



Neutral Citation Number: [2022] EWHC 1634 (IPEC)

Claim No.: IP 2021- 2021-NCL-000002

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY ENTERPRISE COURT (Ch.D)

Royal Courts of Justice
Rolls Building, London EC4A 1NL
27 June 2022

Before:

John Kimbell QC, sitting as a Deputy High Court Judge

B E T W E E N:

- (1) PHOTOBOOTH PROPS LIMITED**
(2) LILY'S PRINTS LIMITED

Claimants

- and -

- (1) NEPBH LIMITED**
(2) QUINN UK HOLDINGS LIMITED
(3) CLAIRE QUINN
(4) REECE QUINN
(5) MICHAEL QUINN
(6) YOUR PRINT SUPPLIES LIMITED
(7) YOUR PHOTOBOOTH PROPS LIMITED
(8) MICHAEL CONNOR QUINN

Defendants

Stephanie Wickenden, instructed by McDaniels & Co., for the Claimants
Jonathan Rodger, instructed by Sintons LLP, for the Defendants

APPROVED JUDGMENT ON COSTS

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John Kimbell QC sitting as a
Deputy High Court Judge

John Kimbell QC sitting as a Deputy High Court Judge:

Introduction

1. In my judgment dated 1 April 2022 [2022] EWHC 750 (IPEC) I dealt with three applications (**‘the Applications’**): an application for summary judgment by the Claimants and a strike out and security for costs application by the Defendants. The Claimants succeeded in part in their summary judgment application.
2. The Claimants’ application was under CPR 24.2(a)(ii) for judgment on the pleaded issues of substance, ownership and infringement by the Sixth and Seventh Defendants in respect of eight Assigned Works and five New Works (as defined in the Particulars of Claim). The application succeeded only in respect of the New Works. The Defendants’ applications were both dismissed.
3. The parties have not been able to agree costs. I received sequential submissions in writing from Ms Wickenden for the Claimants and Mr Rodger for the Defendants. I have dealt with the application on paper without a further hearing in accordance with CPR 63.25(3).
4. The Claimants seek the following costs orders:
 - a. Their costs of the part of the claim which has been summarily determined – i.e. substance, ownership and infringement of the New Works (the **“Determined Part of the Claim”**);
 - b. The costs of the Claimants and Defendants’ applications to be paid immediately owing to the unreasonable behaviour of the Defendants under CPR 63.26(2);
 - c. Those application costs to be summarily assessed and off the usual IPEC caps; and
 - d. The CMC costs to be reserved to trial.
5. The Defendants submit that the costs of the Applications be reserved until the conclusion of the trial in accordance with CPR Part 63.26(1) and the costs of the CMC be costs in the case.
6. The Claimants’ application for costs is supported by the third witness statement of Mr Adam Turley which explains how the costs schedules relied upon by the Claimants were prepared. An updated schedule of costs in relation to the Determined Part of the Claim accompanied the Claimants’ submissions in writing.
7. The sums sought by the Claimants are as follows:

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- a. Costs of Determined Part of the Claim: £11,970.41 (including court fees of £510)
- b. Summary Judgment Application: £7,162.00
- c. Strike Out Application: £1,965.61
- d. The Security for Costs Application: £6,827.50

Relevant Principles

8. The Claimants referred me to CPR 44.2, which provides:

44.2 (1) The court has discretion as to –

- (a) whether costs are payable by one party to another;*
- (b) the amount of those costs; and*
- (c) when they are to be paid.*

(2) If the court decides to make an order about costs –

- (a) the general rule is that the unsuccessful party will be ordered to pay the costs of the successful party; but*

...

(4) In deciding what order (if any) to make about costs, the court will have regard to all the circumstances, including –

- (a) the conduct of all the parties;*

...

(5) The conduct of the parties includes –

- (b) whether it was reasonable for a party to raise, pursue or contest a particular allegation or issue;*
- (c) the manner in which a party has pursued or defended its case or a particular allegation or issue;,,,”*

9. I was also referred to PD44.9.2(b) which contains a ‘pay as you go’ presumption which encourages the court to conduct a summary assessment of costs at the conclusion of each hearing (at least where that hearing has lasted no more than one day).

The general rule is that the court should make a summary assessment of the costs –

...

(b) at the conclusion of any other hearing, which has lasted not more than one day, in which case the order will deal with the costs of the application or matter to which the hearing related. If this hearing disposes of the claim, the order may deal with the costs of the whole claim, unless there is good reason not to do so, for example where the paying party shows substantial grounds for disputing the sum claimed for costs that cannot be dealt with summarily.

10. CPR Part 44 is not disapplied in IPEC. This means that the court retains the jurisdiction to summarily assess costs and order them to be paid at any stage in proceedings. However, CPR Part 63 contains its own rules about costs of applications in the course of IPEC proceedings.

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11. CPR 63.26, which is headed “Costs”, provides:

(1) Subject to paragraph (2), the court will reserve the costs of an application to the conclusion of the trial when they will be subject to summary assessment.

(2) Where a party has behaved unreasonably the court may make an order for costs at the conclusion of the hearing.

