

**IN THE MATTER OF**

**THE LEVESON INQUIRY**

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**EXHIBIT JCP1**

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All England Official Transcripts (1997-2008)

**Nottinghamshire Healthcare NHS Trust v News Group Newspapers Ltd**

*Copyright - Infringement - Damages - Measure of damages - Additional damages - Circumstances in which additional damages awarded - Copyright Designs and Patents Act 1988, ss 96 and 97*

[2002] EWHC 409 (Ch), (Transcript: Smith Bernal)

**CHANCERY DIVISION**

**PUMFREY J**

**4, 5, 8 MARCH 2002**

**14 MARCH 2002** This is a signed judgment handed down by the judge, with a direction that no further record or transcript need be made pursuant to Practice Direction 6.1 to Part 39 of the Civil Procedure Rules (formerly RSC Ord 59, r (1) (f), Ord 68, r 1). See Practice Note dated 9 July 1990, [1990] 2 All ER 1024.

J Clifford for the Claimant

R Spearman QC for the Defendant

Charles Russell; Farrers

**PUMFREY J**

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*Introduction*

[1] This action is concerned with the use by the Defendants in the *Sun* of a photograph of a patient at Rampton Hospital called Laith Alani. Mr Alani has been a patient at the hospital since 1992, after his conviction in respect of the killing of two consultant plastic surgeons. The photograph in question was a photograph taken at Rampton hospital and formed part of Mr Alani's medical notes. It was published in the *Sun* in circumstances which I shall describe without the consent either of Mr Alani or of the hospital.

[2] The Claimant, which is the successor to the Rampton Hospital Authority, the original Claimant, is (it is common ground) entitled to the copyright which subsists in the photograph. Accordingly it sues the *Sun* for copyright infringement, seeking injunctive relief and an award of damages for infringement. It also seeks an award of additional damages under s 97 of the Copyright, Designs and Patents Act 1988 ("the CDPA") and it contends that having regard to the flagrancy of the infringement, and the circumstances surrounding it, the sum awarded by way of additional damages can and should include a substantial punitive, or exemplary element. Thus this action raises directly the nature of an award of additional damages in copyright actions, and the circumstances in which such an award should be made.

*The Sun's reporting of Rampton in general and Mr Alani in particular*

[3] Mr Martyn Sharpe is the *Sun's* district reporter with responsibility for Yorkshire, Nottinghamshire, Derbyshire and North Lincolnshire. I shall refer to him as "Martyn Sharpe" to distinguish him from Chris Sharpe, the Head of Security at Rampton, who also gave evidence. He has worked for the *Sun* for twenty-six years. Rampton falls inside Mr Martyn Sharpe's area, and he has written a number of stories about the hospital in recent years. He told me that he had a number of sources of information in the hospital, but unsurprisingly he was unwilling to reveal their names and no application was made to compel him to do so. However, certain material disclosed by Martyn Sharpe has enabled the hospital authorities to identify at least

one of Martyn Sharpe's sources, and this nurse was dismissed. He has been writing stories about Rampton for six years or seven years, and I infer that he has had an informant or informants at the hospital during that time. He received the photograph.

[4] It is unfortunate that the photograph has been removed from the *Sun's* database of pictures but his evidence in relation to it is very clear. He says that he received it as an A4 photocopy of a photograph, in an envelope addressed to him personally at the *Sun's* Manchester office. There was, he says, no material identifying either the subject or the source. He says that he recognised the subject as Laith Alani. He took it to Mr Phil Callaghan, a photographer with whom he often worked, and he says he asked Mr Callaghan to photograph it and transmit the photograph to the *Sun* in London with an instruction that it should not be published but be used for reference purposes only.

[5] Martyn Sharpe is in the habit of paying his sources. He says that he did not pay anyone for this photograph. There is no doubt that the photograph is a copy of one of the hospital's file photographs of Mr Alani dating from August 1998, but it was not the most recent of those photographs at the time it was sent to Mr Sharpe, a more recent photograph having been taken in July 1999. Photographs of patients are taken on their admission and from time to time thereafter by hospital employees and stored on a computer. A number of A4 prints of the most recent photographs are made: two copies are kept in the security control room to help in identification in the event that a patient absconds from the hospital. A further copy is kept on the patient's ward. One of the control room copies accompanies patients when they make supervised visits outside the hospital. Out-of-date copy photographs have in the past been kept on the patient's ward with the medical notes, but this practice is no longer followed. The hypothesis presented by the hospital is that the photograph is an out-of-date photograph removed from the medical records, and that there is a good chance that the person who took the photograph is the person who supplied other material to Mr Sharpe and was dismissed. This seems plausible.

[6] Mr Sharpe says that he recognised the photograph as being a photograph of Mr Alani. I must say that this would be a great credit to Mr Sharpe's memory. Mr Alani has appeared in public briefly at the time of his trial in late 1991, when he was bearded. The hospital photograph is a head-and-shoulders face-on portrait in harsh lighting of a man with a moustache who is otherwise clean shaven. The two file photographs which I was shown of him dating from the trial look to my eyes nothing like the hospital photograph, and, as Mr Sharpe says, he handles many stories each week for the *Sun*. When Mr Sharpe received the photograph there was no Alani story. He had been a patient at the hospital for seven years, and there was no reason to suppose that the photograph could ever find any use, even for reference.

[7] I think that it was perfectly obvious to Mr Sharpe where this photograph had come from. He suggested that it might have come from one of the patients, but absent any clear evidence that this had happened in the past I would discount this suggestion. It was perfectly obvious that this was Rampton information. I am also inclined to think that Mr Sharpe knew it was coming. I have great difficulty with his evidence that he recognised Mr Alani. Mr Alani was an old story. He had been bearded at the time of his trial, which seems not to have lasted long. Mr Sharpe handles many stories in a week. He has a particular interest in Rampton because as he put it his sources had "valid arguments about the liberal régime" and he thought the public were entitled to know about this. I think he told me he agreed with those views. So he had a particular interest and I think that he knew about the photograph and the name of the patient because he was told.

[8] At some point before 8 June 1999, Mr Sharpe was informed by his source, or sources, within the hospital that Mr Alani was to make an escorted rehabilitation visit to Worksop. Such visits are likely to be part of the patient's plan of treatment, although visits may be made for other purposes, such as medical treatment outside the hospital, attendance at funerals and the like. The treatment plans are made and modified throughout the patient's stay at the hospital, and once a year (at least) consideration will be given to the question of rehabilitation trips. Such trips require a great deal of planning. If the patient is a restricted patient (as Mr Alani is) Home Office approval has to be obtained. A risk assessment is carried out by the hospital and a plan for managing the risks is made. The place and the duration of the visit, and the components of the visit, are planned in advance. Mr Alani's trip was a shopping trip. Such a trip will be accompanied by purchase of refreshments in a café or fast food outlet, so as to give the patient some experience of the world outside Rampton.

[9] Having been provided with advanced notice of Mr Alani's escorted visit, Mr Sharpe arranged for the presence of two photographers (Mr Callaghan and Mr Tattersall, the latter now the Associate Picture Editor of the *Sun*) in different cars in Worksop. Mr Tattersall and Mr Sharpe stayed together, while Mr Callaghan stayed in contact with them by mobile telephone. Rampton use people carriers for these trips, and when a people carrier with a driver and three other occupants, including Mr Alani arrived, it is the evidence of Mr Sharpe and Mr Tattersall that they recognised Mr Alani. Under cross-examination, Mr Tattersall said that he was an Asian chap (Mr Alani is Middle Eastern) and that spotting him was not a concern. Mr Alani had two escorts who did not leave him. Mr Alani visited a supermarket and then a McDonald's, Mr Tattersall taking many photographs

using a long lens. Mr Tattersall had taken similar photographs of patients from Rampton in the past. He mentions rehabilitation visits made by Carol Barrett, whom he describes as a "convicted child killer" and Beverley Allitt.

[10] Photographs taken on these occasions accompanied stories in the *Sun*. Photographs taken by Mr Tattersall were used to illustrate Mr Sharpe's story in the *Sun* on this occasion also. Under the headline "DOUBLE KILLER POPS OUT FOR A MCDONALD'S - Outrage over jaunt for psycho" it contains the passage:

"Nobody gave the 33-year-old Rampton inmate a second glance as he toured a supermarket and had a doughnut and coffee at McDonald's in nearby Worksop, Notts. But after his taste of freedom was revealed last night, the outing was blasted by the victims' widows and shocked shop staff.

Disgusting

McDonald's floor manager Tracey Metcalfe said: "It's disgusting. People like him shouldn't be out having a good time." . . ."

