



Neutral Citation Number: [2023] EWHC 49 (IPEC)

Case No: IP-2021-000028

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

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

Date: 16 January 2023

Before :

HIS HONOUR JUDGE HACON

Between :

SERGIO MENDES COSTA

**Claimant/
Applicant**

- and -

(1) DISSOCIADID LIMITED

(2) CHLOE WILKINSON

Defendants

- and -

(1) JOHN ANTHONY ELDRIDGE

(2) BRANDSMITHS SOLICITORS

Respondents

Judgment on the papers

Approved Judgment

This judgment was handed down remotely at 2pm on 16 January 2023 by circulation to the parties or their representatives by email and released to the National Archives

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HIS HONOUR JUDGE HACON

Judge Hacon :

Introduction

1. This is an application by the Claimant (“Mr Costa”) for a wasted costs order.
2. On 22 July 2022 I handed down judgment on the substantive claim and the counterclaim in these proceedings. The several issues decided in the judgment were (i) whether a copyright work (“the Disclaimer”) was a work of joint authorship, (ii) whether there had been a binding contract between Mr Costa and the Second Defendant (“Ms Wilkinson”) regarding that work and other works of acknowledged joint authorship, (iii) if so whether the contract contained the implied term that Ms Wilkinson could use such works, (iv) whether Ms Wilkinson had a bare licence to use the works and if so when such a licence came to an end, (v) whether instructions given by Mr Costa to YouTube to take down certain videos on Ms Wilkinson’s website were in law acts of unlawful interference in Ms Wilkinson’s business and (vi) whether those instructions were in breach of the aforementioned contract, if there was one.
3. In relation to issue (i) I found that the Disclaimer was solely created by Ms Wilkinson who, therefore, was the sole owner of the copyright subsisting in it. In relation to issue (v), I found that Mr Costa’s takedown requests to YouTube had constituted an unlawful interference in Ms Wilkinson’s business. The findings made on the other issues have no relevance here.
4. On 18 October 2022 there was a hearing to determine the form of order. Disputes followed as to the precise form of relief, but the order was finalised on 10 November 2022.
5. On 14 July 2022, shortly after the draft of the judgment was handed down, the defendants informed Mr Costa that the relief they would seek included a mandatory injunction requiring Mr Costa to withdraw his takedown requests in a manner specified. At the hearing on 18 October 2022 I took the view that the injunction sought would have the merit of affording an appropriate means of ending the effect of Mr Costa’s takedown requests and would not be unduly onerous on Mr Costa. Such relief had not formed part of the defendants’ pleaded case but CPR 16.2(5) allows the court to grant any remedy to which the relevant party is entitled even if the remedy is not specified in the claim form.
6. At that hearing one of the submissions made by the first respondent to this application, counsel for Mr Costa (“counsel”), was that the court had no jurisdiction to grant the injunction; alternatively, the court should not exercise its discretion to do so. Despite having been aware of the defendants’ intention to seek the injunction since late July, counsel had neither fully prepared his argument in support of his case on jurisdiction nor had he filed supporting authority. The defendants’ legal team were notified of his proposed argument just before the hearing, again without any supporting authority. This was not satisfactory, but because the primary submission concerned the jurisdiction of the court, I directed that the parties should file written submissions on the point.

7. The written submissions subsequently filed by counsel no longer pursued the argument that the court had no jurisdiction. Instead counsel pressed his alternative argument that the injunction sought by Ms Wilkinson should be refused in the court's discretion.
8. I dealt with the matter on the papers. On 25 November 2022 I granted an injunction requiring Mr Costa to take all reasonable steps to withdraw his takedown requests and relevant complaints and dealt with other points that remained outstanding. These included costs. I ordered that there would be no order as to costs in the action down to and including the hearing on 18 October 2022. I also made this further order:

“The Claimant shall pay the Defendants’ costs incurred after the hearing on 18 October 2022 to the date of this Order, such costs to be paid pursuant to CPR 63.26(2). The Defendants have permission to apply to the Court.”
9. CPR 63.26(2) provides that where a party has behaved unreasonably the court may make an order for costs at the conclusion of the hearing; pursuant to CPR 45.32 (which remains applicable to the present proceedings) such costs are in addition to the cap on total costs which generally applies in this court.
10. I stated my reasons within the order of 25 November 2022:

“(1) The Claimant’s objection to the relief sought by the Defendants and now granted under paragraph 1 of this Order was not raised until the evening before the hearing on 18 October 2022 dealing with the matters consequential upon the judgment of 22 July 2022. It was asserted at that hearing that the Court did not have jurisdiction to grant such relief but no authority was proffered in support of the objection. Because the objection went to the jurisdiction of the Court, the parties were given the opportunity to provide written submissions on the point and did so. The Claimant has now withdrawn the submission that the Court has no jurisdiction and asserts instead that the Court should not exercise its discretion to grant such relief. For the reasons given by the Defendants in their submissions I am satisfied that such relief constitutes an appropriate exercise of the Court’s discretion.

