

Neutral Citation Number: [2005] EWCA Civ 11
IN THE SUPREME COURT OF JUDICATURE
COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Mr Peter Prescott QC
HC 02 C02112

Royal Courts of Justice
Strand, London, WC2A 2LL

Tuesday 25 January 2005

Before :

LORD JUSTICE CHADWICK
LORD JUSTICE JACOB
and
MR JUSTICE LLOYD

Between :

- (1) **R Griggs Group Ltd**
(2) **R Griggs & Co Ltd**
(3) **Airwair Ltd**
- and -

Respondent

- (1) **Ross Evans**
(2) **Raben Footwear Pty Ltd**
(3) **Ronny Leopold Lewy**
(4) **Garry Lewy**

Appellants

(Transcript of the Handed Down Judgment of
Smith Bernal Wordwave Limited, 190 Fleet Street
London EC4A 2AG
Tel No: 020 7421 4040, Fax No: 020 7831 8838
Official Shorthand Writers to the Court)

Mr R Hacon (instructed by Shoosmiths) for the Respondents
Mr G Hobbs QC and Mr R Onslow (instructed by Collyer-Bristow) for the Appellants

Judgment

Lord Justice Jacob:

1. Originally there were two appeals from two judgments of Mr Peter Prescott QC, sitting as a Deputy High Court Judge. By the first ([2003] EWHC 2914, [2004] FSR 31) he held that the claimants, Griggs, were the owners in equity of all aspect of the copyright in a certain logo. So he granted a declaration to that effect. He was about to make an order that the legal title to all the copyrights in the world be assigned to the claimants when the defendants took a second point. This was that the court had no power to make orders affecting ownership of foreign intellectual property rights. After a further hearing the Deputy Judge ruled against that point by the second judgment, [2004] EWHC 1088, [2004] FSR 939.
2. I granted permission to appeal to the 2nd to 4th defendants in relation to both judgments, not on the usual ground that there were real prospects of success but on the basis that both points were of such general application that they were fit to be considered by the Court of Appeal. Having regard to that permission, Neuberger LJ granted permission to the first defendant. Mr Hobbs QC, now representing all the defendants, told us that the first defendant makes common cause with the other defendants and has no separate points of his own.
3. Mr Hobbs abandoned the appeal against the second judgment. So we only have to consider the first. It is to that I now turn. The Judge sets out the background facts and those leading to the dispute in compellingly readable prose. It is not necessary to set it out again here. It is sufficient at this stage to set out the commendably concise and accurate headnote contained in the FSR report:

“H3. The claimants were members of a group of companies which included the manufacturer of the famous “Doc Martens” footwear. This footwear was, until 1988, sold under two trade marks. The first was the “Dr Martens” mark which was in stylised form and was used by the claimants under licence and the second was the claimants’ “airWair” mark which was also in stylised form. In 1988, the claimants decided to combine the two marks to form a combined logo.

H4. The claimants commissioned an advertising agency to produce the combined logo for them and paid for the commission. The drawing for the combined logo was in fact done by the first defendant who, at that time, was working for the advertising agency on a freelance basis. The terms on which he worked for the agency were that he was to be paid a standard rate of £15 per hour, it being recognised that on occasions some work might need to be charged at a higher rate and some at a lower rate.

H5. A dispute arose between the claimants and the second defendant which was an Australian footwear company with a number of retail outlets in Australia. The third and fourth defendants were directors of the second defendant. The second defendant asserted to the claimants that the first defendant was the first owner of the copyright in the combined logo and that it

had acquired that copyright by virtue of an assignment made in May 2002 from the first defendant. The first defendant contended that he had been employed merely to create some point of sale material for the claimant and that had he known that he was being instructed to produce a logo for all kinds of use all over the world he would have charged more than his standard rate. Thus, he said, all the claimants were entitled to was a licence, perhaps even an exclusive licence, to reproduce the logo for point of sale material in the United Kingdom but that in all other respects the copyright in the logo was his alone to do as he wished.”

