



Neutral Citation Number: [2022] EWHC 192 (Ch)

Case No: IL-2020-000050

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)

The Royal Courts of Justice
7 Rolls Buildings
Fetter Lane
London, EC4A 1NL
Date: 4 February 2022

Before :

DEPUTY MASTER RAEBURN

Between :

(1) MR DAMIAN EVANS
(2) DAMIAN EVANS DESIGN LIMITED

Claimants

- and -

(1) JOSEPH JOSEPH LIMITED
(2) MR RICHARD JOSEPH

Defendants

Thomas St Quintin (instructed by McDaniel & Co Solicitors) for the Claimants
Hugo Cuddigan QC (instructed by Gowling WLG LLP) for the Defendants

Hearing dates: 22 and 23 September 2021

APPROVED JUDGMENT

I direct that this approved judgment, sent to the parties by email on 4 February 2022, shall be deemed to be handed down on that date, and copies of this version as handed down may be treated as authentic.

Deputy Master Raeburn:

Introduction

1. This is the trial of a claim issued under CPR Part 8 on 21 April 2020 in which the Claimants seek various declarations as to the meaning of provisions in a licence agreement relating to the use, administration and exploitation of design rights.
2. The First Claimant, Mr. Damian Evans is a designer who has designed a number of commercially successful kitchen utensils and devices. Mr. Evans exploits his designs through the Second Claimant, a company incorporated in 2011.
3. The First Defendant is Joseph Joseph Limited (“**JJL**”); a well-known producer and vendor of homeware goods. The Second Defendant, Mr. Richard Joseph is a co-founder and the Managing Director of JJL.
4. This case is concerned with disputes that have arisen between the parties as to what their licence agreement requires of them by way of ongoing obligations and cooperation, particularly in relation to the filing, maintenance and use of certain design right registrations for kitchen products.

The Issues

5. The parties have agreed a list of issues to be determined by the Court in this claim which can be broadly summarised as follows:
 - i) What does the requirement in clause 3.7 of the licence agreement that the “parties mutually agree” mean?

- ii) What does the requirement in clause 3.7 of the licence agreement, that a registration be “beneficial” mean?
- iii) What does clause 3.7 of the licence agreement require the defendants to do in respect of renewal of registrations of designs?
- iv) What does clause 3.8 of the licence agreement require the Defendants to do to use designs registered to the Claimants?
- v) What does clause 3.8 of the licence agreement permit the Claimants to do if they obtain a registration of a design?
- vi) What does clause 4.4 of the licence agreement require statements provided to the Claimants to record?
- vii) What does clause 5 of the licence agreement entitle the Claimants’ auditor to see?
- viii) Should the declarations sought by the Claimants be made?

The Licence Agreement

6. On 1 January 2007, Mr. Evans and JJJ entered into a licence agreement (the "**Original Agreement**") pursuant to which Mr. Evans licensed the intellectual property rights in his designs for kitchenware to JJJ for commercial production. It also provided, amongst other things, that where JJJ sought to apply to register intellectual property rights in a given territory, it would do so in the names of both JJJ and Mr. Evans as joint proprietors.

7. Mr. Evans and JJJ amended the Original Agreement by a Deed of Variation dated 11 April 2011. The Deed of Variation included a provision pursuant to which Mr. Evans assigned all intellectual property rights in his designs to JJJ. This replaced the prior arrangement under the Original Agreement whereby Mr. Evans had owned the relevant rights and licensed them to JJJ.
8. The Original Agreement as varied by the Deed of Variation (together, the "**Licence Agreement**"), continues to govern the relationship between the parties.
9. Under the Licence Agreement, the following definitions are used:
10. "**the Designs**" are defined as:

"...the designs details of which are given in the Schedule to this Licence and any other designs in which the Licensor owns the Rights and which the Licensor and Licensee both agree are to be subject to the terms of this Agreement";

11. "**the Rights**" are defined as:

"...all vested contingent and future rights of copyright United Kingdom and Community design right (whether registered or unregistered) and all accrued rights of actions and all other rights of whatever nature in and to the Designs whether now known or in the future created to which the Licensor is now or may at any time after the date of this agreement be entitled under any of the laws in force in each and every part of the world;"

12. **"the Licensed Articles"** are defined as:

"...any articles manufactured by the Licensee [or by the Manufacturer for the Licensee] and to which any of the Designs is applied";

13. **"Licensor"** means Mr. Evans;

14. **"Licensee"** means JLL;

15. **"Joseph Joseph"** refers to "Richard Joseph, Joseph Joseph Limited";

16. **"the Manufacturer"** means JLL;

17. **"the Term"** means the period of time commencing from 1 January 2007 in perpetuity;

18. **"Territory"** is defined as: "worldwide";

19. **"Net Sales Value"** is defined as:

"...in relation to any of the Licensed Articles, the price charged to the customer less any value added tax or other sales tax, carriage charges and credit notes raised for returned goods, and after deducting any allowances for lost or damaged merchandise; provided that where any of the Licensed Articles is incorporated into a larger product, the Net Sales Value shall be the price that would have been charged to the customer if the Licensed Article in question had been sold on its own less any such deductions. In the case of sales other than in arm's length transactions the price shall be deemed the average Net Sales Value of the relevant Licensed Articles which have been sold in arms' length transactions

during the accounting period under clause 4 below during which sales other than in arm's length transactions took place. If there have been no arm's length sales the price shall be that of the subsequent resale price in the first arm's length transaction."

20. Clause 3.1 (as amended) provides:

"Damian Evans hereby assigns by way of present and future assignment to Joseph Joseph with full title guarantee the Rights to hold to Joseph Joseph its successors and assigns absolutely throughout the world for the full period of all such and any of the Rights and all renewals reversions and extensions of such period subsisting or arising under the laws in each and every part of the world and afterwards so far as permissible in perpetuity to include the right to sue for infringement of the Rights occurring prior to the date of this assignment".

