



Neutral Citation Number: [2014] EWHC 3629 (Ch)

Case No: HC14 E 02630

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**

The Rolls Building  
7 Rolls Buildings, Fetter Lane, London, EC4A 1NL

Date: 05/11/2014

**Before :**

**MR D HALPERN QC (SITTING AS A JUDGE OF THE CHANCERY DIVISION)**

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**Between :**

**118 DATA RESOURCE LIMITED** **Claimant**  
**- and -**  
**(1) IDS DATA SERVICES LIMITED** **Defendants**  
**(2) SUSAN MARGARET MACFARLANE**  
**(3) KEVIN SHARPE**

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**Mr Thomas St Quintin** (instructed by **Bates Wells & Braithwaite London LLP** for the **Claimant**  
**Mr Michael Hicks** (instructed by **Shakespeares LLP**) for the **1<sup>st</sup> and 2<sup>nd</sup> Defendants**

Hearing date: 30<sup>th</sup> October 2014  
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**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.

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**MR D HALPERN QC (SITTING AS A DEPUTY JUDGE OF THE CHANCERY DIVISION)**

**Mr D Halpern QC :**

1. This is an application by the Claimant (“118”) for summary judgment for specific performance of clause 4.7 of an agreement with the First Defendant (“IDS”) made on 1<sup>st</sup> April 2012. 118 and IDS are business rivals who entered into an agreement for sharing information and have now fallen out with one another. 118’s business includes the sale and licensing of its database of contact details of businesses in the UK (“the Database”). IDS’s business also includes the sale and licensing of contact details of businesses in the UK. The Second Defendant, Mrs Macfarlane, is a director of IDS. The Third Defendant is an employee or former employee of IDS who is not a party to the current application.
2. On 1<sup>st</sup> April 2009 118 granted a written licence to IDS for limited use of the Database, including a limited right to grant sublicences (“the Agreement”). On 22<sup>nd</sup> February 2012 the Agreement was renewed for a further three years on the same terms as previously, save as to the fee.
3. At first sight it might seem surprising 118 was prepared to share its Database with a business rival, but presumably 118 welcomed the substantial fee and believed that it was possible to define the relationship in such a way that IDS would be prevented from competing in ways that were unacceptable to 118. One can readily imagine that 118 wanted to ensure that IDS as a business rival did not exceed the terms of the limited licence; the obvious way of achieving that end would be by some form of policing. But one can also readily imagine that IDS wanted to ensure that 118 did not have an unrestricted ability to gain access to IDS’s knowhow in the course of policing the Agreement. That tension forms part of the factual matrix against which I have to construe the mechanism contained in clause 4.7 of the Agreement.
4. Clause 4.7 provides as follows:

“[IDS] undertakes and agrees with [118] that it will ... permit any duly authorised representative of [118] on reasonable prior notice to enter into any of its premises where any copies of [the Database] are used, for the purpose of ascertaining that the provisions of this Agreement are being complied with.”
5. The issues before the court in the current application are as follows:
  - 5.1 On its true construction, what rights are conferred by clause 4.7?
  - 5.2 Is the construction sufficiently clear for summary judgment?
  - 5.3 If clause 4.7 is construed as 118 submits, should 118 be granted specific performance?
  - 5.4 If clause 4.7 is construed as 118 submits but an order for specific performance would cause hardship, should the court instead make an order for early disclosure?
  - 5.5 The form of any order.
6. 118 seeks a mandatory injunction by way of interim relief in the alternative, but Mr Thomas St Quintin (for 118) accepts that in practice this alternative faces the same hurdles and adds nothing. I therefore say no more about it. Mr St Quintin also told me

that 118 claims copyright and database rights, but it was common ground that for the purpose of this application I should consider the matter solely as a matter of contract law.

