



SALLIE SPILSBURY

MEDIA LAW

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REMEDIES

This chapter is intended to give an overview of the remedies which may be awarded by the courts for infringement of the substantive private and public law rights considered in Part 1 of this book. An appreciation of the nature of the remedies will help to increase understanding of the impact that the law can have on the media's activities. The detailed law relating to the specific causes of action, and remedies in defamation cases, are considered separately in the relevant subject chapters.

PRIVATE LAW

(a) Monetary compensation

The claimant will invariably claim financial recompense for loss suffered as a result of the defendant's wrongdoing. This can take the form of a claim for damages or, in cases involving the infringement of intellectual property, an account of profit.

Damages

Damages are awarded to compensate a successful claimant for loss or injury caused by the defendant's wrongdoing. Generally, the measure of damages is the sum required to put the claimant in the position it would have been in if the wrongdoing had not occurred. The claimant may recover damages which are:

- (a) a foreseeable consequence of the defendant's wrongdoing;
- (b) caused by the defendant's wrongdoing; and
- (c) not otherwise excluded by statute or common law.

Aggravated damages

Aggravated damages are awarded as a form of compensation. They are intended to reflect the disapproval of the court for the manner in which a wrong has been committed. They recognise the fact that the motives and conduct of the defendant in relation to wrongdoing may serve to aggravate the injury done to the claimant. Their aim is primarily compensatory. The

claimant must specifically plead them¹ in its claim form and statement of case.²

Exemplary damages

Exemplary damages are awarded to the claimant in order to *punish* the defendant and to *deter* further infringement. They are usually awarded in addition to compensatory damages. They can only be awarded in a limited number of situations which were enumerated by Lord Devlin in *Rookes v Barnard*³ as follows:

- oppressive, arbitrary or unconstitutional action by servants of the Government;
- cases where the defendant's conduct is calculated by him to make a profit which may well exceed the compensation payable to the claimant or, in other words, where 'it is necessary to teach a wrongdoer that tort does not pay'; or
- cases where exemplary damages are authorised by statute.

The second of these circumstances is the most relevant for the media. Lord Devlin went on to explain that, in order to recover exemplary damages in relation to his second category (conduct calculated to make a profit which may exceed the amount of compensation payable), the following should be borne in mind:

- the claimant must be the victim of the defendant's conduct;
- exemplary damages should be awarded with restraint;
- the means of the parties are relevant to the decision to award exemplary damages and to the amount of exemplary damages awarded;
- also relevant is anything which aggravates or mitigates the defendant's conduct;
- in cases tried by a jury (principally, defamation cases), the jury should be directed that if, *but only if*, the sum that they have in mind as compensation (including aggravated damages) is inadequate to punish the defendant, to mark the jury's disapproval of such conduct and to deter him from repeating it, then it can award a larger sum as exemplary damages.⁴

In the case of *Cassell v Broome*,⁵ the House of Lords emphasised that the mere fact that the wrongdoing was committed by the defendant during the course

1 *Khodaparast v Shad* [2000] 1 All ER 545 and CPR 16.4.

2 CPR Pt 16.4.

3 *Rookes v Barnard* [1964] AC 1129, pp 1226–27.

4 Exemplary damages and defamation cases are considered in Chapter 3.

5 *Cassell v Broome* [1972] 1 AC 1027.

of business was not in itself sufficient to bring a case within Lord Devlin's second category. A claimant had to show that:

- the defendant knew that what he proposed to do was against the law or had a reckless disregard whether it was legal or illegal; and
- a decision to carry on doing it was made, because the prospects of material advantage as a result of the conduct outweighed the prospects of material loss. In other words, *a cynical disregard for the claimant's rights*. The claimant does not have to establish that the defendant tried to calculate in the arithmetical sense whether his profits would outweigh any likely damages. It is sufficient to show that he appreciated that 'the chances of economic advantage outweighed the chances of economic penalty'.

The economic advantage is not limited to moneymaking. It can also include the gain of any other type of property.⁶ A claimant who seeks exemplary damages should plead them in its claim form and statement of case.⁷

Damages as compensation for hurt and distress

Sometimes, the real harm caused by a defendant's wrongdoing does not present itself in money terms. This particularly so in cases involving violations of privacy,⁸ where the hurt and distress caused by the violation is generally the essence of a claim.

It is a moot point whether a claimant can recover damages for distress and injury to feelings caused by the defendant's wrongdoing. Although defamation law provides a precedent for such awards, the courts have traditionally been reluctant to award compensation for distress in other types of case. Compensation for distress is sometimes recoverable as aggravated damages⁹ (especially likely where the defendant's behaviour has been particularly reprehensible), but not usually as a head of damages in its own right.

Damages in intellectual property cases

In a case of intellectual property right infringement (copyright/design infringement, patent infringement, passing off, trade mark infringement or breach of confidence), the starting point for an assessment of compensatory damages will usually be the licence fee or royalties, which would have been agreed between the parties if the claimant had licensed the defendant's

6 *Rookes v Barnard* [1964] AC 1129.

7 CPR Pt 16.4.

8 Generally brought under the guise of a different cause of action because, as explained in Chapter 8, English law does not currently recognise a right of privacy as such.

9 Support for this view can be found in the malicious falsehood cases of *Joyce v Senagupta (obiter)* and *Khodaparast v Shad* [2000] 1 All ER 545.

infringing use of its intellectual property. Where the claimant would never have licensed the right in the first place, this will be something of an artificial exercise; it is difficult for the court to assess the reasonable royalty rate in respect of a right which would never have been licensed. Nevertheless, the court will generally seek to do so.

In addition to the notional licence fee, the claimant may claim for lost profits on sales he would otherwise have made if there had been no infringement and lost profits on his own sales to the extent that he was forced to reduce his own price as a result of the infringement.¹⁰

In patent infringement cases, the Court of Appeal has held that 'secondary loss' may also be compensated for, provided that the claimant can establish the loss as being a foreseeable consequence of and caused by the wrongdoing.¹¹ Secondary loss might include matters such as loss of sales of articles, which are not the subject of the infringement action, but which were sold by the claimant alongside the article in respect of which its rights have been infringed. It is likely that secondary loss would also be recoverable where other types of intellectual property rights have been infringed, although the courts have not confirmed that this would be the case.