...

(5) No significant costs would have been incurred by the Defendants after the hearing on 18 October 2022 had the Claimant not raised its late objection to the Court’s jurisdiction. Save to an insignificant degree, those costs were caused by and related to the Claimant’s argument regarding the Court’s lack of jurisdiction. The Defendants are entitled to their costs since that date in accordance with CPR 63.26(2).”
11. The defendants filed a Statement of Costs for the period 18 October to 25 November 2022. By an order dated 8 December 2022 Mr Costa was required to pay costs for that period in the sum of £10,000 within 14 days of the date of the order.
12. On 15 December 2022 Mr Costa filed an application notice seeking a stay of the order for payment, a wasted costs order against his counsel and seeking further an order that

counsel should pay to the sum of £10,000 due to the defendants. By a subsequent application notice dated 20 December 2022, Mr Costa sought to amend his application so that the liability for payment be split equally between his (by then) former counsel and former solicitors, the latter being second respondent to the present application.

13. Evidence has been filed by Mr Costa and counsel.

The procedure

14. CPR 46.8 sets out the procedure to be followed when the court is considering whether to make an order under s.51(6). This is amplified in PD 46, which includes this:

5.7 As a general rule the court will consider whether to make a wasted costs order in two stages –

(a) at the first stage the court must be satisfied –

(i) that it has before it evidence or other material which, if unanswered, would be likely to lead to a wasted costs order being made; and

(ii) the wasted costs proceedings are justified notwithstanding the likely costs involved;

(b) at the second stage, the court will consider, after giving the legal representative an opportunity to make representations in writing or at a hearing, whether it is appropriate to make a wasted costs order in accordance with paragraph 5.5 above.

5.8 The court may proceed to the second stage described in paragraph 5.7 without first adjourning the hearing if it is satisfied that the legal representative has already had a reasonable opportunity to make representations.

15. Mr Costa filed his application on 15 December 2022 together with a witness statement of the same date plus exhibits. Counsel filed a witness statement with exhibits on 18 December 2022. There followed further correspondence from Mr Costa, now unrepresented, and his application dated 20 December 2022 amending his claim for wasted costs to be directed to his former solicitors as well as counsel. The further correspondence can be summarised in relevant part as follows, each exchange chronologically following the previous one; all were sent on 20 December 2022 save for the last which reached the court on 22 December 2022:

- (i) I noted that in Mr Costa's first application he requested a hearing of one hour. I asked the parties whether either side wanted a hearing.
- (ii) Mr Costa stated that he was content for his application to be decided on the papers unless the court was minded to dismiss the application, in which case he would like to make further oral or written submissions.
- (iii) I stated that I had not reached a view on Mr Costa's application but that if Mr Costa wanted a hearing he would have to make up his mind now.

- (iv) Mr Costa enquired whether counsel had requested a hearing.
 - (v) I said that I would await the view of counsel and Mr Costa's former solicitors regarding a hearing.
 - (vi) Mr Costa stated that he did not oppose determination on the papers but believed that the parties' interests were better served by an oral hearing.
 - (vii) Counsel's solicitors stated that counsel was content to have the matter resolved on the papers. Nothing was said about Mr Costa's application against the solicitors themselves.
16. These exchanges, particularly those from Mr Costa, were considerably longer than the very brief summary given here. As can be seen, the sequence of events did not neatly conform to the two-stage process of paragraph 5.7 of PD 46 but I am satisfied that all concerned had a reasonable opportunity to make representations and that it is appropriate to decide this matter on the papers.

The law

17. Section 51(1) of the Senior Courts Act 1981 states the basic rule on costs in any proceedings in the High Court, namely that they are in the discretion of the court subject to the provisions of any enactment or rule of the court. Subsections 51(6) and (7) provide:

(6) In any proceedings mentioned in subsection (1), the court may disallow or (as the case may be) order the legal or other representative concerned to meet, the whole of any wasted costs or such part of them as may be determined in accordance with rules of court.

(7) In subsection (6) 'wasted costs' means any costs incurred by a party –

(a) as a result of any improper, unreasonable or negligent act or omission on the part of any legal or other representative or any employee of such a representative; or

(b) which, in the light of any such act or omission occurring after they were incurred, the court considers it unreasonable to expect that party to pay.

