IN THE SUPREME COURT OF NEW ZEALAND SC 55/2008

BETWEEN **TINY INTELLIGENCE LIMITED**

Appellant

AND **RESPORT LIMITED**

Respondent

Hearing:	16 March 2009
Court:	Elias CJ Blanchard J Tipping J McGrath J Gault J
Appearances:	C R Carruthers QC with G J Harley for the Appellant K W Clay for the Respondent

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CIVIL APPEAL

MR CARRUTHERS QC:

May it please Your Honours, I appear with Mr Harley for the appellant.

ELIAS CJ:

Thank you Mr Carruthers, Mr Harley.

MR CLAY:

May it please Your Honours, counsel's name is Clay, I appear for the respondent.

ELIAS CJ:

Thank you Mr Clay. Yes, Mr Carruthers.

MR CARRUTHERS QC:

May it please Your Honours, I begin with an apology for yesterday.

ELIAS CJ:

What happened?

MR CARRUTHERS QC:

Well there were changes with the date of the fixture and all of us had it in our diaries for 2.15 today as a result of those changes, and I cannot now recapture just how that happened, but all I can do is convey my apologies for what did happen.

ELIAS CJ:

Yes, well the emails with the Court seemed to be quite clear, the ones we saw yesterday because we did make enquiry, but were there subsequent communications?

MR CARRUTHERS QC:

Yes, there were telephone conversations that followed.

ELIAS CJ:

I see.

MR CARRUTHERS QC:

But I am perfectly happy to accept complete responsibility for it, it's just one of those unfortunate events that occur from time to time.

ELIAS CJ:

Well the consequence is, Mr Carruthers, that we really will be embarrassed if this case goes into the afternoon to any significant extent.

MR CARRUTHERS QC:

No, Your Honours, I've always regarded it as being a half day case, it is, from the appellant's point of view, it is a short point.

ELIAS CJ:

Yes.

MR CARRUTHERS QC:

And I suspect –

ELIAS CJ:

And we have read the submissions and – yes.

MR CARRUTHERS QC:

Your Honours, I want to take as my starting point the structure of sections 120 and 121 of the Act, and they are under tab 2 in my statutory provisions and authorities. Just before I do an analysis of those sections, can I ask you just to go back to tab 1 which is section 24 of the previous provision, the 1962 Act, and I'm going to cross-reference to illustrate the way in which the whole concept and structure changed, in my submission, and you'll see that what was one section with its different provisions becomes two.

So let me go back to section 120 and my submission is this, that section 120(2) sets out the available remedies for infringement of copyright. So that is the compass that is the extent of the remedies for infringement of copyright. But then what section 121 does is that it puts a gloss on 120 by providing three qualifications, and I want to deal with each of those qualifications, because my submission is that subsections (1), (2) and (3) are those three qualifications on the remedies available under section 120(2). Let me come first to section 121(1), and there are two features of that. The innocent – where the infringer is innocent, the plaintiff is not entitled to damages. Now, damages in that context, in my submission, is clearly a reference back to the concept of damages under section 120(2), but what has changed between the 1962 Act and the 1994 Act is this, and if you go back to section 24(2), the provision is that the plaintiff shall not be entitled under this section to any damages. The second feature is this, that what 121(1) makes clear is that this entitlement to damages is without prejudice to the award of any other remedy,

and that's entitled to an account but without prejudice to the award of any other remedy.

In slightly different language is section 24(2). On that, I make these two submissions, the first is that damages, as I have already said in that subsection, the damage is referred to in section 120, and what I then submit is that secondly, the separation of the sections now points to all of the other remedies being available against an innocent infringer and I want to just elaborate on that when I come to deal with subsection (2). So I go to what I submit is the second qualification on remedies and that is in subsection (2), and Your Honours, the essential question in relation to subsection (2) is this, did the legislature intend that a flagrant breach or one that conferred a benefit on a wrongdoer would, where an account of profits had been elected, go without remedy? The consequence of the jurisprudence up to this point is that where there has been an election of an account of profits, the flagrancy and the benefit go unpunished, so my submission is that the legislature cannot have intended to say well you've accepted an account of profits, therefore you are disentitled to any award in relation to the flagrancy of the breach or the benefit that a wrongdoer has attracted.

Just looking ahead, my submission is that neither *Redrow* in the House of Lords nor *Cala* at first instance really addressed that essential question in the terms in which I have put it. Let me give that question just a context and the context is this. That section 120(2), the general rubric for remedy, already provides a remedy in damages. Now damages, as in section 120(2), that remedy includes exemplary damages for example and aggravated or punitive damages. They are all parts of a damages remedy.

So what is the point then of the legislature putting in a provision like 121(2) and my answer to that point is this. That the proper conclusion is that additional damages in 121(2) must have a different and additional purpose. My submission is that it is a separate and distinct remedy. It is additional, that is an additional remedy and again just foreshadowing where I'm heading in

my argument I come to deal both with the way in which *Redrow* has analysed the legislation and I just point to passages from *Cala*.

Now my submission is that the language of the section points to the correctness of the argument which I am making and I take you through subsection (2).

TIPPING J:

Mr Carruthers, are you in effect inviting us to read in, and I'm not being hostile in this respect, award such additional "remedy by way of" damages? Is that what it amounts to?

MR CARRUTHERS QC:

Yes it will amount to that but it's very important to have squarely in mind that this is not – that this is nothing to do with the plaintiff in that sense. It's not the plaintiff's damages. It is the remedy against the defendant, the wrongdoer, for the flagrancy and the wrongdoer for the benefit that that wrongdoer has obtained. I would prefer Your Honour to put it in the way in which His Lordship Mr Justice Laddie did, that is that it is the legislature is intending that this is a remedy sui generis. That it is in a category entirely of its own and that's where I'm headed on the analysis of the section.

ELIAS CJ:

So it's not compensatory? Because I thought in your submissions you had said that it was compensatory?

MR CARRUTHERS QC:

Well yes I think, I think we need – there needs to be some care because it will recognise that the – in looking at the flagrancy and the benefit, it will recognise that the plaintiff has been disadvantaged by the actions of the defendant but what is being focused on by the section is what the defendant has done not what the plaintiff has done, but Your Honour is correct to take up that issue with me because if one is looking at the difficult question of how one would assess damages and this is an issue that His Lordship Mr Justice Laddie

makes, it is difficult but necessarily it will look at, if you are looking at flagrancy and benefit, necessarily you will have to examine what the whole of the circumstances were which will include the plaintiff's position.

GAULT J:

What does that mean exactly Mr Carruthers, "Will recognise the plaintiff's decision"? Does it have a compensatory element or not?

MR CARRUTHERS QC:

The answer to that is yes, it will have a compensatory element.

TIPPING J:

Is this designed then in your submission to sort of partially address the doctrine of election?

MR CARRUTHERS QC:

No, I –

TIPPING J:

Where you elect an account of profits, ordinarily you wouldn't be able to get compensatory damages as well.

MR CARRUTHERS QC:

This is why I'm emphasising that the enquiry is as to the defendant's conduct. Your Honour is quite right, if one is looking purely at what the plaintiff's loss is then that is entirely compensatory damages and that would be an element that you could not get because having elected an account, you cannot claim damages as well. This is why it's really important to understand the context in which compensatory is used. It is something that we have faced squarely but the whole enquiry under subsection (2) is about the conduct of the defendant –

GAULT J:

Is that right?

MR CARRUTHERS QC:

Pardon?

GAULT J:

Is that right? Is not the section broader than that? Having regard to all the circumstances and in particular flagrancy and benefit?

MR CARRUTHERS QC:

Yes.

ELIAS CJ:

As the justice of the case may require.

MR CARRUTHERS QC:

Yes. I mean, in front of me they are the very passages on which – the very words on which I rely to show that this is a self-contained qualification on the scope of the remedies under section 120(2).