### **Construction of the Agreement**

7. There was no serious dispute between the parties as to the principles of construction to be applied to the Agreement. Mr Michael Hicks (for IDS) referred to the summary given by Briggs J in *Dear v. Jackson*, which was approved on appeal by the Court of Appeal [2014] 1 BCLC 186 at [15], subject to a small gloss at [18]. I am happy to adopt the formulation in that case which should be treated as read into this judgment. However, I must deal with five matters of law relating to construction which are relevant to this Agreement.
8. (1) Where commercial entities enter into an agreement, the court will strive to give it a meaning and not hold it void for uncertainty. This application of the maxim *ut res magis valeat quam pereat* applies with particular force where the agreement is a detailed written agreement between two commercial entities that was plainly intended to have binding effect.
9. (2) There is a difference between implying a term which adds to a contract (where the test is one of necessity) and implying a term in an otherwise complete agreement where there is an obvious gap in the machinery which needs to be filled. As Lord Wilberforce explained in *Liverpool City Council v Irwin* [1977] AC 239 at 254A, in the latter case: “The court here is simply concerned to establish what the contract is, the parties not having themselves fully stated the terms. In this sense the court is searching for what must be implied.”
10. (3) Following on from this last point, the court will readily insert machinery into a contract in order to make it workable. This is frequently done by building on an express or implied obligation to act reasonably: see, for example, *Sudbrook Trading Estate Ltd v. Eggleton* [1983] 2 AC 444 at 479.
11. (4) In some cases there will be an insuperable problem in deciding whether reasonableness is to be judged from the point of view of one party or the other. However, the starting point must be to look at the contract as a whole in order to see what the parties are taken to have intended. The court can then see whether the parties’ intention (objectively construed) is sufficiently clear to enable the court to fill in the missing machinery without having to take the impermissible step of re-writing the contract. In the present case, this means seeing how the parties have chosen to strike the balance between (i) 118’s interest in preventing excessive use by IDS of the Database and in policing that use and (ii) IDS’s interest in preserving its own confidential information.
12. (5) Mrs Macfarlane says in her witness statement that the contract was proffered by 118 and that the terms were not really negotiated. However, there is no evidence that these are 118’s standard business terms. In my judgment the *contra proferentem* rule is unlikely to play any major role in this case, for the reason given by Gloster J in *CCV Software v. Gamecock* [2009] EWHC 2965 (Ch) at [56]:

“Whilst the rule may be of assistance in certain particular contexts, such as, for example, where one party contracts on the other’s standard terms, on a “take it or leave it” basis, it is of

uncertain application and little utility in the context of commercially negotiated agreements, such as the Agreement in the present case.”

13. Mr Hicks explained to me that the Agreement worked in the following way. 118 agreed (i) to provide IDS with a copy of 118’s Database and (ii) to check IDS’s own database and update it (e.g. in particular to update the contact details of names on IDS’s database). 118 performed this service in two ways. Firstly it sent an update every month; secondly it sent a complete updated database every quarter. I am told that the updates and the full databases contained both 118’s Database and IDS’s database combined, but that there were indications in the file which identified the source of each record.
14. Clause 3.1 grants a non-exclusive non-transferable licence to IDS to use the Database for the purpose of direct marketing and commercial sub-licensing. Clause 3.2 provides as follows:

“[IDS] shall ensure that, save for archiving purposes, only one copy of the [data] is physically stored and that it is held separately from any other data in a secure environment and [IDS] is expressly prohibited from allowing any other party whatsoever from producing (*sic*) copies of the [Database]”
15. It was common ground that “physically stored” does not refer to storage in hard copy form but means storage on a computer. In other words, if the data is stored on a server, it may be stored on only one server. I am told that the current Database is in fact stored on IDS’s one server in its offices at 144 West George Street, Glasgow.
16. Clause 4 contains a number of important restrictions. Clause 4.1.1 prevents IDS from granting any sublicence to named companies who are business rivals of 118. These include Thomson Directories Ltd (“Thomson”). I was told that 118 in fact acquired the business of Thomson after this Agreement had been renewed, and discovered in or about December 2013 that IDS had granted a sublicence of part of the Database to Thomson in breach of this provision.
17. Clause 4.1.2 prevents IDS from granting any sublicence which exceeds 300,000 records to any one customer. Mr St Quintin told me that IDS has admitted to copying 277,000 records from the Database into its own database, that 118 cannot prove that the figure of 300,000 has been breached, but that the admitted figure comes very close to the maximum of 300,000 and gives 118 cause for concern that the latter may have been breached.
18. Clause 4.2.2 requires IDS to ensure that the data is not used as part of any product which competes with 118’s business and to use best endeavours to ensure that its customers do not do so. Mr St Quintin submitted, and I accept, that the obvious way for IDS to comply with the latter part of the clause would be by inserting appropriate terms in its standard sublicence(s). Clause 4.4 requires IDS to use its best endeavours to ensure that its customers use the data only for direct marketing and do not use the data in their own products. Similar considerations apply to this provision.
19. Clause 4.6 provides as follows:

“[IDS] undertakes and agrees with [118] that prior to releasing any 118 Data Resource Data, whether or not integral within a software product, to a customer, such customer shall enter into a standard licence agreement in respect of such data with [118] and the terms of which, any variations to which, shall be approved by [IDS] such approval not to be unreasonably withheld or delayed.”

It is common ground that IDS has never submitted its standard licence(s) to 118 for approval and that 118 has never asked to see it or them. Mr Hicks says, and I accept, that clause 4.6 gives 118 the right to see the standard document, but not to see the commercially sensitive terms of the individual contracts, such as the identity of the other contracting party or the price. I agree, subject to the proviso that IDS is not permitted to use the individual terms of any licence so as to vary the standard terms.

