



Neutral Citation Number: [2021] EWHC 3439 (Ch)

Case No.IL-2018-000105

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

Royal Courts of Justice, Rolls Building  
Fetter Lane, London, EC4A 1NL

Date: 20 December 2021

**Before:**

**DAVID STONE**  
**(sitting as a Deputy Judge of the High Court)**

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**Between:**

**(1) ORIGINAL BEAUTY TECHNOLOGY  
COMPANY LIMITED**  
**(2) LINHOPE INTERNATIONAL LIMITED**  
**(3) RETAIL INC LIMITED (in liquidation)**

**Claimants**

**- and -**

**(1) G4K FASHION LIMITED**  
**(2) CLAIRE LORRAINE HENDERSON**  
**(3) MICHAEL JOHN BRANNEY**  
**(4) OH POLLY LIMITED**

**Defendants**

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**Ms Anna Edwards Stuart and Mr David Ivison**  
**(instructed by Mono Law Limited) for the Claimants**  
**Mr Chris Aikens (instructed by Fieldfisher) for the Defendants**

**Hearing dates: 25, 26, 27 and 29 October 2021**

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**Approved Judgment**

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

**Covid-19 Protocol: This judgment is to be handed down by the deputy judge remotely by circulation to the parties' representatives by email and release to Bailii. The date for hand-down is deemed to be 20 December 2021.**

**DAVID STONE (sitting as a Deputy Judge of the High Court):**

1. Damages inquiries are rare in intellectual property cases. This case may help explain why. What ought to have been a comparatively simple exercise of trying to put the Claimants into the position they would have been in had the infringement not occurred became marred in detail and side issues. This judgment is therefore of necessity longer than I would wish.
2. The Claimants (by which I mean the First and Second Claimants, the Third Claimant being in liquidation and taking no part in proceedings) sell bandage and bodycon dresses and other garments under the brands House of CB and Mistress Rocks. House of CB competes with the Defendants (where it is necessary to distinguish between them I will do so), who also sell bandage and bodycon dresses and other garments, but under the brand Oh Polly. 15,393 Oh Polly garments sold by the Defendants infringed unregistered design rights owned by the First Claimant. The Claimants therefore sought damages under three heads:
  - (a) their lost profits on garments which, but for the Defendants’ sales, would have been made by the Claimants;
  - (b) a reasonable royalty on the Defendants’ sales not covered by (a) above; and
  - (c) additional damages pursuant to my earlier finding that the Defendants’ infringement was flagrant.
3. Before me, the parties referred to (a) and (b) above as “standard damages” and (c) as “additional damages”. The Defendants denied that lost profits damages were payable at all. The Defendants accepted that a reasonable royalty was payable, but they valued that royalty at approximately £15,000, or £1 per infringing Oh Polly garment. The Defendants also accepted that additional damages were payable, but they said that I should order no more than a 20% uplift on the reasonable royalty, which they submitted is approximately £3,000, or 20p per infringing Oh Polly garment. On the other hand, the Claimants submitted that they should receive approximately £275,000 in standard damages, to be “topped up” to approximately £500,000 with additional damages to reflect the flagrancy of the infringement. Thus, the parties were far apart.

**Background**

4. This is the ninth judgment I have given in these proceedings. I do not set out here all the relevant background, which can be found in those earlier judgments. For present purposes, it is sufficient to record as follows.
5. After a trial over eight days, on 24 February 2021 I gave judgment in relation to the alleged infringement of UK unregistered design rights (**UKUDR**) and Community unregistered design rights (**CUDR**) in 20 selected garments (the **Selected Garments**) out of a total of 91 garments, which rights the Claimants said were infringed by the Defendants. That judgment can be found at [2021] EWHC 294 (Ch) (the **Main Judgment**). I found that seven of the Selected Garments infringed both UKUDR and CUDR, and that 13 infringed neither right. I dismissed the passing off claim. I set out below some of my other findings from that judgment relevant to this damages inquiry.
6. A form of order hearing took place on 1 April 2021: I gave a short *ex tempore* judgment (which can be found at [2021] EWHC 836 (Ch)) rejecting the Defendants’ request for declarations of non-infringement. An issue arose after the form of order hearing in relation to

the various colourways of some of the seven infringing Selected Garments, and I dealt with that in a judgment which can be found at [2021] EWHC 953 (Ch). I dealt with a further issue relating to costs where a Part 36 offer has been made: that judgment can be found at [2021] EWHC 954 (Ch). Following the Claimants' election of a damages inquiry in relation to the infringing Selected Garments, I heard a CMC on 24 June 2021. I allowed the Claimants to amend their pleadings for the reasons set out at [2021] EWHC 1848 (Ch). Following these amendments, the Defendants then admitted that a number of the further pleaded garments infringed.

7. The Claimants' Points of Claim in the damages inquiry were served on 20 August 2021. Points of Defence were served on 7 September 2021. There was a hearing before me on 10 September 2021 at which I ordered the Claimants to provide responses to the Defendants' Request for Further Information dated 24 August 2021: that was duly done on 17 September 2021. Also on 10 September 2021, I refused the Defendants' request to institute the disclosure pilot and refused most of the Defendants' requests for specific disclosure. That judgment can be found at [2021] EWHC 2555 (Ch). The Court of Appeal refused the Defendants' application for permission to appeal.
8. On 1 October 2021, I refused the Defendants' application to vacate the hearing of this damages inquiry, for the reasons set out at [2021] EWHC 2632 (Ch). The Court of Appeal refused the Defendants' application for permission to appeal.
9. On 15 October 2021, I refused the Defendants' application for specific disclosure in relation to this damages inquiry: see [2021] EWHC 2748 (Ch).
10. The inquiry was heard remotely at the request of the parties, over five days. The parties used the CaseLines database so that documents were available electronically to the court and to witnesses. The Claimants were represented by Ms Anna Edwards-Stuart and Mr David Ivison of counsel (instructed by MonoLaw) and the Defendants were represented by Mr Chris Aikens of counsel (instructed by Fieldfisher).
11. For ease of reference, each garment in the proceedings has a number. The Claimants' garments in which they assert UKUDR and CUDR are pre-fixed with the letter C. Where a part design is claimed, an asterix is used. The Defendants' garments which are alleged to infringe mostly have the corresponding number, prefixed with the letter D (thus, D2 was alleged to infringe design rights in C2 etc). The evidence occasionally used the names of the garment (the Claimants' garments having girls' names, and the Defendants' garments being named with puns or plays on words).

### **Fact Witnesses**

12. The Claimants relied on two witnesses of fact.

#### *Joanna Richards*

13. Ms Joanna Richards is actively involved in running the House of CB business. She primarily gave evidence in relation to her views on a hypothetical negotiation for a reasonable royalty, and the impact of the dispute on the Claimants. Ms Richards had also given evidence at the liability trial: she was cross-examined in that trial, and at this inquiry. Counsel for the Defendants submitted that Ms Richards "was a thoroughly unhelpful witness", but said further that, "for the most part", that was not her fault. He submitted that her role at House of CB was limited, and that she did not make key decisions in relation to the business. Even if these

submissions were true, I do not consider that this criticism can be made of Ms Richards. I found her to be an honest witness, doing her best to assist the court. The areas where counsel for the Defendants said she lacked knowledge turned out to be largely irrelevant to the issues to be determined in the inquiry.

14. Further, on 21 October 2021, the Defendants’ solicitors wrote to the Claimants’ solicitors in the following terms:

“We refer to your second letter dated 12 October 2021, wherein you state that *“the issue of which factory makes which garments is utterly irrelevant to any issue still in dispute in these proceedings”*.”

For the avoidance of doubt our clients reject this proposition. We hereby put you on notice that at trial we will be asking Mr Waters and/or Ms Richards where each of the garments were manufactured and about the relationship between the factory (or factories) and the Claimants. It appears from their evidence that they already know of such matters, but if they do not, we ask that they have that information available to them at trial.”

15. The Claimants’ solicitors did not respond to this letter, which was issued one clear day before the inquiry began.
16. Under cross-examination, it became apparent that Ms Richards did not know which garments were manufactured at what factory. She had not researched the issue in order to be able to answer the Defendants’ questions. Ms Richards gave evidence that the factories concerned made the decisions on where garments were to be manufactured, and they had all closed more than two years ago.
17. Counsel for the Defendants criticised Ms Richards trenchantly for “not check[ing] where the garments were manufactured even though she knew [the Defendants] wished to have that information”. Counsel for the Claimants submitted that I should reject this criticism of Ms Richards: witnesses should be cross-examined on their evidence, she submitted, and Ms Richards had given none in relation to the factories. It is not for witnesses to have to study up on things outside their knowledge in order to be able to answer questions under cross-examination – and they should not be criticised for failing to do so. I accept those submissions.
18. Further, counsel for the Claimants submitted that this was the third occasion on which the Defendants had sought to discover which factory made which garment. First, the Defendants had made an application for specific disclosure, which I had already rejected. Second, the Defendants had asked for the information in an RFI, which I had already dismissed. It therefore follows that I accept her submission that no criticism can be made of Ms Richards for not having to hand information outside her knowledge that the Defendants had twice failed to secure by other means, and which was, in any event, of limited, if any, relevance to this inquiry.

#### *David Waters*

19. Mr David Waters is an accountant at UKTS Limited, and has acted as the UK accountant for the First Claimant since it was incorporated in July 2011, providing accounting and taxation advice. Mr Waters provided calculations as to the Claimants’ lost profits. He was cross-examined. Counsel for the Defendants described Mr Waters as a fair witness who did his best to help the court. I agree with that assessment.

20. The Defendants relied on one witness of fact.

*Michael Branney*

21. Dr Michael Branney is the Third Defendant and the managing director of the Oh Polly business. He also gave evidence at the liability trial. Relevantly for present purposes, he gave an affidavit on 26 May 2021 setting out *Island Records v Tring* information to enable the Claimants to make an election of an account of profits or a damages inquiry. He then made two further witness statements, a third on 22 July 2021 and a fourth on 18 August 2021 providing further details of sales of the infringing Oh Polly garments. His fifth witness statement, his evidence in the damages inquiry, was filed on 4 October 2021.
22. As a defendant in the proceedings, he had also signed each of the pleadings filed on behalf of the Defendants.
23. Counsel for the Claimants described Dr Branney as “a dishonest litigant and witness”. I have regretfully come to the conclusion that Dr Branney was a dishonest witness, and that his evidence is not to be believed unless corroborated by independent means (such as contemporaneous documents). Given that finding, I need to set out in some detail the relevant background. There are two issues, which are interlinked. One relates to the cessation or otherwise of sales of certain Oh Polly garments. The other relates to the total number of infringing Oh Polly garments sold by the Defendants which Dr Branney set out in his *Island Records* affidavit.

*Cessation of Sales*

24. The Defendants’ Defence was signed by Dr Branney in January 2019. An Amended Defence was signed by Dr Branney in January 2020. Both included at paragraph 76 a statement that the Defendants “have ceased all sales” of certain garments “and do not intend to recommence sales of such garments”.
25. The Amended Defence to the Points of Claim was signed by Dr Branney on 21 October 2021. Paragraph 19G of the Amended Defence to the Points of Claim states:
- “However, the latest Infringing Garment in time was first offered for sale on 25 June 2018, which is only 10 days after the claim form and particulars of claim were sent to the registered address of the First to Third Defendants. By the time of the service of the original Defence in January 2019, the Defendants had stopped selling 66 of the 87 garments then complained about.”
26. The reference to 66 of 87 garments was a reference to Annex D89 to the original Defence to the Particulars of Claim, referred to at paragraph 76 of the original Defence. Of the 66 garments listed in Annex D89, twelve remain in issue in the litigation: D2, D6, D12, D13, D15, D27, D35, D41, D42, D54, D57 and D61.
27. During Dr Branney’s cross-examination, it emerged that sales of many of the 66 garments referred to in the Defence, the Amended Defence and the Amended Defence to the Points of Claim had not in fact ceased, but rather, after a brief hiatus, had commenced again. Of the garments still relevant in these proceedings, only sales of D41 had in fact ceased by January 2019 and not recommenced. Sales of D54 and D57 had ceased some time earlier at the end of their sales cycle.

28. Dr Branney stated under cross-examination that he had instructed that the garments be removed from the Oh Polly website but that it later transpired that a person in his team responsible for merchandising had put the garments back on sale without his knowledge. He had discovered on or about 26 September 2021 that sales had not ceased as claimed.
29. The result of sales not having ceased as claimed was the second issue to which the Claimants referred, namely, that the total sales of infringing garments set out in Dr Branney's *Island Records* affidavit and his third and fourth witness statements did not record the additional sales after January 2019. Those figures (which were supposed to include all sales by the Defendants of the infringing garments) were therefore wrong.
30. Dr Branney's position was that he did not know at the time they were signed that:
- (a) the Amended Defence was wrong (because sales had in fact recommenced); and
  - (b) his *Island Records* affidavit and third and fourth witness statements were wrong (because they did not include all the Defendants' sales of infringing garments).
31. As set out above, it was Dr Branney's evidence that he discovered the additional sales on or about 26 September 2021. However, whilst he raised these additional sales with those advising the Defendants (it is to be recalled that Dr Branney is the Third Defendant), no letter was written to the Claimants alerting them to the issue. Rather, Dr Branney, having raised it with his legal team, took two steps. First, he signed the Amended Defence to the Points of Claim on 21 October 2021. This document repeated the statement that sales of the relevant garments had ceased by January 2019, a statement which by this time Dr Branney knew to be false. Second, he signed a fifth witness statement that does not mention the discovery of the extra garment sales after January 2019. In relation to total sales and his *Island Records* affidavit and third and fourth witness statements it says this (references to the CaseLines database omitted, emphasis added):
- “8. I have previously provided evidence on the number of units sold, the gross profits per item and estimated net profits per item for the designs referred to in these proceedings as D2, D4, D12, D13, D35, D61, D85, D87 and D91 in my affidavit of 2 May 2021 [his *Island Records* affidavit]. I have also provided evidence on the number of units sold and the gross profits per item for the designs referred to in these proceedings as garments D1, D6, D15, D27, D41, D48, D54 and D57 in my third and fourth witness statements, dated 22 July 2021 and 18 August 2021 respectively. The methodologies used at the time to calculate these figures can also be found in the respective affidavit and witness statements.
9. The Defendants were directed by the Order of the Deputy Judge dated 30 July 2021 to use our best endeavours in the time available to ensure that the figures provided for gross profits (with respect to garments D1, D6, D15, D27, D41, D48, D54 and D57) were as accurate as possible. I complied with the 30 July 2021 Order to produce figures to the best accuracy possible in the time provided. *However, I am now in a position to state various financial figures with greater certainty.*”
32. The Defendants rely on the last sentence, which I have italicised, to submit that they brought to the Claimants' attention the under-reporting in Dr Branney's *Island Records* affidavit and third and fourth witness statements.

33. Then, at paragraphs 10, 11 and 12 of his fifth witness statement, Dr Branney recorded the steps taken since his third and fourth witness statements to develop a software program to allow for the interrogation of all individual sales records by stock keeping unit (SKU). He defined the software program as “the Program”. He then went on to discuss the different systems used by the Defendants, including Linnworks, Braintree and Magento, and concluded at paragraph 16 (emphasis added):

“The Program has allowed me to record (in the Spreadsheet) the number of units sold, gross profit per item and net profit per item for each of the Infringing Garments *with greater confidence than previously possible.*”

34. The Spreadsheet referred to is a document provided to the Defendants in a Civil Evidence Act notice. I return to that document below.

