

British Copyright Council's response to Review of the IP enforcement framework: Call for Evidence

The British Copyright Council (BCC) notes that the scope of the Call for Evidence is linked only to the issues raised in the context of the Enforcement Working Group discussions. Wider concerns remain over the practical challenges facing individual creators in both policing and enforcing unregistered intellectual property rights and we welcome the separate opportunities to continue to discuss these issues in other fora.

For the purposes of this Call for Evidence many of the members of the BCC, who span the creative industries, have direct experience relating to the questions raised under the different sections of the Call for Evidence and will be engaging directly on these. In particular, our members will address the questions raised linked to cost considerations for court action. We therefore limit our comments to the more general points identified below.

Given the narrow focus of this consultation we want to reiterate our concerns for implementation of the full Enforcement Strategy to ensure that they are also given due consideration. These include:

- i. Clearer guidance is needed for right holders on the process of the Small Claims Track (SCT).
- ii. The IPO should work with the courts to ensure that there is understanding of the value attributed to creative works and the level of claimable compensation. The proposal to introduce statutory damages goes some way to address this, but does not sufficiently manage all subjectivity in the system.
- iii. Steps to reduce costs linked to securing injunctive relief, plus education initiatives that explain the relief available and the grounds on which it can be secured.
- iv. Swift remedial action to address the significant lag between the submission of a claim and the judgement.
- v. How the IPO will reconcile developments by the US Copyright Office on Section 512, the recent EU Copyright Directive (in particular Article 17) and updates to both the EU's Digital Services Act and E-Commerce Directive with future application and development of relief under provisions including Section 97A of the Copyright, Design and Patents Act.
- vi. The consultation "Review of the Copyright Tribunal" contained draft legislation to make the Copyright Tribunal more accessible for consumers. However, it is not open to rightholders who may wish to challenge licensing terms provided by Collective Management Organisations. The IPO's own recommendations for reforming the Tribunal, which would address this and were supported by the majority of stakeholders, should be completed as soon as possible.
- vii. Against the background of work within stakeholder roundtable meetings work remains outstanding to streamline procedures and requirements for take down notices, so that rightholders can easily send notices to a wide range of services. In this context a new "stay-down" obligation would help to reduce costs and avoid recurring abuse. Rules are needed to support online platforms preventing the re-upload of illegal content and address multiple instances of infringement appearing on their service. This would allow rightholders to focus their resources on identifying new illegal content, instead of preventing infringing copies reappearing, and ultimately reduce the prevalence of illegal content.
- viii. An obligation on online platform to have and enforce repeat infringer policies that set out the consequences for repeatedly posting illegal content. This could be fulfilled through 'Know your Business Customer' obligations.
- ix. Economic online harms caused by unauthorised or illegal use of copyright works must be addressed in a co-ordinated way under UK legislation.

1. The cost of legal challenges

1.1 Costs of taking action

Our members have expressed a general concern that the costs of taking action continues to be perceived as disproportionate compared to the remedies available. Costs will of course vary very considerably, depending upon the court in which proceedings are brought. In the High Court, direct actions tend to cost upwards of £1m, with further costs on appeal (500-600k) and potential adverse costs liability if the action is unsuccessful. Interim injunctive relief can cost in the region of 50-100k and may require giving a cross-undertaking in damages (in case it is later decided that the interim injunction was wrongly granted). In site blocking actions right holders face costs of around £60k-90k in legal fees and can also face significant time and costs outlay in compiling the factual evidence needed to substantiate such actions and in monitoring the blocks after the order is granted”.

The establishment of the Intellectual Property Enterprise Court (IPEC) was welcomed by the BCC and its members. The SCT process is particularly important. In this context we hope that a tiered approach to further consideration of the proposed option for introducing an option for relief in the form of statutory damages, will be considered.

5. Is there a reason you did not use protective measures such as IP insurance?

It is suspected that the concept of IP insurance is not well understood by small businesses. Generally, concerns remain over valuation of unregistered IP rights for small businesses. Further research on this subject would be welcomed.

2. Suggested remedies

2.1 Improvements to processes at Small Claims Track (SCT) at the Intellectual Property Enterprise Court (IPEC)

1. Have you used the small claims track? If you have, please describe what happened in your case? Did you find the available guidance easy to understand without the need to seek legal advice?

The BCC does not have direct experience of using the SCT, but our members have reported that they would value clearer guidance on the process; a coherent understanding of the value attributed to creative works and the level of claimable compensation; and the availability of injunctive relief.

