

FC2 UK English Law  
FINAL Mark Scheme 2023

**SECTION A**

**Question 1**

Briefly describe and give one example of each of the following different forms of evidence:

- a) Direct Evidence; **2 marks**
- b) Real Evidence; **2 marks**
- c) Documentary Evidence. **2 marks**

**Total: 6 marks**

**Answer**

*Where examples are required, any reasonable answer will suffice.*

- a) *First-hand evidence of a witness of relevant facts* **1 mark**  
*For example given by way of witness statement or oral testimony given on oath* **1 mark**
- b) *Physical objects, as evidence of themselves frequently requiring additional evidence such as witness testimony to place it in its proper context* **1 mark**  
*For example the infringing article seized brought into court with additional evidence given as to why it is infringing* **1 mark**
- c) *Documents used to provide evidence of the information of any description is contained within them* **1 mark**  
*Such as diary, survey evidence, production records, any reasonable example* **1 mark**

**Total: 6 marks**

## Question 2

Describe the nature of the statutory privilege that can be claimed over communications with UK patent attorneys.

6 marks

### Answer

*According to s280 CDA88 (statutory reference not required)*

*communications as to any matter relating to the protection of (0.5 marks) any invention (0.5 marks), design (0.5 marks), technical information (0.5 marks), or trade mark (0.5 marks), or as to any matter involving passing off (0.5 marks), and*

*documents, material or information relating to any such matter (0.5 marks)*

*where a patent attorney acts for a client (0.5 marks) in relation to such a matter any communication, document, material or information (0.5 marks) to which this section applies is privileged from disclosure in like manner as if the patent attorney had at all material times been acting as the client's solicitor (0.5 marks).*

*“patent attorney” means —*

- (a) a registered patent attorney or a person who is on the European list (0.5 marks),*
- (b) a partnership entitled to describe itself as a firm of patent attorneys or as a firm carrying on the business of a European patent attorney / an unincorporated body (other than a partnership) entitled to describe itself as a patent attorney, / a body corporate entitled to describe itself as a patent attorney or as a company carrying on the business of a European patent attorney (0.5 marks, a 0.5 mark can be reallocated to a comprehensive answer to this definition, if not used previously)*

**Total: 6 marks**

## Question 3

In her patent infringement claim against Kai, Felicity writes to the court making the demands a) to g) set out below on how the case should be managed going forward. Using only the list of obligations placed on the courts by the ‘overriding objective’ found in the *Civil Procedure Rules*, state how Kai can argue against each demand. You should use a different obligation for each demand.

- a) The Case Management hearing next month should be delayed because Felicity wants to go on a six-week tour of India;
- b) Felicity demands that Kai is ordered to file multiple separate sworn affidavits for each of the 50 exhibits he wishes to include in his evidence;
- c) Felicity seeks permission to use different sets of specialist barristers to argue the cases on each of the 3 different patents she is relying on against Kai even though the damages in the case are likely to not exceed £1,000;
- d) Felicity asks the court that she is allowed one extra turn at filing evidence in the case;
- e) Felicity asks that an entire week of the court’s time is reserved for hearing the Case Management hearing even if it is possible that Kai will agree to Felicity’s case management demands;

f) That despite only one issue remaining in contention between the parties common to each patent alleged to have been infringed, Felicity asks the court to split the claim into separate actions for each of the patents.

**Total: 6 marks**

**Answer**

*Flexibility should be given to the obligations used provided one type of obligation is used only once. Likely answers are,*

*a) That the case is dealt with expeditiously and fairly.*

*b) Saving expense.*

*c) Proportionately to the amount of money involved*

*d) Ensuring the parties are on an equal footing.*

*e) Allotting to it an appropriate share of the court's resources, while taking into account the need to allot resources to other cases.*

*f) Dealing with cases proportionately the complexity of the issues*

**1 mark for each, total 6 marks**

**Question 4**

Describe two key limbs of the test for vicarious liability, including reasons the court gave to impose vicarious liability upon an employer for the torts committed by an employee in the course of his employment.