35. Again, the Defendants relied before me on the italicised phrase to support their submission that the discrepancies in garment figures were brought to the Claimants’ attention. In his closing skeleton argument, counsel for the Defendants wrote:

“As soon as [Dr] Branney realised the [*Island Records*] affidavit contained incorrect figures, he corrected them by serving his 5th statement which referred to the accurate numbers in the spreadsheet provided under cover of CEA Notice.”

36. For the reasons set out below, I consider that assertion to be unsupportable.

37. Dr Branney was well aware of the need to be honest and frank in his evidence. First, he had given evidence in the liability trial about which I was critical. At paragraphs 60 and 61 of the Main Judgment, I said this:

“However, I consider Dr Branney’s failing here to be maladroit, rather than malevolent. He had not designed the garments in issue – Ms Henderson had. He was working from documents and from Ms Henderson’s explanations. He ought to have been more careful before signing the statement of truth, but I do not consider that this means I should discount his evidence completely. Counsel for the Claimants described Dr Branney’s evidence as that “of a person willing to say whatever needed to be said to achieve his objective.” Having watched him give evidence, I consider that Dr Branney was an active advocate for the Defendants. I have therefore approached his evidence with caution, but I reject counsel for the Claimants’ submission that I should dismiss it altogether.”

38. Dr Branney was therefore aware of the importance of honest evidence and the importance of being careful before signing a statement of truth.

39. Second, the evidence of the Second Defendant, Ms Henderson, in the liability trial had been criticised (I found that she had lied) and contempt proceedings have been threatened by the Claimants. This became a major issue in the proceedings over the spring for reasons unrelated to the inquiry, with significant correspondence exchanged between the parties. Dr Branney gave instructions on that correspondence. So, again, he was well aware of the possibility of contempt proceedings against untruthful witnesses.



40. Third, Dr Branney said that he had been very careful with his evidence. He said he had been “very careful” to check through the Amended Defence to the Points of Claim, since it was a document verified by a statement of truth.
41. Unfortunately, I am unable to conclude otherwise than that Dr Branney has fallen short in his honesty to the court. At least by the time he signed his fifth witness statement, he knew that his *Island Records* affidavit and his third and fourth witness statements were incorrect, and yet he made no attempt to draw this to the attention of the court or the Defendants. I do not for one moment consider that the italicised phrases I have highlighted above were sufficient. They merely say that the figures presented are presented with greater confidence/certainty. They do not even suggest that the previous figures were wrong, and there is no mention at all of the additional sales of infringing garments after it was claimed that sales had ceased. Rather, I understand Dr Branney’s witness statement simply to refer to the Spreadsheet of figures provided to the Claimants via a CEA Notice. He, and the Defendants, then left it to the Claimants to interrogate those figures should they wish. It should be noted that one sheet in the Spreadsheet contains 22,263 lines of data, which would not have been easy to interrogate – it was only through the Claimants’ detailed review of those data that Dr Branney’s earlier inaccurate affidavit and witness statements came to light.
42. Counsel for the Claimants also pointed to paragraph 129 of counsel for the Defendants’ opening skeleton argument where he addressed the timing of the infringements for the purposes of additional damages. That document records:
- “Further, by the time of the service of the original Defence in January 2019, [the Defendants] had stopped *selling* 66 of the 87 garments then complained about. That is not the behaviour of a cynical infringer with no regard for the law that should be punished out of all proportion to the scale of the infringements.”
43. It is usual for Defendants to review counsels’ skeleton arguments prior to submission to the court, and I can only assume that Dr Branney reviewed this document, which is dated 22 October 2021. Again, by this point, Dr Branney was well aware that, whilst sales stopped in January 2019, for most of the relevant garments they had commenced again. The skeleton argument makes no reference to that fact – indeed, it seeks to make a virtue from the cessation of sales.
44. Counsel for the Claimants also submitted that Dr Branney was given an opportunity to explain himself early in his cross-examination, but chose not to do so. She asked him:
- “Q: It is right, is it not, Dr Branney, that in the course of this litigation, the Defendants have stated that they have stopped selling some of the garments even though they did not accept that those garments were infringing the Claimants’ rights; correct?”
- A: That is correct, my Lord.
- ...
- Q: ...this is paragraph 19G we have just been looking at. What you are saying here is that it is not entirely fair for the Claimants to say that the Defendants did not cease copying their designs until after these proceedings were

launched because in fact, you say, the last infringing garment in time was only launched shortly after the claim was issued; correct?

A: That is correct.

Q: That by the time the original Defence was served you had in fact stopped selling 66 of the 87 infringing garments then in issue; correct?

A: My Lord, that is correct.”

45. Even as late as this point, over a month after discovering the error and whilst giving testimony to the court, Dr Branney did not acknowledge that the Defendants’ pleadings in the liability trial and in this inquiry were wrong, and that his affidavit, and now three witness statements (his third, fourth and fifth) were wrong/misleading. I add that shortly after having taken the affirmation, Dr Branney was asked by counsel for the Defendants if there were any corrections he wished to make to his fifth witness statement. He made one. He was then asked: “Subject to those corrections, are the contents of this statement true to the best of your knowledge and belief?” Dr Branney answered “Yes, they are, my Lord”.
46. Dr Branney was cross-examined further in relation to the Amended Defence to the Points of Claim. He said he checked it “very carefully”. That document includes the statement “by the time of the service of the original Defence in January 2019, the Defendants had stopped selling 66 of the 87 garments then in issue”. This statement was untrue, and by the time he signed the Amended Defence to the Points of Claim, Dr Branney knew it to be untrue. He did not in cross-examination suggest that he had overlooked this statement – rather, he said “I did not understand that I was signing as if it was a previous date” and “as I stated before, I did not understand that I was signing it as if I had gone back to that date, and I was satisfied that as of 21st October 2021 it was absolutely true”. So on his own testimony, he considered the false statement, and concluded that whilst it had not been true when the Amended Defence was signed in January 2020, sales had ceased by October 2021 and that was enough. But that is not what the Amended Defence to the Points of Claim says – it says that garment sales had stopped in January 2019, which by this time Dr Branney knew not to be true.
47. I am prepared to accept Dr Branney’s evidence that he was not aware that the Amended Defence in the liability trial was wrong at the time he signed it under a statement of truth. I am also prepared to accept that Dr Branney was unaware that his *Island Records* affidavit and his third and fourth witness statements were false at the time they were executed and filed. But by the time Dr Branney (a) signed his fifth witness statement; (b) signed the Amended Defence to the Points of Claim; and (c) gave his oral testimony under affirmation, he was well aware that his affidavit and witness statements were wrong and misleading and that the statement that sales had ceased in January 2019 was wrong, and he chose not to correct those errors in a way which would have been readily perceptible by the Claimants. It is also, regretfully, my finding that those omissions were dishonest.
48. The affirmation Dr Branney took on giving his oral testimony included a solemn and sincere affirmation to tell the truth, the whole truth and nothing but the truth. Dr Branney has not done so. He has failed to comply with his affirmation. He was not honest with the court until asked specific questions about the additional sales. He had plenty of opportunities to come clean about the errors, but chose not to do so. I therefore find that his evidence is not to be trusted, and I will accept it only where the Claimants wish to rely on it, or it is corroborated by an independent source. It does not matter that the correct figures were eventually provided, nor

that the Claimants have not suggested that they might have elected differently had the *Island Records* affidavit been correct, and it does no credit to the Defendants' counsel for suggesting as much in his closing skeleton argument. This was a serious failure to correct two errors once they had been discovered.

49. Mistakes sometimes occur. But when a material mistake in a pleading, an affidavit or a witness statement is discovered, the relevant party/ies and/or deponent/s have a duty to bring that mistake to the attention of all other parties, and of the court, as soon as practicable. What should have happened in this case is that, having discovered the additional sales on 26 September 2021, the Defendants should have written through their solicitors to the Claimants, setting out the errors, and then sought to agree a way forward, which may have included amended pleadings (this at least was done, on the final day of the inquiry) and a further witness statement setting out in detail how the error occurred and how it was discovered.

50. After the conclusion of the inquiry, and after the above paragraphs of this judgment had been written, I received a sixth witness statement from Dr Branney. That witness statement sought to explain his oral evidence under cross-examination. Dr Branney wrote:

“I have had the opportunity to review the transcripts from my cross-examination (which were provided to me by Fieldfisher) and I wish to clarify what exactly I meant in response to some of the questions that were put to me”.

51. Dr Branney had no permission to file such a further witness statement. The Claimants objected to it. I decline to admit it into evidence. Many witnesses who are cross-examined before the court would welcome an opportunity, after reflection, to explain in writing comments they have made under cross-examination, without fear that they will be further cross-examined on that written explanation. It was inappropriate for Dr Branney to seek to do so. I should add that, even if I had taken his sixth witness statement into consideration, it would not have made a difference to the conclusions I have reached above.

52. Counsel for the Defendants submitted that even if I were to find that Dr Branney was a dishonest witness, it does not matter, because the Defendants relied on little of his evidence. I do not accept that the Defendants have relied on little of Dr Branney's evidence, and where they have, I have disregarded it as I have set out below.

### *The Defendants' Legal Advisors*

53. Because of the seriousness of the issues surrounding the pleadings and Dr Branney's affidavit and witness statements, at the close of the evidence I invited the Defendants' legal advisors to submit a witness statement to “explain what happened in a full and frank way”. A twelfth witness statement of Mr James Seadon of the Defendants' solicitors was filed and served prior to closing speeches, but the witness statement only dealt with the under-reported numbers issue, not the cessation of sales issue. Counsel for the Defendants made submissions about the conduct of the Defendants' advisors in his closing speech, but, during the Claimants' counsel's closing speech later in the day, counsel for the Defendants interrupted to say that he may have misspoken earlier in the day, and that nothing in his closing speech was intended to add to the evidence which had been provided in Mr Seadon's twelfth witness statement. With my permission, Mr Seadon then filed a thirteenth witness statement to deal with the cessation of sales issue. That witness statement arrived on time and after the inquiry had concluded.

54. In relation to Dr Branney's *Island Records* affidavit, Mr Seadon gave evidence that Dr Branney's fifth witness statement was intended to be the correction to the sales figures given earlier.
55. In relation to the recommencement of sales issue, Mr Seadon wrote:
- “With the benefit of hindsight, my firm should have appreciated that the later sales meant that paragraph 76 of the Original Defence was wrong, we should have brought this to the attention of the Claimants promptly and we should not have included the last sentence of paragraph 19G of the Amended Defence to the Points of Claim.”
56. Further, Mr Seadon wrote:
- “It would also have been appropriate to flag prominently in correspondence and/or in Dr Branney's witness evidence that it had become apparent that the sales information previously given, in the belief it was true, was incorrect. Although the correct figures were indeed provided before trial, I accept that a prominent correction would have been appropriate together with a clear explanation for how the wrong figures were provided in the Affidavit (albeit innocently)”.
57. I accept Mr Seadon's explanation, although it strains credulity that any legal professional (solicitor or barrister) can have considered that the steps that were taken to correct Dr Branney's false *Island Records* affidavit were sufficient in this case. This has been hard-fought litigation, where very few stones have been left unturned. I am told that in the period between the discovery of the additional sales (26 September 2021) and the start of the inquiry (25 October 2021), almost exactly one month, Mr Seadon's firm sent 50 letters to the Claimants' solicitors. I have not counted them myself, but in the context of this litigation, that seems plausible. In any of those, the undercounted garments issue could have been raised – and, in my judgment, should have been raised *in terms*. The steps taken were wholly inadequate for the reasons I have set out above, and which Mr Seadon now acknowledges.
58. Mr Seadon's explanation does not excuse Dr Branney, who had an obligation to tell the truth, regardless of the (in my judgment, incorrect) advice he was given. Dr Branney ought to have spoken up earlier, and at the very latest when he was questioned under his affirmation.

## **Expert Witnesses**

### *Matthew Geale*

59. The Claimants relied on one expert witness, Mr Matthew Geale, a partner at Armstrong Watson LLP. Mr Geale is a forensic accountant with many years of experience. He has previously given expert evidence before this court in other matters and also in other tribunals. His report ran to 103 pages. Mr Geale reviewed the evidence as he understood it, and provided his opinions as to losses and royalties. He also provided his views on the hypothetical negotiation of a reasonable royalty. He was cross-examined.
60. Counsel for the Defendants described Mr Geale as having given “exemplary expert evidence” except in one respect – he criticised Mr Geale's evidence on licences with royalty rates based on a percentage of the licensor's selling price, for which he did not provide any examples. I

accept that criticism. I make some further comments below on the expert evidence in this case more generally.

*David Dearman*

61. The Defendants' relied on the expert evidence of Mr David Dearman, a Senior Managing Director at Ankura Consulting (Europe) Limited. Mr Dearman is also an experienced forensic accountant. He provided two reports, the first of which ran to 397 pages, and the second of which totalled 21 pages. He gave evidence about the Claimants' claim for damages based on lost profits, and gave his views on a reasonable royalty. In his second witness statement, he responded to Mr Geale's evidence on the likely reasonable royalty and the differences in price between the parties' respective garments. He was cross-examined.
62. The Claimants did not criticise Mr Dearman's honesty (in my view, quite rightly), but did submit that he did not perform properly the role of independent assistant to the court. In particular, the Claimants' counsel submitted that he had "clearly gone out of his way to develop support for the Defendants' case", including by adopting Dr Branney's evidence without question (despite having described it as "extreme") whilst ignoring the Claimants' position, presenting conclusions on the parties' sales data that simply could not be supported, and suggesting "obviously un-comparable licences" were comparables for the purposes of determining a reasonable royalty.
63. I have no doubt at all that Mr Dearman was presenting his evidence honestly. However, he based his opinions heavily on Dr Branney's evidence, which I have held cannot be relied on unless independently verified. He accepted under cross-examination that he had based his evidence on Dr Branney's evidence, and had not relied on Ms Richards' evidence. He also, in my judgment, had a tendency to argue the Defendants' case, giving answers under cross-examination that set out that case, rather than responding to the questions put to him.
64. He was also asked to examine matters beyond his expertise, and issues that were ultimate questions for me. For example, at paragraph 7.1.2 of his first expert report, Mr Dearman said:

"In this section of my report I have been asked to give my opinion on what the Claimants and the Defendants would have agreed as a reasonable royalty on sales of Infringing Garments in circumstances where the Defendants had sought a licence from the Claimants to use the Infringed Designs prior to the acts of infringement and where the parties were willing licensors and licensees respectively".
65. With respect to Mr Dearman, that was simply not within his expertise as a forensic accountant, and was, in any event, the ultimate question for me on which he should not have been asked to opine.
66. For these reasons, I have treated his evidence with some care.
67. I reiterate Jacob LJ's comments in *Rockwater Ltd v Technip France SA and Anor* [2004] EWCA Civ 381 at paragraph 12. That was a patent case, but his comments about the role of expert evidence are apposite in this case:

"I must explain why I think the attempt to approximate real people to the notional [person] is not helpful. It is to do with the function of expert witnesses in patent actions. Their primary function is to educate the court in

the technology – they come as teachers, as makers of the mantle for the court to don. For that purpose it does not matter whether they do not approximate to the skilled [addressee]. What matters is how good they are at explaining things.”

