



Neutral Citation Number: [2016] EWHC 3076 (IPEC)

Case No: CC13P02177

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
INTELLECTUAL PROPERTY ENTERPRISE COURT

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

Date: 30/11/2016

Before :

HIS HONOUR JUDGE HACON

Between :

PHONOGRAPHIC PERFORMANCE LIMITED

Claimant

- and -

**(1) RAYMOND HAGAN (aka RAYMOND
EDWARD O'HAGAN) t/a LOWER**

GROUND BAR and THE BRENT TAVERN

**(2) EDWARD HAGAN t/a LOWER GROUND
BAR**

**(3) GERARD BYRNE t/a THE BRENT
TAVERN**

Defendants

GSC Solicitors LLP for the Claimant

The First Defendant and The First Defendant's Trustees in Bankruptcy filed written
submissions

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.

.....
HIS HONOUR JUDGE HACON

Judge Hacon :

Introduction

1. This is a closing stage in a trial for infringement of copyright. The claimant (“PPL”) seeks additional damages pursuant to s.97(2) of the Copyright, Designs and Patents Act 1988 (“the 1988 Act”) and seeks interest on an award of damages and an award of costs made earlier. A particular point arises on the effect of a Part 36 Offer made by PPL in October 2013.
2. PPL filed a witness statement dated 9 August 2016 from Ross Waldram, a solicitor of the firm GSC Solicitors LLP, acting for PPL. This was followed by a succession of written submissions: those dated 7 October 2016 filed by PPL, submissions dated 1 November 2016 from Susan Berry and Matthew Chadwick, joint trustees in bankruptcy of the first defendant (“Mr Hagan”), submissions from Mr Hagan himself dated 4 November 2016 and finally submissions in reply from PPL dated 18 November 2016. The application has been dealt with on paper.

Background

3. The proceedings began with issue of the claim form on 27 April 2012 in the High Court. They are proceedings of a sort commonly brought by PPL, for infringement of copyright in sound recordings by the playing of those recordings in public without a licence having been granted by PPL. In this instance recordings were played in a bar in North London known as ‘Lower Ground Bar’ of which Mr Hagan was the premises licence holder and in another, The Brent Tavern, of which Mr Hagan and the third defendant (“Mr Byrne”) were jointly premises licence holders.
4. Mr Hagan has been evasive about his identity. To begin with he called himself variously Raymond Hagan or Raymond O’Hagan. At a hearing before Master Price on 1 May 2013 he alleged that he had been mistaken for another individual who was responsible for the pubs and acts complained of: a Mr Edward Hagan.
5. A number of other matters were dealt with by Master Price, including the transfer of the proceedings to the Patents County Court (“the PCC”).
6. Outside court following the hearing before Master Price, those representing PPL asked about Edward Hagan. Neil Aga, who was present as Mr Hagan’s McKenzie friend, said that he was a distant relative of Mr Hagan. Mr Hagan himself said that Edward Hagan was his cousin.
7. Subsequently, at a hearing before District Judge Lambert on 9 September 2013, Mr Hagan told the District Judge that his real name was Raymond Edward O’Hagan and that he and Edward Hagan were one and the same person. Despite further confusion generated by Mr Hagan since then, I am satisfied that the first and second defendants are the same individual. I am not at all sure what Mr Hagan’s real name is. The written submissions of his trustees in bankruptcy describe themselves as trustees of ‘Edward Hagan’. In Mr Hagan’s own recent written submissions he identifies himself as ‘Edward Hagan, also known as Raymond Hagan’. He gives his address as 18 Killamooney Drive, Cavan, Republic of Ireland. Hereafter my references to ‘Mr

Hagan' should be taken to mean both the first and second defendant, being the same individual.