**Total: 7 marks**

**Answer**

See Morrisons Supermarkets v Various [2020] UKSC 12 para 47 (No case names required)

Two key limbs are:

1 the existence of a relationship of "employer" and "employee" which justifies the above redistribution of risk / whether the employee is acting within the ordinary course of his employment

**1 mark**

Reasons behind this limb stated by the court in Barclays Bank v Various [2020] UKSC 13 para 15 (case name not required) include

(i) the employer is more likely to have the means to compensate the victim than the employee and can be expected to have insured against that liability;

- (ii) *the tort will have been committed as a result of activity being taken by the employee on behalf of the employer;*
- (iii) *the employee's activity is likely to be part of the business activity of the employer;*
- (iv) *the employer, by employing the employee to carry on the activity will have created the risk of the tort committed by the employee;*
- (v) *the employee will, to a greater or lesser degree, have been under the control of the employer."*

**1 mark for each reasoning given, wording of answers need not be precise – 3 marks total**

2 *that the wrongdoing be connected to that relationship.*

**1 mark**

*The close connection test, contrasted with a "frolic of their own"*

**1 mark**

*A policy behind interpreting this includes that the motive behind the act is important – for example whether a person was acting on his employer's business, but in pursuit of his own private ends.*

**1 mark**

***The allocation of these marks may be adjusted for other goods points made, the candidate need not use this structure.***

**Total: 7 marks**

**Question 5**

With reference to the *IPREG Code of Conduct* how is the term "patent attorney register" defined?

**Total: 2 marks**

**Answer**

*"patent attorney register" means (together) in respect of registered persons (0.5 marks) other than ABS (0.5 marks), the Register kept under section 275 of the Copyright Designs and Patents Act 1988 as amended (0.5 marks), and in respect of ABS, is part of IPReg's register of licensed bodies for the purpose of section 87 of the 2007 Act (0.5 marks).*

*(Section numbers not required)*

**Total: 2 marks**

## Question 6

With reference to the *IPREG Code of Conduct* Rule 3 Service of Documents state the way in which any notice or other document required by the Code of Conduct must be notified to the regulated person. Marks awarded will take into account the accuracy with which your answer matches the language of Rule 3.

**Total: 3 marks**

### Answer

*by any form of electronic communication normally used for business purposes such as email given to them personally*

**1 mark**

**1 mark**

*Sent by mail to their last known address by Royal Mail "Signed for 1st Class" (or equivalent product), in which case the document is treated as received on the second calendar day (not including bank holidays) after posting*

**1 mark**

**Total: 3 marks**

## Question 7

David is acting as a patent attorney for his client Janice. Janice owns a patent with three claims, 1, 2 and 3. Issues arise with respect to each of these claims as set out below. Referring to the *IPREG Code of Conduct* only, explain any breaches of the Code by David. You must identify the relevant Rule in order to obtain full marks.

a) Regarding claim 1, David assists in drafting documents to initiate court proceedings alleging patent infringement proceedings in respect of claims 2 and 3. David includes a claim to infringement of claim 1 even though he has not discussed this allegation with Janice.

**1 mark**

b) Regarding claim 2, Janice asks for David's advice on whether she owns this invention as she worked for a company when devising the technology underlying claim 2 though she never had a contract of employment. David sets out detailed advice on whether Janice could be classed as an employee under UK law.

**2 marks**

c) Regarding claim 3, David had previously acted for Sirinda knowing that she has trade secrets relating to the invention covered by Janice's claim 3. Janice doesn't know about Sirinda's trade secrets. David is asked by Janice to advise on a licence of technology covered by claim 3 to Sirinda.