ELIAS CJ:

Assuming that you are correct and that the remedies in section 120(2) are ample, they cover exemplaries, they cover aggravated, they cover compensatory damages and they permit you to have an account. What sort of damages are these, are these damages to address difficulties in proof of loss?

MR CARRUTHERS QC:

No, Your Honour. The way in which I reason it is this, that you may have a case where an account is plainly the primary and best remedy for a plaintiff but in addition to the account the conduct of the wrongdoer has been such that it is entitled to an award. Now –

ELIAS CJ:

But isn't that simply to answer the question that was earlier put to you, I think by Justice Gault, that this remedy is there simply for cases where an account has been elected? I didn't understand you to agree with that proposition.

MR CARRUTHERS QC:

I didn't understand that that was the way in which it was being, was being put to me.

ELIAS CJ:

Well do you, is that what you're saying?

MR CARRUTHERS QC:

I am saying that that is a remedy for where an account has been elected, yes.

ELIAS CJ:

So does it apply in any other cases? It would apply if an injunction were granted as well.

MR CARRUTHERS QC:

Yes it would.

ELIAS CJ:

It's only if damages is awarded under 120(2) that you wouldn't have recourse, on your argument, to subsection (2), is that right?

MR CARRUTHERS QC:

That's right, yes.

ELIAS CJ:

But then there's no symmetry in these provisions?

MR CARRUTHERS QC:

No, that's so. Which is why I've described them simply as qualifications on the broad scope of the remedy under subsection (2) of 120.

ELIAS CJ:

So it's only if damages are the remedy that you can't have recourse to 121(2)?

MR CARRUTHERS QC:

Yes, that must be so because damages have – has that breadth of exemplary and aggravated or punitive damages, so it would be difficult to see how flagrancy or benefit were not picked up in that concept of damages, if damages were elected.

GAULT J:

The difficulty with that is that how would you apply that reasoning to the previous section 24 where you've got the same situation where all the remedies are available in respect of damages, but then it goes on to say, in assessing damages there's the power to award additional damages, so that it wouldn't work, that argument, in respect of the previous wording, would it?

MR CARRUTHERS QC:

Well, yes it would, not entitled to damages, entitled to other remedies and is entitled to an account, so that that would work perfectly well.

GAULT J:

But if the election is for damages under the old section 24 –

MR CARRUTHERS QC:

Yes.

GAULT J:

Clearly to my mind, it contemplates additional damages as well, and I understood you to say that under the revised wording now in force, that could not occur because it's all encompassed within the award of damages.

MR CARRUTHERS QC:

If you elect damages, you would cover the field in the sense that you would have exemplary, aggravated, or punitive damages.

GAULT J:

I understand that, and your argument was that therefore, it is only where an account is elected that this concept of additional damages, as a quite discrete remedy, would have application, and I'm saying to you, that doesn't appear to fit with the wording of the previous section 24.

MR CARRUTHERS QC:

But Your Honour that's why the argument has strength, because it represents a significant and deliberate change from the previous provision.

GAULT J:

Well that's a huge change, is there any extrinsic material indicating that intention?

MR CARRUTHERS QC:

No, there isn't, that's part of the difficulty with it, but when I come to it, I can draw on the analysis that's made in *Redrow* and illustrate that that simply cannot be right on the provisions that we have.

TIPPING J:

Mr Carruthers, how far back does this wording in 120(2) go? Because it says, "these types of relief as are available in respect of the infringement of any other property right." As a person unversed in this field, I read it as subsection (2) of 121 gives you a right to some form of damages that isn't available under

120(2). It's additional in the sense that it's not comprehended because it's not a conventional damages remedy for infringement of a property right?

MR CARRUTHERS QC:

With respect I agree with that. That is the qualification that I'm arguing for. That it is in a class of its own.

TIPPING J:

But if it weren't in a class of its own, I'm just going with that phraseology that you're employing, it would be comprehended presumably by subsection (2) of section 120 so it's something more than what you could get under 120(2) is the – when I was first looking at this, said to myself well it must be something that you can't get under 120(2) otherwise you wouldn't need other authorisation for it.

MR CARRUTHERS QC:

That's right and it picks – I think I'd go back to the essential question that I asked. That it picks up the gaps in the remedies that are available so in that sense it's additional and the gap that it picks up is where you have elected an account and there is flagrancy and benefit as the two particular matters just to illustrate the argument.

TIPPING J:

Well that is not what I'm saying. You're moving it sideways. What I want to know is how you can get outside the concept of damages by having additional of them?

MR CARRUTHERS QC:

I get out of the concept of damages by saying that the words "additional damages" are not to be equated with damages under section 120(2). It is a different concept and it is designed to meet a particular state of affairs that would not otherwise be met under the –

TIPPING J:

But if it was designed to give you damages as well as account it's a very clumsy and ham fisted way of doing it?

MR CARRUTHERS QC:

No, no, Your Honour that again, you're going back to the concept of damages looking at it from the plaintiff's point of view and that's not what the section is about.

BLANCHARD J:

What was the previous subsection (3) all about then? What gap is it filling? Because it plainly is related only to damages.

MR CARRUTHERS QC:

Yes, yes, that's right because –

BLANCHARD J:

Well what gap was it filling?

MR CARRUTHERS QC:

I think the answer to Your Honour is that the reason that the section was amended was because that subsection, the previous subsection (3) is, in a sense, contradictory.

BLANCHARD J:

Well, aren't you really saying that it wasn't performing any function at all and you've got to argue that the very subtle change that has now been made to it was intended to effect a considerable reform notwithstanding that when they made the same change in the United Kingdom they had a section in their Act which said that it wasn't making a change?

MR CARRUTHERS QC:

Well that – that, with respect Your Honour, is the distinction.

BLANCHARD J:

Well we then copy what the United Kingdom have done and yet you say that we were intending to make a change?

MR CARRUTHERS QC:

Well the difficulty is we don't copy because section 172 doesn't appear in our legislation.

BLANCHARD J:

Yes but we copy the language of a section in England which we know was not intended to make a change.

MR CARRUTHERS QC:

Well the only reason it wasn't –

BLANCHARD J:

It's a very peculiar way of bringing about the reform for which you contend. I'm not disputing that it might be a desirable reform, the question is whether it's been made.

MR CARRUTHERS QC:

Well Your Honour's argument would have force, with respect, if section 172 had been repeated here but it hasn't.

BLANCHARD J:

But isn't it very odd, when we know that in England they were not intending to change things and said so, and yet we go and use exactly the same language as the English statute in order to make a change?

MR CARRUTHERS QC:

Well Your Honour, that's really why I have invited you to look at what I've described as the essential question. The – whatever, however this got into our statute books and whether we ought to just look at implicitly the English provision, not intending to make a change although it says explicitly it doesn't

want to, but what you're faced with is interpreting the legislation so that it actually has a proper object and purpose in the context of copyright law and that object and purpose is to provide a remedy where these features exist that a remedy that would not otherwise be available and if it's interpreted in any other way, the consequences that a wrongdoer who behaves flagrantly and who achieves a benefit suffers no consequences at all where an account of profits has been elected, and that, in my submission, is wrong in principle because –

BLANCHARD J:

I have no argument with you on the desirability of the reform that you're suggesting. The question is whether that's what Parliament was doing and doing it in an incredibly subtle way, without any apparent comment from the people who prepared reports prior to the 1994 Act coming in, or in Parliamentary materials.

MR CARRUTHERS QC:

The reality of it is that there just simply doesn't seem to be anything.

GAULT J:

Mr Carruthers, can I attack you from another angle, the account of profits is essentially an equitable remedy and has been available in respect of other torts from time to time and historically, when it was available, exemplary damages would not have been awardable, would they?

MR CARRUTHERS QC:

I think if one went back historically, that would have to be right.

GAULT J:

Next question, these property rights that section 120 refers to, really invoke statutory torts, don't they, they're all statutory rights?