In relation to passing off actions, damages seek to compensate the claimant for the damage to its goodwill as a result of the defendant's misrepresentation.¹² This can include compensation for lost sales, devaluation of business reputation, lost opportunities to expand and, controversially, for dilution of goodwill.¹³

Damages are *not* recoverable against a defendant who is an innocent infringer of copyright.¹⁴

Additional damages

The Copyright Designs and Patents Act 1988 provides for awards of additional damages in copyright infringement cases.¹⁵ Additional damages are *only* available in claims for copyright infringement.¹⁶ As a precondition to receiving additional damages, the claimant must claim them in its claim form and statement of case.

10 *Gerber v Lectra* [1995] RPC 383, approved by the Court of Appeal [1997] RPC 443. This was a patent infringement case, but the same principles would seem to apply to other intellectual property rights.

11 *Ibid.*

12 The elements of the passing off action are considered in Chapter 14.

13 See Carty, H, 'Heads of damages in passing off' [1996] EIPR 487 for more detail.

14 CDPA 1988, s 97(1).

15 *Ibid.*, s 97(2).

16 *Ibid.*

The decision whether to award additional damages and, if so, the amount to award are at the discretion of the court, taking into account all the circumstances of the case. Relevant factors include the flagrancy of the infringement and any profit which accrued to the defendant as a result of its infringing activities. Additional damages are *not* available where the claimant elects for an account of profits. They are also not available against innocent copyright infringers.¹⁷ The House of Lords have declined to give a view whether additional damages are compensatory in nature or punitive.¹⁸ It therefore remains unclear whether they are intended to be alternatives to aggravated or exemplary damages or both.

Example of an additional damages award

In *Springsteen v Flute*,¹⁹ a case involving infringing CDs, Ferris J awarded additional damages against the defendant. In doing so, he had regard to the fact that the defendant appeared to have calculated the amount of profit which his infringing activities would generate and to have taken few precautions against being found in breach of copyright. These factors come close to factors which would be relevant to an award of exemplary damages. The judge provisionally awarded additional damages of £1 per infringing CD manufactured by the defendant and £5 for CDs manufactured and sold (there being at least 54,000 CDs in total).

Additional damages might be awarded to reflect any hurt or distress caused to the claimant by the defendant's activities, although the author is not aware of a case where additional damages have been awarded on this basis.

Account of profit

In litigation involving infringement of intellectual property, the claimant can elect for an account of profit as an alternative to damages. The defendant is required to account to the claimant for the profit which it has made as a result of its infringing activities. It cannot claim an account and damages for the same wrongdoing. The purpose of the remedy was outlined by Slade J in *My Kinda Town v Soll*²⁰ as:

To prevent an unjust enrichment of the defendant by compelling him to surrender those profits or those parts of the profits actually made by him which were made improperly.

The objective of the account is not to punish the defendant, but to ensure that he does not unjustly enrich himself at the expense of the claimant. The account

17 *Redrow Homes v Betts* [1998] FSR 345.

18 *Ibid.*

19 *Springsteen v Flute* (1998) unreported.

20 *My Kinda Town v Soll* [1982] FSR 147.

is an equitable remedy and therefore discretionary. The court could refuse to order an account even where the claimant expresses a preference for the remedy.²¹

The claimant will not normally elect whether it wants damages or an account until after liability has been determined at trial. It is important that a claimant makes it clear in its claim form and statement of case that it will seek damages or at its election an account of profit in order to keep its options open until liability has been determined.

There is surprisingly little case law on accounts of profits. The remedy is generally regarded as technical and complex. Following determination of liability, most parties agree the amount of damages or profits, which must be paid to the claimant rather than incur the further cost of an inquiry into damages or an account of profit.

The basic mechanism behind the account can be clearly stated, at least in relation to the manufacture and sale of infringing goods. It involves subtracting the amount which the defendant expended in making the infringing goods from the price he received on sale of the goods. The difference between the two amounts, so the reasoning goes, is the profit to be paid over to the claimant.²² A case in which this approach was used concerned a breach of confidence. The defendant had misused the claimant's confidential information to develop and market a new design of bra. It was not disputed that the infringing bras derived solely from the breach of the intellectual property right and, therefore, it was ordered that all of the defendant's profit calculated in accordance with the above principles should be paid over to the claimant.

Unfortunately, most cases are not so clear cut. Often, one cannot say that the whole of the defendant's profits were generated solely as a result of the infringement. The profit must be apportioned so that only the part of the profit which was actually generated by the infringement is paid over.

Some cases of infringement do not involve the manufacture of infringing articles. For example, take a newspaper which publishes a photograph in breach of copyright. If an account of profit is the chosen remedy, the account will involve calculating the proportion of the defendant's profit which is attributable to the infringing use of the photograph.

In a recent case involving patent infringement, Laddie J set out a number of guiding principles in relation to the taking of an account of profit:²³

21 *Unic SA v Lyndean Products* (1964) 81 RPC 37, where the judge indicated that damages would be a more appropriate remedy. He gave no reason for his decision, which was *obiter*, the claimant subsequently deciding to elect damages in any event.

22 *Peter Pan v Corsets Silhouette* [1963] 3 All ER 402.

23 *Celanese International Corp'n v BP Chemicals* [1999] RPC 203.