[11] This story appeared on 10 June 1999. At some time Mr Alani read it in Rampton. No doubt because Ms Metcalfe's name had unfortunately (and perhaps stupidly) been included in the story, Mr Alani wrote her a letter which was dated 20 November and posted on 22 November 1999. When she received Mr Alani's letter, Ms Metcalfe had ceased to work at McDonald's. The letter was forwarded to her, and she sent it to Mr Sharpe, who used it as material for a further story. He visited Ms Metcalfe with Mr Callaghan, who took some photographs of Ms Metcalfe and her boyfriend from behind, as Ms Metcalfe was unwilling to have her face revealed in the newspaper. This story was published on Saturday 18 December 1999 on page 33 of the *Sun*. The headline is "TERROR OF BURGER GIRL SENT LETTER BY KILLER - He met her on Rampton outing" and the story carries Mr Sharpe's by-line. It is accompanied by two photographs, the larger of which is a reproduction of the photograph in issue with the caption "Double Killer . . . Laith Alani, patient at Rampton". The other, smaller, photograph is part of one of Mr Tattersall's photographs taken during the rehabilitation trip to Worksop the preceding June, with the caution "Day of freedom . . . Alani, circled, at the McDonald's he visited". The article is as follows:

"A pretty McDonald's girl is living in terror since she was sent a letter from a madman who hacked two surgeons to death. Iraqi maniac Laith Alani described in gory detail to 20-year-old Tracey Metcalfe how and why he carried out the murders. He wrote that he thought the two medics were Lucifer and Satan. The wild-eyed killer even enclosed a colour photograph of himself.

Coffee

Unlucky Tracey was targeted after Alani called into the McDonald's restaurant where she worked as a manager during an escorted day out from Rampton hospital, Notts. Tracey poured a coffee for Alani - though she did not know who he was at the time. She later slammed the Rampton authorities for allowing Alani to leave the prison - and he heard of her protest through a fellow prisoner. Tracey, who collapsed when she opened the handwritten letter, said:

'I just cried and cried and even days later I'm still trembling. All I keep thinking is what is going to happen if he ever gets out. How could the Rampton authorities let him write a letter to a total stranger? He's mad and very dangerous. What happens when these people let him out of Rampton again - will he come to see me?'

Alani addressed the letter to Tracey and posted it to her at McDonald's in Worksop, Notts. She now has another job, but a friend redirected the envelope. A Rampton official said Alani would be prevented from writing again to Tracey. He said: 'We only stop correspondence if we have a specific request.'

Alani, 33, killed surgeons Kenneth Paton and Michael Masser at Pinderfield's Hospital, Wakefield, in 1990 after being told he would have to wait to have a tattoo removed on the NHS."

[12] The photograph was particularly apt to illustrate the story. One feature which I have not hitherto mentioned is that Mr Alani's left eye appears wider open than the right, and the pupil is surrounded entirely by white. This effect is not to be seen on any of the many photographs of Mr Alani taken in Worksop, in which he is entirely unremarkable. But were one seeking to illustrate an article which refers to a "wild-eyed killer" it is remarkably apt. Equally, it might well prompt the use of such a phrase if it were in front of the writer of the article. The standard of writing is high. The article is very clear and concise, and makes its point forcefully and economically. The fact that it is essentially mendacious (in that Ms Metcalfe would not have received any letter from Mr Alani had the *Sun* not given out her name) is not material to this assessment. There is some suggestion in the copy that the photograph is the one included in the letter to Ms Metcalfe. In fact the photograph sent to Ms Metcalfe is an out-of-focus full-length picture taken of Mr Alani in a garden setting. It might have been taken anywhere, and its age is uncertain.

[13] The first page of the letter, its envelope and the photograph sent to Ms Metcalfe were photographed by Mr Callaghan and sent to the *Sun* picture desk, together with some of the photographs of Ms Metcalfe and her boyfriend. As the by-line suggests, the article was written by Mr Sharpe, but in his second witness statement he says this:

"I have recently re-read the article and remember that when I read it in December 1999 I recognised that it had been altered and amended by *The Sun* sub-editors after I had filed it to the news desk. This, of course, is common practice and I was not taken by surprise by this at all at the time. One phrase which I do remember as being added to in the published article by *The Sun* sub-editor was the description of Alani as 'the wild-eyed killer'."

#### *Transmission of photographs and copy to the Sun*

[14] The evidence was that Mr Callaghan transmitted his photographs to the *Sun* in electronic form over a telephone line or similar link, using software installed on his computer. The software allowed Mr Callaghan to include a caption or note with the photograph, explaining its subject matter and cross-referencing it to any copy sent by the journalist. Just how this was done, and the implications, were far from clear at the trial and led to a number of problems. The captions attached by Mr Callaghan and Mr Tattersall (who I assume did the same thing) have been omitted from all the documents in the bundles. This resulted in an affidavit sworn by Mr Beabey, a solicitor with Farrer & Co, the *Sun*'s solicitors, which was provided a week after the trial ended. The affidavit is some 56 paragraphs long and Mr Beabey explains the steps which he took to examine the contents of Mr Callaghan's various computers and back-up disks. Of course, this work should have been done well in advance of the trial. There is some suggestion that Mr Callaghan's photographs taken for use in the *Sun* were not within the Defendant's power or control. They had however been dealt with as if they were in the lists of documents, and had this point been taken clearly at an early stage the necessary orders for disclosure against Mr Callaghan as a non-party could have been made. Mr Beabey produces photographs from Mr Callaghan's archive including the notes or captions which he sent with them. They show that the explanatory matter contained in the notes or captions includes a cross-reference to any story which is being filed at the same time.

[15] Mr Sharpe's evidence was that he was an old fashioned journalist who filed his stories by telephone. In 1999, there was a copy room at the newspaper, and his stories were taken down by a copytaker over the telephone. He told me that at the foot of his copy he would give instructions about the availability of photographs, for example saying "Photographs by Phil Callaghan" and giving some indication of their subject, but he would not have any say in the pictures actually used to accompany the story.

[16] Mr Tattersall together with Mr Buttie, who is the *Sun*'s Deputy Picture Editor, gave helpful evidence as to how photographs are actually used at the *Sun*. As I understand the process, an edition of the newspaper is prepared from a list of stories kept in the "news black". The stories to use are selected by the Editor and deputy Editor in conference with the Night Editor, who decides where the stories are to go in the newspaper. The task passes to the Art Desk who in consultation with the Night Editor prepares a mock-up of each page in the newspaper. The Night Editor will have an idea of the pictures available and will call for pictures from the picture desk. The picture desk obtains the pictures to illustrate the story, and these are printed off as "fieries" in colour. Once picture layout is agreed, the layout is prepared electronically and the page passes to the sub-editors with the reporter's copy. The sub-editors insert the reporter's copy, add headlines and captions to the photographs, and make everything fit by cutting or expanding the copy so as to produce the final page.

[17] When the Picture Desk looks for a suitable picture, the operator searches for pictures. Pictures are displayed on the screen as "thumbnails" accompanied by part of the caption. If the thumbnail is selected and control-L pressed, the full caption is obtained. Mr Buttie acknowledged that great care is taken in selecting photographs for publication, as one would expect.

[18] The evidence in respect of the instruction that the photograph should not be used is from Mr Sharpe and Mr Callaghan. Mr Crone's letter of 18 May 2000 already contains the essentials of Mr Sharpe's evidence, but makes no reference to a note attached to the photograph. Mr Crone says:

"Mr Sharpe passed the photocopy to one of The Sun's regular freelance photographers, Phil Callaghan, who photographed it and wired the image to our London Office with the intention that it would be stored in our picture data base and used for purposes of identification."

Mr Sharpe says in his first witness statement:

"I therefore telephoned Phil Callaghan . . . a freelance photographer who I work with a great deal. I explained that I had received anonymously a photocopy of a photograph of Alani and asked him to copy it and transmit the copy to the Picture Desk at the London office of *The Sun*. I explained that the picture was not for publication because I could not say who had sent it and asked him to tell the Picture Desk that it should be kept for reference purposes only."

Mr Callaghan says in his first witness statement:

'I think I picked up the photocopy from his house and took it to my home where I took a photograph of the photocopy. I then wired this photograph down to the Picture Desk of *The Sun* in London. After doing so, as is my usual practice, I rang the Picture Desk to explain that I was wiring a photograph down and explained who it depicted. I cannot remember to whom I spoke. I then explained that the photograph should be used for identification purposes only and was not for publication because it was not clear where the photocopy had come from.'

There is no suggestion in any of the witness statements that any sort of caption or note was transmitted with the photograph.