21. Clause 3.7 (which replaced a corresponding clause in the Original Agreement) provides:

"Joseph Joseph warrants and undertakes to make it's [sic] best efforts to protect and defend Joseph Joseph's Rights including registration of the Designs in Joseph Joseph's name in all Territories (where the parties mutually agree it is beneficial) which the Design will be sold and potentially sold and where competitors may manufacture and sell potential copies of the Designs. In the event that JJJ does not or does not wish to register in a particular territory ("Damian Evans Territory") within the Territories then Damian Evans shall be free, at

his own expense, to take out such registrations as he deems fit (“Damian Evans Registrations”).”

22. Clause 3.8 (which also replaced a corresponding clause in the Original Agreement) provides:

“3.8 In the event that any registrations are made under clause 3.7 by Damian Evans then

3.8.1 Joseph Joseph grants to Damian Evans an exclusive licence (for production of the Designs) under the Rights to manufacture, distribute, offer for sale and sell the Licensed Articles in the Damian Evans Territory under the Damian Evans Registrations; and

3.8.2 In the event that Joseph Joseph subsequently wishes to exploit the said Damian Evans Territory or any of them Damian Evans will assign any such Damian Evans Registrations to Joseph Joseph upon reimbursement of the costs incurred by Damian Evans in registering such Damian Evans Registrations.”

23. Clauses 3.10, 3.11 and 3.12 provide:

"3.10 In the event that the Rights or any of them are not to be exploited by Joseph Joseph Joseph Joseph shall notify Damian Evans forthwith. Upon receipt of that notification Damian Evans shall, within 14 days of receipt of such notice, inform Joseph Joseph that Damian Evans requires the transfer of the said Designs no longer to be exploited."

"3.11 Upon receipt of such Notice set out in 3.10 Joseph Joseph shall at its own expense transfer the Rights set out in the said notice to Damian Evans";

"3.12 In the event that the Designs or any of them are not exploited for a continuous period of one year then the Licence in respect of those Designs shall terminate".

24. Clause 4.1 provides:

"In consideration of the rights granted under this Licence Agreement, the Licensee shall, subject to the following provisions, pay to the Licensor a royalty at the rate of 5 per cent of the Net Sales Value of all Licensed Articles which have been sold or otherwise disposed of on a commercial basis by the Licensee during the period in which any rights forming part of the Rights subsisted in the Licensed Articles which were the subject of such sale or other disposal."

25. Clause 4.4 provides:

"All royalties payable on the Licensed Articles sold or otherwise disposed of by the Licensee in accordance with clause 4.1 above shall become due and shall be paid by the Licensee to the Licensor within 30 days after the first day of January, April, July and October of each year, such payment to be accompanied by a statement showing the quantities of Licensed Articles sold or otherwise disposed of on a commercial basis by the Licensee, the Net Sales Value in respect of those quantities of Licensed Articles and the amount of royalties payable."

The Witnesses

26. This claim was issued under CPR Part 8 and the parties have agreed for it to be disposed of on written evidence without cross-examination. The following witnesses provided written statements for trial:

- i) Mr. Damian Evans. By his first witness statement dated 16 April 2020, he gives evidence on background matters the Claimants consider are relevant to the construction of the Licence Agreement. His second witness statement dated 29 July 2020 seeks to clarify matters raised in Mr. Joseph's evidence, including the nature of historic discussions between the parties and the reasons for the variation to the Original Agreement. His third witness statement of 9 September 2020 exhibits additional correspondence detailing matters preceding the Deed of Variation being entered into;
- ii) Mr. Joseph by his witness statement dated 1 July 2020 provides further evidence on the background context he says is relevant to the construction of the Licence Agreement, including JLL's approach to combatting copied products in various territories, the various considerations JLL takes into account when making applications for registered intellectual property protection and the context of the relationship and agreement entered into with Mr. Evans.

The Legal Principles

Construction / Interpretation

27. Counsel largely agreed as to the principles governing the Court's approach in interpreting or construing contracts.

28. Put simply, the Court is concerned to identify the intention of the parties by reference to what a reasonable person, having all the background knowledge which would have been available to the parties at the time it was concluded, would have understood them to be using the language in the contract to mean.
29. The Court does this by focussing on the meaning of the relevant words, in their documentary, factual and commercial context and seeks to ascertain the objective meaning of the contract, read as a whole.
30. That meaning has to be assessed in the light of (i) the natural and ordinary meaning of the clause, (ii) any other relevant provisions of the contract, (iii) the overall purpose of the clause and the contract, (iv) the facts and circumstances known or assumed by the parties at the time that the document was executed, and (v) commercial common sense, but (vi) disregarding subjective evidence of any party's intentions: Arnold v Britton [2015] UKSC 36 per Lord Neuberger at [14] - [23]; Rainy Sky SA v Kookmin Bank [2011] UKSC 50 per Lord Clarke at [21] - [30]; Chartbrook Ltd v Persimmon Homes Ltd [2009] UKHL 38 per Lord Hoffmann at [14] - [15], [20] - [25].
31. Clearly, contracting parties generally have autonomy over the words they use in order to express their rights and obligations. It therefore follows that the meaning of a contract is most likely to be obtained from the language they elected to employ. The authorities to which I have referred make it clear that considerations of surrounding circumstances and commercial common sense should not undervalue the primacy of the words used.
32. When engaging in the process of construction, it is of course important to note that the purpose of the exercise is to identify what the parties have agreed (in

an objective sense), not what the Court thinks that they should have agreed. The Court should therefore guard against re-writing an agreement, or rejecting its natural meaning "*in an attempt to assist an unwise party or to penalise an astute party*": per Lord Neuberger in Arnold at [17] and [20]. Where there are rival meanings, there must be a basis in the words used and the factual matrix for identifying it (per Lord Hodge in Arnold at [77]).

