

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

7 Rolls Building
Fetter Lane
London
EC4A 1NL

Date of hearing: 7 March 2025

Before:

THE HONOURABLE MR JUSTICE RICHARD SMITH

Between:

(1) TOTAL ELECTRICAL SOLUTIONS UK LIMITED	<u>Claimants</u>
(2) ARDENT LIMITED	
- and -	
NORTEK ELECTRICAL CIRCUITS LIMITED	<u>Defendant</u>

NICK ZWECK (C) (instructed by **Eversheds Sutherland (International) LLP**) for the
Claimants

JONATHAN HILL (C) (instructed by **Kuit Steinart Levy LLP**) for the **Defendant**

APPROVED JUDGMENT

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MR JUSTICE RICHARD SMITH:

INTRODUCTION

1. This judgment follows the hearing of the Defendant's application made by application notice dated 11 December 2024 (**Application**), by which it sought orders for the striking out or reverse summary judgment in respect of part of the Claimants' Particulars of Claim dated 9 October 2024 (**PoC**).
2. Until September 2023, the First Claimant (**TES**) was a specifier, designer, manufacturer and wholesaler of leading electronic safety, accessibility and passenger experience solutions.
3. The Second Claimant (**Ardent**) is a global market leader for vehicle safety equipment and has a significant reputation in the industry for its expertise across a wide range of industry sectors, including in the rail, automotive, mining, public transport and waste management industries.
4. The Defendant (**Nortek**) is a contract electronics manufacturer of bespoke electronic products covering multiple industry sectors, including commercial and passenger automotive electronics.
5. In or around September 2022, TES was acquired by Ardent, the former then becoming part of the Ardent group of companies. Post-acquisition, Ardent took over the business activities of TES, with TES ceasing operations and trade from the end of September 2023, albeit continuing to license certain intellectual property rights to Ardent for use in connection with its activities.

TES' SUBSTANTIVE CLAIMS

6. The Claimants issued the Claim Form on 9 October 2024. The PoC explain that the claim relates to certain electronic products sold by TES for use in buses and other public or commercial vehicles. These were designed and manufactured by TES by Nortek from around 2011. The Claimants say that Nortek breached the written supply agreement dated 23 February 2010 (**Supply Agreement**) on the basis that:-
- (i) Nortek has sold products to customers other than TES in breach of an exclusivity provision;
 - (ii) Nortek has infringed copyright in various works relating to the products and design right in the printed circuit board (**PCB**) designs for some of the products; and
 - (iii) as a result, Nortek has caused the Claimants to incur loss in an amount currently quantified at approximately £11.8 million.
7. Nortek disputes the claim. Although no Defence has yet been served, the claim will apparently be contested on various grounds, including that:-
- (i) the Supply Agreement has terminated;
 - (ii) Nortek's activities do not infringe any rights owned by the Claimants; and
 - (iii) in terms of quantum, the claim is significantly overstated in any event.
8. The PoC describe how discussions began in 2005 (prior to the Supply Agreement) between TES and Nortek in relation to the development of various products known as the V-Series Products. The products the subject of the claim are the VLAU and VLAU2 (induction loop system for buses), the V2IS (vehicle

intercom for two-way communications on buses), the accompanying V2IS relay module, the VMMS3 (vehicle multi-message system, providing messages and alerts to drivers and passengers), the VARU (vehicle audio request unit, allowing spoken and sound audio alerts and reminders to be played) and the V-Link cable harnesses (allowing connectivity of the V-Series Products).

9. The Claimants also say that a supplementary agreement was reached in 2017 (**2017 Agreement**) as a result of a meeting between Mr Davies of Nortek and Mr Russell of TES by which it was agreed, amongst other things, that the Supply Agreement would remain in effect while TES was still in business, TES was the owner of the V-Series Products and any related hardware and software designs, and Nortek will not discuss, offer or market the V-Series Products without TES's consent. Most relevantly for present purposes, the Claimants also say that it was agreed that TES had, in most cases, paid for the design costs of the V-Series Products but that, where the volume amortised payments had not been achieved, TES would pay an allowance, with any new products having this revised design cost calculation applied to them as well. Nortek says that the relevant note of the so-called 2017 Agreement does not record an agreement at all rather than a proposal for a "new agreement to be worded".
10. In terms of the substantive claim, the Claimants say that, in 2022, Nortek began to withhold or delay supply of V-Series Products, directly approached TES' customers to supply these and ceased supply to TES altogether in 2023. In doing so, Nortek acted in repudiatory breach of the Supply Agreement, as supplemented by the 2017 Agreement. That claim is not implicated by the Application.

11. By contrast, the Claimants' copyright and design infringement claims are implicated by the Application. As to those, the Claimants say that TES is the sole legal owner of any copyright works and unregistered design right in the V-Series Products or ideas and specifications underlying them, such ownership said to arise by reason of the assignment of those rights through the operation of the express or implied terms of the Supply Agreement. Nortek says that, given the plain words as to design ownership in the Supply Agreement, the other terms of that agreement and the nature of the parties' relationship, the Claimants' suggested construction and implied terms are unsustainable. I will call this the **Construction Issue**.
12. In addition to Nortek's contention that TES' claims as to ownership of copyright and design right based on the Supply Agreement are unsustainable and should be struck out, Nortek argues for the same outcome with respect to TES' claims as to joint ownership. In that regard, TES pleads in relation to various V-Series Products that, but for the operation of the Supply Agreement, the relevant rights were jointly owned by Nortek and TES, the Claimants relying for that purpose on the direction and/ or input of Mr Russell of TES into their development. I will call that the **Joint Ownership Issue**. In this regard, it should be noted that TES does not advance an alternative claim in these proceedings based on such joint ownership.
13. Finally, Nortek contends that the applicable parts of the PoC on the copyright and design right are so unparticularised that they should be struck out, being advanced in a blanket or compendious style without adequate identification of the works and designs concerned. I will call that the **Particularisation Issue**.