#### *The copies of the photograph in suit*

[19] The reproduction of the photograph in suit, which had been sent at his request to Mr Crone, the legal adviser of the *Sun* by Mr Callaghan, bears a note "ALL COPIES OF THIS PIC TO TOM CRONE IN LEGAL DEPT. DO NOT SEND TO PICTURE LIBRARY. This is the full frame of the negative you requested from Phil Callaghan". This copy was transmitted to the *Sun* by Mr Callaghan on 16 May 2000 shortly after the hospital complained. Reproductions of the photographs of the letter to Ms Metcalfe and the included photograph appear in the bundles without their captions. At trial, the evidence was that when the complaint was made by Biddle & Co on behalf of Rampton on 8 May 2000, all existing copies of the photograph were deleted, both from the *Sun*'s picture database and from Mr Callaghan's computer. Mr Crone's letter of 18 May 2000 said:

"In terms of the various demands made at the end of your letter, I hope it will help you to know that I have taken possession of Phil Callaghan's negative of the photograph he took of the original photocopy. Apart from copies of the original issue of *The Sun*, only four printed images of that negative exist, all of which are in my possession. The image does not exist in our databank."

The presence of a caption associated with the photograph containing the essential instruction would corroborate Mr Callaghan's evidence and would suggest that during the make up of the page the instruction was overlooked or ignored. Absence of the note or caption would suggest that Mr Callaghan is not telling the truth, but would leave open the question whether he did telephone the instruction but that it was not acted on by the *Sun* picture desk. I find Mr Crone's instruction to destroy all copies of the picture, including that in the *Sun*'s picture database, without retaining a copy or a note of the accompanying caption difficult to understand. An attempt was made to justify it on the basis that the Claimant had asked in correspondence for all copies to be deleted, but a hard copy, including the caption, should have been retained even in the face of that request, in the same way as Mr Crone did indeed retain four copies of the image transmitted by Mr Callaghan in May 2000 together with its caption.

[20] At the trial, Mr Callaghan suggested under cross-examination that it was overwhelmingly likely that he had sent the important information that the picture was for reference and was not to be published as a caption to the photograph, rather than merely telephoning the information to the Picture Desk as he had said in his

witness statement. This was the first time this had been suggested. Until then, no mention had been made of such a caption either during the preparation of Mr Callaghan's two witness statements nor, I infer, to Mr Crone. There is no way in which this suggestion can be tested, since all copies of the photographs in electronic form have been destroyed, other than the one retained by Mr Callaghan, contrary to his evidence.

[21] It is plainly unsatisfactory that Mr Beabey found the photograph among Mr Callaghan's records, apparently as sent to Mr Crone and with the caption which was applied when it was sent to Mr Crone. This is because Mr Callaghan told Mr Beabey (it is nowhere in the former's witness statement) that Mr Crone told him to delete the picture first, and then asked for a copy of it, and Mr Callaghan scanned the negative which he still retained and transmitted it to Mr Crone before sending the original negative by post. Mr Beabey says that there is no other surviving copy of the photograph, and thus no record of the copy which is said to have been sent to the *Sun* in 1998. Mr Callaghan's evidence to me was that this copy was deleted on the instructions of Mr Crone. My difficulty is that there is now no explanation for Mr Callaghan's having deleted the copy sent in 1998, but retaining the copy sent in 2000 shortly after he deleted the earlier one. Second, Mr Beabey says that Mr Callaghan told him that the photographs stored on his "old computer" were stored on so-called zip disks, which are high-capacity removable hard disks, from which they were transferred to CDs in April and July 2001. Mr Callaghan's evidence to me (on at least two occasions, according to my note) is that the pictures which were on his old machine were stored on CDs. There may be a significant difference, in that zip drives are like any other drives and files can be deleted much as usual, while the record on a CD is normally permanent. But this was not gone into at trial, and Rampton's representatives, who have read Mr Beabey's affidavit, have not applied for a further hearing or cross-examination.

#### *Use made of the photograph in Worksop*

[22] One question on which a little time was spent was whether the photograph was used during the Worksop rehabilitation visit to enable Mr Sharpe and the photographers to recognise Mr Alani. Although they might well recognise the Rampton vehicle, and understand that it was likely that any person who was closely escorted at all times by two staff was likely to be the patient whom they had been told to expect, commonsense suggests that they should use all available means to satisfy themselves that they did, indeed, have the right person, since an incorrect identification might cause the newspaper a serious problem. Mr Sharpe's evidence was that his source had told him to wait in the "Netto" car park, although why, if that is the case, Mr Callaghan should be elsewhere was never made clear. My immediate feeling is that it would be most surprising if they did not take the photograph to assist with identification (particularly Mr Callaghan, who was on his own). All three denied it. Mr Tattersall said that spotting Mr Alani was not a concern. This I accept, but spotting the likely subject is not the same as obtaining a positive identification. He said that he was an Asian chap, and that he would remember anybody whom he had photographed eight years previously. This was not convincing. He acknowledged that correct identification was required. Mr Callaghan said that to use the photograph to identify Mr Alani was not the obvious thing to do. This is plainly wrong, and throws doubt on his denial. Mr Sharpe said that he based his identification on the use of the Rampton people carrier and the presence of the nurses. I regret to say that I did not believe any of them. They had a copy readily available. Mr Callaghan had the image on his machine, and had printing facilities. Their suggestion that they were already sufficiently acquainted with Mr Alani that further identification was not required was very unconvincing. Mr Sharpe was reduced to suggesting that it was easy to recognise Mr Alani because:

"he stood out to some extent as there were not many Asians living or shopping in Worksop at that time; I have lived a few miles away from Worksop for about 25 years and knew that to be the case."

I am satisfied that they used the picture to identify Mr Alani. I suspect that identification is probably the principal reason why the photograph was sent in the first place.

#### *Use of the photograph in the Sun*

[23] One matter which I should mention is the reaction of Mr Sharpe to the use of the photograph in the *Sun*. He said that he did not notice its use, although it was prominent in the article, which he certainly looked at, and he said that it never crossed his mind that this was the photograph which should not have been used. He also said that had he recognised the photograph he would not have apologised to the hospital for its use, but that he would have warned the picture desk. Again, I have to say that I do not believe him. The photograph is striking and the subject matter is a particular interest of Mr Sharpe's. I think that the reason he was unsurprised by the photograph was because he expected it to appear.

[24] Finally I should add that the evidence as to the date on which the photograph was wired to the *Sun* was provided by Mr Sharpe and Mr Callaghan. That there is no corroborating evidence is the consequence of the

actions of Mr Crone in procuring the deletion of the photograph from the *Sun* database before a proper record relating to the photograph was made.

[25] Overall, I was not impressed by Mr Sharpe or Mr Callaghan as witnesses. I have come to the conclusion that I should not accept their evidence that the *Sun* Picture Desk was told that the picture was for reference only and not for publication unless I can find corroboration independent of them. If that evidence is to be accepted, it must follow that the photograph was simply added to the available stock to be used as required. However, I find it more likely that the photograph was wired to the *Sun* for use. I find further support for this finding in three considerations. The first is that it is difficult to see why the *Sun* would need the photograph for reference at all, if it could not use it. Nobody explained what "reference" meant in this context. The second is that the evidence was that filed photographs "drop off" the database unless special steps are taken to keep them after a few days or weeks. The only explanation advanced for retention of this unused photograph was that it was for reference, but there was no explanation of how a photograph like this would remain indefinitely on the database if unused. Thirdly and finally, no explanation was provided for the failure of the Picture Desk to read the caption if it was there, and carefully assess the use of a photograph with such a caption. Mr Buttle's evidence suggested to me that such an event should be quite exceptional, and no other example of it having occurred was provided.

[26] In the result, therefore, infringement of the copyright in the photograph took place at least (1) when Mr Callaghan copied it by taking a photograph of it (2) when that photograph was scanned by Mr Callaghan (3) when the scanned image was transmitted to the *Sun* Picture Desk (4) when the image was stored in the *Sun* picture database, whenever that happened (5) when the "fiery" of the photograph was produced and (6) when the photograph was published in the *Sun* itself. Mr Sharpe certainly knew that the photograph should not have been used. It was nonetheless transmitted to the *Sun* for use. The use was the direct result of Mr Sharpe's lack of concern as to the proper use to which the photograph might be put, and to his failure to return it to the hospital so that it could be returned to Mr Alani's medical notes.

[27] In coming to the foregoing conclusions I have rejected two alternative explanations for the appearance of the photograph in company with the second story. The first is that Mr Sharpe and Mr Callaghan did do what they said they did, but the warning was overlooked at the time in London by the staff employed by the *Sun*. Mr Buttle's evidence did not suggest to me that photographs were dealt with in a cavalier manner, and, of course, the Picture Desk had to examine the caption to be satisfied they had the right photograph. The other is that Mr Sharpe and Mr Callaghan did do what they said they did, and the instructions were deliberately ignored. I am inclined to think that the story mattered more to Mr Sharpe than it did to the *Sun*, who had many alternative pictures of Mr Alani from which they could select. But if this is what happened, then of course the infringement was deliberate and flagrant.

