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### Aggravated or exemplary damages for copyright infringement?

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***\*E.I.P.R. 565** This article will critically evaluate the damages provisions relating to copyright infringement, specifically the award of additional damages under s.97(2) of the Copyright, Designs and Patents Act 1988. The UK courts have held that such awards are a measure of aggravated damages. This article will examine to what extent these additional awards are aggravated damages and, therefore, compensatory. It will be argued that such awards have a closer affinity to orthodox exemplary damages. The practical application by the UK courts reinforces this view.*

#### Introduction

In the UK, infringement of the exclusive rights attaching to a copyright work is categorised as a tort. A successful claimant is able to seek various remedies which the court regards as necessary and appropriate in order to alleviate the harm done through the wrong. The approach adopted by the court will be determined by the specific facts of the case and what is required to do justice in the relevant circumstances. Where the claimant licenses the copyright work to a significant number of parties, the court may deem it appropriate to order the defendant to pay a reasonable royalty for the use made of the work.<sup>1</sup> Where the claimant has suffered considerable loss as a result of the commercial inability to exploit the copyright work, the court may deem it appropriate to award substantial compensatory damages.<sup>2</sup> Where, at the time of the infringement, the defendant acted innocently, the court may order the defendant to account to the claimant for the profit made through the infringement.<sup>3</sup> Where the defendant threatens to continue infringing the copyright work, the court may grant the claimant injunctive relief.

In addition to the conventional remedies available for various other types of intellectual property infringement, s.97(2) of the Copyright, Designs and Patents Act 1988 (CDPA 1988) provides claimant with the ability to seek an award of "additional damages". Specifically, s.97(2) provides that in an action for copyright infringement, the court may, having 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. The same discretion is extended to unregistered UK design rights<sup>4</sup> and performers' rights.<sup>5</sup> This provision is unusual in that, in the UK, the doctrinal governance of damages has largely been a matter of common law. Equally, the use of the term "additional" suggests that the award goes beyond mere compensation of the claimant and seeks to address an extraneous issue.

This article aims to discuss how the award of additional damages under s.97(2) should be categorised. Historically, the court has regarded the award as a form of aggravated damages which, by their very nature, seek to compensate the claimant. However, it will be argued that the award of additional damages can be more logically categorised as an award of exemplary damages.<sup>6</sup>

#### Additional damages under s.97(2)

As is evident from the wording contained in the statute, s.97(2) may be triggered in a variety of circumstances, particularly (a) where the copyright infringement is "flagrant" or (b) where a benefit accrues to the defendant by reason of the infringement.

The term "flagrant" is deployed as an adjective to give the defendant's actions context. Not only has the defendant infringed the claimant's copyright, but the contextual nature of that infringement renders the infringing acts flagrant. The plain and ordinary use of the term "flagrant" is to denote an act as being wrong, immoral, conspicuous or offensive.<sup>7</sup> The court has determined that the use of this term in the CDPA 1988 denotes scandalous conduct or deceit, including deliberate and calculated infringement.<sup>8</sup> Flagrancy may also exist where the defendant has been sufficiently careless, to the extent that their actions are bordering on reckless.<sup>9</sup> What is clear is that flagrancy is defendant-focused. The harm, loss or damage suffered by the claimant is not determinative of whether the infringing act should be categorised as flagrant. The nature of the loss suffered by the claimant may be relevant insofar as it invites the court to draw an inference of flagrancy by reference to *\*E.I.P.R. 566* the consequences flowing from the infringing act. However, the purpose of distinguishing flagrant infringement from innocent or non-cynical infringement is to put the defendant's acts in context. In this sense, flagrancy is defendant-focused and is not dependent on the claimant's position.

Determining the measure of damages to be awarded to the claimant by reference to the benefits accrued by the defendant in carrying out the wrong is not unique to copyright law and extends beyond mere profit.<sup>10</sup> Exemplary damages are monetary awards which aim to punish the defendant for wrongful conduct.<sup>11</sup> Generally they are awarded if, but only if, the measure of compensatory damages would be insufficient to punish the defendant.<sup>12</sup> In *Rookes v Barnard*, Lord Devlin specifically provided for exemplary damages where the defendant's conduct was calculated to make a profit larger than the compensation that would be due to the claimant.<sup>13</sup> Such circumstances evidence a cynical disregard for the claimant's rights. Indeed, this approach was later confirmed by Lord Hailsham in *Cassell v Broome*.<sup>14</sup> Although the House of Lords subsequently removed the need for a particular cause of action to be pleaded in order to seek exemplary damages,<sup>15</sup> the remedy is still deployed to address gains made by the defendant.<sup>16</sup> Again, this factual issue is defendant-focused. The loss suffered by the claimant is only relevant insofar as it gives context to the consequences flowing from the infringing act. In particular, where the consequences are such that the gain made by the defendant far outweighs the loss suffered by the claimant, the claimant's loss is relevant in determining whether additional damages should be awarded. However, it is the defendant's gain that is determinative.

The measure of damages for copyright infringement is conventionally the quantum of the depreciation to the value of the copyright as a chose in action caused by the infringement.<sup>17</sup> This is restorative in the sense that the award puts the claimant back in the position they would have been in but for the infringement.<sup>18</sup> This is consistent with the tortious measure of damages.<sup>19</sup> The House of Lords has held that "additional damages" are, indeed, damages and are not capable of being awarded where a claimant elects for an account of the defendant's profits.<sup>20</sup> On its face, the term "additional damages" suggests that the award goes beyond that which is necessary to compensate the claimant for loss. Indeed the award has been described as a premium or mark-up on compensatory damages.<sup>21</sup> The quantification of additional damages also sheds light on the nature of the award.