**2 marks**

**Total: 5 marks**

### Answer

a) *Rule 14 – Duty to Act in the Interests of Justice: Guidance 14.1 A regulated person must not submit orally or in any documents or pleading statements of fact or contentions that are not supported by the evidence or instruction of the client;*

**1 mark**

- b) *Rule 4 – Competence: Regulated persons shall carry out their professional work with due skill, care and diligence and with proper regard for the technical standards expected of them. Where a case raises issues which are not within a registered person’s competence (e.g. complex issues of employment law in an IP entitlement case), if a registered person is to continue to act they must supplement their team with other legal advisers who have relevant specialist knowledge of such matters*

**2 marks**

- c) *Rule 7 – Conflicts: If a regulated person acquires or has acquired relevant knowledge concerning a current or a former client in the course of acting for that client in any capacity, the regulated person should not accept instructions to act against that client or should henceforth cease to act against that client.*

**2 marks**

**Total: 5 marks**

### **Question 8**

- a) In the context of an assignment of a UK intellectual property right, briefly explain the difference between legal and equitable title.

**2 marks**

- b) Briefly explain the meaning of:

- i) *Ratio decidendi*
- ii) *Res judicata.*

**2 marks**

- c) In the law of contract what is meant by the term ‘condition’.

**1 mark**

**Total: 5 marks**

### **Answer**

- a) *Any reasonable discussion that demonstrates a candidate’s knowledge of the following: Legal title is the successful transfer of ownership upon which a proprietor may bring proceedings to enforce his title, whereas equitable title may arise where the formalities for transfer of the IP right in question are not met but there is clear agreement between the proprietor and another (often in the form of a contract) to transfer legal title.*

**Marks up to a maximum of 2 may be awarded**

- b)

- i) *the legal rationale of a court’s decision on a matter of law*

**1 mark**

- ii) *where a lawsuit that is identical or substantially identical has already been adjudicated by a competent court.*

**1 mark**

- c) *a term of a contract which goes to the heart/root of the contract*

**1 mark**

**Total: 5 marks**

## SECTION B

### Question 9

Edward owns a patent covering a new multi-coloured LED diode. Olivia has a licence to manufacture and sell products under it. A term of the contract states that Olivia should pay to Ahmed the royalties on sales due to Edward.

The contract includes the following terms also:

...6 “When payments fall due under this agreement, an invoice must be sent to Olivia and be paid within 4 weeks”

...8 “This agreement is entered into for the purposes of Olivia assisting Edward to set up in business.”

Olivia says that the contract also includes the ‘normal boiler plate clauses’. Royalties fall due and Edward sends a letter to Olivia asking Olivia to pay the royalties to Ahmed, but Olivia fails to pay Ahmed. Edward is not bothering to take action to get Olivia to pay Ahmed.

**a) Prepare notes for a meeting with Olivia in which you discuss whether Ahmed is entitled to enforce the contract against Olivia including identifying what other information from the contract you require to advise more fully.**

**10 marks**

Edward is very protective about his invention. Edward’s local amateur drama society holds a village show using lots of different lights. Whilst setting up the stage lighting with Dipti, Edward describes his new LED diode. Dipti says, “That sounds great, I could supply these to 5,000 theatres around the country!”

Whilst continuing to set up and at the same time trying to learn his lines for that evening’s show, Edward says “Sure, well, I’d like to go and meet with these theatres – perhaps I can perform there? To make any money I suppose I would probably have to have a 10% profit margin.”

Dipti puts down what she is holding and offers Edward two tickets to a big London show for the next day telling Edward, “I could get you 15%!”. Edward says “That would be good – I am finding it difficult to find someone to manufacture these for that sort of margin.”

Edward takes Dipti’s show tickets back home. They never speak again. Edward later finds out that Dipti is using a manufacturer in China to make his LED diodes and Edward has also started offering them for sale to theatres around the country. When contacted by Edward, Dipti insists that Edward gave her a licence to do this.