PRELIMINARY CONSIDERATIONS

14. Before addressing these suggested shortcomings in TES' pleaded case, it is only right to point out the Claimants' concerns that Nortek had failed properly to explain its position on the Application other than by way of a somewhat brief application notice and draft order, with no Defence or supporting evidence having been served. The Claimants say that they had understood Nortek's complaint to be a matter of particularisation but its position in its skeleton argument went much further than that, accounting for the service of the Claimants' supplementary skeleton.
15. As to those concerns, I am satisfied that Nortek's position on the Application was sufficiently clear from the application notice and draft order, the former specifying, admittedly briefly, the different bases on which the claim was sought to be impugned, the latter the particular paragraphs of the PoC implicated. From these, the Claimants would have understood that Nortek was contending that the construction of, and terms to be implied in, the Supply Agreement, as well as TES's claims to joint authorship of the relevant works and designs, could not, as pleaded, be sustained as a matter of law. Those are properly matters for argument and, in my view, did not require evidence or a Defence to be served before the Claimants could address them. The last point was one of particularisation, it was identified as such in the application notice, and argued on that basis before me. Again, it did not seem to me that more was required from Nortek for the Claimants to understand the case being advanced on the Application.

16. As such, I am satisfied that TES was not, or should not have been, wrong-footed such that there was no unfairness in the Application being advanced in the manner and form it was. That said, I can well understand the Claimants' frustration that, successive extensions of time for the service of the Defence having been obtained, with no indication that a strike out application might be made, Nortek made the Application at the very end of the period when the Defence was due. On any view, and whatever the underlying reason for Nortek's last minute change of stance, that was a surprising course of events.

COPYRIGHT/ DESIGN RIGHT ISSUES

17. At the hearing, I was taken to the relevant legal underpinning for the issues arising on the Application. Part I of the Copyright, Designs and Patents Act 1988 (**CDPA**) addresses copyright, Part III design right.
18. As to the former, copyright subsists in, amongst other types of work, original literary and artistic works if the work qualifies for protection under s.153, including as regards the author. The rights conferred on the copyright owner under s.16 comprise the exclusive rights to do various specified acts, including copying the relevant work and issuing copies to the public. Subject to the many defences in the CDPA, it is an infringement for a person to carry out these acts without the authorisation of the copyright owner. The claim here raises the act of copying.
19. As to the identity of the author(s):-
- (i) the "author" in relation to a work means the person who creates it (s.9(1));

- (ii) for computer-generated literary, dramatic, musical or artistic work, the author is taken to be the person by whom the arrangements necessary for the creation of the work are undertaken (s.9(3)); and
- (iii) a “work of joint authorship” means a work produced by the collaboration of two or more authors in which the contribution of each is not distinct from that of the other(s) (s.10(1)).
20. “Computer-generated” in relation to a work means that “the work is generated by a computer in circumstances such that there is no human author” (s.188).
21. The default position is that the author is the first owner of the copyright in the relevant work(s) (s.11(1)). However, where a literary, dramatic, musical or artistic work or a film is made by an employee in the course of his employment, his employer is the first owner of any copyright in the work, subject to contrary agreement (s.11(2)).
22. Copyright may subsequently be assigned (s.90(1)) but an assignment is not effective at law unless in writing signed by or on behalf of the assignor (s.90(3)). The CDPA provides for the assignment by the prospective owner of copyright in future created works (s.91)).
23. UK unregistered design right subsists in original designs qualifying for protection. A “design” for this purpose means “the shape or configuration (whether internal or external) of the whole or part of an article” (subject to certain exclusions in s.214(3)). An “original” design” is one in which is both original in the copyright sense and not “commonplace” in the design field in

question in the UK (or those other jurisdictions which provide for a reciprocal right). That right can cover functional items.

24. Design right confers the exclusive right to reproduce the design for commercial purposes by making articles to the design (meaning exactly or substantially to that design) or to make design documents recording the design for the purpose of enabling such articles to be made (s.226).

25. As to the identity of the designer:-

- (i) the “designer” in relation to a design is the person who creates the design (s.214(1));
- (ii) for computer-generated designs, the person by whom the arrangements necessary for the creation of the design are undertaken is to be taken to be the designer (s.214(2)); and
- (iii) a “joint design” means a design produced by the collaboration of two or more designers in which the contribution of each is not distinct from that of the other(s) (s.253(1)).

26. “Computer-generated” in relation to a design means that the design is “generated by computer in circumstances such that there is no human designer” (s.263).

27. As for ownership of design right, until 1 October 2014, s.215 provided that:-

- (i) the designer was the first owner of any design right in a design not created in pursuance of a commission or in the course of employment (s.215(1));

- (ii) the person commissioning the design was the first owner of any design right in a design created in pursuance of a commission (s.215(2)); and
 - (iii) in a case not falling within s.215(2), the employer was the first owner of any design right in a design created by an employee in the course of his employment.
28. “Commission” was defined as “a commission for money or money’s worth” (s.236(1)).
29. From 1 October 2014, s.215 provides differently that:-
- (i) the designer is the first owner of any design right in a design not created in the course of employment (s.215(1));
 - (ii) the employer is the first owner of any design right in a design created by an employee in the course of his employment” (s.215(3)); and
 - (iii) These rules do not apply in respect of a design qualifying for design right protection by virtue of s.220 (qualification by reference to the first marketing of articles made to the design). In that case, the first owner of the design right is the person by whom the articles in question are marketed (s.215(4)).

REQUIREMENTS FOR SUMMARY JUDGMENT/ STRIKE OUT

30. There was no dispute as to the principles that apply on an application for summary judgment and/ or striking out such as this one. As to the former (summary judgment), CPR 24.3 provides that:-

“The court may give summary judgment against a claimant or defendant on the whole of a claim or an issue if:-

- (a) it considers that the party has no real prospect of succeeding on the claim, defence or issue, and
- (b) there is no other compelling reason why the case or issue should be disposed of at a trial”.

31. CPR 24.4(4) provides that, if a party applies for summary judgment before a defendant has filed a defence, the defendant by or against whom the application is made need not (as here) file a defence before the hearing.

32. As helpfully summarised by the Claimants in their skeleton argument, the claim or issue must have a “‘realistic’ as opposed to a ‘fanciful’ prospect of success” (*Swain v Hillman* [2000] 1 All ER). A “realistic” claim is one that carries some degree of conviction, meaning that the claim is more than merely arguable (*ED&F Man Liquid Products v Patel* [2014] EWCA Civ 472). When reaching its conclusion the court must not conduct a ‘mini trial’ (*Swain v Hillman*).

