

IN THE SUPREME COURT OF BELIZE, A.D. 2011

CLAIM NO. 456 of 2011

BETWEEN

**(TONY RATH
(NATURALIGHT PRODUCTIONS**

**FIRST CLAIMANT
SECOND CLAIMANT**

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(AND

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(BIRDSALL, VOSS & ASSOCIATES, INC

DEFENDANT

BEFORE THE HONOURABLE MADAM JUSTICE SONYA YOUNG

Decision Date:

24th September, 2021

Appearances:

Ms. Priscilla Banner, Counsel for Claimants.

Mr. Darryl Bradley, Counsel for Defendant.

JUDGMENT

1. There is no doubt that Belize is a land of great beauty and diversity. When the Defendant entered into a worldwide exclusive licensing agreement with the Claimants on the 24th March, 2009 (the Agreement), they intended to advertise and showcase Belize's unique beauty through the publication of a creative and

compelling series of five (5) composite or layered photographic images (jointly referred to as the Work).

2. The breathtaking images comprised a Mayan site, a rainforest, scuba diving, fly fishing and a beach wedding. Each image contained more than one (1) photograph belonging to the First Claimant and Photographer, Tony Rath.
3. The Agreement was stated to be for one (1) year from the date of first use. It also contained a term which read, "*Any other use of the Work by the Licensee shall require a separately negotiated license.*" The Agreement expired in various months of 2010, but the Defendant has admitted to the continued use of the Work beyond the expiration dates without obtaining any prior license whatsoever from the Claimants.
4. The Claimants say they were unaware of this unauthorized usage when they entered into negotiations with the Defendant for an 'extension'. So, in March 2011, the First Claimant sent an invoice to the Defendant captioned 'Usage rights extension' which proposed an extension of the usage license agreement. It contained the following term "*this license shall be valid for 2 (two) years from the date of expiration in 2010 of the previous license for these same images as follows....*"
5. Subsequently, the First Defendant enquired about the status of payment of that invoice and on the 10th April, 2011, the Defendant tendered payment in full. Although the Claimants were notified and the sum was received by the First Claimant's bank, the First Claimant rejected the deposit, and the money was eventually returned to the Defendant.

6. The Claimant now sues for breach of the Agreement for the Defendant's use of the Work outside the terms of the Agreement and beyond the one (1) year period.

The Issues:

The parties have agreed to the following issues for the Court's determination:

1. Did the Defendant breach the Agreement by using the Work outside the terms of the Agreement and beyond the one (1) year period?
 - a. At the time of the unauthorized use of the Work, had the Agreement been discharged so as to disallow the Claimant from suing for breach of the Agreement?
 - b. Did the First Claimant and the Defendants agree on an extension of the Agreement, and if so, what is the legal effect of such an extension?
 2. If there was a breach, did the First Claimant fail to mitigate loss by refusing to accept the conditional tender of payment and by refusing an extension agreement?
 3. What quantum of damages, if any, is the First Claimant entitled to?
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7. All other issues have been expressly abandoned so the Court will confine its decision to those listed above.

Did the Defendant breach the Agreement by using the Work outside the terms of the Agreement and beyond the one (1) year period?

- a. **At the time of the unauthorized use of the Work had the Agreement been discharged so as to disallow the Claimant from suing for breach of the Agreement?**

The Evidence:

8. The Agreement was expressly made between Tony Rath Photography (licensor) and BVK (Client). However, the parties have agreed in their Pre-trial Memorandum that it had been made between the First Claimant and the Defendant. It contained the following clauses:

“1. Definitions and terms: This Agreement is by and between Tony Rath Photography (Licensor) and BVK (Client), its heirs, successors and representatives. Licensor is an independent contractor. ‘Image’ refers to visual, in any form, including as digital information, supplied by Licensor to Client. ‘Service’ refers to the photography, related digital or other post-production services client is commissioning Licensor to perform.

...

2. Payment: Client and Client’s representatives are jointly and severally responsible for full payment of all fees, charges and advances set forth on this Agreement.”