MR CARRUTHERS QC:

Yes.

GAULT J:

Has it been decided in the cases that exemplary damages are available?

MR CARRUTHERS QC:

The – I commend the discussion in *Cala Homes* by Mr Justice Laddie –

ELIAS CJ:

Can you take us to that because I'm also interested in this, because I was going to ask whether it has been the case that exemplary damages do apply, because if they don't, then there's perhaps an explanation which is not necessarily harmful to your case, because it could be a stand alone remedy.

MR CARRUTHERS QC:

Go to tab 9, just bear with me for a moment. Yes, if you go to page 42 where His Lordship is discussing the Gregory Committee Report and in the paragraph underneath the quoted passage, His Lordship says this, "A number of things should be noted. First, the committee was recommending the creation by statute of a power to award relief equivalent to exemplary damages. As Lord Hailsham pointed out in *Cassell v Broome*, there was considerable imprecision in the way in which expressions "exemplary damages" and "aggravated damages" were used prior to *Rookes v Barnard*, therefore it's not clear whether the Gregory Committee had in mind the distinction drawn in the latter case between compensatory and punitive damages. In any event, what was being suggested and what the 1956 Act did was to create a judicial discretion to award a head of statutory damages over and above the remedies otherwise normally available to a successful plaintiff. Furthermore, those damages were to be available where existing remedies gave inadequate relief. There is nothing in the report which suggests that it was intended that the statutory damages should be restricted to cases where the plaintiff had sought an enquiry as to damages and not an account."

Now, the next sentence is actually important because what His Lordship is saying is it's not really helpful to look at the statutory remedy in terms of exemplary or aggravated damages. He says this, "The better view appears to be that the 1956 Act created a form of relief which was sui generis to copyright law. Whether that relief could be most likened to aggravated damages or exemplary damages as those terms were finally used in *Rookes v Barnard*, is not a matter which the Court now needs to resolve. Nevertheless, it's true that the use of the words is satisfied that effective relief would not otherwise be available to the plaintiff in section 17(3), led Courts towards the view that those statutory damages were more akin to compensatory, that is aggravated damages than punitive, that is exemplary ones."

So, that's really the best discussion that there is of what –

GAULT J:

It does suggest, doesn't it, that the Gregory Committee were of the view that exemplary damages were not available and should be provided for and that probably, well, might well have accorded with the mess that the British law was in, in relation to exemplary damages at that time?

MR CARRUTHERS QC:

Yes, yes and I accept –

ELIAS CJ:

I think you need to go on further to, down page 43.

MR CARRUTHERS QC:

Shall I read that Your Honour?

ELIAS CJ:

It's just that below the quote, the quote is useful too but the committee was recommending a retention of a form of financial relief which could be likened to exemplary damages at common law.

MR CARRUTHERS QC:

Yes, yes, that's right and the very last part of that passage from the Whitford Committee report, "In the case of flagrant infringement, the Court should be left with a complete discretion to make such awarded damages as may seem appropriate to the circumstances, so that the existence of this provision will act as a deterrent if the existent deterrent of conversion damages is removed" and of course that's what happened. What His Lordship then concludes in the next paragraph, "Therefore the legislative history also points to the current form of statutory additional damages, being ahead of relief independent of and not dependent upon whatever form of financial relief the plaintiff seek under 96(2)."

ELIAS CJ:

To test this, don't we have to know what the pre-reform position was? Don't you need to take us to *Rookes v Barnard* because if exemplary damages were not available for breach of copyright, or something akin to them was not available, then your argument that this is an independent statutory head of damages has quite a lot of force.

MR CARRUTHERS QC:

Yes. I suspect Your Honour, with respect, if I'd run it that way one might have said well, the law speaks from the present and damages and subsection (2) of 120 means damages in all its – all of its additions.

ELIAS CJ:

But I don't know that – are exemplary damages available at common law for breach of copyright? In other words, is there the need for a statutory head of damages in any event?

MR CARRUTHERS QC:

The way through that is to look behind Whitford and Gregory which is, I understand, what Your Honour is asking me to do and the conclusion that seems to be drawn from those reports is that there was – is that prior to these

reports in the statutory amendments there, I think I can put it this way, there was plainly a doubt as to whether there was a remedy of that nature, which I think is what His Honour Justice Gault was asking.

TIPPING J:

How do you escape from the proposition that if you've got a right to award damages in 120, your adding to it in 121 in some way?

MR CARRUTHERS QC:

I think that's really the mistake that's being made. This is, when I come to *Redrow*, this is what *Redrow* says when Lord Jauncey said, well additional to what? And concludes that it can only relate back to the damages in what is our 120(2).

TIPPING J:

I'm not wanting to be literalistic, I'm just saying conceptually if you've got damages available to you in 120, I would have thought as a matter of natural reading if you want that expanded by the concept of more, it has logically to be something that wasn't available to you under the head section because otherwise there's no need to add it?

MR CARRUTHERS QC:

But of course it wasn't available to me because I have elected an account so I – the remedy of damages in 120(2) was not available to me. I've elected an account and what section 121(2) provides is that where you've elected an account, and there are these circumstances, then you are entitled to the statutory remedy which is in a category of its own.

TIPPING J:

Well that's an interesting proposition. You're saying that the concept of availability is where you elect account damages by reason of the doctrine of election –

MR CARRUTHERS QC:

Yes.

TIPPING J:

– are not available, hence you don't have to conceptualise it on the basis of more of the same as I think it was put in the House of Lords?

MR CARRUTHERS QC:

Well that's exactly right. That, with respect, is wrong in my –

TIPPING J:

But that's really the essence of your case isn't it?

MR CARRUTHERS QC:

That's the essence of my case, it is.

TIPPING J:

It's by dint of electing account you don't have damages available hence you rely on this section as allowing you to have them, that first step notwithstanding.

MR CARRUTHERS QC:

But pause with respect Your Honour because the damages that we're talking about are of that exemplary or aggravated kind.

TIPPING J:

Is that because they are defendant focused?

MR CARRUTHERS QC:

Yes that's right. Yes. That's my argument. And I think one can see it from the terms of the section that one's looking at the defendant focus.

TIPPING J:

Well certainly the specifics are defendant focused.

MR CARRUTHERS QC:

Yes and I'm conscious that I've used that as a shorthand way but I recognise that it's wider than that.

TIPPING J:

But as another way of putting it, 120(2) is plaintiff focused, 121(2) is defendant focused, hence there's a conceptual difference of purpose?

MR CARRUTHERS QC:

That's the argument, yes.

ELIAS CJ:

Except that you say that damages under 120(2) include exemplary damages.

MR CARRUTHERS QC:

Yes I do but I –

ELIAS CJ:

Well that's defendant focused.

MR CARRUTHERS QC:

Yes, I think what I was answering His Honour Justice Tipping was perhaps the other way around, under 121(2), it's not plaintiff focused, it's defendant focused.

ELIAS CJ:

But then you run into the difficulties that Justice Gault was putting to you, that the language of the provision, 121(2) is not so crimped, it looks to the justice of the case and so on.

MR CARRUTHERS QC:

Yes, and I accept that, but what really I am trying to distil from the particularity, that is the two particular examples that are given is that that points to – that points away really from the plaintiff-focus to the defendant-focus, but -

TIPPING J:

Is a 121(2) uplift, if I can call it that, available if the breach isn't flagrant?

MR CARRUTHERS QC:

The – yes, the innocent infringer plainly will not be caught by (a), but may be by (b), because as a wrongdoer, innocent or not, that innocent may well have obtained a benefit, which as a wrongdoer, it would be wrong in principle for even an innocent infringer to retain that benefit.

GAULT J:

That's really pushing the words a bit, isn't it?

TIPPING J:

It is a bit.

