



Neutral Citation Number: [2005] EWHC 777 (QB)

Case No: HQ04X034580

IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 3rd May 2005

Before :

MR JUSTICE TUGENDHAT

Between :

**CREATIVE RESINS INTERNATIONAL
LIMITED**

Claimant

- and -

(1) GLASSLAM EUROPE LIMITED
(2) DONNE MILEHAM & HADDOCK (a firm)
(3) STEPHEN HOWES

Defendant

Lucy Moorman (instructed by **Cripps Harries Hall**) for the **Claimant**
Jonathan Barnes (instructed by **DMH Stallard**) for the **2nd Defendant**

Hearing dates: Thursday 7th April 2005

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.

.....

MR JUSTICE TUGENDHAT

Mr Justice Tugendhat :

1. This is a libel action brought by the Claimant on letters dated 7th September 2004. The Claimant carries on business producing manufacturing equipment and raw materials for the production of decorative glass panels. The first Defendant carries on business developing and supplying specialist resin products for use in the glass industry, including for the production of decorative glass products. The second Defendants are a firm of solicitors who wrote the letter dated 7th September 2004 on behalf of the first Defendant. The second Defendants continue to act for the first Defendant in other proceedings, but not in this libel action.
2. The matter before me is an application made by the second Defendant for summary judgment against the Claimant, or for an order that the claim against the second Defendant be struck out pursuant to CPR 24, together with other relief with which I am not immediately concerned. It is said that the Claimant has no real prospect of succeeding on the claim against the second Defendant and that it is an abuse of process. The abuse of process arguments have not been developed before me at the hearing, but may be developed depending upon the outcome of the part 24 application.
3. The letter complained of was written to the Managing Director of another company Classic Door Panels Limited (“Classic”), which manufactures and sells door panels. There is no dispute that the letter was written by the solicitors on behalf of the first Defendants, their clients. In fact there were two very similar letters written on that day. One was a letter before action addressed to the Claimants. That is not the subject of the libel proceedings insofar as it was sent to the Claimant. However, it was also enclosed with the letter of the same date sent to Classic, and that publication is sued on.
4. The letter to Classic includes the following:

“... We are writing to you for three reasons:

1. To inform you that we have today written to Creative Resins to notify it (and its owners) that in reproducing our clients artistic works without consent, it is infringing our client’s copyright. We attach a copy of our letter of today.
2. To inform you, that, by offering those infringing units for sale, Classic is also infringing our clients copyright in those artistic works.
3. To seek your co-operation and written assurance, in the form of the attached draft, undertaking, that the infringement by Classic will cease and that it will co-operate in our investigation of the infringement by Creative Resins by, for example, providing copy documentation recording the scale of the infringement...

We are instructed by our clients that there is a defect in the manufacturing process used by Creative Resins which causes the laminate to crack after a period of time which has caused problems during previous attempts to market this product in mainland Europe.

We are also instructed by our client that Glasslam and/or its parent company has had to obtain an injunction against Creative Resins on a previous occasion in Germany arising from infringement of its Intellectual Property Rights. Creative Resins therefore has a history of infringing activity. ...”

5. The words complained of in these proceedings are the two paragraphs starting with the words “We are instructed”. These allege, respectively, defective manufacturing and a history of infringing activity. Identical paragraphs appear in the letter before action to the Claimant, a copy of which was enclosed with the letter to Classic.
6. The letter to the Claimant includes in addition the following words which are complained of, in so far as they were also published to Classic:

“Our client will not tolerate such flagrant infringement of its intellectual property rights, particularly in the light of previous infringing activity on behalf of Creative Resins.”

7. There is a history in the relationship between the Claimant and the first Defendant. There was a trade exhibition in Düsseldorf, Germany, in late October 2002. The Claimant had a stand, which was attended by its Managing Director, Mr Sumner. The first Defendant claimed to have evidence of a breach of copyright in respect of which they were the assignee of the rights. An incident occurred which is described as follows in the Defence of the first Defendant in these proceedings at para 7. 7.3:

“The first Defendant, through its Director Mr Popple, instructed German lawyers (Raspat Osten Pross) who served Mr Patrick Sumner of the Claimant with a formal letter before action at the exhibition on 31st October 2002. In accordance with common German Practice in intellectual property matters, the letter was sent to the local court (Amtsgericht, Düsseldorf), whose bailiff duly served the latter”.

7. On 14th November 2002 the first Defendant issued a letter, addressed to the Claimant, but which appears to be a circular also addressed to those with a “business association” with the Claimant. It includes the text of a press release referring to the service of the documents (“the ROP letter”) at the Düsseldorf exhibition. It includes the following:

“When presented with the documentary evidence a German court issued the necessary legal documents. The claim ... covers Infringement of Copyright, Theft of intellectual property and unfair business practices... Glasslam Europe Ltd is claiming €500,000 .. in damages plus costs, and will pursue this matter to a conclusion in Germany and any other territory in which the companies rights have been compromised...”