In *Nottinghamshire Healthcare v News Group Newspapers*, compensatory damages for use of a photograph of a hospital's patient within a newspaper article were calculated as £450. The award of additional damages was £9,550. Again, this appears to be defendant-focused. Indeed, the award of damages is expressly excluded where a defendant has acted innocently.<sup>22</sup> Therefore the defendant must be at least somewhat blameworthy to allow damages to be a remedy available to the claimant. Additional damages must, therefore, be linked to the contextual nature of the infringing act and the defendant's blameworthiness, rather than the loss suffered by the claimant.

### **Additional damages—the status quo**

In *Nottinghamshire Healthcare v News Group Newspapers*, Pumfrey J determined that the award of additional damages under s.97(2) was a measure of aggravated damages.<sup>23</sup> This finding was driven by prior case law construing the equivalent provision of the Copyright Act 1956.<sup>24</sup> Pumfrey J stated that the Whitford Committee, whose reforms led to the enactment of the Copyright, Designs and Patents Act 1988, considered that the award of additional damages involved an exemplary element.<sup>25</sup>

Indeed, in *Williams v Settle* it was stated that the flagrancy of the infringement called for heavy damages under s.17(3) of the Copyright Act 1956, which were categorised as exemplary.<sup>26</sup> However, following the uncertainty expressed by Lord Devlin<sup>27</sup> and Lord Hailsham,<sup>28</sup> Pumfrey J held that the award of additional damages under the 1956 Act to be a form of aggravated damages. Regarding s.97(2) of the 1988 Act, Pumfrey J noted that the House of Lords had left the issue open in *Redrow Homes v Bett Brothers*.<sup>29</sup> The issue had also been *\*E.I.P.R. 567* left open by Neuberger J in *O'Mara Books v Express Newspapers*<sup>30</sup> and by Hirst LJ in *ZYX Music GmbH v King*.<sup>31</sup>

Pumfrey J went on to consider the two express factors which the court should have regard to when making an award under s.97(2). Regarding the benefit to the defendant, he noted that this reflected Lord Devlin's second category of exemplary damages. Regarding flagrancy, he stated that this invited the court to consider whether the infringement was deliberate. As the 1988 Act also makes it a criminal offence to knowingly infringe copyright, Pumfrey J reasoned that s.97(2) could not justify an exemplary award as, in some instances, that would result in double punishment of an infringer. Instead, he held that s.97(2) provides for additional damages to be awarded based on aggravating factors, which are wider than those ordinarily available at common law. As the defendant's state of mind is not relevant to a case of primary infringement, it was reasoned that the award of additional damages must be permitted for careless or intentional infringement. In the case, Pumfrey J ordered £450 as compensatory damages under s.96 to reflect the fee which would have been negotiated for use of a copyright photograph, and increased the damages to £10,000 under s.97(2). Factors which determined the flagrancy and drove the uplift included theft of the photograph, knowledge that it originated from the hospital, the defendant's conduct in the case, destruction of evidence, lack of an apology and the upset caused.

Aggravated damages compensate for harm to the claimant's proper feelings of pride and dignity, humiliation, distress, insult, or pain caused by the circumstances of the defendant's conduct. Similarly, the defendant's conduct may have aggravated or increased the actual damage, or caused additional heads of damage such as inconvenience, increasing the quantum of the loss. Importantly, aggravated damages are designed to compensate the claimant, not punish the defendant.<sup>32</sup> Generally, the harm for which the claimant should be compensated is mental distress, outrage or upset.<sup>33</sup> Indeed, consequences of that nature flowing from the tortious conduct "aggravate" the injury suffered. The essential pre-conditions envisaged by the Law Commission to an award of aggravated damages are (1) exceptional conduct by the defendant, and (2) injury to claimant's feelings. These are cumulative in the sense that both pre-conditions must be satisfied, because aggravated damages aim at addressing a form of intangible loss.<sup>34</sup> For this reason, it is more difficult to obtain an award of aggravated damages for corporate entities.<sup>35</sup> The Law Commission went so far as to suggest that the term "damages for mental distress" should be adopted wherever possible.<sup>36</sup>

Contrary to the view expressed by Pumfrey J, it is not entirely clear that an award of additional damages under s.97(2) is an award of aggravated damages. While the specific issue of flagrancy fits with the notion of exceptional conduct, which the Law Commission regarded as a necessary pre-condition for aggravated damages, s.97(2) is silent on the issue of injury to the claimant's pride and dignity, humiliation, distress, insult or pain. While the statute invites the court to have regard to all the circumstances of the case, it does not make express mention of harm to the claimant. This is curious, for the list of specific circumstances is non-exhaustive and an additional subsection could easily have been drafted by the legislature. Indeed, the statutory provision overall is very much weighted towards scrutinising the defendant's conduct rather than the injury or mental distress suffered by the claimant.

An award of additional damages for mental distress would appear logical where the defendant had made derogatory or degrading use of the copyright work. Literary, dramatic, musical or artistic works are those most likely to trigger mental distress where copyright infringement occurs. However, often the copyright in such works is held by a corporate entity. While this is not a bar to an award of aggravated damages, the quantum of such an award will be less than that which would be awarded to a human being.<sup>37</sup> However, this is at odds with the view expressed by Lord Hailsham in *Cassell v Broome* that additional damages awarded under the 1956 Act were an extreme example of aggravated damages. It was this finding by Lord Hailsham which contributed significantly in persuading Pumfrey J to categorise s.97(2) as an award of aggravated damages.

In order to determine whether s.97(2) is more appropriately categorised as an award of aggravated or exemplary damages, it is necessary to review those cases in which additional damages were awarded. The practical approach of the court can shed light on how best to categorise the award.

