

Neutral Citation Number: [2024] EWHC 405 (IPEC)

Claim Nos: IP-2022-000043, 44, 45

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)
INTELLECTUAL PROPERTY ENTERPRISE COURT**

Royal Courts of Justice
The Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL

Date: Thursday, 29 February 2024

Before:
RECORDER AMANDA MICHAELS

Between:

**(1) MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED
(2) PERFORMING RIGHT SOCIETY LIMITED**

Claimants

- and -

**(1) MADE TELEVISION LIMITED
(2) MADE IN LIVERPOOL 2016 LIMITED
(3) MADE IN BIRMINGHAM LIMITED**

Defendants

JAMES SEGAN KC (instructed by **Simkins LLP**) for the Claimants
NICK ZWECK (instructed by **Archer, Evrard & Sigurdsson LLP**) for the Defendants

Hearing date: 21 February 2024

APPROVED JUDGMENT

This judgment was handed down by the Court remotely by circulation to the parties' representatives by email and release to The National Archives. The date and time for hand-down is deemed to be 10:30 on 29 February 2024.

Miss Recorder Amanda Michaels:

1. This is my judgment following the first CMC in the IPEC in these proceedings. The three claims were issued in January 2020 and despite a lengthy procedural history the pleadings have not closed. This judgment relates to the Defendants' application to file

an Amended Defence and Counterclaim. I refer to the Defendants in the plural although two of the companies are currently in dissolution, as an application has been made to restore them to the Register.

2. The actions were initially simply debt actions for payments due under a number of Licence Agreements granted by the Claimants, the well-known collection societies, to the Defendants, in relation to their operation of local television stations. It is common ground that the Licence Agreements each applied the Claimants' Local TV Licensing Scheme at the relevant time. The Defences filed in April 2020, which seem to have been drafted by an officer of the Defendants, denied the debts were payable on the basis that the sums due under the Licence Agreements were not "fair and proper" and were alleged to breach the Claimants' own Code of Conduct.
3. In October 2022, after the cases were transferred to the IPEC, the Defendants served a draft Amended Defence, incorporating a Counterclaim. The Claimants' response in a letter of 2 December 2022 was "*Without prejudice to our clients' serious concerns with the contents of the Amended Defence (as set out in further detail below), our clients are prepared to consent in principle to the proposed amendments, subject to (a) the usual order as to costs; and (b) reserving their rights to apply to strike out and/or seek summary judgment in respect of the proposed amendments, pursuant to CPR 3.4 and/or 24.2. However, our clients are not prepared to consent to the introduction of the Proposed Counterclaim ...*"
4. In November 2023, the Claimants filed Amended Particulars of Claim adding allegations of infringement of copyright. The Defendants consented to those amendments.
5. A CMC had been fixed for 17 November 2023, but was adjourned at the request of the Defendants, to allow them time to produce a further draft Amended Defence and Counterclaim. The CMC was refixed for 22 February 2024.
6. A re-drafted Amended Defence and Counterclaim was served on 31 January 2024, and a further draft was served on 16 February 2024. Yet another version was served with the Defendants' skeleton argument for the hearing before me. It is that version which I consider below. In the meantime, the Claimants had filed a draft Amended Reply, but no draft Defence to Counterclaim, as they objected to the inclusion of the Counterclaim.
7. The Claimants' position before me reflected the position taken in correspondence since December 2022. They consented to the proposed amendments to the Defence, including to the latest iteration of that document. However, they objected to the inclusion of the Counterclaim. They submitted that the proposed Counterclaim has no real prospect of success and that it sought to complicate what should be a straightforward debt and copyright infringement claim by asking the IPEC to exercise a retrospective control of licensing fees contractually due under the Claimants' licensing schemes.
8. So far as relevant for this application, the draft Amended Defence relied upon contains:
 - 8.1. An allegation that the sums claimed by the Claimants were incorrect; whilst the Defendants accept that some sum was payable, they say that this should properly reflect the use which they had made of the licensed works;