68. It is not the role of expert evidence in damages inquiries to proffer answers to the questions that are those for the court. For example, and as both counsel agreed, it is for the court to assess the hypothetical negotiation between two willing parties in order to try to reach a reasonable royalty. Here, experts can set out what they have observed in other licences, but they are of limited if any help to the court in suggesting what these particular parties might have agreed. They can model various outcomes - but if those models are based on contested facts which the court does not find to be accurate, then their models are of limited use. Similarly, expert forensic accountants can provide only limited (if any) evidence on whether an infringing garment purchased from the Defendants was a sale lost by the Claimants. Therefore, in my judgment, whilst both experts tried to do their best with the instructions they were given, and answered honestly the questions put to them, both were asked to go beyond their proper tasks and to stray into matters that are for the court to decide. Their written evidence was exceedingly long for a case of this type, and ought to have been significantly shorter, dealing only with matters within their competence.

### **Additional Factual Background**

69. For ease, I set out below factual findings from the Main Judgment which are relevant to the issues in the inquiry:
- (a) “The First Claimant, through its then solicitors, first wrote to the First and Third Defendants on 19 April 2016, alleging passing off, and that eight Oh Polly garments (sold in various colourways) infringed its UKUDR and CUDR.” (Main Judgment, paragraph 4).
  - (b) “It was common ground that Ms Henderson cannot draw. She also cannot use any of the available computer assisted design programs. Her evidence was that she designed by looking at trends from images she had collected in her Dropbox, designed the details of each garment in her head, and then looked for images of existing garments which she could use to show the factory what it was she wanted made. There are no documents which (and no other witnesses who) back up this aspect of her account of her design process.” (Main Judgment, paragraph 53).
  - (c) “I consider [Ms Henderson’s] version of her design process to be a fabrication, concocted to get around the very real difficulty that Ms Henderson took images of the Claimants’ garments (and third party garments) and sent them to the factory to be made up. I therefore, regrettably, accept counsel for the Claimants’ submission that Ms Henderson’s evidence cannot be trusted. In my judgment, she set out to deceive the Claimants and the Court in relation to her overall design process, and the design of the particular garments before me. In her oral testimony, she gave whatever answer she felt best at that moment to assist her case. That criticism also extends to her written testimony.” (Main Judgment paragraphs 54 and 55).
  - (d) “In 2015, Ms Henderson and Dr Branney decided to set up their own business. They adopted the name Oh Polly for that business, and launched a website at [www.ohpolly.com](http://www.ohpolly.com) in August 2015. The Fourth Defendant took over the business in

June 2017. Ms Henderson’s evidence was that at the start of the Oh Polly business, she designed all the garments sold by the business, designing 40 to 50 garments per month. Ms Johnston joined Oh Polly as a designer in 2017. Oh Polly garments are made in factories in Bangladesh and China.” (Main Judgment, paragraph 76).

- (e) “By way of example only, take D2. Ms Henderson found a picture of C2 on social media and took a screen shot. That screen shot was uploaded to Trello [the Defendants’ garment design and manufacturing records system] for the Defendants’ manufacturer to work from. There were no other drawings, patterns or plans. There was a third party garment also shown on the Trello records, but, as I have said, copying more than one design is still copying.” (Main Judgment, paragraph 115).
- (f) “...it is clear that some aspects of a garment will strike the informed user as more important. In this case, all the dresses were primarily photographed from the front: whilst photographs of the back aspect were included on both sides’ websites, they were not the primary image. From that, I take it that the front of each garment will be of primary importance to the informed user in most cases. Differences on the back of the garment will still be noticed, but they will not be given the importance of the front of the garment.” (Main Judgment, paragraph 131).
- (g) “I also need to say something about fabrics. The Oh Polly business is entirely online. Whilst the House of CB business does have some bricks and mortar stores, the bulk of its business is also online. That means that the majority of purchasing decisions are being made based on the images of the garments shown on the websites. Of course, the evidence also demonstrated that something like 30% of online sales are returned. Consumers will return a garment they have purchased on-line if, for example, they do not like the texture or fit. But 70% of sales were not returned, from which I conclude that the experience of the garment on receipt matched the expectation from viewing the garment on the website. It seems to me that what matters is what the dress looks like when worn. Thus, where the images with which I have been provided (which were taken from the parties’ websites) show very similar looking dresses, it will matter less to the informed user that, on a hanger, the dresses do not look as similar.” (Main Judgment, paragraph 132).
- (h) “Of Ms Henderson’s 17 “designs”, I have found that 7 of the 9 in which the Claimants’ designs were “referenced” were, at law, copied. In every case in which the Claimants’ designs were not referenced, third party designs were. There is no reliable evidence before me that Ms Henderson ever created mood boards, digital or otherwise. What she did was identify third party designs that she liked, and send images of them to the factory to be copied.” (Main Judgment, paragraph 390).
- (i) “Both the Claimants and the Defendants operate an internet business selling celebrity-inspired fashion. Both use social media heavily. Both generate publicity from third parties wearing their garments (including influencers and celebrities). Neither does much or any traditional hard copy advertising (magazines, bill-boards etc), although others in the industry (such as BooHoo) do. Both the Claimants and the Defendants focus on figure-hugging bandage and bodycon dresses designed for a curvy figure. Both sell dresses for younger women to wear on a night out. These similarities were not contested: the parties are competitors, operating very similar businesses.” (Main Judgment, paragraph 426).

- (j) “I accept Counsel for the Claimants’ submission that the designs of the parties’ garments is an important aspect of the distinctiveness of their brands - it is something each relies on for the “lifestyle” (or brand) to which I have referred above.” (Main Judgment, paragraph 428).
- (k) “The Claimants also relied on public recognition of the frequent similarity of Oh Polly designs to House of CB designs, including the following social media posts:
- “Girl I got a dress from Oh Polly for \$63 that was \$180 on House of CB...”
- “Seeing as OhPolly copy all of HouseOfCb designs, are their clothes good quality?”
- “Wish @ohpoly would put as much effort into makin their website work properly as it didn’t take people’s money & cancel orders, as it did into copying designs from House of CB”
- “Oh Polly ... just COMPLETELY copy House of CB designs...”
- “Oh Polly just rip off House of CB designs...”
- “Oh Polly fully copying House of CB designs”

Whether or not the above examples indicate confusion, they do indicate the consumers’ views that the garments were similar, and that the House of CB garments were perceived as being first in time.” (Main Judgment, paragraphs 431 and 432).

- (l) “...as counsel for the Claimants submitted, and I accept, the Defendants did not seek to argue that the garments before me were not representative of the two businesses overall.” (Main Judgment, paragraph 433).
- (m) “In relation to the 20 garments in issue before me, I have found that 7 of the Defendants’ garments infringe the Claimants’ unregistered design rights. The corollary of that is that the other 13 garments do not infringe. Be that as it may, there is clear evidence of a public perception, at least among some social media posts, that Oh Polly has copied House of CB’s garments, in the context where the parties are agreed that the two businesses operate in the same market, in similar ways.” (Main Judgment, paragraph 434).
- (n) “There was evidence before me of Oh Polly garments being wrongly returned to House of CB, and vice versa. ... In other cases, it was clear that the purchaser had purchased both House of CB and Oh Polly garments at the same time, and got in a muddle.” (Main Judgment, paragraph 483).
- (o) “There was in the evidence and in some of the earlier submissions and questioning a suggestion that House of CB garments were targeted at a different market to Oh Polly garments. In his written closing submissions, counsel for the Defendant acknowledged that Oh Polly considers House of CB to be its biggest competitor, and that both brands sell garments to “fashion-conscious young women in the UK who are looking to buy sexy clothing online and, in particular, dresses for a night out”. He also acknowledged



that their customer bases overlap. This position is consistent with the evidence that consumers buy from both brands.” (Main Judgment, paragraphs 486 and 487).

- (p) “Therefore, in my judgment, the only conclusion open to me is that Ms Henderson set out to emulate House of CB, and directed Oh Polly staff to hire the same models, rent the same locations, adopt similar hair and makeup, adopt similar flatlays, follow the House of CB packaging from bright pink to softer pink, adopt a similar website etc. She herself copied some House of CB garments, as I have found above, albeit that she also copied garments of other designers as well.” (Main Judgment, paragraph 491).
- (q) “I have found that the Defendants have infringed the Claimants’ UKUDR and CUDR in relation to 7 garments. Whilst Ms Henderson, the named designer of the relevant garments, has denied copying, I have held her not to be an honest witness, and I have discounted her evidence unless it is corroborated by other evidence. What is clear from the written record is that for the Defendants’ garments D2, D4, D12, D13, D35, D61 and D91, Ms Henderson took an image of the Claimants’ garments, and sent it to the factory to be reproduced. In the circumstances of this case, that is sufficient to warrant an award of additional damages in relation to those designs. It was at least an attitude of “couldn’t care less” about the rights of others: a designer, as Ms Henderson claimed to be, of her years of experience ought to have known (if she did not in fact know) that such activity was not lawful. In reaching that conclusion, I do not need to rely on the Claimants’ submissions in relation to the alleged scale of infringement, the alleged concerted efforts to emulate the House of CB business or the allegedly misleading positions taken by the Defendants in this litigation. I do, however, take into account the Claimants’ final submission on this point, which was that the Defendants have been on notice of the Claimants’ concerns since 2016. Rather than choose to stop “referencing” the Claimants’ designs, the Defendants continued, even after these proceedings were launched.” (Main Judgment, paragraphs 509 and 510).

## **Standard Damages**

70. I turn first to standard damages.

### *The Law on Standard Damages*

71. The parties agreed on the law to be applied in the assessment of standard damages. Kitchin J (as he then was) set out the principles in *Ultraframe (UK) Limited v Eurocell Building Plastics Limited and Anor* [2006] EWHC 1344 (Pat) at [47] (whilst that case involved patent infringement, the parties agreed that the judgment applies equally here):

“(i) Damages are compensatory. The general rule is that the measure of damages is to be, as far as possible, that sum of money that will put the claimant in the same position as he would have been in if he had not sustained the wrong.

(ii) The claimant can recover loss which was (i) foreseeable; (ii) caused by the wrong; and (iii) not excluded from recovery by public or social policy. It is not enough that the loss would not have occurred but for the tort. The tort must be, as a matter of common sense, a cause of the loss.

(iii) The burden of proof rests on the claimant. Damages are to be assessed liberally. But the object is to compensate the claimant and not to punish the defendant.

(iv) It is irrelevant to a claim of loss of profit that the defendant could have competed lawfully.

(v) Where a claimant has exploited his patent by manufacture and sale he can claim (a) lost profit on sales by the defendant that he would have made otherwise; (b) lost profit on his own sales to the extent that he was forced by the infringement to reduce his own price; and (c) a reasonable royalty on sales by the defendant which he would not have made.

(vi) As to lost sales, the court should form a general view as to what proportion of the defendant's sales the claimant would have made.

(vii) The assessment of damages for lost profits should take into account the fact that the lost sales are of "extra production" and that only certain specific extra costs (marginal costs) have been incurred in making the additional sales. Nevertheless, in practice costs go up and so it may be appropriate to temper the approach somewhat in making the assessment.

(viii) The reasonable royalty is to be assessed as the royalty that a willing licensor and a willing licensee would have agreed. Where there are truly comparable licences in the relevant field these are the most useful guidance for the court as to the reasonable royalty. Another approach is the profits available approach. This involves an assessment of the profits that would be available to the licensee, absent a licence, and apportioning them between the licensor and the licensee.

(ix) Where damages are difficult to assess with precision, the court should make the best estimate it can, having regard to all the circumstances of the case and dealing with the matter broadly, with common sense and fairness."

72. HHJ Hacon added to those principles in *SDL Hair Limited v Next Row Limited* [2014] EWHC 2084 (IPEC) at [31]:

"(6) An inquiry will generally require the court to make an assessment of what would have happened had the tort not been committed and to compare that with what actually happened. It may also require the court to make a comparison between, on the one hand, future events that would have been expected to occur had the tort not been committed and, on the other hand, events that are expected to occur, the tort having been committed. Not much in the way of accuracy is to be expected bearing in mind all the uncertainties of quantification. See *Gerber v Lectra* at first instance [1995] RPC 383, per Jacob J, at 395-396.

(7) Where the claimant has to prove a causal link between an act done by the defendant and the loss sustained by the claimant, the court must determine such causation on the balance of probabilities. If on balance the act caused the loss, the claimant is entitled to be compensated in full for the loss. It is irrelevant whether the court thinks that the balance only just tips in favour of

the claimant or that the causation claimed is overwhelmingly likely, see *Allied Maples Group v Simmons & Simmons* [1995] WLR 1602, at 1609-1610.

(8) Where quantification of the claimant's loss depends on future uncertain events, such questions are decided not on the balance of probability but on the court's assessment, often expressed in percentage terms, of the loss eventuating. This may depend in part on the hypothetical acts of a third party, see *Allied Maples* at 1610.

(9) Where the claim for past loss depends on the hypothetical act of a third party, i.e. the claimant's case is that if the tort had not been committed the third party would have acted to the benefit of the claimant (or would have prevented a loss) in some way, the claimant need only show that he had a substantial chance, rather than a speculative one, of enjoying the benefit conferred by the third party. Once past this hurdle, the likelihood that the benefit or opportunity would have occurred is relevant only to the quantification of damages. See *Allied Maples* at 1611-1614."

73. In relation to lost profit damages, the parties were in agreement that I should, on the basis of *Allied Maples*, apply a two-stage approach:

- (a) First, on the balance of probabilities, have the Claimants suffered some loss under the head claimed? If the answer is "no", then the inquiry stops there. If the answer is "yes", then the inquiry moves to the next stage.
- (b) Second, on the basis of the available evidence, how much loss has been sustained?

74. Counsel for the Claimants submitted that for the purposes of the second stage, it does not matter whether at the previous stage the court was, for example, 51% sure or 100% sure that *some loss* had been sustained under the head claimed: the court is simply concerned with finding a figure to compensate for the head of loss which it has already found to have been sustained. Counsel for the Defendants did not object to that approach, and I accept it. I was further referred to the judgment of the Court of Appeal in *Parabola Investments Limited and Anor v Browallia Cal Limited* [2010] EWCA Civ 486 at [23]:

"The claimant has first to establish an actionable head of loss. This may in some circumstances consist of the loss of a chance, for example, *Chaplin v Hicks* [1911] 2 KB 786 and *Allied Maples Group Limited v Simmons & Simmons* [1995] 1 WLR 1602, but we are not concerned with that situation in the present case, because the judge found that, but for Mr Bomford's fraud, on a balance of probability Tangent would have traded profitably at stage 1, and would have traded more profitably with a larger fund at stage 2. The next task is to quantify the loss. Where that involves a hypothetical exercise, the court does not apply the same balance of probability approach as it would to the proof of past facts. Rather, it estimates the loss by making the best attempt it can to evaluate the chances, great or small (unless those chances amount to no more than remote speculation), taking all significant factors into account. (See *Davis v Taylor* [1974] AC 207, 212 (Lord Reid) and *Gregg v Scott* [2005] 2 AC 176, para 17 (Lord Nicholls) and paras 67-69 (Lord Hoffmann))."