MR CARRUTHERS QC:

Well, what I'll say is that that case is not this case because we have a plain finding of flagrancy but Your Honour, I have reasoned that through because it is something that needs to be faced, but that must be an exposure that –

TIPPING J:

You're not entitled to damages but you are entitled to additional damages?

MR CARRUTHERS QC:

Well Your Honour, no, it's not a matter of inconsistency at all, because once you get the concept that this is a statutory remedy that might have been more felicitously named than additional damages, but once you get the concept that it's a statutory remedy, then it actually falls into place.

TIPPING J:

But if you've had an account, it's very unlikely that there's more benefit stripping to go on. I know you say in your submissions there could be some rather esoteric benefit that isn't within the concept of account or profit.

MR CARRUTHERS QC:

It's not esoteric at all Your Honour, let's take an example of a tie-in where the innocent has had a commercial arrangement which involves a packaging of his product, his swords, with tickets to the Crusaders matches, and you have a package, now there is a benefit in that because you can see that there is likely to be a commercial relationship that provides a benefit.

TIPPING J:

Is that a benefit that's not within the scope of account of profits?

MR CARRUTHERS QC:

Yes it's likely to be. Put it this way, it's not beyond the wit to capture circumstances where there may be relationships that do not lead to a benefit in an account but certainly lead to a benefit outside account. It may – it would be, if you're looking at a tie-in, it's difficult to discern what profit might emerge from that tie-in, because the benefit is really the commercial relationship.

TIPPING J:

Well I have to say that that's, although I agree that's conceivable, if one's focusing on the concept of benefit as one of the particulars, that doesn't seem to me to fit very easily with the concept of an account as being your primary remedy. If you've elected account, the prospect of there being a further benefit that you would want to get disgorged is theoretically possible, I acknowledge, but it doesn't fit in your ordinary run of cases.

MR CARRUTHERS QC:

Well it may not but if one's looking at a principled approach to the interpretation of these provisions, that would be an instance that – where an innocent wrongdoer may be exposed. If an innocent wrongdoer is not

exposed at all then the section can sit quite happily with those who are not innocent.

TIPPING J:

So you are contemplating an account plus what some call disgorgement damages on top of account?

MR CARRUTHERS QC:

Yes because it's defendant focused.

TIPPING J:

It has to go that far, doesn't it, to make the section work the way you want it to work?

MR CARRUTHERS QC:

Only in relation to – well I'm looking at it in relation to an innocent, yes.

TIPPING J:

Well whether –

MR CARRUTHERS QC:

I suppose whether it's innocent or not.

TIPPING J:

Whether it's innocent or not?

MR CARRUTHERS QC:

Yes that's right because it –

TIPPING J:

Well this surely can either to be punish for flagrancy –

MR CARRUTHERS QC:

Yes.

TIPPING J:

Or it is to retrieve some form of benefit on top of what is captured by your primary relief?

MR CARRUTHERS QC:

But it is a punishment for the defendant because it is the benefit accruing to the defendant. It's nothing to do with the plaintiff.

GAULT J:

I understand that is captured in the word "damages." Look at the heading to section 121, "Provisions as to damages…".

MR CARRUTHERS QC:

Yes but Your Honour –

GAULT J:

It's not drawing any distinction between the damages referred to in 121(1) and the additional damages referred to in 121(2).

MR CARRUTHERS QC:

It's talking about damages in infringement proceedings and as I've submitted I'm on the second of the three qualifications to the overall damages remedy.

TIPPING J:

It's not really a qualification, it's an expansion.

MR CARRUTHERS QC:

Well I – I'll call it a gloss then.

TIPPING J:

It doesn't cut it back. It adds to it.

MR CARRUTHERS QC:

Well –

GAULT J:

No it's separate from it on your argument. It's not related to it at all because you're invoking it in the case of an account. It's nothing to do with the damages remedy on your argument.

MR CARRUTHERS QC:

With respect, in my submission, that is, that heading, that section heading has to be neutral because you're bound to interpret the word additional, additional damages in a form of a statutory remedy that rightly or wrongly the legislature refers to as damages.

ELIAS CJ:

But what's significant is that the three provisions are grouped together and the first and third are not detached from section 120.

MR CARRUTHERS QC:

I really don't – if I have used an inappropriate way of describing it –

ELIAS CJ:

Well I thought you were saying that subsection (2) is stand alone, it's a stand alone remedy, a different remedy.

MR CARRUTHERS QC:

Well yes I mean in a sense each of those provisions is stand alone. They –

ELIAS CJ:

Well it's not because subsection (1) surely says that notwithstanding that you can obtain damages, if it's under 120(2), if you didn't know then you can't have damages but you can get an account of profit?

MR CARRUTHERS QC:

So that's what I've called a qualification.

ELIAS CJ:

Yes.

MR CARRUTHERS QC:

That's an exception to – it's –

TIPPING J:

Three is a stand alone in your favour?

MR CARRUTHERS QC:

Yes.

TIPPING J:

It's got nothing to do with damages.

MR CARRUTHERS QC:

No.

ELIAS CJ:

No but it relates back to injunction which is embraced by 120(2).

MR CARRUTHERS QC:

Yes.

TIPPING J:

I'm thinking of the heading to the section.

ELIAS CJ:

Oh yes.

TIPPING J:

It's not as pure as the driven snow.

ELIAS CJ:

No, I'm looking at the structure rather than the –

MR CARRUTHERS QC:

With respect to His Honour Justice Gault, my submission is that nothing can be satisfactorily drawn from –

TIPPING J:

But on the other hand Mr Carruthers, I wouldn't necessarily dismiss my brother Gault's point altogether because it does have a connotation if you like, until you get this curious subsection (3) that it's all about damages.

MR CARRUTHERS QC:

No, no and I wasn't being dismissive of it in putting it that way but my submission is that you are dealing with three different and distinct propositions in (1), (2) and (3).

ELIAS CJ:

But they are all related back to section 120 and to the principle remedies.

MR CARRUTHERS QC:

Yes and that's where I started Your Honour, by saying that is the rubric within which the remedies arise but they are then qualified in the ways that I put in (1), (2) and (3).

ELIAS CJ:

I suppose loosely, 121(3) is connected with damages because you're thrown on to damages as your remedy, you can't have an injunction.

MR CARRUTHERS QC:

No. Prior to a certain point.

McGRATH J:

Mr Carruthers, could I just take you back to *Cala Homes* at pages 42 and 43. I'm interested in, at the bottom of page 43, where Mr Justice Laddie invokes the final words for Gregory Report as really indicating the provisions, not restricted to cases where the plaintiff elects to seek damages. Isn't it the case that the whole of the paragraph on the previous page of the Gregory Report, is really only concerned with a claim for an injunction and damages and it's only really in those final words you could possibly get a connotation of a discussion of an account as a remedy?

MR CARRUTHERS QC:

Your Honour is looking at the passage under the heading, "Extended penalties"?

McGRATH J:

I am and I'm looking at –

MR CARRUTHERS QC:

You're looking at the last sentence –

McGRATH J:

The last words, "In conjunction with Mr Justice Laddie's observation as to what they suggest on the following page."

MR CARRUTHERS QC:

Furthermore, down, at that sentence.

McGRATH J:

I'm really querying whether the only aspect of legislative history that Mr Justice Laddie can rely on in relation to the Gregory Report gives much support to his conclusions?

BLANCHARD J:

I think my brother's point must be right because when the legislature in England and then in New Zealand came to implement that, the words "In assessing damages for the infringement" were put in to the remedial provision. I can't escape the feeling, although some research may be needed to see whether there's any case law or other indications of a general understanding at the time but I can't escape the feeling that this was put in, as the Gregory Report suggests, as an equivalent of exemplary damages but I doubt very much that the Gregory Committee was thinking about exemplary damages as other than parasitic on compensatory damages and indeed that's the way it was done in our section 24(3) and the English equivalent.

