



Neutral Citation Number: [2019] EWHC 1273 (IPEC)

Case No: IP-2018-000191

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

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

Date: 20/05/2019

Before :

HIS HONOUR JUDGE HACON

Between :

(1) GLASS SLIPPER LIMITED	
(2) CRYSTAL MIRROR LIMITED	<u>Claimants</u>
- and -	
(1) CRIMSON FLOWER PRODUCTIONS LIMITED	
(2) HAD INTERNATIONAL LIMITED	
(3) RICHARD DUNN	
(4) LINDSAY SWAN	<u>Defendants</u>

Robert Whittock (instructed under the IP Pro Bono scheme) for the **Claimants**
Jeremy Reed (instructed by **Lewis Silkin LLP**) for the **Defendants**

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 judgment made on the papers pursuant to an order dated 5 April 2019. The order followed a hearing on that day at which I considered two applications by the defendants. The first was to strike out these proceedings as an abuse of process and/or to strike out the Particulars of Claim because they did not comply with CPR 16.4(1)(a). The second application was to make a non-party costs order against Ms Ann McGuire.
2. These applications were the latest stage in a long running dispute. Until recently the litigation has been conducted on behalf of the claimants by Ms McGuire, who is a director and shareholder of the claimants. At the hearing on 5 April 2019 for the first time Robert Whittock of counsel appeared for the claimants. He did so under the IP Pro Bono scheme and has apparently continued to advise Ms McGuire since. I commend the public-spirited help Mr Whittock has given to Ms McGuire and I appreciate his written and oral submissions to the court. The defendants were represented by Jeremy Reed.
3. At the hearing I agreed with the defendants that the Particulars of Claim did not comply with CPR 16.4(1)(a) in that they did not contain a concise statement of the facts on which the claimants rely. They had been drafted by Ms McGuire, who no doubt did her best, but the Particulars were neither concise nor easy to understand.
4. The defendants further argued that the proceedings should be struck out as an abuse of process because the claimants were re-running a claim which had been brought in this court in action no. IP-2016-000048 (“the First Action”). The First Action was struck out by an order dated 3 July 2017.
5. I took the view that since Ms McGuire now had legal advice, she should have the opportunity to consult Mr Whittock further and decide whether Particulars could be drafted which did not lead to an abuse of the process. I gave the claimants the opportunity to file Amended Particulars of Claim, failing which the present claim would be struck out. In the event that Amended Particulars were filed by the deadline imposed, I allowed each side to file brief further skeleton arguments and further ordered that I would reconsider the application to strike out on the papers.
6. I also directed that I would at the same time give judgment on the defendant’s application for a non-party costs order against Ms McGuire.
7. The judgment on the defendant’s two applications follows.

Background

8. The First Action was started on 5 April 2016. The claimant was Glass Slipper Live Events – Event 1 Limited (“Event 1”) and defendant was the first defendant in the present proceedings (“Crimson Flower”). Event 1 sought a declaration that it owned copyright in a film of the performance of Swan Lake at the Mariinsky Theatre, St Petersburg, given on 6 June 2013 (“the Film”). Ms McGuire was the driving force

behind the claim. As the proceedings progressed, she became a Third Party and the second claimant in the present action (“Crystal Mirror”) a Fourth Party.

9. On 20 September 2016 I made an order requiring Event 1 to provide security for costs in the sum of £40,000, failing which the claim would be struck out. A significant factor in my making the order was Ms McGuire’s statement to me at the hearing of the application that it was possible for her to raise the £40,000 on behalf of Event 1.
10. The security was not paid by the deadline provided in the order, but Event 1 sought permission to appeal. On 30 May 2017 Kitchin LJ refused permission stating:

“The assertion that the claimant’s claim will be stifled by the order is directly contrary to the statement made by Ms McGuire to the judge at the hearing.”
11. Permission to appeal having been refused, I struck out Event 1’s claim by an order dated 3 July 2017. However, I stayed the order because Event 1 had made another application to the Court of Appeal, seeking to re-open the decision to refuse permission to appeal.
12. On 6 February 2018 Kitchin LJ gave a second decision in writing refusing Event 1’s application to reopen his earlier decision. He said:

“The judge asked Ms McGuire on a number of occasions [at the hearing of 20 September 2016] whether security could be provided were it to be ordered. She told the judge that it was possible for her to raise the money. There is nothing in the transcript to suggest that Ms McGuire’s ability to understand the questions put to her and to answer them was in any way impaired by her anxiety or for any other reason. ... The questions were straightforward and the answer to them clear.”
13. Permission to appeal having been finally refused, the stay of the order striking out Event 1’s claim was thereby lifted and the claim was struck out. The First Action did not immediately end because Crimson Flower had a counterclaim. By an order dated 6 November 2018 I gave permission to Crimson Flower to discontinue the counterclaim. Even that did not terminate the First Action because the defendants to the counterclaim, which by this time included Ms McGuire and Crystal Mirror, brought an application for a finding that the Part 20 Claim was fundamentally dishonest within the meaning of CPR 44.16. That application was refused in an order made on the papers dated 19 November 2018. In the reasons given with the order I stated that CPR 44.16 had no bearing and said further:

“The reasons advanced by the Part 20 Defendants for alleging that the Part 20 Claim was fundamentally dishonest appear to be intended to serve as a means to revive by the back door [Event 1’s] claim to ownership of the copyright in [the Film]”.

The present applications

Application to strike out

14. The Amended Particulars of Claim drafted by Mr Whittock leave no doubt that Ms McGuire wishes, yet again, to bring a claim to rights in the Film. There is a difference:

the Amended Particulars plead that the copyright in the Film is owned not by Events 1 but by an entity identified as “Mariinsky Theatre”. In their written submissions the claimants say that they wish to apply to join Mariinsky Theatre as a fifth defendant. The Amended Particulars also plead that Glass Slipper was the exclusive licensee under the copyright from 6 June 2013 until 10 November 2014 and that Crystal Mirror has been the exclusive licensee since. Hence these two companies are now the claimants.

15. The Amended Particulars of Claim are concise enough to comply with CPR 16.4(1)(a). As I have said, they are also sufficiently clearly drafted to reveal that this is once more a claim by companies associated with Ms McGuire to rights in the Film. The claimants do not suggest otherwise. The fact that Mariinsky Theatre is now said to own the copyright and Glass Slipper and Crystal Mirror have become successive exclusive licensees makes no difference. Had the First Action continued, it would have been necessary to amend the claim in the same way. Both the First Action and the present proceedings are claims by which Ms McGuire seeks to control exploitation of the Film through companies which are said to own the significant interest in the copyright in the Film.
16. The claimants’ argument in opposing the allegation of abuse of process turns on the reason for Event 1’s failure to comply with an order of the court, namely the order to pay security.
17. I was referred to the judgment of the Court of Appeal in *Harbour Castle Ltd v David Wilson Homes Ltd* [2019] EWCA Civ 505. The claimant in that action, HCL, alleged that the defendant, DWHL, was in breach of a covenant to use all reasonable endeavours to obtain planning permission for two parcels of land. The action was struck out under the terms of an unless order for failure to provide security for costs. A second action was started relying on the same cause of action and seeking similar relief, though a higher claim to damages. David Richards LJ (with whom Leggatt and Longmore LJJ) agreed said:

“[6] The burden of showing that the second action is an abuse lies on the party asserting it, in this case DWHL, and it must be clearly shown to be an abuse. Whether an action is an abuse is not a question of discretion, but an evaluative assessment to which there can be only one answer. These propositions are established by several decisions of this court, including *Stuart v Goldberg Linde* [2008] EWCA Civ 2, [2008] 1 WLR 823 and *Atkas v Adepta* [2010] EWCA Civ 1170, [2011] QB 894. If it is an abuse, the court has a discretion whether to strike it out, but, as Rix LJ said in *Atkas v Adepta* at [53], once satisfied that the second action is an abuse of process it is likely that the court will strike it out, but it does not necessarily follow.

...