4. It is common ground that the first defendant, Mr Ross Evans, the author, was the first owner of the world-wide copyrights in the combined logo. So far as UK copyright is concerned, the position at the time of creation was governed by s.4(1) of the Copyright Act 1956. (The Deputy Judge erred immaterially here, assuming the equivalent s.11(1) of the Copyright Designs and Patents Act 1988, was in force at the time). The 1956 Act contained some exceptions for certain types of commissioned work and works made by employees, but none of them applied here. There is no evidence as to the detailed law of other countries, but the parties were content to assume the position was practically the same under all other laws. This makes sense, the Berne Convention (which applies almost everywhere) provides by Art. 2(6) that copyright protection “shall operate for the benefit of the author and his successors in title.” In fact some countries may have special provisions about commissioned works, but even if they do, it would make no difference here. That is because at bottom, the case turns on what were the terms of the commissioning contract between the advertising agency, Irwin Jordan, and Mr Evans.
5. It is also common ground that a later written assignment of 13th May 2002, from Mr Ross Evans to the 2nd defendant operated to vest legal title in the copyrights in the 2nd defendant. Section 90(1) of the 1988 Act provides that copyright is transmissible by assignment, but s.90(3) says that an assignment of copyright is not effective unless it is in writing signed by or on behalf of the assignor. Again there is no evidence as to the position in other countries but the parties were prepared to assume it was effectively the same.
6. So the dispute is whether the 2nd defendant, now the formal owner of the copyrights, is under obligations to the claimant and in particular is holding them for the claimant. In the language of equity is the claimant the beneficial owner?
7. It is not suggested that the 2nd defendant was a darling of equity. It is not a purchaser for value without notice of any claim by Griggs. If it had been such a purchaser, things might (indeed probably would) have been different. On the facts however, the 2nd-4th defendants had actual notice of the claim. And even if they did not, the very thing they were purporting to buy, namely a logo consisting of someone else’s trade mark, would surely have been enough to put them on inquiry.
8. So, as is common ground, the case boils down to the terms, express or implied, in the contract between Mr Evans and the advertising agency. If there was a term that the full beneficial ownership of the commissioned work was to vest in the agency (ultimately for the benefit of its client), then that is the end of the appeal.

The facts in more detail

9. The Judge dealt with the working relationship between Mr Evans and the agency:

“44. I also find as a fact that the following letter accurately summarises the terms of payment upon which Mr Evans was accustomed to do work for Irwin Jordan Limited at the relevant time. It was written on 14 July 1987, which is around the time they started trading, and about a year before he drew the combined logo.

‘Dear Ross,

In response to our recent discussions, I am pleased to confirm that we would be happy to commission creative work from you. As agreed, this would be paid for at a standard rate of £15 per hour.

I am sure we both realise that some work may need to be charged at less than this rate, whilst other operations can equally charged at somewhat more.”

10. The only other documentary material surviving the contract is recorded by the judge as follows:

“46 ... there survives an order from Irwin Jordan Limited to him dated 24 August 1988 and an invoice from Mr Evans to Irwin Jordan Limited in response thereto. The order, insofar as is material, refers to “Visuals for Griggs UK point of sale material”. It is common ground that this order covered, not only the drawing of the combination logo itself, but several other drawings for what were point of sale material e.g. swing tickets. The invoice, insofar as is material, refers to: “Griggs. Updated UK point of sale material designs including: client briefing, headline writing, logo ‘combination’ designs, highly finished visuals for client presentation.”

11. The Judge then made the following important finding about the invoice:

“47 this was not regarded by the parties as a document about copyright, for to copyright neither Griggs nor Mr Evans gave any thought. It was just an identification of the work Mr Evans was being asked to do. As regards entitlement to copyright its value is evidentiary, not prescriptive.”

12. The Judge went on to conclude that Mr Evans was paid the proper rate for the job, namely the £15 per hour mentioned in the letter. He rejected the suggestion that if Mr Evans had known that the combined logo would be used more widely than for UK point of sale, that would have affected the amount he charged.