MR CARRUTHERS QC:

The difficulty with that argument is that the legislature made a deliberate change in 1994 and that –

BLANCHARD J:

I accept that but do you accept what I've just put to you about the state of play before 1994?

MR CARRUTHERS QC:

I think I'm bound to accept that –

BLANCHARD J:

Right. So, the only question then is whether there was a significant change being made by the omission of the words in assessing damages for the infringement in the 1994 statute?

MR CARRUTHERS QC:

Well I'd go a little wider than that Your Honour by looking at the way in which that previous section 24 was divided up into two sections in the way in which I've analysed, but Your Honour that is right and that is the foundation of the argument that there was a deliberate change and it was substantive and not simply just looking at the words and playing with the words as the English

Courts have, in my submission, it's looking at what the principle is, and the principle is, as I've submitted already, that one has to look at what the consequences are of electing an account of profits where, in addition to any account, there is conduct of the kind referred to in subsection (2) of section 121, and that's the absolute essence of the argument.

TIPPING J:

Perhaps the word "benefit", Mr Carruthers, is designed to reflect the concept that is sometimes adopted in exemplary damages cases that showing the defendant the infringement it would be here doesn't pay. In other words, you are not going to get a profit, if you like, or benefit out of the infringement, hence its link thereby the two concepts of flagrancy and benefit are linked, because it's an egregious wrong and part of the remedy is to show the tortfeasor normally that committing torts doesn't pay.

MR CARRUTHERS QC:

That's right, you can't profit from your own wrong, that's why it's defendant focused.

TIPPING J:

It is defendant-focused, but it's – if it has that connotation of exemplary damages, not strictly so-called, then traditionally, the amount of the primary remedy of damages is relevant, isn't it, to whether additional punishment, if you like, is required. So it's inevitably tied, as my brother said, parasitic on compensatory damages, in a structural sense.

MR CARRUTHERS QC:

It's really, I think it's really tied to the outcome of the account of profits. If you have – if you calculated simply your profits and then you look at what the circumstances are, and there are flagrancy and benefit, then you are looking to punish those elements.

TIPPING J:

I don't think you would have had the draftspeople of these sections, at the time they were drafted, this joining compensatory and exemplary damages and having conceptually the idea of exemplary damages on top of account, I think that's a long step for – at the time these things were going on, at the time these draftings –

BLANCHARD J:

Well they simply didn't do it, at that stage. The question is whether they have subtly done it at a later stage without any signals being given other than the omission of the words in assessing damages to the infringement and some rearrangement.

MR CARRUTHERS QC:

Well, and some different words in that part of the section.

TIPPING J:

Well you'd have to accept, wouldn't you, that it's a pretty subtle piece of drafting, if that was – when they've actually got the expression "account of profits" in subsection (1).

MR CARRUTHERS QC:

Well, with respect Your Honour, I think it's important to do a complete analysis of the words, because they are actually quite different provisions by the time you get to the 1994 legislation, and I mean, I really resist that it is subtle, because if you picked up only the 1994 legislation and looked at it and interpreted it, then my submission is that the argument I put is a compelling one.

TIPPING J:

Well if you ignored the statutory history and the language of the previous Act, I, with respect, don't think it follows at all clearly, that your exemplary damages are disjoined from compensatory damages.

MR CARRUTHERS QC:

I think you get into the difficulty that Mr Justice Laddie, in my submission, rightly resisted that it really is not to the point and it's really not necessary to the decision to decide conceptually what the damages might have been at common law. What Your Honour is concerned with is that here there is a statutory remedy that is designed around statutory provisions that give the criteria for the award and I have, in my submission, the compelling point of principle that otherwise, unless that interpretation is adopted, the flagrant wrongdoer, the wrongdoer who obtains a benefit goes unpunished where an account of profits has been elected.

Now Your Honours I was still on 121(2) and I just want to pick up these provisions because I think that I have been rather taken to them anyway. Subsection (2), it applies to all proceedings for infringement of copyright, in proceedings for infringement of copyright, so it captures all of the proceedings, that is the way in which the section is drawn. It is having regard to all the circumstances and then the particularity is recorded and the relevant consideration is as the justice of the case may require in all of those words support the principle that I have contended for.

Your Honours I don't need to deal in any detail with section 121(3). I have described that as just the third qualification of the remedies in 120(2).

Now I want to turn to *Redrow* and I do face squarely that my argument challenges in part the reasoning of the House of Lords and the courage to do so arises from the fact that the House of Lords really does not address that essential question that I have raised. That is, what about the wrongdoer who's flagrant and gets a benefit where an account of profits is elected? So that issue is not faced and no part of the reasoning touches on, let alone answers, that question.

If I can go to *Redrow* under tab 10 and I just want to deal with one passage from the speech of Lord Jauncey. I'm on page 207 of the report and I'm under letters A and B. I'm really in the second sentence in that section beginning

the words additional damages. "The words additional damages without further explanation or qualification immediately provoke the question additional to what? The natural and ordinary meaning is additional to other damages already assessed or as the respondent put it succinctly, more of the same." Well there are two ways of looking at "additional to what?". Additional to the other remedies that the section provides. More of the same. One has to ask the question, what is the point? Why would the legislature be enacting a provision that was more of the same if the same had already been provided for? So, in my submission, with great respect to His Lordship that analysis is, in my submission, superficial and it does not actually even face the essential question which I have raised.

Now I do want to draw attention to the distinctive and different provision in the United Kingdom legislation and this has been the subject of the exchange that I have had already with His Honour Justice Blanchard. It's in the speech of Lord Clyde that's on page 208, and my submission is that Lord Clyde actually recognises the point that, being the argument I am making, but says that it is really overcome by the English legislation. Page 208 in the last paragraph between letters F and H, this is the third of his four reasons for agreeing with the other members of the Court. "In the third place, it seems to me quite clear that additional damages under the earlier legislation were intended to be an enhancement of an award of ordinary damages. In section 17(3) it was expressly provided that the Court might make such an award in assessing damages for the infringement. Those words have not been copied in the later form of the legislation in section 97, but the significance that which might otherwise have been attributed to the disappearance of those words in the Act of 1988 is materially diminished by the provisions of section 172. That section explains that part 1 of the Act, into which sections 96 and 97 fall, is restating and amending the law of copyright. It then provides expressly in subsection (2), that a provision of part 1 which corresponds to a provision of the previous law is not to be construed as departing from the previous law merely because of a change of expression. Subsection (3) expressly permitted reference to decisions under the former law to establish a departure from the previous law or to establish the true construction of part 1. The

intention was plainly not only to amend, but also to restate the former law in what was no doubt hoped to be clearer language and to preserve the existing jurisprudence."

Now I just pause there for a moment, because the extent and the elaborate extent of section 172 is designed, according to His Lordship's reasoning, to overcome the significance which might otherwise have been attributed to the disappearance of those words, and of course we do not face that issue at all, so in my submission, the Court's entitled to look at this issue as a matter of principle and discern the underlying principle in section 121(2).

GAULT J:

Does that really help you very much, Mr Carruthers, when the New Zealand legislature chose to take the same words as the English provision, knowing that section 172 in the English Act had said the words weren't to have any different meaning?

MR CARRUTHERS QC:

Well I suppose the answer to that, Your Honour is that if the New Zealand legislature had wanted to achieve that result, the way to achieve it was to put a provision like section 172 into our Act, but it is not there.

GAULT J:

Certainly that's one way of doing it, yes.

BLANCHARD J:

But Lord Clyde also says, and it's the next sentence –

MR CARRUTHERS QC:

Bear with me Your Honour, I haven't got to that one. Sorry, Your Honour I shouldn't interrupt you.

BLANCHARD J:

Not at all. The next sentence is, “The expression “additional damages” remained unchanged, if it was to be transformed into some independent remedy compatible with an accounting that would have required clear words”, and then he says, “On the contrary, they had section 172.” But it does seem to me that the difficulty that Justice Gault is mentioning to you is really picked up in those two sentences from Lord Clyde. Surely some clear words were required for a reform of this considerable character. We didn't get them. Not only did we not get them, we got a copy of some words which the drafter would have known that the English equivalent was not intending any change.