75. Counsel for the Claimants submitted that the second stage of this exercise may be artificial and difficult, because the court is called upon to make findings about what would have happened in a hypothetical world in which the defendants had not infringed. That does not mean, she said, that the court can throw up its hands and declare the exercise too difficult. Rather, she said, the court's task is to do the best job it can with the material the parties have put before it. I accept that submission. She referred me to the speech of Lord Wilberforce in *General Tire and Rubber Company v Firestone Tyre and Rubber Company* [1975] WLR 819 at page 826:

“The ultimate process is one of judicial estimation of the available indications.”

76. Counsel for the Claimants also referred me to the judgment of Jacob J (as he then was) in *Gerber Garment Technology Inc v Lectra Systems Ltd and Anor* [1995] RPC 383:

“In short one cannot expect much in the way of accuracy when the court is asked to re-write history.”

77. HHJ Hacon dealt with the applicable principles for loss of royalties in *Henderson v All Around the World Recordings Limited* [2014] EWHC 3087 (IPEC) at paragraph 18 (again, the parties agreed that these principles, albeit set out in the context of performers' rights, are also applicable to the unregistered design rights in this case):

“18. In *Force India Formula One Team Limited v 1 Malaysia Racing Team Sdn Bhd* [2012] EWHC 616 (Ch); [2012] RPC 29 Arnold J considered *Wrotham Park* damages, i.e. of the type awarded in *Wrotham Park Estate Co Ltd v Parkside Homes Ltd* [1974] 1 WLR 798. In *Force India* damages for breach of a restrictive covenant in a contract were taken to be the amount of money which could reasonably have been demanded by the claimant for a relaxation of the covenant. Arnold J identified the following principles (at [386]):

“(i) The overriding principle is that the damages are compensatory: see *Attorney-General v Blake* at 298 (Lord Hobhouse of Woodborough, dissenting but not on this point), *Hendrix v PPX* at [26] (Mance LJ, as he then was) and *WWF v World Wrestling* at [56] (Chadwick LJ).

(ii) The primary basis for the assessment is to consider what sum would have [been] arrived at in negotiations between the parties, had each been making reasonable use of their respective bargaining positions, bearing in mind the information available to the parties and the commercial context at the time that notional negotiation should have taken place: see *PPX v Hendrix* at [45], *WWF v World Wrestling* at [55], *Lunn v Liverpool* at [25] and *Pell v Bow* at [48]–[49], [51] (Lord Walker of Gestingthorpe).

(iii) The fact that one or both parties would not in practice have agreed to make a deal is irrelevant: see *Pell v Bow* at [49].

(iv) As a general rule, the assessment is to be made as at the date of the breach: see *Lunn Poly* at [29] and *Pell v Bow* at [50].

(v) Where there has been nothing like an actual negotiation between the parties, it is reasonable for the court to look at the eventual outcome and to consider whether or not that is a useful guide to what the parties would have thought at the time of their hypothetical bargain: see *Pell v Bow* at [51].

(vi) The court can take into account other relevant factors, and in particular delay on the part of the claimant in asserting its rights: see *Pell v Bow* at [54]”.

The Court of Appeal in *Force India* ([2013] EWCA Civ 780; [2013] RPC 36) did not dissent from Arnold J’s summary of the law (at [97]).

19. *Wrotham Park* damages, though they are for breach of contract, are in all relevant respects the same as those I have to consider under this head, so the foregoing principles set out by Arnold J apply. In the inquiry as to damages for infringement of trade marks in *32Red OKC v WHG (International) Limited & ors* [2013] EWHC 815 (Ch), Newey J’s assessment was by consent also on the basis of willing licensor and willing licensee. Newey J endorsed the principles identified by Arnold J and expanded on them as follows:

“(vii) There are limits to the extent to which the court will have regard to the parties’ actual attributes when assessing user principle damages. In particular

(a) the parties’ financial circumstances are not material;

(b) character traits, such as whether one or other party is easygoing or aggressive, are to be disregarded [29]-[31].

(viii) In contrast, the court must have regard to the circumstances in which the parties were placed at the time of the hypothetical negotiation. The task of the court is to establish the value of the wrongful use to the defendant, not a hypothetical person. The hypothetical negotiation is between the actual parties, assumed to bargain with their respective strengths and weaknesses [32]-[33].

(ix) If the defendant, at the time of the hypothetical negotiation, would have had available a non-infringing course of action, this is a matter which the parties can be expected to have taken into account [34]-[42].

(x) Such an alternative need not have had all the advantages or other attributes of the infringing course of action for it to be relevant to the hypothetical negotiation [42].

(xi) The hypothetical licence relates solely to the right infringed [47]-[50].

(xii) The hypothetical licence is for the period of the defendant’s infringement [51]-[52].

(xiii) Matters such as whether the hypothetical licence is exclusive or whether it would contain quality control provisions will depend on the

facts and must accord with the realities of the circumstances under which the parties were hypothetically negotiating [56]-[58].”

78. As mentioned above, I was also referred to the judgment of Jacob J in *Gerber v Lectra* from which the principles in *Ultraframe* were derived. Again, *Gerber* was a damages inquiry for patent infringement, but the parties agreed it is applicable here. The judge held at paragraphs 413 to 420:

“In relation to fixing the royalty for a licence of right, Dillon LJ said in *Allen & Hanburys Ltd’s (Salbutamol) Patent* [1987] RPC 327 that the position of the patentee as manufacturer is not to be taken into account (at 378-379). Fox LJ agreed, though Woolf LJ dissented (at 384-386). Moreover Dillon LJ (with both of the other members of the court) was of the view that the royalty need not be such that the licensee would find it commercially worthwhile to sell.

Mr. Floyd submitted that there may be a conflict here between the reasonable royalty for damages and the royalty which might be fixed by the Comptroller. In particular he suggested that when I came to fix the appropriate rate of royalty I should take into account the position of Gerber as manufacturer.

I do not agree. One is here considering a notional bargain about sales the patentee would not make. Whether one considers that in advance of the infringement or after seems to me to make no difference (Mr Floyd suggested it did). I do not see why the patentee could reasonably insist on his lost profits on transactions he would not have made.

...

#### *7. Royalties on Sales Gerber would not have made*

I have held that there would have been 11 of these. To these should, it is agreed, be added the 2 Irish sales. Gerber are entitled to a reasonable royalty. This is really a court-imposed notional bargain. I have held that Gerber’s lost profits would be irrelevant - because the negotiation does not cover lost Gerber sales.

...

As to how the “available profits” were to be split, absent the extra profits from spares etc. it was agreed that the split would be 25% to the patentee. Gerber’s expert suggested that this ought to be doubled because the licensee would be competing, leading to a royalty of 50% of the licensee’s sales revenue. As I have indicated I think this wrong - we are here talking about the non-competing sales.”

79. I was also referred to McGregor on Damages (21st Edition) at paragraph 14-046:

#### **“The circumstances of the parties and any actual negotiations**

As explained above, the hypothetical negotiation is conducted as an objective exercise between persons who are assumed to act reasonably. Hence, the court must ignore personal characteristics such as the easygoing nature of one party or the

aggressive approach of another. Courts also treat as a personal characteristic the financial position of the parties. Hence, an impoverished defendant cannot avoid an assessment of a significant licence fee on the basis that they would not be able to pay a licence fee that is more than that for which a claimant could reasonably have demanded simply because the defendant might have the resources and willingness to pay a larger amount.”

80. Further guidance on the hypothetical negotiation is to be found in the speech of Lord Wilberforce in *General Tire* at page 833:

“My Lords, this passage is, in my opinion, unsupportable in law or in fact. In law it rests upon the hypothesis that what has to be considered, in measuring the loss a patentee sustains through an infringement, is some bargain struck between some abstract licensor and some abstract licensee uncontaminated by the qualities of the actual actors. But that is not so. The ‘willing licensor’ and ‘willing licensee’ to which reference is often made (and I do not object to it so long as we do not import analogies from other fields) is always the actual licensor and the actual licensee who, one assumes, are willing to negotiate with the other – they bargain as they are, with their strengths and weaknesses, in the market as it exists.”

81. As Warren J noted in *Field Common Limited v Elmbridge BC* [2008] EWHC 2079 (Ch) at [78] (emphasis in original):

“However, in the cases where the hypothetical negotiation has been adopted, it has been the case that the value of the benefit to the particular defendant can be seen to be the value of the benefit which any person in the position of the defendant would receive. That may not be so in all cases. Where it is not so, a hypothetical negotiation may not give the right answer. Or, if that approach nonetheless has to be applied, it will be important to recognise that it is designed to establish the value of the wrongful use to the defendant and not some objective figure as between hypothetical persons negotiating for a hypothetical license: after all, even if damages are to be seen as compensation for loss of an opportunity to negotiate, that negotiation would be one between the actual parties, albeit that they are to be treated as parties willing to deal with each other with a view to reaching a reasonable result.”

82. Counsel for the Claimants submitted that as I consider the hypothetical negotiation in this case, both sides’ needs, means, and concerns must be taken into account. If, for example, the licensor will itself suffer as a result of granting a licence, this, she said, will be material, citing Mr Anthony Mann QC (sitting as a Deputy High Court Judge) (as he then was) in *AMEC Developments Limited v Jury’s Hotel Management (UK) Ltd* [2001] 82 P & CR 22 at [12]:

“It is also common ground that the way of ascertaining what that sum is, is to consider the sum that would have been arrived at in negotiations between the parties had each been making reasonable use of their respective bargaining positions without holding out for unreasonable amounts. This requires, in turn, that the parties have regard to the cost or detriment to the claimant and the benefits to the defendant of the latter’s being allowed to build over the building line.”

83. Further, she submitted that the hypothetical negotiation is a *prospective* one: it takes place before any acts which would otherwise constitute infringement are committed. Save for the actual number of sales made by a defendant, events which, in fact, took place after the hypothetical negotiation would have happened are strictly irrelevant – and so the infringer’s *actual* profit is not a factor which the parties would have taken (or been able to take) into account. After all, the exercise is not an *ex post facto* account of profits which have already accrued to a defendant – necessarily, by the time a damages inquiry takes place the claimant has elected not (or is not entitled) to pursue that kind of relief. She referred me to the judgment of Neuberger LJ (as he then was) in *Lunn Poly Limited and Anor v Liverpool & Lancashire Properties Limited and Anor* [2006] EWCA Civ 430, commenting on the judgment of Mr Mann QC I have referred to immediately above:

“28. Accordingly, although I see the force of what Mr Mann said in paragraph 13 of his judgment, it should not in my opinion be treated as being generally applicable to events after the date of breach where the court decides to award damages in lieu on a negotiating basis as at the date of breach. After all, once the court has decided on a particular valuation date for assessing negotiating damages, consistency, fairness, and principle can be said to suggest that a judge should be careful before agreeing that a factor which existed at that date should be ignored, or that a factor which occurred after that date should be taken into account, as affecting the negotiating stance of the parties when deciding the figure at which they would arrive.

29. In my view, the proper analysis is as follows. Given that negotiating damages under the Act are meant to be compensatory, and are normally to be assessed or valued at the date of breach, principle and consistency indicate that post-valuation events are normally irrelevant. However, given the quasi-equitable nature of such damages, the judge may, where there are good reasons, direct a departure from the norm, either by selecting a different valuation date or by directing that a specific post-valuation-date event be taken into account.”

84. In *Pell Frischmann Engineering Limited v Bow Valley Iran Limited and Ors* [2009] UKPC 45, the Privy Council approved Neuberger LJ’s analysis in *Lunn Poly* and noted:

“51. In a case (such as *Wrotham Park* itself) where there has been nothing like an actual negotiation between the parties it is no doubt reasonable for the court to look at the eventual outcome and to consider whether or not that is a useful guide to what the parties would have thought at the time of their hypothetical bargain.”

85. Citing both *Lunn Poly* and *Pell* McGregor on Damages concludes at paragraph 14 – 55:

“This is the reason why the actual profit made from an infringement or the actual use made from the tort are irrelevant.”

86. In reaching my conclusions on standard damages, I have kept all of the above front of mind. I have particularly kept in mind that damages are to be assessed liberally, with the object to compensate the claimant and not to punish the defendant. As to lost sales, the court should form a general view as to what proportion of the defendant’s sales the claimant would have made. Where damages are difficult to assess with precision, the court should make the best



estimate it can, having regard to all the circumstances of the case and dealing with the matter broadly, with common sense and fairness. Not much in the way of accuracy is to be expected bearing in mind all the uncertainties of quantification.

### **Lost Profit Damages**

87. The Claimants' case on lost profit damages was as follows:

“Lost profit = number of lost sales of the Infringing Garment (**Lost Sales**) x total per-unit profit for the Claimants' garments incorporating the respective Infringed Design (**Per Unit Profit**)

Lost Sales = total number of Defendants' sales of Infringing Garment x **P**

where  $0 < P \leq 1$ , representing the probability that a sale in fact made by the Defendants of an Infringing Garment was to a customer who would have purchased the respective Claimant's Garment had the Infringing Garment not been available.”

88. The Defendants agreed with this approach, but disputed the value of P. It was also agreed between the parties that it is not possible to state the value of P definitively without interviewing the customers for the 15,393 infringing garments, or at least undertaking a statistically significant survey of them, which would have been disproportionate.

89. The Claimants' pleadings valued P at 1 (that is, every infringing sale made by the Defendants was a sale lost by the Claimants). By their closing submissions, the Claimants submitted that  $P = 0.25$  (that is, for every hundred infringing sales made by the Defendants, 25 were sales lost by the Claimants). Put another way, absent the Defendants' infringement, the Claimants would have made 25% of the sales that the Defendants did in fact make of the infringing garments. The Defendants maintained throughout that  $P = 0$ , that is, that none of the 15,393 infringing sales was a sale lost by the Claimants.

90. As set out above, I must follow a two stage approach, first determining if any of the Defendants' infringing sales was a sale lost to the Claimants. If I find that even a single sale was lost, I must then move on to the second stage. However, if I find that no infringing sales were lost, then  $P = 0$ , and no lost profits damages will be awarded.

*Does  $P = 0$ ?*

91. The parties agreed that there was no direct evidence from consumers on the value of P – no one was brought forward to say “I bought the Defendants' infringing garment instead of the Claimants' garment from which the Defendants' garment was copied”. This was unsurprising. It was also not a topic on which the experts could give meaningful evidence (consumer behaviour being outside their field of expertise). The Claimants relied on findings from the Main Judgment to support their position that  $P > 0$ , namely:

- (a) House of CB and Oh Polly are direct competitors: indeed, at the time of the infringement, Dr Branney considered House of CB to be Oh Polly's most significant competitor. The two businesses were very similar, producing similar types of garments (bodycon and bandage garments) for an overlapping customer base;

- (b) The infringing garments were articles of clothing – “sexy” garments to be worn on a night out. The driving factor behind a purchase was the look of the garment – whilst approximately a third of on-line purchased garments were returned (to both businesses), this does not detract from my findings in the Main Judgment that it was the look of the garments in photographs that attracted custom;
  - (c) In buying a particular garment from either side, the customer is buying into a “lifestyle” – both sides offered the same lifestyle; and
  - (d) There was no evidence that any comparable garments were available to customers of the Defendants at the relevant time and at comparable prices.
92. There is no doubt in my mind that at least some of the infringing sales were sales lost by the Claimants. It is therefore clear to me that  $P > 0$ . As the parties each relied on the same evidence and submissions in relation to both stages of the relevant test, I will discuss the submissions of both sides in the context of establishing the value of P.