(3) Where the court makes a summary assessment of costs, it will do so in accordance with Section IV of Part 45.

12. CPR 63.26(1) in my judgement reverses and displaces the general ‘pay as you go presumption’ in PD44.9.2(b) for claims in IPEC. It is significant that the word ‘will’ in 63.26(1) is not qualified by ‘usually’ or ‘generally’. CPR 63.26(1) in my judgement creates a very strong presumption in favour of reserving costs of applications made in the course of IPEC proceedings. This reading of CPR 63.26(1) is consistent with IPEC Guide at para. 4.10 (with emphasis added):

*Costs of an interim application Costs of the case management conference or any other interim hearing will **almost always** be reserved to the conclusion of the trial (Part 63 rule 26(1)). The most usual exception arises when a party is found to have behaved unreasonably. In such a case the court may make an order for costs at the conclusion of the hearing, to be paid shortly thereafter. These costs will be awarded in addition to the totality of the capped costs which the receiving party is entitled to at the end of the trial, see Part 45 rule 32.*

13. CPR 63.26(1) could have easily created an exception for summary judgment or strike out applications which finally determine one or more issues between the parties but it does not. I therefore reject Ms Wickenden’s submission that “There is no foundation for reserving the costs of the claim which has been summarily determined” and that “There is therefore no reason to divert from the usual position that the Court should summarily assess the costs of the matter disposed of after the hearing”. The clear words in CPR 63.26(1) are a very firm foundation and good reason for reserving costs in relation to issues which have been resolved following an application for summary judgment or strike out. Ms Wickenden’s submission would involve reading into 63.26(1) an exception for summary judgment or strike out applications resulting in one or more issues being determined. I decline to read “application” in 63.26(1) as subject to that qualification. It is clearly intended to apply to all applications.

14. The reason for the different general rule is that IPEC’s costs rules form part of an overall package of measures designed to make the court an effective forum in which to litigate lower-value, less complex intellectual property cases cost effectively and with predictable and proportionate levels of exposure and recovery. The tables of costs in section IV of PD45 which set out ‘caps’ for each stage of the

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determination of liability (Table A) and for an enquiry into damages (Table B) are a key part of this package. It is well established that even a wholly successful party who has spent more than the capped sum will not necessarily recover the maximum permitted for any particular stage – see Vernacare v Environmental Pulp [2102] EWPC 49 and Scopema v Scot Seat [2013] EWPC 37 at [14].

15. The time at which the court is best placed to weigh the many factors relevant to the summary assessment of capped costs for each stage is at the end of the relevant phase of the proceedings. It is an important part of the IPEC streamlined costs regime that parties know that (absent unreasonable conduct falling within 63.26(2)) this summary assessment exercise will be done once at the end of the relevant phase of the proceedings and not every time an application is made in the course of proceedings.
16. The onus was thus on Ms Wickenden to persuade me that exceptionally a different course ought to be adopted. Such an order was made in Redcrier v Redrup [2103] EWHC 3481 (IPEC) but all that this case demonstrates is that there may be exceptional cases. Ms Wickenden submitted that the fact the costs sought are all within the costs cap was a reason for making an exceptional order. I disagree. Even spending by a successful party on one stage in a claim which is below the capped level for that stage may not necessarily result in an award of the costs actually incurred – see BOS v Cobra [2012] EWPC 44 at [28] and [30].
17. If costs of isolated issues on which a party succeeds are awarded at an interim stage (outside of the Rule 63.26(2) exception), there is a danger that even though they are below the cap, they may be disproportionate by the end of the liability phase as a whole. In other words, there is a danger of awarding too much for isolated issues. This may be because when viewed from the perspective of a judgment on all liability issues, the claimant's success on those interim issues may appear to be less significant in the context of the claim as a whole than it did at the time of the summary judgment application or because the means deployed to achieve the early victory on those issues was disproportionate. The best time to take a view on this (particularly given the low caps for each stage) is at the end of the proceedings. The only exception I can think of is where all, or virtually all, liability issues have been resolved at an interim stage and the court is in a good position to assess all the factors relevant to summary assessment (including overall proportionality).
18. I am not persuaded that this case warrants an exceptional course. The issues on which the Claimants have succeeded are relatively narrow. The infringement case based on the five New Works is a relatively insignificant part of the pleading. The main liability issues concern the alleged

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misrepresentations during the negotiation of the disputed contract of sale in July 2019. This leads into whether the Claimants can rescind that contract or whether if those misrepresentations became terms of that contract the Defendants breached them.

19. The issues on which the Claimants succeeded are not even the predominate part of their copyright infringement claim. The main copyright issues relate to the Assigned Works rather than the New Works. Whether the sums spent so far on the New Works copyright issues are proportionate and reasonable and how much ought to be recovered in respect of them as a proportion of the overall maximum for each stage cannot be properly or fairly assessed by me now. If anything, this case is a perfect example of the value of waiting to see what the end result of the Claimant's overall case on liability is in order to decide what fraction of the maximum for each stage ought to be awarded.
20. I therefore refuse the application to assess the costs of the Determined Issues within the prescribed caps at this stage.

