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from the IP and Technology Unit



For a gripping tale of dirty tricks, real deception and general commercial skulduggery unfolding and litigated across jurisdictions as diverse as the US, Israel and the UK, with major High Street names unwittingly dragged into it, readers may wish to look at the decision of the English High Court (Patents) in the recent case of *HandiCraft co. v B Free World Ltd.*

This was a battle conducted with "determination, disagreement and acrimony" - all the major IP "weapons" of patents, copyright, passing-off and trade mark infringement being wielded by the parties - with allegations of conspiracy and personal and corporate wrongdoing added in for good measure. And its subject matter? - the ostensibly benign world of babies' nursing bottles, more particularly, a bottle designed with a patented vent unit said to afford welcome relief to babies suffering from colic.

HandiCraft Co. (run by Dr Brown and family) first marketed its "Dr Brown's Natural Flow" bottles in the USA where they were phenomenally successful. Outwith USA, worldwide product distribution and licensing rights were granted to Action Trading SA ("SA") a company - together with other companies subsequently involved as defendants - controlled by Amikam Berkovitch ("Amikam") the patriarch of the dual nationality Israeli/British Berkovitch family.

There is more than a grain of truth to an IP owner's concern that "every technology transfer creates a potential competitor" and so it turned out here when SA's Distribution Agreement was abruptly terminated against a developing background of considerable mistrust where each side suspected the other of underhand

commercial manoeuvres - and a new company, B Free World Limited (with its own branded "B Free" competitive bottle) was born.

Believing that the UK market for Dr Brown's bottle was "made" by him, by those he paid to work for him and by SA, a determined strategy was launched by Amikam and his team (through a web of companies) designed to create the impression in the minds of both retailers and the general public that the "B Free" bottle was simply an improved and re-branded version of the famous original "Dr Brown's" with which they were so familiar. In that strategy B Free was completely successful - the closeness of the B Free designed logo to the original (see above) simply reinforcing the connection in most people's minds.

HandiCraft and Dr Brown did not think much of this strategy (preferring in their pleadings to refer to it as "The Deceptive Scheme") and threw all of their toys out of the pram ... in Amikam's direction. In the IP maelstrom which followed HandiCraft eventually emerged victorious but, without their patent (invalidated for obviousness), critically weakened. The twist in the tale in this case, however, probably trumps the IP issues - interesting as they are - because the ease with which the claimants were able to persuade the Court that Amikam and other family members should be **personally liable** in their capacities as directors of the various wrongdoer companies is alarming. The rationale for this was the Court's clear acceptance that:

- "SA was simply Amikam's "alter ego""
- "Directors are the company's agents and ... therefore ... inherently at risk of being jointly and severally liable with the company for acts committed by it."
- "(Amikam) was the source and origin of all major and even many minor decisions made by or on behalf of the three corporate defendants."

Perhaps the facts were exceptional here, and we also have Amikam's admission that "... I ran these companies and made all of the decisions relating to the strategic direction and expenditure of these companies". Nonetheless, directors of owner-managed companies may justifiably be left with the feeling that it is becoming rather less difficult to find circumstances in which they may face personal liability.

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