33. As to the latter (strike out), CPR 3.4 provides that the court may strike out a statement of case or part of a statement of case if it appears to the court:-

“(a) that the statement of case discloses no reasonable grounds for bringing or defending a claim;

b) that the statement of case is an abuse of the court’s process or is otherwise likely to obstruct the just disposal of the proceedings; or

c) that there has been a failure to comply with a rule, practice direction or court order”.

34. The rule again permits a defendant to apply to strike out all or part of the claim form or particulars of claim without filing a defence before the hearing.

35. Practice Direction 3A gives examples of cases where the court may conclude the particulars of claim disclose no reasonable grounds for bringing the claim, including (i) those which set out no facts indicating what the claim was about; (ii) those which are incoherent and make no sense; and (iii) those which contain a coherent set of facts but which, even if true, do not disclose any legally recognisable claim against the defendant.
36. The Practice Direction also envisages a party applying for both summary judgment and strike out where they believe they can show without a trial that an opponent's case has no real prospect of success on the facts, or that the case is bound to succeed or fail because of a point of law (including the interpretation of a document).
37. There was again no dispute as to the application of these principles, albeit the Claimants emphasised in their helpful appendix the approach in some of the cases, including that the Court must be certain that the claim is bound to fail before striking out (*Hughes v Colin E. G. Richards* [2004] EWCA Civ 266). Moreover, the Court should normally refrain from striking out for a defect in a pleading unless an opportunity to cure has been given (*Soo Kim v Youg Geun Park* [2011] EWHC 1781). Finally, striking out is a draconian remedy which should only be used in clear and obvious cases where it is possible to say at an interim stage that a particular allegation was incapable of being proved (*Three Rivers District Council v Bank of England (No 3)* [2001] UKHL at 16).
38. Nortek, in turn, emphasised how a pleading which is unreasonably vague or incoherent is abusive and likely to obstruct the just disposal of the case. A relevant factor for the Court is whether there was a real risk that unnecessary

expense will be incurred by the Defendant in preparing to defend allegations which are not pursued, or will be impeded in its defence of allegations which are pursued, or that the Court will not be sure of the case which it must decide (*Towler v Wills* [2010] EWHC 1209 (Comm)).

39. I have borne all these principles well in mind, albeit recognising the different contexts of these cases and their different bases for striking out.

CONSTRUCTION ISSUE

40. As for the first substantive issue, the Supply Agreement was signed by representatives of Nortek and TES on 22 and 23 February 2010 respectively, and provided in the following terms:-

“Total Electrical Solutions UK Ltd

The purpose of this document is to detail the supply of goods agreement between Nortek Electronics Circuits Ltd (NEC) and Total Electrical Solutions UK Ltd (TESUK).

Conditions in this document outline the terms agreed between NEC and TESUK with regards to the following:-

- 1) Confidentiality
- 2) Ownership of product/design
- 3) Supply exclusivity

- 1) Confidentiality

All documentation including sketches, written specifications, design drawings, approvals, parts lists, costing information and any other document is confidential between both parties and can only be shown to third parties with authorisation from a company Director of TESUK and NEC.

- 2) Ownership of the product and design

All products, ideas and specification belong to TESUK and cannot be discussed, replicated or offered to any other parties without the agreement of a TESUK Director.

From the agreed Specification TESUK will request a design of the product to NEC.

NEC will take ownership of the design - assuming NEC are funding the full design costs and notwithstanding that the products belong solely to TESUK.

3) Supply Exclusivity

Any product which is manufactured from an idea or specification supplied by TESUK to NEC can only be supplied to TESUK and can not be offered or replicated for any other person or company without the written agreement from a TESUK Director.

All products - currently the V Series product range are exclusive to TESUK.

All pricing, warranty terms and availability of products will be discussed and agreed on a product by product basis and will be subject for review on a yearly basis.”

41. As a preliminary matter, Nortek referred to the distillation by the then Chancellor, Vos C, in *Lamesa Investments Limited v Cynergy Bank Limited* [2020] EWCA Civ 821 (at [18]) of the principles of contractual interpretation gleaned from various UK Supreme Court authorities:-

“i) The court construes the relevant words of a contract in their documentary, factual and commercial context, assessed in the light of (i) the natural and ordinary meaning of the provision being construed, (ii) any other relevant provisions of the contract being construed, (iii) the overall purpose of the provision being construed and the contract or order in which it is contained, (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 - see *Arnold v Britton* [2015] UKSC 36, [2016] 1 All ER 1, [2015] AC 1619 per Lord Neuberger PSC at paragraph 15 and the earlier cases he refers to in that paragraph;

ii) A court can only consider facts or circumstances known or reasonably available to both parties that existed at the time that the contract or order was made - see *Arnold v. Britton* (ibid.) per Lord Neuberger PSC at paragraph 20;

iii) In arriving at the true meaning and effect of a contract or order, the departure point in most cases will be the language used by the parties because (a) the parties have control over the language they use in a contract or consent order and (b) the parties must have been specifically focussing on the issue covered by the disputed clause or clauses when agreeing the wording of that provision - see *Arnold v. Britton* (ibid.) per Lord Neuberger PSC at paragraph 17;

iv) Where the parties have used unambiguous language, the court must apply it - see *Rainy Sky SA v Kookmin Bank* [2011] UKSC 50, [2012] 1 All ER (Comm) 1, [2012] 1 Lloyd's Rep 34 per Lord Clarke JSC at paragraph 23;

v) Where the language used by the parties is unclear the court can properly depart from its natural meaning where the context suggests that an alternative meaning more accurately reflects what a reasonable person with the parties' actual and presumed knowledge would conclude the parties had meant by the language they used but that does not justify the court searching for drafting infelicities in order to facilitate a departure from the natural meaning of the language used - see *Arnold v. Britton* (ibid.) per Lord Neuberger PSC at paragraph 18;

