THE COURT OF APPEAL

Neutral Citation Number: [2017] IECA 96

Appeal No. 2015 338

Finlay Geoghegan J.
Hogan J.
Faherty J.

BETWEEN/

SONY MUSIC ENTERTAINMENT (IRELAND) LTD.,

UNIVERSAL MUSIC IRELAND LTD. AND WARNER MUSIC IRELAND LTD.

PLAINTIFFS/

RESPONDENTS

AND

UPC COMMUNICATIONS IRELAND LTD.

DEFENDANT/

APPELLANT

JUDGMENT delivered by Ms. Justice Finlay Geoghegan on the 24th day of March 2017

1. This judgment relates to an appeal and cross appeal against the order for costs made by the High Court (Cregan J.) on 17th June, 2015 and one issue in relation to the costs of the appeal.

2. Judgment in the substantive appeal was delivered on 28th July, 2016 (by Hogan J. Finlay Geoghegan J. and Faherty J. concurring): see *Sony Music Entertainment Ireland Ltd & Ors -v- UPC Communications Ireland Ltd* [2016] IECA 231. There was a subsequent hearing in relation to costs.

3. The proceedings are by the plaintiffs as copyright holders against the defendant ("UPC") as a non-infringing internet service provider ("ISP") for an order or injunction pursuant to s. 40(5A) of the Copyright and Related Rights Act 2000 (as inserted by Article 2 of the European Union (Copyright and Related Rights) Regulation 2012 (S.I. No. 59 of 2012)) giving effect to Article 8(3) of Directive 2001/29/EC. In the High Court an injunction was granted and orders made which with minor variation were upheld upon the appeal to this Court.

4. In the High Court there was also a subsequent hearing on costs, following which the trial judge made orders that the plaintiffs should recover 60% of their costs up to the date of the substantive judgment in the High Court (27th March 2015) and that thereafter each party should bear its own costs.

5. The order made in respect of the period after the substantive judgment in the High Court was not the subject of submissions on appeal. The opposing contentions of the parties related to the 60% order in favour of the plaintiffs.

6. The plaintiffs' contention is that they succeeded in their substantive claim for an injunction which had been resisted by UPC and that there was no justification for departing from the normal order that costs should follow the event. They also submit that the trial judge was in error in taking into account as special circumstances justifying a departure from the general rule that cost follow the event the fact that the proceedings were both novel and complex.

7. UPC submits that the trial judge failed to take into account the special circumstances of the case which they submit justifies no order for costs in favour of the plaintiffs notwithstanding the injunction granted and some costs in favour of the defendant. The special circumstances upon which they particularly relied are:

(i) the fact that UPC is a non-infringing internet service provider which has not committed any legal wrong;

(ii) the fact that UPC succeeded on many issues and that the form of order granted was, they submit, radically different to the relief sought; and

(iii) the novelty of the issues and the test case nature of the application.

Appellate jurisdiction

8. This Court is exercising an appellate jurisdiction in what is a discretionary order of the High Court. In accordance with Ord. 99, r. 1(1) the costs of and incidental to every proceeding in the High Court is in the discretion of that Court. As is clear from the case law reviewed by the judgment of Irvine J. in this Court in *Collins v. Minister for Justice Equality & Law Reform* [2015] IECA 27 (with which the other members of the Court concurred) whilst great deference will normally be granted to the views of the trial judge, this Court in accordance with its appellate jurisdiction under Article 34.4.1 retains jurisdiction to exercise its discretion in a different manner in an appropriate case. McMenamin J. in *Lismore Builders (in receivership) v. Bank of Ireland Finance Limited* [2013] IESC 6 put it this way:

> "4. . . . Although great deference will normally be granted to the views of a trial judge, this Court retains the jurisdiction of exercising its discretion in a different manner in an appropriate case. This is especially so, of course, in the event there are errors detectable in the approach adopted in the High Court. The interests of justice are fundamental. This is clear from the judgment of Geoghegan J. in *Desmond v. MGN* [2009] 1 I.R. 737, where he states at pp. 742-743:-
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> > "The expression 'discretionary order' can cover a huge variety of orders, some of them involving substantive rights and others being merely procedural in nature including mundane day to day procedural orders, such as orders for adjournments etc. I think that in reality over the years since In *bonis Morelli; Vella v. Morelli* this court has exercised common sense in relation to that issue. The court would be very slow indeed to interfere with the High Court Judge's management of his or her list, but in a case such as this particular case where much more substantial issues are at stake the court, while having respect for the view of the High Court Judge, must seriously consider whether in all the circumstances and in the interests of justice it should re-exercise the discretion in a different direction."