**b) Prepare notes for a meeting with Edward in which you advise Edward whether a contract to manufacture and sell the LED diode exists between Edward and Dipti.**

**10 marks**

**Total: 20 marks**

**Answer**

- a) *only the parties to a contract are usually able to enforce the terms of the contract* **1 mark**

*This is known as privity of contract*

**1 mark**

*However, the Contracts (Rights of Third Parties) Act 1999 (0.5 marks) (the "Act") states that in certain circumstances a third party can enforce the terms of a contract (0.5 marks)*

*where*

- i) *The contract expressly permits them to*

**1 mark**

- ii) *The term purports to confer a benefit on the third party*

**1 mark**

*As Ahmed is not a party to the contract Ahmed must be able to rely on the Act to enforce the licence fee herself against Olivia (this mark may be applied elsewhere for a more detailed discussion of the law or scenario)*

**1 mark**

*Clause 6 appears to confer a benefit on anyone owed money which includes Ahmed, provided Ahmed sends Olivia an invoice.*

**1 mark**

- i) *We have no information whether the normal boiler plate clauses includes a clause to exclude operation of the Act so we must check this*

**1 mark**

- ii) *Whether on proper construction, the contract rules out Ahmed being able to rely on it, so Olivia could argue that clause 8 operates to rule out Ahmed being able to rely on clause 6*

**2 marks**

- b) *A reasonable structure and discussion covering the following (main issue on offer / acceptance must be to point out the uncertainty in this scenario):*

*Intention to create legal relations.*

*Edward and Dipti have met in a social context / the circumstances including Edward doing something else at the same time do not suggest they are sitting down to negotiate a contract / Dipti giving two show tickets probably not sufficient to show a serious discussion / A words could be interpreted as being jokey / but they are talking in detailed terms and the potential target market is relevant in the context of the discussion and Edward appears to make an offer regarding royalty rate.*

**3 marks**

*Offer, needs to have:*

*certainty as to subject matter -*

*this is certain – LED diode – manufacture and sale*

*to be certain as to its terms -*

*numbers to manufactured sufficient to supply to 5,000 theaters (or mere puff?) / terms as to way in which they should be made (though details not concluded) / on royalty rate possibly but lack of clarity whether that covers manufacturing and/or sales / is D offering to source manufacturing?*

**2 marks**



*Acceptance of all terms of the contract, needs to be to be communicated*

*Dipti: Offer to sell to theatres*

*Edward: Offer on manufacturing royalty rate*

*possible Counter-offer:*

*Dipti regarding manufacturing royalty rate*

*Did Edward accept offer – unclear whether this is merely to source a manufacturer?*

*Acceptance can be by conduct.*

*Edward's act of taking a show tickets present could be interpreted as an acceptance but is a weak basis on which to make such a claim as he could have been merely polite or friendly at the social occasion*

**3 marks**

*Marks allocated to Offer / Acceptance may be applied across the discussion of these issues, depending on the structure the candidate adopts.*

*Consideration.*

*Must be sufficient but need not be adequate; Edward's show tickets cannot constitute sufficient consideration, the only acceptable consideration would be exchange of mutual promises.*

**2 marks**

**Total: 20 marks**

## Question 10

William has created a new design of electrical plug. He needs investment for a patent application and to manufacture stocks of the plug. Also, he needs committed specialist advisers to develop strategic partnerships with domestic appliance manufacturers. William is currently a sole trader. Mia is interested in investing, but is concerned about getting security for her money.

a)

i) Advise William on the advantage of forming a limited company to take the business forward.

5 marks

ii) In your advice, you should distinguish between fixed and floating charges and, considering William's tooling and his expected patent, discuss which is most appropriate for which type of asset.

5 marks

Mia has set a deadline for William to set up a limited company in order to give William the investment monies. To earn a bit of extra money, patent attorney Georgia does the occasional small piece of work without telling her firm. She agreed to help William set up his limited company by the deadline set by Mia. William waits until a few hours before the filing deadline to email Georgia with key information to apply for the new limited company. Georgia, a busy practitioner, misses William's email and fails to file the relevant papers to set up the company in time. Mia withdraws the offer of investment because the limited company was not set up in time. William suffers damage including:

- i) Loss of income over the next 10 years from being unable to scale up his manufacturing,
- ii) Loss of the large house that William bought on basis of expected future income that he could have received in the next 2 years from the scaling up of the manufacture.

b) Advise Georgia if she is liable to William and, if she were to be, for which of these types of damage.