- the question to be answered on an account is 'what profits were in fact made by the defendant by the wrongful activity?'. The profits were not reduced if all or most of them might instead have been made in a non-infringing way if, in fact, they were generated by the wrongful activity;
- the claimant must take the defendant as he found him. He cannot complain that the defendant should have generated greater profits by taking an alternative course. The court is finding out what profits were made in fact by the defendant, not what profits he could have made;
- the maximum payment was the total profit made by the defendant. There is therefore an ascertainable upper limit on the amount which the defendant can pay to a claimant on an account;
- if different claimants sought accounts in respect of different infringing activities carried out by a defendant within a single business, the totality of the profits ordered to be paid could not exceed the total profits made by the defendants in that business. There is only one 'profits pot';
- the defendant is allowed to deduct from revenues all allowable costs. The claimant is entitled not to the stream of income received by the defendant, but his profits net of all proper deductions. These may include tax payable by the defendant on the profits and the costs of advertising and marketing the product;²⁴
- where the defendant carried on multiple businesses or sold different products and only one infringed, he only had to account for the profits made by the infringement. The claimant cannot recover profits not earned by the infringement;
- where only part of a product or process infringed, profits attributable to the non-infringing parts were not caused by or attributable to the infringement *even if the infringement was the occasion for the generation of those profits*. The profits must be apportioned between the different parts of the product;
- a logical basis for the apportionment must be found. The 'whole picture' must be considered, that is, the defendant's business and the market as a whole. The court must not back a hunch. Nor must it pull a figure out of the air which bears no resemblance to the relevant facts. The question of apportionment is a matter of fact in any particular case. Form must not triumph over substance. Where there is insufficient information available to the court to make a fair adjudication, it will be necessary to adjourn the account to allow more information to be produced;
- a useful guide to apportionment was likely to be provided by ordinary accounting principles where profits of a project were attributed to different parts of the project in the same proportion as the costs and expenses were

24 *Potton v Yorkclose* [1990] FSR 11.

attributed to them. This method involves dividing the whole product or project 'cake' into slices which are determined by the slice's costs and expenses. It is only the profit icing on the infringing slice (the relative size of which is measured by reference to its relative costs and expenses) for which the defendant has to account;

- where credible evidence existed that the infringement had made a particularly significant contribution to the profits, the profits attributable to the infringement could be weighted to take account of its added merit, which might not be apparent on the simple apportionment referred to above;
- once the court had decided what a fair apportionment was, it must not round up the figure to a substantial extent. The account is not a camouflaged method of making the defendant pay punitive compensation;
- there are *dicta* in case law to the effect that, generally, the profits ought not to be apportioned by reference to evidence of or speculation about the motives of real or hypothetical purchasers or the relative attractions to such purchasers of different aspects of the work;²⁵
- the court can only hope to achieve a reasonable approximation – there is no such thing as a perfectly right figure on an account.

An example of a case where an account was taken in passing off proceedings is the *My Kinda Town* case.²⁶ The defendant did not have to pay over all the profits generated by the use of the offending name which was the subject of the action, but only those resulting from confusion on the part of the public.

Financial compensation and the Human Rights Act 1998

The chilling effect

Large awards of damages, or the threat of such awards, can generate a climate where the media are reluctant to run the risk of wrongdoing. This effect is often referred to as 'the chilling effect'. The chilling effect can have an inhibiting effect on the media's willingness to risk legal action. As a result, they may be deterred from publishing matters of public concern because of the threat of legal action against them. Yet, the European Court of Human Rights has repeatedly highlighted the media's function of reporting matters of

25 An *obiter* comment of Millet J in *Potton v Yorkclose*, a case involving copyright in architect's drawings, in which he stressed that he did not intend to bind other courts in expressing this view. The decision was cited with approval by Laddie J in the *Celanese* case.

26 *My Kinda Town v Soll* [1982] FSR 147.

public concern as being necessary in a democratic society.²⁷ If the media are deterred from performing this function, large awards of damages may be incompatible with the European Convention of Human Rights.

Section 12 of the Human Rights Act 1998 (which came into force on 2 October 2000) intends to ensure that courts in the UK have regard to the right to freedom of expression whenever they are considering the grant of any relief which might affect the exercise of that right. 'Any relief' includes an award of damages or an account of profits. Under s 12(4), the court must have particular regard to the importance of the Convention right to freedom of expression and, in relation to a journalistic, artistic or literary material, it must also have regard to the extent to which the material is or is about to become available to the public, whether it is or would be in the public interest for the material to be published and any relevant privacy code.²⁸

It will be interesting to see whether s 12 will deter courts from making large damages awards. Historically, the English judges have had a tendency to give precedence to more immediate factors in their decision making, such as the defendant's conduct in any particular case or the need to protect the claimant's specific rights, rather than considering the wider chilling effect which an award may have. For that reason, the impact of s 12 is unlikely to have the effect of reducing damages awards against media defendants across the board,²⁹ but it may deter awards of aggravated and exemplary damages in borderline cases where it is not clear that such awards are justified.

Proportionality

The European Court of Human Rights has considered the fairness of an award of damages against the media in *Tolstoy v UK*,³⁰ a case involving an award of damages in a defamation case. The European Court found that an award of £1,500,000 could not be reconciled with the Convention because it was out of proportion to the legitimate aim pursued by the damages award, namely, the protection of the claimant's reputation.

Damages awards ought therefore to be limited to what is proportionate to protect the rights or interests of the claimant. If an award goes further, it is unlikely to be necessary in a democratic society and may therefore be incompatible with the Convention.

27 Eg, *Observer v UK* (1991) 14 EHRR 843.

28 Section 12 was considered in more detail in Chapter 1.

29 Although the section might lead to a general reduction in defamation awards. This is considered further in Chapter 3.

30 *Tolstoy v UK* (1995) 20 EHRR 442.

(b) Delivery up

Delivery up is the sanction whereby the defendant is ordered to deliver up and forfeit all infringing material or to destroy the infringing material on oath. An order for delivery up is generally made in intellectual property cases.

(c) Injunctions

An injunction is a court order. It can be *prohibitory*, which means that it will restrain the defendant from carrying out the act(s) complained of, or *mandatory*, which means that it will require the defendant to take a positive step, usually to put right its wrongdoing.

Injunctions are equitable remedies. This means that there is never an automatic right to an injunction. The grant is *always* at the discretion of the court, even if the claimant is successful at trial.

The following matters will generally defeat an application for injunctive relief.