It also provided that:

“Subject to the terms and conditions below, Tony Rath Photography the licensor (‘Licensor’) of the work (‘Work’) referenced in this document (number TRPhoto1004) hereby grants to BVK defined herein (‘License’) an Exclusive license to use the DELIVERED WORK ONLY. This license is valid worldwide. This license shall be valid for 1 year from the date of first use and shall cover publication of the Work in the following media only: Advertising All Print Publications. The number of reproductions of the Work authorized by this license is unlimited. The only credit line to be associated with the work is ‘© Tony Rath Photography/tonyrath.com’. Any other use of the Work by the License shall require a separately negotiated license.”

The Claimants’ Case:

9. The Claimants say that the Defendant’s failure to secure a separately negotiated license for the use of the Work beyond the authorized period was

a use not contemplated by the Agreement and therefore, constituted a clear breach of.

10. The Claimants have not pleaded the precise date of expiration of the Agreement. They say they have had to rely on the Defendant's evidence since that date is stated to be one (1) year from the date of first use and they are unaware of the date of first use. They urge that the Defendant cannot rely on his own wrong to avoid liability.
11. They also submit that the breached clause survived the termination of the contract by effluxion of time. They rely on Chitty on Contracts Vol I, General Principles, Sweet and Maxwell, 2018, 24-050:

“Of course, in assessing damages, the court must have regard to the terms of the contract in order to ascertain the performance promised in it, including performance which would have fallen due after the date of discharge. It must also give effect to terms of the contract which, for example, liquidate the damages recoverable or exclude or restrict the remedies otherwise available for breach. But, from the time of discharge, as a general rule both parties are excused from further performance of the primary obligations of the contract which each has still to perform. However, obligations for the resolution of disputes will remain in full force and effect, ‘as may other clauses having a contractual function which is ancillary or collateral to the subject-matter of the contract’. Arbitration clauses which state without qualification that any difference or dispute which may arise under the contract shall be referred to arbitration will continue to apply notwithstanding the discharge. Ultimately, it is a question of construction whether or not the parties intended the contractual obligation in question to survive the termination of the contract. Moreover, in principle, only those primary obligations falling due after the date of discharge will come to an end; those which accrued due at the time may still be enforceable as such. Thus, while both parties are discharged from further performance of their primary obligations under the contract, ‘rights are not divested or discharged which have been unconditionally acquired’.”

12. Counsel for the Claimant proffered that it is plain that the parties intended the clause to survive the end of the agreement because it was necessary to regulate

a situation where the contract ended but the Defendant wanted to continue using the Work.

13. Counsel felt the Claimants had unconditionally acquired the right to have the Work used only in circumstances of the Agreement and this right coexisted with the contractual requirement that the Defendant obtain a separate negotiated license for any use outside the Agreement period.
14. She discussed *Yasuda Fire and Marine Insurance Co of Europe Ltd v Orion Marine Insurance Underwriting Agency Ltd and Anor [1995] 3 All ER 211* where the court found that a contract clause related to the principal's right to inspect the agents' records survived the accepted repudiation of the agency contract.
15. The court considered that the continuing right of access was a legal consequence of the agency agreement which coexisted with Clause 42 (provision of information) and there were very strong reasons based on the contractual function of Clause 42 to impute the parties' intention that the right of inspection would not be discharged on termination for a repudiatory breach.
16. At page 224-225 the Court referred to Lord Diplock's speech in *Photo Production Ltd v Securicor Transport Ltd* and stated, "*that when an election is made to terminate a contract for repudiatory breach 'the unperformed primary obligations of that other are discharged' and his reference to 'the bringing to an end of all primary obligations under the contract' must be read as confined to those primary obligations which are part of an not merely ancillary or collateral to the subject matter of the contract in the manner of an arbitration clause. I have already considered the contractual functions of the inspection facility under cl. 4.2 of the agreements. That function was, in my judgment,*

wholly ancillary to the subject matter of the agency agreements. Its purpose was solely to provide the plaintiffs with information as to transactions binding on them which was exclusively within the defendants' knowledge. It was, however, the entering into and administration of those transactions by the defendants which was the subject matter of the agency agreements. Therefore, for the reasons which I have explained, that part of cl. 4.2 which entitled the plaintiffs to inspect all the relevant records of the defendants at any reasonable time upon notice remained in full effect in spite of the accepted repudiation of the agency agreements."