33. Textualism and contextualism are not conflicting paradigms and the extent to which each tool will assist the court in its task will vary according to the circumstances: Wood v Capita [2017] UKSC 24 per Lord Hodge at [13]).
34. The Court is entitled to look at evidence of the objective factual background known to both the parties, or reasonably available to them at the date the contract was made. Equally, commercial common sense cannot be invoked retrospectively. It can only be considered at the date an agreement was made; Investors Compensation Scheme v West Bromwich Building Society [1998] 1 WLR 896 at 912 – 913 and Arnold at [19].
35. Construction is an iterative process in which each proposed construction is checked against the provisions of the contract and its commercial consequences (Wood at [12]).

The Factual Matrix / Relevant Materials

36. As mentioned above, it is clear that the Court will construe provisions in the context of the contract as a whole, which includes consideration of the contract against its surrounding circumstances or factual matrix.

37. In relation to the relevant dates for the Court's assessment in this case, it is said by Counsel for the Claimants (and I understand it to be agreed by the Defendants) that, strictly, there are two agreements: the Original Agreement and the Deed of Variation.
38. Certain of the issues of construction in this dispute relate to clauses in the Original Agreement which were replaced by clauses in the Deed of Variation: in particular clauses 3.7 and 3.8. They must be interpreted as of the date of the Deed of Variation (i.e. 19 April 2011). Other issues relate to clauses of the Original Agreement that were not changed by the Deed of Variation. They are to be interpreted as of the date of the Original Agreement (i.e. 1 January 2007).
39. Counsel for the Claimants submits that there are a number of relevant and admissible matters of background knowledge, or matters which otherwise reflect commercial common sense which assist the Court in this exercise of interpretation. The Defendants resist the admission of the material, broadly on the basis that it is irrelevant or otherwise post-dates the contracts in issue, relying upon James Miller v Whitworth Street Estates [1970] A.C. 583 as authority for the general position that subsequent actions of the parties are inadmissible to interpret a written agreement (none of the exceptions to that rule are submitted as being relevant in the present case).
40. As I have mentioned above, the process of construction should simply start with the words of the contract, rather than its context, as to proceed otherwise would risk the Court paying insufficient attention to the actual language used by the parties.

41. To that end, for the sake of concision, I outline at this part of my judgment certain conclusions as to the admissible factual background and aspects of commercial common sense which have been advanced by the Claimants as applicable to the various issues the Court must determine.
42. However, as will be clear from the conclusions that follow, I emphasise that my process of interpretation started with the words of the clauses themselves, with any admissible material only subsequently employed as a tool to assist the process of construction rather than being wholly determinative of it.
43. Turning to certain of the matters submitted as admissible and relevant:

The parties' awareness of the importance of registrations to prevent counterfeiting

44. The Claimants contend that by 2010 all parties were aware of the importance of registrations to prevent counterfeiting, relying on evidence contained within Mr. Joseph's witness statement, which refers to the absence of design registrations in certain markets and the impact of "copies" of products appearing on the market on JLL's business in certain territories, together with steps taken to instruct lawyers to advise on strategy and to file certain registrations.
45. In my judgment, this background fact is admissible; however, I question its probative value in assisting the Court's interpretation of the clauses to which I will refer below. A reasonable observer would have expected and believed both contracting parties to have had that knowledge and each to have assumed the other to have had such knowledge at the time of entry into the contract, which is supported by the scheme of the Licence Agreement, which at clause

3.7 refers to the registration of designs "*where competitors may manufacture and sell potential copies of the Designs*".

That JIL was a substantial international business

46. Counsel for the Claimants goes on to submit that a further relevant and admissible matter of background knowledge was that by 2010, JIL was a substantial international business, was or was becoming, a "recognised and successful global brand" and was expected to continue its international growth.

47. In my view, whilst the expectation that JIL would continue its international growth (as opposed to the fact that it has) is *prima facie* capable of forming part of the admissible background knowledge of the parties, I regard it as irrelevant to the process of interpretation this Court must undertake.

JIL were experts in, or acquainted with, IP protections and design registrations

48. Counsel for the Claimants submits that it is relevant that JIL were experts in, or at least well acquainted with, intellectual property protections and with design registrations, again relying on the evidence in Mr. Joseph's statement to the effect that JIL "*...has extensive experience filing registrations for its range of products, and is well acquainted with the strategic considerations and costs of doing so*".

49. I reject those submissions. The evidence relied upon by the Claimants does not refer to the pre-contractual period and other aspects of Mr. Joseph's evidence would appear to suggest that JIL was not in fact well acquainted with such

matters in 2007 or in 2011. In particular, Mr. Joseph's evidence reads (in material part):

"Prior to 2010 the business was very small and the focus was to register a selection of JLL products in key markets..."

...

"In February 2010, JLL filed its first registration in China for the Index Plus..."

...

"Around mid-April 2010 (again based on advice from the local lawyers), JLL filed its first application to join the Fast Action Scheme in Hong Kong and to register copyright ownership in China".

The success of the Claimants' designs and considerations for design right registration

50. Counsel for the Claimants submits that it is relevant and admissible that the designs produced by JLL (including in particular those made to Mr. Evans' designs) had: (i) been very successful; and (ii) had been the subject of copying and counterfeiting.
51. This is clearly inadmissible in relation to the construction of the Original Agreement on the basis that the relevant facts post-date the contract in issue and to the extent advanced in aid of the Claimants' interpretation of clauses amended by the Deed of Variation, I would reject these matters as irrelevant to the process of construction.

52. I would however accept Counsel for the Claimants' contention that "*a number of different factors and competing considerations contribute to a decision as to whether or not a design registration would be sought by JLL*".

53. This would appear to be a matter which is relevant to the Court's interpretation and reflects commercial common sense as it existed at both the date of the Original Agreement and the Deed of Variation.

It is important to a designer that designs are protected from infringement

54. Counsel for the Claimants contends that it is relevant and admissible that:

- i) it is important to a designer who earns licence fees from the exploitation of his designs that they are and continue to be protected against infringement;
- ii) both Mr. Evans and the Defendants were aware of that importance; and
- iii) with Mr. Evans' designs being assigned to JLL, the only way Mr. Evans could influence the protection of those designs was through his contract with JLL.