The claimant does not have 'clean hands'

The claimant's conduct in relation to the dispute must not have been so improper that it does not deserve to be helped by the grant of an injunction.

The claimant must be prepared to do what is right and fair in relation to the defendant (he who seeks equity must do equity)

The claimant must be willing to perform its own obligations towards the defendant.

The claimant must not have acquiesced in the defendant's wrongdoing

The claimant must not actively or passively have encouraged the defendant to believe that he has no objection to the defendant's wrongdoing in a way which has led the defendant to act to his detriment in reliance on that encouragement.

The terms of the injunction

In recent times, the court has stressed that injunctions must be directed only to the wrong or threatened wrong at issue and they should only be granted

where necessary. In *Coflexip SA v Stolt Comex Seaway Ltd*,³¹ the court laid down the following guidelines for the grant of injunctive relief:

- the grant of an injunction is in the discretion of the court, which must tailor it to match the wrong which had been committed and/or is threatened;
- the injunction should protect the claimant from a continuation of the perceived threat of infringement, but it must also be fair to the defendant;
- if no future threat of wrongdoing exists, injunctive relief should be refused;
- a defendant who is the subject of an injunction must know what he can and cannot do. Where the injunction asked for by the claimant is obscure in extent, the court should either not grant it at all or, where possible, it should express it in terms which meet the precise needs of the claimant;
- in intellectual property cases, the claimant normally alleges that the defendant had committed a specific type of infringement, for example, in a copyright case, the allegation may be that the defendant has infringed copyright by reproducing a copyright work without permission. In almost all cases, the defendant's wrongdoing occupies only a small part of the monopoly secured by the intellectual property right. It is generally only the current wrongdoing activities which the defendant might threaten to continue. An injunction in general terms, restraining the defendant from infringing the copyright generally, goes further than is necessary – it covers more than the defendant has threatened, more than it might even think or be capable of doing and more than the court had considered when granting the injunction;
- where a narrow injunction is granted, it is appropriate for the injunction to include an express liberty to apply to the court if new wrongdoing of a similar nature occurs. The possible new infringements could then be determined in the same proceedings, without the claimant having to commence infringement proceedings afresh.

The above principles were laid down in relation to intellectual property cases, but they apply in spirit to other type of cases, for example, injunctions preventing repetition of libels or malicious falsehoods. The approach is in line with the case law of the European Court of Human Rights,³² which has held that an injunction which restrained a repetition of a libel was reconcilable with the European Convention of Human Rights where it was confined to the allegations made by the claimant. Had the injunction gone further, it might have not been reconcilable.

31 *Coflexip SA v Stolt Comex Seaway Ltd* [1999] FSR 473, approved by the Court of Appeal in *Microsoft Corpn v Plato Technology* (1999) unreported.

32 *Tolstoy v UK* (1995) 20 EHRR 442.

Final and interim injunctions

Injunctions can be final or interim. A final injunction is generally awarded to a successful claimant after the trial of an action when judgment has been granted. Such an injunction will remain in force, unless and until it is lifted or varied by the court.

Interim injunctions

An interim injunction is a temporary order which is granted prior to trial and is intended to last until the trial at the latest.

Interim injunctions may be granted to prevent an apprehended wrong occurring. Injunctions of this type are known as *quia timet* injunctions. The claimant must show that the wrong is highly probable to occur imminently before a *quia timet* injunction will be granted.³³

The advantage of interim relief is that it can be obtained *quickly*. The whole *raison d'être* of legal proceedings may disappear if the claimant has to wait until trial to get relief.

Example

An employee leaves her job, taking confidential lists of customers with her. There would be a breach of confidence if she disclosed the information to a third party, such as a journalist. If the old employer brings proceedings against her for breach of confidence, it would get an award of damages (or an account of profits) maybe 12 months later, once the trial has taken place. But in the period leading to trial, she could make use of the customer lists causing damage to the old employer. Damages or an account might compensate for this damage, but how accurately? Could she afford to pay such damages? The claimant's key objective is likely to be preventing use of the customer lists. The interim injunction offers a way for it to do that.

An interim injunction is therefore designed to protect the claimant's alleged rights during the delay before trial. The fact that interim injunctions are obtained before trial means that the court is usually not in a position to form an accurate view of the merits of the dispute. At an interim stage of the proceedings, the court will not have all of the relevant information available to it. Witnesses will not have given their evidence; matters calling for complex legal argument will not have been fully addressed. The lawyers may not even have been fully instructed! Instead of deciding the case on the merits, the court will look to hold what is called 'the balance of convenience' when deciding whether an interim injunction is appropriate. It will ask itself who will suffer most if an interim injunction is granted or if it is not granted. In doing so, the court often

33 *Redland Bricks v Morris* [1970] AC 652.

applies the test first formulated in *American Cyanamid v Ethicon*,³⁴ which is considered below.

Interim injunctions can be obtained very quickly and in cases of sufficient urgency without notice to the other side. Injunctions obtained without notice are often referred to as *ex parte* injunctions. The defendant to an *ex parte* injunction will have no opportunity to put its case at the initial hearing of the application. The first that the defendant will know about the grant of such an injunction will be at the time when the injunction is served on the defendant. The defendant will have an opportunity to come before the court with the claimant in order to argue that the *ex parte* injunction should be varied or discharged.

Interim injunctions and the cross-undertaking in damages

Because the hearing for an interim injunction is not determinative of the merits of a dispute, it is possible that an interim injunction may be discharged at trial where the court is in a better position to decide the issue. The courts have developed the device of the cross-undertaking in damages in order to ensure that the defendant receives compensation for loss which it suffers as a result of an interim injunction being in place where the injunction is subsequently discharged. At the time of the grant of the interim injunction, the applicant for the injunction must give an undertaking to the court to compensate the defendant for any such loss. It will also have to demonstrate to the court that it has the means to pay such compensation. In some cases, the court will require security to be given under the cross-undertaking, for example, a bank guarantee or a payment into court. The obligation to compensate is an undertaking given to the court and, if not satisfied, could amount to a contempt of court which may be punishable by fines or imprisonment.