9. *Desmond, Lismore*, and *Collins* all concerned applications to strike out or dismiss proceedings for delay. Desmond indicates the wide spectrum of orders in relation to which the High Court will be exercising discretion and indicates that the threshold for interference on appeal may differ across the spectrum. Orders for costs undoubtedly involve substantive rights and property or monetary rights and are not merely procedural orders in relation to the running of a case with which an appeal court should be very slow to interfere. Nevertheless I am of the view that great deference should be given to orders made by a High Court judge in exercise of his/her discretion in relation to costs pursuant to Ord. 99, r. 1. This is perhaps especially in relation to proceedings such as the present one which were complex, included many issues, and were at hearing over 10 days in relation to substantive matters during which substantial oral evidence was given that this Court on appeal has not considered in full as the substantive appeal issues did not require. Whilst there is for the reasons stated more fully in *Collins* no *a priori* requirement that an appellant establish an error in principle for this Court to interfere , I nevertheless consider we should, in relation to costs orders, be very slow to interfere unless there are errors detectable in the approach of the High Court or, even without such errors, an appellant satisfies this Court in the particular circumstances of the case that the interests of justice require that it should interfere in the High Court order for costs.

Discussion and decision

10. I have concluded that the trial judge did not err in his approach of treating these proceedings as adversarial proceedings between the plaintiffs and UPC and not departing from the approach that costs should follow the event except in accordance with the principles in *Veolia Water (UK) & Ors. v. Fingal County Council (No. 2)* [2007] 2 I.R. 81.

11. UPC submit that the trial judge was in error as he did not take into account that it was an "innocent intermediary". The plaintiffs dispute that terminology but it is agreed that UPC is a non-infringing internet service provider which has committed no legal wrong. It is as such that I have considered whether the trial judge was in error in not taking that fact into account as a special circumstance to depart from the costs follow the event and *Veolia* principles. I do not consider he was, having regard to the nature of the proceedings and the issues in dispute.

12. The proceedings were brought pursuant to s. 40(5A) of the 2000 Act. It permits an application for an injunction against an intermediary to whom para. 8(3) of Directive 2001/29/EC applies. Article 8(3) requires Member States to ensure "that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right".

13. It is, undoubtedly, the position that s. 40(5A) of the 2000 Act changed the substantive law in this jurisdiction in relation to injunctions insofar as it gave the High Court the power for the first time to grant injunctions against persons and entities who in themselves had committed no legal wrong and who had never threatened to do so. (See judgment of Hogan J. at para. 53). However, it must also be recalled that s. 40(3) of the 2000 Act ensures that such intermediaries are not liable for copyright infringement by the provision of the internet service from which they derive profit.

14. I am also of the view that the trial judge was correct in the view expressed that there are fundamental differences between the present proceedings and the Norwich Pharmacal jurisdiction (*Norwich Pharmacal v. Customs and Excise Commissioners* [1974] A.C. 133). The English Court of Appeal in *Totalise p.l.c. v. The Motley Fool Limited* [2001] EWCA Civ 1897 at para. 29 likened such applications to proceedings for pre action disclosure and distinguished them from "ordinary adversarial proceedings". Leaving to one side the label "ordinary", that distinction appears correct and in the *Norwich Pharmacal* applications there is the possibility of costs incurred by an applicant being recovered from the wrongdoer. That analogy does not appear to apply here and as I have already indicated it does appear to me that these proceedings being an application for an injunction - albeit based upon a new statutory jurisdiction deriving from EU law - are nevertheless adversarial proceedings to which Ord. 99 and the other general principles applicable to costs apply.

15. My one hesitation in relation to the approach of the trial judge is the special circumstance identified at para. 10 to which he gave "some weight". There he stated:

> "10. I turn now to the application of these principles to the facts of this case. The first point to note is that the issues raised in this application were novel and complex. Of course, the courts are regularly presented with novel and complex issues in complex legislation. However what was particularly novel about this case was that the problem of internet piracy is obviously a worldwide problem and the responses of different countries to the problem (whether by legislation or by court order or by an industry consensus) have varied from country to country. It was submitted by the defendant (and the plaintiffs did not disagree) that this was the first time an application of this type had come before any court within the European Union. It was also a matter which was governed by EU law, as implemented into Irish law. I also heard expert evidence on legislative responses to the problem in France, New Zealand and the UK. In my view that is a special circumstance to which I give some weight."