17. Counsel concluded that the termination of the Agreement discharged the Claimants and the Defendants from *"future performance of their primary contractual obligations, as distinct from discharging the contract in all respects."* (Chitty on Contract *ibid* at pg 14).
18. She added that the evidence of Mr. Michael Voss, under cross-examination, revealed that the decision to use some of the Work outside the licensed period was made both within and after the one (1) year license period. She then highlighted a number of instances where space in publications was negotiated for prior to the end of the license period but publication reserved for a date after the license period would have ended.
19. This, she opined, critically demonstrated that the Defendant had the intention during the license period to use the Work after the license period and it did so without seeking an extension to cover such usage.
20. In her view *"BVK breached the License Agreement from the moment it decided, during the term of the Agreement, to publish the images outside of the one-year license term."*

The Defendant's Case:

21. The Defendant states simply that the Agreement had expired, and the actions complained of occurred after the expiration. Therefore, no claim for breach could properly be founded upon the Agreement because any duties or liabilities of either party had ended.
22. Contracts are ordinarily limited by time and terms, there being but one exception, a clause or obligation which provides for survival beyond expiration i.e., a 'survival clause'. The Agreement contained no such clause and one ought not properly to be implied.
23. He sought to persuade the Court with the case of *Mark and Spencer PLC v BNP Paribas Securities Services Trust Company (Jersey Limited and another [2015] UKSC 15*, where the test for implying a survival clause was stated to be either that the term must be so obvious as to go without saying or it must be necessary to give business efficacy to the contract.
24. Counsel was certain that necessity could most easily be dispelled since the Agreement had been fully performed without any complaints of deficiency. He beseeched the Court not to interfere with the principle of freedom of contract and relied on two (2) Belizean cases. The first - *Sylvia Pate v Quentin Glenn Ramclan et al Action No. 306 of 1981* which stated at page 3:

"A concomitant of the doctrine of freedom of contract is that of the sanctity of contracts; and this is still a cardinal principle of English law because it suits the needs of a commercial community... The courts are also reluctant to interfere with the literal words and scope of an agreement although it has proved difficult always to maintain this attitude, so that, for example, they are widening on some occasions to imply a term to give 'business efficacy' to the contract."

The second was *Galactic Butterfly BZ Limited v Tammy Lemus Peterson Claim No. 547 of 2017* which explained at paragraphs 15 and 16 that:

“15... Persons entering into contractual arrangements should be aware of the language they use. It may in fact have an effect which they did not envisage or intend. The term null and void was specifically used. Although the parties may simply have intended that the contract be terminated it is no function of the court to assume and amend a contract the terms of which are clearly expressed and certain. This would, indeed, undermine the principle of freedom of contract...”

16. The terms of the contract govern the parties’ contractual relationship and it is presumed that they displace any rights and remedies provided by law which are not specified in the contract...”

25. He added that there was no need for the Court to interfere with the bargain made between the parties by recrafting the Agreement. The parties were commercial entities. Anthony Rath, by his own admission, had been in the business for over 30 years. So clearly, if a survival clause had been contemplated and agreed upon it would have been expressed.
26. Finally, he reminded the Court that the Claimants were the offerors, and they drafted the Agreement. If there was any ambiguity or double meaning, then according to the principle of contra proferentem, its resolution ought to be in favor of the offeree.

Consideration:

27. The Claimants argue that the term *“Any other use of the Work by the Licensee shall require a separately negotiated license”* gives the Claimant an unconditionally acquired right which survived the completion of the Agreement. The Defendant holds an entirely opposing view based on the fact that the Agreement had been discharged or at an end by the time the breach is alleged to have occurred.

28. It is really not accurate to say that on completion or termination, a contract comes to an end. As Counsel for the Claimant stated, the performance of the primary obligations by each party comes to an end but there are certain aspects of the contract which continue to live.
29. In *McDonald v Dennys Lascelles Ltd (1933) 48 CLR 457 at 476-7*, Dixon J explained that *“When a party to a simple contract, upon a breach by the other contracting party of a condition of the contract, elects to treat the contract as no longer binding upon him, the contract is not rescinded as from the beginning. Both parties are discharged from the further performance of the contract, but rights are not divested or discharged which have already been unconditionally acquired. Rights and obligations which arise from the partial execution of the contract and causes of action which have accrued from its breach alike continue unaffected.”*
30. This means that any rights which had accrued unconditionally before termination are not lost through termination. These are the rights of one party to recover damages or receive performance based on the corresponding obligation or liability of the other party.
31. There are also certain terms which are said to survive the termination of a contract. A term which survives completion or termination of a contract protects the rights of a party even after the contract has been completed and remains in place beyond the termination.
32. A well drafted contract is expected to state clearly which clauses survive or it should contain a survival clause which not only identifies the specific clauses which are to survive the contract but be worded so as to avoid any uncertainty

on termination or completion.