Liability under the cross-undertaking can be large. For example, where an interim injunction results in a publication having to be pulped and reprinted without the offending material, the cross-undertaking will cover the costs of the wasted copies of the publication and the cost of the reprints. An applicant who obtains an interim injunction in such circumstances faces a very heavy liability if the interim injunction is subsequently discharged at trial.

The American Cyanamid test

Because the court is not usually in a position to decide the case on its merits at the hearing of the interim injunction, alternative criteria are applied to

34 *American Cyanamid v Ethicon* (1975) AC 396, HL.

determine whether an interim injunction should be awarded. These were formulated by the House of Lords in *American Cyanamid v Ethicon*.³⁵

In the *American Cyanamid* case, the claimants were seeking an interim injunction to prevent the defendant from infringing their patent. The House of Lords laid down the following procedure, which must generally be followed by the court when considering an application for an interim injunction:

- (a) the claimant must establish that there is a serious question to be tried. In other words, it must show that its claim is not frivolous or vexatious;
- (b) assuming that it can do so, the claimant must show that the balance of convenience favours the granting of an interim injunction. In assessing this the following sequence of questions should be considered:
 - will damages adequately compensate the claimant for its loss up to trial and, if so, can the defendant pay them? If yes, the interim injunction should *not* be granted;
 - if the answer is no, will damages payable under the claimant's cross-undertaking adequately compensate the defendant for its loss up to trial and can the claimant pay the damages? If yes, there is a strong case for the interim injunction;
 - if there is doubt as to the adequacy of the damages above, the question turns on the balance of convenience generally. Would it cause greater hardship to make or to refuse the injunction?;
 - where the issue is evenly balanced the court can take into account two further factors:
 - the desirability of preserving the status quo (generally the situation as it stands immediately before the issue of the claim form or where there is delay from issue of the claim form and making the application the time when the application for an injunction is made);³⁶
 - the relative strengths of each party's case.

Damages are unlikely to be an adequate remedy where the harm is irreparable, outside the scope of pecuniary compensation or would be difficult to assess, for example, damage to goodwill.

On the facts of *American Cyanamid*, the interim injunction was granted, because it was a *serious issue* whether the defendants were infringing the claimant's patent and because the balance of convenience favoured the grant of the interim injunction. This was particularly because the claimant's monopoly of the market would be effectively destroyed forever if the interim injunction was refused – a loss that could not be adequately compensated in monetary terms.

35 *American Cyanamid v Ethicon* (1975) AC 396, HL.

36 *Garden Cottage Foods v Milk Marketing Board* [1984] AC 130.

Rationale behind the American Cyanamid decision

The *American Cyanamid* decision established that an application for an interim injunction should not serve as a mini trial, in which the court tries to form a view on the merits of the claim. The claimant has to show only that there is a serious question to be tried. The strength of the parties' cases is only relevant as a last resort on the balance of convenience. In his judgment in the case, Lord Diplock observed that:

It is no part of the court's function at this stage of the litigation to try to resolve conflicts of evidence on affidavits as to facts on which the claim of either party may ultimately depend nor to decide difficult questions of law which call for detailed argument and mature consideration. These are matters to be dealt with at trial.³⁷

Exceptions to American Cyanamid

The courts have recognised a number of exceptions to the *American Cyanamid* approach. The main exceptions, from the media's point of view, have been the following.

Where the application for a final injunction will not reach trial

Where the grant or refusal of an interim injunction will dispose of the case it will not be appropriate to apply *American Cyanamid*. This is because, where an injunction is granted on *American Cyanamid* principles, it would effectively be an end to the matter without the defendant being able to challenge the claimant's substantive case and dispute the matter at trial. The court is therefore likely to require the claimant to show more than just a serious issue to be tried. In essence, the claimant would have to show that on the merits it is likely to succeed at trial.

*Example – Athletes Foot Marketing Inc v Cobra Sports*³⁸

This was a passing off case. The interim injunction would have required the defendant to change the name of its mail order operation. It would be unrealistic to expect it to do so and to continue the case to trial having expended time, money and effort in promoting and trading under the new name. In practice, if ordered to change the name at an interim stage, that was likely to be the end of the litigation. *American Cyanamid* was not therefore the appropriate approach.

37 (1975) AC 396, HL , p 407.

38 *Athletes Foot Marketing Inc v Cobra Sports* (1980) RPC 343.

*Where it is apparent from the material before the court at the hearing of the interim injunction that a party's case is stronger than the other, that should not be ignored on the balance of convenience*³⁹

Whilst the court should not attempt to resolve difficult questions of law and fact at the interim hearing, any clear view the court may reach as to the relative strength of the parties' case will be relevant to the balancing stage of the *American Cyanamid* approach.

Cases involving freedom of expression issues – the position before the Human Rights Act 1998

American Cyanamid often works against the media

As we have seen, the focus of the *American Cyanamid* test revolves around the balance of convenience. The balance of convenience test and, in particular, the presumption in favour of preserving the status quo, often operates in favour of a grant of an interim injunction restraining publication by the media.

This is most often the case in breach of confidence cases and, by analogy, cases involving issues of privacy. It is invariably open to the claimant to allege that, if an interim injunction is not awarded, the confidence or privacy at issue will be forever destroyed. The claimant will be left to his monetary remedies, but these may well be difficult to obtain and, in any event, may prove to be inadequate, especially where the disclosure of the confidential information does not involve loss which can be measured in money terms.

In relation to the law of breach of confidence, Sir John Donaldson MR observed in *AG v Newspaper Publishing plc*:⁴⁰

Confidential information whatever its nature ... has one essential common character. It is *irremediably* damaged in its confidential character by every publication and the more widespread the publication, the greater the damage. If a *prima facie* claim to confidence can be established, but this is opposed by a claim of a right to publish, whether on the grounds of public interest or otherwise, opposing and inconsistent claims must be evaluated and balanced against the other ... Pending trial, the balance will normally come down in favour of preserving confidentiality for the very obvious reason that, if this is not done and publication is permitted, there will be nothing left to have a trial about ...