- 8.2. Allegations that the Licence Agreements included certain implied terms (“the Implied Terms”) (a) that the Claimants would follow their Code of Conduct, (b) that licence fees would be proportionate, and (c) that the fees would not be arbitrary, and that the Licence Agreements should be construed in line with the Code of Conduct; and
- 8.3. An allegation that the Claimants had breached the Code of Conduct.
9. The proposed Counterclaim alleged that the Claimants were in breach of contract. The Defendants complained that the Claimants had not negotiated effectively with them, and had not treated them in the same way as they had treated (an)other local TV station(s) with which, they said, the Claimants had entered into a “negotiated licensing protocol” which I take to mean a licensing agreement outside a fixed scheme. All of this was alleged to show that the Claimants had breached their own Code of Conduct and were in breach of the Implied Terms. The Defendants sought declarations that (a) the Claimant’s actions had not been in line with the Code of Conduct, (b) they had breached the Implied Terms and (c) the Defendants were not liable for any licence fees. The Defendants pleaded that on obtaining such relief, they would apply to the Copyright Tribunal to set an appropriate licence fee.
10. In paragraph 47 of the draft, the Defendants pleaded that they sought repayment of “all sums owed” and that all fees paid to date should be repaid, although they also accepted they should pay any licence fees due but only once an appropriate licensing scheme was put in place. The claim for repayment in that paragraph was not reflected in any relief claimed in the prayer for relief in the Counterclaim and in the course of argument counsel for the Defendants accepted that paragraph 47 should be amended to remove the references to repayment to the Defendants.
11. The parties had made helpful progress towards agreeing the directions which needed to be made at the CMC. As is usual in this court, the parties had appended a List of Issues to the draft Order for directions. The agreed issues included the question of whether the Licence Agreements included any of the Implied Terms, and, if so, whether the Claimants were in breach of those Implied Terms in the manner alleged. Only one further issue which the Defendants sought to insert into the List was not agreed, this reflected the point about licences granted to other TV station.
12. The Claimants referred me to CPR 17.1(2)(b) and 20.4(2)(b) as to permitting amendments. I bear in mind the judgment of Asplin LJ in *Elite Property Holdings Ltd & Another v Barclays Bank Plc* [2019] EWCA Civ 2212, where she summarised the test for permitting amendments as follows:
- “40 ...it is important to bear in mind that the overriding objective applies and the question of whether permission to amend should be given must be considered in the light of the need to conduct litigation fairly and justly and at proportionate cost.
41. For the amendments to be allowed the Appellants need to show that they have a real as opposed to fanciful prospect of success which is one that is more than merely arguable and carries some degree of conviction: *ED&F Man Liquid Products Ltd v Patel* [2003] EWCA Civ 472 . A claim does not have such a prospect where (a) it is possible to say with confidence that the factual basis for

the claim is fanciful because it is entirely without substance; (b) the claimant does not have material to support at least a *prima facie* case that the allegations are correct; and/or (c) the claim has pleaded insufficient facts in support of their case to entitle the Court to draw the necessary inferences: *Three Rivers District Council v Bank of England (No3) [2003] 2 AC 1*.

42. The court is entitled to reject a version of the facts which is implausible, self-contradictory or not supported by the contemporaneous documents and it is appropriate for the court to consider whether the proposed pleading is coherent and contains the properly particularised elements of the cause of action relied upon.”

13. The Claimants sought to persuade me that I should reject the proposed Counterclaim because it has no reasonable prospects of success, for a number of reasons pleaded in the draft Reply and explained by Mr Segan KC. The Defendants, on the other hand, submitted that the basis of their Counterclaim was well founded and pleaded in sufficient detail.
14. Questions as to the relevance of the Claimants’ Code of Conduct and as to the incorporation of the Implied Terms in the Licence Agreements will, because the Claimants consent to the amendment to the Defence, be considered and decided at trial.
15. In the circumstances, as the draft Counterclaim turns for the most part upon the same points as to the relevance of the Claimants’ Code of Conduct and as to the incorporation of the Implied Terms in the Licence Agreements, these points will be decided in relation to the Defence in any event. These are agreed Issues for the trial even without the incorporation of the proposed Counterclaim.
16. In the circumstances, I expressed some reluctance to comment at this interim stage on the substantive merits of the parts of the Counterclaim which replicate claims in the Amended Defence. However, I have concluded that it is unnecessary as well as inappropriate for me to deal with the merits of those parts of the Counterclaim in order to dispose fairly of the application before me. In my judgment it is significant that the Claimants did not rely upon the alleged lack of merits of the points mentioned above as a reason to object to the proposed amendments to the Defence, yet this was the major reason why they objected to the Defendants being granted permission to adduce the Counterclaim. The fact that the Claimants said that they consented to the Amended Defence without prejudice to their right to object to the inclusion of the Counterclaim carries less weight than the fact that the Counterclaim includes a number of Issues that will be considered by the Court in light of the Amended Defence. In those circumstances, it seems to me that bearing in mind the overriding objective, I should consider whether the addition of the proposed Counterclaim passes the usual IPEC cost/benefit analysis test.
17. Looking first of all at the points which overlap between the Defence and the Counterclaim, it is clear that giving permission to file the Counterclaim would add nothing or virtually nothing to the costs of getting to trial, other than in requiring the Claimants to plead a Defence to Counterclaim, at least part of which need only repeat parts of the existing draft Reply to the Amended Defence. Whilst a number of new