In addition to practical barriers, there is often a significant time lag between the submission of a claim and the judgement, particularly if the case is complex. This delay has been exacerbated during the Pandemic as a result of the closure of the small claims track. This is problematic for our members who have noted a drop in successful claims payments, sometimes by as much as 30%. Even more concerning, our members have noted an uptick in serial infringements by organisations that know that the IPEC’s small claims track is not operating and therefore the rights holders cannot seek redress. We recommend that the Enforcement Strategy includes investment in IPEC’s capacity to deal with both complex and small claims in a timely manner to ensure that it is an effective enforcement mechanism.

2.2 Introduction of a statutory damages’ regime

1. Have you had a case that resulted in damages being awarded? If you have, please explain on what basis the damages were awarded?

The BCC is a not-for-profit organisation that provides a forum for discussion of copyright law and related issues. We represent those who create, perform, hold interests in or manage rights in literary, dramatic, musical and artistic works, films, sound recordings, broadcasts and other material in which

there are rights of copyright or related rights. The purpose of the BCC is to provide a representative voice on copyright across our 29 members, who themselves represent hundreds of thousands of creators.

As such members of the BCC range from those who include their own dedicated 'Departments' or 'Anti-Piracy Units' who address and pursue infringement cases on behalf of members, to members representing individual creators whose only likely practical course for remedy is to pursue infringements in the Small Claims Court.

The BCC has long argued the importance of more widely promoting information about judgements and awards of damages for copyright infringement cases in the Small Claims Court and in IPEC.

We welcome that the IPO has now published some data (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/825494/record-of-damages-awarded-in-IPEC-SCT-cases-19.pdf). It would be beneficial for the IPO to provide regular updates to this data and improve the accessibility of this data-set as currently it is included as an update to a 2017 Guidance Note (<https://www.gov.uk/government/publications/ip-crime-and-enforcement-for-businesses>).

2. Do you think the introduction of a system such as statutory damages would help reduce barriers (if you believe there are any) for pursuing or defending legal action?

Our view is that a non-mandatory statutory damages option would add benefits to the current damages regime. In practice, from the perspective of a right owner, court proceedings for infringement of copyright and related rights can be daunting, expensive, time consuming and complex. We believe that the benefits of a statutory damages option would deliver a number of advantages. These include :-

- Provision of focus for would-be infringers. Clearer evidence of the possible damages may make it less easy for would be infringers to ignore the need to license use.
- Promoting, as a matter of policy that it should not be more attractive for would-be infringers to ask forgiveness than permission for use.
- Addressing concerns over costs and expenses and time delays for damages inquiries or accounts of profits. These currently mean that they are rarely pursued to a conclusion. This has a knock-on effect on legal certainty since that are few authorities on the principles to be applied within inquiries.
- Provision of support for smaller claimants who currently face challenges in evidencing damages (or understanding what they have to do in order to do so).

By way of background, currently, in cases where damages are relevant a right holder (the claimant) is asked to choose between these options:

- i. An award of damages. This puts the claimant in the position it would have been in without the infringing act by compensating it for losses arising from the infringement.
- ii. An account of profits enjoyed by the defendant as a result of the infringement.

Under the first option a claimant has the benefit of seeking additional damages under ss 97 (2), 229(3) and 191J CDPA.¹ If a claimant elects to seek an account of profits, additional damages cannot be awarded.² Before decisions are made claimants may therefore need specialist legal advice which in itself involves additional cost which may in practice prove prohibitive.

¹ S 97 (2) The court may in an action for infringement of copyright 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.

² Redrow Homes Ltd v Betts Brothers plc [1998] F.S.R 345.

In practice, at lower levels and for claims relevant to processes at the SCT and at the IPEC a right owner is often uninformed about how to analyse and express the monetary amounts that would put the right owner in the same position as would have been the case if an infringement had not occurred and the right owner had not sustained the wrong.³ They therefore end up needing specialist legal and accounting advice leading to additional or prohibitive cost.

The tests generally place burdens on the right owner to show losses to enable compensation to be secured, rather than providing disincentives for an infringer. This therefore leads to cases where it is difficult for a judge to rule on an award of damages without further inquiry. Additionally, claimants have to accept that the remedy of an inquiry is discretionary.

Where additional damages are potentially relevant, the option to address an award of aggravated damages remains to address injury to the claimant's proper feelings of pride and dignity, humiliation, distress, insult or pain caused by the circumstances of a defendant's conduct.⁴

Once infringement has been established at a trial, the court may refuse to order an inquiry into damages if it is thought that such an inquiry would be fruitless. This adds another burden for claimants if they are required to put in a statement of case and supporting evidence over damages to encourage small claimants to think again before additional court costs are incurred.⁵ An alternative dispute resolution again tends to highlight the circular points of a claimant acting without legal representation finding it hard to identify the damages to which they may be entitled.

These challenges of damage assessment, costs of pursuing accounts of profits, and education for claimants over transparency of the legal system intended to protect rights against infringement all lead to the BCC agreeing that there are merits in full analysis of making provision for election for payment of statutory damage as an option in cases where an election for provision of damages may otherwise apply.