vi) If there are two possible constructions, the court is entitled to prefer the construction which is consistent with business common sense and to reject the other - see *Rainy Sky SA v. Kookmin Bank* (ibid.) per Lord Clarke JSC at paragraph 2 - but commercial common sense is relevant only to the extent of how matters would have been perceived by reasonable people in the position of the parties, as at the date that the contract was made - see *Arnold v. Britton* (ibid.) per Lord Neuberger PSC at paragraph 19;

vii) In striking a balance between the indications given by the language and those arising contextually, the court must consider the quality of drafting of the clause and the agreement in which it appears - see *Wood v Capita Insurance Services Ltd* [2017] UKSC 24, [2018] 1 All ER (Comm) 51, [2017] AC 1173 per Lord Hodge JSC at paragraph 11. Sophisticated, complex agreements drafted by skilled professionals are likely to be interpreted principally by textual analysis unless a provision lacks clarity or is apparently illogical or incoherent - see *Wood v Capita Insurance Services Ltd* (ibid.) per Lord Hodge JSC at paragraph 13; and

viii) A court should not reject the natural meaning of a provision as correct simply because it appears to be a very imprudent term for one of the parties to have agreed, even ignoring the benefit of wisdom of hindsight, because it is not the function of a court when interpreting an agreement to relieve a party from a bad bargain - see *Arnold v. Britton* (ibid.) per Lord Neuberger PSC at paragraph 20 and *Wood v. Capita Insurance Services Limited* (ibid.) per Lord Hodge JSC at paragraph 11.”

42. There was again no dispute between the parties as to these underlying principles, rather the different emphasis on how it was said they fell to be applied here. The Claimants emphasised the suggested ambiguity of the Supply Agreement, its lack of professional drafting and the commercial context of the parties' arrangements. Nortek relied on what it said was the plain meaning of the contractual language from which the Court should be slow to depart, including on account of its consistency with the commercial context. Nortek also emphasised that parties will not be readily found to have relinquished valuable rights such as copyright or design rights without the contractual language making clear that intention (see *MUR Shipping VB v RTI Limited* [2024] UKSC 18 at [44]-[45]).
43. The Claimants contend in the PoC (at [26.1]) that (emphasis in the original):-
- “... as a matter of construction, Clause 2 provided that “All products, ideas and specification belong to [TES] and cannot be discussed, replicated or offered to any other parties without the agreement of a [TES] director.” ... The replication of the products and/ or the ideas underlying the products and/ or their specifications in material form as literary or artistic works (for instance in circuit design diagrams or Gerber files) are works in which copyright subsists. The replication of the products themselves or parts thereof would amount to making products to the design of those products or parts for the purpose of unregistered design right. Further, Clause 3 explicitly states that “All products” refers to the V-Series Products. Accordingly, on a proper construction of the Supply Agreement, Clause 2 amounted to an assignment of any future copyright works and unregistered design right in the V-Series Products or the ideas and specifications underlying them from Nortek to TES.”
44. Looking at the Supply Agreement itself, this contemplates the parties agreeing separately on a product by product basis (the then current product range being the V-Series) terms as to pricing, warranty and availability of supply of such products to the Claimants by Nortek. The Supply Agreement sets out

overarching provisions for the “supply of goods agreement” between Nortek and TES in relation to (i) confidentiality; (ii) ownership of product/ design and (iii) exclusivity with respect to such supplies.

45. Taking each aspect in turn, the confidentiality obligations (at [1]) are notable in two respects: first, the duty is said to apply broadly to “[a]ll documentation”, the clause identifying a non-exhaustive list of technical and commercial documents for that purpose, including sketches, written specifications and design drawings; second, the obligation is expressed to be mutual such that there cannot be disclosure by either party without the consent of the other. Nortek says that this second aspect supports its interpretation.
46. The parties placed the greatest focus at the hearing on the product and design ownership provision (at [2]). As noted, the Claimants rely in particular on the provision as to TES’ ownership of all products, ideas and specification and the prohibition against their discussion, replication or offer to any other parties without TES’ consent. Nortek relies on the express provision for it to take ownership of the design on the assumption it funds the design cost, even though the product itself is stated to belong to TES.
47. Finally, both parties rely on the exclusivity provision (at [3]) as supporting their position, the Claimants saying that the assignment was necessary to ensure the effectiveness of the parties’ exclusive arrangements, Nortek that such exclusivity afforded the Claimants more than adequate protection in their commercial dealings without its relinquishment of the related intellectual property rights as well.

CONSTRUCTION ISSUE - DISCUSSION

48. I was unable to accept the Claimants' construction of clause 2 of the Supply Agreement as amounting to an assignment from Nortek to TES of future copyright works and unregistered design rights in the V-Series Products or the ideas and specifications underlying them. First, on its terms, clause 2 of the Supply Agreement does not purport to assign copyright or design right but merely confirms TES' ownership of its own ideas and specification as well as of the end product manufactured for it by Nortek. There is no mention of copyright or design right in clause 2. In itself, that may be unsurprising, given that it is not a professionally drafted contract. However, clause 2 does expressly address the ownership of the design, which, on the assumption it is funded by Nortek, will belong to Nortek.
49. Although the PoC (at [26]) suggests that reference to ownership of the design is concerned with some "limited ownership rights in the design of the V-Series Products", TES does not identify what those limited rights are, why they would not encompass unregistered design right or why these parties might apparently carve up matters in the manner suggested. The Claimants say that, whatever their precise meaning, the Supply Agreement was ambiguous. In this context, the term providing that Nortek "will take ownership" may well be interpreted not in a proprietary sense rather than simply as Nortek having to take responsibility for the design without having the associated rights. Given these ambiguities, the Court should be circumspect in seeking to reach concluded views at this interim stage.
50. I disagree. Although a simple and brief document and not professionally drafted, in my view, the Supply Agreement does reflect a careful balancing of

the parties' respective interests in their commercial arrangement. I come shortly to the commercial context but the expression "ownership of the design" naturally connotes through lay language ownership of the rights subsisting in the design, including related copyright and unregistered design right. As such, the Supply Agreement expressly contemplates the diversity of ownership of the product, ideas and specification (which does or will belong to TES) and of the design (which will belong to Nortek, assuming it funds this). As to the latter, there is no pleaded case that TES paid for any of the designs. Moreover, the term "ownership" in clause 2 is used in relation to both the product and the design. It therefore does not make sense for it to carry the colloquial meaning suggested by the Claimants for only the design. Any ambiguity on that account does not arise. For these reasons alone, I am of the view that the Claimants' construction is not sustainable.

