



Neutral Citation Number: [2019] EWHC 2273 (IPEC)

Case No: IP-2018-000182

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

Royal Courts of Justice
The Rolls Building
Fetter Lane
London EC4A 1NL

Date: 29 August 2019

Before:

MR. DAVID STONE
(Sitting as an Enterprise Judge)

Between:

VOLUMATIC LIMITED
-and-
IDEAS FOR LIFE LIMITED

Claimant

Defendant

Mr Gareth Tilley (instructed by **Shakespeare Martineau LLP**) for the **Claimant**

Mr Simon Popplewell (instructed by **Machins Solicitors LLP**) for the **Defendant**

Hearing dates: 8 and 9 July 2019

APPROVED JUDGMENT

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

Mr David Stone (sitting as an Enterprise Judge):

1. On 5 May 2005, the Claimant, Volumatic Limited (**Volumatic**) and the Defendant, Ideas for Life Limited (**IFL**) signed a document (the **Agreement**) relating to the design and production of a banknote pouch (the **Pouch**) to fit Volumatic’s cash counting machines. Although I have adopted the parties’ nomenclature for that document as “the Agreement”, what in fact was agreed by and in that document is the subject matter of these proceedings. The Agreement included a requirement that “all property rights” in the Pouch be assigned to Volumatic. By these proceedings, Volumatic alleges that the Agreement was binding on the parties, and seeks specific performance of that term.
2. It is common ground that the expression “all property rights” includes a number of patents, hence Volumatic’s action can be said to have been properly brought in the Intellectual Property Enterprise Court, even though no issues of intellectual property law fall to be decided.
3. At trial, Mr Gareth Tilley appeared for Volumatic, and Mr Simon Popplewell appeared for IFL. I am grateful to counsel and those instructing them for the clarity of their written submissions and the efficiency with which they dealt with a large number of legal arguments in the course of their oral submissions.

List of Issues

4. Following the Case Management Conference, HHJ Hacon approved the following list of issues:
 - “1. Whether the Agreement (alternatively stages 2 and 3 of the Agreement) has contractual force and particularly:
 - (a) whether there was an intention to create legal relations;
 - (b) whether the terms are sufficiently certain.
 2. Whether Volumatic is estopped by convention from asserting that the Agreement (alternatively stages 2 and 3 of the Agreement) is binding.
 3. Whether the Agreement has been varied.
 4. Whether on its proper construction the conditions precedent for the assignment of rights under the Agreement have been satisfied (including whether IFL is estopped from asserting otherwise).
 5. Whether, if the conditions precedent were satisfied, Volumatic did so within a reasonable time.
 6. Whether Volumatic has come to the court with clean hands by reason of:
 - a. it allegedly conducting its relationship with IFL as if the Agreement were not binding upon it;

- b. alleged pre-contractual misrepresentations; and/or
 - c. its own failure to comply with its own obligations under the Agreement, (including whether IFL acquiesced to the same and/or whether IFL is estopped from asserting otherwise).
 7. Whether it would be inequitable to order specific performance.
 8. Whether IFL has a defence of laches.
 9. Whether the claim is statute barred.
 10. Whether the court should refuse specific performance on the discretionary grounds that:
 - a. IFL has allegedly conducted itself on the basis that Stages 2 and 3 of the Agreement were not binding;
 - b. IFL has improved the Pouch (as defined in the statements of case) at the request of Volumatic;
 - c. Volumatic has allegedly not complied with its own obligations under the Agreement; and/or
 - d. delay.
 11. Whether IFL holds the intellectual property rights in the pouch on trust for Volumatic.
 12. Whether the court should order specific performance of the Agreement.
 13. Whether the court should order damages in lieu of specific performance.
 14. The quantum of loss and damage suffered by Volumatic.
 15. Whether IFL should be ordered to grant Volumatic exclusive rights to use any know-how in respect of the Pouch.”
5. Issue 14 was the only issue not to be determined at the trial.
6. In my discussion of the issues below, I have reformulated some of them, and discussed them in a slightly different order, but with the aim of not affecting the substance of the issues for determination. The parties acknowledged that there was significant overlap between the issues, and indeed, in their submissions, the parties often rolled issues in together.

Witnesses

7. Volumatic adduced evidence from two witnesses:

- (a) Mr Duncan Johnson is Volumatic’s Technical Director. He filed two witness statements, and was cross-examined. His evidence was not criticised, other than a suggestion from Mr Popplewell that it was self-serving. I disagree: Mr Johnson was a good witness.
 - (b) Mr Colin Amos is Volumatic’s Financial Director. He filed two witness statements, and was cross-examined. Importantly, Mr Amos gave evidence on Volumatic’s willingness to enter into a 10-year manufacturing agreement with IFL, stating candidly that, on the basis of legal advice, Volumatic was not willing to do so “whether it be in 2007, whether it be in 2016, whether it be yesterday”. Whilst attempts were made in re-examination to soften this comment, Mr Popplewell submitted that they were not successful, and I agree. In re-examination, Mr Amos amended his comments to the effect that had he been forced by legal advice to enter into a 10-year manufacturing agreement, he (on behalf of Volumatic) may reluctantly have done so. But his earlier evidence was of a clear unwillingness to do so, and I prefer that evidence. I make one other comment in relation to Mr Amos’ evidence in paragraph 25 below.
8. IFL adduced evidence from a single witness, Mr Richard Williams, who is a director of IFL and of what was described as an “associated company”, Designs For Life Limited (**DFL**). IFL and DFL have common shareholders and directors. For the most part, the legal distinction between DFL and IFL does not matter for the purposes of these proceedings, and, at times, Mr Williams used the two corporate entities interchangeably. Mr Williams was also cross-examined, and no criticism was made of his evidence.
9. I accept that each of the witnesses was doing his best to recall and recount details from discussions some of which were over 14 years ago. Each witness was asked his understanding of the legal effect of the Agreement. Whilst their answers differed, I accept that each was telling the truth as he believed it to be. The parties agreed that the subjective intention of the parties was not relevant to many of the issues before the court. In the end, I have reached conclusions different to some of the witnesses on issues of law that are for me to decide, but I accept that, in giving their evidence, they were doing their best to assist the court.

Background

10. The following recitation of facts is uncontentious, except where I indicate otherwise:
- (a) Since the 1980s, Volumatic has produced a cash handling device called CounterCache. Retailers place surplus high value bank notes not into the till, but into the CounterCache device for secure storage. Within the device, the notes are stored in a pouch. The original pouch was designed by a third party and since about 2001 manufactured by DFL. Thus, the individuals behind the parties have been working together for many years – including for some years before the date of the Agreement.
 - (b) In 2004, Volumatic decided to try to improve the original pouch to overcome perceived difficulties with it. At about the same time, Volumatic conceived of an improved cash handling device, eventually named the CounterCache Intelligent (**CCi**). The improved pouch (referred to in the proceedings as the Pouch) was intended to be compatible with the original CounterCache product *and* the CCi.