20. Clause 7 contains confidentiality provisions which look as if they are lifted from a standard-form document. Clause 7.2 says that 118 is to keep confidential “the financial information and all information of a confidential or proprietary nature, whether or not so designated (“[IDS] Confidential Information””, whilst clause 7.4 provides that 118 “shall disclose [IDS] Confidential Information only to those employees of 118 who are directly involved in the negotiation and performance of the activities contemplated under this Agreement”. Mr St Quintin sought to rely on these provisions as imposing some duty of confidentiality on 118 so that it could not misuse the information obtained pursuant to clause 4.7, but I find it difficult to get much sense out of these provisions. There is no definition of what is meant by “confidential information” and it is not clear that clause 7 adds anything beyond what would be implied in any event.
21. Having looked at the Agreement as a whole, I now turn to construe clause 4.7. The following issues arise:
  - 21.1 IDS agrees to permit access to “any duly authorised representative” of 118. Who is to be given access?
  - 21.2 Access is to be given to “any of its premises where copies of [the Database] are used”. Which premises are meant?
  - 21.3 Access is to be given “for the purpose of ascertaining that the provisions of this Agreement are being complied with”. What does this mean?
  - 21.4 Clause 4.7 merely refers to access but does not say what 118 is permitted to do once it has gained access.
22. Who is to be given access? Clause 4.7 refers to “authorised representative” in the singular, but clause 1.3 says that the singular should include the plural, unless the context otherwise requires. There is nothing to limit it to one person. Presumably 118 is not entitled to swamp IDS with a whole army of representatives, but that could be dealt with by implying a term that 118 must act reasonably.
23. May 118 send its own employee(s) or must it send an independent third party, by analogy with the regime for a supervising solicitor in a “search and seize” order? There is an obvious risk that 118’s own employee(s) might learn something to 118’s commercial

advantage. However the difference in the case of a “search and seize” order is that the court is authorising what would otherwise be a serious interference with the defendant’s rights. By contrast, in this case IDS has agreed to allow access. The question for the court is whether IDS has chosen to take the risk that access might be by 118’s employee(s). There is nothing in the express wording which prevents 118 from sending its own employee.

24. To what locations does clause 4.7 apply? The phrase refers to any of its premises “where the copies of [the Database] are used”. The reference to “copies” is inconsistent with clause 3.2, which contemplated that there would be only one copy (as I am told is the case). I treat this as an obvious error. I am told that IDS runs its business from a single location in Glasgow which houses the server as well as the computers which generate subsidiary databases which are then sublicensed. Contracts with customers are kept at this location for a few months, after which they are archived off-site. It is common ground that 118 has no right to gain access to the archive but only to the main office. However, this leaves the question whether the phrase simply defines the location or whether it also throws light on the purpose of giving access.

25. Clause 4.7 says that access is to be granted “for the purpose of ascertaining that the provisions of this Agreement are being complied with”. Mr Hicks says that this is a reference to the provisions relating to the storage or use of the Database; Mr St Quintin says that it refers to all provisions of the Agreement, including the terms on which data is sublicensed. I prefer Mr Hicks’s submission for the following reasons:

25.1 As I have held, clause 4.6 permits 118 to vet the standard terms of IDS’s licences but does not permit it to see IDS’s commercially sensitive information as to the identity of the customer or the prices. I do not consider that clause 4.7 was intended to confer that additional right which is not given by clause 4.6. Mr Hicks accepted that, if IDS entered into a sublicense with a customer to provide a limited database which included extracts from 118’s Database, the database would be a document which 118 might be entitled to see, since the definition included the Database “or any part thereof”; however that does not entitle 118 to see the sublicense itself.

25.2 I return to the phrase defining the premises to be searched. I can see no good reason for permitting a search of the place where the Database is stored if that gives 118 *carte blanche* to search for anything which happens to be on those premises, whether or not connected with the storage or use of the Database. It seems to me to be more likely that those words limit the nature of what may be inspected as well as defining the location.

26. Finally, there is the question of what 118 is permitted to do once it has gained access. I readily accept that the intention was to enable 118 to police the Agreement, albeit that this is limited to policing the use of the Database. This clearly imposes some kind of obligation on IDS to permit access to the computer in order that 118 can carry out the permitted investigation. But what kind of access is permitted? There must be some restriction to ensure that 118 searches only for material relating to the use of the Database, that it does not search for commercially sensitive information relating to IDS’s customers, that it does not search for any material relating to the use of the Database which is protected by legal professional privilege, and that 118 is prevented from using the material for other purposes. There is no mechanism to deal with any of this. In my

judgment the task of filling the gaps goes considerably beyond the steps which the court was prepared to take in *Sudbrook* and would involve re-writing the Agreement.