MR CARRUTHERS QC:

But Your Honour, the question that arises is, what are the clear words? What can make it clearer than what it is if one focuses on what the principle shall be?

BLANCHARD J:

Well the use of the word “additional” for example. You’d at least expect that to be dropped and frankly I would have expected a specific reference to an accounting for profit in the subsection to make it clear that a reform was being affected.

MR CARRUTHERS QC:

The drafter would have had – I’m sorry. I think what Your Honour must be putting to me is that the drafter should have used a different expression from the words “additional damages”.

BLANCHARD J:

Well he’s got an English statute which makes it clear that there’s no change being made. Our drafter, let us presuppose, wants to make a pretty significant change, one which is inconsistent with the common law provisions, or the general law provisions to be more correct, under which damages and account of profits are inconsistent remedies. So he’s faced with reforming that yet he doesn’t signal that in any way. He continues to use the word

additional but not only that, he uses it in a subsection which is copied from an English provision which has a section in it saying "We're not changing the law."

MR CARRUTHERS QC:

But doesn't, with respect, doesn't that beg the question as to whether the drafter took the view that there would not be a provision like section 172 so –

BLANCHARD J:

But very odd when he knew that the English were not changing the law and yet he uses exactly the same words as the English.

MR CARRUTHERS QC:

Well –

BLANCHARD J:

It's a pretty funny way of signalling a change.

MR CARRUTHERS QC:

Well Your Honour it would repay attention to look at the scope of section 172. It has those three parts. It's a very elaborate provision to preserve the English position and one would have thought that if the New Zealand legislature was intending to preserve the position in the same way, there would be a similar provision. Your Honour, I expect we can debate those respective positions but I would always invite you to come back to that principle that underlies the argument that I am making because there is no answer to that principle in *Redrow* at all. What they've focused on is simply the words and what I'm inviting you to do is to look at the way in which the Interpretation Act requires us to look at legislation and say, the only way to capture the principle that must emerge from this is to interpret it in the way in which I've advocated.

GAULT J:

Is it quite correct to say that there's no answer in *Redrow* to this point you're making, isn't that Lord Clyde's fourth point?

MR CARRUTHERS QC:

I was just – no, no, I didn't think it was.

GAULT J:

It seems to me because you are saying that what is in effect a change in the historical distinction between profits and damages should no longer apply and he's saying the words aren't clear enough to affect that change. He understands the point but doesn't go with it. Isn't that an answer?

MR CARRUTHERS QC:

Well, no. With respect, the way in which I read his speech is that his fourth point finally follows on from his third point, that is – and that's what he said in the second to last sentence, "In the absence of any clear indication to the contrary, I'm not persuaded that Parliament intended to innovate on the basic principle and allow a claim of this kind to be pursued alongside an accounting." That, as I read it Your Honour, followed because of the explicit provision in section 172. For example, he recognises that a distinction can be drawn between the benefit and the net profits that might be earned and then rightly says, "They would be caught by an account but the benefit would extend to such matters as the acquisition of an enhanced position in the market which would not be included in the calculation of the net profits" which is the point I was trying to make to Your Honour Justice Tipping about benefit. The rest of the reasoning, "But this additional content for the word benefit does not seem to me to justify the conclusion that an award under section 97 was intended to be available when the pursuer opted to claim an accounting. The matter ofa benef accruing to the defender was among the express considerations to which the Court was to have regard under section 17. That the remedy of an award under 97(2) may not be available as an addition to an accounting of profits is wholly consistent with the basic principle that an award of damages is inconsistent with an accounting." Just that sentence alone indicates that His Lordship isn't actually addressing the question at all, he's looking at simply treating the additional damages as an adjunct to damages.

Your Honours, just in terms of – I want to move to *Cala Homes* simply to draw attention to the passages on which I rely. I'm under tab 9 and I'm at page 40, where Mr Justice Laddie is making his analysis of additional damages. I'm at the second to last paragraph, in the middle of that paragraph, right-hand side, "That is to say damages additional…", that's where I'm starting. "That is to say damages additional to the relief ordinarily available under section 96(2). It follows that if the justice of the case so requires, the statutory additional damages under the subsection may be ordered whichever form of financial relief under section 6(2) the plaintiff chooses." So this is really the source of my answer to Lord Jauncey, additional to what it is an additional remedy in the way His Lordship, Mr Justice Laddie, puts it. I think I've dealt with the passages on 42 and 43. Might I – I think I'm bound to say that the case itself doesn't deal explicitly with the essential question which I pose but certainly the analysis in that case would answer the point and meet the point, and might I just add this in relation to Mr Justice Laddie, this was his field of expertise at the bar, this was his area and in my submission, his analysis requires respect. I can't let go the mischief of just pointing out that – although I can't derive a lot of support from it, the first instance judgment of *Redrow* was of course in favour of my argument also.

TIPPING J:

Did it go directly to the House of Lords or was there a Court of Appeal decision in between?

MR CARRUTHERS QC:

No, well it's a Scottish case, so it did have an intermediate step which overturned the first instance judgment and the House of Lords supported that judgment.

Your Honours, I'm conscious of the time and I'm just going to draw attention in my argument, in my written argument to passages so that my learned friend has a proper opportunity to address. The next heading that I was going to in my oral argument was the Court of Appeal judgment and I've discussed that in my written argument, and if I can just give you the references. I'm on page 7

at paragraph 14 where I set out the two essential paragraphs in the Court of Appeal's judgment at paragraphs 13 and 14, and from that point through to paragraph 27 on page, the trinch is on page 12, it's really the last sentence on the bottom of page 11. That's the analysis that I make of the Court of Appeal judgment and because it draws so heavily on *Redrow* and doesn't deal with the essential principle which was squarely put to the Court, there's probably, unless Your Honours want me to, I would simply be going through my written submissions on that analysis on the Court of Appeal judgment. And so, may I simply rely on what I have put in writing in relation to that?

Now, the final topic is the New Zealand cases and they are, with respect, rather dismissed by the Court of Appeal and I've referred, and I refer you, but don't take you to paragraph 26(d) and 27 of the Court of Appeal's judgment. I have made the analysis of the New Zealand cases under section F in my written argument beginning on page 12 at paragraphs 30 through to 36 on page 14. I acknowledge that there is nothing squarely in point, but in each of the cases, there is a recognition of the issue and probably the best analysis in there is in my paragraph 32, the *Wellington Newspapers* case and I've set out the passage in paragraph 33. What I would say about those cases is not only has the Court of Appeal looked at the issue but there are passages that in fact support the approach which I have been advocating and those that aren't Court of Appeal cases certainly are decisions of Judges that would, in my submission, command respect.

GAULT J:

They were under the 1962 Act which had the wording much more difficult to you –

MR CARRUTHERS QC:

Yes.

GAULT J:

– to draw support from, aren't they?

MR CARRUTHERS QC:

Yes but nonetheless –

GAULT J:

They looked to me –

MR CARRUTHERS QC:

That didn't deter the Court of Appeal.

GAULT J:

Not to that extent they looked to be wrong.

TIPPING J:

Were they perhaps more –

MR CARRUTHERS QC:

I don't –

TIPPING J:

Is it fair to say that they were more instinctive than reasoned?

MR CARRUTHERS QC:

Only Your Honour could say that. Just in answer to Your Honour Justice Gault, yes I – it will be clear that I don't have to rely on those, that I am looking at a much more fundamental principle than the cases have analysed.

GAULT J:

I understand that.

MR CARRUTHERS QC:

Those are my submissions if Your Honours please.

ELIAS CJ:

Yes thank you Mr Carruthers. We'll take the morning adjournment now.