- (c) Volumatic discussed the Pouch with DFL. IFL was incorporated in February 2004 expressly for the purpose of designing the Pouch, which DFL would then manufacture. There was a meeting in September 2004, prior to which DFL requested that Volumatic sign an “Interim Confidentiality Agreement”, which it did after amending it so as to delete a clause which provided for DFL to own “all design concepts and unique ideas”. Discussions ensued.
- (d) On 6 December 2004, IFL put forward a draft “Letter of Agreement”. This was never signed. IFL put forward a second draft on 21 January 2005, which was also never signed. Both provided for IFL to own the intellectual property developed by IFL/DFL.
- (e) On 2 February 2005, Mr Johnson sent an email to Mr Paul Bonné, then Volumatic’s managing director, setting out the text of a proposed email to Mr Williams of IFL/DFL. At trial, neither side could determine if the proposed email to Mr Williams was ever sent, but it sets out the three stage process that was described by Mr Johnson as the genesis of the Agreement.
- (f) On 3 February 2005 there was a meeting at the Hilton Hotel in Warwick at which the parties reached a consensus on the way forward (the **Warwick Meeting**). Neither party relies on any contract concluded that day.
- (g) Following the Warwick Meeting, Volumatic and IFL each produced a document which sought to capture their understanding of the consensus that had been reached. IFL produced a draft of what was to become the Agreement, which was sent on 6 February 2005, but not received at that time. Meanwhile, Volumatic sent to IFL/DFL an email dated 7 February 2005 setting out what appear to be notes of the meeting. That email, headed “Minutes from our meeting” mirrors much of what eventually appeared in the Agreement, albeit in greater detail, and includes the following:

“This represents a summary of the proposed agreement – it will require legal input to finalise – this will be completed in April in order to delay the legal fee expenditure. In the meantime DFL ([Mr Williams]) and Volumatic ([Mr Bonné]) will sign this letter/email hence agreeing the intent to go ahead in this form”.

- (h) There were further attempts by IFL to send the email first sent on 6 April 2005, but it was not successfully received by Volumatic until 13 April 2005.

The metadata on IFL/DFL’s document suggest that it was produced by or reviewed by a firm of solicitors.

- (i) Shortly before the Agreement was signed by both parties, Mr Bonné said to Mr Williams that Volumatic would be ordering 10 million Pouches per year (or possibly that orders would be “in the millions”). The exact words exchanged are now not known, but Volumatic concedes that a conversation to that effect took place at about this time. Mr Williams suggested in his oral evidence that he understood that the 10 million Pouches per year figure would be achieved within a year.

- (j) In the event, on or around 5 May 2005, both parties signed the Agreement. It is necessary to set out the terms of the Agreement in full. As the Agreement includes Stages 1 to 4 within Stage 1, to avoid the confusion caused by having two stage 2s and two stage 3s, I have renamed as “sub-stages” those which fall under Stage 1:

“Further to our recent meeting at the Warwick Hilton, on Thursday 3rd February 2005, I am writing to confirm the terms of the agreement that have been reached regarding the proposed acquisition of IFL’s new designs and invention, and the development of a working prototype for a second-generation cash pouch that potentially may offer new technical and commercial benefits.

Stage 1: Development of workable sample.

At Volumatic’s request, DFL will develop a prototype sample from test tooling in order to review the commercial viability of pouch 2. DFL will be paid by Volumatic for this work against PO’s on the following basis:

[Sub-]Stage 1: Create final specifications and modelling

US\$6,000 (to be off-set against previously paid activity)

[Sub-]Stage 2: Creation of full engineering drawings of proposed design – compatible with Volumatic system, cost estimate, and quote for prototype tooling.

US\$6,000

[Sub-]Stage 3: Create prototype tooling, run samples and evaluate and modify to meet agreed specification.

US\$4500

[Sub-]Stage 4: Successful trial via UK retailer and sign off of commercial sample, final quote for 1 x 40ft and quote for production tooling

US\$4500

Stage 2: Assignment of Intellectual Property Rights.

On mutual acknowledgement of the completion of stage 4 IFL will assign all property rights for pouch 2 subject to a noted charge based on Volumatic honouring the terms below in full, on the following basis:

1. A 10 year royalty payment on the basis of US\$0.005 per unit sold regardless of manufacture and sales territory.
2. An immediate payment of £20,000 to IFL, which will be offset against future royalty payments until cleared.
3. DFL will have the rights to exclusive manufacture of pouch 2 under the terms detailed in ‘Supplier Agreement’ below.

Stage 3: Supplier Agreement.

For a 10 year period (an initial 2 years then automatically renewable for a further 8 years), DFL will be the exclusive manufacturer of pouch 2 subject to the following conditions:

1. The unit price delivered to the UK is less than 10p (inc US\$0.005 royalty) per unit.
2. Product QA meets an agreed specification.
3. Agreed delivery schedules are met.
4. Payments for goods will be on the basis of 50% with order and 50% on proof of shipment.
5. At all times any tooling which has been paid in full for will remain the property of Volumatic Omal Ltd.

It is recognised that these terms of agreement represent what has been agreed by both party and will form the basis of the formal legal document required as part of the assignment of IFL’s intellectual property rights for the Pouch 2 to Volumatic Omal Ltd.”

- (k) It was common ground that the parties contemplated further, more formal documentation. It is also common ground that at the time the Agreement was signed, the parties had completed Sub-Stage 1 of Stage 1 and were well on the way to completing Sub-Stage 2 of Stage 1.
- (l) The Agreement provides under the heading “Stage 2: Assignment of Intellectual Property Rights” for the “mutual acknowledgement of the completion of [Sub-]Stage 4”. It is common ground that this was never expressly done. But it is also common ground that the design work contemplated in Stage 1 was completed, and the payments mentioned there were made, albeit that it took more than two years – significantly longer than had been contemplated by the parties. In December 2007, Volumatic ordered a container of 240,000 Pouches. A second container of 240,000 Pouches was ordered on 21 December 2008.
- (m) Since then, Volumatic has been ordering Pouches from DFL, and it has not ordered Pouches from anyone else. Uptake on the CCi was initially slower than both parties

expected, but by 2015, 2.3 million Pouches were being ordered annually. Pouch prices changed from time to time – the 10p price per Pouch referred to in the Agreement was never achieved: the price per Pouch always exceeded 10p. The royalty rate also fluctuated, but was always above the rate set out in the Agreement. It is also common ground that the £20,000 payment set out in Stage 2, paragraph 2 was never made as a lump sum cash payment.

- (n) Further correspondence was sent between the parties in the years since the Agreement was signed:
- (i) On 19 March 2007, IFL/DFL emailed Volumatic asking for an update on the status of “the supply agreement”. Volumatic responded on 23 March 2007 “[Volumatic] is working on this – no date at the moment”.
 - (ii) On 22 November 2007, Volumatic emailed IFL/DFL after a further meeting, setting out “the issues we discussed to form the basis for an ongoing manufacturing and royalty agreement”. The email further stated “[t]hroughout the process I have tried to remain true to the spirit of the development agreement dated 5th May 2005 but as I explained, I have significant reservations about entering into a 10 year exclusive supply agreement”.
 - (iii) On 15 December 2008, IFL/DFL wrote to Volumatic saying “For a number of reasons I think it is time to finally consign the 10p price point to history”.
 - (iv) In April 2009, further discussions took place. Volumatic provided to IFL/DFL a draft supply agreement which provided for a five-year term, and payment terms different to those in the Agreement. This draft was 27 pages long.
 - (v) On 17 July 2009, Mr Williams sent an email to Mr Amos saying: “I have had no contact from your legal agent regarding assigning the Patents”.
 - (vi) On 6 August 2009, Volumatic sent IFL/DFL a set of documents to assign the intellectual property in the Pouch. The documents did not provide for a charge over the intellectual property. These documents were meant to sit together with a 5-year supply agreement. None of the documents was ever executed.
 - (vii) On 6 November 2009, Volumatic sent further drafts of long form agreements to IFL/DFL – these were also for a 5 year term.
 - (viii) On 10 May 2010 there was correspondence marked “without prejudice”, but which HHJ Hacon found not to be so at the Case Management Conference in this action on 2 April 2019. In the correspondence, IFL/DFL suggested a 12-year royalty period. Mr Williams referred to the Agreement as “our agreement in principle”, and this was never challenged by Volumatic. A further draft agreement, on different terms again, was circulated in June 2010.