51. There are other reasons: TES' pleaded case as to the prohibition against replication of the products, ideas and specification is, in my view, convoluted. According to TES, such replication in material form as literary or artistic works would be works in which copyright subsists. Likewise, replication of the product would amount to making products to the design of those products for unregistered design purposes. As such, clause 2 amounted to an assignment of future copyright works and an unregistered design right in the V-Series Products. I did not understand how this was said to follow, not least when (i) as already noted, on its terms, clause 2 does not mention the assignment of either; (ii) the right to prevent replication of a product, idea or specification is different from, and not co-extensive with, copyright or design right; (iii) relatedly, a contractual prohibition on such replication is not the same as the

assignment of intellectual property rights in the design of the relevant products;
(iv) as noted, clause 2 already expressly addresses (in favour of Nortek)
ownership of the design (assuming it funds the design cost) and (v) as *MUR Shipping* indicates, clear contractual language would be expected where the
intention was to relinquish valuable rights.

52. The other terms of the supply agreement also militate against the Claimants' construction. It is unclear, for example, why, having supposedly assigned to TES future copyright or design right, Nortek would still benefit from, and be able to hold TES to, the confidentiality obligation in clause 1, itself widely framed by reference to "[a]ll documentation" which is stated to include, for example, "design drawings". Although I accept that the confidentiality obligation is not as far-reaching as an assignment of rights in terms of what is conferred, in my view, they would still be unusual bedfellows.
53. The Claimants also submitted that the 2017 Agreement was relied on as an historical document recording TES' payment for most of the designs and the arrangements to compensate Nortek for the remainder. As such, it was TES which had provided the funding for the designs as such funding was referred to in clause 2 of the Supply Agreement. Even accepting for present purposes this argument at face value, the difficulty is that the 2017 Agreement is referred to in the PoC in the context of the breach of contract claim. The Claimants do not rely on the 2017 Agreement, even in the alternative, as a pleaded basis for TES' legal ownership of the copyright and design right in the relevant works and designs. The pleaded basis is the alleged assignment by operation of the express

and implied terms of the Supply Agreement which pre-dated the 2017 Agreement.

54. Turning finally to the commercial context, the Claimants emphasised before me the nature of the relationship between the parties, being that of a classic exclusive manufacture and supply agreement, as to which, it would be perilous if copyright and design right in relation to the products remained with Nortek, effectively allowing it to compete with TES in the market. Again I found this argument unpersuasive. As acknowledged in the PoC (at [26.2]), Nortek's role was not merely as manufacturer and supplier but as a designer too. Clause 2 expressly contemplates TES requesting a product design from Nortek based on the agreed specification. Although there is no obligation as such to design the product or to fund any design, both are contemplated and clause 2 expressly provides that Nortek will take ownership of the design assuming it bears the related costs despite the products themselves belonging to TES.
55. Against that background one can see that an assignment of the copyright and design right to TES could, in fact, leave Nortek in a perilous position if it undertakes the design and relinquishes its rights in it, with Nortek unable to recoup its design cost if, for example, TES takes the design to another company to manufacture the products more cheaply. In my view, the position contended for by the Claimants would, in fact, be one-sided to the detriment of Nortek. However, that is not the commercial arrangement here. As noted, that does achieve a careful balance, TES protected through the ownership (and ability to prevent replication of) its ideas, specification and the product and an exclusive supply arrangement, the design right belonging to Nortek if it funds the design,

with both parties also subject to mutual confidentiality obligations in relation to the documentation created in the course of their relationship.

56. Given the absence of express terms with the effect contended for, it seems to me that the Claimants' case is really more properly one concerning the implication of terms. There was, again, no dispute as to the applicable legal principles. In essence, a term is to be implied only if it is necessary to make the contract work. This may be the case if (i) it is so obvious that it goes without saying and/ or (ii) it is necessary to give the contract business efficacy (see, for example, *Marks & Spencer plc v BNP Paribas Securities Services Trust Company (Jersey) Limited* [2015] UKSC 72).
57. In my view, the commercial context I have described and the parties' related contractual arrangements rather put paid to the Claimants' implied terms arguments as well, the argument (at [26.2]) rather overlooking the need for someone to fund the design work undertaken by Nortek, the term as to ownership of the design (itself referable to such funding) and the fact that TES enjoyed exclusivity of supply. In that context, an officious bystander would not look at the arrangements and consider it obvious that there had been an assignment of copyright and design right to TES.
58. The same is true of the more specific implied terms as to termination and breach posited in the PoC (at [27]-[29]). Paragraph 27.1, for example, envisages an assignment of copyright and design right to TES in the event of termination of the Supply Agreement by either party. One such scenario would be Nortek's acceptance of a repudiatory breach through, for example, TES' non-payment

for the product. The assignment of rights in those circumstances would, in my view, be anything but necessary for business efficacy.

59. Nor, even recognising that they contemplate Nortek's breach of clause 2 (non-replication) and/ or clause 3 (exclusivity) of the Supply Agreement, would the assignment of the ownership of the design in the V-Series Products in the circumstances posited (PoC at [27.2]-[27.3]) be necessary for business efficacy either. Such implied terms would, on their face, apply to any breach, however serious or trivial in circumstances in which TES would already have a claim against Nortek.

60. Nor would the suggested survival of those clause 2 and 3 obligations beyond termination (PoC at [29]) be necessary for business efficacy. Again, this would encompass Nortek remaining tied in perpetuity to the Supply Agreement even where TES was in repudiatory breach and their relationship had broken down. This did not make sense either.

61. Having regard to all these matters, I am therefore satisfied that these aspects of the Claimants' pleaded case have no real prospects of success, there is no other compelling reason for the related issues to be pursued to trial and they disclose no reasonable grounds for bringing the claim. Nortek, therefore, succeeds on its summary judgment and strike out applications with respect to the arguments advanced before me concerning the express and implied terms of the Supply Agreement.