55. In support of these contentions, the Claimants' rely upon the first witness statement of Mr. Evans dated 16 April 2020 which states that his business depends upon income from the exploitation of JLL's designs and that it is important that those designs are robustly protected and that he is involved in and able to influence decisions about the registered protection sought.

56. I accept Counsel for the Defendants' submissions that these reflect the Claimants' averments which seek to support its preferred interpretation; these

assertions are not supported by any clear evidence that the Defendants were aware of, or accepted these assertions as background facts and I do not accept that the reasonable reader would have such knowledge.

57. I accept that elements of those contentions may indeed represent sentiments of commercial common sense; however, I regard them as having limited value as a tool to assist the Court's process of interpretation.

The parties had a common interest in undertaking registrations of the Designs if it was beneficial to do so

58. Counsel for the Defendants resists this on the basis that it is not a fact at all and as an assertion, it is without support in any of the evidence.

59. In my judgment, it is clear that this is not a matter that is properly capable of forming part of the factual background or part of commercial common sense against which the agreements are to be construed.

60. One of the key issues to be determined in this trial is what in fact "beneficial" means in this context. It is therefore far from clear in all the circumstances that there is sufficient clarity of meaning in the formulation proposed by the Claimants which would render it capable of forming part of commercial common sense in this context.

Discussion and consideration of the other party's perspectives on the benefit of a registration is beneficial, not onerous, would provide an opportunity for discussion between the parties and promote cordial relations

61. I would reject this material as irrelevant and inadmissible as factual background or commercial common sense. It amounts to assertion and argument as opposed to factual background which would benefit the Court in its task of construction.

Designs for any product that is being exploited should be renewed for their whole duration

62. In my judgment, again, this is a contentious statement which is not capable of forming a background fact or part of commercial common sense in the present case.

Relevant considerations of designs law

63. It is said by Counsel for the Claimants that there are a number of basic and general provisions of designs law which will also assist the Court in its interpretation.

64. In particular, the following are relied upon as aids to interpretation in the form of background facts or commercial common sense common to the parties:

- i) Designs are protected on a territorial basis. Not all territories protect unregistered designs;
- ii) In all known territories in which unregistered designs are protected, the duration of a registered design is longer than an unregistered design;
- iii) Registration of a design offers an absolute protection against similar designs (in the sense that it is not necessary to establish copying);

- iv) Registration of a design requires registration fees to be paid, and any professional fees. Renewal fees are usually also due; and
 - v) Many national designs registries do not scrutinise designs for validity against other designs on registration, but some do.
65. In my judgment, these statements as to aspects of design law are not legitimate aids to construction; there is no evidence that the parties had the requisite knowledge, and I am not satisfied, in the context of the agreements that the parties would have been reasonably likely to be aware of all such matters.
66. It would be artificial to impute the parties with the degree of knowledge of the workings of design law in the manner and extent contended by the Claimants. This would appear to require that they had knowledge of the workings of design registration systems, the fact that different jurisdictions have different approaches in that regard, the fact that the extent of protection for designs can vary and that the prosecution of designs has some peculiarities to it.
67. Whilst I do not see that much, if anything, turns on this point, I accept that the parties' knowledge would include awareness of the general proposition that applications for, and maintenance of, a design registration is likely to incur some cost, in that professional fees and potentially registration and renewal fees may need to be paid. This is supported by the express terms of clause 3.8.2 in which the parties explicitly refer to the reimbursement of costs incurred in registering intellectual property rights in a given territory.

The Issues

68. The parties agreed the issues for determination by this Court as set out below, which I shall decide in turn.

69. This is not a case in which the implication of terms has been pleaded. Counsel for the Claimants has been clear to state that the Court is not being asked to imply any terms into the Licence Agreement in this claim. However, it is said that the process of construction nonetheless leads to the results the Claimants seek in relation to the issues that follow.

Issue 1: What does the requirement in clause 3.7 of the licence agreement that the "parties mutually agree" mean?

70. As set out in paragraph 21 above, clause 3.7 of the Licence Agreement contains a contractual warranty and undertaking from the Second Defendant to "*make its best efforts*" to protect and defend certain intellectual property rights, including by way of registration of design rights "*...in all Territories (where the parties mutually agree it is beneficial) which the Design will be sold and potentially sold and where competitors may manufacture and sell potential copies of the Designs..*".

71. The first issue before the Court is what the requirement in clause 3.7 that the "parties mutually agree" means in this context.

72. The Claimants assert that the "parties mutually agree" means that, (in situations where the parties are not agreed as to whether a registration is beneficial or not) the parties are obliged:

- i) to discuss in good faith the basis for adopting a position that a registration is or is not beneficial; and

ii) in good faith to consider, (in light of the basis for their counterparty's position) whether or not a registration is or is not beneficial.

73. Counsel for the Claimants submits that the Court should take a flexible approach to interpreting contracts in the present context and that such an approach leads to the meaning the Claimants advance, relying on the Globe Motors Inc v TRW LucasVarity Electric Steering Ltd [2016] EWCA Civ 396.

74. The dictum of Beatson LJ in Globe at [64] describes the approach a Court may take when construing a long-term contract, which it is said, must often be phrased in broad, flexible terms to enable the parties to adjust their bargain to meet changing circumstances, or to otherwise properly manage their relationship:

"64. The principled starting point in a system which, despite statutory control and inequality of bargaining power, rests on the assumption that parties to a contract are free to determine for themselves what obligations they will accept is that it is largely for the parties to a long-term contract to insert into it clauses which deal with the particular problems encountered by those who enter into such contracts. In 1995 Professor McKendrick suggested that the function of the court is the traditional one, "namely to enforce and give effect to the intention of the parties as expressed in the clauses in which their obligations are contained": see Beatson and Friedman (eds), Good Faith and Fault in Contract Law (1995) 305. He stated that "in particular, longterm contracts must often be phrased in broad, flexible terms to enable the parties to adjust their

bargain to meet changing circumstances.” His primary concern was that courts should adopt a flexible approach to the interpretation of such clauses and not be too astute to declare a long-term contract unenforceable on the ground of uncertainty or vagueness.