- (ix) On 5 November 2010, Mr Williams wrote again to Volumatic, noting “that the £20,000 payment is in effect consigned to history”.
- (x) On 31 January 2012, Volumatic emailed IFL/DFL saying “we need to put some meat onto the bones of several plans/proposals we have discussed in the past ... I would also like to get the supply agreement back on the table. It has to be in both our interest to get the trading relationship on a clear and unambiguous footing before we move into the next growth phase”. Mr Williams responded, agreeing with the need to have “a more formal agreement in place”.
- (xi) On 16 March 2012, Volumatic emailed IFL/DFL, making reference to “the points to be carried forwards into a formal agreement between Volumatic and DFL/IFL”. That email expressly noted that whilst “there are elements of the Agreement that neither side can deliver I still believe that it best captures the substance of what both companies hoped to achieve”. Volumatic’s proposal included a 5 year exclusive supply agreement.
- (xii) Negotiations continued in 2013. In 2014, a proposal for Volumatic to buy IFL/DFL was explored, but not ultimately acted upon.
- (xiii) Discussions were revived again in December 2015 – Mr Amos wrote to Mr Williams on 22 December 2015 “[a]s we discussed our trading relationship is effectively governed by the contract that you and Duncan signed back in May 2005, which can be summarised as follows...”. Mr Amos noted that the assignment had not taken place, and that the 10 year exclusive manufacturing agreement was “outstanding”. The email noted Volumatic’s desire to formalise the terms discussed 10 years before into a more formal document.
- (xiv) Volumatic emailed IFL/DFL on 18 October 2016 – that email includes the comment: “I cannot go to the board saying that I see any other options to bring this to a negotiated conclusion which will no doubt result in me being asked to find other methods of bringing this to closure. Inevitably this will result in us involving our legal team looking at the direct enforceability of the 2005 agreement”.
- (xv) Further discussions followed in late 2016, in 2017 and 2018, including without prejudice discussions.
- (o) A pre-action letter was sent on 20 June 2017 and these proceedings were commenced nearly 18 months later on 9 November 2018.
- (p) Volumatic and DFL continue to trade with each other.

Legal Principles

11. The parties agreed the relevant legal principles, which I gratefully adopt from Mr Tilley’s skeleton argument. I have interpolated the areas where Mr Popplewell disagreed. Mr Popplewell also asserted that a number of these propositions were irrelevant, had not been pleaded or did not arise on the facts of this case, but he did not disagree with them as legal propositions.

- “(1) In the case of an express agreement the onus of proving there was no contractual intention is on the party who so asserts, and the burden is a heavy one: Chitty on Contracts (32nd edn) at 2-168, approved in *Edge Tools & Equipment Ltd v Greatstar Europe Ltd* [2018] EWHC 170 (QB) (Martin Chamberlain QC) at [19].
- (2) In deciding whether there was an intention to create legal relations:
- a. the court applies an objective test: *RTS Ltd v Molkerei Alois Muller GmbH and Co KG* [2010] 1 WLR 753 at [45] (Lord Clarke); and
 - b. the lack of certain terms of economic or other significance to the parties having been finalised does not necessarily negate an intention to create legal relations: *RTS* at [45].
- (3) An agreement is not incomplete merely because it calls for some further agreement between the parties. Whether such further agreement is a condition or term of the bargain or whether it is a mere expression of the desire of the parties as to the matter in which the transaction already agreed to will in fact go ahead is a question of construction: *Immingham Storage Co Ltd v Clear plc* [2011] EWCA Civ 89 at [18]. There may be an enforceable agreement even if the parties contemplate entering into a further, more formal, agreement later: *Edge Tools*.

[Mr Popplewell invited me to pay close attention to the statements in *Immingham Storage* on which Mr Tilley relied, asking that I note what follows immediately on from the proposition set out above: “In the former case, there is no enforceable contract either because the condition is unfulfilled or because the law does not recognise a contract entering into a contract. In the latter case, there is a binding contract and the reference to the more formal document may be ignored.” Mr Tilley did not disagree.]

- (4) Even if the putative agreement would otherwise be held to be incomplete, the parties’ performance may justify the implication of terms to give efficacy to the agreement: *F.&G. Sykes (Wessex) Ltd v Fine Fare Ltd* [1967] 1 Lloyd’s Rep 53.
- (5) Where the parties contemplate a further formal agreement, execution of such agreement is not necessarily a condition that has to be fulfilled before the parties become bound; they may be bound by the original agreement unless and until it is superseded: *Branca v Cobbaro* [1947] KB 854.
- (6) A contract may come into existence during and as a result of performance (rather than necessarily because of an offer and

acceptance): *G Percy Trentham Ltd v Archital Luxfer Ltd* [1993] 1 Lloyd's Rep 25.

- (7) When deciding whether or not performance has taken place within a reasonable time, a court is not limited to what the parties contemplated or ought to have foreseen at the time of entry into the contract but can, with the benefit of hindsight, take account of a broad range of factors, including the nature of the cause or causes of any delay in performance: *Peregrine Systems Limited v Steria Limited* [2005] EWCA Civ 239 at [15].
- (8) If a party is entitled to treat himself as discharged from the contract and wishes to do so he must accept the repudiation by an unequivocal overt act inconsistent with the substance of the contract: *Chitty* at 24-013.
- (9) Where a reasonable time has passed for performance but the innocent party has not sought to bring the contract to an end, the innocent party will be regarded as having made its election and decided not to terminate: *Chitty* at 24-002, 24-005.
- (10) The only ways the obligations under a binding contract can cease to be binding are (relevantly):
 - a. if there is a variation of the obligation, which requires consideration;
 - b. if the agreement is discharged by agreement or for breach;
 - c. if there is an estoppel.
- (11) The court may have regard to post contractual conduct to establish an estoppel by convention (*Lewison, The Interpretation of Contract*, at 3.19).
- (12) Estoppel by convention requires it to be unjust or unconscionable to hold the parties to their bargain: *First National Trustco (UK) Limited v Page* [2019] EWHC 1187 (Ch) (Joanna Smith QC) at [100]-[114].
- (13) A party to a contract may obtain specific performance of a contractual promise made to a non-party: *Beswick v Beswick* [1968] AC 58.
- (14) A claim for specific performance is not subject to a limitation period but is subject to the doctrine of laches: *P&O Nedlloyd BV v Arab Metals Co and others (No 2)* [2007] 1 WLR 2288 [43]-[47].

- (15) To make out the defence of laches more than mere delay is required, there must be an element of detriment to the defendant: Snell's Equity (33rd edn) 5-011.

[Mr Popplewell disagreed with this proposition, arguing that there are cases where mere delay is sufficient. I return to his submissions below.]

- (16) Specific performance may be refused on the discretionary ground of "unclean hands" in circumstances where there has been a misrepresentation that justifies rescission of the contract: Snell at 17-026.

[Mr Popplewell agreed with that statement, and added that there are other discretionary grounds on which specific performance may be refused. Mr Tilley did not disagree.]

- (17) There is no actionable misrepresentation where the statement in question:

- a. is an honest opinion (Chitty on Contracts at 7-008 to 7-009); and/or
- b. is not relied upon in entering into the contract (Chitty on Contracts at 7-036).

- (18) Where a breach of contract consists in a failure to do something it may be classified as a "continuing breach" with the consequence that the limitation period does not start to run until the obligation ceases to be capable of performance: *Midland Bank Trust Co v Hett, Stubbs & Kemp* [1979] Ch 384 (Oliver J) at 435, 438-9; McGee, *Limitation Periods* (8th edn) at 10.031-10.036.

[Mr Popplewell submitted that the Court of Appeal said in *Capita (Banstead 2011) Ltd (formerly known as FPS Group Ltd) and Anor v RFIB Group Limited* [2015] EWCA Civ 1310 that the *Midland Bank* case relied on by Mr Tilley was wrongly decided. I return to this submission below.]"

12. Therefore, this is a case where the legal principles were largely agreed – the disagreement arose as to their application to the facts of the case.