10 marks

Total: 20 marks

## Answer

a)

i) A limited company has individual and separate legal identity, whereas a sole trader is an individual acting in business acting for themselves in their own legal identity.

*William currently liable for all the debts of the business but a limited company is solely liable for the debts of the company's business (beyond the shareholders liability) unless a William as a Director can be found personally liable usually for reasons of misconduct in fulfilling the Directorship tax benefits (provided the different taxes named ie income tax vs corporation tax)*

**up to 3 marks**

*owned by its shareholders who have limited liability, so Mia can obtain benefit*

*managed by its Directors, Mia can ask for (or William can identify) skilled people to become directors but not necessarily shareholders, rather they would be salaried*

**2 marks**

ii)

*A fixed charge is a charge or mortgage secured on particular specified property which usually restricts the owners ability to deal with that property*

**1 mark**

*A floating charge is an equitable charge available only to companies or LLPs that, so an advantage to William to offer to Mia*

**1 mark**

*does not attached to specific assets but rather over classes of assets, such as stock, usually of such nature as will be dealt with frequently in the course of business by the owner making it impractical for the owner to seek permission of the debenture holder each time the asset is bought or sold.*

**1 mark**

*The floating charge only crystalizes or attaches to the property when the debenture specifies (including eg non-payment) and catches only property held at that moment, at which point it becomes a fixed charge*

**1 mark**

*A fixed charge would be appropriate for William's patent rights preventing William from reducing or sharing the value in it without Mia's permission and a floating charge over William's stocks allowing day to day manufacture and sale*

**1 mark**

b) Eg. Generally, *Caparo v Dickman* [1990] 2 AC 605: Any reasonable clear discussion covering:

*Georgia must owe duty of care to William for her to be liable in negligence, has Georgia assumed responsibility?*

**1 mark**

*It is an objective standard, depending on a relationship of sufficient proximity / neighbour principle, Georgia's position as a trusted advisor*

**1 mark**

*Georgia must have breached this duty to be liable / discussion of reasonable man test.*

**1 mark**

*discussion whether Georgia should have chased William for the information and that she is busy is irrelevant*

**1 mark**

*(Use marks flexibly across duty / breach possible)*

Heads of Damage *(some flexibility of marks between these heads of damage)*

i) *discuss application of the 'but for' test and that there appears to be a direct factual link between not having the investment and losing future income from scaled up manufacture;*

*the initial damage is of a reasonably foreseeable type as the negligent act relates directly to the nature of the damage,*

however a court is likely to find the full 10 years loss is not reasonably foreseeable (candidates can address this point as a duty on William to mitigate his loss)

**2 marks**

ii) candidate should discuss that even if there is causation in fact (consider whether the decision to buy a house is taken before the scaling up has started)

it is likely that there is no causation in law as the loss of income is too remote – it relates to an unforeseeable type of damage

that income was expected to be recouped in the next 2 years to pay for the house is a red herring and is irrelevant

**2 marks**

Contributory negligence

William sent the necessary information only at the last minute and therefore possible contributory negligence

**1 mark**

if contributory negligence then some % reduction to damages awarded (no mark if candidate suggests that contributory negligence is a break in the chain of causation)

**1 mark**

**Total: 20 marks**

### Question 11

Heavy Ltd has a small studio for its employees in the same communal art building as Irena. Irena has a far larger studio space.

Heavy has been given funding of £100,000 to develop a magnificent unique cast iron artistic light fitting for the anniversary celebrations of the Birmingham city town hall in May. A large stand is required for displaying the light. So, the stand must be strong, must incorporate power fittings and must have the artistic merit consistent with Heavy's artistic light fitting.