Unreasonable conduct

21. The Claimants' alternative submission is that I should award off-scale costs under CPR 63.26(2) in relation to both the summary judgement application and the Defendants' applications. To do so I need to be satisfied that the Defendant's conduct was unreasonable.
22. As to what amounts to "unreasonable conduct", the Claimants referred me to *Akhtar v Bhopal Productions (UK) Ltd*, 2015 WL 376075 which was said by Ms Wickenden to be of "particular relevance" and *Link UP Mitaka Limited trading as Thebigword v Language Empire Limited, Yasar Zaman* [2018] EWHC 2728 (IPEC).
23. I do not see that either case really assists the Claimants with this application. The Akhtar case concerned very particular circumstances where a Claimant had served "wholly inadequate" particulars of claim, produced a draft amendment but then ignored warnings that the proposed amendments were inadequate and then attended court without any fall back pleading. It is true that the Claimants in this case felt frustrated that the Defendants failed to respond to a notice to admit served in relation to the copyright claim and were in part prompted to make a summary judgment application because of the absence of a detailed pleaded defence to those claims. However, the Defendants conduct in my judgement came nowhere near being unreasonable. They simply had a weak case in relation to the New Works copyright infringement claim and had little they could say about it.
24. As to *Link UP Mitaka Limited trading as Thebigword v Language Empire Limited, Yasar Zaman* [2018] EWHC 2728 (IPEC), I accept the submission that this case draws a distinction between the

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“truly exceptional circumstances” required to lift the overall scale costs and mere “unreasonable conduct” which is sufficient to justify the lifting of the cap for one or more stages of the claim.

25. I have considered the summary of the case law on unreasonable conduct in relation to applications for the purposes of CPR 63.26(2) as summarized in paragraphs 9 – 059 – 9-061 of Fox, *The Intellectual Property Enterprise Court: Practice and Procedure* (3rd edition 2021). It is it seems to me possible to distill the following four points:
- a. The mere fact that an application fails is not in and of itself evidence that the applicant was unreasonable to bring it.
 - b. The bringing of a truly groundless application may amount to unreasonable conduct.
 - c. “Unreasonable conduct” under r.63.26(2) is not concerned with the behaviour or attitude of the parties generally, but rather with their behaviour in and towards the process of the court.
 - d. Behaviour that only forms part of the general “cut and thrust” of litigation is unlikely to be regarded as unreasonable for the purposes of r.63.26(2).
26. The following complaints were made by the Claimants:
- a. Despite having ample notice of the CMC, as originally listed 7 December 2021, and having been served with a summary judgment application nearly 2 weeks prior to that listing (which should have come as no surprise given correspondence and the notice to admit), the Defendants’ response to the service of an application was to threaten issuing four applications and relist the hearing.
 - b. None of the threatened four applications, of which only two were issued, were consequential on the summary judgment application. There is no reason why they should not have been prepared and issued in good time prior to the CMC as first listed. It is apparent from the timeline of events that the threatened applications were simply a tactical move in retaliation to the Claimant’s application to put pressure on the Claimants, and delay matters.
 - c. Despite the threats of four applications and relisting, the Defendants did not engage at all in relation to the substance of the applications and only issued two of the four applications shortly before the relisted hearing. Evidence was not provided until later and no evidence at all was provided in relation to the strike-out application. The Claimant’s learned the Defendants’ substantive position only in Counsel’s skeleton argument, which advanced a number of unsubstantiated and un-pleaded new arguments.
 - d. The entirety of the Defendants’ approach to this case so far, and particularly in the lead up to the CMC and the applications, has been obstructive and uncooperative.

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27. None of matters set out in paragraphs (a) – (c) above in my judgement come any where close to being unreasonable behaviour within the meaning of CPR63.26(2) and I do not accept that point (d) is a fair summary. The complaints in substance amount to saying that the Defendants were slow and not perhaps as focused and strategic as they might have been. Having read all the correspondence and the evidence in relation to the Applications, it is clear that the Claimants felt frustrated at not being able to pin the Defendants down in various respects but none of the Defendants behaviour fell outside of the ambit of the general pull and push of IPEC litigation between SMEs. I would accept that the Defendants have been at times slow to respond and have indicated that certain steps would be taken which then were not but I do not accept it is fair to describe their conduct as obstructive or unreasonably uncooperative.
28. I also do not accept that either of the Defendants’ applications were wholly without merit. The application to strike out was advanced in good faith and was foreshadowed by a number of pleaded complaints about the structure and content of the Particulars of Claim. The CMC was the appropriate time to air the complaints that counsel for the Defendants had about the Particulars of Claim. Whilst I was not persuaded that the complaints justified a surgical strike out, I did not find the Particulars of Claim all that easy to follow in some respects. The application was not in my judgment motivated by a desire to put pressure on the Claimants.
29. The application for security for costs was finely balanced. Based on the figures and information available to the Defendants about the financial standing of the Claimants at the time it was made, I could quite see why it was made. It failed but was not, in my judgement, misconceived or unjustified.

Conclusion

30. The appropriate order is that the standard order CPR 63.26(1), namely that costs of the Applications be reserved to trial. The costs of the case management conference itself should be costs in the case.