18. In *Fletamentos Maritimos SA v Effjohn International BV* [2003] Lloyd's Rep. P.N. 26, Simon Brown LJ referred to s.51(1), (6) and (7) of the Senior Courts Act 1981 and continued:

“The principles upon which these provisions are to be applied have been established by a trilogy of recent cases in this court: *Ridehalgh v Horsefield* [1994] Ch 205, *Tolstoy-Miloslavsky v Aldington* [1996] 1 WLR 736, and *Wall v Lefever* (unreported, transcript dated 14th July 1997). Amongst them are these (and here I quote only the essence of principles elaborated in these authorities with very great care):

1. Improper conduct is that which would be so regarded ‘according to the consensus of professional (including judicial) opinion.’ Unreasonable conduct

‘aptly describes conduct which is vexatious, designed to harass the other side rather than advance the resolution of the case, and it makes no difference that the conduct is the product of excessive zeal and not improper motive ... The acid test is whether the conduct permits of a reasonable explanation.’ Negligent conduct is to be understood ‘in an untechnical way to denote failure to act with the competence reasonably to be expected of ordinary members of the profession.’ (all from *Ridehalgh*).

2. ‘Legal representatives will, of course, whether barristers or solicitors, advise clients of the perceived weakness of their case and of the risk of failure. But clients are free to reject their advice and insist that cases be litigated. It is rarely if ever safe for a court to assume that a hopeless case is being litigated on the advice of the lawyers involved ... It is, however, one thing for a legal representative to present, on instructions, a case which he regards as bound to fail; it is quite another to lend his assistance to proceedings which are an abuse of the process of the court ... It is not entirely easy to distinguish by definition between the hopeless case and the case which amounts to an abuse of the process, but in practice it is not hard to say which is which and if there is doubt the legal representative is entitled to the benefit of it.’ (all from *Ridehalgh*).

3. ‘A solicitor does not abdicate his professional responsibility when he seeks the advice of counsel.’ (*Ridehalgh*) The role which leading and junior counsel played in *Tolstoy* in putting their signatures to the statement of claim ‘did not exonerate the solicitors from their obligation to exercise their own independent judgment to consider whether the claim could properly be pursued; they were not entitled to follow counsel blindly.’

4. ‘The jurisdiction to make a wasted costs order must be exercised with care and only in a clear case.’ (*Tolstoy*). ‘It should not be used to create subordinate or satellite litigation, which is as expensive and as complicated as the original litigation. It must be used as a remedy in cases where the need for a wasted costs order is reasonably obvious. It is a summary remedy which is to be used in circumstances where there is a clear picture which indicates that a professional adviser has been negligent etc.’ (*Wall v Lefever*).”

19. In *Harrison v Harrison* [2009] EWHC 428 (QB) Mackay J pointed to further principles that may be drawn from the Court of Appeal’s judgment in *Ridehalgh*:

“[21] ... First, the jurisdiction must not be used as a back door means of recovering costs not otherwise recoverable (226B to D). Second, it should not become a satellite branch of litigation or be disproportionate (225G). Third, it is essential that the applicant demonstrate a causal link between the conduct and the incurring of the costs (237E). Fourth, it is generally best left until after trial (238C). Fifth, the procedure to be adopted should be fair and as simple and summary as fairness permits (238G). Sixth, the burden is on the applicant to satisfy the court that the order should be made (239B). And seventh (which is really part of 6), even if the court is satisfied, there is a discretion to decline to make the order.

[22] What is plain from the tenor of that judgment is this: this is not a punitive nor a regulatory jurisdiction but a compensatory one and as a prerequisite persons seeking its exercise must show that the conduct has caused them loss.”

The arguments

20. Mr Costa, whether deliberately or otherwise, was content in his witness statement to waive privilege in his communications with his legal team. He quoted from an email sent to him by his solicitors on 16 October 2022 which in turn quoted an email to the solicitors from counsel. Counsel said:

“... we could run an argument to the effect that the court has no jurisdiction to award a mandatory injunction as a remedy for the unlawful means tort, or alternatively that, if such jurisdiction exists, it should not be exercised as damages are an adequate remedy. Although the authors of Clerk & Lindsell say that an injunction can in principle be awarded in respect of any tortious wrong, this is not correct. The true position is more complex: injunctive relief is generally only awarded in respect of tortious wrongdoing which causes injury to a proprietary interest (or to something which is akin to a proprietary interest). There is an excellent review of the authorities and principles in John Murphy, 'Rethinking Injunctions in Tort Law' (2007) 27 Oxford Journal of Legal Studies 509.”