## The applicable case law

In *Williams v Settle*, Sellers LJ, applying s.17(3) of the 1956 Act, stated that one matter justifying heavy damages is that the award may hold the defendant up to the community and act as a deterrent to others who are willing to conduct themselves in such a hurtful and distressing way.<sup>38</sup> He expressed the damages awarded as being **\*E.I.P.R. 568** punitive in nature and statutorily provided for through s.17(3) of the 1956 Act.<sup>39</sup> Importantly, the defendant's conduct was described as scandalous and in total disregard of the legal rights of the claimant, amounting to an intrusion into the claimant's life graver than any intrusion into a man's property. While the claimant's feelings, dignity and pride were injured, on the facts of the case, this was the only form of harm the claimant could ever have suffered. There was no pecuniary loss suffered, besides the potential loss of a reasonable royalty, nor was there any damage to the copyright work as a chose in action. As such, injured feelings and distress were not a factor aggravating the loss suffered. On the contrary, it was the only form of loss which the claimant could have suffered on the facts of this case. Of greater importance was the nature of the defendant's conduct.

In *Nichols Advanced Vehicle Systems v Rees*, Templeman J held that there were substantial and grave breaches of the artistic copyright in drawings of a Formula One car.<sup>40</sup> He awarded additional damages under s.17(3) of the 1956 Act on the basis of flagrancy, the defendant's ability to steal a march on their competitors through infringement, and the humiliation and loss inflicted on the claimant. Templeman J described the conduct of the defendant as deceitful and treacherous and that it would be a mockery of justice to allow the defendant to flaunt the infringing car design on the race track. Evidently, this analysis focused on the defendant. The finding that the claimant had suffered humiliation would be a primary example of the 1956 Act providing for an award of aggravated damages. However, this finding was more a presumed symptom of the defendant's flagrancy than something evidenced at trial. Indeed, the judgment makes no mention of embarrassment, mental injury, distress, harm or prejudice. The only reference made to humiliation having been suffered by the claimant arises through the judge's analysis that the loss suffered by the claimant was difficult to compensate and assess.<sup>41</sup> It is submitted that the finding of humiliation is, in actual fact, a presumed symptom flowing from the high degree of flagrancy demonstrated by a "deceitful and treacherous" defendant. As such, Templeman J's judgment places greater weight on the defendant's conduct, with the harm suffered by the claimant being presumed and superfluous to the award made.

In *Ravenscroft v Herbert*, Brightman J, considering s.17(3) of the 1956 Act, described flagrancy as scandalous conduct or deceit.<sup>42</sup> He further described an award of additional damages to be possible where the defendant reaps a pecuniary advantage in excess of the damages he would otherwise have to pay.<sup>43</sup> As the defendant had made no effort to cover up the infringement, and drew attention to the fact that he had utilised the claimant's literary work in writing his novel by the inclusion of a note in the text, additional damages were not awarded. No consideration was given to whether the claimant had suffered mental distress, injured feelings or any other form of aggravation. This was so despite the claimant having expressly pleaded additional damages under s.17(3) of the 1956 Act. Instead, the sole focus was on the non-flagrant nature of the defendant's conduct.

In *ZYX Music v King* additional damages under s.97(2) were sought on the basis that the defendant had produced a slavish reproduction of the copyright work, despite having been refused a licence to do so.<sup>44</sup> Lightman J held the defendant distributor had determined to exploit the infringing copies for all they were worth, so as to maximise its profits without conscience.<sup>45</sup> The infringement was described as deliberate and calculated. The quantum of the additional damages awarded was to take account of whether damages adequately reflected the profit obtained by the defendant or the prejudice occasioned by the claimant. Again, no reference was made to the mental distress, injured feelings or aggravated loss suffered by the claimant. Rather, the sole issue in whether to award additional damages was the deliberate and calculated nature of the defendant's conduct.

In *Cala Homes v McAlpine* Laddie J found it difficult to envisage cases where there was no flagrancy and the court would be prepared to exercise its discretion to award additional damages.<sup>46</sup> It is clear that he regarded the defendant's conduct as being determinative of the issue. Indeed, additional loss through mental distress alone did not appear sufficient to trigger s.97(2) in the absence of flagrancy. Conversely, flagrancy in and of itself is sufficient. In this case, Laddie J found the copyright infringement to have been flagrant, expressing the view that in exercising the discretion under s.97(2) the damages awarded were punitive in nature.<sup>47</sup> Furthermore, he expressly regarded such damages as non-compensatory but, instead, designed as a financial penalty allowing the court to register disapproval of the defendant's behaviour.<sup>48</sup> Patently, Laddie J regarded the additional damages awarded under s.97(2) as being defendant-focused rather than aimed at compensating for



aggravated loss suffered. Furthermore, he expressly found the award to be exemplary.

In *Redrow Homes v Bett Brothers*, Lord Jauncey stated that it was not clear whether additional damages were aggravated or exemplary damages.<sup>49</sup> He stated that the *\*E.I.P.R. 569* natural and ordinary meaning to be given to the wording "additional damages" was an award additional to other damages already assessed.<sup>50</sup> Damages which were already assessed would involve quantification of the loss or injury suffered by the claimant. This would, therefore, constitute a sum necessary to compensate all loss including mental distress of injury. The inference to be drawn from this could be that additional damages under s.97(2) go further than mere compensation and, instead, focus on punishing the defendant. However, Lord Jauncey made clear that he had not determined whether additional damages are, by nature, punitive or purely compensatory.<sup>51</sup>

In *MCA v Charly Records*, at first instance Rimer J found the defendants' infringement had been flagrant, based on their conduct in exploiting musical works which a Californian court had found they had no title to exploit.<sup>52</sup> He went on to describe the defendants' conduct as defiant, arrogant and about as flagrant as could be.<sup>53</sup> The finding to award additional damages was upheld by Chadwick LJ on appeal.<sup>54</sup> In this case, the claimants were members of a record company holding rights in a sound recording. There was a negligible possibility of mental distress or injured feelings having occurred and, indeed, no such harm or loss was mentioned by the trial judge or Court of Appeal. On the contrary, the sole focus for the award of additional damages under s.97(2) was the defendants' conduct and the contextual nature in which the infringement had occurred.