33. In the matter at bar, there is no survival clause or any specific terms which are expressed as surviving termination of the Agreement. Therefore, in order for the Court to find that a particular clause does survive, the Court will necessarily have to imply such a term. This now becomes a matter of construction of the Agreement and intention of the parties.
34. In deciding whether or not to make this implication, the Court must be careful not to impose its own belief of what is fair in the circumstances, what seems reasonable for the parties to have agreed or what will improve the contract.
35. There are certain terms which may be implied by custom, statute or by the courts. The courts, always cognizant of the freedom of parties to contract, have implied terms which in fact reflect the true meaning of the agreement and true intention of the parties and so are not inconsistent with any of the expressed terms of the contract.
36. These implied terms are considered objectively reasonable in all the circumstances and either necessary to give business efficacy or so obvious that they go without saying. While there is often an overlap between these two tests, satisfaction of either is sufficient.
37. Terms which the courts have consistently found to have survived are those which concern obligations that arise when there is a breach such as payment of damages, obligations which are ancillary or incidental to the main purpose of the contract such as modes of dispute resolution, choice of forum, non-

disclosure of confidential information or restraint of trade, and terms which regulate the secondary obligations of the parties such as those which limit or exclude liability or prescribe liquidated damages.

38. The issue remains whether there was an accrued right or a survival clause ought to be implied. If the Court determines that the right had been unconditionally acquired through the accrual of the cause of action prior to completion, then the right survives, and the Court need enquire no further. If, however, there was no such accrual then it is at that time that the Court must consider whether or not the term ought to survive through the implication made.

Accrued Right:

39. The evidence before the Court is that the alleged breach occurred after the Agreement had been discharged. Although belatedly, Counsel for the Claimant attempted to say that the breach was contemplated and reserved prior to the end of the licensing period, this places the breach in a peculiar position. This new perspective creates quite a conundrum, and the Court finds it impossible to accept.
40. If intent to breach (which is placing the reservation made at its highest) constituted the execution of the breach (occasioning the accrued right), then Counsel must surely equate the intent with the actual use (evidence of breach). This would also mean that the use was in fact made prior to the expiration of the license and would by the same interpretation not be a breach at all.

41. If we give more latitude and say the booking as a breach was conditional upon the actual publication for completion, then the right to sue the Defendant had not accrued unconditionally.
42. Counsel also asked the Court not to allow the Defendant to rely on its own wrong to avoid liability. Reference was there being made to the Claimants dependence on the Defendant for the date of first use and all other use thereafter. This, however, seems like an issue which ought properly to have been addressed in the Agreement.
43. The Claimant says that these dates were critical, yet there was no clause which required timely disclosure by the Defendant and outlined consequences for its failure to comply. I do not find this lacuna or neglect to negotiate such a term to now be an issue of concern for the Court. Parties must be careful how they negotiate and what they agree.
44. This Court finds that the actions, which are alleged to have constituted the breach, occurred after the Agreement had been completed. There was no accrued cause of action prior to completion of the Agreement by which the Claimants would have acquired a right to damages.
45. We must now consider the possibility of survival of the particular term.

Survival:

46. The term was certainly not expressed as one which would survive the completion of the Agreement. The Claimants' argument that the term survived the Agreement is intriguing, but it does not appear to meet the test by which

the Court could imply it into the Agreement. It must be necessary, and it is not sufficient that it is reasonable to imply such a term.

