Neutral Citation Number: [2022] EWHC 1161 (IPEC)

Case No: IP-2019-000188

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY ENTERPRISE COURT

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

Date: 16/05/2022

Before :

HIS HONOUR JUDGE HACON

- -

Between :

WIREX LIMITED	**Claimant**
- and -	
(1) CRYPTOCARBON GLOBAL LIMITED	
(2) CRYPTOCARBON UK LIMITED	
(3) SUBASH GEORGE MANUEL	
(4) BEE-ONE LIMITED	
(5) TECHBANK OÜ	**Defendants**

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Brown Rudnick LLP for the **Claimant**
The Third Defendant acting in person and acting for **the Fifth Defendant**

Judgment on the papers

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Approved Judgment

This judgment was handed down remotely by circulation to the parties' representatives by email and release to The National Archives Transfer Digital Records. The date and time for hand-down is deemed to be 10.30 a.m. on Monday 16th May 2022.

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HIS HONOUR JUDGE HACON

Judge Hacon :

Introduction

1. This is a judgment made on the papers in respect of three applications, one by the Claimant ("Wirex") and the other two by the Third and Fifth Defendants ("Mr Manuel" and "Techbank" respectively).

Background

2. On 16 March 2021 I handed down judgment on liability in these proceedings. I found that the First to Fourth Defendants had infringed Wirex's registered trade mark CRYPTOBACK and that the Mr Manuel was jointly liable for the infringing acts of the First and Second Defendants.

3. Wirex elected for an inquiry as to damages and served its Points of Claim on 14 July 2021. Damages are sought by reference to a notional royalty for the use of its trade mark, including an annual usage fee, plus a sum for moral damage said to have been suffered.

4. There was a case management conference in the inquiry on 12 October 2021. I found that the Defendants had acted unreasonably in failing to serve Points of Defence in due time, thereby causing an adjournment of the CMC. I dismissed an application by the Defendants to stay the inquiry and pursuant to CPR 63.26(2) ordered the Defendants to pay Wirex's costs of the application, summarily assessed in the sum of £3000.

5. There was a further hearing on 8 December 2021 at which directions in the inquiry were given. The Defendants had failed to pay the £3000 ordered at the previous hearing and I also made an order that unless that sum plus interest was paid by 4pm on 22 December 2021, the Points of Defence in the inquiry would be struck out and the Defendants would not be permitted to serve evidence in the inquiry.

6. Mr Manuel applied to the Court of Appeal to appeal the order of 8 December 2021. As it turned out, the order made was overtaken by events.

7. By an order dated 17 January 2022 I gave permission to join Techbank as the Fifth Defendant. I found that Mr Manuel's conduct in seeking to avoid the joinder of Techbank had been an abuse of the court process. Pursuant to CPR 45.30(2)(a), I ordered that the Defendants pay Wirex's costs of the application without the costs caps which usually apply in this court, summarily assessed in the sum of £30,000.

8. In February Mr Manuel and Techbank applied to the Court of Appeal for permission to appeal the order of 17 January 2022.

9. The costs ordered on 17 January 2022 were not paid. There was a further application on 17 February 2022. This is paragraph 1 of the order made on that date ("the January Order" meant the order of 17 January 2022; "the February 2022 Appeal" meant the application to the Court of Appeal for permission to appeal that order):

> "Unless the Defendants on or before 24 February 2022 pay the costs as ordered in paragraph 8 of the January Order, the Defendants' Defences in the Damages

> Inquiry shall without further order be struck out and Judgment be entered in favour of the Claimant PROVIDED THAT this Order shall not come into force until after the final resolution of the February 2022 Appeal."

10. The costs in the sum of £30,000 ordered on 17 January 2022 were not paid by the deadline stated.

11. On 12 April 2022 the Court of Appeal dismissed the application for permission to appeal both the order of 8 December 2021 and the order of 17 January 2021.

The Applications

12. Wirex now applies by an Application Notice dated 25 April 2022 for payment of the sums claimed in its Points of Claim, together with interest and costs.

13. Mr Manuel and Techbank filed an Application Notice dated 18 April 2022 seeking (i) permission to appeal to the Supreme Court under s.13.2(c) of the Administration of Justice Act 1960 and (ii) a stay of the inquiry until (a) judgment is given by the Supreme Court and (b) IPO proceedings are finalised.