In other words, in cases where infringement is established, instead of seeking an account of profits or other award of damages, a claimant might be given the option to seek an award of statutory damages for all infringements involved in an action. However, in other cases where it is shown at the time of the infringement a defendant did not know, and had no reasonable grounds to believe, that copyright subsisted in the work to which the action relates, the option to elect for payment of statutory damages would not apply.

In addressing such an option care is required to ensure that the remedy is applied with transparency, to assist in enabling savings on both costs and time of the courts and to act as an educational measure to support rights owners being in a position to point out that licensing solutions for legitimate use of copyright works and related rights are the obvious and cheaper route than infringing and taking a "sue me if you dare" approach.

We note that the Consultation refers to the fact that statutory damages are currently an option in some other countries that have a common law system like the UK. We do not believe that the option has been limited to common law systems. Examples exist within some EU Member States. It is therefore suggested that analysis is needed of these examples together with review of rulings interpreting both Recital 26 and Article 13 of the EU Enforcement Directive, in addition to consideration of the use of a remedy of statutory damages provided for under other common law jurisdictions around the world.

Article 13 of Directive 2004/48/EC provides:

³ [1976] R.P.C. 197 *General Tire and Rubber Company v Firestone and Rubber Company limited* – applied in *Blayney v Clougau St David's Mines Limited* [2003] F.S.R. 19.

⁴ *Nottinghamshire Healthcare National Health Service Trust v News Group Newspapers Ltd* [2002] EWHC 409.

⁵ *Reed Executive plc & Anor v Reed Business Information Ltd & Ors* [2004] EWCA.

“Damages

1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the right holder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the right holder by the infringement;

or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

2. Where the infringer did not knowingly, or with reasonable grounds know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.

From the IPO Consultation it appears that the suggestion concerning use of statutory damages should be linked only to proceedings within the Small Claims Court.

If the relevant rules can establish appropriate minimum and maximum amounts that can be awarded for established infringements, the amounts may be varied

according to the courts in which proceedings are brought;

to reflect any non-commercial infringing uses;

to reflect any commercial infringing uses.”

Concerns about the application of these rules leading to six figure claims under statutory damages where there are multiple infringements (because the internet enables rapid multiplying claims), can be resolved through the introduction of caps. In such cases, options for account of profits should remain.

This in turn may help promote licensing settlements and mediation processes that support resolution of disputes without the need for court proceedings to be initiated.

3. Do you consider that this could have a negative impact on the system? For example, an increase in false claims?

One of the core objectives of the BCC is to assist in improving both understanding and awareness of the role that copyright plays in supporting the work of those who create and invest in the creation of copyright works. For this reason, it is vital that any introduction of the option for awards of statutory damages is not seen as a blunt instrument for owners.

To reduce risks:

- (a) The provisions of s 97(1) CDPA already protect innocent infringers from damages,
- (b) A system can be devised to apply without a registration system. The examples of laws applied in countries such as Singapore can be considered to look at how the system may work in cases where it is shown that an owner cannot be identified for permission to use to be secured.
- (c) A layered system (see comments above), reflecting the court in which proceedings are brought and a provision for minimum and maximum caps, including adjustments for

commercial and non-commercial infringements, should help to establish the benefits of transparency and clarify in the system.

The BCC believes that this should not prevent the IPO and Government from taking this action; but instead should prompt them to improve the transparency of IP claims – making it easier to detect fraudulent claims, but also to detect serial infringers who have simply moved from one internet service provider to another.

4. Do you think that there is a way that any negative impact of the implementation of statutory damages could be reduced?

Yes. As discussed above, the introduction of statutory damages should be accompanied by clear parameters and efforts to tackle transparency.

For example, the IPO could set a minimum amount, or a range of awards per incident of infringement. This would ensure that rightholders, no matter how large or small, have clarity and greater flexibility when pursuing infringements of their rights. It will also provide a more affordable option, especially in cases where calculations under (1) or (2) are prohibitive.

It is also not clear to us whether the IPO's intention is to limit this to the SCT; we suggest that it would not make sense to introduce such a limitation as the expense of calculating the costs of running damages is more likely to be applicable in the High Court.

For this it will be important that relevant rules establish appropriate minimum and maximum amounts that can be awarded for established infringements. These can then be varied according to the courts in which proceedings are brought; to reflect any non-commercial infringing uses; and to reflect any commercial infringing uses.

It will be important for the proposals to be presented as an elected option within otherwise available remedies for copyright and related rights infringements, considering the caveats touched on above.

The BCC recognises the IPO's efforts and appreciates its work to ensure that the UK has a world-leading copyright regime, of which enforcement is a crucial strand.

If the BCC can be of any further assistance contact Rebecca Deegan
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