COURT ADJOURNS: 11.31 PM

COURT RESUMES: 11.53 AM

ELIAS CJ:

Yes Mr Clay, now you've heard the exchanges with the Bench and you can probably zero in on what was of most interest in that.

MR CLAY:

Yes Your Honour. The key issue in this case is in fact whether the second Act in New Zealand, the 1994 Act, affected any change to the situation that existed previously. It's quite clear, in my submission, that the 1962 Act confined additional damages to the situation when one was assessing damages. It said so expressly. My learned friend has referred the Court to some New Zealand cases about remedies in this situation, but none of those addressed this particular issue. I have set those out in my submission. They go both ways in some respect. I have referred the Court to *Feltex Furnishings*, where Justice Hardie Boys suggested that in fact they were attached to compensatory damages in a very brief comment. And the reason for that situation Your Honours is simply because the matter was not addressed. So the key issue Your Honours in this case, is whether the change of wording in the `94 Act brought about the approach that is advocated for by my learned friend. In my submission, it went nowhere near far enough to bring about such a substantive change in the remedies and I have set out in my submission, as indeed did the Court of Appeal, the key points from Lord Clyde's speech and I rely entirely on those points which Lord Clyde made. I just want to make two brief comments, point 2 of Lord Clyde's speech deals with the structural change which was referred to by my learned friend this morning and that is the analysis of the House of Lords of what is a statutory code and how the two sections interact.

Further points that can be made in this context are firstly, the term “additional damages” remains the same. Secondly, in the New Zealand context, we put a heading over our section that refers to damages, and that is what section 121 is about, it is about damages because that is what Parliament has said it is about.

ELIAS CJ:

So if there was a claim for an injunction but a claim for damages was not pursued as part of that proceeding, on your argument, you would not get additional – would not be able to claim additional damages?

MR CLAY:

No.

ELIAS CJ:

Which is slightly – which doesn’t seem to be quite what the English committee envisaged because they refer to the use of additional damages where injunctive relief is obtained.

MR CLAY:

Your Honour, the brief answer to that is that the Gregory Report made a recommendation which was followed up in the `56 UK Act and the `56 UK Act clearly cofines additional damages to where damages are sought, and that is the law and that is what was enacted as a consequence of the Gregory Committee.

ELIAS CJ:

So are you saying that the Gregory Committee wasn’t implemented fully?

MR CLAY:

There has been some debate about that Your Honour, but the Courts have been unanimous in their interpretation of this section, if I may say so, the Court of Session in House, Your Honour, three nil, the House of Lords, the

same approach in the High Court of Australia to a similar section, although worded clearer.

BLANCHARD J:

High Court of Australia?

MR CLAY:

Yes, in the case – sorry, Your Honour –

BLANCHARD J:

Federal Court?

MR CLAY:

Yes, I stand corrected. But the same approach in Australia as in New Zealand and in the UK to this issue. So that gives us a uniformity of approach to this issue in these jurisdictions where this particular section is in force.

TIPPING J:

Just while it's in my mind Mr Clay, if I may, I'd just like your help on, the reference to benefit in this section, did that come in coincident with the abolition of conversion damages?

MR CLAY:

No Your Honour, it was always there.

TIPPING J:

It was always there, was it?

MR CLAY:

It was always there.

TIPPING J:

Right. It just had a bit more force, if you like, when conversion damages were abolished?

MR CLAY:

Yes in `85 Sir, the conversion damages were abolished and that's exactly the point, but my point is that it didn't change the nature of the concept of additional damages. It didn't turn it into an independent remedy. Your Honours, that is in fact the key issue in this case.

I have set out the history in my submissions and I don't need to read those, Your Honours, effectively the first 11 paragraphs is about the history which was covered also by the Court of Appeal and the desirability of uniformity and in particular the interpretation of a – a consistent interpretation of this section. I set out the basis of an election, that is inherent in the section itself and the approach is to damages and an account of profits and note there Your Honours about the concept of a condonement of the infringement when a plaintiff elects an account. The Court of Appeal referred to that concept which was also referred to in the Ministry of Justice's departmental report –

TIPPING J:

It's a kind of fictional condonement really, isn't it? You don't say, that's all right old chap, you simply are deemed if you like to have condoned.

MR CLAY:

That's correct Sir. It is however a consistent thing. It's referred to in *Copinger* and it's referred to in Copyright and Design, it's referred to in the Ministry's Report, so it's a common concept underlying the account.

GAULT J:

Does that trace through where account of profits is applied in other areas such as trusts and the like, is that a condonement breach?

MR CLAY:

I don't know Your Honour, I'm not sure of that.

ELIAS CJ:

It really seems an unhelpful concept really.

TIPPING J:

It goes back to, was it a House of Lords case in the '80s –

MR CLAY:

Yes, *Nielson v Betts* I think Sir.

TIPPING J:

I agree entirely, it's a pretty fanciful sort of idea. It was supposed to be the underpinning of the difference between account and damages, wasn't it?

MR CLAY:

Yes Sir.

TIPPING J:

Damages, you were saying naughty, naughty. Account, you were saying oh well, it's all right –

ELIAS CJ:

Thanks, I'll have it.

TIPPING J:

Thanks, I'll have the profit. It's pretty sort of strange.

MR CLAY:

Yes, it is.

TIPPING J:

I don't know that it necessarily affects this issue.

MR CLAY:

That's correct Sir. I mean, the whole issue of an election I don't think is before this Court. This Court is looking at the interpretation of a section and the election is –

TIPPING J:

But it does have this bearing doesn't it Mr Clay, that if Parliament were intending to remove pro tanto the inconsistency between account and damages, you would have expected it to have been done very explicitly because of the fact that the difference is embedded very firmly in the law and has been for a long time.

MR CLAY:

Yes Sir and reflected in the section. That's the point of the House of Lords, by Lord Clyde and the President also took that up in the Court of Appeal –

TIPPING J:

That's why, if you are an innocent infringer you are liable to an account but not liable to damages.

MR CLAY:

Yes and that's why this interpretation reflects the historical – in the submissions I tried to look at it from an historical, academic, international perspective and in my respectful submission to Your Honours we come to the same result in relation to each of those perspectives.

Your Honours, I then turned at paragraph 18 of my submission, to the text and I worked my way through the decision of the House of Lords and the Court of Appeal. We've already had read two of the points verbatim but the first consideration of Lord Clyde is set out at section 22, at paragraph 22 and His Lordship just notes that "In the first place the language used in this statute seems to me to point to the understand" that what is intended in section 97(2) is an enhancement of an award of damages and not provisional self standing

remedy. The use of the word damages in sections 96(2) and 97(1) plainly refers to the ordinary remedy of damages and it is difficult to read the term additional damages and section 97(2) is something quite separate and distinct. The phrase itself naturally leads as intending an addition to an award of damages rather than, as Justice Laddie put it, damages additional to the relief ordinarily available under section 96(2)." Then Your Honour, I've referred to the response of the House of Lords to my learned friend's submission this morning about the interpretation of the two sections. I won't read that out Your Honours, if I may not. It is set out there, structurally the two are inter-related and for the reasons set out the structure doesn't change the meaning of additional damages.

Your Honour the third consideration was already considered this morning. This is the fact that the legislation was changed and the fact that previously it was quite clear what the position was and then over the page on page 25 that the Court, we've already been through this so I won't go through it again Your Honour, but just to point out that the Whitford Committee which was responsible in effect for the UK Act, did not intend to make any changes in the concept of additional damages and that's the same in New Zealand where the Copyright Committee Report certainly makes no suggestion that that's the purpose of this – of the New Zealand Act. Indeed it says that we are simply adopting the UK legislation into our jurisdiction.

BLANCHARD J:

Have we got that report?

MR CLAY:

Yes Your Honour. In the bundle I have enclosed at page – it's not the full – it's tab 10 Sir at page 77. This is only the explanatory note Your Honour.