In *Springsteen v Flute International Ltd*, Ferris J awarded additional damages in a case concerning infringement of musical and literary works and sound recordings through the manufacture of CDs by the defendant.<sup>55</sup> This finding was driven, not by any material benefit flowing to the defendant, but rather by the quite serious nature of the flagrancy in knowingly infringing the claimant's rights.<sup>56</sup> The judge did not consider the mental distress or injury which, it is at least plausible, a performer and singer-songwriter such as Bruce Springsteen could suffer through the breach of his rights. Indeed, such injury is significantly more likely to be sustained by an individual claimant than a corporate vehicle. However, once again, the key consideration in awarding additional damages under s.97(2) was the nature of the defendant's conduct, not the nature of the harm suffered by the claimant.

In *Sony Computer Entertainment v Owen*, Jacob J found that infringement of copyright committed in breach of an injunction restraining such infringement warranted an award of additional damages.<sup>57</sup> This case concerned the sale by the defendant of microchips capable of circumventing the copyright protection in the claimant's computer software for Playstation games consoles, contrary to s.296 of the CDPA 1988. It was stressed that s.97(2) requires the court to have regard to all the circumstances, which plainly included the fact that the sales were carried out in breach of a court order.<sup>58</sup> Such a breach made the defendant's acts flagrant by virtue of their scandalous nature.<sup>59</sup> Jacob J's focus was very much on the conduct of the defendant in breaching a court order, which determined the contextual nature of the infringing acts. Indeed, whether mental distress or injury can be suffered by a claimant through the breach of a court order, rather than their underlying civil rights, is very much subject to debate.

In *Phonographic Performance v Reader*, the claimant was a licensing body for musical works and sound recordings and sought to recover the costs of policing a knowing infringer through the award of additional damages.<sup>60</sup> Pumfrey J held that the defendant had carried out deliberate and flagrant infringement in making use of the copyright works without a licence.<sup>61</sup> He awarded payment of the claimant's additional costs in policing the defendant and a sum equivalent to the payment of a licence fee. Again, no mental distress or injured feelings had been suffered by the claimant who, in reality, was a licensing body of the copyright works, rather than an author invested in the creation or protection of the works. Still, Pumfrey J awarded additional damages on the basis of the defendant's conduct and the nature of the infringing acts.

In *Peninsula Business Services v Citation Plc*, H.H. Judge Maddocks awarded additional damages in a case concerning the copying of literary copyright of various employee handbooks.<sup>62</sup> He held that the copying was flagrant in the sense that it was deliberate, extensive, done in the face of a warning and concealed by disingenuous conduct.<sup>63</sup> As such, H.H. Judge Maddocks awarded a 100 per cent mark-up on the damages awarded. Once more, the focus was on the nature of the defendant's conduct rather than account having been taken of the claimant's aggravated damage, mental distress or personal injury.

In *Experience Hendrix v Times Newspapers*, Blackburne J held that an award under s.97(2) was not

appropriate as it was not correct to say that the defendant was indifferent, let alone recklessly indifferent, to whether it would engage in infringing activities.<sup>64</sup> No consideration *\*E.I.P.R. 570* was given as to the injured feelings or mental distress suffered by the claimant. This was so, despite the relevant copyright works being sound recordings and performance rights in a concert performed by the late Jimmy Hendrix. The copyright was held by a corporate entity controlled by Mr Hendrix's family and related to the works of a deceased artist. Indeed, in a case such as this, it might reasonably be expected that some reference to the injured feelings suffered by the deceased's family through the infringement would be made. However, the sole focus was on the conduct of the defendant in deciding not to make an award under s.97(2).

In *Harrison v Harrison*, H.H. Judge Fysh QC refrained from awarding additional damages for literary copyright infringement.<sup>65</sup> His reasons for doing so were that the copying which had occurred, approximately 11 per cent of the original work,<sup>66</sup> was not sufficient to justify the exercise of the judicial discretion. Similarly, the claimant's evidence was insufficient to show the deliberate or reckless infringement of the claimant's rights calculated to make, or actually making, substantial profit. Despite the claimant having pleaded harm to his reputation and honour in relation to the moral rights protecting against derogatory treatment of the work, this was not expressly addressed by H.H. Judge Fysh QC in determining whether additional damages should be awarded. It could be sensibly suggested that harm to a person's honour and reputation would be causative of mental distress, injury to feelings or aggravated damage. However, these factors were not relevant. Instead, the focus was on the nature of the defendant's conduct.

In *Henderson v All Around the World*, H.H. Judge Hacon abstained from making an award of additional damages under s.191J(2),<sup>67</sup> as no substantive pleading had been made prior to the inquiry as to damages.<sup>68</sup> However, he did permit an award of damages under art.13(1) of the Enforcement Directive<sup>69</sup> for moral prejudice caused by knowing infringement of the claimant's performer's rights and copyright in a sound recording. It was expressly stated that "moral prejudice" relates to mental distress, injury to feelings and humiliation. H.H. Judge Hacon went on to state that it is probably common for defendants to suffer similar emotions when their valued rights are infringed, and therefore the provision was intended to cover circumstances where the moral prejudice suffered was acute or the claimant has suffered little economic loss.<sup>70</sup> Plainly, the issue of moral prejudice is claimant-focused in contextualising the nature of the infringement and requires consideration of the harm suffered by the claimant. This is more consistent with aggravated damages under traditional English law. However, it is the express reference in art.13(1) of the Enforcement Directive (reg.3(2)(ii) of the Intellectual Property (Enforcement, etc.) Regulations 2006) which compels the court to look at the injury suffered by the claimant. Indeed, if this was consistent with the nature of the additional damages awarded under s.97(2), the obvious question is why a claimant would resort to the Directive. The logical answer must be that the remedy available under the Directive addresses a form of loss not readily encompassed within s.97(2).

In *Absolute Lofts v Artisan Homes*, H.H. Judge Hacon held that the defendant knew that the infringing photographs appearing on their website were infringing or had reasonable grounds to know they were. The defendant's involvement and attitude in the infringement was regarded as flagrant.<sup>71</sup> H.H. Judge Hacon further clarified that an award of additional damages under s.97(2) and an award of unfair profits under art.13(1) are not cumulative.<sup>72</sup> The determinative factors in this case were knowledge and attitude shown by the defendant, not the aggravated loss or injury suffered by the claimant.