JOINT OWNERSHIP ISSUE/ PARTICULARISATION ISSUE

62. TES' claim to sole legal ownership of any copyright works and unregistered design right in the V-Series Products arises from the alleged assignment by operation of the Supply Agreement. Although, as I have said, the Claimants do not maintain any alternative claim to that end, they do say that, but for the contractual assignment, such rights would have been jointly owned. I have already rejected that argument as having no real prospects of success and as disclosing no reasonable grounds for bringing the claim. Nortek says that the Claimants' arguments as to the original joint ownership of those rights is to the same end and, for that purpose, it also drew upon the Particularisation Issue. I address both together.
63. In the context of the subsistence of copyright, Nortek emphasised that the requirement for originality meant that the relevant work had to be the author's own intellectual creation, requiring the author to have been able to express their creative abilities in the production of the work by making free and creative choices to impress it with their personal touch. This criterion, Nortek said, is not satisfied where the content of the work is dictated by technical considerations, rules or other constraints which leave no room for creative freedom. Originality in this sense, however, is a necessary but not sufficient condition. The subject matter protected by copyright must, additionally, be expressed in a manner which makes it identifiable with sufficient precision and objectivity, even though such expression is not necessarily in permanent form (see, for example, *Wright & Ors v BTC Core & Ors* [2023] EWCA Civ 868 at [53]-[60] and the pertinent CJEU jurisprudence cited there).

64. In this case, the Claimants plead in relation to the subsistence of copyright in works relating to the VLAU2, for example, that the original VLAU was developed by Messrs Winstanley and Heath of Nortek under direction of, and with input from, Mr Russell of TES comprising:-

- (i) Mr Russell's generation and provision of all specification documents and his approval of development in stages, confirming that TES was satisfied with the various elements of the circuit layout before Messrs Winstanley and Heath progressed further;
- (ii) Mr Russell's direct input into the PCB layout design; and
- (iii) Mr Russell's testing of prototypes and provision of feedback on functionality changes to ensure that the VLAU product under development worked as needed to meet TES' requirements, Mr Russell's input driving iterative changes to both software (ie: the firmware) and hardware.

65. As such, the PoC go on to say that Messrs Winstanley, Heath and Russell were joint authors of the original literary and artistic works in connection with the development of the original VLAU comprising:-

- (i) schematic diagrams in .sch format using commercial off-the-shelf designed software showing the circuitry logic of how the different components to be attached to a PCB were interconnected (being artistic works);
- (ii) circuit layout board design documents in .brd format using commercial off-the-shelf design software, stipulating the layout of the VLAU PCBs for conversion into Gerber format (also being artistic works);

- (iii) Gerber files used to describe the PCB layout of the VLAU prepared in .gbr format using commercial off-the-shelf design software (being literary works);
 - (iv) the graphical representation of the individual layers and combined layers of the PCB layout of the VLAU as described in each Gerber file when displayed onscreen using CAD software (being an artistic work); and
 - (v) Pick and Place files typically generated by the board design software and exported in plain text formats setting out, for each PCB component, the co-ordinates for their placement (being a literary work).
66. In relation to the VLAU2, the Claimants plead that, since this was developed by Messrs Winstanley and Heath under Mr Russell's direction and with his input, Mr Russell generating and providing the specification documents that changed the layout of the design from the original VLAU works, he was the joint author of the corresponding works for the VLAU2 development as well.
67. The specific files in which copyright is said to subsist on the joint basis asserted are not identified but the Claimants say that, to the extent such files have resided with them and they retain records, lists will be provided with disclosure or by way of further information.
68. The Claimants also plead that, to the extent the VLAU2 works were computer-generated, the authors were each a person by whom the arrangements necessary for the creation of the work were undertaken within the meaning of s.9(3) of the CPDA.
69. Finally, the Claimants explain how, by reason of the status of Messrs Winstanley, Heath and Russell as employees of their respective companies for

which they were then working, the copyright would, but for the alleged assignment under the Supply Agreement, have vested jointly in Nortek and TES. However, given that assignment, this is vested solely in TES.

70. With some variations, similar formulations are used in the PoC for the V2IS, the VMMS3 and the VARU as to the suggested input by Mr Russell, the general categories of work in which it is suggested he was a joint author, the future provision of information about specific files implicated, authorship in the case of computer-generated products and the effect of the alleged contractual assignment.

71. TES also claims sole design right in the overall shape and configuration of the assembled PCB of the VLAU, the design said to have been created by the expenditure of substantial skill, labour and intellectual creativity on the part of their authors and not copied by them from a previous design and not being commonplace in a qualifying country in the design field in question at the time of their creation. At the time, Messrs Heath and Russell were employees of their respective companies such that, but for the assignment under the Supply Agreement, the design right would again have vested in TES and in Nortek as joint owners. However, given that assignment, this vested solely in TES.

72. A similar formulation is pleaded in relation to the design right in the overall shape and configuration of the V2IS, VMMS3 and VARU.

PARTIES' ARGUMENTS

73. Nortek's overarching position on the Application was that the Claimants had not explained in the PoC how it is said that any of the authors, including Mr

Russell, had made a free and creative choice in relation to the relevant works. As for the generic categories of works that have been identified, it was difficult to see how some of them could be protected by copyright at all. The circuit layout diagrams are said to stipulate layout for conversion into Gerber files, suggesting that no free and creative choices could be involved in using the relevant software to make the Gerber files. Likewise, the Gerber graphical representations are just a display of the content of the Gerber files on screen by viewing software. Similarly, the Pick and Place files are stated to be generated by the board designed software, not the user.

74. Nortek also says that the Claimants are conflating the PCB design with the files relating to them, but they are different things. The categories of files identified are records or representations of the PCBs or information relating to them. It is possible that free and creative choices could have gone into the creation of some of these. For example, words may need to be chosen and deployed to create a written description, but the scope for such choices is likely to be limited where these processes are automated by software. Those choices are not pleaded.
75. Drilling down into what is pleaded in relation to the V-Series Products, it is said that the Claimants confuse the product itself with the works. All that is said in relation to the VLAU and VLAU2, for example, is that Mr Russell (i) came up with the specification documents for the product (not the works relied on); (ii) approved the development of the circuit layout (not the works relied on) carried out by Messrs Winstanley and Heath in stages; (iii) had unspecified input into the PCB layout design (not the works relied on); (iv) conducted testing on prototypes and provided feedback on functionality, leading to “iterative

changes” (not made by him) to “both software and hardware” (not the works relied on); and (v) provided a specification for the VLAU2 products (not the works relied on) that led to changes by Mr Winstanley and Mr Heath to the VLAU PCB.