#### *The law*

[28] Two provisions of the CDPA are material, ss 96 and 97. They provide as follows:

"96. (1) An infringement of copyright is actionable by the copyright owner.

(2) In an action for infringement of copyright all such relief by way of damages, injunctions, accounts or otherwise is available to the plaintiff as is available in respect of the infringement of any other property right.

(3) . . .

97. (1) where in an action for infringement of copyright it is shown that at the time of the infringement the Defendant did not know, and had no reason to believe, that copyright subsisted in the work to which the action relates, the plaintiff is not entitled to damages against him, but without prejudice to any other remedy.

(2) The court may in an action for infringement of copyright having regard to all the circumstances, 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."

[29] It is clear that the two sections both authorise the award of damages. Under s 96, damages compensate the Claimant for harm flowing naturally and directly from the tortious act. In copyright cases, the measure of damage has been said to be the "depreciation caused by the infringement to the value of the copyright as a chose in action" (Lord Wright MR in *Sutherland v Caxton* [1936] Ch 323). In the field of newspaper photographs, for example, the various rights are well understood. A photograph will be licensed for first newspaper publication, magazine publication and so on. Although the case concerns patents, the underlying principles are well stated in *General Tire v Firestone* [1975] 2 All ER 173, [1975] 1 WLR 819 by Lord Wilberforce in a much-cited passage:

"One who infringes the patent of another commits a tort, the foundation of which is made clear by the terms of the grant. This, after conferring the monopoly of profit and advantage upon the patentee, concludes by declaring infringers answerable to the patentee according to the law for damages thereby occasioned."

As in the case of any other tort (leaving aside cases where exemplary damages can be given) the object of damages is to compensate for loss or injury. The general rule at any rate in relation to "economic" torts is that the measure of damages is to be, so far as possible, that sum of money which will put the injured party in the same position as he would have been in if he had not sustained the wrong (*Livingstone v Rawyards Coal Co* (1880) 5 App Cas 25, per Lord Blackburn, at p 39).

In the case of infringement of a patent, an alternative remedy at the option of the plaintiff exists by way of an account of profits made by the infringer - see Patents Act 1949, s 60. The Respondents did not elect to claim an account of profits: their claim was only for damages. There are two essential principles in valuing that claim: first, that the plaintiffs have the burden of proving their loss: second, that, the Defendants being wrongdoers, damages should be liberally assessed but that the object is to compensate the plaintiffs and not punish the Defendants (*Pneumatic Tyre Co Ltd v Puncture Proof Pneumatic Tyre Co Ltd* (1899) 16 RPC 209, 215).

These elemental principles have been applied in numerous cases of infringements of patents. Naturally their application varies from case to case. Reported authorities, many of which were cited in argument, may be useful as illustrations of judicial reasoning, but are capable of misleading if decisions on particular sets of facts and observations in judgments leading up to such decisions are later relied upon as establishing a rule of law. Nevertheless I think it useful to refer to some of the main groups of reported cases which exemplify the approaches of courts to typical situations.

1. Many patents of inventions belongs to manufacturers, who exploit the invention to make articles or products which they sell at a profit. The benefit of the invention in such cases is realised through the sale of the article or product. In these cases, if the invention is infringed, the effect of the infringement will be to divert sales from the owner of the patent to the infringer. The measure of damages will then normally be the profit which would have been realised by the owner of the patent if the sales had been made by him (see *United Horse-shoe and Nail Co Ltd v John Stewart & Co* (1888) 13 App Cas 401). An example of this is *Boyd v Tootal Broadhurst Lee Co Ltd* (1894) 11 RPC 175 where the plaintiff manufacturers proved that a profit of 7s per spindle would have been made, and settlements of litigation for lesser rates were discarded.

2. Other patents of inventions are exploited through the granting of licences for royalty payments. In these cases, if an infringer uses the invention without a licence, the measure of the damages he must pay will be the sums which he would have paid by way of royalty if, instead of acting illegally, he had acted legally. The problem, which is that of the present case - the Respondents not being manufacturers in the United Kingdom - is to establish the amount of such royalty. The solution to this problem is essentially and exclusively one of evidence, and as the facts capable of being adduced in evidence are necessarily individual, from case to case, the danger is obvious in referring to a particular case and transferring its conclusions to other situations.

Two classic cases under this heading are *Penn v Jack* (1866) 14 LT 495; (1867) LR 5 Eq 81 and *Aktiengesellschaft für Autogene Aluminium Schweißung v London Aluminium Co Ltd (No 2)* (1923) 40 RPC 107. In *Penn v Jack* the patentee was shown to have approached all users of the invention and to have successfully required the vast majority to pay him a royalty of 2s 6d per horse power. The Defendant was one of the few who refused and it was held that he should pay damages for infringement based on the accepted royalty rate on the basis that he might have expected to have got a licence at the same rate. The *Aluminium* case contains a clear statement by Sargent J, at pp 113-114:

"... what has to be ascertained is that which the infringer would have had to pay if, instead of infringing the patent, he had come to be licensed under the patent. I do not mean by that that the successful patentee can ascribe any fancy sum which he says he might have charged, but in those cases where he has dealt with his property merely by way of licence, and there have been licences at certain definite rates, there *prima facie*, apart from any reason to the contrary, the price or royalty which has been arrived at by means of a free bargain between the patentee and the person desiring to use the patented article has been taken as being the price or royalty that presumably would have to be paid by the infringer. In doing that, it seems to me that the court is certainly not treating the infringer unduly harshly; he should at least, in my judgment, have to pay as much as he would in all probability have had to pay had he to deal with the patentee by way of free bargain in the way in which other persons who took licences did in fact pay."

These are very useful guidelines, but the principle of them must not be misapplied. Before a "going rate" of royalty can be taken as the basis on which an infringer should be held liable, it must be shown that the circumstances in which the going rate was paid are the same as or at least comparable with those in which the patentee and the infringer are assumed to strike their bargain. To refer again to *Boyd v Tootal Broadhurst Lee Co Ltd*, 11 RPC 175: when it was argued that because numerous other persons had agreed to pay at the rate of 4s per spindle the infringer should also pay at the rate (rather than at 7s per spindle, which represented the normal profit), it was relevant to show that the rate of 4s was negotiated by way of settlement of litigation in which the validity of the patent was in doubt. This was not the equivalent of that which the court had to assume: for that purpose the patent must be assumed to be valid. This line of argument is very relevant in the present case, for, as I shall show, the Appellants adduced a great deal of evidence as to the royalties actually agreed by various licensees, and this was discarded, totally, by the learned judge and the Court of Appeal. They had every right to discard it if the bargains which led to these royalties being agreed were reached in circumstances differing from those which must be assumed when the court is attempting to fix a bargain as between patentee and infringer. The central question in the present case is whether this difference existed.

3. In some cases it is not possible to prove either (as in 1) that there is a normal rate of profit, or (as in 2) that there is a normal, or established, licence royalty. Yet clearly damages must be assessed. In such cases it is for the plaintiff to adduce evidence which will guide the court. This evidence may consist of the practice, as regards royalty, in the relevant trade or in analogous trades; perhaps of expert opinion expressed in publications or in the witness box; possibly of the profitability of the invention; and of any other factor on which the judge can decide the measure of loss. Since evidence of this kind is in its nature general and also probably hypothetical, it is unlikely to be of relevance, or if relevant of weight, in the face of the more concrete and direct type of evidence referred to under 2. But there is no rule of law which prevents the court, even when it has evidence of licensing practice, from taking these more general considerations into account. The ultimate process is one of judicial estimation of the available indications. The true principle, which covers both cases when there have been licences and those where there have not, remains that stated by Fletcher Moulton LJ in *Meters Ltd v Metropolitan Gas Meters Ltd* (1911) 28 RPC 157, 164-165: though so often referred to it always bears recitation.