16. UPC contend that this was a permissible special circumstance. Further that he should also have taken into account that the proceedings were in the nature of a test case for the wider industry and should have resulted in a greater diminution of the order for costs.

17. The plaintiffs in the cross appeal submit that in litigation between private parties the fact that it is in the nature of a test case does not warrant a departure from the ordinary rules that costs follow the event. They also dispute the novelty of the legal issues and rely upon the judgment of Hogan J. in the substantive appeal and in particular at para. 63 and 92.

18. I accept the submission on behalf of the plaintiffs that in accordance with the reasoning of Clarke J. in *Cork County Council v.*

Shakleton [2007] IEHC 334 at para. 4.2 in litigation between private parties the fact that a case may be considered to be a test case is not, in general a proper basis for departing from the general rule in relation to costs. As he stated:

"There is no good reason for depriving a successful private party of its ordinary entitlement to costs simply because the case in which it succeeded happens to be a test case."

There may, of course, be other special features of a particular test case which might justify a departure from costs following the event. As appears from his judgment on costs the trial judge did not in any way rely upon the fact that he considered these proceedings to be a test case and in my view he was correct in so doing.

19. Whilst the trial judge referred at para. 10 to the issues raised being novel and complex, he does acknowledge that the courts are regularly presented with novel and complex issues in complex litigation. The particular novelty which he identified and which he appears to have considered to be a special circumstance to which he would give some weight was the worldwide nature of the problem of internet piracy and the differing national legislative responses thereto and the fact that he heard evidence in relation to certain of these. I would hesitate to agree that even such novel and complex issues would of themselves amount to special circumstances which would justify a departure from making an order that costs should follow the event. Notwithstanding the fact that the trial judge indicated that he would give some weight to such special circumstances, it is not clear to me, looking at his judgment as a whole, that he did reduce the order for costs in reliance upon such special circumstances. Rather it appears to me that he was principally applying the provisions of Ord. 99, r. 1(3) and following the approach of Clarke J. in *Veolia* (which he had set out in full) in a context where he had determined that the plaintiffs had succeeded in obtaining an injunction which in his view was "the main issue" in the proceedings but the defendant was successful on certain issues which he identified as being the terms of the injunction. The trial judge at para. 14 of his judgment set out his conclusion on costs in the following terms:

> "14. Having considered all the issues in this matter and given that the primary rule is that the costs of proceedings "shall be in the discretion of the court" and that the costs of every action, question or issue should follow the event, unless there are special circumstances to the contrary, I am of the view that the appropriate and fair order to be made in this case is that the plaintiffs should recover 60% of their costs up to the giving of judgment from the defendant. The plaintiffs were successful in obtaining an injunction, which was the main issue in the proceedings. However the defendant was successful on certain issues which formed part of the terms for such an injunction."

20. Ord. 99, r. 1(1) and (3) provide:

"Subject to the provisions of the Acts and any other statutes relating to costs and except as otherwise provided by these Rules:

> (1) The costs of and incidental to every proceeding in the Superior Courts shall be in the discretion of those Courts respectively.
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> […]
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> (3) The costs of every issue of fact or law raised upon a claim or counterclaim shall, unless otherwise ordered, follow the event."

21. As appears from the substantive judgment in the High Court and referred in summary at para. 12 of the judgment on costs, the trial judge found in favour of UPC on certain of the issues relating to the terms of the injunction. Certain of the issues were fact based issues to which evidence was directed and there was also a legal issue concerning a possible breach of Article 1(3)(a) of the Framework Directive (Directive 2002/21/EC as amended) by the terms of the order initially sought.

22. In accordance with Ord. 99, r. 1(3), the trial judge having decided that the plaintiffs had succeeded on the main issue in the proceedings but that UPC had succeeded on other issues was entitled to reach a view as to the respective percentages which those issues respectively contributed as a matter of probability to the overall cost of the proceedings. Having done so he could then either make two orders for costs or make one order on a setoff basis.