Preliminary Point

13. On behalf of IFL, Mr Popplewell argued that it was relevant to consider that Volumatic had at the time of the trial put forward four different versions of its case. It was Volumatic's initial case, he said, that the assignment of the intellectual property was "conditional" on the matters set out in Stage 2 of the Agreement (10 year royalty payment, immediate payment of £20,000, 10 year exclusive manufacture). Therefore, Mr Popplewell said, it was Volumatic's

case that it had to prove that it had complied with the obligations on it under Stage 2. Thus, Volumatic's cause of action arose on the expiry of the 10 exclusive supply period.

14. Volumatic then amended its case to say that the obligations in Stages 2 and 3 were consideration for the assignment of the intellectual property. But this meant, Mr Popplewell submitted, that Volumatic's cause of action accrued on completion of Stage 1 (in or around 2007), creating issues of delay/laches.
15. Volumatic's third version, Mr Popplewell said, was in its Reply, and argued that the Agreement is of itself sufficient to grant a 10 year supply agreement.
16. Mr Popplewell said that the fourth version of Volumatic's case was hinted at in Mr Amos' witness statement, where he appeared to suggest that the obligation to provide a 10 year supply agreement had been varied to a 5 year obligation with IFL's consent.
17. I do not find this discussion helpful. Parties are entitled to amend their pleadings in accordance with the Court's rules, and amend Volumatic did. IFL came prepared to meet Volumatic's case, which was the third version to which Mr Popplewell referred above. I did not take Volumatic to be running the fourth version hinted at in Mr Amos' witness statement, and I would have rejected it on the facts had it been put. Whilst it would have been preferable for the version run to be set out in the amended Particulars of Claim, there are costs consequences of multiple amendments to pleadings in the IPEC. Volumatic's case was set out in its Reply: that is the case it has run, and the case IFL has met.

Issue 1(a) – Did the parties have an intention to create legal relations in relation to the Agreement (alternatively Stages 2 and 3 of the Agreement)?

18. Given that the Agreement is an express, written, commercial document, IFL conceded that it must prove that there was no intention to create legal relations. I accept that the burden is a heavy one: see *Edge Tools & Equipment Ltd v Greatstar Europe Ltd* [2018] EWHC 170 (QB) per Martin Chamberlain QC sitting as a Deputy High Court Judge at paragraph 19. Mr Tilley also helpfully took me to *Branca v Cobarro* [1947] 1 KB 854 per Lord Greene MR and *Immingham Storage Company Limited v Clear plc* [2011] EWCA Civ 89.
19. IFL submitted that the “key piece of evidence as to the intention of the parties” is the email of 7 February 2005, some three months prior to the date the Agreement was signed. It is common ground that this email was prepared after the Warwick Meeting to record what was agreed – it was drafted by Volumatic and sent to IFL/DFL. IFL expressly relied on the following paragraph of that email:

“This represents a summary of the proposed agreement – it will require legal input to finalise – this will be completed in April in order to delay the legal fee expenditure. In the meantime, DFL ([Mr Williams]) and Volumatic ([Mr Bonné]) will sign this letter/email hence agreeing the intent to go ahead in this form.”
20. In the event, April came and went and the Agreement was not signed until May. IFL submitted that the email of 7 February 2005 clearly shows that there was no intention to enter binding relations because of the reference to requiring legal input, and the use of the word “intent”, and that nothing intervened to alter that lack of intention between then and

May when the Agreement was signed. There were no further meetings in that time, and the limited email exchanges have been set out above.

21. Additionally, IFL relied on the following:
- (a) The Agreement does not contain the level of detail to be expected for commercial parties entering into an agreement that was intended to be binding (such as a jurisdiction clause, entire agreement clause and the like);
 - (b) The Agreement can be contrasted with various other agreements which passed between the parties, such as the draft agreements exchanged in 2004 (7 and 10 pages long) and the formal supply agreement provided in 2009 (27 pages long);
 - (c) The language of the Agreement:
 - (i) on its terms it is said to provide for further documentation; and
 - (ii) refers to the “proposed acquisition of IFL’s new designs and invention”;
 - (d) At the time the Agreement was signed, there had been some development of the Pouch but it was not complete – had the Pouch not been viable, it is nonsensical (Mr Popplewell submitted) to suggest that Volumatic should be bound to purchase quantities of it;
 - (e) The Agreement contains clauses that require further negotiation – such as product quality assurance and delivery schedules;
 - (f) The Agreement was not signed by DFL and DFL is not a party to it – as DFL produced the Pouches, it would be a necessary party for their supply;
 - (g) Volumatic’s correct business name was not used – rather, the Agreement refers to Volumatic Omal Limited; and
 - (h) The Agreement was signed by Mr Johnson who had never previously signed a supply or assignment agreement on behalf of Volumatic.
22. To the contrary, Volumatic relied on the prior legal relationship of the parties, and the following matters which it said can be taken objectively from the Agreement itself:
- (a) On its face, the Agreement refers to “agreement” and “agree”, and does not include language such as “heads of terms” or “letter of intent”;
 - (b) Although prepared or reviewed by solicitors, the Agreement was not marked “subject to contract”;
 - (c) The Agreement refers to further legal instruments being necessary, but does not say that it lacks legal force until further documentation is agreed;
 - (d) It is on (albeit rudimentary) headed paper and was signed by both parties;
 - (e) IFL had previously proffered longer written agreements for Volumatic to sign; and

- (f) Volumatic and DFL had previously entered into the Interim Confidentiality Agreement in the form of a letter, suggesting that the parties had no issues with entering into contractual relations by letter.
23. Additionally, both parties relied on the subsequent behaviour of the parties, Volumatic to suggest it was binding and IFL to suggest the reverse.
24. Applying an objective test, in my judgment, the parties did not intend the Agreement to be legally binding. It was a document designed to record the consensus reached at the Warwick Meeting – both parties conceded that the Warwick Meeting had no legal effect. Whilst the document is signed, this was done, in my judgment, not to create legal relations, but for the purposes of the parties recording the consensus – the signatures indicate the agreement of both sides that the document accurately expresses what was agreed in Warwick. This is recognised in the Agreement itself, where it records “It is recognised etc”. The Agreement is, in my judgment, no more than that. As summarised by Mr Amos in his email of 16 March 2012, the Agreement “best captures the substance of what both companies hoped to achieve”: it was not intended to create legal relations. The heavy burden that IFL set out to prove has been met. In reaching this conclusion, I have been mindful that a lack of terms of economic or other significance does not necessarily negate an intention to create legal relations. I am also mindful that there could be an intention to create legal relations even where further agreements were contemplated. But on its terms, viewed objectively, the Agreement was not, in my judgment, intended to create legal relations. I agree with IFL’s submission set out in paragraph 21(a), (b), (d) and (f) above. The arguments advanced by Volumatic, summarised in paragraph 22 above, are not inconsistent with my findings – it is not unusual that a set of minutes would be reviewed by lawyers, and even so, the use of “subject to contract”, whilst helpful, is not determinative. Similarly, the use of headed paper and the words “agreement” and “agree” are not determinative.
25. Each party argued that the behaviour of the parties following the signing of the Agreement supported its suggested interpretation – Volumatic saying that the parties largely carried out the terms of the Agreement, whilst negotiating variations, and IFL saying that the parties carried on as if the Agreement was not binding. Mr Tilley cautioned me in looking at subsequent conduct, and I accept his position on that front: what is relevant is the intention of the parties at the time the Agreement was entered into. Mr Tilley therefore cautioned me against relying on later comments by Mr Amos, who was not at Volumatic in May 2005. I agree. But that does not resolve the issue. The clear documentary evidence was that no-one involved suggested that the Agreement was binding until the email of Mr Amos of 18 October 2016, long after several sets of legal advisors had been involved on each side. Meanwhile, the parties carried on as if the Agreement was not binding, with neither party seeking to rely on its terms, including important terms such as price, royalty rate and payment terms. Also, whilst many documents were disclosed in the proceedings, and many emails were in evidence, none of them suggests that the Agreement was binding until Mr Amos’ email of 18 October 2016. To the extent Mr Amos suggested in his second witness statement that other statements were made orally, I do not accept that. When asked in cross-examination, he could not recall specific conversations, but rather relied on the notion that the issue must have come up. Rather, I conclude from the absence of such documents that the subsequent conduct over a period of more than 11 years, up until 18 October 2016, was entirely consistent with the Agreement not being binding.