Heavy's studio is too small for the task, so in a casual conversation in the foyer at the communal art building, Heavy's director asks Irena to create such a stand. Heavy will pay £10,000 to Irena for this work. Irena creates the stand speaking frequently with Heavy's employees. The highly artistic light on the stand forms the centrepiece of the city's successful celebrations.

In June, Heavy believes that Irena is offering to supply copies of her design documents to others who want to mass produce copies of this stand to sell online. Heavy Ltd demands that Irena stops making these copies claiming that Heavy owns the copyright in the documents.

Irena responds by saying that she owns the copyright in her design documents and is entitled to sell them to anyone she chooses.

- a) Assuming that the only issue is ownership of the copyright in the design documents, advise Heavy whether it can claim ownership of the copyright in the design documents.**

**8 marks**

The online sales Irena is targeting are during the upcoming winter months.

Later in June, Heavy is told by its Birmingham city funders that Irena has made copies of these design documents for a major music festival, which has created stands to the design to support lights across the grounds.

The funders are concerned that the music festival using them with mass produced boring lighting designs is a threat to the artistic uniqueness of the stand. Heavy is concerned that they may not be able to obtain more commissions if they let the festival go ahead.

The festival cannot go ahead without the stands being used. The festival is due to start the next day.

- b) Heavy apply for an interim injunction the evening before the music festival. Advise Heavy Ltd whether it is likely to obtain an injunction to:**
- i) prevent Irena selling the documents to support the online sales during the upcoming winter months.**
  - ii) prevent the music festival organiser from using the artistic stands at the festival.**

**12 marks**

**Total: 20 marks**

## **Answer**

a) a reasonable discussion including:

*issue is implied assignment of title/copyright's first owner is author/creator/CDPA 88 as copyright does not automatically assign on a mere commission, assignment is dependent on whether a term will be implied into the contract between H and Irena and this depends on the circumstances of the case*

**1 mark**

*relevant test in Ray v Classic FM is:*

*where the Irena is engaged as part of a team with employees of the Heavy Ltd to produce a composite or joint work and she is unable, or cannot have been intended to be able, to exploit for her own benefit the joint work or indeed any distinct contribution of her own created in the course of her engagement*

*marks may be awarded for knowledge and application of other Ray tests where reasonable*

*applied to scenario:*

- Irena is engaged to work together with Heavy Ltd's team*
- the work is a composite work (as the stand design must incorporate elements with the light)*
- the city celebration appears to be a one-off event*
- the funding is going to Heavy Ltd and the funder will not likely have considered allowing Irena to exploit the work for herself as the funder is one step removed*

**4 marks**

*the court will consider:*

- the price paid (£100k vs £10k suggests that Irena's work is not the main value of the project)*
- the impact on Irena of assignment of copyright (an assignment would not appear to impact Irena unduly as it was a casual commission for Irena)*
- whether it can sensibly have been intended that Irena should retain any copyright as a separate item of property (as Heavy Ltd's employees have created the artistic work and as the centrepiece the stand is mostly functional so appears no sense for Irena to own the copyright.*

**3 marks**

b) *American Cyanamid v Ethicon [1975] UKHL 1: Reasonable Discussion referring to the scenario as follows:*

*The court will apply the principles established in the case American Cyanamid, for an urgent ex parte application regarding the festival / inter partes application regarding the future sales;*

**1 mark**

*is there a serious issue to be tried:*

*Heavy Ltd's has a commercially valuable product and risk to its business, there appears to be a non-frivolous claim to own the copyright in the documents,*

*we know that the music festival is going ahead*

*but do we have evidence that Irena is going to make the threatened sales later in the year is it a mere suspicion?*

**2 marks**

are damages an adequate remedy:

*in the event Irena continues to copy the design documents and that behaviour were to be found at trial to be infringement, Heavy Ltd could be awarded a licence fee, but Irena is continuing to copy the design documents which is an infringement even without sales*

*but with regard to the music festival, there are real concerns that the inappropriate use of the stand could diminish the artistic uniqueness of the stand and Heavy Ltd's ability to get more commissions in the future  
however, a pure licence fee can be paid by the festival organiser*