[8] The inherent power to strike out proceedings as an abuse of process is one ‘which any court of justice must possess to prevent misuse of its procedure in a way which, although not inconsistent with the literal application of its procedural rules, would nevertheless be manifestly unfair to a party to litigation before it, or would otherwise bring the administration of justice into disrepute among right-thinking people’: *Hunter v Chief Constable of West Midlands*

Police [1982] AC 529 at 536 per Lord Diplock. Lord Diplock went on to observe that ‘the circumstances in which abuse of process can arise are very varied’.

[9] Where, as in the present case, the question is whether to strike out a second set of proceedings raising the same issues as in the first, the authorities establish that a proper basis for finding the second action to be an abuse will be shown if (but this is not intended to be an exhaustive list) the first action was struck out for a deliberate failure to comply with a preemptory order or for inordinate and inexcusable delay in its prosecution or for a wholesale disregard of the rules: see *Janov v Morris* [1981] 1 WLR 1389, *Arbuthnot Latham Bank Ltd v Trafalgar Holdings Ltd* [1998] 1 WLR 1426, *Securum Finance Ltd v Ashton* [2001] Ch 291, and *Aktas v Adepta*.

[10] In the present case, the first action was struck out for failure to comply with a preemptory order for the provision of security for costs. Such an order will not normally be made if security cannot be provided and the order would stifle a legitimate claim. On that basis, one would expect HCL's second action to be regarded as an abuse of the process. ...”

18. David Richards LJ went on to consider whether the order for security should not have been made bearing in mind a change in the law due to the judgment of the Supreme Court in *Goldtrail Travel Ltd v Onur Air Tasimacilik AS* [2017] UKSC 57; [2017] 1 WLR 3014. He concluded that *Goldtrail* made no difference to the correctness of the order on the facts of *Harbour Castle* and found that there had been a deliberate decision by HCL not to comply with the order for security. He added (at [24]):

"In my judgment, it was in those circumstances a clear abuse to commence new proceedings making the same claim. Going back to Lord Diplock's words in *Hunter*, it would be manifestly unfair to DWHL to subject it to a second action, when HCL had chosen to abandon the first, and would bring the administration of justice into disrepute among right-thinking people.”

19. In the present application the claimants argue that Event 1 did not make a deliberate decision not to comply with the order for security. Security was not paid in the First Action because Event 1 had not been in a position to raise the money. The facts of *Harbour Castle* can thus be distinguished and so the present proceedings are not an abuse.
20. This submission that Event 1 could not raise the security ordered is in direct conflict with what Ms McGuire told me on 20 September 2016. Since the submission in this instance was made only in writing – in the claimants’ skeleton argument filed with the Amended Particulars of Claim, I have not had the opportunity to clarify what is being said. There are two possibilities. It may be an assertion that Ms McGuire chose not to tell the truth at the hearing on 20 September 2016. Alternatively, the claimants may be saying that Ms McGuire was nervous and confused at the hearing and only inadvertently misled the court. But the latter submission was made to Kitchin LJ who roundly rejected it having read the transcript of the hearing before me, see above.
21. Either way, Ms McGuire’s assertion at the hearing for security that Event 1 could raise £40,000 places a very strong burden on the claimants, effectively on Ms McGuire, now to establish that Event 1 could not have raised the money. I have in mind

comprehensive evidence of all possible sources of funding and evidence from those sources that money would not have been forthcoming. No attempt has been made to adduce such evidence.

22. I bear in mind that the claimants were not professionally represented until some time before the hearing of 5 April 2019, possibly only shortly beforehand. But the claimants were advised by Mr Whittock by the time of the hearing and were aware that the defendants' allegation of an abuse of process relied on *Harbour Castle*, which was cited in the defendants' skeleton argument. Had there been evidence to support the assertion that Event 1 was unable to obtain the funds to pay the security, the evidence could have been filed at the hearing of 5 April 2019. Alternatively, if there was genuinely not time to do so, the claimants could have sought permission at the hearing to serve evidence on this key point. They said nothing about any further evidence.
23. I take the view that Ms McGuire well understood on 20 September 2016 that she was being asked whether Event 1 could pay the security. I must assume that her answer yes was truthful. I find that Event 1, in the person of Ms McGuire, subsequently took a deliberate decision not to comply with the order for security. It follows that the present claim, an attempt by Ms McGuire to reinstate the substance of the claim of the First Action, is an abuse of process and falls to be struck out.