47. When one looks at the Agreement it is clear that it is limited in time. The license was granted for a term of one (1) year from the date of first use. However, this was expressed to be "*subject to the terms and conditions below*". In the section captioned 'Terms and Conditions' clause 4 states that "*(t)he license lasts for one year from the date of Licensor's invoice.*" No issue was made by either party about this discrepancy, and both seemed to accept that the license lasted for one year from the date of first use.
48. Since the Agreement establishes such a time frame, then one must accept that the licensee would lose his right to exploit the Works in a particular way after the end date. What is also clear is that the Licensor was compelled to depend on the licensee for the date of first and all use as well as the termination date. This is a most untidy arrangement and not one which lends itself to the implication the Claimants advocate the Court to make.
49. It seems too that the Claimants seek not only to imply a survival clause but to give a meaning to the existing term which limits its scope in a very strange way. The view that the term could only deal with any use outside the timeframe allowed (paragraph 22 Claimant's skeleton) is also one which this Court finds impossible to accept.
50. It is important to scrutinize the words which immediately precede this term. They deal with the granting of an exclusive worldwide license which covers

unlimited publication of printed advertisements.

51. That is the clear parameter set by this license and any use outside that parameter or restriction must be the subject of a separate license. During the life of the Agreement, the Claimant would be able to sue the Defendant for exceeding the stated restriction by going outside the authorized scope. So, if for example the Defendant used the Works in a television commercial without first negotiating a new agreement, that would, to my mind, constitute a breach.
52. Further, a license to use copyrighted material is often referred to as a restraint on the right of the proprietor to sue for unauthorized use or copyright infringement. The one (1) year term indicates the period of time for which the licensor would be restrained. Use of the Work relates to the licensed use which is only advertising in print publication.
53. Although Counsel for the Claimant tried to rely on the *Yasuda Fire and Marine* case (ibid), this Court is not sure that she finds true support there. That case concerned a clause in an agency agreement which allowed the principal at any reasonable time following a written request to inspect, extract and copy the agent's records relating to the transactions conducted by the agent on behalf of the principal. The agency agreement had been terminated and the principal made a written request to inspect the relevant records. It was refused on the basis that the inspection obligation had been discharged when the contract was terminated.
54. The Court found that the expressed clause which spoke to the principal's inspection of all books and records was part of the agent's general fiduciary

duty to keep an accurate account and provide records of all such transactions. This duty had not been specifically excluded by any of the terms of the agreement.

55. The Court was, therefore, willing to impute the survival notwithstanding the discharge of the contract because the fiduciary duty *“is imposed by law in consequence of the existence of the agency relationship and is not founded on the existence of a contract of agency.”* (pg 221). It was also necessary to do so since otherwise the principal would be left in a position of ignorance about the transactions done in his name by his former agent, which would potentially be extremely damaging to him. This met the business efficacy test.
56. There is no business efficacy need which would dictate that the parties ought to have understood that this term was to have survived the Agreement. It is not as explained above, to my mind, necessarily a clause which takes effect on termination.
57. To begin with, a license of this nature really grants copyright permission to use the Works. To use the Works without a license could perhaps constitute a copyright infringement by the Defendant as with anyone else. Why would a licensee simply assume his position, beyond completion, would be different, particularly when it is not stated so to be?
58. There is nothing, to my mind, which required special protection, or which would leave the Claimant in a position which would be extremely damaging to him. There is, therefore, no inherent need for it to survive.

59. Why then must the licensee be treated differently from any other unauthorized user in such ambiguous terms? More importantly, the Agreement provides no remedy or consequences for the breach within circumstances that also contemplate other licenses for continued use. It makes no good business sense to sue for something you contemplate renegotiating about.
60. The clause itself does not speak specifically to what occurs on the termination or discharge of the Agreement. The Agreement itself does not speak to disclosure of the information which would be integral to the Claimant in determining whether there has in fact been a breach. To my mind, if this particular clause was intended to survive in the way the Claimants say, priority would have been placed on this type of disclosure within a very rigid timeframe with strict consequences for non-compliance.
61. The Court also considers that the Agreement was prepared by the Claimants who have been in the business for an extended period of time and must be taken to be quite aware of the requirements of a good licensing contract. Yet, there is no survival clause and nothing which would indicate to the Court that the term ought to survive.
62. It would be quite an overreach for the Court to imply such a term into the Agreement. For this reason, the Court finds that at the time of the unauthorized use of the Work the Agreement had been discharged, the term did not survive, and the Claimant could not then sue for breach. With this finding, all other issues fall away, and the Claim must be dismissed in its entirety.

DISPOSITION:

[1.] The Claim is dismissed with costs to the Defendant in the sum of \$30,000.00 as agreed.

SONYA YOUNG
SUPREME COURT JUDGE