65. *That approach was approved in Total Gas Marketing Ltd v Arco British Ltd [1998] 2 Lloyd's Rep 209, a case involving the sale of 50% of Arco's interest in a gas field in the North Sea, the life of which was estimated to be about 14 years. Lord Steyn stated (at 218) that there are no special rules of interpretation applicable to long term contracts of a type that are sometimes called relational contracts. But in an appropriate case:*

“a court may ... take into account that, by reason of the changing conditions affecting such a contract, a flexible approach may best match the reasonable expectations of the parties. But, as in the case of all contracts, loyalty to the contractual text viewed against its relevant contextual background is the first principle of construction.”

75. The Claimants' case is that, adopting a flexible approach to interpretation, the reasonable reader would understand the requirement in clause 3.7 in the manner contended because, in essence:

i) the parties' use of the word "mutually" is important and it would otherwise be otiose if all that was under consideration was whether or not one party took a different view to the other as to whether a filing

was beneficial. It is said that the word "mutually" imports a degree of cooperation in determining whether or not there is a benefit;

- ii) the purpose of the clause is to protect the Rights, which is principally for the benefit of Mr. Evans, as his intellectual property rights are assigned to JLL under the Licence Agreement and so he needs a means by which their protection is ensured. To find otherwise, would mean that whether or not a filing for registered protection was to be made could be determined by the capricious whim of one of the parties and that could not make commercial sense; and
- iii) there must be some obligation to consider the view of the counterparty, as to find otherwise would be inconsistent with JLL's obligations to use best efforts to protect and defend the rights and from the perspective of business common sense, an obligation for a counterparty to "hear" but not "really listen to what you have to say", is of no value.

76. In my judgment, the Claimants' case goes too far in seeking to import additional meaning to the words that the parties have chosen to use in the Licence Agreement.

77. The natural meaning of the phrase the "parties mutually agree" merely refers to the parties both aligning to some extent in the sense that they reach the same or similar opinions (in whole or part) with respect to a particular course of action or state of facts.

78. It cannot be said that a reasonable reader with the relevant background knowledge would read that phrase as importing an obligation to discuss in

good faith the basis of a decision or otherwise requiring a party to consider the basis of a counterparty's position in good faith.

79. The phrase merely reflects a very simple mechanism agreed by the parties which regulates whether or not JJL would register the relevant design pursuant to clause 3.7; in essence, both parties need to agree. In my judgment that somewhat simple construction best aligns with the reasonable expectations of the parties when viewing the clause as against the relevant contextual background and commercial common sense.
80. The Claimants' interpretation does not arise when adopting a more flexible approach to the process of interpretation in the manner contended. To accede to the Claimants' submissions would result in the Court impermissibly re-writing the parties' agreement to include additional characteristics and particulars which they have not agreed.
81. That conclusion is also supported by construing clause 3.7 in its context. The latter part of clause 3.7 is expressed in the following way:

"...In the event that Joseph Joseph does not or does not wish to register in a particular territory ("Damian Evans Territory") within the Territories then Damian Evans shall be free, at his own expense, to take out such registrations as he deems fit ("Damian Evans Registrations")."

82. Again, although expressed by reference to JJL's actions or wishes, that provision in effect, contemplates what will happen where there is no agreement or "meeting of minds" between the parties. The parties have expressly legislated and made further provision for the eventuality where they

do not both agree. Therefore, properly construed, the latter part of clause 3.7 provides important confirmation of the intended operation of the clause.

83. For the reasons given, I therefore regard it as clear that a reasonable person reading the words "parties mutually agree" in clause 3.7 of the agreement in the light of the background and relevant commercial common sense would have taken it to have been intending simply that both parties agree.

Issue 2: What does the requirement in clause 3.7 of the licence agreement, that a registration be "beneficial" mean?

84. In essence, the Claimants contend that the correct interpretation of clause 3.7 that the "parties mutually agree it is beneficial" is that it gives rise to a presumption that registration of design rights is beneficial unless a party can demonstrate on reasonable grounds that it will not overall result in a benefit, taking any consideration (including the cost to JJL) into account.

85. In support of this position, Counsel for the Claimants submits: (i) that registered intellectual property protection offers a greater degree of protection than unregistered protection (i.e. on the basis that the former tends to provide an extent of protection which may be enforced whether or not the relevant designs are copied and has a longer term of protection); (ii) the context of the clause leads to a lower threshold of what is to be considered "beneficial" because the clause as a whole requires JJL's "best efforts" to protect and defend the Rights; and (iii) because the clause as a whole also requires mutual agreement of the parties, "beneficial" will not mean beneficial only to one of the parties.

86. Whilst the Claimants accept that the costs to JLL must be taken into account on one side of the ledger, it says the benefit from the deterrent effect of the registration against imitators and the ability to enforce the rights more widely, and for longer, must be on the other side.
87. I reject Counsel for the Claimants' submissions. Again, as with my conclusion on Issue 1, I find the Claimants' interpretation to go beyond the meaning of the clause.
88. In my judgment, the proper construction of the word "beneficial" in this context does not give rise to the presumption contended by the Claimants.
89. There is clearly an array of potential evaluative criteria that may be relevant to an assessment by either party as to whether registration is "beneficial" or not; the clause has not expressly fixed the parameters or perspectives of any such assessment. To impose a presumption that registration is *prima facie* beneficial as contended would impermissibly re-write the words of the Licence Agreement and I see no basis for construing the meaning of the word in that manner.

Issue 3: What does clause 3.7 of the licence agreement require the defendants to do in respect of renewal of registrations of designs?

90. It is agreed by Counsel that clause 3.7 does not expressly deal with renewals of design registrations.
91. The Claimants' case is that the obligation incumbent upon JLL to use "best efforts" to protect and defend the "Rights" must mean that, once a registration

has been obtained, JJL must renew the relevant registration for the maximum renewable duration of those rights.