allegations of fact are pleaded in the paragraphs 38 and 39 of the draft Counterclaim, the only separate Issue which was identified in the draft List of Issues as arising from the Counterclaim was as to the way in which the Claimants had treated other named local TV stations. This all points towards permitting the amendment.

18. On the other hand, permitting the Defendants to make the Counterclaim would require the Claimants to file a Defence to Counterclaim with the potential for a Reply to the Defence to Counterclaim, so causing some delay, especially as the Defendants' counsel's concessions during the hearing mean that even the most recent version of the pleading is not in final form. There may also be some costs implication of permitting the Defendants to raise the point about the other TV stations, especially in terms of disclosure.
19. In addition, the Defendants' draft pleaded case is that the declarations they seek in the Counterclaim would be relied upon to instigate proceedings before the Copyright Tribunal. It seems to me that findings on the agreed Issues arising from the Defence alone might well provide the Defendants with any basis needed to instigate or support such proceedings. At this point, whilst I doubt whether the declarations sought would provide any real additional benefit to the Defendants, I cannot altogether dismiss the value of the declarations to the Defendants.
20. Balancing all of those factors, I have concluded that I should grant permission to the Defendants to file a pleading containing those parts of the Counterclaim which essentially repeat points raised in the Amended Defence. For the avoidance of doubt, that includes paragraphs 38 and 39 of the current draft (subject to one point explained below).
21. This leaves two aspects of the proposed Counterclaim which do not mirror points in the Amended Defence. First, there are a number of allegations of dishonesty, for instance in paragraphs 39 and 42(a). These reflect the wording of the Code of Conduct. However, nothing in the pleading sets out proper particulars which might support the allegation of dishonesty. Mr Zweck offered in the course of the hearing to delete the reference to dishonesty in paragraph 42(a). In my view, it should also be deleted from paragraph 39 of the draft.
22. Secondly, the Defendants' position as to payment of fees due and potential repayment of fees already paid seems to me to be legally incoherent, as well as internally inconsistent. In paragraph 5 of the Amended Defence they accept that some sums are due, but say the sums claimed are incorrect. In the proposed Counterclaim, they allege at paragraph 45(c) that the Defendants are not liable for any licence fees, and at paragraph 47 they repeat that no sums are payable, seek repayment of sums paid and aver that they are not liable for any fees until a scheme is in place. Despite those claims, they do not seek any Order for repayment. Counsel conceded in argument that paragraph 47 should be amended to remove the claim to repayment. In my view, even making that change would not leave the Defendants with a reasonable prospect of succeeding on the point that no sums are payable. The Defendants' counsel suggested that the alleged breaches of the Licence Agreements meant that they were void. Not only is that not pleaded, but I do not accept that such a claim would have reasonable prospects of success. I am not prepared to grant permission for the Defendants to run

these points. Paragraphs 45(c) and 47 should be deleted, as should the third declaration sought.

23. Subject to deletion of the points which I have identified in paragraphs 21-22 above, I will grant permission to the Defendants to file and serve an amended pleading in the form provided with counsel's skeleton argument. That should be filed within 7 days.
24. It was agreed that the costs of the CMC should be costs in the case, but the costs of the application to amend are reserved.
25. Otherwise, I invite the parties to seek to agree the necessary amendments to the draft Directions.