In *Phonographic Performance v Hagan*, H.H. Judge Hacon held that an award of additional damages required knowledge on the part of the defendant that he was infringing.<sup>73</sup> As the defendant knew that a licence fee should have been paid to the claimant and, therefore, that he was infringing, his flagrant conduct gave rise to an entitlement to seek additional damages under s.97(2).<sup>74</sup> H.H. Judge Hacon reasoned that, in accordance with the Enforcement Directive,<sup>75</sup> s.97(2) must be an effective, proportionate and dissuasive remedy to enforcement of intellectual property rights. Dissuasiveness may relate to the actual defendant or third-party infringers.<sup>76</sup> Again, the focus for the judge in awarding additional damages was the nature of the defendant's conduct and, in particular, the need to dissuade future infringement. This is not consistent with an award of aggravated damages which seek to compensate for mental distress or injury.

## **Aggravated or exemplary damages**

Having reviewed those cases where additional damages under s.97(2), or s.17(3) of the 1956 Act

have been awarded, it is clear that in the vast majority of cases it is the defendant's flagrant conduct that proves determinative. Harm to the claimant's proper feelings of pride and dignity, humiliation, distress, insult or pain are rarely discussed, even obiter dicta. Those cases which *\*E.I.P.R. 571* appear to be treating s.97(2) as an award of aggravated damages are distinguishable on the facts. In *Williams v Settle*, no harm, beyond mental distress, was suffered which the court could remedy. Of greater relevance, Sellers LJ expressly referred to the award under s.17(3) of the 1956 Act as being punitive. In *Nichols Advanced Vehicle Systems*, Templeman LJ described the defendant as deceitful and treacherous, which had resulted in "humiliation", without providing any discussion as to how such humiliation had manifested itself. Instead, he appeared to be treating any humiliation as symptomatically flowing from the finding of deceit and treachery. In *Redrow Homes*, Lord Jauncey expressly excluded from his judgment a finding that additional damages under s.97(2) were aggravated or exemplary.

By contrast, experienced judges make repetitive use of language such as "penalty", "punitive", "scandalous", "treachery", "deceit", "flagrancy", "deterrence", "reckless", "disingenuous", "deliberate", "grave", "calculated" and "hurtful". Such adjectives are intended to contextualise the nature of the defendant's infringement. This defendant-focused approach is more consistent with an award of exemplary damages. In their 1977 Report, the Whitford Committee found that no evidence had been submitted to support the abolition of exemplary damages in cases of flagrant infringement.<sup>77</sup> On the contrary, they found that, in the case of flagrant infringement, the court should be left with a complete discretion to make such an award of damages as may seem appropriate, which would act as a deterrent to wrong-doing.<sup>78</sup> It is clear that the Whitford Committee regarded s.97(2) as providing a statutory judicial discretion to award exemplary damages.

One issue which troubled Pumfrey J was that the CDPA 1988 contains provisions catering for criminal offences for copyright infringement.<sup>79</sup> Sanctions for criminal offences seek to punish, giving rise to deterrence, retribution, denunciation of the crime and, in the long term, rehabilitation of an offender.<sup>80</sup> These additional provisions prompted Pumfrey J to conclude that s.97(2) must provide for aggravated damages, otherwise the law would allow for double punishment of a copyright infringer through the civil and criminal justice system. However, a better view may be that s.97(2) supplements the criminal offence provisions by ensuring consistency. A criminal offence of copyright infringement will most likely result in a fine and a court order for delivery up or destruction of all infringing stock.<sup>81</sup> The purpose of the fine is to punish. Where civil proceedings are issued, the contextual nature of the infringement may warrant an award of additional damages. Again, the aim is to punish, save that in this instance the jurisdiction to do so lies with the civil courts. This shows consistency in how each justice system may address the same acts of infringement. Indeed, the existence of a criminal offence makes clear that, in some instances, copyright infringement should be punished. As such, copyright infringement falls within the class of civil wrongs which Lord Devlin felt carries the remedy of exemplary damages.<sup>82</sup> While the notion that a man should not be punished twice for the same offence<sup>83</sup> holds true, additional damages under s.97(2) are discretionary and require the taking into account of all the circumstances. A court would rarely, if ever, award exemplary damages where the defendant has already been convicted of an offence for the same wrong.<sup>84</sup> If a civil court awards exemplary damages, it will be for the criminal court to determine the relevance of this in the event that the defendant is subsequently convicted of a criminal offence for the same conduct. The key point is that, rather than allowing for double punishment, interpreting additional damages under s.97(2) as exemplary ensures a consistent approach throughout the CDPA 1988.

### **An alternative analysis of aggravated damages**

To succeed, the argument that s.97(2) provides for an award of aggravated damages may require an alternative analysis as to what aggravated damages actually are. Beever regards aggravated damages as the sum necessary to compensate for injury to the claimant's moral dignity, which results from the denial that the victim is entitled to respect as a moral person.<sup>85</sup> This analysis challenges the Law Commission's view that aggravated damages represent injured feelings.<sup>86</sup> Rather, Beever explains that aggravated damages represent the invasion of the claimant's dignity, which is not a feeling but an interest that does not vary from person to person. The monetary award, therefore, seeks to compensate for the claimant's rights having been treated with contempt. The quantum does not vary according to how injured the claimant feels. Rather, the right carries an objective value which the claimant is deprived of where their rights are treated with contempt.

As such, it could be argued that s.97(2) seeks to compensate the claimant for harm to their moral

dignity where the defendant has treated the claimant's exclusive rights in the copyright work with contempt. Disregard for the claimant's rights is an objective harm determined by reference to the defendant's conduct. In this sense, \*E.I.P.R. 572 additional damages under s.97(2) can be viewed as aggravated damages. However, this construction gives rise to several issues.