8. At the hearing on 9 September 2013 District Judge Lambert gave judgment in default against Mr Byrne. On 16 December 2013 I made an unless order arising from Mr Hagan's failure to give disclosure. That order was not complied with and so Mr Hagan's Defence was struck out by an order dated 7 February 2014. The Order of 7 February 2014 included an injunction in the terms sought in the Amended Particulars of Claim and gave directions for an inquiry as to damages.
9. The inquiry was listed for a hearing. At that hearing on 31 March 2014 Mr Hagan, appearing with Mr Riaz as his McKenzie friend, told me that he had accepted a Part 36 Offer made by PPL on 2 October 2013. He said that in consequence he had reasonably considered these proceedings to be over without any need for a judgment, that PPL had improperly sought judgment against him and that it should be set aside. I adjourned the hearing of the inquiry and allowed the parties to file evidence regarding this allegation.
10. At a hearing on 29 September 2014 I rejected Mr Hagan's claim that he had sent an acceptance of PPL's Part 36 Offer to PPL's solicitors. I found that the relevant email exhibited in Mr Hagan's evidence had been fabricated in a clumsy manner. I also accepted the quite detailed evidence of PPL's solicitors that they had not received the alleged email and the system in their office was such that they would have known about the email had it been sent. Mr Hagan's application to set aside the judgement of 5 February 2014 was dismissed.
11. I also ordered Mr Hagan to pay £12,983.12 damages for the infringements relating to Lower Ground Bar, and Mr Hagan and Mr Byrne jointly to pay £800 damages in relation to music played at The Brent Tavern. Mr Hagan was ordered to pay £44,587.01 by way of an interim payment of costs due to PPL. Three issues were adjourned, namely PPL's claims for (i) additional damages, (ii) interest on all damages due and (iii) interest on costs. The latter two issues were liable to be affected by the Part 36 Offer.
12. Mr Hagan then applied to the High Court for permission to appeal my dismissal of his application to set aside judgment and to the Court of Appeal for permission to appeal my order on damages. Permission was subsequently refused on both counts.
13. Mr Hagan was declared bankrupt by an Order of the County Court at Central London dated 17 August 2015.
14. After Mr Hagan's routes of appeal had been exhausted, PPL renewed its application in respect of the three matters referred to above. This was its right and although PPL was not obliged to explain its reasoning, it did. It believes that the majority if not all of these three matters can be classed as contingent liabilities in accordance with the judgment of the Supreme Court in *In Re Nortel GmbH* [2013] UKSC 52; [2014] AC 209. PPL said firstly, that it required the judgement of the court so that these debts can be proved and included in the bankruptcy and secondly, that it sought further clarity on the law for future cases. The three matters now fall to be determined.

Additional damages

15. In the prayer for relief in the Amended Particulars of Claim PPL seeks additional damages under s.97(2) of the 1988 Act. In its recent written submissions this was developed to include a claim to damages arising from unfair profits pursuant to art.13(1) of Directive 2004/48/EC on the enforcement of intellectual property rights (“the Enforcement Directive”).
16. Both require knowledge on the part of the defendant that he was infringing. This is expressly stated in art.13(1). It is not an express requirement in s.97(2) but while the court must take into account all the circumstances, its attention is in particular directed to flagrancy, which implies knowledge. It is difficult to imagine circumstances in which additional damages would be appropriate where there had been infringement without knowledge. Section 97(2) reads:

“(2) *The court may in an action for infringement of copyright have regard to all the circumstances, and in particular to –*

 - (a) *the flagrancy of the infringement, and*
 - (b) *any benefit accruing to the defendant by reason of the infringement*