14. Mr Manuel and Techbank also filed an Application Notice dated 29 April 2022 seeking (i) an order that a Part 36 offer made by Wirex is enforced under CPR 36.14(8)(b) and (ii) relief from the sanction for breach of the unless order of 17 February 2022 pursuant to CPR 3.9.

Claimant's Application Notice dated 25 April 2022

15. Since the defendants were in breach of the unless order of 17 February 2022 (and that of 8 December 2021) Wirex is entitled to have its claim for damages assessed on the unchallenged assertions contained in its Points of Claim.

16. The first head of claim is the loss of an upfront fee of £50,000 per year from April 2018 to April 2021, a total loss of £200,000. The second head is the loss of £2 per retailer or UK account holder registered to the defendants' cryptocurrency rewards scheme, to which Wirex says it would have been entitled, a total of £36,766. These figures are surprisingly high. But I have no basis on which to modify them since they flow from unchallenged assertions.

17. The third head of claim is for £20,000 by way of damage in the form of moral prejudice. It is supported by paragraphs 47 to 52 in the Points of Claim, in particular paragraph 50:

> "50. The Claimant has suffered moral prejudice as a consequence of the Defendants' acts of infringement, in particular for the following reasons:
>
> a. For the reasons set out above, the infringements were carried out in circumstances where the Defendant knew, or had reasonable grounds for knowing, that their acts infringed the Claimant's rights in the Mark. This includes the First to Fourth Defendants' initial agreement to cease use of the Mark following the Claimant's letter before action and then starting again after a few months.

b. The Defendants continued use following judgment.

c. The Defendants' use was during what it knew to be during the Claimant's initial launch and growth phase of its own business under the Mark.

d. In a letter dated 11 December 2018 (sent around the time the Defendants decided to re-commence use of the Mark) the Defendants' solicitors stated that the Claimant's case in passing off is 'doomed to fail', rejected the Claimant's claims for joint liability in respect of Mr Manuel and stated that the Defendants 'will rigorously defend' any proceedings brought against it.

e. The Defendants' persistent infringement caused disruption of the Claimant's business as well as severe frustration and time wasted by the Claimant's management."

18. Regulation 3 of the Intellectual Property (Enforcement, etc.) Regulations 2006/1028 provides, so far as is relevant:

> "*3.— Assessment of damages*
>
> *(1) Where in an action for infringement of an intellectual property right the defendant knew, or had reasonable grounds to know, that he engaged in infringing activity, the damages awarded to the claimant shall be appropriate to the actual prejudice he suffered as a result of the infringement.*
>
> *(2) When awarding such damages—*
>
> *(a) all appropriate aspects shall be taken into account, including in particular—*
>
> *(i) the negative economic consequences, including any lost profits, which the claimant has suffered, and any unfair profits made by the defendant; and*
>
> *(ii) elements other than economic factors, including the moral prejudice caused to the claimant by the infringement; or*
>
> *(b) where appropriate, they may be awarded on the basis of the royalties or fees which would have been due had the defendant obtained a licence.*"

19. The case law on the meaning of moral prejudice remains sparse. However, it is clear from regulation 3(2)(a)(ii) that it covers a loss other than an economic loss. Possibly aside from Wirex's "severe frustration" referred to in paragraph 50(e), all the losses referred to in paragraph 50 of the Points of Claim are economic losses. I do not accept that severe frustration, which many litigants could routinely claim to have experienced, constitutes moral prejudice. I award nothing under this head.

20. I am satisfied that Wirex is entitled to £21,900 in capped costs of the inquiry (subject to a claimed uplift considered below), plus £825 in court fees. The sum of £3000 in costs awarded on 12 October 2021 has now been paid. On the same date it was ordered

that the defendants pay the claimant's costs of and occasioned by the adjournment of the CMC, such costs to be summarily assessed outside the IPEC cost caps at the conclusion of the inquiry. The claimant claims the sum of £3000 in its draft order attached to the application notice of 25 April 2022, which I award.

21. In respect of the sum of £21,900 in costs, Wirex claims an uplift of 25%, i.e. a further £5,475, because of its Part 36 Offer dated 16 August 2021. That offer by Wirex was to settle the damages claim by the Defendants' payment of the sum of £120,000. The award I have made exceeds that sum. Wirex is entitled to the 25% uplift, see *Martin v Kogan (No.2)* [2017] EWHC 3266 (IPEC); [2018] FSR 10.

Mr Manuel's and Techbank's Application Notice dated 18 April 2022

22. By an email from Mr Manuel to the court dated 5 May 2022, Mr Manuel withdrew the application for permission to appeal to the Supreme Court. Nothing further needs to be said about it.