"There is one case in which I think the manner of assessing damages in the case of sales of infringing articles has almost become a rule of law, and that is where the patentee grants permission to make the infringing article at a fixed price - in other words, where he grants licences at a certain figure. Every one of the infringing articles might then have been rendered a non-infringing article by applying for and getting that permission. The court then takes the number of infringing articles, and multiplies that by the sum that would have had to be paid in order to make the manufacture of that article lawful, and that is the measure of the damage that has been done by the infringement. The existence of such a rule shows that the courts consider that every single one of the infringements was a wrong, and that it is fair - where the facts of the case allow the court to get at the damages in that way - to allow pecuniary damages in respect of every one of them. I am inclined to think that the court might in some cases, where there did not exist a quoted figure for a licence, estimate the damages in a way closely analogous to this. It is the duty of the Defendant to respect the monopoly rights of the plaintiff. The reward to a patentee for his invention is that he shall have the exclusive right to use the invention, and if you want to use it your duty is to obtain his permission. I am inclined to think that it would be right for the court to consider what would have been the price which - although no price was actually quoted - could have reasonably been charged for that permission, and estimate the damage in that way. Indeed, I think that in many cases that would be the safest and best way to arrive at a sound conclusion as to the proper figure. But I am not going to say a word which will tie down future judges and prevent them from exercising their judgment, as best they can in all the circumstances of the case, so as to arrive at that which the plaintiff has lost by reason of the Defendant doing certain acts wrongfully instead of either abstaining from doing them, or getting permission to do them rightfully."

A proper application of this passage, taken in its entirety, requires the judge assessing damages to take into account any licences actually granted and the rates of royalty fixed by them, to estimate their relevance and comparability, to apply them so far he can to the bargain hypothetically to be made between the patentee and the infringer and to the extent to which they do not provide a figure on which the damage can be measured to consider any other evidence, according to its relevance and weight, upon which he can fix a rate of royalty

which would have been agreed. If I may anticipate, I have to find that the process carried out by the courts below does not satisfy this requirement."

[30] In the field of copyright, damages will be awarded to an architect the copyright in whose drawings is infringed on the basis of a reasonable fee (*Chabot v Davies* [1936] 3 All ER 221, *Stovin-Bradford v Volpoint* [1971] Ch 1007, [1971] 3 All ER 570). Infringement of copyright in a recording will involve payment of the profit lost by the owner of the copyright in the recordings. Infringing public performance attracts an award of damages calculated on the basis of the available licence rates. The court will err on the generous side: in *Chabot v Davies* the RIBA scale fee for the use of the drawing was £52, but Crossman J awarded 100 guineas.

[31] Where the copyright owner is in the business of granting licences, the task of estimation is comparatively straightforward. The problem in the present case arises because not only will use of the photograph not be licensed, but the photograph itself is in principle confidential as part of the medical records of the patient and has been surreptitiously obtained. The photograph is of no *economic* value to the Claimant, since it is not intended to be exploited commercially. Copyright differs from patents in this important respect: a patent is intended to be exploited; by licensing or by manufacture. The reluctant patentee may be compelled to grant licences at an appropriate rate, since a failure to exploit an invention or to permit others to exploit it is an abuse of the patent right. Copyright protects not only works intended for commercial exploitation, but also works which are not for publication or use. In the latter case, while it is possible to compensate for the infringement by treating the work as if it were for commercial exploitation (as for example by treating it as if it were an agency photograph to be paid for at agency rates if used) this approach has really only the merit of convenience. It is not really related to the nature of the infringement.

[32] Nonetheless, it seems to me that when one is considering the damage to the chose in action the award of damages for the economic loss must be approached on the basis outlined by Lord Wilberforce. It is in circumstances such as the present case, however, that additional damages under s 97 may be appropriate.

#### *Additional damages under s 97 CDPA*

[33] I should first deal with matters of terminology. When I refer to "exemplary" damages, I am referring to damages of the kind discussed by Lord Devlin in *Rookes v Barnard* [1964] AC 1129, [1964] 1 All ER 367 to which I refer in more detail below. This includes an award of damages intended both to compensate the Claimant for his loss and (in Lord Devlin's words) to teach the Defendant that tort does not pay. I use "aggravated" damages to refer to an award of damages which, while awarded with a view to compensating the Claimant for his loss, has regard to the injury to the plaintiff's proper feelings of pride and dignity, humiliation, distress, insult, or pain caused by the circumstances of the Defendant's conduct.

[34] The history of the section is described by Laddie J in *Calahomes (South) Ltd v Alfred McAlpine Homes East Ltd (No 2)* [1995] FSR 818, (1995) IP & T Digest 18 and by the House of Lords in *Redrow Homes v Bett Brothers* [1999] AC 197, [1998] RPC 793. The first power to grant additional damages was conferred by s 17 of the Copyright Act 1956, enacted after the report of the Gregory Committee. Section 17(3) of the 1956 Act provided that:

"Where in an action under this section an infringement of copyright is proved or admitted, and the court, having regard (in addition to all other material considerations) to -

(a) the flagrancy of the infringement, and

(b) any benefit shown to have accrued to the Defendant by reason of the infringement

is satisfied that effective relief would not otherwise be available to the plaintiff, the court, in assessing damages for the infringement, shall have power to award such additional damages by virtue of this subsection as the court may consider appropriate in the circumstances."

[35] The Whitford Committee report on the Reform of Copyright and Designs Law (1977) (Cmnd 6732) preceded the enactment of the CDPA. This Committee was concerned that the provisions of the 1956 Act relating to so-called conversion damages should be repealed, but was concerned that their undoubtedly deterrent effect should not be lost. In a passage quoted by Lord Jauncey in the *Redrow Homes* case in

support of the proposition that additional damages were not capable of being awarded independently of normal compensatory damages, the committee said this:

"704. No one has submitted that exemplary damages in cases of flagrant infringement should be abolished, and we are of the opinion that this provision should undoubtedly be retained. The condition that such damages shall only be awarded if the court is satisfied that effective relief would not otherwise be available to the plaintiff has, we understand, been interpreted as referring to relief which might be obtained outside copyright law. It is our view that the provisions for exemplary damages should if anything be strengthened and that the power of courts to award additional damages if there has been a flagrant infringement should not be fettered by any requirement that the plaintiff must show some particular benefit which has accrued to the Defendant or that the plaintiff must satisfy the court that effective relief could not otherwise be available. In the case of flagrant infringement the court should be left with a complete discretion to make such award of damages as may seem appropriate to the circumstances, so that the existence of this provision will act as a deterrent if the existing deterrent of conversion damages is removed."

[36] It is plain that the Committee considered that the award of additional damages involved an exemplary element, and that the removal of the "fetter" that the plaintiff should show that effective relief was not otherwise available was recommended with a view to increasing, rather than diminishing the exemplary element in additional damages. I shall first consider the availability of exemplary damages under s 17(3) of the 1956 Act.

[37] In *Rookes v Barnard*, the House of Lords was concerned with the tort of intimidation. In a speech concurred in by all the members of the Committee in so far as it related to damages, Lord Devlin in a celebrated passage set out the categories of cases in which exemplary damages might be awarded, and the circumstances in such cases in which an award might be contemplated. He distinguished exemplary damages properly so-called from aggravated damages:

"My Lords, I express no view on whether the Copyright Act, 1956, authorises an award of exemplary, as distinct from aggravated, damages. But there are certainly two other Acts of Parliament which mention exemplary damages by name. The Law Reform (Miscellaneous Provisions) Act, 1934, s 1 (2)(a) provides that where a cause of action survives for the benefit of the estate of a deceased person, the damages recoverable shall not include any exemplary damages. The Reserve and Auxiliary Forces (Protection of Civil Interests) Act, 1951, s 13(2), provides that in any action for damages for conversion in respect of goods falling within the statute the court may take into account the Defendant's conduct and award exemplary damages.

These authorities convince me of two things. First, that your Lordships could not, without a complete disregard of precedent, and indeed of statute, now arrive at a determination that refused altogether to recognise the exemplary principle. Secondly, that there are certain categories of case in which an award of exemplary damages can serve a useful purpose in vindicating the strength of the law and thus affording a practical justification for admitting into the civil law a principle which ought logically to belong to the criminal. I propose to state what these two categories are; and I propose also to state three general considerations which, in my opinion, should always be borne in mind when awards of exemplary damage are being made. I am well aware that what I am about to say will, if accepted, impose limits not hitherto expressed on such awards and that there is powerful, though not compelling, authority for allowing them a wider range. I shall not, therefore, conclude what I have to say on the general principles of law without returning to the authorities and making it clear to what extent I have rejected the guidance they may be said to afford.

The first category is oppressive, arbitrary or unconstitutional action by the servants of the government. I should not extend this category - I say this with particular reference to the facts of this case - to oppressive action by private corporations or individuals. Where one man is more powerful than another, it is inevitable that he will try to use his power to gain his ends; and if his power is much greater than the other's, he might, perhaps, be said to be using it oppressively. If he uses his power illegally, he must of course pay for his illegality in the ordinary way; but he is not to be punished simply because he is the more powerful. In the case of the government it is different, for the servants of the government are also the servants of the people and the use of their power must always be subordinate to their duty of service. It is true that there is something repugnant about a big man bullying a small man and, very likely, the bullying will be a source of humiliation that makes the case one for aggravated damages, but it is not, in my opinion, punishable by damages.