award such additional damages as the justice of the case may require.”
17. I am satisfied that Mr Hagan knew that he should have paid PPL the appropriate licence fee for playing music in public and that therefore he knew he was infringing copyright when the music was played. I accept the four reasons advanced by PPL:
 - (i) Mr Hagan held a licence from PPL for The Brent Tavern between 2 March 2009 and 4 March 2011 and by implication knew how the system worked.
 - (ii) Mr Hagan was sent letters by PPL’s solicitors on 28 July 2011, 8 March 2012 and 20 February 2013.
 - (iii) Infringement continued after the proceedings started and therefore after the notice provided by the proceedings.
 - (iv) It is notorious among those in the hospitality industry that it is necessary to obtain a licence from PPL in order lawfully to play recorded music in public.
18. I discussed the relationship between s.97(2) and art.13(1) in *Absolute Lofts South West London Limited v Artisan Home Improvements Limited* [2015] EWHC 2608 (IPEC) at [36]-[43]. I concluded that art.13(1) provides an EU-wide baseline minimum of protection for owners of IP rights. Member States are not prohibited from enacting provisions affording a higher degree of protection. So where art.13(1) provides for more extensive remedies than s.97(2), a successful claimant may rely on that article. To the extent that s.97(2) provides the greater remedy, the copyright owner may rely on that section. However, it does not follow that national law and the Directive can be cumulatively applied to double-up the damages awarded to the owner of an IP right. As I pointed out in *Absolute Lofts*, because of the overlap between the relief provided by s.97(2) and the unfair profits provision of art.13(1), in practice this will mean choosing between one or the other. Separate relief under

art.13(1), in particular that related to non-economic factors, will always be additionally available in the (limited) circumstances in which it is appropriate.

19. Art.13(1) provides:

“Article 13

Damages

1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.”

20. The focus in art.13(1) is on prejudice suffered by the rightholder, not how flagrantly the defendant conducted himself, though art.13(1) may be flexible enough to take flagrancy into account, see *Jodie Aysa Henderson v All Around The World Recordings Limited* [2014] EWHC 3087 (IPEC); [2015] I.P.&T. 335, at [82].
21. In the present case, PPL has already been compensated by a payment of the licence fees that Mr Hagan should have paid in the first place. Non-economic factors do not arise. So far as unfair profits are concerned, PPL argues Mr Hagan benefitted indirectly from the music played in his pubs. He did, as he was entitled to, provided he paid PPL’s fees. His real and only benefit was not paying those fees, in relation to which damages have already been awarded.
22. I take the view that if PPL is entitled to anything by way of further relief, it will be because of Mr Hagan’s flagrancy. For that, s.97(2) is the safer bet. And it is the provision relied on by PPL in its pleading.
23. I also think that Mr Hagan’s infringements were not just knowing but flagrant. He was prepared to deal with PPL only as a last resort and when forced to. On the other hand, the compensatory awards of damages, just under £13,000 and a share of £800 indicate that his infringements were not on a grand scale.
24. An important factor, in my view, is the extent to which an award of additional damages is likely to be dissuasive. According to the principle in *Marleasing (Marleasing SA v La Comercial Internacional de Alimentacion SA (C-106/89) EU:C:1990:395*, s.97(2) should be construed to be consistent with the Enforcement

Directive as a whole. Art. 3 of the Directive requires, among other things, that Member States should provide remedies necessary to ensure the enforcement of intellectual property rights that are “effective, proportionate and dissuasive”.

25. There are two ways of looking at the dissuasive requirement. One is that the defendant should be dissuaded from infringing again. The second is that other infringers, actual and potential, should be dissuaded from infringing. It seems to me that the court may take either or both into account, as may be appropriate.
26. Mr Hagan is bankrupt and already owes a debt to PPL which he may not be able to pay. He is described by his trustees in bankruptcy as an illiterate alcoholic, a point that has been made before. I doubt that he represents much of a threat of future infringement of PPL’s copyrights. In the circumstances of his particular case, I will award the sum of £2,000 under s.97(2).
27. Other infringers, actual or potential, are likely to be more robust than Mr Hagan both financially and in other ways and are more likely to represent an example which others may be tempted to follow. They may require a good deal more dissuading. Other flagrant infringers are thus liable to expose themselves to an award of additional damages on a higher scale.