21. Counsel added that while the point was reasonably arguable it may not be accepted and

“... taking the point may make us seem stubborn and unreasonable, which may affect (explicitly or otherwise) the decision on costs.”

22. Mr Costa was sent a copy of Mr Murphy’s article, agreed with counsel’s proposal but stated that it should not be pushed too hard.

23. At the hearing on 18 November 2022, having heard the parties’ submissions, I indicated that I was minded to order Mr Costa to withdraw his takedown requests and associated complaints to YouTube. At that point counsel indicated that Mr Costa would seek permission to appeal such an order. In his argument on wasted costs, Mr Costa places much emphasis on that indication from counsel, which Mr Costa describes as unreasonable. He says that he had given no instructions to appeal and it was the opposite of what had asked counsel to do, i.e. to tread carefully.

24. In his witness statement counsel points out that Mr Costa saw his email advice of 16 October 2022, including his warning that running the argument on jurisdiction might have an adverse effect regarding the court’s decision on costs, and that he was given instructions by Mr Costa to run the argument.

25. At the hearing on 18 October 2022, which was conducted remotely, counsel received emails and WhatsApp notifications from his instructing solicitors. The WhatsApp messages are exhibited and show that counsel was expressly instructed by the solicitors to seek permission to appeal.

Discussion

26. With regard to the application on behalf of Mr Costa to seek permission to appeal at the hearing of 18 November 2022, there is an issue of causation. Mr Costa misunderstands the role of that application in my decision to require further written

submissions. I did not approve of the lateness of Mr Costa's argument on the jurisdiction of the court but came reluctantly to the conclusion that it was just possible that I was about to make an order that was unlawful for lack of jurisdiction. The indication from counsel that he would seek permission to appeal may have focussed my mind in the moment, but it was not the cause of my decision. The cause was the possibility of making an order beyond the jurisdiction of the court without having first having heard argument and without having been referred to authority which would allow me to decide whether such an order would be lawful.

27. I am in any event entirely satisfied that counsel was given clear instructions to appeal. No evidence has been filed by Mr Costa's former solicitors and it may be that such instructions were given without the expressly stated approval of Mr Costa. But I need not take this further.
28. As is apparent from the reasons given in my order of 25 November 2022, I was (and remain) of the view that the conduct on behalf of Mr Costa in relation to the argument on jurisdiction was unreasonable within the meaning of CPR 63.26(2). This was because (i) it was raised too late for the defendants' legal team to deal with the point and was without even supporting authority, thus necessitating the spending of costs and time in further preparation and submissions, and (ii) on fuller consideration it was not pursued on behalf of Mr Costa, implying that proper research into the law in good time would have led to the argument never being advanced.
29. The argument on jurisdiction ought never to have been raised. I think that the strongest point to be made in Mr Costa's favour is that counsel and his solicitors would, or at least should, have been more aware than Mr Costa would have been of the risk in advancing the argument in the way it was done.
30. I do not believe that the conduct of counsel or Mr Costa's solicitors could properly be described as "improper" as that term is perceived according to the consensus of professional opinion. This seems to me to carry the connotation of improper conduct in dealings with the court or with the opposing party. Nor do I believe that it was "unreasonable" within the meaning of s.51(7)(a) of the Senior Courts Act 1981. The explanation of that term given by the Court of Appeal – "conduct which is vexatious, designed to harass the other side rather than advance the resolution of the case ... [permitting of no] reasonable explanation" – does not seem to me to apply to the present facts. The term "unreasonable" apparently has a meaning more narrow and specific in the context of s.51(7)(a) than in CPR 63.26(2). Unreasonable conduct in the latter sense more loosely includes behaviour generating costs which are unnecessary when measured against one of tenets of this court, namely minimising of the cost of litigation.
31. That leaves negligent conduct, to be understood "in an untechnical way to denote failure to act with the competence reasonably to be expected of ordinary members of the profession." Here I have some sympathy with Mr Costa. It might well be said that Mr Costa would expect his legal team to research and prepare an argument properly, particularly an argument on jurisdiction, before floating it with the court. On the other hand, Mr Costa gave his authority for the argument on jurisdiction to be raised. He was also expressly warned that there was a risk of an adverse consequence in costs. Mr Costa was apparently willing to live with that. In my judgment the conduct of counsel and Mr Costa's former solicitors was not negligent (or improper or

unreasonable) in the sense explained by the Court of Appeal. Mr Costa's application, in both original and amended form, is dismissed.