Cases in the second category are those in which the Defendant's conduct has been calculated by him to make a profit for himself which may well exceed the compensation payable to the plaintiff . . . It is a factor also that is taken into account in damages for libel; one man should not be allowed to sell another man's reputation for profit. Where a Defendant with a cynical disregard for a plaintiff's rights has calculated that the money to be made out of his wrongdoing will probably exceed the damages at risk, it is necessary for the law to show that it cannot be broken with impunity. This category is not confined to moneymaking in the strict sense. It extends to cases in which the Defendant is seeking to gain at the expense of the plaintiff some object - perhaps some property which he covets - which either he could not obtain at all or not obtain except at a price greater than he wants to put down. Exemplary damages can properly be awarded whenever it is necessary to teach a wrongdoer that tort does not pay.

To these two categories which are established as part of the common law there must of course be added any category in

which exemplary damages are expressly authorised by statute.

I wish now to express three considerations which I think should always be borne in mind when awards of exemplary damages are being considered. First, the plaintiff cannot recover exemplary damages unless he is the victim of the punishable behaviour. The anomaly inherent in exemplary damages would become an absurdity if a plaintiff totally unaffected by some oppressive conduct which the jury wished to punish obtained a windfall in consequence.

Secondly, the power to award exemplary damages constitutes a weapon that, while it can be used in defence of liberty, as in the *Wilkes* case [(Loftt 1)] can also be used against liberty. Some of the awards that juries have made in the past seem to me to amount to a greater punishment than would be likely to be incurred if the conduct were criminal; and, moreover, a punishment imposed without the safeguard which the criminal law gives to an offender. I should not allow the respect which is traditionally paid to an assessment of damages by a jury to prevent me from seeing that the weapon is used with restraint . . . Exhortations to be moderate may not be enough.

Thirdly, the means of the parties, irrelevant in the assessment of compensation, are material in the assessment of exemplary damages. Everything which aggravates or mitigates the Defendant's conduct is relevant.

Thus a case for exemplary damages must be presented quite differently from one for compensatory damages; and the judge should not allow it to be left to the jury unless he is satisfied that it can be brought within the categories I have specified. But the fact that the two sorts of damage differ essentially does not necessarily mean that there should be two awards. In a case in which exemplary damages are appropriate, a jury should be directed that if, but only if, the sum which they have in mind to award as compensation (which may, of course, be a sum aggravated by the way in which the Defendant has behaved to the plaintiff) is inadequate to punish him for his outrageous conduct, to mark their disapproval of such conduct and to deter him from repeating it, then it can award some larger sum. If a verdict given on such direction has to be reviewed upon appeal, the appellate court will first consider whether the award can be justified as compensation and if it can, there is nothing further to be said. If it cannot, the court must consider whether or not the punishment is, in all the circumstances, excessive. There may be cases in which it is difficult for a judge to say whether or not he ought to leave to the jury a claim for exemplary damages. In such circumstances, and in order to save the possible expense of a new trial, I see no objection to his inviting the jury to say what sum they would fix as compensation and what additional sum, if any, they would award if they were entitled to give exemplary damages. That is the course which he would have to take in a claim to which the Law Reform (Miscellaneous Provisions) Act, 1934, applied.

But when this has been said, there remains one class of case for which the authority is much more precise. It is the class of case in which the injury to the plaintiff has been aggravated by malice or by the manner of doing the injury, that is, the insolence or arrogance by which it is accompanied. There is clear authority that this can justify exemplary damages, though . . . it is not clear whether they are to be regarded as in addition to, or in substitution for, the aggravated damages that could certainly be awarded.

It is not, I think, authority of great antiquity. The older group of six cases which I have cited . . . discloses no statement of principle. In my opinion all these cases can best be explained in principle as cases of aggravated damage, though I am not saying that in all the cases the sums awarded can be taken as an example of what compensatory damages ought to be. The direct authority for exemplary damages in this category of case lies in the three modern decisions of the Court of Appeal. I think that your Lordships, if you agree with my conclusion, are bound to express your dissent from most of the reasoning in all of them. *Owen and Smith (trading as Nuagin Car Service) v Reo Motors (Britain) Ltd* 151 LT 274 and *Williams v Settle* [1960] 1 WLR 1072, even if the latter is considered apart from the Copyright Act, can be justified in the result as cases of aggravated damage; and indeed the sums awarded could, to my mind, more easily be justified on that ground than on the ground that they were exemplary."

[38] In the copyright case to which Lord Devlin refers, *Williams v Settle* [1960] 2 All ER 806, [1960] 1 WLR 1072, a professional photographer sold wedding photographs of the plaintiff's wife's father, a murder victim, to newspapers who published them a few days after the plaintiff's wife had given birth. The newspapers paid about £15 for the photograph, and the County Court Judge awarded £1,000 for infringement. Sellers LJ said this:

"In the present action the judge was clearly justified, in the circumstances in which the Defendant, in breach of the plaintiff's copyright, handed these photographs to the press knowing the use to which they were going to be put, in awarding substantial and heavy damages of a punitive nature. The power so to do, quite apart from the ordinary law of the land, is expressly given by statute. By s 17(3) of the Copyright Act, 1956, it is provided:

'Where in an action under this section an infringement of copyright is proved or admitted, and the court, having regard (in addition to all other material considerations) to - (a) the flagrancy of the infringement, and (b) any benefit shown to have accrued to the Defendant by reason of the infringement, is satisfied that effective relief would not otherwise be available to the plaintiff, the court, in assessing damages for the infringement, shall have power to award such additional damages

by virtue of this subsection as the court may consider appropriate in the circumstances.'

It seems that this is not a case where there is any effective relief which could be given. The benefit which can be shown to have accrued to the Defendant is meagre, so much so that the judge made some references to the £15 to which exception was taken by the Defendant. It is the flagrancy of the infringement which calls for heavy damages, because this was a scandalous matter in the circumstances, which I do not propose to elaborate and about which I do not propose to express a view. It is sufficient to say that it was a flagrant infringement of the right of the plaintiff, and it was scandalous conduct and in total disregard not only of the legal rights of the plaintiff regarding copyright but of his feelings and his sense of family dignity and pride. It was an intrusion into his life, deeper and graver than an intrusion into a man's property."

Willmer LJ says that the award is of exemplary, rather than compensatory damages and upholds it. Harman LJ described the damages as punitive, but upholds the award under s 17(3).

[39] Lord Hailsham said of this case that

"Williams v Settle was a case under section 17(3) of the Copyright Act 1956. I agree with Lord Devlin that it is for consideration in the light of subsequent cases whether that section, which does not use the phrase 'exemplary damages', does in fact give a right to damages which are exemplary in the narrower sense used since *Rookes v Barnard* [1964] AC 1129. If it does, the case should be regarded as a second category case, since the Defendant's motive was profit. If it does not, and if it is to be regarded as still authoritative, Williams v Settle can only be regarded as an extreme example of aggravated damages, though the language of the county court judge was so strong as to lead me to think that I would not myself have been prepared to make so large an award." (*Broome v Cassell* [1972] AC 1027, [1972] 1 All ER 801.)

In the same case, Lord Kilbrandon expressed the view that section 17(3) did not authorise the award of punitive damages. I feel that it would be difficult, in the light of what Sellers LJ says in the passage which I have quoted, and given that the Defendant only derived £15 in benefit, to take the view that the case was one falling within Lord Devlin's second category.

[40] I think that after *Broome v Cassell*, and notwithstanding what is said in the report of the Whitford Committee, the weight of authority is that section 17(3) of the 1956 Act did not authorise an award of exemplary damages, but only an award of aggravated damages, Williams v Settle perhaps providing an illustration of the limits of that jurisdiction. There is support for this in *Rank Film Distributors v Video Information Centre* [1982] AC 380, [1980] FSR 242 at 266 of the latter report, where Templeman LJ was in no doubt that damages under section 17(3) were "compensatory but not punitive, and do not involve the imposition of a penalty".

[41] I can now turn to the characterisation of damages under s 97(2) CDPA. Section 97(2) differs from section 17(3) of the 1956 Act in one important respect which matters for the purpose of the present discussion. Before making an award of damages under section 17(3) the court must be satisfied that effective relief is not available to the plaintiff. This requirement is not present in section 97(2). I think that this change probably reflects the views of the Whitford Committee expressed in paragraph 704 of their report which I quote above. The other difference between the sections (the omission from s 97(2) of the words "in assessing damage for infringement") has been held by the House of Lords *Redrow Homes v Bett Brothers* (below) to be an immaterial change of expression from which no inference of a change in meaning was to be drawn (see section 172 of the CDPA). The question is therefore whether the omission of the requirement that effective relief should not be otherwise available for the Claimant has the consequence that exemplary damages can now be awarded under the CDPA.