BLANCHARD J:

Yes, this is not the report.

MR CLAY:

No, this is the explanatory note to the bill.

BLANCHARD J:

But you I think were saying that the report, was it called the McKay Committee?

MR CLAY:

I stand corrected –

BLANCHARD J:

The report said they were not intending to make any change. So is that in fact correct?

MR CLAY:

I'm not sure Sir on that point. I have read the Copyright Bill in the explanatory note and I have set that out.

BLANCHARD J:

But wasn't there a report which preceded the bill?

MR CLAY:

Well Your Honour I'm not aware -

TIPPING J:

I thought there was some reference somewhere in the papers to something in the Ministry of Justice.

GAULT J:

There were lots of departmental papers but I'm not sure there was a committee report.

MR CLAY:

There is, Your Honour, there's a reference in the Court of Appeal decision to the Ministry of Justice's departmental report and the relevant section in relation to this is set out in the Court of Appeal judgment. I can take Your Honours through that. Page 82, paragraph 12.

BLANCHARD J:

Well I've never been quite sure whether it's permissible to look at a departmental report on a bill.

TIPPING J:

At least we can work on the premises Mr Carruthers appropriately conceded that there was nothing that he could be pointed to that suggested positively a change.

MR CLAY:

Yes.

TIPPING J:

Which one would frankly have expected if something of this consequence was afoot.

MR CLAY:

Yes. So Your Honours I then move at page 10 and 11 in relation to further commentary about the interpretation of the section and page 11 I deal with how the House of Lords dealt with these omissions. Lord Jauncey observed it would be particularly remarkable if Parliament had intended to create an entirely new independent remedy available against infringers, whether innocent or not, in the section dealing with damages rather than remedies and that's solely by implication as a result of the omission of certain words in a re-enacting section. And Lord Jauncey went on further to say that that section 97(2) substantially re-enacts section 17(3) but omits the words italicised in the latter section which omission the appellants claim amount to far more than a mere change of expression. Their argument necessarily involves the

omission of the above words resulting in two material alterations to the previous law. In the first place, "additional damages" would have a different meaning in section 97(2) than it did in section 17(3) below, being now an independent remedy. In the second place, whereas no award of additional damages could be made against an innocent infringer under section 17, such an infringer may now, the appellants argue, be subject to such an award. Furthermore, the argument produces the anomaly that damages in 97(2) must necessarily have a meaning somewhat different than the damages in 96 and 97(1), this were not so an innocent infringer could not be exempt from the damages referred to in the latter two subsections, but nevertheless is liable to the damages referred to in the former subsection.

And the last two points on the text, Your Honours, was the fact that the Court of Appeal and the House of Lords did give full consideration to the history of the legislation, and finally, as the President in the Court of Appeal noted, it would be presumably Parliament intended the Acts to have the same meaning. If that was not the intention, why copy the language of the two sections?

Your Honours, I then refer to the previous New Zealand cases which I have already explained my position on, and paragraph 36 is the comment from Justice Hardie Boys in *Feltex* where His Honour noted, "Flagrancy is thus an element in the award of additional and conversion damages, these are an addition to compensatory damages." Which is perhaps an indication of just the natural ordinary meaning of the words.

Your Honours, the historical approach and international approach I have covered and in terms of academic writing, I carried out some research Your Honours, McGregor on Damages does say a claim to additional damages does not lie where an account of profits is sought, it was rightly so held. So McGregor on Damages concurs with the decision of the House of Lords, and agrees with that. There are further commentaries in Copinger, Equity Doctrines and Remedies, and Lahore and each of those refer to the decision without making adverse comment. And Justice John Hansen in the

High Court referred to an article in Intellectual Property in New Zealand, LexisNexis and an article in the New Zealand Intellectual Property Journal has been of assistance to his interpretation.

Your Honour if that is the position, which in my submission it is, then the nature of additional damages will not fall to be determined by Your Honours. It seems that the lean has been in the past towards these being aggravated damages and in *Wellington Newspaper* the Court of Appeal rejected the argument that additional damages could be compensatory only and not exemplary. The majority of the Court of Appeal held that additional damages were exemplary and Justice Mahon in *International Credit* suggested they were aggravated and *Feltex Furnishings* held that both additional and conversion damages were in the nature of aggravated or punitive damages.

In terms of a loss of opportunity type claim as falling part and parcel of additional damages, my brief submission there is that these are the type of damages that one might expect to be part and parcel of compensatory damages, because compensatory damages in these circumstances, Your Honours, are very fact particular. Sometimes it might be the loss of profits, sometimes it might be a license fee approach and sometimes it might be a notional royalty or license fee approach depending on the circumstances before the Court, but if they are to be claimed as compensatory damages, and normally that is the case, then it seems a little odd that somehow or other they then flick back up under additional damages. Hence the traditional approach that an account for profits and damages are distinct. Of course, the section itself, it concentrates on the gains made by the defendant. So, if one was seeking to have compensatory damages then it seems a little odd that if that section is applicable when an account is being claimed, it is odd that no reference is made to the loss which is sustained by the copyright owner.

So, Your Honours, those are my submissions in relation to this matter.

ELIAS CJ:

Thank you Mr Clay. Mr Carruthers?

MR CARRUTHERS QC:

What my learned friend's submissions don't address is the principle that I have explored in my argument and he has been unable to answer how it is that a wrongdoer is dealt with under the legislation where an account of profits has been sought. So, my learned friend really doesn't engage in the principle. Your Honours will appreciate that that was the whole basis of the argument that I make. Let me deal with some of the submissions that he's made and I am really going over ground that I know we've exchanged already.

Your Honours Justice Blanchard and Tipping have said well, if the legislature was to deal with this point it would have done so explicitly. As I've submitted, that rather begs the question, what is it about the section that one would change so that it is explicit, or any more explicit than it is? Is the proposition that in order to read a New Zealand statute in the light of its object and purpose, one must go to the English legislation to find out whether the law draftsman did or did not consider the implications of section 172. We have our own legislation, we have it in explicit terms, in terms that are explicable by reference to the principle and it should be interpreted in that way.

TIPPING J:

This principle of which you're speaking, is it this, that it would be odd to have a different outcome for present purposes when the basis is account as opposed to damages?

MR CARRUTHERS QC:

Yes, that –

TIPPING J:

That as a matter of logic, you should be able to do the same thing as the defendant whether it be account or damages as the primary. Is that the so called principle?

MR CARRUTHERS QC:

Well, it's not only logic, it is a principled approach to it. That is the principle Your Honour. I expressed it this way, that did the legislature intend that a flagrant breach or one that conferred a benefit on a wrongdoer would, where an account of profits had been elected, go without remedy –

TIPPING J:

So, it's not so much a principle, you say it would be anomalous if the two weren't lined up?

MR CARRUTHERS QC:

Your Honour, I do put it on a principle basis because the principle is that you have a wrongdoer profiting from his or her wrong, or it's wrong. So, that is the underlying principle that one gets to. Your Honour, I'm content with the way in which you put it, that there's a dislocation, it is illogical. The way in which it's met is by looking at our legislation self-contained and interpreting it in a way that meets that objective and purpose.

If I might just make a submission about the departmental report that is quoted in the Court of Appeal's judgment. That really doesn't go to the issue at all, that's simply a question of where you elect an account, you can't have damages and a consideration of those issues. My friend has set out a lot of authorities, from the texts, from writing, but on analysis all those authorities simply draw on *Redrow* and presuppose that *Redrow* is correctly decided without going behind the case and looking at what the practical consequence is of an interpretation of our own legislation.

I think to go further Your Honours I would be simply reploughing the furrow and unless you have any questions, those are my submissions in reply.

ELIAS CJ:

Thank you Mr Carruthers. Thank you counsel for your submissions. We will reserve our decision in this matter.

COURT ADJOURNS: 12.21 PM