The Law

13. In *Robin Ray v Classic FM* [1998] FSR 622, Lightman J summarised the general principles governing the respective rights of the contractor and client in the copyright in a work commissioned by a client. His summary reads as follows:

“(1) the Contractor is entitled to retain the copyright in default of some express or implied term to the contrary effect;

(2) the contract itself may expressly provide as to who shall be entitled to the copyright in work produced pursuant to the contract. Thus under a standard form Royal Institute of British Architects (“RIBA”) contract between an architect and his client, there is an express provision that the copyright shall remain vested in the architect;

(3) the mere fact that the Contractor has been commissioned is insufficient to entitle the Client to the copyright. Where Parliament intended the act of commissioning alone to vest copyright in the Client e.g. in case of unregistered design rights and registered designs, the legislation expressly so provides (see Section 215 of the 1988 Act and Section 1(a) of the Registered Designs Act 1949 as amended by the 1988 Act). In all other cases the Client has to establish the entitlement under some express or implied term of the contract;

(4) the law governing the implication of terms in a contract has been firmly established (if not earlier) by the decision of the House of Lords in *Liverpool City Council v. Irwin* [1977] AC 239 (“*Liverpool*”). In the words of Lord Bingham MR in *Philips Electronique v. BSB* [1995] EMLR 472 (“*Philips*”) at 481, the essence of much learning on implied terms is distilled in the speech of Lord Simon of Glaisdale on behalf of the majority of the Judicial Committee of the Privy Council in *BP Refinery (Westernport) Pty Ltd v. The President, Councillors and Ratepayers of the Shire of Hastings* (1978) 52 ALJR 20 at 26:

“Their Lordships do not think it necessary to review exhaustively the authorities on the implication of a term in a contract which the parties have not thought fit to express. In their view, for a term to be implied, the following conditions (which may overlap) must be satisfied: (1) it must be reasonable and equitable; (2) it must be necessary to give business efficacy to the contract, so that no term will be implied if the contract is effective without it; (3) it must be so obvious that ‘it goes without saying’; (4) it must be capable of clear expression; (5) it must not contradict any express term of the contract.”

Lord Bingham added an explanation and warning:

“The courts’ usual role in contractual interpretation is, by resolving ambiguities or reconciling apparent inconsistencies, to attribute the true meaning to the language in which the parties themselves have expressed their contract. The implication of contract terms involves a different and altogether more ambitious undertaking: the interpolation of terms to deal with matters for which, ex hypothesi, the parties themselves have made no provision. It is because the implication of terms is so potentially intrusive that the law imposes strict constraints on the exercise of this extraordinary power.

...

The question of whether a term should be implied, and if so what, almost inevitably arises after a crisis has been reached in the performance of the contract. So the court comes to the task of implication with the benefit of hindsight, and it is tempting for the court then to fashion a term which will reflect the merits of the situation as they then appear. Tempting, but wrong."

(5) where (as in the present case) it is necessary to imply the grant of some right to fill a lacuna in the contract and the question arises how this lacuna is to be filled, guidance is again to be found in *Liverpool*. The principle is clearly stated that in deciding which of various alternatives should constitute the contents of the term to be implied, the choice must be that which does not exceed what is necessary in the circumstances (see Lord Wilberforce at p.245 F-G). In short a minimalist approach is called for. An implication may only be made if this is necessary, and then only of what is necessary and no more;

(6) accordingly if it is necessary to imply some grant of rights in respect of a copyright work, and the need could be satisfied by the grant of a licence or an assignment of the copyright, the implication will be of the grant of a licence only;