[42] The nature of the damages to be awarded under s 97(2) has been expressly left open by the House of Lords in *Redrow Homes v Bett Brothers* (above). Laddie J had expressed the view that it was *sui generis* in *Cala Homes* (above). Laddie J's conclusion in this regard was not discussed by the House of Lords in *Redrow Homes* although he was overruled on the principle point in the case, the question whether an account of profits and an award of damages under section 97(2) could be made simultaneously. Lord Jauncey declined to express a view on the question whether "additional damages are by nature punitive or purely compensatory". Lord Clyde, following the terminology of *Rookes v Barnard*, left open the question whether:

"the character of an award of damages under section 97(2) is defined as exemplary damages, or, more probably, aggravated damages."

There is no Court of Appeal authority on the point, although an award of additional damages has been upheld by the Court of Appeal in *MCA v Charly* [2000] EWCA Civ 1441, [2002] EMLR 1 at paragraphs 63ff. Neuberger J was confronted with this question in *O'Mara Books v Express Newspapers* [1999] FSR 49, (1998) IP & T Digest 25, but did not express a concluded view:

"It is an open question whether damages awarded pursuant to section 97(2) of the 1988 Act . . . are exemplary damages or aggravated damages or, as I am inclined to think, a separate category of damages which may have some features which are similar to those of exemplary or aggravated damages."

[43] The correct characterisation of damages under section 97(2) was also left open by Hirst LJ in *ZYX Music GmbH v King* [1997] 2 All ER 129, [1997] EMLR 319 at 147 of the former report:

"Section 97(2) of the 1988 Act provides as follows:

...

The judge's conclusion on this point was as follows ([1995] 3 All ER 1 at 19):

'As against Pinnacle, I have no such hesitation or doubt. Its knowledge that it was distributing infringing copies was of the essence of the cause of action against it. Mr Mason and Mr Sullivan of Pinnacle were extensively cross-examined as to the knowledge and motivation of Pinnacle, and I can have no doubt as to the flagrancy of the infringement of Pinnacle, or that it determined without any pangs of conscience on exploiting for its own profit the infringing copies for all it was worth. If ever there was such a case, this is a proper case for the award of additional damages so far as the damages awarded on the inquiry before the Master do not adequately reflect either the profit obtained by Pinnacle or the prejudice occasioned to the plaintiff by its deliberate and calculated infringement over the period after 11 May 1992.'

Mr Tugendhat's main complaint under this heading is that, although a claim for additional damages was expressly included in the prayer at the end of the statement of claim, it was not fully particularised. In following this form, the pleader followed the textbook precedent. However, I accept that a full pleading of the basis of a claim of additional damages is preferable, but in the present case, I do not consider that its absence was fatal seeing that the claim was spelt out in greater detail in both Mr Cunningham's skeleton arguments. Moreover, on the judge's findings, which I have upheld, Pinnacle's infringement was undoubtedly flagrant, and substantial benefit must have accrued to Pinnacle as a result. Whether the justice of the case requires an award of additional damages can only be determined on the inquiry.

Before us there was some debate as to the scope of s 97(2) of the 1988 Act, and in particular whether it encompassed an award of exemplary damages, but I, for my part, find it inappropriate to express a view on this prior to the inquiry."

[44] This case is clearly a case where there is a finding of flagrancy, the remaining question being left to the inquiry, and it is for this reason unhelpful on the question of the nature of the award of additional damages. It does appear from the extract from Lightman J's judgment at first instance quoted by Hirst LJ that the former considered that additional damages should be awarded in that case in circumstances similar to those contemplated by s 17 of the 1956 Act, that is, that the damages do not adequately reflect either the prejudice suffered by the plaintiff or the advantage accrued to the Defendant. It is not clear to me that Lightman J's order would permit the award of exemplary damages, but in any event the point is left open.

[45] Finally, among the cases I should mention the decision of Ferris J in *Springsteen v Flute International* [1999] EMLR 180. Ferris J found flagrant infringement, but that the infringement was not particularly beneficial to the Defendant. He awarded additional damages, at a provisional rate of £1 per compact disc manufactured but not sold and 35 per compact disc sold. He is not explicit on the basis of the award. His judgment was not appealed on this point.

[46] It is settled that aggravated damages are compensatory in their nature, but exemplary damages are not. No starting point is available for the computation of an exemplary award, other than the court's practice in respect of fines. Such awards are in their nature indeterminate, and I am conscious of what was said by Lord Reid in *Broome v Cassell*, speaking of Lord Devlin's restriction of the right to exemplary damages in *Rookes v Barnard*. This passage, written of awards of exemplary damages by juries in contrast to determinations of

judges, is important for the doubt which it creates even in respect of awards by the latter:

"I think that the objections to allowing juries to go beyond compensatory damages are overwhelming. To allow pure punishment in this way contravenes almost every principle which has been evolved for the protection of offenders. There is no definition of the offence except that the conduct punished must be oppressive, high-handed, malicious, wanton or its like - terms far too vague to be admitted to any criminal code worthy of the name. There is no limit to the punishment except that it must not be unreasonable. The punishment is not inflicted by a judge who has experience and at least tries not to be influenced by emotion: it is inflicted by a jury without experience of law or punishment and often swayed by considerations which every judge would put out of his mind. And there is no effective appeal against sentence. All that a reviewing court can do is to quash the jury's decision if it thinks the punishment awarded is more than any twelve reasonable men could award. The court cannot substitute its own award. The punishment must then be decided by another jury and if they too award heavy punishment the court is virtually powerless. It is no excuse to say that we need not waste sympathy on people who behave outrageously. Are we wasting sympathy on vicious criminals when we insist on proper legal safeguards for them? The right to give punitive damages in certain cases is so firmly embedded in our law that only Parliament can remove it. But I must say that I am surprised by the enthusiasm of Lord Devlin's critics in supporting this form of palm tree justice."

[47] These views are of course not accepted in *Broome v Cassell* itself, where a jury award of exemplary damages for defamation was upheld, but the complaints of vagueness in the definition of the relevant factors find their echo in the thalidomide contempt of court case, *The Sunday Times v The United Kingdom* (1979) 2 EHRR 245.

[48] Section 97 identifies two factors in particular as matters to which (among all the circumstances of the case) the court must have attention in considering whether to award additional damages, the flagrancy of the infringement and the benefit to the Defendant. I consider that if benefit to the Defendant is to be a factor relevant to an award of such additional damages as "the justice of the case may require", that is a strong suggestion that those damages may include a restitutionary element. It echoes Lord Devlin's second category of exemplary damages, whose purpose is to teach the Defendant that "tort does not pay". The reference to the flagrancy of the infringement does not seem to me necessarily to suggest that an award of additional damages may include a punitive or exemplary element, since it seems to me to be primarily concerned with the question whether the infringement was deliberate. Flagrancy has been described by Brightman J in *Ravenscroft v Herbert* [1980] RPC 193 at 208 as implying "scandalous conduct, deceit and suchlike; it includes deliberate and calculated infringement".

[49] It should also be noted that the CDPA provides its own criminal offences. Section 107 provides for offences which may be summarised as knowing infringement of copyright by sale or manufacture and knowing possession of articles for making infringements. Different penalties are provided for different offences, and the maximum is an unlimited fine and two years' imprisonment on conviction on indictment.

[50] The textbooks differ in their views. *Copinger and Skone James* (14 Edn) regards the point as arguable. *Laddie, Prescott & Vitoria* (3 Edn) suggests that the discretion under s 97(2) is a wide one, subject to the single qualification that an award of damages whose sole purpose is to punish the Defendant is not permissible under the section.