76. As such, Nortek says that there is no allegation of authorial contribution by Mr Russell. Nor did he work in collaboration, his position being that of customer not collaborator. In this regard, Nortek says that the Claimants’ case is worse than that of the specifier in *Fylde Microsystems Limited v Key Radio Systems Limited* [1998] FSR 449 who worked hard to set the specification for, and fix errors and bugs in, the relevant computer software. Despite this, that person was not the joint author with the person who actually wrote the software.
77. In any event, says Nortek, it is implausible that someone undertaking the activities pleaded in relation to Mr Russell would have had any involvement in those matters which would amount to free and creative choices sustaining copyright in the works. For example, a specifier seeking a product with particular functions would not have any role in how, schematically, to represent the product during the design process.
78. Nortek also says that the Claimants’ pleading as to the works being computer-generated is embarrassing, it being uncertain as to which works it was said were computer-generated, essentially requiring Nortek to consider all the works and take a position on whether they were computer-generated and whether Mr Russell could be said to have made any relevant arrangements or what those arrangements might be.

79. Finally and now turning to the Particularisation Issue, Nortek says that the Claimants have not actually identified or disclosed any of the relevant works in which it is said that copyright subsists. Rather, the Claimants have gone about matters in a backwards fashion, identifying losses approximating £11.8m but unable to identify the particular works in which copyright subsists. In taking that approach, the Claimants are seeking to push the burden onto Nortek of working out what it is they are relying on in the first place, doing so by a pleading a claim with ‘identikit formulations’ across broad categories of works without identifying which of the potentially hundreds of thousands of works within them are said to be implicated by the infringement claims. This prevents Nortek, in its Defence, saying anything meaningful in response to the PoC.
80. As for design right, it is said there is no pleading at all in the PoC as to how Mr Russell is said to have contributed to any of the designs or as to how those in collaboration worked jointly. In this regard there are no references back to paragraphs relating to the copyright works for the same products. Even if there were, the works and designs are not the same, such that any references would be insufficient. In any event, even if the paragraphs could be read across, the pleading on copyright could not justify Mr Russell being a designer.
81. The Claimants make a number of points in response: first, in oral submission, they confirmed that they were no longer pursuing the formulation by reference to computer-generated works.
82. As to the joint authorship question more generally, they say that sufficient particulars have already been provided. As Floyd LJ stated in *Kogan v Martin* [2019] EWCA Civ 1645 (at [53]), when summarising the essentials of

determining whether a person was a joint author it was never enough to ask “who did the writing?”. Authors can collaborate to create work in many different ways, for example if one person creates the plot and another writes the words.

83. In this case, the Claimants have pleaded enough in the PoC, including for example the direct input of Mr Russell into the PCB layout design (PoC at [56.1]) and his driving of iterative changes by others to both the software and hardware (PoC at [56.3]). That level of generality is sufficient for the purpose of pleading the relevant authorial contribution. It would not be appropriate to descend into the level of micro-pleading and provide evidence in the pleading as to the particular inputs from Mr Russell on a weekly basis, for example, across the development of the relevant product. Here, the Claimants have pleaded the original joint authorship in the copyright on the basis of the collaboration between employees of TES and Nortek. The Claimants then set out (PoC at [57]) the particular works in which copyright subsists, it being clear from that paragraph that it is directly referring back to paragraph 56.
84. As to the other points raised by Nortek, there is no authority to the effect that the PoC must spell out the specifics of the creativity relied upon as imbuing the relevant work with originality. S.10(1) of the CDPA is concerned with the collaboration of two or more authors. The Claimants have pleaded the basis for such a collaboration. The specifics of the nature of each of the free and creative choices made in the course of that collaboration do not need to be spelt out.

85. As for the criticism that there is less particularisation with respect to the joint ownership of the design right, it is plain from how the pleading is framed that the allegation of joint ownership is put on the same basis as copyright.
86. As for the point about particularisation of the works, the PoC (at [57]) allows Nortek to work out what the works are by reference to their general description, as for example, schematic design. It would be absurd to list there every single file in a particular category. Nortek manufactures the V-Series Products and, as pleaded (PoC at [125]), has necessarily copied the copyright works. It therefore already knows the files implicated and, therefore, the works concerned. Any suggested confusion is concocted. Given their volume, if it were necessary to plead out the individual files, the PoC would be prolix in the extreme.
87. Finally, the Claimants say that all these points really go to particularisation. At no point have the Claimants asked for any further information at all. To the contrary, the impression given by Nortek in correspondence until it launched the Application out of the blue is that it was preparing its Defence without any difficulty being foreshadowed. That the complaint is overblown, and Nortek knows what it is dealing with, is shown by the fact it has only applied to strike out those parts of the claim where joint authorship is alleged and not, for example, for the V2IS relay module, as to which Mr Heath (as TES consultant) was said to be the author.

JOINT OWNERSHIP/ PARTICULARISATION - DISCUSSION

88. Having considered carefully the parties' submissions with respect to the Joint Ownership and Particularisation Issues, I am satisfied that the appropriate

course in this case is to strike out the relevant paragraphs of the PoC identified in the Application. I come to that view for a number of reasons.

89. First, the nature of the pleaded contribution to the product development and PCB layout design itself says nothing meaningful about any free and creative choice exercised by Mr Russell and why the necessary condition to originality might be satisfied. In my view, it is not enough here to assert that it is.
90. Although one can see, for example, that Mr Russell's suggested direct input into the PCB layout design and his actions in driving iterative changes to both the software and hardware might, in principle at least, be capable of founding such choice, equally one can see that they might not. Joint authors can, of course, collaborate in a number of different ways but the nature of the contribution asserted here is, in my view, uninformative and insufficiently specified.
91. Second, that problem is not, in my view, cured by the suggestion which then follows that Mr Russell was the joint owner in works falling within the broad categories identified. In the absence of an explanation as to how that contribution came to be reflected in those works, the pleading remains inchoate.
92. Third, if anything, the need for that explanation is begged rather more loudly by the fact that Mr Russell's contribution is stated to concern the PCB layout design and the development of the product, whereas the works are concerned with the representation or recording of the design. The two are not the same.
93. Fourth, as Nortek points out, given the purpose of some of those works and their manner of creation, it is difficult to envision how Mr Russell (or perhaps anyone) could have made a meaningful creative choice in relation to them.