Similarly, in relation to privacy, as long ago as the 1840s, Lord Cottenham LC observed that 'where privacy is the right invaded, the postponing of the

39 *Series 5 Software v Clarke* [1996] 1 All ER 853.

40 *AG v Newspaper Publishing plc* [1987] 3 All ER 276.

injunction would be equivalent to denying it altogether ... to be effectual, it must be immediate'.⁴¹

Interim injunctions and third parties

An injunction restraining the publication of confidential and private information will bind third parties who were not parties to the injunction if they know of the injunction.⁴² The objective of such an injunction is the protection of the subject matter of the action pending trial. A third party who contravenes the injunction and so destroys or causes serious damage to the subject matter is in contempt of court if he intended to impede or prejudice the course of justice. This intention is likely to be presumed where the third party had knowledge of the injunction at the time that he breached its terms. If third parties wish to vary the terms of the injunction, they may apply to the court to do so. Similarly, they may apply to the courts to seek guidance about whether what they intend to do will be in breach of the injunction or undertakings.

This principle was established during the course of the *Spycatcher* litigation (considered in more detail below). The Crown had obtained interim injunctions against *The Guardian* and *The Observer*, restraining the publication of confidential information. Subsequent to that injunction being granted, *The Independent*, which was not a party to the interim injunction, published a description of the confidential information. The Attorney General moved for contempt against *The Independent* for breach of the provisions of the interim injunction granted against *The Guardian* and *The Observer*. The application was based on the fact that *The Independent's* publication was bound to frustrate the purpose of the interim injunctions and to render them worthless. Notwithstanding that *The Independent* was not a party enjoined by the interim injunction on its face, the Court of Appeal held that the article was a contempt of court. In effect, the interim injunction was then extended to all media outlets within the jurisdiction of the English court.

Freedom of expression and the rule against prior restraint

Interim injunctions are an example of what is known as *prior restraint*. Prior restraint is a form of censorship. It operates to prevent publication. For this reason, interim injunctions against the media are often referred to as gagging orders.

Where the defendant is a member of the media, the grant of an interim injunction may be used to stifle the discussion of matters which are of legitimate public concern. This raises the question of whether interim

41 *Prince Albert v Strange* (1849) 2 De G & Sm 652.

42 *AG v Newspaper Publishing plc* [1987] 3 All ER 276.

injunctions should ever be awarded in matters involving freedom of expression and if they should, whether the guidelines laid down in *American Cyanamid* are the appropriate criteria to apply. This is particularly relevant because, as we have seen, an injunction against one media entity will be binding on other media entities.

There is a principle against prior restraint in English law. It was first formally set out in *Blackstone's Commentaries*, published in 1830. It provides that the media should not be restrained in advance from publishing whatever it thinks right to publish. But it publishes at its own risk. As Lord Denning observed, in *Schering v Falkman*:⁴³

Afterwards – after the publication – if the press has done anything unlawful – it can be dealt with by the courts. If it should offend – by interfering with the course of justice – it can be punished in proceedings for contempt of court. If it should damage the reputation of innocent people by telling untruths or making unfair comment, it may be made liable in damages. But always afterwards. Never beforehand. Never by previous restraint.

American Cyanamid v the rule against prior restraint

The *American Cyanamid* test and the rule against prior restraint are at odds. As we have seen, the balance of convenience test and presumption in favour of the status quo often come down in favour of the grant of an interim injunction. On the other hand, the rule against prior restraint provides that interim injunctions should only be awarded in exceptional circumstances. Which prevails?

An example where the English courts gave precedence to the claimant's rights rather than the rule against prior restraint occurred in the convoluted *Spycatcher* litigation. This involved a number of separate sets of proceedings against various parties. The central facts of each set of proceedings were as follows.

Peter Wright was a former member of the British security services with access to highly classified information. At the time of the litigation, he had retired and was living abroad. He proposed to publish his memoirs describing his experiences in the security services. In 1985, the Attorney General, acting on behalf of the UK Government, commenced proceedings for breach of confidence in the courts of New South Wales to restrain publication of the memoirs in Australia.

Meanwhile, back in Britain, a number of national newspapers (notably *The Observer* and *The Guardian*) published accounts of the Australian litigation commenced by the Attorney General, including an outline of some of Mr Wright's allegations as contained in his (then) unpublished manuscript. In

43 *Schering Chemicals v Falkman* [1982] QB 1; [1981] 2 WLR 848; [1981] 2 All ER 321, CA.

1986, the Attorney General commenced proceedings for breach of confidence against *The Observer* and *The Guardian*, seeking interim injunctions to restrain further publication of the revelations. In support of the application, the government contended that Mr Wright owed a duty to the Crown not to disclose information obtained by him while a member of the security service and that the writing of his memoirs and the taking of steps to publish them was a breach of that duty of confidentiality. Interim injunctions were awarded at first instance by Millet J. The injunctions granted against *The Observer* and *The Guardian* restrained the newspapers from publishing or disclosing any information obtained by Mr Wright in his capacity as a member of MI5 (subject to a number of limited exceptions relating to certain incidents which were already in the public domain). At this stage, *Spycatcher* was still unpublished. The contents of the book as a whole were not in the public domain.

The *Spycatcher* book itself was first published in the US on 13 July 1987, at a time when the interim injunctions awarded by Millet J were still in force. The UK Government was unable to restrain publication in the US because of the rule against prior restraint which exists there. Copies of the book were imported from the US into the UK. No attempts were made by the British Government to stop the imports.

Upon publication of the book in the US, *The Observer* and *The Guardian* applied to discharge the injunctions against them on the principal ground that the injunction had been granted in order to preserve, pending trial, the confidentiality of the information contained in Mr Wright's manuscript and that, by reason of the US publication, the information was no longer confidential and, therefore, the object of the injunctions could no longer be achieved.