The first issue with this approach is that it flirts with deploying the normative notion of personhood as a justification for aggravated damages. This is because at the centre of Beever's analysis is the deprivation of moral dignity through disregarding a party's rights and, therefore, their moral claim on others to respect as a full and equal person. This foray into normative values and inherent moral dignity is, therefore, difficult to utilise in circumstances where a corporate vehicle's exclusive rights have been interfered with. Indeed, personhood is not a concept attaching to something as inert as a corporate vehicle. However, as seen above, additional damages under s.97(2) are regularly sought by corporations or legal entities, rather than individual litigants. As such, it is a strain to argue that the drafting of s.97(2) was intended to guard against harm to moral dignity.

The second issue is that copyright, by its very nature, requires the copying of the whole or a substantial part of the copyright work for a defendant to infringe the claimant's exclusive rights.<sup>87</sup> The award of damages is prohibited where innocent infringement has occurred,<sup>88</sup> for example where a causal chain of copying exists which the defendant is ignorant of. However, for damages to be available, the defendant must have known, or ought reasonably to have known, that they were infringing. Anything more cynical than innocent infringement is, therefore, capable of being viewed as a disregard for the claimant's exclusive rights or as treating those rights with contempt. There are different contexts in which a defendant may carry out an intentionally infringing act. An honest belief that what had been copied was not a "substantial part" of the copyright work, or that the act would fall within the statutory defences, is contextually different from a deceitful or treacherous infringement. The moral blameworthiness of the defendant can vary. However, if anything more severe than innocent infringement is capable of being construed as disregarding the claimant's moral status by treating their exclusive rights with contempt, s.97(2) becomes mandatory rather than discretionary. Flagrancy becomes a contributing factor through which the quantum of the additional damages could be increased to reflect the contextual nature of the defendant's conduct. However, if Beever is correct in the sense that aggravated damages reflect the objective value of those disregarded rights, flagrancy should be irrelevant in determining whether s.97(2) is triggered. The monetary value reflecting the quantification of the rights is fixed. Flagrancy, or any gain made by the defendant through infringing, only serves to increase that sum. Yet s.97(2) focuses directly on the defendant's conduct, not the objective value of the rights infringed through contempt, and is, furthermore, discretionary.

The third issue, whether one adopts Beever's construction of aggravated damages or that of the Law Commission, is how to approach multiple claimants. If s.97(2) is an award of aggravated damages, a monetary sum reflecting the objective harm caused by treating each claimant's rights with contempt should be awarded. This would render the award cumulative in the sense that additional damages should be awarded to each claimant. Where joint authors, co-authors or exclusive licensees are party to proceedings, the objective value of each of the rights infringed will vary, but an additional sum to orthodox compensatory damages would be awarded to each. In other words, once it is determined that the defendant has acted with contempt, multiple awards of additional damages should be made. The cumulative sum may, very quickly, become disproportionate to the nature of the infringement. By contrast, if s.97(2) provides for an award of exemplary damages, all the court need determine is the sum necessary to punish the defendant's flagrant conduct. The number of claimants in the proceedings is irrelevant because exemplary damages are defendant-focused, not claimant-focused. Indeed, it is a feature of the defendant's conduct which determines whether exemplary damages should be awarded.<sup>89</sup>

The fourth issue is that, if s.97(2) is intended to represent a statutory discretion to award aggravated damages, defined as the sum necessary to compensate for the loss of moral dignity where a claimant's rights are disregarded or treated with contempt, why limit the award to copyright infringement? Moral rights provide authors with the right to be identified,<sup>90</sup> protect their work from derogatory treatment<sup>91</sup> and guard against false attribution.<sup>92</sup> These rights can be regarded as an extension of the author's personality,<sup>93</sup> enshrined in art.6bis of the Berne Convention as *droits d'auteur* or natural rights.<sup>94</sup> These rights represent the author's non-pecuniary interests<sup>95</sup> and serve to protect the sanctity of the artefact.<sup>96</sup> It would, therefore, be logically coherent to provide an express statutory discretion to award additional damages to compensate for the infringement of moral rights. Indeed, because moral rights protect the author's underlying natural rights and the inherent dignity of



the copyright work, issues of flagrancy or gain by the defendant could even be disregarded. By default, the infringement of moral rights should trigger an award of additional damages, if additional damages are a form of aggravated damages. Yet the remedies for infringing moral rights are limited **\*E.I.P.R. 573** to injunctive relief and compensatory damages for breach of a statutory duty.<sup>97</sup> Judicial discretion to award additional damages is not provided. This cuts against the view that s.97(2) provides for an award of aggravated damages, where Beever's analysis of aggravated damages is deployed.

Lastly, if treating a claimant's exclusive rights with contempt warrants an award of additional damages, why not make the same concession for other intellectual property rights? For example, consciously mimicking another's trade mark for economic gains<sup>98</sup> or attempting to artificially navigate around the claims of a patent<sup>99</sup> is no less flagrant than the deliberate acts of a copyright infringer. Yet no provision to award additional damages is embodied in the Trade Marks Act 1994 or Patents Act 1977. The argument that additional damages should be available for infringement of other intellectual property rights exists where s.97(2) is construed as being exemplary in nature. However, if s.97(2) provides for aggravated damages, defined as the objective sum necessary to compensate for treating the proprietor's exclusive rights with contempt, nothing distinguishes copyright from other intellectual property rights. By contrast, exemplary damages aim at punishing the defendant rather than objectively compensating the claimant. Although consistency demands that equal statutory provisions exist across the board, this requirement is more pertinent if s.97(2) is an award of aggravated damages, providing for objective compensation. While it is an oddity to legislate for an award of exemplary damages for copyright infringement, but not other intellectual property rights, this may be more easily explained. For example, copyright infringement requires actual copying,<sup>100</sup> the misappropriation of an author's originality<sup>101</sup> and can be more difficult to detect than, say, trade mark infringement.