*What is the Value of P?*

93. I was not assisted in the task of determining P by the diametric positions initially taken by the parties, with the Claimants suggesting that P was the maximum it could be (1), and the Defendants insisting that P was the minimum it could be (0). By their closing submissions, the Claimants had shifted, suggesting that  $P = 0.25$ . The Defendants continued to maintain that  $P = 0$ .
94. Whilst there were 18 infringing garments, I have not assessed a different value for P for each garment. Counsel for the Claimants did not urge me to do so. Counsel for the Defendants submitted that  $P = 0$  for each garment, and urged me to look at each design/garment pair individually to assess lost sales. Whilst not calculating a different value for P for each design/garment pair, I do accept counsel for the Defendants’ submission, and I have done that. I have also, as requested, reviewed carefully the helpful table provided by the Defendants and Mr Dearman’s Appendix C which compares the sales data as between the Claimants’ and the Defendants’ garments. It would, in my judgment, be inconsistent with the authorities I have cited above and grossly disproportionate to come up with 18 different values for P. I have therefore given P a single value, but I have taken into account the review I was asked by the Defendants to undertake, as well as the other submissions made on their behalf.
95. The following facts were common ground:
- (a) The infringing garments were copies of the Claimants’ garments (or parts of the Claimants’ garments);
  - (b) The businesses of both the Claimants and the Defendants sell garments to fashion-conscious young women who are looking to buy sexy clothing online and, in particular, dresses for a night out;
  - (c) The Defendants (at the relevant time) considered House of CB to be their biggest competitor;
  - (d) There are some customers who buy from both House of CB and Oh Polly; and

(e) The Defendants' retail prices for infringing garments were, generally speaking, lower than those of the corresponding garment of the Claimants.

96. Further, the Claimants have conceded that there would have been no substitute sales as between C108\* (a swimsuit) and D41 (a jumpsuit).

97. I turn now to the Defendants' submissions that  $P = 0$ :

(a) The Defendants denied that the Claimants' garments were selected to copy specifically because they were House of CB or Mistress Rocks garments, or those of a competitor more generally. Rather, counsel for the Defendants submitted that they were selected because they were "on trend". I do not consider that this matters one way or the other in circumstances where the Defendants have conceded that they copied (or have been found to have copied) the Claimants' garments because they were "on trend" – that is, highly desirable. I therefore do not take this into account, although, were I to do so, it would not make a meaningful difference;

(b) The Defendants denied that they considered Mistress Rocks their biggest competitor. This is said to matter because two of the infringing garments copied were Mistress Rocks garments – and the Mistress Rocks brand was different to the House of CB brand, targeting different consumers. I accept this submission and take it into account in my overall assessment;

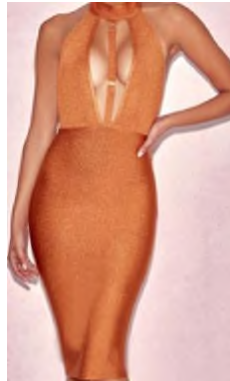
(c) Whilst the Defendants conceded that there was some customer overlap between House of CB and Oh Polly, the Claimants accepted that there is not complete overlap. I accept that submission and I take it into account;

(d) The Defendants submitted that the difference in price between the Claimants' garments and the Defendants' garments was such that a significant proportion of the Defendants' customers could not afford to buy one of the Claimants' garments, especially at the undiscounted price. I accept this submission to a degree, but consider that it was overstated by the Defendants. The Claimants led evidence of discounting of their garments, in some cases deep discounting, such that the cost differential lessened, and in some cases, was removed. There was an overlap in customers – some customers bought garments from both businesses. I take this into account in my overall assessment;

(e) The Defendants submitted that their garments were of an inferior quality to the Claimants' garments. I dealt with this in the Main Judgment. All of the Defendants' sales were made on-line, so what mattered was the impression given by the image, more so than the garment itself. As I held at paragraph 132 of the Main Judgment, the images used by the Defendants did not demonstrate any difference in quality. The return rates for both businesses were roughly the same. Therefore, I do not consider that the inferior quality of the Defendants' garments is something I should take into account in my assessment of the value of  $P$ , but if I were to do so, it would make no meaningful difference;

(f) As noted above, the Claimants withdrew the lost profits claim in relation to C108\*/D41. The Defendants submitted that a further three of their infringing garments were different garment types:

- (a) C27\* is a dress with a halter top, whereas infringing D27 is a very similar halter top but with leggings so as to make a jumpsuit.



C27\*



D27

- (b) C110\* is a two-piece bikini, whereas infringing D15 is a top.



C110\*



D15

- (c) C61\* is a dress, whereas D48 is a skirt.



C61\*



D48

As these images clearly demonstrate, whilst the infringing garments are not identical to the Claimants' garments, the key features of the design have clearly been copied. Further, Dr Branney said in his fifth witness statement (emphasis added):

“So a trend is a particular configuration of a garment (because generally it is rarely a specific dress): *square necklines with straps; or y-neck with a harness; or ruched asymmetric hemmed skirt*. Those are the types of things that all major fashion brands will jump on to capitalise on a trend. Our customers want to be seen in a trend the more they see it on others – they want to be seen as “trendy”.”

Therefore, whilst I take into account that not every customer looking for a PVC dress with laces will instead have purchased the skirt version, some will have, because it is the “trend” of the design they were after, rather than, as Dr Branney says, a specific garment. I take this into account in my overall assessment, as I do in relation to C1\* (which was trousers only) and D1 (sold as a two-piece top and bottom set);

- (g) The Defendants submitted that in the case of seven of the infringing garments, only part of the Claimants’ garment was copied. I do not consider that this fact on its own makes any difference, for the reasons given in relation to the immediately previous submission. Consumers would not be assessing parts of a product in the way that the court was asked to: they will be looking for the “trend”, as Dr Branney put it. Alternatively, were I to take this into account, it would not have made a meaningful difference to my assessment;
- (h) The Defendants submitted that in “many cases”, the colour of the infringing garment was different from the colour of the corresponding garment of the Claimant, such that a customer would not choose one rather than the other or regard them as substitutable. There was no evidence on this topic, and it does not accord with my understanding of the market. The designs were chosen by Ms Henderson to be copied because they were “on trend”. Customers were looking for that trend. The evidence at the liability trial was all in relation to shape trends rather than colour trends. Whilst I accept that some customers may not have bought a wine-coloured dress instead of a yellow one, what mattered was the “trend” into which the customer was buying. I have therefore taken this into account, but only to a limited degree;
- (i) The Defendants submitted that in some cases the materials of the infringing garments were different from the materials of the corresponding garment of the Claimants. The Defendants submitted that a customer was unlikely to buy a leather dress instead of a suedette one (C61 v D61) or a heavy bandage jumpsuit instead of a light polyester one (C91 v D91). There was no evidence to that effect, and, again, it does not accord with the evidence of Dr Branney I have excerpted above. I set out the images of C61, D61, C91 and D91 below.



C61



D61



C91



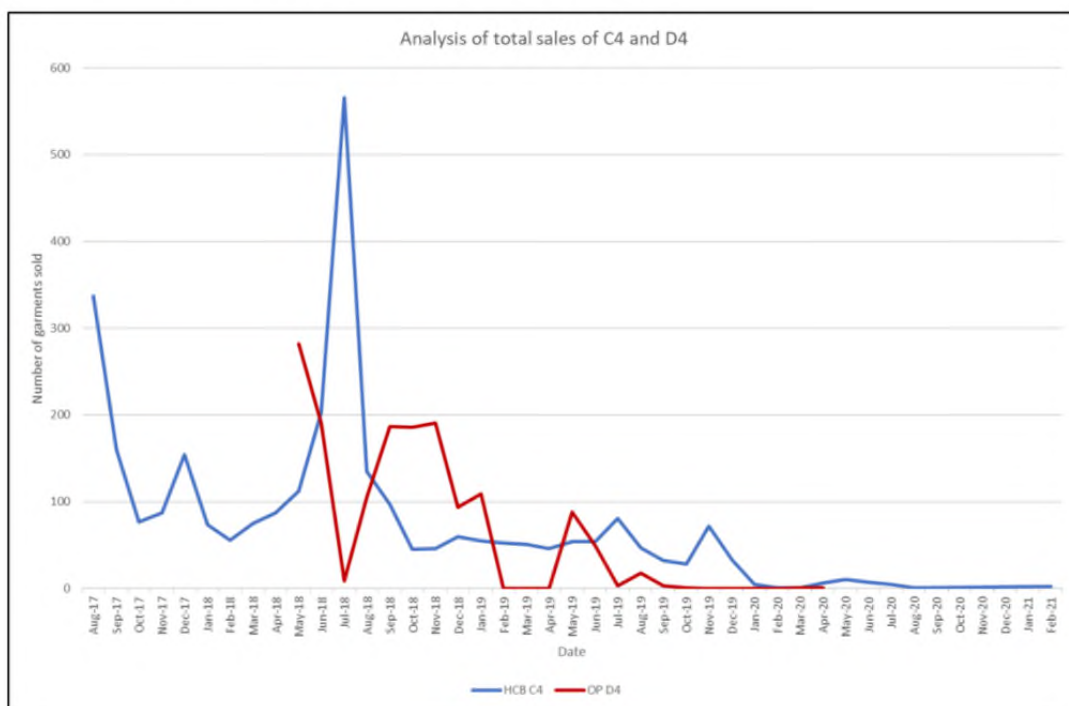
D91

As I have set out above, the Defendants' customers were all online, so what really matters is the images. Whilst the difference between leather and suedette is apparent when comparing C61 and D61, the differences between C91 and D91 to which the Defendants point are not apparent from the images above. I have therefore taken this into account, but only to a limited degree;

- (j) The Defendants relied on two aspects of Dr Branney's evidence: first, in relation to the different target demographics of the House of CB vs Oh Polly businesses. In the Main Judgment, I found that there was an overlap of customers, and the Defendants have conceded that fact for the purposes of this inquiry. This point therefore goes nowhere. The second aspect relied on entailed the mechanics of purchasing a garment online, the thrust of which evidence was that it is unlikely that a customer with a particular House of CB dress in mind could find the copy on the Oh Polly website. As I set out above, I have declined to accept Dr Branney's evidence unless corroborated. In any event, in paragraph 431 of the Main Judgment, I set out social media posts from customers who had posted that Oh Polly was copying House of CB garment designs. If members of the public had noticed it, and felt it appropriate to draw attention to it, then that seems to me not to support Dr Branney's testimony;
- (k) The Defendants also relied on the absence of evidence of social media posts in relation to these particular garments. As noted above, I do not find this absence surprising. It seems very unlikely to me that a consumer would post, "I just bought an Oh Polly copy of the House of CB [name] dress." I therefore reject this submission;
- (l) Finally, the Defendants relied on Mr Dearman's expert evidence concluding that  $P = 0$ . As I said above, that conclusion was outside Mr Dearman's expertise, and he should not have been asked to make it. Mr Dearman analysed the sales transaction data from each side on a garment-by-garment basis. He created charts which, he said, showed no correlation between demand for the Claimants' garments and the introduction of the Defendants' infringing garments. The Claimants described Mr Dearman's analysis as "pseudoscientific 'tea leaf reading' based on his eyeballing some graphs he had drawn showing (some of) the parties' sales over time". There is some force to that submission – certainly, Mr Dearman was in no position on the basis of what was before him to conclude that  $P = 0$ . I accept his opinion that from the forensic material before him he could not find a correlation between the Claimants' monthly sales data and the Defendants' monthly sales data. But that conclusion can only go so far, particularly without evidence of other factors driving sales (holidays, Instagram posts, the weather). For example, Mr Dearman insisted that in relation to each garment, there

was a “trend of decreasing demand”. Certainly, sales were generally lower prior to discontinuance of each garment than they had been at the start of sales, but no obvious “trend” was apparent to me on a review of some of Mr Dearman’s graphs. For example, Mr Dearman’s graph for C4/D4 is set out below, where the blue line is sales of the Claimants’ garment and the red line is sales of the Defendants’ garment.

**Figure D1: Total sales volumes of C4 and D4 over time**



This clearly shows that the Claimants’ sales were increasing sharply at the date on which the Defendants’ infringing product (D4) was launched, and that the Claimants’ sales fell as the Defendants’ sales rose. Mr Dearman accepted his error in cross-examination, but sought to justify his conclusion on other grounds. In any event, even if the Claimants’ sales were on a downward trend, that does not necessarily mean that sales could not have been lost to the Defendants, as Mr Dearman accepted in cross-examination.

The Claimants made detailed further criticisms of Mr Dearman’s evidence on the value of P which it is unnecessary to set out here. Mr Dearman was asked in cross-examination what the graphs would have looked like if P was in fact 1, and he was unable to say. Indeed, he was unable to say what the graphs would have looked like if P were 0.75, 0.5 or 0.25. Mr Dearman accepted in cross-examination that if he did not know what the graphs would look like if P were in fact 1, it follows that the fact he has not seen a value for P is not evidence that P has no value. Counsel for the Defendants submitted that Mr Dearman had not understood the questions asked of him. That was not my impression from watching Mr Dearman give evidence, nor from the transcript – I therefore reject that submission.

As I have set out above, I accept that Mr Dearman was giving his evidence honestly, on the basis of the issues he had been asked to discuss. He was at pains to point out in cross-examination the limitations of his analysis, and his conclusions that he could not



in fact tell whether or not the Claimants’ sales were actually impacted by the Defendants’ sales. I therefore prefer that oral testimony. I accept that Mr Dearman was unable to see in his charts and tables any meaningful correlation between the Claimants’ sales and the Defendants’ sales, but, as he accepted, that does not tell me the value of P, and certainly does not tell me that  $P = 0$ .

98. I have dealt above with the Defendants’ submissions, some of which I have not accepted, and some of which I have taken into account. I agree with the Claimants that P is clearly less than 1. I also consider that P is less than 0.25, but not significantly less than 0.25. I am mindful of the need to be “liberal” in my assessment of P (*Ultraframe*), forming a “general view” (*Ultraframe*), and that “one cannot expect much in the way of accuracy” (*Gerber*). I must engage in a “process ... of judicial estimation of the available indications” (*General Tire*), involving “the exercise of a sound imagination and the practice of the broad axe” (*Watson, Laidlaw & Co Limited v Pott, Cassels and Williamson* (1914) 31 RPC 104). This cannot be a scientific exercise, but I must do the best I can.
99. Keeping all that in mind, in the exercise of my judicial estimation, taking into account the matters I have referred to above, and my findings from the liability trial, I have reached the conclusion that  $P = 0.2$ .
100. In their closing skeleton, the Claimants provided the following table to show their calculation of P at 0.25. C108\*/D41 do not appear in the table. A deduction has been applied to reflect the Sirens licence and the Linhope licence (both of which were raised by the Defendants as needing to be accommodated, and which the Claimants sensibly did). The Claimants only claim lost profits in respect of those of the Defendants’ infringing garments sold in the UK (which infringed UKUDR) and those in the EU in colourways which infringed CUDR.