The Part 36 Offer

28. PPL’s Part 36 Offer was made on 2 October 2013. Therefore the old Part 36 rules apply, i.e. those applicable before the Civil Procedure (Amendment No. 8) Rules 2014 entered into force on 6 April 2015. Hereafter references to Part 36 are to the old Part 36. Rule 36.14 provides:

“Costs consequences following judgment

36.14

- (1) *Subject to rule 36.14A, this rule applies where upon judgment being entered—*
 - (a) *a claimant fails to obtain a judgment more advantageous than a defendant’s Part 36 offer; or*
 - (b) *judgment against the defendant is at least as advantageous to the claimant as the proposals contained in a claimant’s Part 36 offer.*
- (1A) *For the purposes of paragraph (1), in relation to any money claim or money element of a claim, “more advantageous” means better in money terms by any amount, however small, and “at least as advantageous” shall be construed accordingly.*
- (2) *Subject to paragraphs (6) and (7), where rule 36.14(1)(a) applies, the court will, unless it considers it unjust to do so, order that the defendant is entitled to—*
 - (a) *costs from the date on which the relevant period expired; and*
 - (b) *interest on those costs.*

(3) Subject to paragraph (6), where rule 36.14(1)(b) applies, the court will, unless it considers it unjust to do so, order that the claimant is entitled to—

(a) interest on the whole or part of any sum of money (excluding interest) awarded, at a rate not exceeding 10% above base rate for some or all of the period starting with the date on which the relevant period expired;

(b) costs on the indemnity basis from the date on which the relevant period expired;

(c) interest on those costs at a rate not exceeding 10% above base rate; and

(d) an additional amount, which shall not exceed £75,000, calculated by applying the prescribed percentage set out below to an amount which is—

(i) where the claim is or includes a money claim, the sum awarded to the claimant by the court; or

(ii) where the claim is only a non-monetary claim, the sum awarded to the claimant by the court in respect of costs—

Amount awarded by the court	Prescribed percentage
Up to £500,000	10% of the amount awarded
Above £500,000 up to £1,000,000	10% of the first £500,000 and 5% of Any amount above that figure.

(4) In considering whether it would be unjust to make the orders referred to in paragraphs (2) and (3) above, the court will take into account all the circumstances of the case including—

(a) the terms of any Part 36 offer;

(b) the stage in the proceedings when any Part 36 offer was made, including in particular how long before the trial started the offer was made;

(c) the information available to the parties at the time when the Part 36 offer was made; and

(d) the conduct of the parties with regard to the giving or refusing to give information for the purposes of enabling the offer to be made or evaluated.

(5) Where the court awards interest under this rule and also awards interest on the same sum and for the same period under any other power, the total rate of interest must not exceed 10% above base rate.

...”

29. PPL’s Part 36 Offer on 2 October 2013 was to settle the claim against Mr Hagan if (1) he consented to an injunction in the form set out in the Particulars of Claim and (2) he

paid the sum of £5,000 in respect of damages, additional damages and interest. The judgment against Mr Hagan is more advantageous to PPL than that offer.

30. Taking into account in particular the matters set out in Part 36.14(4), I am satisfied that there would be no injustice in PPL being awarded the further relief provided for in Part 36.14(3). PPL is accordingly entitled as of right to that relief, subject to one potential matter.
31. There is a tension between the relief under subparagraphs (b) and (d) of rule 36.14(3) and the caps on costs and damages in IPEC. This was briefly debated and considered in *OOO Abbott v Design & Display Limited* [2014] EWHC 3234 (IPEC). Counsel for the first defendant in that case argued that an award under subparagraph (b) was still subject to the overall £50,000 cap on costs available under the IPEC rules and subparagraph (d) was subject to the overall cap of £500,000 damages. I rejected the argument in relation to subparagraph (d) but accepted it with regard to (b) (at [21]).
32. Since then, the Court of Appeal has given judgment in *Broadhurst v Tan* [2016] EWCA Civ 94; [2016] 1 W.L.R. 1928. This has a bearing on costs awarded under rule 36.14(3)(b) in the IPEC even though it did not deal with the IPEC costs regime. *Broadhurst* was concerned with the fixed costs regime for low value personal injury cases, provided for by Section IIIA of CPR Part 45.
33. Rule 45.29B (part of Section IIIA) provides that (subject to exceptions which do not matter here) where a claim is started under the relevant Road Traffic Accidents Protocol, the only costs allowed are the fixed costs prescribed in Section IIIA. Thus rule 45.29B and rule 36.14(3)(b) are on their face difficult to reconcile. The main argument before the Court of Appeal turned on which of these was the general provision and which the specific provision. Both sides relied on the principle of law that general provisions must yield to specific provisions, see *Solomon v Cromwell Group plc* [2012] 1 W.L.R. 1048, at [21].
34. Lord Dyson MR (with whom McCombe and David Richards LJJ agreed) noted that CPR 36.14A (now re-enacted as CPR 36.20) specifically provides for the costs consequences of a Part 36 Offer where Section IIIA of Part 45 applies. In particular, although it amends parts of rule 36.14, it leaves rule 36.14(3) untouched. Lord Dyson said this:

“[25] The effect of rules 36.14 and 36.14A when read together is that, where a claimant makes a successful Part 36 offer, he is entitled to costs assessed on the indemnity basis. Thus, rule 36.14 is modified only to the extent stated by 36.14A. Since rule 36.14(3) has not been modified by rule 36.14A, it continues to have full force and effect. The tension between rule 45.29B and rule 36.14A must, therefore, be resolved in favour of rule 36.14A. I reach this conclusion as a straightforward matter of interpretation and without recourse to the canon of construction that, where there is a conflict between a specific provision and a general provision, the former takes precedence. As we have seen, there is disagreement as to which is the relevant general provision in the present context. Mr Williams submits that it is rule 36.14; and Mr Laughland submits that it is rule 45.29B. I do not find it necessary to resolve this difference.”

35. The scale costs provisions for claims in the IPEC are in Section IV of Part 45. They are not the same as the provisions in Section IIIA. Also, there is nothing equivalent to rule 36.14A which provides for the costs consequences of a Part 36 Offer where Section IV of Part 45 applies. Consequently, the reasoning of Lord Dyson in his paragraph 25 cannot be reapplied in the context of the costs regime in the IPEC. Potentially, an analogous argument arises by reference to the general principle of law: which of rule 36.14(3)(b) and rule 45.31 (which limits costs in the IPEC) is the specific provision and which is the general one? The Court of Appeal having declined to reach a view in the context of Part 45 Section IIIA, I am not willing to barge in with a view in the context of Part 45 Section IV, particularly not having had the benefit of any argument at all on the point.
36. Lord Dyson felt that three further grounds supported the primary conclusion in his paragraph 25 that rule 36.14(3)(b) took precedence. The first depended on rule 36.14A(8). As I have said, there is no equivalent to rule 36.14A for IPEC cases, so it does not assist here.
37. Lord Dyson also referred to with approval a submission that under wider scheme of Part 36, where fixed costs are intended to prevail, Part 36 says so (at [27], referring back to [13]).
38. Finally, Lord Dyson ruled at [28] that had he been in doubt, it would have been legitimate to refer to the Explanatory Memorandum as an aid to construction, applying by analogy *Pepper v Hart* [1993] AC 593:
- “[The Memorandum] states in terms that, if a claimant makes a successful Part 36 offer: ‘the claimant will not be limited to receiving his fixed costs, but will be entitled to costs assessed on the indemnity basis in accordance with rule 36.14.’”
39. Guided by the third and fourth grounds set out by Lord Dyson, both of which, it seems to me, can be applied by analogy to the tension between rule 36.14(3)(b) and rule 45.31, I conclude that the former overrides the latter: the limits on costs in the IPEC, both stage costs and the overall cap, do not apply to an award of costs under rule 36.14(3)(b).

The application of CPR Part 36.14(3) in this case

40. I will now consider each of the heads of additional relief to which PPL is entitled pursuant to rule 36.14(3). The relevant period for PPL’s Part 36 Offer within the meaning of rule 36.3(1)(b) expired on 25 October 2013.
41. To the extent that I have a discretion in relation to these heads of relief, it seems to me that I should exercise that discretion to avoid a disproportionate burden on Mr Hagan, but at the same time I reiterate an observation made in *OOO Abbott* at [22]:
- “... the principle to be maintained in relation to CPR 36.14(3) is that it should be applied in a way such as to generate a vigorous incentive to make and accept claimants’ Part 36 offers.”