8. On 28th January 2003 the Claimants instructed solicitors Taylor Wessing who wrote a letter to the first Defendant. The letter refers to the press release and to the letter of 31st October 2002 from the German lawyers. Taylor Wessing state “we believe that the allegations of intellectual property infringement contained in that letter and consequently in the press release are without foundation”. There are then several paragraphs addressing that issue. There is then a paragraph headed “allegation about the claim in Germany”. That reads:

“There has been no adjudication by a court in Germany or even a substantive hearing about the infringements which you allege in the press release. You did not give our client an opportunity to reply to your serious allegations before instructing that papers (in German) to be served on Mr Sumner. As you know Mr Sumner would have found it almost impossible to take legal advice at the time of the Glastec conference as he is not fluent in German and the day after he was served with the ROP letter was a bank holiday. Our client has taken German law advice and has been advised that he has a strong defence to the claims made in the ROP letter. In contrast, you have been spreading the news about your German claim to those in the decorative glass industry (in this country and even as far as America e.g. to US Glass Magazine) in a way which is calculated to damage our client’s business. You say that you will pursue the matter to a conclusion in Germany and any other territory. However, you have not done this and on the evidence we have seen, this seems unlikely. Consequently the ordinary reader of your press release will naturally be misled about the status of proceedings (if any) in Germany”.

9. Taylor Wessing’s letter then refers to the taking of proceedings for defamation, malicious falsehood, and unlawful interference with contractual relations if no alternative resolution of this matter can be achieved. They require the first Defendant to cease publishing and not in future to repeat the press release or any similar allegations.
10. That letter received on 4th February 2003 a one-line acknowledgement from Mr Popple. It does not appear that there were any further developments either in Germany, or in response to Taylor Wessing’s letter, until the letters complained of on 7th September 2004 some eighteen months after the Taylor Wessing letter and nearly two years after the German lawyers’ letter.
11. The particulars of claim were served on 19th November 2004. The Claim includes a claim for aggravated damages. One point made in relation to that claim is that it is inappropriate and baseless where the Claimant is, as here, a company. However, that is not a matter with which I am concerned. What I am concerned with is that in particulars pleaded in support of that claim there are included the following:

“16.6 in the circumstances, the Defendants and each of them knew, or must/ought to have known at the time of the publications complained of that

the first Defendant had never commenced legal proceedings against the Claimant in Germany, whether for infringement of intellectual property rights or otherwise, and had never obtained an injunction against the Claimant and that the Claimant had no history of “infringing activity”. It is to be inferred that the publications were made knowing that the allegations were false or recklessly not caring whether they were true or false.

16.7 Further in a letter dated 1 November 2004 from the Second Defendant to the Claimant’s solicitors, the Second Defendant requested from the Claimant copies of all pre action correspondence and court proceedings against the Claimant in Germany brought against the Claimant and/or its directors personally by the first Defendant and/or its parent company. The letter states that the Second Defendant is taking instructions from the First Defendant and speaking to the Third Defendant, although not as yet formally instructed. It is to be inferred from the request in the letter that the Defendants do not have any documents supporting the repeated allegations that proceedings had been taken against the Claimant in the German court and an injunction obtained. Again the inevitable inference to draw is that publication of these allegations by the Defendants was made knowing that they were false or recklessly not caring whether they were true or false.

16.9 In a letter dated 1 November 2004, the Second Defendant requested details of any complaints from the Claimant’s customers relating to cracking laminate. It is to be inferred that neither the Second Defendant nor its client the First Defendant had such information prior to publishing the letter of 7 September 2004 and that the allegation that the Claimants process was defective was also published in the knowledge that it was false or recklessly not caring whether it was true or false.”

12. In its Defence served on 21st December 2004 the First Defendant does not rely on the defence of truth or justification. It does rely on qualified privilege, on the basis that “the First Defendant caused the said letters to be published in the reasonable protection of its own legitimate interests and the Claimant and [Classic] each had a corresponding interest in receiving them”.
13. The Defence includes the following paragraphs:

“7.7.4 Mr Popple understood this procedure [that is the service of the German lawyers letter in Düsseldorf on 31st October 2002 pleaded in 7.7.3, cited above] to mean that; (i) the first Defendant had commenced proceedings against the Claimants; (ii) service by Amtsgericht Düsseldorf on the Claimant of documents from the First Defendant’s lawyers indicated that the court had accepted the First Defendant’s claim as well founded.

7.7.5 Mr Sumner, on behalf of the Claimant, replied to the Raspat Osten Pross denying infringement, but agreed to remove the offending panels from the Claimants stand.

7.7.6 on 2 October 2003, Mr Popple held a meeting with Mr Heino Seehusen and Mr Dieter Muller of Rodenberg Fenster+Turen-Fabrik AG at that company's Berlin factory. During a meeting Mr Seehusen, Rodenberg's Managing Director, informed Mr Popple that his company had tested the "Crystallite" resin bevel panels manufactured using the Claimant's process, and that all the panels tested had cracked or failed at a low temperature.