92. The clause refers to the use of “best efforts”, which is accepted has no difference in meaning to “best endeavours”. That requires JJL to try to achieve a result in accordance with a particular standard of conduct.
93. Counsel agreed as to the formulations in decided cases of what “best endeavours” requires, which in this context can be understood as JJL being bound:

“to take all those steps in their power which are capable of producing the desired results, namely the obtaining of planning permission, being steps which a prudent, determined and reasonable owner, acting in his own interests and desiring to achieve that result, would take.”

(Buckley LJ in IBM UK v Rockware Glass [1980] FSR 335 at 343);

“to take all those reasonable steps which a prudent and determined man, acting in his own interests and anxious to obtain planning permission, would have taken” (Geoffrey Lane LJ in IBM UK v Rockware Glass at 345);

“[do] all that can reasonably be expected” Mustill J in Overseas Buyers Ltd v Granadex SA [1980] 2 Lloyd's Rep 608 at 613;

“to take all the reasonable courses he can.” Julian Flaux QC (as he then was) in Rhodia International Holdings Ltd and another v Huntsman International LLC [2007] EWHC 292 (Comm) at [33].

94. It is said that "best efforts" must have the meaning contended by the Claimants because:
- i) If a registration has been obtained, necessarily it must have been mutually agreed that doing so was beneficial; and
 - ii) the registration will remain relevant while JJJ exploits the subject matter of a Right and best efforts to protect and defend it will include payment of renewals.
95. Counsel for the Claimants also finds support for the Claimants' position in the wider context of clause 3. Under clause 3.11, if JJJ decides it no longer wishes to exploit certain rights in a given territory, they must assign those rights to Mr. Evans.
96. It is submitted that if JJJ takes that route in respect of an existing design registration, they must continue to renew the registrations until such time as they have been transferred to Mr Evans. It is said that this is a necessary consequence of the requirement to use best efforts to protect and defend JJJ's Rights, and because the Rights remain JJJ's unless and until they are transferred to Mr. Evans.
97. The Defendants resist this interpretation as a rewrite of clause 3.7. Counsel for the Defendants submits that in light of the discretion in JJJ's favour regarding registration of designs in the first place (as considered under Issue 2 above), and in circumstances where JJJ carries the entire burden of registration and renewal, a consistent construction will involve JJJ also having discretion to allow a registration to lapse when it does not wish to maintain it.

98. It is said that the position would become counterproductively circular: the imposition of this burden would give JIL a legitimate reason not to register pursuant to clause 3.7 in the first place.
99. I accept the Claimants' submissions as broadly consistent with what the reasonable reader would understand the requirement in clause 3.7 to mean, though I would add some important qualification.
100. JIL's undertaking in clause 3.7 to "*make its best efforts to protect and defend Joseph Joseph Rights*" clearly connotes an ongoing obligation which extends throughout the term of the Licence Agreement.
101. The clause goes on to expressly recognise that registration of the Designs falls within the ambit of JIL's best efforts obligation:
- i) "*...including registration of the Designs in Joseph Joseph's name in all Territories (where the parties mutually agree it is beneficial) which the Design will be sold and potentially sold and where competitors may manufacture and sell potential copies of the Designs*".
102. That clause is clearly focussed upon "first time" applications to obtain a registration for a given article, not ongoing renewals.
103. The agreed "control" on the extent of JIL's best efforts burden in this context is in the form of the words in parenthesis which have been considered at length in this judgment; JIL will not have an obligation to apply for a design registration where they do not agree with Mr. Evans that it is beneficial to do so.

104. The agreed mechanism in the event that JLL does not, or does not wish to register a design in a particular territory, is that Mr. Evans is entitled to "take out such registrations as he deems fit" pursuant to clause 3.7.
105. There are no other express controls or limitations which otherwise temper JLL's broad obligation to use best efforts to protect and defend the Joseph Joseph Rights.
106. The natural meaning of the words "protect" and "defend" in this context anticipate JLL safeguarding or otherwise preserving the rights in question. To the extent that registered intellectual property rights require renewal, failure to renew can lead to lapse (absent restoration or grace periods), with the potential result that the registered right no longer exists. Non-renewal is therefore at odds with an obligation to "protect" and "defend" that right and in my view a reasonable reader would understand the words in that way.
107. It follows that the ongoing obligation incumbent upon JLL to use best efforts to protect and defend the JLL Rights in this context translates into JLL being under an obligation to use best efforts to renew the requisite design registrations. This means that JLL is obliged to pursue all reasonable courses they can in order to renew a design registration in a given jurisdiction when such renewal becomes due, unless clause 3.10 applies, to which I refer below.
108. A determination of whether an obligation to use best efforts has been satisfied is necessarily a fact-sensitive inquiry (Jet2 v Blackpool Airport [2011] EWHC 1529 (Comm)), and it is not appropriate in the context of this trial to enumerate all of the possible factual circumstances which may or may not fall within the conceivable limits of such an obligation, save for my finding that

the best efforts obligation in this case extends, in principle, to taking all reasonable steps to renew in the manner described. As I indicate below, best efforts is not an absolute obligation; there will be limits according to the specific facts and it is not for the Court, in this context, to supervise the operation of a contract absent specific facts.

109. That conclusion is consistent with the context of the Licence Agreement. As submitted by Counsel for the Claimants, clause 3.10 contains the agreed mechanics of what shall happen "*In the event that the Rights or any of them are not to be exploited by Joseph Joseph...*".
110. The term "exploited" is not defined in the Licence Agreement, but in my judgment, the reasonable reader would understand that word as encompassing circumstances in which JJJL decides that it wishes to allow a registration to lapse, for one reason or another.
111. Whilst there may be a number of intellectual property rights relevant to commercial dealings in a given article, given the wide definition of "Rights" and the specific reference to "any of them" in clause 3.10, JJJL cannot be properly said to be "exploiting" a design registration if it decides to let it lapse.
112. This is again a qualification to JJJL's broad ongoing obligation to use best efforts to protect and defend the Joseph Joseph Rights; the parties have agreed a mechanism by which JJJL can elect to stop incurring the expenditure of renewing design registrations through to the end of its term, but it triggers their potential transfer to Mr. Evans.