Design		Units sold				GPUs (£ per unit)			Loss of Profits (£GBP)		Claimed Lost Profits £
		UKUDR	EU-CUDR	EU-Non CUDR	ROW	UK	EU	ROW	UKUDR	EU-CUDR	
C01	D01	239	34	17	151	32.46	28.31	14.32	7,758	962	8,721
C02	D02	443	27	17	118	19.87	18.30	6.02	8,802	494	9,296
C04	D04	913	64	40	501	22.71	22.32	5.36	20,732	1,429	22,161
C12	D12	340	3	27	198	52.86	48.98	38.15	17,973	147	18,120
C13	D13	1,552	171	-	428	26.08	20.72	10.85	40,483	3,543	44,026
C27	D27	44	-	15	25	42.15	41.97	30.19	1,855	-	1,855
C35	D35	706	-	100	181	43.90	40.98	23.66	30,993	-	30,993
C54	D54	754	-	98	396	30.38	30.28	12.97	22,904	-	22,904
C57	D57	454	-	52	266	65.67	67.42	50.62	29,814	-	29,814
C61A	D61	749	-	57	154	30.35	28.96	20.47	22,730	-	22,730
C61B	D48	278	-	67	140	30.35	28.96	20.47	8,436	-	8,436
C85	D85	288	37	28	161	16.38	15.23	1.67	4,717	564	5,280
C87	D87	2,274	-	222	475	57.59	55.93	40.85	130,953	-	130,953
C91	D91	292	-	44	186	78.37	73.09	58.35	22,883	-	22,883
C107	D06	426	39	21	105	57.87	58.80	42.44	24,651	2,293	26,944
C108	D41	55	-	14	35	32.94	31.38	17.49	-	-	-
C109	D42	80	13	5	61	69.83	69.69	56.74	5,586	906	6,492
C110	D15	386	18	74	235	22.22	20.75	5.89	8,576	374	8,950
<b>Revised totals</b>		<b>10,273</b>	<b>406</b>	<b>898</b>	<b>3,816</b>				<b>409,847</b>	<b>10,711</b>	<b>420,559</b>
<b>Claim per unit</b>											<b>39.38</b>

25% 102,462 2,678 105,140

101. A further adjustment to this table is required. Both Mr Waters and Mr Geale accepted that the appropriate sales price to use for the Claimants’ garments is the weighted average sales price across the Claimants’ sales from the first *infringing* sale, rather than from the first of the Claimants’ sales.



102. Taking a value of P at 0.2 rather than 0.25, and adjusting for the matter set out in the previous paragraph, I award the Claimants £74,847.92 in lost profits.
103. I add for completeness that the Defendants criticised the Claimants' profitability figures on a number of additional bases. The Defendants criticised the omission of the Sirens licence and the Linhope licence, which the Claimants addressed prior to their counsel's closing speech, and the timing of the weighted average to which I have referred above. I do not accept the Defendants' further criticisms, including that the Claimants had not disclosed all the base documents from which their figures were calculated and that therefore the Claimants' manufacturing costs could be called into question. I rejected the Defendants' application for disclosure of those documents by order of 10 September 2021, and no suggestion was made that the sample invoices which were disclosed were not representative. The Claimants were aware of their continuing obligation to disclose known adverse documents. I also reject the Defendants' submissions that some of the lost sales would have been in-store sales, and that the profit lost on those sales was of the Third Claimant (no longer taking part in proceedings), rather than the First or Second Claimant. It seems to me that I must compare like with like, and where both sides operate lucrative online businesses, with overlapping customers, that is where the lost sales are likely to fall. I had no evidence to the contrary.

### **Reasonable Royalty**

104. It is common ground between the parties that at least some damages should be awarded on the basis of a reasonable royalty. The Claimants put the figure at £170,000 at the highest (or £11 per garment). They offered me a variety of hypothetical agreements which they submitted the parties could have reached:
- (a) a royalty of 25% of the Claimants' undiscounted sales price;
  - (b) a royalty of 50% of the Defendants' anticipated gross profit;
  - (c) all of the Defendants' additional revenue were they to increase their garment prices to £55;
  - (d) all of the Defendants' additional revenue were they to increase their garment prices by 20%;
  - (e) a fixed fee of £10,000 per design, whether whole or partial; or
  - (f) a fixed fee of £10,000 for each of the ten whole designs and £5,000 for each of the seven partial designs.
105. The Defendants put the figure at around £15,000, or £1 per garment. They submitted a number of hypothetical agreements which the parties could have reached:
- (a) 25% of the Defendants' actual net profit (which they calculated as £14,664);
  - (b) 3.5% of the Defendants' net sales price (which they calculated as £15,792); or
  - (c) 7.5% of the Defendants' actual gross profit (which they calculated as £14,410).
106. It should be remembered that damages on the basis of a reasonable royalty can apply only to any sales which have not been compensated for as lost sales. Given my findings above, this

includes (a) all sales outside the UK/EU; (b) all sales of garments to customers in the EU (excluding the UK) where the garment did not infringe UCDR; (c) all sales of D41; and (d) 80% of sales to customers in the UK and EU (in the latter case where the relevant garment did infringe UCDR).

107. I have set out above the law on assessment of a reasonable royalty. The parties were largely in agreement on the law, but took very different approaches to its application in this case. The difficulty of the situation is well-known, as the various judgments excerpted above attest. Here, the assessment was complicated further, because:
- (a) neither side had ever entered a comparable agreement to license a design, and so there were no past facts on which to base future hypothetical conduct; and
  - (b) the evidence of Ms Richards and Dr Branney was that they would never have entered into an agreement with each other, but if they had, they would not have negotiated beyond their own red lines.
108. Put briefly, Ms Richards and Dr Branney, on their own evidence, would not have got close to an agreement. My task, as the parties urged me, and the authorities require me, is to bridge that gap and declare what agreement the parties would hypothetically have reached – in effect forcing one or both sides to breach their declared negotiating positions. Each side advocated that the other side’s red lines were not real or not relevant, but that their own were.
109. To complicate things further, I was offered a very broad smörgåsbord of approaches from which to choose, some of which seemed to me to be far-fetched, and some of which were closer to commercial reality. Much of the “evidence” with which I was presented was really submissions.
110. The parties agreed that there would have been only one hypothetical negotiation: I was not asked to assess a different royalty rate for each garment. I was also asked to do that as at the date of the first infringement – that is 11 August 2016. Given that the Defendants were still launching infringing garments in 2018 and still selling them in 2020, that date does seem to me rather artificial, but it does have the benefit of simplicity.
111. The Defendants raised in closing a pleading point that it was not open to the Claimants to claim a fixed fee per design. Dr Branney gave evidence of the fixed fees he would have been willing to pay for a partial design (up to £1,000) and a whole design (up to £3,000). I do not consider that the Claimants are precluded from that position only because it is not set out in those terms in their pleaded case – it does fall within the broader statement of the relief they have sought.

#### *The Relevant Data*

112. I set out below some data points that, if not agreed, are at least broadly agreed:
- (a) The Defendants sold 15,393 infringing garments (net of returns). Of these sales, 10,269 were in the UK, 1,282 were in the EU (but not the UK) and 3,842 were outside the EU and UK;
  - (b) The Defendants’ total net revenues on those sales were £451,188 (including net postage income after tax of £69,188). Of this net revenue, £280,424 was from sales in

the UK, £38,129 was from sales in the EU (but not in the UK) and £132,636 was from sales outside the EU and UK;

- (c) The Defendants' total gross profits on the infringing sales were £192,208, at a gross profit margin of 42.6%;
- (d) The first infringing garment went on sale on 11 August 2016 and the last infringing garment went on sale on 25 June 2018. The last sale of an infringing garment was in December 2020, as the liability trial was taking place; and
- (e) The Claimants sold 21,939 of their own garments from which the Defendants copied, with sales revenue of £1,755,268.

### *Competing Businesses*

113. There was a debate before me as to whether or not I should take into account in the assessment of a reasonable royalty the (agreed) fact that the House of CB and Oh Polly businesses competed. Put shortly, the Defendants' position was that this was already accommodated in the lost profits analysis which I have set out above. My finding that 80% of the Defendants' infringing sales would *not* have been sales lost by the Claimants deals with the issue, and so, the Defendants' submitted, the competition between the businesses is irrelevant to this head of damage. On the other hand, the Claimants submitted that whilst the parties entered the hypothetical negotiation knowing no sales of the Claimants' garments were at risk, the negotiation does not occur within a vacuum, but in the actual circumstances as they existed. Therefore, the Claimants submitted that the position of the parties as competitors is of "great relevance even if the fact that the licensed garment[s] will compete must be ignored."
114. The Claimants put their argument as follows: no sensible businessperson does anything which will assist a competitor's business unless there is a very good reason to do so. Helping a competitor today helps it weather future financial challenges, giving the competitor more profit to invest in expanding its business, making it better able to fulfil the requirements of the market. Here, House of CB and Oh Polly were (it is agreed) competing in the same market for the same consumers. There was evidence before me in the liability trial of customers buying from both House of CB and Oh Polly. Each, I found, sells a "lifestyle" or "brand", and I found those "lifestyles" and "brands" to be very similar. The Claimants therefore submitted that House of CB, a major clothing brand with annual turnover of millions of pounds, would simply not license designs to a direct competitor for small sums of money. Similarly, the Claimants submitted, the Defendants would not have expected to get away with paying a small sum for trending designs already being marketed by a premium brand.
115. Counsel for the Defendants described this as a "simple but fundamental error of law", because reasonable royalty damages are only available in respect of sales of garments which did not result in any lost sales – lost sales damages are already covered by the lost profit calculations I have set out above. He submitted that "as a matter of logic", it is not legitimate to assume that the parties would be competing. He cited as support for this conclusion paragraph 47(v)(c) of *Ultraframe*, which I have set out above, and the judgment of Jacob J in *Gerber v Lectra*, which I have also set out above. Importantly, the judge said in relation to the 13 sales in issue before him:

"This is really a court-imposed notional bargain. I have held that Gerber's lost profit would be irrelevant – because the negotiation does not cover lost sales."

116. However, the judge’s statement does not seem to me to go as far as counsel for the Defendants suggested. The Claimants accept that their lost profits are irrelevant to this part of the assessment. Their argument, though, is a different one. As Newey J set out in *32Red* (also set out above):

“The hypothetical negotiation is between the actual parties, assumed to bargain with their respective strengths and weaknesses.”

117. Counsel for the Defendants also relied on Jacob J’s further comments in *Gerber* when talking about how the “available profits” of the Defendants should be split:

“Gerber’s expert suggested that this ought to be double because the licensee would be competition, leading to a royalty of 50% of the licensee’s sales revenue. I have indicated I think this is wrong – we are here talking about the non-competing sales.”

118. It is important to note that the judge here was talking about division of “available profits” – this was one of the many possibilities put to me. I accept the Defendants’ submission that I ought not take into account competing sales if I decide that the parties would have agreed to split the Defendants’ profits. However, I do not understand either of the judge’s comments relied on by the Defendants as applying generally to the assessment of a reasonable royalty.

119. In summary, I accept (as do the Claimants) that I ought not take into consideration the sales lost to the Defendants. However, in my judgment, I am able to take into account the positions of the actual parties, and that position includes the (agreed) fact that they were, at the relevant time, very keen competitors. However, whilst taking it into account, it has not made a meaningful difference to my assessment.

120. As counsel for the Claimants put it in her closing skeleton argument:

“The participants to the negotiation therefore have, generally speaking, all the real priorities and concerns of the real claimant and the real defendant, and their hypothetical negotiation takes place against a background matrix of the real facts which would have been in their minds at the relevant time.”

#### *A Legitimate Alternative*

121. As set out at paragraph 19(ix) of *32Red*, the parties to the hypothetical negotiation would have taken into account the availability or otherwise of a non-infringing course of action. The Claimants submitted that as at 11 August 2016, the Defendants had no alternative:

- (a) Ms Henderson, then the only designer for Oh Polly, on her own evidence could not draw or use any of the computer-assisted design programs. As I found following the liability trial, she found on the Internet images of garments she liked, and sent them to the factory to be copied. Whilst the Oh Polly business later hired designers, in 2016 it had not yet done so;
- (b) The Defendants could have taken a licence from a third party: whilst I found following the liability trial that Ms Henderson had copied third party garments, there was no evidence before me then or now that the Defendants had attempted to take a license from a third party, or that a third party would have been prepared to enter into such a licence; and

(c) The Defendants could have commissioned an independent designer to create the designs they wanted, or set up a design department (as they later did). The only evidence before me on the use of an independent designer was a payment of EUR8,500 for 10 designs. For the total number of designs in issue, this figure would have almost equalled the amount the Defendants say is due under this head of damage, and it would not have guaranteed that the designs were from an on-trend successful business. There was no evidence before me of the costs of the latter approach, but it is clear to me that it would have been expensive – significantly more expensive than the £15,000 or so that the Defendants say is due under this head of damages.

122. It should also be remembered that none of these approaches would have guaranteed availability to the Defendants of designs from a leading, on trend business. In copying designs which the Claimants had already launched, the Defendants were getting their pick of finished designs which had already been launched by a successful business. That was something that none of the possible lawful alternatives set out above would have provided.

#### *Parties' Evidence of their Approach to the Hypothetical Negotiation*

123. As set out above, Ms Richards gave evidence on behalf of the Claimants, and Dr Branney gave evidence on behalf of the Defendants. Mr Geale gave evidence that both Ms Richards and Dr Branney were adopting positions most favourable to themselves, and Mr Dearman accepted in cross-examination that the positions each adopted were “certainly extreme”. Further, Ms Richards was not criticised for how she gave her evidence, but she was clear that she would not have been the person in the House of CB business who would have conducted the negotiation, so there is a limit as to what her evidence can tell me. I have concluded above that Dr Branney was not an honest witness. Finally, as I have set out above, and as Dr Branney accepted in cross-examination, in order to come to a hypothetical agreement, I must breach the red lines of one or both sides. Therefore, I have come to the conclusion that the fact evidence on both sides is of limited assistance to me. It provides some information on the parties' starting positions, but it does not assist me materially in determining where the parties would have ended up.

124. For completeness I need to deal briefly with an issue on cross-examination that was argued before me. Counsel for the Defendants submitted in his closing skeleton that the court was precluded from setting a royalty on the basis of the Defendants' increasing their prices to £55 per garment because that scenario was not put to Dr Branney in cross-examination. I do not accept that submission. The hypothetical negotiation is exactly that – it is a likely outcome that the court must determine on the basis of the facts before it. As I have said, it involves breaching the red lines of one or both sides. Dr Branney accepted that his may have to be breached. It is not the case that counsel must put to the fact witnesses for each side in an inquiry all the various possible permutations of a hypothetical negotiation to gauge their reaction. I have to bring the two sides together and reach a hypothetical agreement, even if both sides say they would never have reached that agreement.

#### *Third Party Royalty Agreements*

125. Mr Dearman adduced evidence of what he described as “comparable licences” to support his conclusions on where the parties would land at the end of a hypothetical negotiation. Counsel for the Claimants criticised this reliance on the following grounds:

- (a) The majority of the licences were exclusive, whereas this hypothetical negotiation did not relate to an exclusive licence;
  - (b) The majority of the licences were trade mark licences, rather than licences of unregistered design rights;
  - (c) Some of the licences did not relate to clothing, but were for eyewear, bedding or towelling;
  - (d) Many of the licences incorporated minimum royalty payments, and some had additional requirements such as payments on execution, or by way of an annual fee;
  - (e) Many of the licences related to deals significantly bigger than this hypothetical negotiation, involving revenue in the millions (one was for \$15 million and one was for 150 million French Francs); and
  - (f) None of the licences appears to have been agreed between direct competitors.
126. I add to these criticisms, all of which I accept, that many of the licences related to territories other than the UK/EU, and several of the licences were not recent (including one from 1996, pre-dating on-line commerce).
127. There is a difference between this case and that of a licensing business such as Ralph Lauren agreeing terms for use of its trade marks on sheets and towels. Mr Dearman's analysis is therefore of limited assistance to me, so I must treat his conclusions with some circumspection. What the licences do is provide a general sense of the commercial reality, and a sense of the lower and upper ranges of agreed percentages (Mr Geale agreed that the normal range for trade mark licences was 3-6%). These licences also demonstrate the importance in the commercial world of minimum royalty payments and they highlight that net sales is the usual basis for calculating royalties.