At first instance, Sir Nicolas Browne-Wilkinson VC discharged the Millet injunctions. He stated:

Once news is out by publication in the US and the importation of the book into this country, the law could, I think, be justifiably accused of being an ass and brought into disrepute if it closed its eyes to that reality and sought by injunction to prevent the press or anyone else from repeating information which is now freely available to all.

The first instance decision was reversed by the Court of Appeal, who found that, on the *American Cyanamid* balance of convenience, the Attorney General had an arguable case that any further publication of the book in the UK would cause further damage to British national security in various ways. Although the original purpose of the Millet injunctions could no longer be achieved (the maintenance of confidentiality), the secondary objective (the avoidance of further damage) could be.

The majority of the House of Lords concurred.

The decision to continue the interim injunctions was subsequently held by the European Court of Human Rights to be incompatible with the right to freedom of expression enshrined in Art 10 of the European Convention.⁴⁴ The Court held that the interest in maintaining the confidentiality of the memoirs had, for the purposes of the Convention, ceased to exist by the time that the book was in the public domain. Yet the decision of the Court of Appeal and the House of Lords, although making little sense on the basis that the information in the manuscript was freely available, makes more sense within the narrow and theoretical context of the *American Cyanamid* approach. Rather than concentrating on the overall picture and the merits of the claim, the courts were drawn by the application of the balance of convenience into balancing potential damage caused to the media by virtue of the interim injunctions remaining in place, against potential damage to national security interests if further publication were allowed during the period up to trial. The result of the balance was wholly unsatisfactory and was roundly criticised on all sides.

Prior restraint and the European Convention of Human Rights

The European Court of Human Rights has held that measures of prior restraint are not automatically prohibited under Art 10 of the Convention.⁴⁵ But the Court has observed that the dangers inherent in such measures are such that they called for the most careful scrutiny. This, the court observed, was especially so as far as the news media are concerned, because news is a perishable commodity and to delay its publication, even for a short period, may well deprive it of all its value and interest. The interim injunction which was in force during the *Spycatcher* litigation before the book was published in the US was judged by the court to be reconcilable with the Convention in the interests of national security and for maintaining the authority of the judiciary. However, once the book had been published, it could no longer be reconciled and should have been lifted.

The European Court declined to rule that the *American Cyanamid* test should never apply to cases involving breach of confidence and freedom of expression. It expressed the view that it was not part of its function to comment on provisions of national law in the abstract.

In the wake of the *Spycatcher* litigation, the English courts have gone some way to excluding cases involving freedom of expression from the *American Cyanamid* guidelines.

44 *Sunday Times v UK* (1979) 2 EHRR 245.

45 *Observer v UK* (1991) 14 EHRR 153 and *Wingrove v UK* (1996) 24 EHRR 1.

Topical information

In *Cambridge Nutrition Ltd v BBC*,⁴⁶ the Court of Appeal held that where the subject matter of the application for the interim injunction was the transmission of a broadcast or the publication of an article the impact and value of which depended on its timing, the court should not grant an interim injunction restraining broadcast or publication merely because the claimant was able to show a serious issue to be tried and that the balance of convenience lay in granting an injunction. Instead, the court should assess the relative strength of the parties' cases before deciding whether the injunction should be granted. No injunction should be granted unless the claimant could show a likelihood of success at trial. Kerr LJ said:⁴⁷

It seems to me that cases in which the subject matter concerns the right to publish an article, or to transmit a broadcast, whose importance may be transitory but whose impact depends on timing, news value and topicality, do not lend themselves easily to the application of the *American Cyanamid* guidelines. Longer term publications, such as films or books, may not be in the same category ... one must be careful not to lose sight of the real demands of justice in any given case by attaching too much importance to the *Cyanamid* guidelines.

Relative strengths unclear

The *Cambridge Nutrition* decision was cited with approval by the Court of Appeal in *Secretary of State for the Home Department v Central Broadcasting*.⁴⁸ The case concerned an application by the Home Secretary for an interim injunction to restrain the broadcast of an interview between the convicted murderer Denis Nilson and a Home Office psychologist. The Court of Appeal declined to grant an interim injunction. Sir Thomas Bingham MR indicated that, where the relative strengths of the parties' cases on the merits was unclear, the court should not interfere with the defendant's freedom to publish by way of an interim injunction. A similar approach was applied in *Macmillan Magazines v RCN Publishing*⁴⁹ (a comparative advertising case), where Neuberger J held that, where, on an application for interim relief the balance of justice favoured neither party, the fact that the granting of relief would effectively interfere with the defendant's right of free speech meant the injunction should be refused.

⁴⁶ *Cambridge Nutrition Ltd v BBC* [1990] 3 All ER 523.

⁴⁷ *Ibid*, p 535.

⁴⁸ *Secretary of State for the Home Department v Central Broadcasting* [1993] EMLR 253.

⁴⁹ *Macmillan Magazines v RCN Publishing* [1998] FSR 9.

*The effect of the Human Rights Act on injunctions
restricting freedom of expression*

The coming into force of the Human Rights Act 1998 in October 2000 is likely to have significant effects on the grant of interim injunctions against the media.

Section 12 of the Act is intended to provide a safeguard against injunctions (and other forms of relief) being granted without proper regard being had to the right to freedom of expression. The provisions of s 12 were considered in detail in Chapter 1. In summary, the Act underlines that *ex parte* interim injunctions should only be sought in exceptional circumstances where all practicable steps have been taken to notify the respondent or where there are compelling reasons why notice should not be given. The section also makes clear that the *American Cyanamid* test is inappropriate for injunctions which would limit the respondent's freedom of expression. The applicant for the injunction must establish more than just a serious issue to be tried. Instead, it must establish that it is likely to establish at trial that publication should not be allowed. The courts will accordingly have to consider the merits of any cause of action when deciding whether to grant interim relief.

Other considerations (which will apply in relation to the decision to grant final or interim injunctions) are the importance of the right to freedom of expression under the European Convention of Human Rights and, in relation to journalistic, literary or artistic material, the extent to which the material is or is about to become available to the public and the extent to which the publication of the material would be in the public interest. Where the action involves privacy issues, the extent to which any industry code of practice has been complied with will also be a material factor.