113. The result may be regarded by JLL as commercially undesirable and I accept that in hindsight JLL may be said to be reluctant to agree that registration is "beneficial" if they potentially face either the cost of renewals for the entirety of a given design registration's term, or otherwise potentially ceding that right to Mr. Evans.

114. However, for the reasons given I am satisfied that the result is not at odds with the overall commercial purpose of the Licence Agreement or commercial common sense; the parties have legislated for what will happen in this scenario as part of their bargain. As per Lord Hoffman in Chartbrook:

"20. It is of course true that the fact that a contract may appear to be unduly favourable to one of the parties is not a sufficient reason for supposing that it does not mean what it says. The reasonable accuracy of the instrument has not been privy to the negotiations and cannot tell whether a provision favourable to one side was not in exchange for some concession elsewhere or simply a bad bargain."

115. Whilst there is some force in Counsel for the Defendants' submissions that there should be some parity as between the degree of discretion afforded to JLL in deciding whether registration is beneficial (meriting registration in the first place) and the discretion it should be afforded in subsequently deciding whether maintaining a registration by way of renewal remains beneficial (or not), I do not regard that to be what the parties have agreed in the Licence Agreement, properly construed.

116. In practice, there may be some uncertainty in circumstances in which overlapping intellectual property rights apply to the same article particularly

where JJJ no longer wish to "exploit" a right (i.e. maintain renewals of a given design registration), but do wish to continue to sell or exploit (other) intellectual property rights in the same territory.

117. None of this however alters the proper interpretation of the Licence Agreement; the result is not commercially incoherent and to accede to the Defendants' interpretation would unfairly force upon the parties a bargain in terms different to that which has been actually struck between the parties.

118. However, the form of declaration sought by the Claimants is inappropriate.

119. Whilst I have found that JJJ's obligation to use best efforts to protect and defend the Rights translates into an obligation to use best efforts to renew design registrations for the duration of their term, the effect of the declaration as sought would be to convert what is a qualified obligation (to use best efforts) to meet an objective (to protect and defend the Joseph Joseph Rights) into an absolute obligation that clause 3.7 "*requires the Defendants, where they have obtained a registration of a Design, to ensure all such registrations are renewed to the fullest possible extent..*".

120. I would therefore decline to make the declaration sought by the Claimants on this issue in its current form. The only declaration I would consider making in the circumstances would be on a more limited basis as I have outlined above.

Issue 4: What does clause 3.8 of the licence agreement require the Defendants to do to use designs registered to the Claimants?

Issue 5: What does clause 3.8 of the licence agreement permit the Claimants to do if they obtain a registration of a design?

121. During the course of oral submissions, Counsel for the Claimants and Defendants reached broad agreement on these issues, save for, I understand, a small point of construction.
122. The remaining point of dispute relates to the extent of rights referred to in clause 3.8.1. The Claimants say the licence granted in clause 3.8.1 includes all intellectual property rights attached to the Licensed Articles in order to enable Mr. Evans to be able to exploit them. The Defendants say the only right that 3.8.1 relates to is the right in any registration that Mr. Evans might himself obtain if JJJ did not.
123. In my judgment, it is clear that the licence in clause 3.8.1 has the meaning advanced by the Claimants; the licence expressly states that Mr. Evans is granted an exclusive licence "*under the Rights to manufacture....the Licensed Articles....under the Damian Evans Registrations*" (my emphasis). The clause clearly anticipates JJJ licensing Mr. Evans such other intellectual property rights as are necessary to carry out the relevant acts "under the Damian Evans Registrations", which may otherwise conflict.

Issue 6: What does clause 4.4 of the licence agreement require statements provided to the Claimants to record?

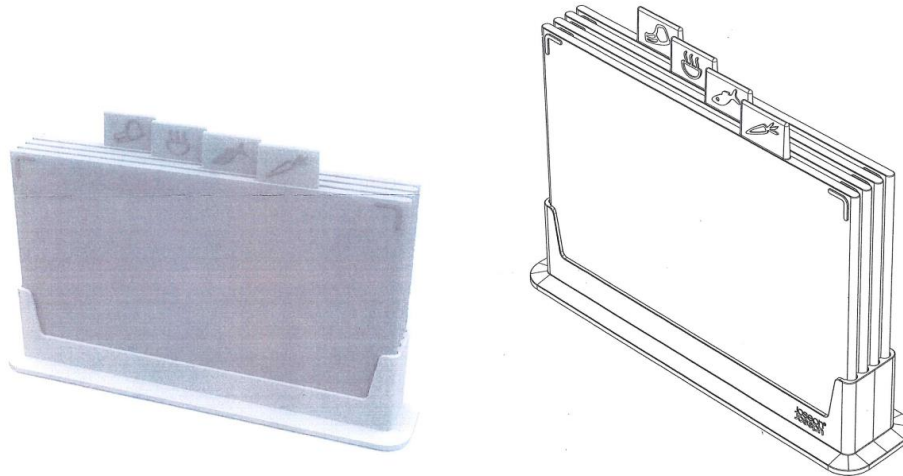
124. The Claimants seek declarations that pursuant to clause 4.4. of the Licence Agreement, the Defendants are required on each occasion they provide accounts to the Claimants, that they provide detail in the statements recording:

- i) All disposals (whether by sale or otherwise) by the Defendants of any Licensed Articles (as defined in the Agreement as Varied), such statements to record:
 - a) the number of each type of Licensed Article disposed of by sale for each Net Sales Value for such disposals, including an indication of the type of Licensed Article concerned;
 - b) the number of each type of Licensed Article disposed of otherwise than by sale for each Net Sales Value for such disposals, including an indication of the type of Licensed Article concerned;
 - c) the Net Sales Value (as defined in the Agreement as Varied) for each of the groups of disposals detailed in accordance with the preceding two subparagraphs; and
 - d) the sums in royalties due to the Claimants from each such group of disposals.