*Garments Sold Outside the UK/EU*

128. The Defendants denied that a reasonable royalty is owed on garments they sold outside the UK/EU. Put briefly, their argument, based on Dr Branney's evidence, was that, rather than pay a reasonable royalty on these garments because they were shipped through the Defendants' distribution centre in the UK, the Defendants would instead have changed their distribution model by making arrangements to ship the relevant garments from its factories in China or Bangladesh directly to the customer. Dr Branney accepted that there was some administrative burden to doing so. There was no other evidence to support Dr Branney's assertion, and I reject it as fanciful. It would make no economic sense to set up different arrangements for what turned out to be 3,842 garments sold outside the UK/EU in order to avoid paying a reasonable royalty on them, especially if that royalty was less than \$10 per garment (the additional cost Dr Branney estimated for the new arrangement). But even if the reasonable royalty were greater than \$10 per garment, I do not consider that the Defendants would have decided to change their arrangements. There would have been additional administrative costs; the Defendants would lose control over the presentation of the shipped goods, something I was told during the liability trial was important to consumers; such an arrangement would complicate returns (about 30% of purchases are returned); and a customer ordering two garments might receive them separately without understanding why. I reject Dr Branney's evidence on this point. The Defendants were at pains to point out that the 15,393 garments were a tiny part of their business – less than 0.5%. It is to me inconceivable that the

Defendants would have gone to the additional trouble and expense of re-arranging their distribution network so as not to pay a reasonable royalty on 3,842 garments, or less than 0.1% of their business.

129. I also reject the Defendants’ reliance on the Claimants’ operation of what was described as a similar model in respect of sales outside the UK/EU, because it is not true. As the Defendants acknowledged, the Claimants operated a *fulfilment centre* in China, with all the attendant costs – they did not have garments shipped to customers directly from the *factories*.

### *Part Designs*

130. The Defendants submitted that the parties to the hypothetical negotiation would have distinguished between the full garment designs and the partial garment designs which they infringed. It was submitted that this was the only approach available to me as a matter of law and as a matter of fact. I reject both submissions. As a matter of law, I accept that the licence relates to the rights infringed. Therefore, in the hypothetical negotiation, the parties may or may not distinguish between partial designs and whole designs. But that is a question for the facts of this case. On the facts of this case, I have set out above Dr Branney’s evidence on trends. He gives examples of “trends” - a square neckline with straps; or a y-neck with a harness; or a ruched asymmetric hemmed skirt. He says “generally it is rarely a specific dress”. A “y-neck with a harness” is a part of a design – it could as readily be applied to a jumpsuit, a dress, a top or a swimsuit. So I also reject the Defendants’ submissions on the basis of their own evidence.
131. I have set out above the partial designs labelled C27\*, C61\* and C110\*. The others were C1\*, C57\*, C108\* and C109\* which I set out below. Again, it is obvious that what matters about the infringing garment is the copied design – in each case, the Defendants’ infringing garment copies the whole part, and the remainder of the garment is standard or usual, with limited or no design input.

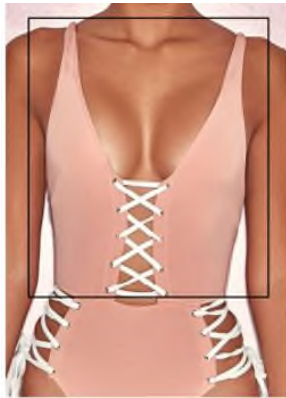
### **C1\*/D1**



**C57\*/D57**



**C108\*/D41**



**C109\*/D42**





*Evidence*

132. Doing the best I can with the volume of evidence before me, much of which, as I have explained, is of limited or no assistance, it seems to me that the following evidence is relevant to the issues I have to determine and, being consistent with commercial reality, is more likely to be accurate:
- (a) In 2016, both House of CB and Oh Polly were large and growing businesses – Oh Polly’s turnover was £4 million. The licensing of 17 designs at the time would have been a very small portion of the business of both sides.
  - (b) Both businesses were operating on a gross profit margin in excess of 40%.
  - (c) The Claimants had never granted licences to unrelated third parties to reproduce their designs – unlike Ralph Lauren, for example, the Claimants’ was not a licensing business.
  - (d) The Claimants, like many licensors, would have been reluctant to agree a royalty rate based on the Defendants’ net profits, because of the additional administrative burden, and the ability of the Defendants to minimise profits through maximising costs (over which the licensor has no control). Further, the difficulties in calculating accurate figures for the purposes of this inquiry demonstrate the complexities – which a willing licensor would have been keen to avoid, particularly given the low value of this licence compared to its overall business. As licensor, the Claimants would also have been keen to have a tangible idea of the level of royalties payable before agreeing to anything – it had to be worth the effort.
  - (e) The Defendants, like many licensees, would have been reluctant to agree a royalty rate based on the Claimants’ sales price, or on anticipated profits (as opposed to actual profits).
  - (f) In negotiating a licence, the Defendants would have looked at what they could have sold each garment for. Whilst they would have started with their then normal selling price of £35, they would have been prepared to increase their prices. Dr Branney considered the optimal price for selling the Defendants’ products to be £50 to £60; he also gave evidence that he would have been prepared to increase the sale prices of the infringing garments by 10 to 20%.
  - (g) The Defendants would have been prepared to pay a fixed fee per design – on Dr Branney’s evidence, the Defendants would have been prepared to pay up to £1,000 per part design and up to £3,000 per whole design.
  - (h) The Defendants would not have been able to reduce their costs in producing and selling the infringing garments.
  - (i) On Mr Geale’s evidence, a price increase of 20% for the Defendants’ infringing garments would have increased revenue by £76,400, which would then have been available to pay a royalty to the Claimants. Had the Defendants increased prices to £55 per infringing garment, even with 25% discounting, the Defendants’ revenue would have increased by £182,565. Mr Geale’s models were based on Dr Branney’s evidence about price elasticity, including that “the volume of the Defendants’ sales increases up to a price point of between £50 and £60”.

- (j) Whilst a licensee will usually want to ensure it turns a profit from the licensed goods, there are other reasons why a licensee might still take a licence (many of these are reasons generally for a business to sell goods as what are described as “loss leaders”):
    - (i) to attract customer interest in the hope they buy other products; and
    - (ii) to cultivate customer loyalty.
  - (k) Of the licences reviewed by Mr Dearman, only one was on the basis of gross profit, and none was on the basis of net profit. 18 of the selected 20 were on the basis of net sales – that is, as a percentage of the licensee’s sales at the licensee’s selling price. The lowest royalty rate in those licences was 1.8% and the highest was 18%. Many included minimum royalty payments.
  - (l) The Defendants were seeking to attract customers wanting to be “trendy”, so having on-trend designs was of high importance to the Defendants – they could not grow their business without them. The Claimants’ business was known to be successful, and it was known to be based on on-trend designs.
  - (m) The Defendants had no other ready way to procure on-trend designs from a successful business.
133. Taking this into account, the Defendants’ expert’s proposals can readily be rejected. As set out above, the Claimants would not have been keen to agree a calculation based on the Defendants’ net profits (over which they had no control and which could be time consuming and complicated to calculate). Had the Claimants been prepared to agree a calculation based on net sales or gross profits, then, in my judgment, they would not have agreed the percentages suggested by Mr Dearman – it would simply not have been worth their while to go through the whole exercise for £15,000, given the large size of their business. In my judgment, the Claimants would simply have walked away from that low offer, however it was calculated, as just not worth the effort of licensing the designs, and monitoring the Defendants’ sales or profits. I reject the Defendants’ three submitted positions as divorced from reality.
134. These three positions are also more beneficial to the Defendants than Dr Branney’s evidence. Dr Branney’s opening position (which Mr Dearman acknowledged to be extreme) and from which Dr Branney accepted he would need to compromise was:
- (a) that he would be prepared to pay a 10% royalty on gross profits (Mr Dearman proposed 7.5%);
  - (b) that he would be prepared to pay 50% on net profits (Mr Dearman proposed 25%); and
  - (c) that he would be prepared to pay a fixed fee of £1,000 for the partial designs – for 6 of the 7 partial designs, Mr Dearman’s proposed royalty on all three bases is less than £1,000.
135. I also reject the Claimants’ primary position of calculating a reasonable royalty on the basis of the Claimants’ normal sales price. Whilst this would have given the Claimants certainty, it was not something the Defendants could hope to make any money out of, given their generally lower sales price for garments, and/or their lower cost of manufacture, which, I have accepted, they could not lower further. I also reject the Claimants’ proposal based on anticipated gross

profit as being most unusual in the market. I reject, too, their proposals based on absorbing the Defendants' additional profits from a forced price-rise – this was an option that appeared nowhere in the evidence.

136. In my judgment, the hypothetical deal reached by the parties would have been as follows:
- (a) The parties would have agreed to calculate the royalty on the basis of the Defendants' net sales revenue, that is, a percentage of the Defendants' sales at the Defendants' selling price. As is clear from the example agreements provided by Mr Dearman, this is the usual way in which licences are agreed because it limits administration and future disputes;
  - (b) The parties would have treated partial designs and whole designs the same – what the Defendants were looking for were, on Dr Branney's evidence, "trends";
  - (c) For a design-conscious business seeking to attract customers looking for "trends", the design of the products is important. The Defendants had no other source of on-trend designs from a successful business. They would therefore have been prepared to pay above average royalty rates to be able to license the Claimants' garment designs – that is, outside Mr Geale's "normal" range of 3-6%. Given the range in Mr Dearman's evidence, I consider that the Defendants would have been prepared to pay a royalty rate of 10%. This is more than the lowest rate of 1.8% or Mr Dearman's calculated mean of 6.8%, but still significantly less than the top rate of 18%;
  - (d) The Claimants were not running a licensing business. They would therefore have wanted some certainty that the income from this licence was worth the administrative effort. They would therefore have wanted to set a minimum licence fee, as was provided for in a number of the licences in Mr Dearman's analysis. The Defendants on Dr Branney's evidence would have been prepared to pay £1,000 for a partial design or £3,000 for a whole design. In my judgment, this understates the reality. The Defendants had nowhere else to obtain on-trend designs from a successful design business. I estimate that they would have been prepared to agree to a minimum royalty of £4,000 for each design, whether whole or part; and
  - (e) A royalty at this level would have eaten into the Defendants' profits, but it would not have rendered the garments "loss-leaders". Had the Defendants wished to maintain the same profits, they would know that they could increase the prices of some garments in order to pay the royalty and still make a meaningful profit. They would readily have done so up to Dr Branney's "sweet-spot" of £50 to £60.

137. As will be apparent, the above hypothetical licence does not rely on the Defendants' profitability, although I do consider that the Defendants would have been alive to profitability in their calculations as to what they could afford. This means that I do not need to deal with the various submissions made by the parties on dividing the Defendants' actual profit between them because, in my judgment, that is not what the parties would have agreed.

138. Therefore, I assess the reasonable royalty at £75,276.64.

### **Additional Damages**

139. I turn now to additional damages. The Defendants concede that the Claimants are entitled to additional damages as a result of the flagrancy of the Defendants' infringement. However, the

Defendants suggest that an uplift of 20% of the standard damages award would be appropriate – on this submission, a figure of approximately £3,000, or 20p per garment. The Defendants submitted that this would be (a) proportionate to the scale of the infringement; (b) punitive; and (c) serve as a deterrent to the Defendants and to other potential infringers. On the other hand, the Claimants seek a figure that, in short, “tops up” the standard damages awarded so that the Claimants receive (a) the total they would have received if they, rather than the Defendants, had made all the infringing sales (in excess of £500,000) or (b) the total revenues received by the Defendants for the infringing sales (£451,188). Once again, the parties were far apart.

### *The Law on Additional Damages*

140. Again, the parties were agreed as to the law I should apply. The court is empowered to award “such additional damages as the justice of the case may require” “having regard to all the circumstances”: section 229(2) of the Copyright Designs and Patents Act 1988 (the **CDPA**).
141. The leading case on the award of additional damages is *Phonographic Performance Limited v Ellis (trading as Bla Bla Bar)* [2018] EWCA Civ 2812. Whilst that case involved copyright infringement, the wording of sections 97(2) and 229(3) of the CPDA is the same. Lewison LJ (with whom King and David Richards LJJ agreed) set out the relevant principles as follows:
- (a) The legal character of additional damages is *sui generis*: whilst a fine may be a “suitable analogy”, additional damages are not a fine, and are payable to the Claimant (at paragraphs 36 and 37);
  - (b) The power to award additional damages extends to cases in which effective relief is available to the claimant (at paragraph 34);
  - (c) Additional damages may be partly or wholly punitive (at paragraph 37);
  - (d) Additional damages serve a valuable deterrent effect both to the infringer in the particular case under consideration, and also more widely in that they send the general message that infringement does not pay (at paragraph 38);
  - (e) In certain cases, additional damages may also enable a claimant to recover a contribution towards internal administrative costs which would not otherwise be recoverable as compensatory damages, because staffing had not been diverted from normal business activities (at paragraph 38);
  - (f) An award of additional damages cannot be made to make up for any shortfall between the litigation costs actually incurred and those which were allowed on an assessment (at paragraph 38);
  - (g) An award of additional damages must be “effective, proportionate and dissuasive” (at paragraph 41); and
  - (h) It may be that a particularly egregious award of exemplary damages would amount to an abuse of rights (at paragraph 42).
142. The requirement that an award of additional damages be “effective, proportionate and dissuasive” is taken from Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property (the **Enforcement**

**Directive**) transposed into domestic law by the Intellectual Property (Enforcement etc) Regulations 2006.

143. There was also some discussion before me as to what is meant by an abuse of rights. Lewison LJ raised the point in *Bla Bla Bar* as follows:

“41. That ties in with article 3(2) of the Directive which states that remedies must be “effective, proportionate and dissuasive”. However, the court added this warning:

“[31] It is admittedly possible that, in exceptional cases, payment for a loss calculated on the basis of twice the amount of the hypothetical royalty will exceed the loss actually suffered so clearly and substantially that a claim to that effect could constitute an abuse of rights, prohibited by art.3(2) of Directive 2004/48. It is apparent, however, from the Polish Government’s observations at the hearing that, under the legislation applicable in the main proceedings, a Polish court would not be bound in such a situation by the claim of the holder of the infringed right.”

42. It may be, therefore, that a particularly egregious award of exemplary damages would amount to an abuse of rights.”

144. No further explanation was given as to what was meant by an abuse of rights, and, whilst counsel for the Defendants repeated the warning often, he did not point me to any further authority as to what it means. For my part, I do not consider that I need to reach a view on that point, other than to ensure that in reaching my conclusion on an appropriately “effective, proportionate and dissuasive” award, I do not stray so far that the award becomes egregious.