26. In the alternative, IFL submitted that, if there was intention to create legal relations, it was only in relation to Stage 1. Given my finding above, I need only deal with this submission briefly. At trial, Mr Popplewell did not press this aspect of his case with great vigour, in my view, rightly. This argument is without foundation, and I reject it. Applying an objective test, there is nothing to suggest that the parties intended to be bound by part of the Agreement, but not all of it.
27. In my judgment, in entering into the Agreement, the parties did not intend to create legally binding relations. Volumatic's case therefore fails. However, as multiple other submissions were argued, I deal with each below.

Issue 1(b) – Was the Agreement sufficiently certain for it to be legally binding?

28. IFL relied on the vagueness or uncertainty of the Agreement to argue that it lacked contractual force: see Chitty on Contracts, 33rd edition, at 2-148. IFL said that no definite meaning can be given to the Agreement without adding further terms. IFL relied on the following:
 - (a) There is no reference to order volumes or minimum order volumes;
 - (b) The Agreement requires that the supplier agreement be based on the product quality assurance meeting an agreed specification, but this is not set out;
 - (c) The Agreement requires that there be agreed delivery schedules – in circumstances where the Pouch had not at that time been developed;
 - (d) There are no details of how the charge on the assignment was to operate;
 - (e) The Agreement is silent on what is to happen when new tooling is produced; and
 - (f) There are no obligations on IFL or DFL to produce any Pouches (which Mr Popplewell described as “remarkable”).
29. Volumatic submitted that “all the essentials are there”:
 - (a) Stage 1 is “quite detailed”, and was, in any event, performed without issue over the next few years;
 - (b) Stage 2 is clear as to the obligation to assign, the terms of the royalty period, the rate of the royalty and the obligations to provide security;
 - (c) Stage 3 is clear as to the term, the unit price, payment terms and the ownership of tooling. The only thing left to be agreed are quality assurance specifications and delivery schedules. In any event, Volumatic submitted that the parties had no problems following the requirements of Stage 3 for the next 10 years.
30. Further, Volumatic said that none of the matters listed by IFL is so fundamental to the contract that it affects the ability of the parties to perform it.
31. Had I found for Volumatic on the issue of intention to create legal relations, I would have rejected IFL's submissions in relation to lack of certainty. I would have done so with some hesitation: the Agreement (as I have found it) is a set of minutes – it is therefore no surprise

that, if given contractual force, its terms would be difficult to construe (because that was not the intention behind them). However, in my judgment, had there been the requisite intention to create legal relations, the terms of the Agreement would be capable of being given meaning. As set out above, I accept that the Agreement is not incomplete merely because it provides for further agreement between the parties. The Agreement is, in my judgment, sufficiently certain to be legally binding.

32. I therefore do not need to decide if it is open to Volumatic on the pleadings to argue that the parties' performance justifies the implication of terms to give efficacy to the Agreement (relying on *F. & G. Sykes (Wessex) Ltd v Fine Fare Ltd* [1967] 1 Lloyd's Rep 53).
33. I would have reached the same conclusion on this issue had I found that the Agreement was only binding in relation to Stage 1.

Issue 2 – Is Volumatic estopped by convention from asserting that the Agreement (alternatively stages 2 and 3 of the Agreement) is binding?

34. It was common ground that estoppel by convention arises whenever two parties act, or negotiate, or operate a contract, each to the knowledge of the other, on the basis of a particular belief, assumption or agreement – in such a situation, they are bound by their belief, assumption or agreement: see Halsbury's Laws, Volume 47 (Estoppel) at 368. I was also taken to helpful passages in *First National Trustco (UK) Ltd and Anor v Kevin Page and Ors* [2019] EWHC 1187 (Ch) per Joanna Smith QC sitting as a Deputy High Court Judge, where Ms Smith noted that estoppel by convention requires it to be unjust or unconscionable to hold the parties to their bargain (at paragraphs 100 to 114).
35. I have found that the Agreement is not legally binding on the parties. If I am wrong in that, IFL submitted that Volumatic is precluded by estoppel by convention from asserting that the Agreement is legally binding, because both parties acted, to the knowledge of the other, as if the Agreement was not binding on them and it would be unconscionable to allow Volumatic to resile from that now.
36. In relation to the notion of its being unjust or unconscionable to hold the parties to their bargain, IFL submitted that it had suffered prejudice as follows:
 - (a) IFL/DFL conducted their business on the basis that the Agreement was not legally binding, and it would be inequitable now to assert otherwise;
 - (b) Having discovered that Mr Bonné's pre-Agreement representations of "millions" of Pouches was false, IFL/DFL could have explored their own remedies at the time, if Volumatic had said then that the Agreement was binding;
 - (c) DFL has improved the Pouch at the request of Volumatic, and would have requested a fee, but for its understanding that it owned the intellectual property; and
 - (d) IFL is now having to defend a claim based on the parties' intentions in 2005, some 14 years ago, and it suffers prejudice as a result.
37. Volumatic submitted that the two main features of estoppel by convention are missing. First, it said there was no common assumption of fact or law which must be communicated by words or conduct so as to "cross the line" (see *First National Trustco* at paragraph 100).

Certainly, Volumatic submitted, there were ongoing negotiations, including, it said, to vary the terms of the Agreement. But there was no common assumption, and no communication by words or conduct which crossed the line. True it was that Mr Amos did not correct Mr William's email reference in 2010 to an "agreement in principle". But that, said Volumatic, does not go far enough.

38. Second, Volumatic said the element of unfairness or injustice that makes it unconscionable to go back on the assumption is missing here. Volumatic disputed the claim about the improvements to the Pouch on the basis that (a) they were *de minimis* and (b) Volumatic is not asking for an assignment of rights in the improvements.
39. I have found above that the Agreement merely records the consensus of the parties at the Warwick Meeting – and I have found that that is how they behaved following the signing of the Agreement. It was not treated as a binding agreement. No-one sought to enforce its terms. No-one called for, or provided, the £20,000 referred to. Volumatic did not call for an assignment of the patents. The 10p per Pouch aim was never achieved. The royalty rates fluctuated, without reference to the Agreement. It was not until late 2016 that either party suggested that the Agreement was binding. In my judgment, this is sufficient to create an estoppel by convention. There was, in my judgment, a common assumption communicated by conduct which "crossed the line" – both parties acted on the basis that the Agreement was not legally binding, and it would now be unfair, unjust and unconscionable to go back on that shared assumption. I find, and do so clearly, that the prejudice submitted in paragraphs 36 (a) and (d) above is made out. I say more below in relation to the prejudice summarised in paragraphs 36 (b) and (c). I accept that the five factors set out by Briggs J (as he then was) in *Revenue & Customs Commissioners v Benchdollar Ltd* [2010] 1 All ER 174 and the four factors set out by Joanna Smith QC at paragraph 113 of *First National Trustco* have been made out on the facts of this case. Parties who act for 10 or more years on one legal basis cannot then turn around and suggest something contrary to that basis. Therefore, had I found that the Agreement was binding, I would have found that Volumatic is now estopped by convention from asserting its terms.

Issue 3 – Was the Agreement varied?