Non-party costs order

24. An award of costs against a person who is not a party to the action is made possible by s.51 of the Senior Courts Act 1981, as was confirmed by the House of Lords on *Aiden Shipping Co Ltd v Interbulk Ltd* [1986] AC 965. The law was recently reviewed by the Court of Appeal in *Sony/ATV Music Publishing LLC v WPMC Limited* [2018] EWCA Civ 2005; [2019] FSR 13. Floyd LJ, with whom Kitchin LJ agreed, said:

“[27] In the years which followed *Aiden Shipping*, a large number of decisions at first instance and on appeal have considered how the discretion conferred by s.51(3) to order a non-party to pay the costs of the proceedings should be exercised, and have identified a variety of factors which may, depending on the facts, have a material influence on the ultimate decision. Thus in a very well-known passage in *Symphony Group Plc v Hodgson* [1994] Q.B. 179, at pp.192-93, Balcombe LJ, with whom Staughton and Waite LJ agreed, identified a number of ‘material considerations’, which were not intended to amount to an exhaustive list. One of these was that the party seeking such an order should:

‘warn the non-party at the earliest opportunity of the possibility that he may seek to apply for costs against him.’

[28] Ten years later, after many intervening cases in this jurisdiction and elsewhere in the common law world, Lord Brown of Eaton-under-Heywood, giving the opinion of the Privy Council in *Dymocks Franchise Systems (NSW) Pty Ltd v Todd* [2004] UKPC 39; [2004] 1 W.L.R. 2807, summarised the main principles in the following way:

‘A number of the decided cases have sought to catalogue the main principles governing the proper exercise of this discretion and their

Lordships, rather than undertake an exhaustive further survey of the many relevant cases, would seek to summarise the position as follows:

- (1) Although costs orders against non-parties are to be regarded as ‘exceptional’, exceptional in this context means no more than outside the ordinary run of cases where parties pursue or defend claims for their own benefit and at their own expense. The ultimate question in any such ‘exceptional’ case is whether in all the circumstances it is just to make the order. It must be recognised that this is inevitably to some extent a fact-specific jurisdiction and that there will often be a number of different considerations in play, some militating in favour of an order, some against.
- (2) Generally speaking the discretion will not be exercised against ‘pure funders’, described in paragraph 40 of *Hamilton v Al-Fayed* as ‘those with no personal interest in the litigation, who do not stand to benefit from it, are not funding it as a matter of business, and in no way seek to control its course’. In their case the court’s usual approach is to give priority to the public interest in the funded party getting access to justice over that of the successful unfunded party recovering his costs and so not having to bear the expense of vindicating his rights.
- (3) Where, however, the non-party not merely funds the proceedings but substantially also controls or at any rate is to benefit from them, justice will ordinarily require that, if the proceedings fail, he will pay the successful party’s costs. The non-party in these cases is not so much facilitating access to justice by the party funded as himself gaining access to justice for his own purposes. He himself is ‘the real party’ to the litigation, a concept repeatedly invoked throughout the jurisprudence – see, for example, the judgments of the High Court of Australia in *Knight* and Millett LJ’s judgment in *Metalloy Supplies Ltd (In Liquidation) v MA (UK) Ltd* [1997] 1 W.L.R. 1613. Consistently with this approach, Phillips LJ described the non-party underwriters in *TGA Chapman Ltd v Christopher* [1998] 1 W.L.R. 12 as ‘the defendants in all but name’. Nor, indeed, is it necessary that the non-party be ‘the only real party’ to the litigation in the sense explained in *Knight*, provided that he is ‘a real party in ...very important and critical respects’ - see *Arundel Chiropractic Centre Pty Ltd v Deputy Commissioner of Taxation* (2001) 179 ALR 406, referred to in *Kebaro* at pp. 32–33, 35 and 37. Some reflection of this concept of ‘the real party’ is to be found in CPR 25.13(1)(f) which allows a security for costs order to be made where ‘the claimant is acting as a nominal claimant’.”

