g. reliance or detriment

commission² and also in relation to any CURD rights³), Bruhn contends that there was or should be considered to be a commission in equity sufficient to enable the court to grant a declaration of ownership in favour of Bruhn and for Bruhn to be able to demand an assignment to it from the Defendants of the legal title to any such rights.

9. It is common ground that the V2, V2A/2.2 and V3 products were made and supplied to Bruhn by the first Defendant ('Datanetex') and, accordingly, it is necessary to consider the circumstances in which these products were made.
10. The V2 came about in these circumstances. By letter dated 27 November 2009 Datanetex presented a proposal for the design manufacture and supply of a product to improve the existing Hazkey platform. The price quoted was £2900 + VAT together with a one-off setup/tooling fee of £950 + VAT. Provision was made in this letter for acceptance of these terms by Bruhn. However, that did not happen. Instead, on 26 January 2010 Bruhn issued a Purchase Order for the 'Production of modified Hazkey' for a price of £1700 + VAT. There was no satisfactory evidence of the reason for the price change or of whether or not the 'modified Hazkey' referred to in the Purchase Order was identical to the item referred to in the 27 November letter.
11. Bruhn contended that the 27 November proposal and the 26 January Purchase Order together form the commission pursuant to which (relying on section 215 of the CDPA) it became first owner of the design rights in the V2 product. Some time after 26 January 2010 some drawings for the V2 were made and the V2 was supplied. There was no evidence about whether any design rights subsisted in these drawings. It is likely that the author of the drawings was the second Defendant (Mr Lashbrook).
12. On 4 August 2010 Mr Smith of Bruhn emailed Mr Lashbrook and thanked him for the delivery and development of V2. He presented a number of features which Bruhn considered would be improvements and which it wanted adding to the V2 to make the next generation (i.e. what became V2A/2.2). Pursuant to this letter and the accompanying discussions between the parties, in about January 2011 Mr Lashbrook made some drawings for the proposed V2A/2.2.

² following *Ultraframe v Fielding* [2004] RPC 24, [30]

³ to which section 215(2) CDPA does not apply

On 4 April 2011 Datanetex submitted a Quotation for the supply of the V2A/2.2 for a price of £4715, subject to Datanetex's standard terms and conditions, and on 8 April 2011 Bruhn issued a Purchase Order corresponding to that Quotation.

13. It is clear, therefore, that the contract for the supply of the V2A/2.2 came into existence after some of the design drawings for that product had been made (and accordingly section 215(2) could not bite upon them without more). My attention was not drawn to any drawings made after the contract for supply of the V2A/2.2 had come into existence although there might have been some. Again there was no evidence that any design rights subsisted in any of the drawings although it is likely that Mr Lashbrook was the author.
14. The document which initiated the supply process for the V3 was an email exchange between Bruhn and Mr Lashbrook on 18 November 2010, and on 18 March 2011 Mr Lashbrook made a drawing of the top panel of the proposed V3. On 6 April 2011 Datanetex submitted a detailed written product proposal to Bruhn for the manufacture and delivery of the V3 for a cost not to exceed £25,000 + VAT. The proposal pointed out that all the research and development work for the product had already been carried out. If that is right, and there is no reason to believe it is not, that work was not carried out pursuant to any commission in which there was an obligation to pay.
15. During argument, counsel for Bruhn conceded, rightly, in my view, that as of 5th April 2011, Datanetex owned all the intellectual property rights in the product of the work it had carried out on V3.
16. By email of 11:13 on 6 April Mr Smith of Bruhn wrote to Mr Lashbrook and included an extract from a message from Bruhn's CEO which stated that the IPR of the Hazkey system belonged to Bruhn and that the IPR of a sub-part of the junction box belonged to Datanetex. This was the first time either side had made any express reference to ownership of intellectual property rights in the work which was being carried out by Datanetex on the Hazkey system.
17. Mr Lashbrook responded by email of 12:33 of the same day and stated that it accepted that the turnkey solution of Hazkey belonged to Bruhn but asserted that the IPRs of the products designed and manufactured by Datanetex must remain with Datanetex. The emailed ended with a statement that manufacture

would commence and that confirmation was awaited of the matters stated in the email. By email of 14:16 on 6 April Bruhn accepted the content of the 12:33 email from Mr Lashbrook and stated that all relevant matters would be clearly defined in an agreement which would be produced prior to a meeting scheduled for the following May. No such agreement was produced.