## Conclusion

Whether one views aggravated damages as a compensatory award for mental distress, harm or injury, or as an objective sum necessary to compensate for the loss of dignity where a claimant's rights are treated with contempt, it is difficult to argue that s.97(2) fits neatly with either construction. The statutory wording places emphasis on the contextual nature of the defendant's conduct, rather than the nature of the claimant's loss, objective or otherwise. It is, therefore, submitted that the more logical construction is that s.97(2) provides a judicial discretion to award a monetary sum to punish the defendant for the nature of their wrongdoing. In this sense, additional damages are better viewed as an exemplary award. It should be noted that, as per the CJEU's recent findings in *OTK v Stowarzyszenie*,<sup>102</sup> this view does not contravene the provisions of the Enforcement Directive relating to measures, procedures and remedies for infringement of intellectual property rights.<sup>103</sup>

This analysis raises the issue of whether the award of exemplary damages for copyright infringement should be expressly provided for in the CDPA 1988. However, that question falls outside of the scope of this article.

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1. Intellectual Property (Enforcement, etc) Regulations 2006 (SI 2006/1028) reg.3(2).

2. See the speech of Lord Esher in *Exchange Telegraph Co Ltd v Gregory & Co [1896] 1 Q.B. 147 CA* at 153.

3. CDPA 1988 s.97(1).

4. CDPA 1988 s.229(3).

5. CDPA 1988 s.191J.

6. The term "exemplary damages" will be adopted rather than "punitive damages", albeit the terms may be used interchangeably.

7. *Oxford English Dictionary*, 2nd edn (Oxford: Clarendon Press, 1989).
8. *Ravenscroft v Herbert* [1980] R.P.C. 193 Ch D; and *ZYX Music GmbH v King* [1995] 3 All E.R. 1 Ch D.
9. *Harrison v Harrison* [2010] EWPC 3; [2010] E.C.D.R. 12.
10. Lord Clyde in *Redrow Homes Ltd v Betts Brothers Plc* [1999] 1 A.C. 197 HL.
11. *Redrow Homes v Betts Brothers* [1999] 1 A.C. 197.
12. *Redrow Homes v Betts Brothers* [1999] 1 A.C. 197.
13. *Redrow Homes v Betts Brothers* [1999] 1 A.C. 197.
14. *Cassell v Broome* [1972] A.C. 1027 HL.
15. *Kuddus v Chief Constable of Leicestershire Constabulary* [2001] UKHL 29; [2002] 2 A.C. 122.
16. *Borders (UK) Ltd v Commissioner of Police of the Metropolis* [2005] EWCA Civ 197; [2005] Po. L.R. 1.
17. Lord Wright MR in *Sutherland Publishing Co Ltd v Caxton Publishing Co Ltd* [1936] Ch. 323 CA.
18. *General Tire & Rubber Co v Firestone Tyre and Rubber Co Ltd* [1976] R.P.C. 197 HL.
19. *Livingstone v Rawyards Coal Co (1880)* 5 App. Cas. 25 HL.
20. *Redrow Homes v Betts Brothers* [1999] 1 A.C. 197.
21. *Peninsular Business Services Ltd v Citation Plc* [2004] F.S.R. 17 Ch D.
22. CDPA 1988 s.97(1).
23. *Nottinghamshire Healthcare NHS Trust v News Group Newspapers Ltd* [2002] EWHC 409 (Ch); [2002] E.M.L.R. 33.
24. Copyright Act 1956 s.17(3).
25. *Nottinghamshire Healthcare v News Group* [2002] EWHC 409 (Ch); [2002] E.M.L.R. 33, per Pumfrey J at [36].
26. See the speech of Sellers LJ in *Williams v Settle* [1960] 1 W.L.R. 1072 CA.
27. *Rookes v Barnard* [1964] A.C. 1129 HL.
28. *Cassell v Broome* [1972] A.C. 1027.
29. *Redrow Homes v Betts Brothers* [1999] 1 A.C. 197.
30. *Michael O'Mara Books v Express Newspapers* [1999] F.S.R. 49 Ch D.
31. *ZYX Music GmbH v King* [1997] 2 All E.R. 129 CA (Civ Div).
32. *Law Commission, Aggravated, Exemplary and Restitutionary Damages (Law Com. No.247) (1997), Part II.*
33. *Rookes v Barnard* [1964] A.C. 1129 per Lord Devlin.
34. *Law Commission, Aggravated, Exemplary and Restitutionary Damages (1997), p.15.*
35. However, in *Messenger Newspapers Group Ltd v National Graphical Association* [1984] I.R.L.R. 39, Caulfield J awarded a limited company aggravated damages, although expressed the award as being lower than that which could be obtained by a human being.
36. *Law Commission, Aggravated, Exemplary and Restitutionary Damages (1997), p.27.*
37. *Messenger Newspapers v National Graphical Association* [1984] I.R.L.R. 39.
38. *Williams v Settle* [1960] 1 W.L.R. 1072 at 1081.
39. *Williams v Settle* [1960] 1 W.L.R. 1072 at 1082.
40. *Nichols Advanced Vehicle Systems Inc v Rees* [1979] R.P.C. 127 Ch D at 137.
41. *Nichols Advanced Vehicle Systems v Rees* [1979] R.P.C. 127 at 140.
42. *Ravenscroft v Herbert* [1980] R.P.C. 193 Ch D at 208.