(7) circumstances may exist when the necessity for an 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 work and the ability to enforce the copyright against third parties. Examples of when this situation may arise include: (a) where the purpose in commissioning the work is for the Client to multiply and sell copies on the market for which the work was created free from the sale of copies in competition with the Client by the Contractor or third parties; (b) where the Contractor creates a work which is derivative from a pre-existing work of the Client, e.g. when a draughtsman is engaged to turn designs of an article in sketch form by the Client into formal manufacturing drawings, and the draughtsman could not use the drawings himself without infringing the underlying rights of the Client; (c) where the Contractor is engaged as part of a team with employees of the Client to produce a composite or joint work and he is unable, or cannot have been intended to be able, to exploit for his own benefit the joint work or indeed any distinct contribution of his own created in the course of his engagement: see *Nichols Advanced Vehicle Systems Inc v. Rees* [1979] RPC 127 at 139 and consider *Sofia Bogrich v. Shape Machines* unreported, 4th November 1994 and in particular page 15 of the transcript of the judgment of Aldous J. In each case it is necessary to consider the price paid, the impact on the Contractor of assignment of copyright and whether it can sensibly have been intended that the Contractor should retain any copyright as a separate item of property;

(8) if necessity requires only the grant of a licence, the ambit of the licence must be the minimum which is required to secure to the Client the entitlement which the parties to the contract must have intended to confer upon him. The amount of the purchase price which the Client under the contract has obliged himself to pay may be relevant to the ambit of the licence. Thus in *Stovin-Bradford v. Volpoint Properties Ltd* [1971] 1 Ch 1007, where the Client

agreed to pay only a nominal fee to his architect for the preparation of plans, he was held to have a licence to use the plans for no purpose beyond the anticipated application for planning permission. By contrast in *Blair v. Osborne & Tompkins* [1971] 21 QB 78, where the client was charged the full RIBA scale fee, his licence was held to extend to using the plans for the building itself. Guidance as to the approach to be adopted is provided in a passage in the judgment of Jacobs J. in *Beck v. Montana Construction Pty* [1964-5] NSW 229 at 235 cited with approval by Widgery LJ in *Blair v. Osborne & Tompkins supra* at p.87:

"it seems to me that the principle involved is this; that 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 and for which it was contemplated between the parties that it would be used at the time of the engagement."

(9) the licence accordingly is to be limited to what is in the joint contemplation of the parties at the date of the contract, and does not extend to enable the Client to take advantage of a new unexpected profitable opportunity (consider *Meikle v. Maufe* [1941] 3 All ER 144)."

14. Mr Hobbs was not disposed to make any major criticism of this summary, which I find masterful. He had just two points. First that there was a danger that paragraph 7 of the summary would be read out of context as laying down that there will be an implied term that copyright will invariably belong to the client in all cases where the client needs the right to exclude the contractor from using the work and the ability to enforce the copyright against third parties. Mr Hobbs' suggested danger was that the paragraph, read out of context, "skewed" things against the creator, the author. Well, I suppose there is always a danger that a particular passage might be read out of context. If you start at the seventh paragraph you will miss the preceding six. But in this case even paragraph 7 on its own does not purport to lay down a universal rule. Lightman J merely says that in such circumstances the implied term is "likely to arise." The passage rightly recognises that in each case whether or not a term is implied and, if so, what it is will depend on all the factual circumstances. Lightman J is here no more than pointing out powerful factors for copyright entitlement to lie with the client.
15. Mr Hobbs' only other slight criticism of Lightman J's summary relates to the last part of the last sentence of paragraph 7 – where the Judge asks "whether it can sensibly be intended that the contractor should retain any copyright as a separate item of property". That is said to be putting things the wrong way round because, given that copyright prima facie vests in the contractor/author, it must be shown that it was intended that the client gets the copyright. Mr Hobbs is right in principle, but I think it makes no difference if one re-phrases the question so as to ask "given that Parliament vests the first ownership in the author, is it sensible that the parties intended that to remain the position?"
16. So in the end Mr Hobbs did not really challenge Lightman J's statement of the law which the Deputy Judge went on to apply. Mr Hobbs went on, however, to challenge that application. The Deputy Judge said this:

“36. It seems to me that when a free-lance designer is commissioned to create a logo for a client, the designer will have an uphill task if he wishes to contend that he is free to assign the copyright to a competitor. This is because, in order to give business efficacy to the contract, it will rarely be enough to imply a term that the client shall enjoy a mere licence to use the logo, and nothing more. In most cases it will be obvious, it will “go without saying”, that the client will need further rights. He will surely need some right to prevent others from reproducing the logo.