18. On 8 April 2011 Bruhn issued a Purchase Order for a V3 product in accordance with the written proposal of 6 April (i.e. that referred to in paragraph 14 above). Bruhn contend that this Purchase Order was the formal acceptance of Datanetex's proposal and that the email exchange on the 6 April to which I have referred must be ignored for the purposes of deciding the ownership of design right in any designs which are reproduced in V3.
19. In addition to the above matters, Bruhn accept and contend that Datanetex's standard terms and conditions (T&Cs) apply to all 3 contracts i.e. to each of the contracts for the V2, V2A/2.2 and V3. This is in spite of the fact that none of the witnesses on behalf of Bruhn were aware of these T&Cs at the relevant time, and it is only in relation to V2A/2.2 that there is any reference to them in any of the relevant documents. It appears that the reason for Bruhn's position is that clause 2 of the T&Cs is a form of an entire agreements clause and this, so Bruhn contends, precludes any reference to the content of the email exchange of 6 April 2011 in the consideration of the terms of the contract for the supply of the V3.
20. Datanetex also contends that its T&Cs govern the 3 contracts with Bruhn. Unlike Bruhn, Datanetex relies on clause 11 of the T&Cs which provides that 'Datanetex retains all Datanetex-owned IP in Product'. This clause, says Datanetex, is the beginning and the end of the matter as far as any design rights are concerned. Bruhn counter by saying that because of s 215(2) of the CDPA it was the first owner of the rights in the design and therefore clause 11 simply does not bite. In relation to those designs where this section could not apply (because they were made before any commission agreement was completed or because the rights are CURDs), Bruhn relies upon its commission in equity, alternatively an implied term of the agreements to the effect that all rights to the designs would vest in Bruhn (i.e. a term contrary to the express term in the T&Cs).

21. Turning to the oral evidence in this case, the only evidence from the Claimant regarding ownership of intellectual property rights is that of Mr Smith who said that in November 2009 Mr Lashbrook confirmed that Bruhn would own the 'system Design Right' in the product then being contemplated. The expression 'system Design Right' was clarified in cross examination; what Mr Smith was referring to was the turnkey solution of Hazkey. That was not the product of any work of the Defendants and is not the subject of these proceedings.
22. There was no oral evidence from Bruhn to the effect that at the relevant time the parties, or even Bruhn itself, contemplated that any design rights in any designs made by Datanetex would belong to Bruhn. Neither was there any evidence of any factual matrix from which the conclusion might be drawn that the parties contemplated that the contracts entered into in relation to the supply of the V2, V2A/2.2 or V3 products were commission agreements of the type that might or would fall within s 215(2) of the CDPA and so vest design rights in Bruhn.
23. Mr Onslow contended that an obligation to manufacture a product the design for which did not already exist necessarily entailed an obligation to design the product and, therefore, was a commission within the meaning of section 215 CDPA. He argued that, on such facts, the burden is on the designer to show that the price for the product does not include all and any design rights which might subsist in the designs which are reproduced in the product. I do not accept this argument. It seems to me that the burden of establishing a commission is on the party asserting a commission and the mere fact that a product has to be designed before it can be made is not on its own sufficient to shift that burden. It is easy to think of examples where A asks B to design and supply a product in return for a price where all A will expect to get is the product and not the underlying rights to any designs reproduced within it.
24. In these circumstances I am left with the documents to which I have referred. I am far from satisfied that the contracts for supply of the V2 or V2A/2.2 or V3 were agreements commissioning designs in which design right would subsist such that s 215(2) of the CDPA would come into play and vest ownership in Bruhn. In my judgment, for there to be a commission within the meaning of section 215(2) there must be something (i.e. some fact or matter) from which one can infer that designs in which design rights subsist were being ordered by

A from B such that A would own the rights to the designs, something from which one can infer that the order was in fact a commission. There is nothing on the present facts which fills that bill. On the present facts there is merely an order for the supply of product which had to be designed before it could be made; it was an item not directly available off the shelf but there is nothing more than that, nothing to suggest that Datanetex did not remain free to deal in any of the designs it made in any way it chose.