Interest on damages at a rate not exceeding 10% from the date on which the relevant period expired

42. I have a discretion as to the percentage above base rate at which I should set the interest rate on damages from 25 October 2013. I have not been provided with or found any guidance as to the appropriate figure is to be reached. However, it is clear that an additional 10% over a base rate at its current level, i.e. 0.25%, would be an increase a good deal more swingeing than would be the case were the base rate at, say, 10%. I also have a discretion to settle the appropriate rate on all or part of the damages awarded, and for some or all of the period from the date on which the relevant period expired. I will set interest at 4% above base rate on all damages throughout the period starting from 25 October 2013.
43. I will set interest at 2% above base rate for the period before 25 October 2013, see the discussion on interest in *AP Racing Ltd v Alcon Components Ltd* [2016] EWHC 116 (IPEC) at [44]-[46]. Interest on the judgment debts that accrued from the date on which damages were due to be paid under my Order of 29 September 2014, namely 20 October 2014, shall be at the judgment rate.

Costs on an indemnity basis from the date on which the relevant period expired

44. From 25 October 2013, the end of the relevant period in respect of PPL's Part 36 Offer, PPL is entitled to its costs on an indemnity basis, which will not be subject to stage caps and will not form part of the overall IPEC cap on costs.

Interest on those costs at a rate not exceeding 10% above base rate

45. Again bearing in mind the current low base rate, I will set interest on the costs awarded on an indemnity basis at 4% above base rate.

An additional amount, being 10% of the amount awarded to the claimant

46. PPL is entitled to a further sum, being 10% of the amount awarded to the claimant by the court. In the context of a monetary claim I take this to be the sum awarded in damages, see White Book not 36.17.4.4, first paragraph. The notes in the White Book do not state whether the sum awarded includes interest on damages. I assume it does not, since there is no date set on which the amount of interest is to be fixed. I will award 10% of (£12,983.12 + £400) = £1,338.

Non-indemnity costs

47. The foregoing leaves out costs due to PPL other than those to be paid on an indemnity basis.

Other costs

48. PPL is entitled to its costs incurred in the High Court up to the date of transfer to the PCC on 1 May 2013 on the standard basis, without any limitation imposed by PCC caps.
49. In the period between 1 May and 25 October 2013, PPL's costs would normally be subject to the PCC and later the IPEC stage caps then in force. PPL argued that Mr

Hagan's behaviour was such as to amount to an abuse of process so the caps do not apply, see CPR 45.30(2)(a). Mr Hagan's conduct was not, in my view, an abuse of process. He did, however, act unreasonably in the period between 1 May 2013 (the date of the hearing before Master Price) and 9 September 2013 (the date of the hearing before District Judge Lambert) by creating confusion as to his identity. The costs of those two hearings and any falling between them are subject to stage caps but fall outside the overall cap, see CPR 63.26(2) and 45.32, and *Akhtar v Bhopal Productions (UK) Ltd* [2015] EWHC 154 (IPEC); [2015] F.S.R. 30, at [12]-[32].

Interest on non-indemnity costs

50. Interest on non-indemnity on costs will be set at 2% above base rate.
51. This is subject to an agreement reached between the parties, of which I was informed by an email to the court from PPL's solicitors dated 23 November 2016. The parties have agreed that the figures for interest on costs which I have settled, both for non-indemnity and then indemnity costs, shall apply until the date of Mr Hagan's bankruptcy, 17 August 2015. Thereafter interest should apply at the statutory rate appropriate for part of Mr Hagan's liabilities as a bankrupt. I understand that PPL proposes an arrangement which simplifies this further to Mr Hagan's advantage. It should form part of PPL's proposals for an overall summary assessment of costs.

Final Order

52. PPL's solicitors are requested to apply the above ruling in the preparation of a final draft order, including submissions for a summary assessment of costs according to the guidelines set out above.