**4 marks**

where does the balance of convenience lie between H and I's activities:

*for sales later this year, Heavy should apply for an inter partes application for injunction but Heavy Ltd's other commercial concerns are important to consider - candidates can discuss whether the funders' concerns are relevant if Irena is likely to continue to supply the design documents for inappropriate use*

*as regards the music festival the matter is urgent and the damage could be suffered from early tomorrow morning –  
but, probably too late for the music festival to make alternative arrangements*

**3 marks**

if all things equal the objective is to preserve the status quo ante,

*the status quo suggests Irena should be prevented from making future copies of the design documents as otherwise Heavy Ltd will lose control of its copyright*

*but status quo suggests allowing music festival to go ahead with the newly manufactured stands*

**2 marks**

*Alternative allocation of **1 mark**, so long as no double marking, for:*

*Court to consider merits of claim as a last resort*

*Importance of full disclosure by Heavy Ltd particularly with regards the music festival's ability to go ahead with their event without the light*

**Total: 20 marks**

## Question 12

Nicholas makes a call at Alexandra's sweet factory telling Alexandra about Nicholas' technology and how it would be good for the businesses to merge. They carry on discussions as Alexandra shows Nicholas around the factory.

Alexandra has a new machinery process that increases production efficiency and thus gives a competitive advantage to Alexandra. All the machines are well known and Nicholas thinks it's an obvious use of the combination of machines, nonetheless Nicholas makes a mental note of the new configuration.

Nicholas and Alexandra drive home together in Alexandra's brightly coloured mobile sweet shop van. In the van, Alexandra describes how she can increase her margin on her sweets because of the route she takes around the town. Alexandra follows the sales route in the van.

Later the following week, Nicholas meets Alexandra at the village fete. Nicholas notices a spare gear cog that Alexandra is using to weigh down the table cloth on her fudge stall. Nicholas realises that it is a new design that Alexandra has developed and is using in her factory, and takes it home under Nicholas' coat, though he could easily have memorised the design.

The merger talks stall for many months during which time Nicholas:

- i) is using the new configuration of the manufacturing process in his own factory making biscuits and thereby increasing the value of his business;
- ii) using the same sales route as Alexandra to sell his biscuits, which he talks about with a local newspaper to advertise the biscuit business,

However, Nicholas holds on to the gear cog without using it.

Alexandra discovers that Nicholas' business will attract a higher value in six months' time if she wants a merger because of the use Nicholas is making of the new configuration of machines and the sales route. She also discovers that it was Nicholas who took her gear cog from the fete, though Nicholas insists he has no intention of using or giving it away.

**a) Prepare notes for a meeting in which you advise Alexandra whether she can take action under the Trade Secrets (Enforcement etc.) Regulations 2018 against Nicholas, including a brief description of the remedies available. Consider the position only under these rules.**

**13 marks**

Despite this, Alexandra speaks to Nicholas again about the potential merger.

Nicholas says to Alexandra that he has carried out market research showing that the combination of Alexandra's most popular biscuit with Nicholas' most popular sweet was 20% more popular. Nicholas says to Alexandra that this research shows that such a combination would increase the combined market share of the business by 30%. Alexandra is sceptical about Nicholas' claim.

Later, Alexandra reports this to her directors meeting. The Board of Directors agree to the merger with Nicholas' business. Minutes from the meeting show that most of the discussion at the meeting is about the advantage of reducing the size of the factory floor space after the merger.



The businesses merge. The combined biscuit/sweet is made.

In fact, Nicholas' market research was only asking consumers whether they had a preference for biscuits or sweets. Nicholas is not a market research expert and only read the results briefly. Combined market share of the businesses reduces by 10%.