125. It is said that entitlement to that information for each type of Licensed Article is made clear by the plural of “quantities” used by the parties and it is also the only approach that can satisfy business common sense, by giving Mr. Evans some measure of useful information about the royalties due to him.

126. The Defendants say in essence, that this simply extends beyond the words in the Licence Agreement and is difficult to apply, particularly in relation to what comprises a "different type" of Licensed Article for these purposes.

127. Referring to the schedule to the Licence Agreement, it is said that the Claimants' construction would lead to the following designs being considered as different "types", with the result of distinct reporting obligations on JLL, which it is submitted, is problematic:



128. Whilst I accept that clause 4.4 refers to "quantities" (plural) which could lead to one interpretation that in effect, the reasonable reader may interpret the provision as anticipating that multiple figures relating to the Licensed Articles should be provided, there is no basis in the words of the Licence Agreement to properly determine designations of the "types" of Licensed Articles that should be itemised for these purposes.

129. Counsel for the Claimants submits that no such difficulty arises and that the types of Licensed Articles are the different stock keeping units (SKUs) that the Defendants refer to them under. It is said that was the previous basis on which the parties have proceeded for a period of time.

130. However, the fact that the JLL has previously reported by reference to SKUs is not, as a matter of interpretation, a fact which is properly admissible in this case on the basis that it is plainly conduct which post-dates the Original Agreement. The Court cannot supply additional words or terms simply because it is reasonable to do so in the circumstances. It is also not clear that the parties at the time the agreement was made would have agreed that an additional provision should refer to SKUs.
131. In my judgment, it would be inappropriate to make the declaration sought by the Claimants. The reasonable reader would understand the words used in the reporting obligation in clause 4.4. to be limited to obliging JLL to simply accompany their payment of royalties to Mr. Evans with a straightforward statement which in summary, records the overall number of Licensed Articles sold in the relevant period, together with the Net Sales Value relating to that total quantity and the corresponding royalties payable.
132. This conclusion is supported by the context of the obligation; clause 4.4 is the operative clause which provides the timing for payment of royalties by JLL, such sums "*..become due and shall be paid by the Licensee to the Licensor within 30 days after the first day of January, April, July and October of each year..*". The accompanying statement provides the information set out above and has utility in, amongst other things, providing Mr. Evans with a "snapshot" of how many Licensed Articles have given rise to royalty payments within a given time period.
133. This interpretation accords with commercial common sense despite not serving as a means by which Mr. Evans can effectively challenge or

interrogate the basis of the royalties he is due and whether the payments are accurate. To that end, the parties have specifically agreed a separate mechanism in clause 5, which under clause 5.1 requires JLL to "*keep true and accurate accounts and records in sufficient detail to enable the amount of all royalties under this Licence Agreement to be determined*";".

134. To the extent that Mr. Evans has concerns as to accuracy of his royalty payments he may invoke clause 5.2 which obliges JLL to allow an independent chartered or certified accountant to inspect JLL's accounts and records to the extent that they relate to the calculation of Mr. Evans' royalties or other sums.

135. I would therefore decline to make the declaration sought by the Claimants on this issue.

Issue 7: What does clause 5 of the licence agreement entitle the Claimants' auditor to see?

136. Counsel for the parties agreed that no dispute between them arose on this issue.

Issue 8: Should the declarations sought by the Claimants be made?

137. The Court's power to make binding declarations pursuant to section 19 of the Senior Courts Act 1981 and codified in CPR 40.20 is discretionary and as per Neuberger J (as he then was) in Financial Services Authority v Rourke [2002] CP Rep 14 at [60] the Court should take into account:

"...justice to the claimant, justice to the defendant, whether the declaration would serve a useful purpose whether there are any other special reasons why or why not the court should grant the declaration."

138. A common feature of many of the declarations sought by the Claimants is that they are pleaded in the alternative. The Claimants request that the Court declare what a clause means, if the Claimants' primary construction is not accepted.

139. The Defendants say it is inappropriate to ask the Court open questions of this nature, as to do so invites it to impermissibly rewrite the relevant agreement.

140. As I have indicated, the Court has a very wide discretion in deciding whether or not to grant a declaration and I remind myself of the judgment of Lord Woolf CJ in Governor and Company of the Bank of Scotland v A Ltd [2001] EWCA Civ 52 that:

"[46] ... The fact that the courts now have these powers, must not, however, be regarded as a substitute for financial institutions taking the decisions which should be their commercial responsibility. The court's powers are discretionary and only to be used where there is a real dilemma which requires their intervention."

141. I do not regard it as appropriate in all the circumstances to grant declarations in response to the open-ended request by the Claimants for determination of the Court's view as to the meaning of certain clauses because, amongst other things, those declarations cannot be properly said to be specified by the Claimants with sufficient precision in all cases.

142. Although the Court will assist in appropriate cases in providing guidance to the parties when making decisions relating to their legal rights and obligations, the adversarial process of litigation in this Court usually requires a party to identify and plead particular facts in relation to the declaration sought.
143. I would however consider making certain declarations in order to provide some clarity as to the interpretation of certain clauses of the Licence Agreement, which are clearly important to the continued conduct of the relationship between the parties.

Conclusion

144. The Claimants are therefore entitled to declarations on the issues agreed between the parties and whilst not in the precise terms pleaded by the Claimants, I would also consider making a more limited declaration to the effect that, in summary, JLL's obligation under clause 3.7 to use best efforts to protect and defend the Joseph Joseph Rights includes an obligation on JLL to use best efforts to renew design registrations for their term of duration. The other declarations sought by the Claimants fall away.
145. I will hear Counsel on costs and consequential matters, including the precise form of the declarations to be made.