40. As I have found that the Agreement had no binding legal force (or if it did, Volumatic would be estopped from enforcing it), whether or not it was varied is immaterial. However, for completeness, I note that IFL relies on the post signing conduct of both parties as offers by conduct by each party not to be bound by Stages 2 and 3 of the Agreement, which were then accepted by the other party by its conduct. As a result, IFL said that Stages 2 and 3 of the Agreement have been varied (Volumatic said IFL must mean "discharged" on the basis that IFL alleged that there are no further obligations under Stages 2 and 3 at all, but Volumatic conceded that the principles to be applied do not differ for present purposes).
41. Volumatic accepted that some of the post-signing conduct may amount to variation, but not so as to discharge Stages 2 and 3 of the Agreement: for example, the agreed change in royalty rate is merely that, not a discharge of the whole of Stages 2 and 3. But Volumatic said that the other factors relied on are part of the course of negotiations between the parties, or evidence of breach, but not so as to discharge or vary the Agreement. Mr Tilley described the Agreement in this context as "a useful backstop for both parties".
42. I agree with Volumatic. If (contrary to what I have found) the Agreement is binding and enforceable, then the conduct of the parties may have varied the Agreement (for example, in

relation to royalty rates and per Pouch cost), but it did not discharge Stages 2 and/or 3. I do not accept that any of the exchanges (written, oral or by conduct) to which I was referred amounts to an offer to discharge the Agreement, let alone an offer that was then accepted. No variation was proposed or accepted in relation to the assignment of the intellectual property. I therefore reject IFL's argument.

Issue 4 – On a proper construction of the Agreement, have the conditions for assignment been satisfied?

43. I have found that the Agreement is not legally binding and that (if it is) Volumatic is estopped by convention from relying on it. However, if I am wrong in that, it is necessary to construe the Agreement in order to determine whether the conditions for the assignment of the intellectual property have been met.
44. The parties adopted different approaches. IFL submitted that prior to any assignment, there must be the "mutual acknowledgement" of Sub-Stage 4, plus Volumatic must complete its three obligations set out in Stage 2. To the contrary, Volumatic submitted that the only condition precedent was the "mutual acknowledgement", which it said had occurred by conduct in late 2007/2008.
45. The legal principles to be applied were not in dispute, and were summarised by Popplewell J in *Lukoil Asia Pacific Pte Ltd v Ocean Tankers (Pte) Ltd* ("*The Ocean Neptune*") [2018] EWHC 163 (Comm). I do not repeat them here.
46. I start with the meaning of "mutual acknowledgement of the completion of [Sub-]Stage 4". IFL submitted that these words at the start of the clause relating to Stage 2 require the parties formally to acknowledge that Stage 1 has been completed *and* that they are willing to proceed to Stages 2 and 3. IFL said that this is the only interpretation which makes the Agreement workable – without a willingness to proceed (for example, to agree further documents, the quality assurance specification and the delivery schedules), then the mutual acknowledgment makes no sense.
47. Volumatic submitted that the words mean what they say – that is, that the parties acknowledge – expressly or by conduct – that Sub-Stage 4 has been completed. This Volumatic said, occurred in 2007/2008 when it started ordering Pouches in large volumes.
48. Applying the legal principles I have referred to above, it seems to me that the objective meaning of the language cannot be stretched to accommodate IFL's construction. A reasonable person, with the background knowledge of the parties, would take "mutual acknowledgement of the completion of [Sub-]Stage 4" to mean just that – that the parties have created a prototype of the Pouch, and tested it successfully. IFL conceded that this mutual acknowledgement can happen by conduct, and I find that it did, in 2007/2008. There was some debate as to whether the correct date was 2007 or 2008 but both parties conceded that it does not matter for the purposes of this dispute.
49. I thus do not need to consider which construction is more consistent with business common sense, because I have found that IFL's construction is not a possible competing construction. If I am wrong in that, I would have found that Volumatic's construction is more consistent with business common sense.

50. IFL submitted that there is a further condition precedent to the assignment – the three matters Volumatic is required to perform under Stage 2 – a 10 year royalty payment, immediate payment of £20,000 and a 10 year exclusive manufacturing agreement. Volumatic said that it was only required to undertake these steps once the rights in the Pouch were assigned to it by IFL.
51. Here, in my judgment, both constructions are open to me on the objective meaning of the language. I do not accept Mr Popplewell’s submission that there is only one interpretation open to me: his. His argument was that the Agreement records the consensus of the Warwick Meeting; in Volumatic’s summary of that meeting, the £20,000 payment came first; this was within the background knowledge of the parties; therefore that is the only interpretation open to the Court. I disagree. Mr Johnson’s summary of 7 February 2005 was never signed by the parties. The Agreement was. It stretches too far the guidance in *Lukoil* to suggest that an earlier, unsigned document trumps the language of a later signed one. A reasonable person in the shoes of the parties could well have come to either construction, considering the contract as a whole. The question for me is therefore which of the two constructions is more consistent with business common sense.
52. In my judgment, Volumatic’s construction is more consistent with business common sense. Adopting the text of Stage 2 of the Agreement, following mutual acknowledgment, “IFL will assign”. That assignment is said to be “subject to a noted charge”, and the charge, not the assignment, is “based on” Volumatic’s “honouring the terms below”. Thus, the intellectual property is assigned and charged, and IFL may rely on the charge to enforce Volumatic’s compliance with the three requirements. If Volumatic fails to perform, then the charge bites.
53. IFL’s construction sits less well with the language of the Agreement, and with business common sense. If Volumatic is first required to provide a 10 year royalty payment, that would suggest that the intellectual property does not have to be assigned until the end of the 10 year period, as paragraph 1 will only have been complied with at that time. Alternatively, if Volumatic complied with paragraph 1 of Stage 2 by entering into a 10 year royalty agreement then IFL would have the benefit of the charge to enforce it – but that is not what the clause says. Similarly, DFL having the rights to exclusive manufacture for 10 years would not be known until the end of a 10 year period - the Agreement does not mandate a separate agreement.
54. Further, the charge over the intellectual property makes less sense on IFL’s construction. For example, if the requirement is that the £20,000 be paid prior to assignment, and the amount is paid, then the charge is not necessary to ensure that Volumatic “honour[s] the terms below in full”, as it will already have done so by making the payment. Any offset of the £20,000 against future royalty payments is to Volumatic’s benefit, not IFL’s, and so IFL does not require the charge to enforce any on-going “honouring” of that term. I accept, as Mr Popplewell submitted, that the charge helps to enforce the other two requirements, but, again, that is not what the Agreement says.
55. I am conscious that at least some of the individuals involved, including on Volumatic’s side, actually thought that IFL’s construction was correct – for example, Juliette Summerfield, a Volumatic employee, noted in an email “My take on the IP is that DFL will assign this to Volumatic upon receipt of £20,000 and a 10 year royalty agreement”. Similarly, Mr Amos set out the same understanding in his email of 22 November 2007. But, in my judgment, this

is not how the Agreement would be interpreted by an objective observer with the knowledge of the parties, and so it does not matter what Ms Summerville or Mr Amos thought the Agreement meant, nor that Mr Williams did not “correct” them.