The extent to which s 12 is likely to have implications for particular causes of action is considered in the specific subject chapters.

PUBLIC LAW

Judicial review

The legality of actions taken by public authorities may be challenged by way of an application to the courts for judicial review. The use of judicial review is likely to increase in the wake of the incorporation of the Human Rights Act 1998. It is envisaged that the most common means of obtaining redress against public authorities who act in breach of the Convention rights will be by way of application for judicial review.⁵⁰ The Government has indicated that it

50 HRA 1998, s 7.

expects the number of applications for judicial review to double to 600 per annum once the Act comes into force.⁵¹ This section provides a general overview of the nature of the application. Readers should note that this area of law is complex and specialist texts should be consulted for further analysis.

The meaning of public authority

The application for judicial review lies against public authorities. It is not available against private persons or bodies. The courts have had to consider what constitutes a public authority on a number of occasions. The case law will also be an important consideration for the courts to have regard to when they are considering whether a person is a public authority under ss 6 and 7 of the Human Rights Act 1998.

Under the case law, the functions of the body tend to be determinative rather than the source from which it derives its functions.⁵²

Applications for judicial review will generally be based on one or more of the following grounds:

- the public authority has exceeded its jurisdiction or has taken a step which it is not authorised to do;
- the public authority is in breach of the rules of natural justice. The application for judicial review may be made on the ground that the authority in question has not acted fairly when reaching a decision. The applicant might claim that it was denied a fair hearing, for example, because it was not fully informed of the case that it had to meet or that it was not given a proper opportunity to correct or contradict that case;
- the authority has not exercised its discretion in a reasonable manner. Public authorities are under a duty to act reasonably when reaching their decisions. Where the authority reaches a decision which no reasonable authority, properly instructed, would have come to, for example, because it did not consider certain pieces of evidence or it acted on irrelevant grounds, an application can be made to the courts for the decision to be quashed. An application may also be made where the authority's decision is based on a point of law and the authority has misdirected itself on the law;
- the public authority has acted in a way which is incompatible with the Convention rights provided for in the Human Rights Act 1998. This is a new ground for review introduced by s 7 of the Human Rights Act, which will come into force on 2 October 2000.

51 (2000) *The Times*, 18 April.

52 *R v Panel of Takeovers and Mergers ex p Datafin* [1987] 1 QB 815.

The procedure for making an application for judicial review is set out in Ord 53 of the former Rules of the Supreme Court, now contained in Sched 1 to the Civil Procedure Rules. Note that this was revoked as from 2 October 2000 and replaced with a new Pt 5 of the CPR. No application for judicial review may be made, unless permission of the court for the commencement of the application is first obtained. An application for permission must be made promptly and, in any event, within three months from the date when grounds for the application first arose, unless there is good reason for extending the period within which the application shall be made.⁵³ This time period will apply even where the ground for judicial review is that a public authority has acted in breach of the Convention rights provided for by the Human Rights Act 1998.

The application may be made by a person with 'sufficient interest' in the matter to which the application relates.⁵⁴ This has been interpreted by the domestic courts to include pressure and public interest groups. However, where an application for judicial review is made on the ground that the public authority has acted unlawfully in breach of the Convention rights provided for under the Human Rights Act 1998, the test is narrower. In relation to such an application, the applicant will only have sufficient interest where it is, or would be, a victim of the Act.⁵⁵ The Human Rights Act provides that the definition of 'victim' should be interpreted in line with the jurisprudence of the European Court of Human Rights. Under the current case law of the Strasbourg Courts, an application by pressure or public interest groups on this ground will not be permitted. It would seem that different standards would apply to different types of judicial review application.

Remedies available for judicial review

Under the judicial review procedure, remedies are always discretionary. The following types of relief will generally be available where appropriate:

- mandamus – an order for the performance of a public duty;
- certiorari – an order to quash a decision;
- prohibition – an order to prevent a decision;
- injunction (mandatory or prohibitory);
- declaration;
- damages – on an application for judicial review, the court may award damages to the applicant if he has included in his application for

53 RSC Ord 53, r 4(1) (contained in Sched 1 to the CPR). This was revoked as from 2 October 2000 and replaced by a new Pt 5 of the CPR.

54 Supreme Court Act 1981, s 3.

55 HRA 1998, s 7(3).

permission to bring the proceedings a claim for damages arising from the matter to which the application relates and the court is satisfied that, if the claim had been made in proceedings for damages begun by the applicant at the time of making his application for judicial review, he could have been awarded damages.⁵⁶

The Advertising Standards Authority, the Broadcasting Standards Commission, the Independent Television Commission and the Radio Authority are all subject to judicial review by the High Court. It is probable that the Press Complaints Commission is also amenable to review. In practice, judicial review is the only mechanism for disgruntled media entities wishing to apply to the courts for redress against adverse decisions under the relevant Codes of Practice.

Judicial review is *not* a right of appeal against a decision of a public authority. Where an application is successful, it will not result in the court substituting its decision in place of the public authorities' decision. Instead, the decision will be remitted back to the authority for fresh consideration in the light of the court's findings. The decision of the authority may be the same at the end of the day. The effect of the judicial review application may only be to change the way in which the decision is reached.

Interim injunctions and judicial review

It is possible for applicants to obtain interim injunctions to restrain the publication of an adverse decision in the authority's reports whilst an application for judicial review is pending. Direct Line Financial Services Ltd obtained such an injunction against the ASA, which resulted in the pulping of the relevant monthly report and its republication in an amended form, without reference to the Direct Line Financial Services decision.⁵⁷ Advertisers and media entities who are tempted to try a similar tactic should bear in mind that they will be asked to give a cross-undertaking in damages to compensate the authority for its losses if the application for judicial review turns out to be unsuccessful. The losses in question may be considerable.

56 RSC Ord 53, r 7(1) (contained in Sched 1 to the CPR). This will be revoked as from 2 October 2000 and replaced by a new Pt 5 of the CPR.

57 *R v ASA ex p Direct Line* (1997) unreported.