94. Fifth, even though this is no longer pursued, that is rather reinforced by the Claimants' former position as to computer-generated works, which again was expressed at large.
95. Sixth and relatedly, although broad categories of works are identified, the particular works themselves are not. This all-encompassing approach was again unspecific and seemingly indiscriminate.
96. Seventh, this was, in my view, mirrored in the approach taken to design right which in some senses was worse given the even briefer pleading.
97. Standing back from all of this, in my view the Claimants' pleading indicates the potential framework for a claim but, despite its length, it does not meaningfully or sufficiently articulate the material facts giving rise to the joint ownership of the copyright. It is not enough to say that Nortek can itself identify the relevant works or work out for itself how these might reflect Mr Russell's creative choices. In my view, this is not merely a matter of particularisation. I am satisfied that these aspects of the PoC are vague, incoherent and not capable of meaningful response, save by way of a bare denial by Nortek. At present, the scope of the possible enquiry envisaged by this part of the claim is uncertain. As such, Nortek cannot sensibly or fairly address the claim as formulated. The position is the same, if not worse, for the design right.
98. I very much recognise that striking out a pleading is a draconian step and I have given careful consideration to whether the shortcomings identified can be made good. However, considering the principles indicated by the authorities, including the Court of Appeal in *Asiansky Television plc v Bayer-Rosin* [2001] EWCA Civ 1792, and concentrating on the intrinsic justice of this particular

case in light of the overriding objective, I am satisfied that the just order is to strike out the claim.

CONCLUSION/ DISPOSAL

99. I therefore accede to the application. In doing so, I make clear that I do not exclude the possibility that the Claimants might seek to put forward an alternative basis for its claim with respect to copyright and design right which would be legally sustainable and/ or coherent. At present, however, such an alternative is not pleaded and none has been proposed by way of amendment.

100. That concludes my ruling and I will now hear from the parties briefly as to consequential matters.

For proceedings, see separate transcript

MR JUSTICE RICHARD SMITH:

101. Having given my judgment today, I have heard submissions, if I may say so very respectfully put, by the Claimants concerning various errors into which it is said I have fallen. I have considered that application. I am going to refuse permission to appeal. I will give the reasons for that in the necessary form that I have to complete so that Mr Zweck is armed to go to the Court of Appeal, if he is minded to do so, for permission from them.

For proceedings, see separate transcript

MR JUSTICE RICHARD SMITH:

102. Having heard the parties' submissions on consequential matters, I have already declined permission to appeal. I will circulate shortly the form N460 and give my reasons for declining permission on each of the grounds relied upon.
103. In terms of the directions for future pleadings, I think, sensibly, the position is that the Claimants want to consider their position in light of my judgment and whether they do wish to propose any amendments to the pleadings, so they will produce a revised pleading which may include proposed amendments within 21 days.
104. In terms of costs, I have heard short argument in relation to that. Nortek seeks its costs in a sum of £37,786.24. In principle, the Claimants do not oppose paying those costs, Nortek being the successful party, but they do take exception to that element of the costs claimed on the indemnity basis. Nortek puts that claim on the basis of allegations of bad faith made by the Claimants as to the circumstances in which this strike out and summary judgment application came about, arising following a number of extensions of time to serve the Defence, with no indication that there was going to be such an application. Nortek say that such allegations were simply unsustainable.
105. The Claimants say that it was not unreasonable for them to respond in the way they did to the Application where there had not been the slightest hint of such an application on the horizon, they were expecting the Defence, listing difficulties were canvassed by Nortek and the correspondence suggested that Nortek may well be in, or entering, financial difficulty and there was a very large claim against that company. Putting together all of those factors, it was not unreasonable to react in the way they did, including by making without

notice an application on paper for the strike out application itself to be struck out.

106. I have considered the parties' submissions. These were resonant of some of the sound and fury that I read about prior to the last hearing but to which - and I am grateful to the parties for this – they referred sparingly in oral submission at that last hearing. They have been revived again to some extent on this costs application. It does seem to me that, whether or not the Claimants were correct in responding in the way they did, and whether perhaps they might have acted too precipitately, and although I certainly do not condone allegations of bad faith or the like where they are not made out, nonetheless, as I indicated in my judgment, one can understand the significant frustration on the part of the Claimants in circumstances where they were awaiting a Defence but received instead a strike out and summary judgment application.
107. Whatever intention or forethought there may or may not have been on either side, neither comes out of this covered in glory. So, in the circumstances, I am not going to make any specific provision for indemnity costs in relation to the relevant part of the Defendant's costs.
108. In terms of the amount of costs, the Claimants do not take issue with individual items but make some general points. The comparison with the Eversheds costs schedule, it is said, is not necessarily meaningful given the different position of the firms geographically, with one based in Manchester and one based in London, and given that there was significant investment into this application by the Claimants in the circumstances I have described as to how it came about and the importance of the Application in the context of a £12m claim.

109. I have reviewed the schedule again this morning and, doing the best that I can on summary judgment, I am going to say that the Defendant should have its costs summarily assessed in the sum of £32,000. That seems to me to be an appropriate figure in this instance for a strike out application effectively argued on legal principles and by reference to the Particulars of Claim themselves, rather than, for example, on extensive evidence before the Court.
110. I would be grateful if the parties could both put their heads together and prepare a draft order which I will then consider and return to the parties once approved or amended as appropriate, together with the form N460 such that the Claimants can, if so advised, seek permission from the Court of Appeal.

For proceedings, see separate transcript

Digital Transcription by Marten Walsh Cherer Ltd
2nd Floor, Quality House, 6-9 Quality Court, Chancery Lane, London WC2A 1HP
Tel No: 020 7067 2900. DX: 410 LDE
Email: info@martenwalshcherer.com
Web: www.martenwalshcherer.com