56. Therefore, in my judgment, Volumatic’s construction is to be preferred. The only condition precedent to Stage 2 was the mutual acknowledgement of the completion of Sub-Stage 4. This was done by conduct in late 2007/2008. Had the contract been binding, the obligation would then have arisen for IFL to assign “all property rights for [the P]ouch”, which it did not do.
57. IFL argues in the alternative that the obligation to assign was conditional on Volumatic’s being *willing* to comply with its obligations under Stages 2 and 3. I cannot see any justification for this submission on the language of the document or in the wider context. On the terms of the Agreement, following mutual acknowledgement (that is, conclusion of development and testing of the Pouch), IFL was obliged to assign the intellectual property in the Pouch. If Volumatic was unwilling to move forward with the immediate payment, royalties and exclusive manufacture, IFL’s remedy was through its charge over the transferred intellectual property.
58. If I am wrong in that, and the correct construction of the Agreement is that it was a condition precedent to the assignment that the three steps first be carried out by Volumatic, Volumatic conceded that the £20,000 “immediate” payment was never made. I do not accept Volumatic’s argument that payment of royalties adding up to £20,000 over the next several years in effect complied with the requirement. Nor do I accept that IFL needed to call for the payment, or that IFL is estopped from asserting that Volumatic has failed to provide immediate payment. If IFL’s construction of the condition precedent is correct, IFL was entitled to immediate payment on mutual acknowledgment. That payment having never been made, Volumatic would not have satisfied the conditions precedent, therefore there can be no obligation on IFL to transfer the intellectual property in the Pouch. Similarly, I do not accept that a 10 year relationship that, in the end, turned out to have been exclusive is the same as a 10 year exclusive manufacturing agreement: the latter would have given IFL certainty. In any event, Volumatic was very clear that it was not prepared to enter into a 10 year exclusive manufacturing agreement, then, later or now. I also do not accept Volumatic’s argument that, as IFL owned the relevant patents, it in effect had an exclusive agreement anyway, as any third party manufacturing the Pouch would have infringed the patents. There is a difference between enforcing an exclusive manufacturing agreement and enforcing a patent (not least because patents are not worldwide). In my judgment, there would have been value to IFL/DFL in an exclusive manufacturing agreement, which it never had.

Issue 5 – If the conditions precedent were satisfied, did Volumatic satisfy them within a reasonable time?

59. IFL submitted that, if the Agreement was binding and Volumatic is not estopped from relying on it, it was an implied term that Volumatic would comply with its obligations under Stages 2 and 3 within a reasonable time. Volumatic did not dispute that such a clause should be implied into the Agreement, but the parties differed on what a reasonable time might be. IFL said 3 months from the completion of Stage 1; Volumatic said 10 years.
60. Given my findings on the issues above, this issue does not arise. But if I am wrong, IFL asked me to find that it is now too late for Volumatic to call for the assignment of the

intellectual property in the Pouch on the basis that it has performed the three requirements of Stage 2, or is willing now to do so. Volumatic, on the other hand, said that I should take into account the ongoing negotiations over the past 10 years, the lack of urgency to regularising the ownership of the intellectual property, the uninterrupted supply of Pouches and the continuing commercial relationship between the parties. Whilst noting that 11 years is a long time, Volumatic's behaviour, it said, was reasonable.

61. I can deal with this issue briefly. I have found that Volumatic has not complied with any of the three requirements set out in Stage 2. Could it do so now? Volumatic's own evidence was clear – there was not in 2007 and there is not now a willingness on Volumatic's part to provide DFL with a 10 year exclusive manufacturing agreement. Mr Amos' evidence in the witness box was clear – Volumatic was not at any time since 2005 willing to enter into a 10 year exclusivity agreement, because it had been advised by its then legal advisors not to. Thus, some 10 years later, it does not matter whether 10 years would be a reasonable period or not: Volumatic remains unwilling to enter into a 10 year exclusivity agreement, despite the fact that it has now purchased Pouches only from DFL for 10 years. So whether a reasonable period was 3 months or 10 years does not matter – Volumatic's case on this issue still fails.

Issue 6(a) – Has Volumatic come to court with clean hands by reason of it allegedly conducting its relationship with IFL as if the Agreement were not binding on it?

62. The specific performance sought by Volumatic is an equitable remedy, which requires the party seeking it to come to court with clean hands. I can also deal with this issue briefly. IFL relies on the same factual matrix as pleaded in relation to estoppel by convention to say that Volumatic has unclean hands.
63. Had I found that the Agreement was binding and that estoppel by convention did not prevent its enforcement, I would have found that Volumatic was disentitled to specific performance, because it conducted its relationship with IFL as if the Agreement were not binding, for the same reasons I have set out above in relation to estoppel by convention.

Issue 6(b) – Has Volumatic come to court with unclean hands by reason of its alleged pre-contractual misrepresentations?

64. It is conceded that, prior to entering into the Agreement, Mr Bonné on behalf of Volumatic indicated that Volumatic would be ordering a high volume of Pouches. One account is that Mr Bonné said “in the millions”. Another account is that Mr Bonné said “10 million pouches per year”. Mr Williams suggested that he understood Mr Bonné to mean that the figure would be achieved in a year. I do not need to decide exactly what was said by Mr Bonné because it does not matter - it is clear from the evidence before me that IFL/DFL did not rely on this statement, whichever version of it was made. It was not written down at the time (or even mentioned in any written correspondence), nor was it (or any other reference to quantity) included in the Agreement or in any of the other documents passed between the parties at the time. In my judgment, it was no more than the overly enthusiastic puff of an entrepreneur: IFL/DFL appreciated that and did not rely on it.
65. Had they relied on the statement, IFL/DFL would have been wrong to do so. IFL/DFL were supplying pouches to Volumatic in 2005 at the time the statement was made, and had been since 2001. In those years, sales had been slow, and orders were in the hundreds of thousands – considerably short of “millions” or “10 million”. IFL/DFL were aware of

Volumatic's customer base, and aware that IFL/DFL did not have customers with requirements anywhere near those levels. IFL/DFL knew that a significant number of new customers would be needed in order to achieve sales of those levels. Further, 10 years later, as the business has grown steadily, annual orders remain at a quarter of the 10 million figure. Further, Mr Williams told me candidly from the witness box that he would never have been able to make 10 million Pouches had they been ordered, and certainly would have been unable to ramp up production to be able to make 10 million Pouches within a year.

66. For these reasons, I have no hesitation in rejecting IFL's argument.

Issue 6(c) – Has Volumatic has come to court with unclean hands by reason of its failure to comply with its own obligations under the Agreement (including whether IFL acquiesced to the same and/or whether IFL is estopped from asserting otherwise)

67. I have found that the parties did not intend the Agreement to be legally binding, and acted on that basis for more than 10 years. It is therefore not surprising that the terms of the Agreement were not complied with by the parties. IFL relies on the following failures:

- (a) Volumatic paid royalties to DFL, not to IFL;
- (b) No royalty agreement was ever entered into;
- (c) The £20,000 immediate payment was never made;
- (d) No charge was ever entered into;
- (e) No manufacturing agreement was ever entered into and Mr Amos' evidence was that Volumatic remained unwilling to enter into one; and
- (f) Volumatic did not pay under the payment terms set out in the Agreement.

68. I accept these submissions, other than in relation to 67(a) above: as DFL and IFL behaved interchangeably, it does not matter to whom royalties were paid. I have found that Volumatic is not entitled to enforce the Agreement. Had I found that it was, then I would have denied specific performance on this ground. A party cannot ignore an agreement for more than 10 years and then seek specific performance of the clause that benefits it.

Issue 8 – Does IFL have a defence of laches?

69. Both parties accepted that the Limitation Act 1980 does not apply to claims for specific performance, and nor can it apply by analogy: see *P&O Nedlloyd BV v Arab Metals Co and Ors (No 2)* [2006] EWCA Civ 1717. But both parties accepted that the defence of laches is available in claims of this nature:

“The equitable doctrine of laches ... provides the court with ample power to refuse relief when delay on the claimant's part would make it inequitable to grant it and I should be surprised if there were many cases in which, in the absence of fraud, the court would be willing to grant relief by way of specific performance if the claim had not been made within six years after the contract was due to be performed” (*P&O* at paragraph 52).