25. In the present proceedings the defendants’ principal argument was that as in the First Action, Ms McGuire was the real claimant in all but name. I have no doubt this is true. Ms McGuire drafted the original Particulars of Claim and signed the statement of truth in the Amended Particulars of Claim. As in the First Action, she has conducted the correspondence on behalf of the claimants both with the defendants and with the court.

I assume all instructions to Mr Whittock have come from Ms McGuire. Ms McGuire is the sole director and the majority shareholder of both claimants.

26. In a letter to the court dated 9 April 2019 Ms McGuire referred to herself, in the first person, as having made a “a claim to copyright”. I think this accurately reflects her own view that these have always been her claims brought through her companies. Ms McGuire has been running both actions in order to gain access to the courts largely or entirely for her own benefit.
27. The defendants complain that Ms McGuire’s conduct of the actions has been disproportionate and oppressive. The directors of the defendant companies in both actions are Richard Dunn and Lindsay Swan, who are husband and wife. There was an attempt to join them as personal defendants in the First Action. There was evidence that the litigation has caused them serious stress and anxiety. This is not directly relevant and I make no finding, but I accept that Mr Dunn and Ms Swan feel that they have been unfairly pursued by a determined litigant who has not been at risk as to costs.
28. A major factor in the decision of the Court of Appeal in *Sony/ATV Music* to allow the appeal was the fact that the party against whom the costs order was sought had not been warned at the earliest opportunity of the possibility that an order for costs may be sought against him. The Court of Appeal took the view that the individual in question may have acted to protect himself had he been warned.
29. Floyd LJ reviewed earlier judgments on the desirability of warning the party against whom a costs order may be sought. He reached this conclusion:

“[37] I consider that where there is credible evidence that a party would have acted differently if he had been warned then that evidence should be given weight in the overall assessment. The weight to be given to it is of course a matter for the judge.”
30. These proceedings were started on 26 November 2018. Ms McGuire was warned, in terms, that the defendants would seek a non-party costs order. This was done in a witness statement of Richard Dunn dated 30 January 2019.
31. I appreciate that Ms McGuire was in effect a litigant in person until she received assistance from Mr Whittock. I cannot be completely sure that she fully understood the significance of the warning before speaking to Mr Whittock. On the other hand, the paragraph in Mr Dunn’s witness statement dealing with the intention to seek an order for costs against Ms McGuire is in clear language. It has been my impression that Ms McGuire is an intelligent woman and I think the greater likelihood is that she understood the risk she was running on costs from about the end of January this year.
32. I am not certain when Mr Whittock first gave Ms McGuire advice – some time before the hearing of 5 April 2019. Mr Whittock has shown himself to be familiar with the law on non-party costs orders. I must assume that he took instructions from Ms McGuire, including on the matter of a non-party costs order, before finalising his skeleton arguments. Yet neither in his two skeletons nor in his oral submissions did he suggest on Ms McGuire’s behalf that Ms McGuire would have acted differently had she realised sooner the meaning and effect of a non-party costs order. Nor did Mr

Whittock submit that Ms McGuire should be given the opportunity to file evidence in support of that suggestion.

33. I conclude that the reason for the absence of such evidence or submissions is that Ms McGuire could not truthfully say either than she did not understand at the end of January 2019 the risk she was running on costs or that had she understood, she would have acted differently. Although I do not give it much weight, I would add that this is consistent with my impression that at all times Ms McGuire has been very determined to take any step she could in pursuit of what she believes to be her companies' rights, in effect her rights, in the Film.
34. Because Ms McGuire has run the present action (like the First Action) largely or possibly entirely for her own benefit and because she was warned of the defendants' intention to apply for a non-party costs order, I think it is appropriate to make Ms McGuire subject to such an order. (For the avoidance of doubt this does not apply to the costs of the First Action). The defendants should file and serve a schedule of costs itemised by reference to the stage caps applicable in this court.