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

17. Mr Hobbs initially characterised this as “adopting a skewed approach” in favour of the commissioner. But as the argument developed I think he in effect resiled from this. For he accepted that if Mr Evans’ brief had simply been to combine two logos so as to produce a composite logo for the client, business efficacy would indeed require that all rights in the work should belong to the client.
18. What, submitted Mr Hobbs, made all the difference in this case is that Mr Evans did not know that what he was being asked to produce was just a logo trade mark for the client – a mark which the client would be free to use all over the world actually on the boots as well as on point of sale material and elsewhere. All Mr Evans was told, and thought he was producing, was material for UK point of sale. That being so, runs the argument, all the client needed was a licence (possibly exclusive) for that purpose. A minimalist approach (see Lightman J’s paragraph 6) to the admittedly necessary implied term gives no more than that. It follows that there was no implied term as to title to copyright at all, and only a limited licence. Apart from that Mr Evans retained all the rights.
19. I find that conclusion fantastic. If an officious bystander had asked at the time of contract whether Mr Evans was going to retain rights in the combined logo which could be used against the client by Mr Evans (or anyone to whom he sold the rights) anywhere in the world, other than in respect of point of sale material in the UK, the answer would surely have been “of course not.” Mr Evans had no conceivable further interest in the work being created – indeed he surely would never have had the job at all if there had been a debate about this and he had asserted that that was to be the basis of his work.
20. Moreover the Deputy Judge’s conclusion of fact at para. 47 (quoted at para. 11 above) is conclusive. He found that the reference to “UK point of sale” material was only for identification of the work to be done. In other words it was not there to describe or limit the rights in the work.
21. I should add that the Judge’s conclusion that Mr Evans was paid the proper rate for the work (and his rejection of the contention that he would have charged more if he had known about intended wider use) disposes of any possible argument based on the notion that Mr Evans needed to retain the copyright so that he could call for payment for such further use. Further use does indeed often cause problems as between an

author and his commissioner and it is always better if payment for this is spelt out in the contract. A right to further payment for unforeseen or undisclosed further use may in some cases be implied. In others the author may indeed retain copyright and actually be able to prevent further use. All depends on the circumstances. In the present case, however, there is simply no such problem.

22. I conclude by dealing with one other matter. There was some evidence that Irwin Jordan had on its invoices wording reading as follows:

“The copyright in all artwork copy story-boards and films or televised commercials and other creative works created or commissioned by the Agency will rest in the Agency. If such material is to be published or developed by the client the Agency reserves the specific right to charge an appropriate fee in respect of copyright assignment and or loss of remuneration”

23. There was no evidence that such a clause was incorporated into the Griggs/Irwin Jordan contract. It was not suggested that Mr Evans knew anything about it. The best that Mr Hobbs could get out of it is that it shows that, as between the agency and client, it was possible for rights to remain with the agency. So, he suggested, this clause was evidence that there was no commercial necessity to vest all rights in the client.

24. I do not accept that. This ill-drafted clause seems to me to be an attempt to deal with payment for further use. Taken literally it might even prevent the client from using the material for the agreed original intended purpose – which would be a nonsense. Interestingly it assumes that the copyright in all work commissioned by the agency belongs to it – contrary to Mr Hobbs’ contentions. The clause is simply irrelevant to the contract between Mr Evans and Irwin Jordan.

25. I would dismiss this appeal.

Mr Justice Lloyd:

26. I agree.

Lord Justice Chadwick:

27. I also agree.

ORDER

1. Appeal dismissed
2. Appellants to pay the Respondents’ costs of the appeal. Such costs to be subject to a detailed assessment if not agreed.
3. Appellants to pay the Respondents within 28 days of the date of this order the sum of £15,000 on account in relation to costs due in this appeal.

(Order does not form part of approved Judgment)