23. I would respectfully say that where a trial judge reaches a decision that the party losing the case succeeded on a number of issues which contributed to the overall complexity, length and cost of the proceedings and proposes only making a partial order in favour of the winning party that he should indicate his decision as to the percentage which the issues won by the losing party contributed to the overall cost of the proceedings and then expressly make the net order. This permits the parties and an appellate court to know and assess more clearly the trial judge's decision. I followed this approach in the High Court in McAleenan *v. AIG (Europe) Limited* [2010] IEHC 279, [2013] 2 I.R. 202 where I determined, as a matter of probability, that the issues on which the losing plaintiff had succeeded, contributed to 40 % of the overall costs of the proceedings. I decided and stated that it then followed that the plaintiff was entitled in substance to recover 40 % of her costs against the defendant; the defendant was only entitled to recover 60 % of its costs against the plaintiff (i.e. no part of the costs of the issues on which it lost) and that the net order should be an order for costs in favour of the defendant for 20 % of the overall costs.

24. It follows from the decision of the trial judge in these proceedings that he must have formed the view that the issues on which UPC was successful contributed only as to 20 % of the overall costs of the proceedings. Such a decision leads to the plaintiffs being entitled to an order for 80 % of their costs and the defendants to a cross order for 20 % leaving, as the trial judge determined, a net order in favour of the plaintiffs for 60 % of their costs.

25. No objection was taken to the trial judge adopting an approach of awarding a percentage of the overall costs as distinct from making an order confined to a limited number of the total hearing days. Where the losing party has won on a number of issues this appears appropriate where the issues on which it has won includes legal issues and will have contributed to many of the preparatory costs relating to pleadings and submissions. There may be other cases where a winning party has lost on what is primarily an evidential issue or some other issue makes it appropriate to simply reduce the number of hearing days for which costs are allowed.

26. The parties both in their written submissions and in oral submission to this Court remain in significant dispute about the impact of the plaintiffs' claim for an order similar to what has been referred to as the "Eircom model" and the impact of Article 1(3)(a) of the Framework Directive in the context of the UPC subscribers' contract to issues upon which UPC may be considered to have succeeded. There are also many and continuing subsisting factual disputes as to which party should be considered as either responsible for or not having engaged earlier on alternative terms of an order to be made to those claimed by the plaintiffs. Those are not disputes which this Court can resolve. The trial judge was fully aware of the manner in which the proceedings progressed before him. His substantive judgment records in some detail the progress of engagement between the parties. This Court, whilst it has read the substantive

judgment and in the course of the substantive appeal considered particular issues, parts of the transcript and certain documents, does not possess the overview which the trial judge did. I am not satisfied that either UPC or the plaintiffs have established that the trial judge erred in his approach in reducing the costs awarded to the plaintiffs as the successful party on the main issue in the proceedings by reason of the fact that UPC had succeeded on certain issues. I could not be satisfied on the submissions made to this Court that in effect awarding UPC costs of 20 % of the overall costs of the proceedings creates an injustice for either party in the circumstances of these proceedings. Accordingly I would dismiss both the appeal and cross appeal.

Appeal Costs
27. The remaining issue relates to the costs of the appeal. Counsel for UPC recognised correctly that as the losing party of the appeal and not having succeeded on any major issue in the appeal which might be considered to have contributed to the overall costs of the appeal that the Court would make an order for costs of the appeal in accordance with Ord. 99 in favour of the plaintiffs.

28. The plaintiffs however seek an order for the costs of the appeal on an indemnity basis. They submit that in the High Court UPC advocated cost sharing urging that this was permissible as a matter of law but that in the Court of Appeal UPC submitted that such was an improper exercise of jurisdiction by the High Court being a matter for a regulator. In substance they submit that UPC urged the Court to engage in cost sharing in the High Court and then used that fact in the appeal to contend that the court had acted unlawfully and that such behaviour warrants an order on an indemnity basis.

29. This submission is opposed on behalf of UPC. It submits that in the High Court it challenged the principle of cost sharing; sought from the trial judge a reference to the Court of Justice on the issue and that as a fallback submission indicated that it was prepared to entertain a cost sharing arrangement. Counsel for UPC likened it to a position where a defendant denies liability, but as a fallback makes a submission on damages.

30. I do not consider that there is any basis for an award of costs other than on an ordinary party/party basis. It is inevitable that a defendant who disputes a liability issue may also wish to make submissions on further issues, whether they be quantum or other issues which would arise if the Court finds against the defendant on the disputed liability issue.

Overall conclusions
31. It follows, therefore, that, as already indicated, I would dismiss the appeal and the cross-appeal on costs. I would award the plaintiffs the costs of the appeal in this Court, but only on the usual party and party basis and not on a solicitor/client basis.