70. Volumatic argued that the defence of laches could not apply on two grounds. First, it argued that if Volumatic was only entitled to demand assignment after performing 10 years of royalty payments, that hurdle has only been met recently and hence there is no delay. Second, Volumatic argued that, even if there was a delay, it had not been prejudicial to IFL: the parties had carried on in their commercial relationship, pursuing a consensual resolution to the ownership of the intellectual property, rather than taking the matter to court, in circumstances where there was no imperative to clarify the ownership position (citing *Frawley v Neill* [2000] CP Reports 20 and *Patel and Ors v Shah and Ors* [2005] EWCA Civ 157).
71. I reject Volumatic’s first argument. There has clearly been a substantial delay. I have found that the 10 years of royalties was not a condition precedent to assignment. Rather, the “mutual acknowledgment” required for Stage 2 of the Agreement to activate was completed (including on Volumatic’s pleaded case) in 2007/2008. These proceedings were commenced 10 years later. Even deducting a year for the without prejudice negotiations, there has been substantial delay.
72. In relation to prejudice, IFL submitted that it was not necessary, but, if it was, it relied on the same factors as set out above in paragraph 36.
73. I do not need to decide whether or not prejudice is required because I find it is present. As set out above, I do not accept that IFL has suffered prejudice as a result of Mr Bonn e’s entrepreneurial puff statements. I also do not accept that IFL suffered prejudice as a result of improvements to the Pouch. Mr Williams was clear in his oral evidence that none of the improvements related to the invention disclosed in the patents, so, on the facts, this issue does not arise. But I do accept that IFL would suffer prejudice on the basis of its submissions, summarised in paragraphs 36 (a) and (d) above, which is, in my judgment, sufficient to establish laches.

Issue 10 – Should the court refuse specific performance on the discretionary grounds that: (a) IFL has allegedly conducted itself on the basis that Stages 2 and 3 of the Agreement were not binding; (b) IFL has improved the Pouch at the request of Volumatic; (c) Volumatic has allegedly not complied with its own obligations under the Agreement; and/or (d) delay

74. I have set out my conclusions above in relation to the allegations of unclean hands on the basis of Volumatic conducting itself as if the Agreement were not binding (sub-issue (a)) and Volumatic’s failure to comply with the terms of the Agreement (sub-issue (c)): my conclusions are the same in the exercise of my discretion. In relation to improvements to the pouch (sub-issue (b)), I would not have refused specific performance on this ground for the reasons I have given above. Therefore, had I otherwise decided to order specific performance, sub-issues (a) and (c) would have tipped the balance against doing so but sub-issue (b) would not. Delay (sub-issue (d)) also would have tipped the balance against ordering specific performance – if the 10 year delay were insufficient to establish laches, it would have weighed heavily in my exercise of the Court’s discretion, such that I would not have ordered specific performance. In *P&O Nedlloyd* the Court of Appeal noted that a party is not entitled to bring a claim for specific performance “unless he has shown himself ready, desirous, prompt and eager” (citing *Milward v Earl Thanet* (1801) 5 Ves 720n). Further, the Court of Appeal noted:

“Specific performance is relief which this court will not give, unless in cases where the parties seeking it come promptly, and as soon as the nature of the case will permit.”

Parties are expected to bring claims for specific performance promptly. That was not done in this case. In addition to refusing specific performance on the basis of laches, I would also have refused it in the exercise of my discretion.

Issue 7 – Would it be inequitable to order specific performance?

75. I do not consider this issue to go any further than the issues I have already decided above.

Issue 12 – Should the court order specific performance of the Agreement?

76. For the reasons set out above, the application for specific performance is refused.

Issue 11 – Does IFL hold the intellectual property rights in the Pouch on trust for Volumatic?

77. Volumatic submitted that if it is entitled to assignment of the intellectual property, then until that assignment is perfected, IFL holds the intellectual property on trust for Volumatic. I have found that Volumatic is not entitled to assignment of the intellectual property, so, even if Volumatic is right at law (which I do not need to decide), no trust can arise.

Issue 13 – Should the Court order damages in lieu of specific performance?

78. Volumatic argued that, had I found that the intellectual property should be assigned, but refused to order specific performance for any of the reasons set out above, I should order a damages enquiry in lieu of specific performance. Again, given my findings, this issue does not arise.

Issue 9 – Is the claim for damages statute barred?

79. The parties were in agreement that any statute bar applies only to the claim for damages, because the Limitation Act 1980 should not be applied to claims for specific performance: *P&O Nedlloyd BV v Arab Metals Co and Ors (No 2)* [2006] EWCA Civ 1717. I have found that such a claim does not arise, but if it had, it would have arisen when “mutual acknowledgement of the completion of [Sub-]Stage 4” occurred, on Volumatic’s own case, in 2007/2008. The limitation period for claims for breach of contract is six years (section 5, Limitation Act 1980). Therefore, in my judgment, that claim is clearly statute barred.

80. I do not accept the position, set out in Volumatic’s Reply, that a fresh cause of action arose on the expiry of the 10 year exclusive supply period – that no longer sits with how Volumatic now pleads its case. Nor does it assist Volumatic to argue that the obligation to assign the intellectual property is a continuing one – were that the case, Volumatic could wait decades before bringing its claim, and the purpose of the statute of limitations would be frustrated. I accept IFL’s submission that continuing obligations such as the duty to repair may avoid limitation periods (see *Bell v Peter Browne and Co* [1990] 2 QB 495 at 500E to 501F), but the obligation here is not the same: had IFL assigned the intellectual property, there would have been no continuing obligation to do so again. I am bound to follow *Capita (Banstead 2011) (formerly known as FPS Group Ltd) and another v RFIB Group Ltd* [2015] EWCA Civ 1310, which held at paragraph 20 (per Longmore LJ with whom Henderson LJ

agreed, Gloster LJ dissenting) that *Bell* is to be preferred over the *Midland Bank* case cited by Mr Tilley. I accept Mr Popplewell's submission that there was no continuing obligation in this case.

81. Any claim for damages is therefore time barred.

Issue 15 – Should IFL be ordered to grant Volumatic exclusive rights to use any know-how in respect of the Pouch?

82. Volumatic argued that the “objective intention” of the Agreement was to equip Volumatic with everything it needed to exploit the rights granted – and that the intellectual property would be useless to Volumatic without a right to use any know-how. Know-how, Mr Tilley reminded me, is not property, and hence cannot be “assigned”. But it is clear on the terms of the Agreement that such a clause is needed, he said, and that I should construe the Agreement to include such an exclusive right.

83. IFL submitted that such a claim is “simply wishful thinking” – there being no basis on which a reasonable person with the background knowledge of the parties would construe the Agreement as requiring IFL to transfer know-how to Volumatic.

84. I agree with IFL. The clear language of the Agreement refers only to “property”, and know-how is not property. The property is to be “assigned” and Mr Tilley conceded that know-how is not capable of assignment. In any event, any know-how was in the possession of DFL, not IFL, the party to the Agreement and the owner of the intellectual property. Further, any know-how on the production process (as opposed to the design process) actually sat with the people running the factories in China who manufacture the Pouch on behalf of DFL.

85. In my judgment, there is no basis at all for inferring such a construction, and I reject it.

Conclusions

86. In summary, for the reasons set out above:

- (a) The Agreement has no contractual force because Volumatic and IFL did not intend to create legal relations.
- (b) If I am wrong in that, then the terms of the Agreement are sufficiently certain. They may have been varied by the conduct of the parties, but not so as to discharge the Agreement or to amend the requirement to assign the intellectual property. However, Volumatic is estopped by convention from asserting the Agreement.
- (c) Properly construed, the only condition precedent for Stage 2 of the Agreement is the “mutual acknowledgement of the completion of [Sub-]Stage 4”, which occurred in 2007/2008.
- (d) Volumatic has not come to court with clean hands, by reason of its conducting its relationship with IFL as if the Agreement were not binding, and its failure to comply with its obligations under the Agreement.
- (e) I reject IFL's submissions on pre-contractual misrepresentation.

- (f) IFL has a defence of laches in relation to specific performance. I would also have refused specific performance on discretionary grounds and/or on grounds of inequity.
- (g) Damages in lieu of specific performance do not arise, but any such claim is in any event statute barred.
- (h) IFL does not hold the intellectual property in the Pouch on trust for Volumatic.
- (i) Volumatic is not entitled to exclusive rights to use any know-how in respect of the Pouch.

87. Volumatic's claim is dismissed.