145. Other than these general principles, the parties were unable to point me to useful guidance in the authorities on how to determine the *quantum* of additional damages. I was, however, given as examples a number of cases in which additional damages were awarded, although none were in relation to facts identical to those in this case. The Defendants provided a table of cases which they said provided some guidance, and which I include here. However, as none of those cases involved facts close to those in this case, these examples can only be that.

No.	Case name	Cause of action	Award of standard basis damages	Additional damages award	Basis of calculation of additional damages
1.	<i>Microsoft v Able System Development</i> (decision of High Court of Hong Kong, Court of First Instance, dated 10 October 2002)	Copyright and trade mark infringement – computer software	HK\$32,575,064 (approx. £2.7m)	HK\$3,257,506 (approx. £270,000)	Court minded to grant a sum reflecting 10% of the assessed damages of the plaintiff ([36]).

2.	<i>Nottinghamshire Healthcare NHS Trust v News Group Newspapers</i> [2002] RPC 49	Copyright infringement – photos	£450	£9,550	Sum of additional damages awarded so as to result in total damages of £10,000, which was the amount paid by The Sun newspaper to compromise litigation in respect of two illegitimate photos in a separate dispute ([60]).
3.	<i>Peninsular Business Services v Citation Plc (No 1)</i> [2004] FSR 17, <i>HHJ Maddocks</i>	Copyright infringement – manuals	£9,000	£9,000	100% uplift on standard basis damages based on double value recoverable by a landlord under s. 1 Landlord & Tenant Act 1730 ([45]).
4.	<i>PPL v Reader</i> [2005] EWHC 416 (Ch), <i>Pumfrey J</i> (as he then was)	Copyright infringement – music	[not assessed]	[not assessed]	Additional damages awarded as (1) costs of enquiry agents and (2) sum equal to unpaid licence fees ([19]).
5.	<i>Cavalcade Records v HHO Multimedia</i> [2013] EWPC 41, <i>HHJ Birss QC</i> (as he then was)	Copyright infringement – music	£3,500	£3,500	No substantive reasoning beyond consideration of general principles (see [23] for decision).
6.	<i>Pendle Metalwares v Walter Page</i> [2014] EWHC 1140 (Ch), <i>HHJ Purle QC</i>	Infringement of UKUDR, UCD and copyright – smoking bins	£52,705	£13,000	A 100% uplift would not be appropriate in this case ([49]).  Additional damages awarded at approximately 25% of the compensatory

					award. The figure reflects the disapproval of the defendants' flagrant behaviour and the court's recognition that the impact upon the claimant of the defendants' cynical behaviour (which included a false defence and telling of other lies) has been significant ([51]).
7.	<i>PPL v Miller</i> [2016] EWHC 3738 (Ch), Birss J (as he then was)	Copyright infringement – music	£3,251.25	£1,600	About half of standard basis damages ([33]).
8.	<i>Absolute Lofts v Artisan</i> [2017] ECDR 6, HHJ Hacon	Copyright infringement – photos	£300	£6,000	Reliance on flagrancy of infringement and benefit to defendant in context of unfair profits derived by defendant ([60]). Additional damages assessed in the same amount as damages awarded under art 13(1) of the Enforcement Directive.
9.	<i>Reformation Publishing v Cruiseco</i> [2018] EWHC 2761 (Ch), Nugee J (as he then was)	Copyright infringement – music	£38,750	£25,000	Figure simply selected following no citation of authority and neither party putting forward any particular analysis to justify their figures. Figure held to be adequate to mark the seriousness of

					the infringement ([92]-[93]).
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146. What these cases demonstrate is that some judges have calculated additional damages on the basis of a “percentage uplift” on the standard damages awarded, but they do not establish that as a rule. Indeed, there would not appear to be a conventional approach to the assessment of additional damages. Nugee J (as he then was) demonstrated one method in the last of the cases in the table above, *Reformation Publishing*. This was a copyright case in the IPEC. The hearing did not last more than a day. In his written judgment, having awarded £38,750 in standard damages, the judge said this (at paragraphs 92 and 93):

“92. The remaining, and final, question is to fix a sum for additional damages. On this I was cited no authority and given very little by way of submissions, Mr Richards inviting me to make a substantial award of £50,000, and Mr Keay suggesting a modest uplift of 5% of the ordinary damages, but neither putting forward any particular analysis to justify their figures.

93. In those circumstances I can do nothing else than select a figure. I propose to award £25,000 which seems to me adequate to mark the seriousness of the infringement.”

147. Counsel for the Claimants urged on me the following conclusions from some of the cases above:

- (a) In *Absolute Lofts*, £6000 in additional damages was awarded on top of £300 in standard damages, equivalent to a 500% uplift; and
- (b) In *Nottinghamshire Healthcare NHS Trust*, £9,550 in additional damages was awarded in addition to £450 in ordinary damages, equivalent to an uplift of 2,100%.

But of course, the uplift in other cases was significantly less, and some of the cases (including that before Nugee J) were not based on an uplift at all.

#### *The Claimants’ Approach*

148. The Claimants submitted that the level of additional damages should reflect the per-unit profit which the Claimants were making while selling the infringing garments. Counsel for the Claimants conceded that this approach was “novel”, but submitted that it was not incompatible with any existing authority on additional damages. She submitted that such an award would send a clear message to would-be copyists that the consequences of copying a successful and profitable competitor’s work can be serious – and the more successful and profitable the competitor, the greater the risk to the copyist. Alternatively, the Claimants suggested I award additional damages in the sum of the net revenue generated for the Defendants by the infringing garments.

149. The Claimants asked me to take into account the following factors:

- (a) That the creative industries are a major contributor to the UK’s economy, and Parliament created design rights to protect the work of creative designers;
- (b) An infringer takes a risks when s/he sells a cheap copy, but that risk will often not be a great one, because for trend-based fashion, the product will have long sold out before



the court can issue an injunction. Claimants may not bring litigation because of the unrecoverable costs of litigation;

- (c) For unregistered design rights to have teeth, an award of additional damages should make up for what was described as the “enforcement deficit”;
- (d) The Defendants’ conduct in the litigation. Here:
  - (i) The Defendants denied copying from the outset, and, other than garment D35, up to and including at the trial; and
  - (ii) The Defendants submitted that the Claimants had slavishly copied each and every design relied on such that the design right did not subsist (which I found following the liability trial not to be the case); and
- (e) The Defendants have very substantial means, and the award of additional damages should not be a trivial “cost of doing business”. The Oh Polly business turns over tens of millions of pounds a year, and makes millions of pounds of profit. The personal Defendants are the only two shareholders of the Oh Polly business. The punitive aspect of the award must be felt and the impact needs to be lasting.

### *The Defendants’ Approach*

- 150. The Defendants accepted that an award of additional damages in this case is appropriate, and that such an award may be partly punitive – it should serve to produce a deterrent effect both on the Defendants and other would-be infringers of design rights. The Defendants submitted that I would achieve this aim by applying an uplift of 20% on the award of standard damages. Their submission was that standard damages should be approximately £15,000, so the uplift of 20% would be £3,000 (or 20p per garment). I have found that the standard damages award should be £150,124.56. 20% of that figure would therefore be £30,024.91 (or £1.95 per garment). I can readily dismiss these submissions. These amounts are trifling in the context of the Oh Polly business, which turned over £39 million in the 2020 financial year. In my judgment, such a small award of additional damages, even when coupled with the standard damages I have awarded, would go no way to punishing these Defendants, nor deterring them, or other copyists, from infringing in the future. The Defendants’ suggested award would not be effective, proportionate or dissuasive, and I reject it.
- 151. Counsel for the Defendants submitted a number of factors which I should not take into account in reaching an award:
  - (a) He refuted the Claimants’ submission that the Defendants were infringing in a large-scale way. Rather, he submitted that the infringing garments represent a “tiny proportion of the approximately 4,000 designs that the Defendants have released to date”. I accept the submission that the infringing garments were a small percentage of the total garments, but I keep in mind that 15,393 infringing garments were sold to the public – that differentiates this case from some of the examples I was shown where a single photograph was copied. 15,393 sales over a four year period is large-scale infringement, even if it is a small proportion of the very substantial Oh Polly business;
  - (b) Counsel for the Defendants submitted that I should not take into account the use by Ms Henderson of third party designs, images of which she sent to the factories to be copied. I accept that submission – the award of additional damages is for the flagrancy

of the infringements I have found to have occurred, that is, the 15,393 infringing garments;

- (c) Counsel for the Defendants urged me not to take into account the fact that the Defendants did not cease copying the Claimants' designs once put on notice in 2016. I do not accept that submission. The copies before me date from 2016, 2017 and 2018 – the last infringing garment was first put on the market 10 days after the claim form in this case was sent to the Defendants. Sales then continued, including until December 2020 as the liability trial was taking place. Counsel for the Defendants suggested that this was “not the behaviour of a cynical infringer with no regard for the law”. I reject that submission;
- (d) Counsel for the Defendants asked me not to rely on the Claimants' submission that the Defendants' business was at all material times wholly or substantially parasitic on legitimate fashion businesses. I accept that submission – the additional damages relate only to the 15,393 garments which infringed;
- (e) Counsel for the Defendants initially submitted that it was “not legitimate to look at [the Defendants'] turnover and gross profit and measure the additional damages award by reference to those overall amounts”. Whilst that is true, I do not accept that the Defendants' financial position is irrelevant. The Defendants accepted that the additional damages award I make should be punitive and should serve as a deterrent, and that it will do so “if it adds a significant amount to the compensatory award”. The Defendants also accepted that what is punishing to someone who has no money will be a very different thing from what is punishing for someone who has significant resources. In my judgment, in assessing what award might be punitive and a deterrent, the Defendants in this case are in a different position to some of the small businesses involved in the cases set out in the Defendants' schedule. The Oh Polly business is successful, and as I have held above, would barely be affected by the Defendants' suggested award of £3,000 (whereas an award at that level may have a significant punitive effect on a less prosperous copyist). In my judgment, and as the Defendants conceded in closing, I am entitled to take the Defendants' means into account in assessing what award of additional damages would be effective, proportionate and dissuasive. As Lord Devlin set out in *Rookes v Barnard (No 1)* [1964] AC 1129, “the means of the parties, irrelevant in the assessment of compensation, are material in the assessment of exemplary damages”. See also *Dynamic Supplies Pty Limited v Tonnex International Pty Limited* (No 3) [2014] FCA 909 per Yates J at paragraph 53 (Federal Court of Australia). On no basis is £3,000 a “significant amount” to the Defendants;
- (f) Counsel for the Defendants submitted that “the scale of the infringement is insignificant in the context of both sides' businesses as a whole”. I find this submission troubling, because, if correct, it would mean that additional damages awards for larger businesses are lower than those for smaller businesses. For the reasons set out in the immediately preceding paragraph, the opposite should be the case. When assessing the scale of infringement for the purposes of additional damages, in my judgment, what matters is the scale of the infringement as against the world – here, there were 15,393 infringing garments, which is a large number sold over a four year period. It does not matter that the Defendants also sold many other garments which have not been found to infringe. What matters is that this was not a one-off single copy – it was large-scale infringement over multiple years; and

(g) Counsel for the Defendants asserted in his opening skeleton that the Claimants “are both Chinese companies who, to the Defendants’ knowledge, do not employ any UK domiciled individuals” and that, as a result, had the Claimants designed the designs themselves, they would not have qualified for UKUDR protection. I cannot see how that assertion is relevant to the assessment of additional damages. In any event, as counsel for the Claimants pointed out, it is wrong. The Claimants are both Hong Kong companies, and therefore enjoy reciprocal protection under Part III of the CPDA by virtue of paragraph 2 of the Design Right (Reciprocal Protection) (No 2) Order 1989.

152. Given that I was addressed by counsel for the Defendants on each of these issues, for the avoidance of doubt, I record that I have *not* taken into account the following matters in reaching my conclusions on additional damages, without reaching any view in law as to whether in other cases these factors might be taken into account:

- (a) That the Defendants’ business was competing unfairly with other legitimate businesses;
- (b) That the Defendants were able to take a short cut to bring to market designs that were already successful;
- (c) That the Defendants were able to produce garments on an exceptionally fast timescale;
- (d) The copying of original designs is widely recognised as a major problem throughout the fashion industry;
- (e) The cost of enforcement;
- (f) That the type of infringement is detrimental to the UK’s creative industries;
- (g) The findings I made in the Main Judgment in relation to the unsuccessful passing off case; or
- (h) The wider detriment suffered by the Claimants as a result of the Defendants’ infringement.

### *Conclusions on Additional Damages*

153. In my judgment, taking into account all the relevant circumstances of the case, an award of £300,000 in additional damages would be appropriate. In reaching this amount, I have taken into account only the acts of infringement, being the 15,393 infringing garments sold by the Defendants: this was serious infringement on a large scale. It was also flagrant infringement, carried out over four years. I have taken into account the Defendants’ approach to their infringement, including continuing to deny copying (other than in relation to C35) through the liability trial. I have taken into account the need to punish the Defendants in a way that is effective, proportionate and dissuasive. Given the profit made from these infringing garments, and the size of the Defendants’ business, in my judgment, only an award of this size will be sufficient to punish them for what they have done, and to deter them from infringing again. No lesser amount would achieve that. This is what the justice of the case requires. I have considered carefully whether that award is proportionate, and in my judgment it is. I also do not consider it to be egregious or an abuse of rights.

154. Whilst I have not taken any of the following into account in reaching the award, I am encouraged by the following:
- (a) The award represents an uplift of 200% on the standard damages I have awarded. Whilst each case must be assessed on its facts, this award is nowhere near the uplift of 500% or 2,100% from two of the cases to which I was referred;
  - (b) There was no evidence before me that the Defendants would be unable to pay such an amount;
  - (c) The award amounts to £19.50 per garment. The award is more than the gross profit the Defendants made from the infringement - £192,208. The standard damages awards I have made have already eaten into that gross profit but not consumed it entirely. But simply removing the profit altogether does not act as a deterrent or a punishment, as the Defendants would be left in the same position as if they had not infringed. To be punished and deterred, the Defendants must be left out of pocket;
  - (d) The award is less than 1% of the Defendants' audited turnover for the 2020 financial year; and
  - (e) The award is within the maximum fine for counterfeiting by a corporation, which is £450,000. Obviously, this case relates to unregistered design right infringement, and is a civil case not a criminal one, but Parliament has provided for a fine of up to £450,000 (in addition to providing for compensation orders) for relevant acts of trade mark infringement.

### **Interest**

155. There was a dispute over whether the interest rate should be 1% over base rate or 1.5% over base rate, on which I was not addressed orally. If the issue remains in dispute, it can be determined in due course.

### **Summary**

156. In my judgment:
- (a) 20% of the Defendants' infringing sales were sales that the Claimants would have made. The Claimants are therefore entitled to lost profits damages in the sum of £74,847.92;
  - (b) On the remaining 80% of the Defendants' sales, the Claimants are entitled to a reasonable royalty. That royalty is to be assessed on the basis of:
    - (a) 10% of the Defendants' net sales;
    - (b) With a guaranteed minimum royalty of £4,000 per design, which amounts to £75,276.64; and
  - (c) The Defendants should pay the Claimants £300,000 in additional damages for the flagrancy of their infringement.
157. The total payable is therefore £450,124.56, which is to be paid within 21 days.