[51] In my view, there are good reasons to think that the approach of the editors of *Laddie, Prescott & Vitoria* is right. There is no reason why a purely punitive, or exemplary, element in an award of damages should be appropriate, given that there is a relevant statutory offence and that the infringer might in a case of concurrent copyrights (as in the case of a counterfeiter of compact discs, for example) be exposed to successive actions by the owners of the different, copyrights each seeking punishment in respect of their interest. The recommendations of the Whitford Committee are based on a view of the effect of s 17(3) which I do not consider supportable. For the reasons I have given, that section was not an example of a case where exemplary damages had been authorised by statute. On the other hand, the section is drafted in the widest terms and, although it is not concerned with punitive damages, it permits, in my judgment, an aggravation of an award of damages upon a basis far wider than the factors admitted as aggravation at common law. In particular, it permits an element of restitution having regard to the benefit gained by the Defendant, and I should envisage such an award being made where the normal compensation to the Claimant leaves the Defendant still enjoying the fruits of his infringement. Such an award overlaps with the alternative remedy of an enquiry as to damages to some extent, but it is not co-extensive with it. In particular, it permits benefit to the Defendant which forms no part of the financial profits to be taken into account, as for example in a case where the Defendant has established himself in the market and generated a goodwill by a flagrant infringement. Furthermore, the fact that the flagrancy of the infringement, with its overtones of dishonesty and intentional wrong-doing, is one of the factors specifically mentioned may well entitle the court to deal with the question of damages as it would in other cases of intentional wrong-doing: see the speech of Lord Browne-Wilkinson in *Smith New Court v Scrimgeour Vickers* [1997] AC 254, [1996] 4 All ER 769, especially in his discussion of damages for deceit explaining what was said by Lord Blackburn in *Livingston v Rawyards Coal*

(1880) 5 App Cas 25, and the speech of Lord Steyn on the same subject:

"[Lord Blackburn said] 'That must be qualified by a great many things which may arise - such for instance, as by the consideration whether the damage has been maliciously done, or whether it has been done with full knowledge that the person doing it was doing wrong. There could be no doubt that there you would say that everything would be taken into view that would go most against the wilful wrongdoer - many things which you would properly allow in favour of an innocent mistaken trespasser would be disallowed as against a wilful and intentional trespasser on the ground that he must not qualify his own wrong, and various things of that sort.'

Since Victorian times there have been great developments in our law of obligations. But there has been no retreat from the policy spelt out by Lord Blackburn."

[52] I conclude that the provisions of s 97(2) are apt to provide for a measure of damages appropriate in cases of deliberate infringement. The section does not, in terms, provide that additional damages are to be awarded only in cases of deliberate infringement, and it is necessary to explore to some extent the limits of the jurisdiction. Ignoring secondary infringements, for which knowledge is an element of the tort, the starting point is the fact that the only defence to damages in a copyright infringement action is that provided by s 97 (1):

"(1) Where in an action for infringement of copyright it is shown that at the time of the infringement the Defendant did not know, and had no reason to believe, that copyright subsisted in the work to which the action relates, the plaintiff is not entitled to damages against him, but without prejudice to any other remedy."

This is a very limited defence. It goes only to the Defendant's knowledge whether copyright subsisted in the work. It is only available if on the facts it is reasonable to suppose that copyright did not subsist in the work. As a practical matter, this can only be the case where the work is old, or is of such a nature that copyright is unlikely to subsist in it. It is not available in the case of a photograph, for example, unless that photograph is very old (it subsists for the life of the "author", and 70 years in addition). It follows that except in these limited circumstances the Defendant's state of mind is not relevant in cases of primary infringement of copyright by copying. It seems to me to follow that carelessness sufficiently serious to amount to an attitude of "couldn't care less" is in my judgment capable of aggravating infringement and of founding an award of damages under s 97(2). Recklessness can be equated to deliberation for this purpose.

[53] I have found that Mr Sharpe knew that the photographs came from Rampton, and that it was obviously an official photograph, and that he had in all probability had the photograph described to him by his source. I find also that the photograph was wired to the *Sun* with the intention that it should be used in the story about Ms Metcalfe. Mr Sharpe had published a number of articles critical of the hospital (of which no complaint can be made) but I find that he used this photograph deliberately, either knowing that the hospital could and would object to the use of a part of a patient's notes, or without caring whether it would object or not.

[54] Whether an award of damages should be made under s 97(2) is a decision to be made in the light of all the circumstances. This infringement, either reckless or deliberate, is certainly flagrant. It is dangerous to tread too far into a discussion of the general standard of journalism which the story represents. This is a matter on which it is possible for reasonable people to differ, and I have already said that at the technical level the story is well constructed, with what seems to me to be a good headline and a powerful use of the photograph. It is particularly important to avoid any suggestion that an award could be based on judicial disapproval of the whole tone, approach and content of the story. This instance of infringement neither should nor could be used to punish the *Sun* in any way for a number of more or less ill-informed stories critical of the hospital and its regime.

[55] There was evidence from the hospital that the use of the photograph had upset Mr Alani, and that other patients were concerned at the suggestion that their notes were not secure. Mr Alani had no doubt invited use of the photograph which he had enclosed with the letter to Ms Metcalfe, in which he asked her to give his story to the media. So if the hospital were in a position to complain of an invasion of his privacy it might plausibly be said that although a patient in a hospital he had himself compromised his privacy to that extent. It is quite clear, I think, that the medical staff at the hospital, believing that they were treating their patients correctly and in the public interest, felt themselves to be harried by the *Sun* and Mr Sharpe with ill-informed criticism, and this contributed to the impression of upset and irritation to which Dr Sampson, the Associate Medical Director, Mr Brown its public relations manager and Mr Christopher Sharpe, its head of security, depose. My impression was of a sad gulf of incomprehension between the two sides of this dispute.

[56] It is clear that while there were consequences in the hospital's procedures, they were comparatively minor and would have happened anyway. Changes were made to rehabilitation visits, including providing information about them on a "need-to-know" basis, but this is in accordance in general terms with the Caldicott report in respect of these institutions.

[57] The fact remains that medical notes are confidential, and that a photograph stolen from these notes is just as confidential. It should be obvious to anyone that quite apart from copyright such a photograph should not be used without some pressing justification in the public interest. There was none here, since the *Sun* had many photographs of Mr Alani. This photograph just fitted the story well. It is not suggested that there was here any overriding public interest (whether in freedom of expression or otherwise) capable of overriding the proprietary interest in the hospital's copyright, and it was not suggested that an injunction should be withheld in the public interest, leaving the hospital to its remedy in damages (see generally *Ashdown v Telegraph Group Ltd* [2001] EWCA Civ 1142, [2001] 3 WLR 1368). I do not regard the selling of even a single extra copy of the *Sun* as reflecting some public interest.

#### *Damages*

[58] Expert evidence was given by Mr Golden for the Claimant and by Mr Greener for the Defendant. They were agreed that the fee for use of a photograph in a newspaper would depend upon size, interest and prominence in the paper. Mr Greener valued it at £250. Mr Golden suggested a value "in newspaper terms" of at least £2000 to £3000. No objective evidence was given by the *Sun* at all. There was an attempt to produce a rate card used for some purpose (I believe agency photographs provide speculatively to be paid if use were made of them) but this came as a surprise to the Claimant and was not foreshadowed in Mr Greener's evidence. It was not admissible and I must ignore it, although with some reluctance since evidence of rate cards and the like together with the kinds of photographs for which payment is made may well be the best evidence available when undertaking the kind of assessment described by Lord Wilberforce in the extract from *General Tire v Firestone* quoted above.

[59] It seems fairly clear that s 97(2) calls for two separate awards of damages. In fixing damages under s 96, I have regard to the fact that the photograph is immediately topical, that it is an apt illustration to a story concentrating on the terror supposedly felt by Ms Metcalfe, that it is prominent and clear. I consider that infringement damages in this case should be £450, on the basis that it is the fee which would be negotiated between willing copyright owner and the newspaper. While I suspect that this may be on the high side it seems to me to be right after discounting Mr Golden's figures for a page one lead in the *Sun*. It amounts to about one-tenth of that amount.

[60] Under s 97(2), the award has regard to flagrancy, and must be such as to do justice in the particular case. Considerable emphasis was placed on an agreement entered into between Broadmoor Special Hospital and the *Sun* to compromise litigation in respect of two illegitimate photographs (face on and profile) of Peter Sutcliffe, the notorious murderer who occupied the public's attention for a long time. The *Sun* paid £10,000. The full-face photograph was large and formed the page one lead in the paper. The story was written round the photograph, described as a world picture exclusive. I would be inclined to suspect that £10,000 represented a comparatively modest uplift over normal picture rates for such a subject in such circumstances. On the whole case, I have regard to the flagrancy of the infringement; to the fact that the photograph was obviously stolen and that Mr Sharpe must have realised it came from Rampton; to the conduct of the *Sun* in not ensuring that the whole of the story concerning the photograph was made clear at an early stage and some of the evidence destroyed, to the fact that there has never been an apology for its use but most importantly to the fact that its use has caused a degree of upset at the hospital from which the hospital is entitled to be free. I consider that the appropriate uplift is to bring the award of damages overall up to £10,000. If this exceeds the sum appropriate under s 97(2) having regard to the benefit to the Defendant, then no further infringements of this kind will take place. If further infringements consisting of the publishing of stolen photographs from medical records do take place, it will show that the advantage to the newspaper still exceeds the award of damages. I will hear counsel on any other provisions of the order which cannot be agreed.

*Judgment for the Claimant.*