23. In the same email Mr Manuel maintained the application for an order that the present inquiry is stayed pending the outcome of IPO proceedings. Mr Manuel filed a copy of a witness statement by him which had first been filed in the IPO in support of proceedings there. In it he suggested that the validity of Wirex's trade mark was also and still in dispute in the IPO proceedings on grounds other than those which had been raised in the liability trail before me. If true, it raised the possibility that the outcome of this inquiry could depend on the outcome of pending IPO proceedings, see s.47(6) of the Trade Marks Act 1994. It was not true. I have since been shown by Wirex a letter dated 23 June 2021 in which the IPO confirms that proceedings before it concerning the Wirex trade mark, which had been stayed, were concluded following my judgment of 16 March 2021. The only live proceedings remaining before the IPO are those brought by Wirex in opposition to the first defendant's application to register CRYPTOBACK as a trade mark. The outcome of that opposition can have no impact on Wirex's entitlement to relief in this inquiry.

24. The application of 18 April 2022 is dismissed.

Mr Manuel's and Techbank's Application Notice dated 29 April 2022

25. By a letter dated 21 April 2022 Mr Manuel purported to accept Part 36 offers made by Wirex Claimant on 3 March 2020 and 14 July 2020. In an email to the court dated 6 May 2022 Mr Manuel conceded that the offer dated 3 March 2020 had been withdrawn by Wirex but maintained acceptance of the offer of 14 July 2020.

26. In a letter to the court from Wirex's solicitors dated 6 May 2022 two points were made. The first was that both Part 36 offers were withdrawn by Wirex in a letter dated 11 April 2022. Unhelpfully, the letter has not been provided.

27. The second point was that a Part 36 offer cannot be accepted after judgment has been entered and that this happened on 24 February 2022, the deadline for payment of £30,000 pursuant to the unless order of 17 February 2022. No doubt a Part 36 offer cannot be accepted after judgment, but this is not a correct analysis of the present case.

28. CPR 36.11(2) provides that a Part 36 offer may be accepted at any time. This is subject to qualifications, one provided by rule 36.11(3)(d) which requires the court's permission to accept a Part 36 offer where a trial is in progress. Rule 36.3(d) states that a trial is in progress from the time when it starts until the time when judgment is given or handed down. On 24 February 2022 Wirex became entitled to seek judgment in the inquiry but judgment was not given on that date. This is the judgment in the inquiry, given pursuant to Wirex's application. It follows that the court's permission was required for Mr Manuel to accept Wirex's Part 36 offer of 14 July 2020, assuming that it had not been withdrawn. Permission was not sought but I would have had no hesitation in refusing permission. By 21 April 2022 Mr Manuel knew that Wirex was entitled to judgment based on the submissions contained in the Points of Claim which could no longer be challenged. He had sought permission to appeal both the order of 8 December 2021 and that of 17 February 2022 and had had his applications dismissed by the Court of Appeal on 12 April 2022. His acceptance of the offer of 14 July 2020, if it was still open, was a last ditch attempt by Mr Manuel to ameliorate the effect of the orders of 8 December 2021 and 17 February 2022 and his failure to obtain permission to appeal them.

29. I turn to Mr Manuel's application for relief from the sanction imposed by his breach of the unless order of 17 February 2022. He states that the £30,000 owed to Wirex has now been paid and I understand this to be common ground. He argues that his breach of the unless order was neither serious nor significant. He says that since the breach has now been remedied by payment of the outstanding costs, it would not be proportionate for judgment to be entered in Wirex's favour.

30. I do not agree. Mr Manuel was in wilful breach of the order of 17 February 2022. As now appears, he could probably have raised the sum of £30,000 but did not do so at the appropriate time. His attitude to the breach was not to remedy it as soon as he was able to, but to seek permission to appeal the order. He even sought at one point to seek permission to appeal to the Supreme Court. Only when he realised that all options to appeal the order had run into the ground did he pay the relevant sum to Wirex. In my view Mr Manuel's breach was both serious and significant. No reason has been given by Mr Manuel as to why his default occurred. I infer that he believed that he could manoeuvre his way into avoiding payment. In all the circumstances of the case I do not take the view that Mr Manuel is entitled to relief from sanctions.

Conclusion

31. Wirex is entitled to an award in the inquiry indicated above. I invite the solicitors for Wirex and Mr Manuel to agree an order giving effect to this judgment.