25. Bruhn's additional or alternative case is that it is entitled in equity to ownership of any design rights, irrespective of whether or not the language of s 215(2) has been complied with. It was said that the requirement implicitly within s 215(2) that the creation of the design follow the obligation to pay for it was akin to a mere formality, and that a commission in equity could arise if that formality were not complied with.
26. Further, equity was also relied upon to vest CURD rights in Bruhn (there being no equivalent in the Community Designs Regulation to s 215(2)). It was argued that it would make no sense if URD rights in the designs vested in Bruhn and CURD rights in the designs vested in Datanetex. In these circumstances it was contended that equity should and would intervene so that all design rights vested in Bruhn. It was said that this was no more than equity following the law.
27. I do not accept the argument that vesting CURD rights in party A on the basis that URD rights in the same design were vested in party A would be an example of equity following the law. URD rights and CURD rights have a different provenance and must be considered separately.
28. A commission in equity is a different matter. Counsel explained that it is a fictional commission which is deemed to take place before it actually takes place. Such a circumstance will arise, counsel explained, where legal title is not vested in the commissioner, owing to the fact that creation of the design preceded the obligation to pay for it⁴, when there is a continuing intention of the

⁴ i.e. this 'formality' of section 215 has not been complied with.

parties that design rights will vest in the commissioner and there is a continuing intention that there will be in the future an obligation to pay⁵.

29. A commission in equity is an interesting concept and there may be facts which give rise to it in some shape or form. However, in my judgment there is simply insufficient evidence in this case to support any argument for the intervention of equity. For an equity to arise there must, at least, be something which attaches to the conscience of Datonetex, at least some facts or matters which would make it inequitable for Bruhn's claim not to succeed. There are no such facts here.
30. The facts here are that there was an ordinary commercial contract for the supply of certain goods and the goods were supplied. The fact that some aspects of the goods had to be designed by Datonetex prior to the supply does not seem to me, without more, to change things; to convert an ordinary contract (which on its face does not appear to be one in which designs are being commissioned) into one in which not only does the purchaser get the goods it ordered but it also gets ownership of any designs that are created.
31. Bruhn's second alternative case was that terms must be implied into these contracts whereby rights in any designs which came into existence would vest in Bruhn. I have struggled to find any basis on which terms of the kind contended for might be implied. I can find no basis on the approach that the implication of contractual terms is no more and no less than proper construction of the language the parties have used for the contract. And I can find no basis on the more traditional 'officious bystander' or 'necessary for business efficacy' tests. Or, put another way, there is, on the facts, no basis upon which I can find that the terms contended for by Bruhn should be implied into the contracts relied upon. And I reach this conclusion without taking into account there is an express term to the contrary in the T&Cs (clause 11) which are accepted to govern these contracts.
32. Accordingly, and irrespective of the reservations expressed at the outset of this judgment, the claim for a declaration fails.

⁵ It was not explained what would happen if the continuing intention that there be a future obligation to pay changed or waived.

33. By its Particulars of Claim Bruhn also sought an injunction to restrain infringement of URD rights and/or CURD rights and damages by reason of Datonetex displaying (and thereby reproducing) a photograph of one of the V2, V2A/2.2 and/or V3 products on its web page, although just after the close of the hearing Bruhn withdrew its claim for an injunction since the offending photograph had been taken down.
34. Bruhn has not identified or particularised any rights which it claims have been infringed by this display of the photograph. Without such an identification it is impossible to tell whether or not the claim is a good one; it is impossible for the Defendant to deal with the case properly or at all. This failure to identify the rights alleged to be infringed is in my judgment fatal to the claim⁶.
35. Finally, Bruhn makes a claim for the delivery up of certain goods which it claims to own and which Datonetex is, so it contends, retaining possession. There was no dispute about the fact that Bruhn owns these goods. Datonetex's reason for not delivering back the goods was that Bruhn had not paid an invoice in connection with some other matters. There is no counterclaim in debt in relation to this allegedly unpaid invoice and I have no details about whether or not it should be paid. In these circumstances the claim for possession ought to succeed.
36. However, this matter is not completely straightforward since there is evidence that some at least of the goods have been made available for collection by Bruhn for some time and Bruhn has simply not bothered to pick them up. There will be no order for delivery up of any items which Datonetex has offered to Bruhn but which Bruhn has not collected, although I would expect these goods to remain available for collection for a reasonable time, since it is accepted that the goods do in fact belong to Bruhn.
37. Finally I should mention Mr Lashbrook. It was said that he was a joint tortfeasor with Datonetex. Since the claim, apart from the claim in conversion (wrongful interference with goods), has failed, the question of joint tortfeasance does not arise. In respect of the claim in conversion, there is no evidence that Mr Lashbrook as distinct from Datonetex has been in possession of Bruhn's

⁶ I do not need to consider whether a photograph of an article can be an infringement of any design rights which might subsist in the article.

goods. It is true that he is the sole director and share holder of Datanetex but I am not satisfied that it was necessary or proportionate to bring a claim in conversion against him and find that such a claim also fails.