**b) Advise Alexandra whether Nicholas can be made be liable in misrepresentation. Assume the only issue concerns misrepresentation and do not consider any issues of company law.**

**7 marks**

**Answer**

*a) No marks are awarded for discussion concerning liability for breach of trade secrets under the common law.*

*Analysis of definition of "trade secret" in Trade Secrets (Enforcement etc.) Regulations 2018 section 2 (marks may be awarded if a fact is used reasonably under a different part of the test):*

*is a secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among, or readily accessible to, persons within the circles that normally deal with the kind of information in question.*

*new machinery process that increases production efficiency - not generally accessible as the general public not allowed in, and we are told it is new, we can infer that it is not generally known to other such persons because i) it gives Alexandra a competitive advantage ii) Nicholas increases his production efficiency and Nicholas is in a similar industry*

*Nicholas using the same sales route as Alexandra to sell his biscuits – the location of sales even if not the actual customers as a body is not generally known*

*gear cog – Nicholas knows it is not generally accessible as Alexandra has developed it in her factory alone*

**2.5 marks**

*has commercial value because it is secret,*

*new machinery process that increases production efficiency – the competitive advantage arises from others not using this process*

*Nicholas using the same sales route as Alexandra to sell his biscuits – arguably the commercial value arises because the route finds the best customers, value does not necessarily arise – candidate must recognise that there is an issue here, even if they decide it does have value as it's a secret*

*gear cog – probably valuable as Alexandra has designed and is using it in her own factory and has not bought it from the open market*

**2.5 marks**

has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret;

*new machinery process that increases production efficiency – the candidate must discuss whether discussions concerning a merger and hence the value of Alexandra’s business represented by the production process would make Nicholas’ factory tour nonetheless implicitly secret*

*Nicholas using the same sales route as Alexandra to sell his biscuits – arguably Nicholas also under an implied obligation of secrecy / Alexandra is using a brightly coloured sweet van so is not attempting to keep it secret*

*gear cog – arguably it’s Alexandra fault that the gear cog has been left out / shown in public, though candidate could argue that the act of taking the gear cog is different from merely reviewing it where it is left on display*

**2.5 marks**

Breach – section 3:

*Breach can be by “acquisition, use or disclosure”, so*

*new machinery process that increases production efficiency – breach by use*

*Nicholas using the same sales route as Alexandra to sell his biscuits / telling newspaper – breach by disclosure*

*gear cog – breach by acquisition*

**1.5 marks**

Remedies

*Injunction*

*new machinery process that increases production efficiency – to prevent use, possible spring board injunction to prevent Nicholas increasing value in his business for 6 months,*

*Nicholas using the same sales route as Alexandra to sell his biscuits – to prevent use, possible spring board injunction to prevent Nicholas increasing value in his business for 6 months, however argument against this as is not directly competing and damages may be adequate remedy*

**2 marks**

*Damages*

*Gear cog – arguably no injunction as Nicholas not threatening to use or disclose, but likely delivery up*

**2 marks**

*b) Action for a misrepresentation*

*A misrepresentation made is a false statement of fact that is made prior to concluding a contract*

**1 mark**

*arguably the fact is limited to the result of the market survey  
but if Nicholas claims to be in a position to speak authoritatively or with expertise about its significance, then the mere 'opinion' about increased market share could amount to a representation*

**1 mark**

*where the statement is made in such circumstances that a person is induced into entering the contract*

*Nicholas is trying to persuade Alexandra to merge and these are serious commercial discussions*

*is it reasonable that reliance should be placed upon the statement? Alexandra doesn't ask Nicholas for more information*

*no reliance in fact: the Board of Directors appear most interested in the efficiencies of scale*

**3 marks**

*Discussion including does Nicholas' misrepresentation about the increased market share amount to:*

*Fraudulent: (where the Nicholas knows or is reckless as to the untruth of the statement) or;*

*Negligent: (where Nicholas is negligent in making a statement that turns out to be untrue – it is possible to interpret Nicholas as merely careless as he speaks to Alexandra as mere puff albeit in the context of merger discussions)*

*Innocent misrepresentation as an alternative to Negligence: Nicholas' comment was mere puff and was not meant to be taken seriously*

**2 marks**

**Total: 20 marks**