27. Further, if 118 carries out a search and discovers (or considers that it has discovered) a breach, the Agreement is silent as to what steps 118 is permitted to take thereafter. Is 118 permitted to remove data and, if so, what may it do with the data? Once again, this will involve substantially rewriting the parties' bargain.
28. I was not addressed on the test for summary judgment but I will adopt the well-known summary given by Lewison J in *EasyAir Ltd v Opal Telecom Ltd* [2009] EWHC 339 (Ch) at [15], which should be treated as read into this judgment.
29. In the circumstances I am satisfied that 118 has the right to enter IDS's office in Glasgow for limited purposes, but I am not satisfied that 118 has shown a sufficiently clear case that it is entitled to enter for the purposes for which it wishes to enter, nor as to what it is allowed to do once it has entered.
30. It is apparent that IDS has committed a breach of contract, at least in relation to the Thomson directory, if not more widely. However, I am not satisfied that clause 4.7 bears the meaning which 118 ascribes to it. I say nothing to prejudice what relief, if any, 118 may be entitled to at trial, but in my judgment it is not entitled to specific performance on an application for summary judgment.

#### **Other issues**

31. In the circumstances 118 fails at the first hurdle. However, I will consider the other issues briefly in case the matter goes further.
32. 118 seeks an order to permit its representatives to enter IDS's premises and "to inspect, for the purpose of ascertaining that the provisions of [the Agreement] are being complied with, any and all such documents and materials as may be on those premises". If I were satisfied that clause 4.7 was sufficiently wide to permit this, I would need to consider what limit should be included for the purpose of ensuring that the power was not used unreasonably (see paragraph 11 above). Whilst the provisions usually included in a "search and seize" order are not necessarily relevant where the parties have agreed a contractual regime, they do throw light on the level of certainty which the court would require before making an order endorsed with a penal notice. The difficulty in crafting an appropriate order is a further reason for not accepting 118's construction of the Agreement. But even if that construction is accepted, a higher degree of certainty is needed before specific performance will be granted: *Co-Operative Insurance Society Ltd v. Argyll Stores (Holdings) Ltd* [1998] AC 1 at 13-4:

"The fact that the terms of a contractual obligation are sufficiently definite to escape being void for uncertainty, or to found a claim for damages, or to permit compliance to be made a condition of relief against forfeiture, does not necessarily mean that they will be sufficiently precise to be capable of being specifically enforced."

33. Mr St Quintin accepted that the court would not grant specific performance unless damages were not an adequate remedy. He gave three reasons why damages would be inadequate:

33.1 He said that the court would probably order damages by reference to a reasonable release fee (*Wrotham Park* damages) but that the figure would be very difficult to quantify. I am not satisfied that this would necessarily be to 118's detriment. I am also struck by the fact that 118 became aware of the breach in December 2013 and has taken 10 months to get to court, that in the meantime the Agreement continues in force between the parties, and that (as Mr Hicks has acknowledged) IDS will have to give disclosure in any event if the current proceedings go forward. The dispute is therefore only about timing, and I am not satisfied that 118 has made out a sufficient case that damages would be inadequate.

33.2 He said that knowledge of the extent of the infringement would inform case management decisions, e.g. the size of claim the claim would affect the proportionality of disclosure and expert evidence. That has nothing to do with the adequacy or otherwise of damages; it relates instead to the principles of case management.

33.3 He said that it would make it easier to see whether an injunction was necessary. However, once again, if damages are an adequate remedy, there is no need for an injunction (and in any event 118 has not seen to fit seek one so far).

34. Mr Hicks had two other objections to specific performance. The first was hardship; the second was infringement of confidentiality. I have taken both these points into account in my construction of the Agreement. Had I found that the Agreement clearly bore the meaning asserted by 118, I would have concluded that IDS intended to be bound and that these factors were of little weight in the exercise of my discretion.

35. However there is a further matter which gives me concern. On 20<sup>th</sup> May 2014 Chris Herbert of Market Location Ltd, which is a company associated with 118, emailed Josh Hull of the Red Cross, a potential customer, pitching for business. He noted that another (unnamed) company had also made a bid for this business and then went on to refer to the Red Cross's previous contract with IDS. He added "I think you should be aware that [118] have commenced legal proceedings against IDS in connection with infringement of our IP". It seems very likely that Mr Herbert knew that the other company pitching for the business was IDS and that he wrote this email as a spoiling tactic to persuade the Red Cross to award the contract to 118 and not IDS. Accordingly, on the limited information available to the court at this early stage, it appears that IDS has committed a breach of contract, whilst 118 is prepared to blacken IDS's name as a spoiling tactic. This underlines the importance of not allowing either company to have access to more information about the other than is properly contemplated by the Agreement, and not granting summary judgment where the position is insufficiently clear.

36. Mr St Quintin suggested as an alternative that I could instead give early disclosure. This does not arise since I am not satisfied as a matter of construction that he is entitled to the information sought.

37. I therefore dismiss the application. I will hear the parties as to the form of the order.