43. *Ravenscroft v Herbert* [1980] R.P.C. 193 at 208.
44. *ZYX Music GmbH v King* [1995] F.S.R. 566.
45. *ZYX Music GmbH v King* [1995] F.S.R. 566 at 588.
46. *Cala Homes (South) Ltd v Alfred McAlpine Homes East Ltd* [1995] F.S.R. 818 Ch D at 841.
47. *Cala Homes v McAlpine Homes* [1995] F.S.R. 818 at 842.
48. *Cala Homes v McAlpine Homes* [1995] F.S.R. 818 at 842.
49. *Redrow Homes v Betts Brothers* [1999] 1 A.C. 197.
50. *Redrow Homes v Betts Brothers* [1999] 1 A.C. 197 at 207.
51. *Redrow Homes v Betts Brothers* [1999] 1 A.C. 197 at 207.
52. *MCA Records Inc v Charly Records Ltd* [2000] E.M.L.R. 743 Ch D at 81.
53. *MCA Records v Charly Records* [2000] E.M.L.R. 743 at 814.
54. *MCA Records v Charly Records* [2000] E.M.L.R. 743 at 814.
55. *Springsteen v Flute International Ltd* [1999] E.M.L.R. 180 Ch D.
56. *Springsteen v Flute International* [1999] E.M.L.R. 180 at 228.
57. *Sony Computer Entertainment Inc v Owen* [2002] E.M.L.R. 34 Ch D.
58. *Sony Computer v Owen* [2002] E.M.L.R. 34.
59. *Sony Computer v Owen* [2002] E.M.L.R. 34.
60. *Phonographic Performance Ltd v Reader* [2005] EWHC 416 (Ch); [2005] E.M.L.R. 26.
61. *Phonographic Performance v Reader* [2005] EWHC 416 (Ch); [2005] E.M.L.R. 26.
62. *Peninsula Business Services Ltd v Citation Plc* [2004] F.S.R. 359 Ch D.
63. *Peninsula Business Services v Citation* [2004] F.S.R. 359 at 375.
64. *Experience Hendrix LLC v Times Newspapers Ltd* [2010] EWHC 1986 (Ch).
65. *Experience Hendrix v Times Newspapers* [2010] EWHC 1986 (Ch) at [42].
66. *Experience Hendrix v Times Newspapers* [2010] EWHC 1986 (Ch) at [36].
67. This effectively extends the judicial discretion afforded under s.97(2) to infringement of performers' rights.
68. *Henderson v All Around the World Recordings Ltd* [2014] EWHC 3087 (IPEC) at [99].
69. Directive 2004/48 on the Enforcement of Intellectual Property Rights.
70. *Henderson v All Around the World* [2014] EWHC 3087 (IPEC) at [93] and [94].
71. *Absolute Lofts South West London Ltd v Artisan Home Improvements Ltd* [2015] EWHC 2608 (IPEC); [2017] E.C.D.R. 6 at [60].
72. *Absolute Lofts v Artisan Home Improvements* [2015] EWHC 2608 (IPEC); [2017] E.C.D.R. 6 at [61].
73. *Phonographic Performance Ltd v Hagan* [2016] EWHC 3076 (IPEC); [2017] F.S.R. 24 at [16].
74. *Phonographic Performance v Hagan* [2016] EWHC 3076 (IPEC); [2017] F.S.R. 24 at [17].
75. Directive 2004/48 on the Enforcement of Intellectual Property Rights.
76. *Phonographic Performance v Hagan* [2016] EWHC 3076 (IPEC); [2017] F.S.R. 24 at [25].
77. Whitford Committee Report on the Reform of Copyright and Designs Law (1977), Cmnd. 6732, para.704.
78. Whitford Committee Report on the Reform of Copyright and Designs Law (1977), Cmnd. 6732, para.704:

- [79.](#) Copyright Designs and Patents Act 1988 ss.107 –110.
- [80.](#) H.M. Hart, "The Aims of the Criminal Law" (1958) 23 Law and Contemporary Problems 401.
- [81.](#) Albeit a defendant may also be liable to imprisonment.
- [82.](#) *Rookes v Barnard* [1964] A.C. 1129 at 1227.
- [83.](#) *Archer v Brown* [1985] 1 Q.B. 401 QBD at 423G–H.
- [84.](#) *Law Commission, Aggravated, Exemplary and Restitutionary Damages* (1997), Part II, para. 1.30.
- [85.](#) A. Beever, "The Structure of Aggravated and Exemplary Damages" (2003) 23(1) Oxford Journal of Legal Studies 87, 89.
- [86.](#) *Law Commission, Aggravated, Exemplary and Restitutionary Damages* (1997), Part II, para. 1.127.
- [87.](#) CDPA 1988 s.16(3).
- [88.](#) CDPA 1988 s.96.
- [89.](#) *Kuddus v Chief Constable of Leicestershire* [2001] UKHL 29; [2002] 2 A.C. 122, per Lord Slynn.
- [90.](#) CDPA 1988 s.77.
- [91.](#) CDPA 1988 s.80.
- [92.](#) CDPA 1988 s.84.
- [93.](#) See the Canadian case *Théberge v Galerie d'Art du Petit Champlain Inc* [2002] SCC 34.
- [94.](#) Berne Convention for the Protection of Artistic and Literary Works as amended on 28 September 1979 art.6bis.
- [95.](#) J. Ginsburg "Moral Rights in a Common Law System" (1990) 1 Entertainment Law Review 121.
- [96.](#) P. Loughlan, "Moral rights (a view from the town square)" (2000) 5 Media & Arts Law Review 1.
- [97.](#) CDPA 1988 s.103.
- [98.](#) *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24; [2012] E.T.M.R. 17.
- [99.](#) *Catnic Components Ltd v Hill & Smith Ltd (No. 1)* [1982] R.P.C. 183 HL.
- [100.](#) Per Lord Hoffmann in *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2000] UKHL 58; [2000] 1 W.L.R. 2416.
- [101.](#) Whether skill, labour and judgment as per *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 W.L.R. 273 HL; or intellectual creation as per *Infopaq International A/S v Danske Dagblades Forening* (C-5/08) EU:C:2009:465; [2012] Bus. L.R. 102.
- [102.](#) *Stowarzyszenie 'Olawska Telewizja Kablowa' v Stowarzyszenie Filmowców Polskich* (C-367/15) EU:C:2017:36.
- [103.](#) Directive 2004/48 on the Enforcement of Intellectual Property Rights.