7.8 Consequently the First Defendant believed:

7.8.1 that the Claimant was engaged in a pattern of behaviour in which it infringed and/or encouraged and/or facilitated the infringement of copyright in designs held by licence holders of the First Defendant; and

7.8.2 this conduct was injurious to the licensees and thereby to the First Defendant in itself and because it encouraged the defection of its licensees to the Claimant and the Claimant's customers;

7.8.3 the infringing product supplied by the Claimant directly or through its customers were inferior quality in that they were liable to crack at low temperatures.

7.9 Accordingly the First Defendant instructed the Second Defendant to write to the Claimant and to [Classic] letters before action in respect of the infringement. The Second Defendant then wrote the letters containing the words complained of ..."

14. The Second Defendant has not served a Defence. There has however been extensive correspondence about this matter between new solicitors for the Claimant, Cripps Harries Hall, and the Second Defendant. The writers of the letters on each side are experienced in intellectual property disputes. The second Defendant continues to act for the first Defendant in proceeding in the Chancery Division alleging infringement of its intellectual property rights.

THE APPROACH TO BE ADOPTED BY THE COURT

15. Civil Procedure Rules r 24.2 provides:

"The court may give summary judgment against a claimant ... on the whole of a claim ... if--(a) it considers that--(i) that claimant has no real prospect of succeeding on the claim ...; or (ii); and (b) there is no other reason why the case or issue should be disposed of at a trial".

16. What these words mean was stated in *Swain v Hillman* [2001] 1 All ER 91, 92 and 94-5, where Lord Woolf MR said:

"Under r 24.2, the court now has a very salutary power, both to be exercised in a claimant's favour or, where appropriate, in a defendant's favour. It enables the court to dispose summarily of both claims or defences which have no real prospect of being successful. The words 'no real prospect of being successful or succeeding' do not need any amplification, they speak for themselves. The word 'real' distinguishes fanciful prospects of success or, ..., they direct the court to the need to see whether there is a 'realistic' as opposed to a 'fanciful' prospect of success....

It is important that a judge in appropriate cases should make use of the powers contained in Part 24. In doing so he or she gives effect to the overriding objectives contained in Part 1. It saves expense; it achieves expedition; it avoids the court's resources being used up on cases where this serves no purpose, and, I would add, generally, that it is in the interests of justice. If a claimant has a case which is bound to fail, then it is in the claimant's interests to know as soon as possible that that is the position. Likewise, if a claim is bound to succeed, a claimant should know this as soon as possible ... Useful though the power is under Part 24, it is important that it is kept to its proper role. It is not meant to dispense with the need for a trial where there are issues which should be investigated at the trial. ..., the proper disposal of an issue under Part 24 does not involve the judge conducting a mini trial, that is not the object of the provisions; it is to enable cases, where there is no real prospect of success either way, to be disposed of summarily." "

17. In *Three Rivers DC v Bank of England (No 3)* [2003] 2 AC 1 at p260 Lord Hope of Craighead explained further (with the agreement of the majority):

"94 For the reasons which I have just given, I think that the question is whether the claim has no real prospect of succeeding at trial and that it has to be answered having regard to the overriding objective of dealing with the case justly. But the point which is of crucial importance lies in the answer to the further question that then needs to be asked, which is--what is to be the scope of that inquiry?

95 I would approach that further question in this way. The method by which issues of fact are tried in our courts is well settled. After the normal processes of discovery and interrogatories have been completed, the parties are allowed to lead their evidence so that the trial judge can determine where the truth lies in the light of that evidence. To that rule there are some well-recognised exceptions. For example, it may be clear as a matter of law at the outset that even if a party were to

succeed in proving all the facts that he offers to prove he will not be entitled to the remedy that he seeks. In that event a trial of the facts would be a waste of time and money, and it is proper that the action should be taken out of court as soon as possible. In other cases it may be possible to say with confidence before trial that the factual basis for the claim is fanciful because it is entirely without substance. It may be clear beyond question that the statement of facts is contradicted by all the documents or other material on which it is based. The simpler the case the easier it is likely to be to take that view and resort to what is properly called summary judgment. But more complex cases are unlikely to be capable of being resolved in that way without conducting a mini-trial on the documents without discovery and without oral evidence. As Lord Woolf said in *Swain v Hillman*, at p 95, that is not the object of the rule. It is designed to deal with cases that are not fit for trial at all.”

THE CONTENTIONS OF THE PARTIES

18. Mr Barnes for the Second Defendant submits that it is plain that the writing of the letters was on an occasion of qualified privilege so far as the First Defendant was concerned, and that it follows that the Second Defendant, as its solicitor, is also protected by that privilege. He cites *Baker v Carrick* [1894] QB 838, and *Waple v. Surrey CC* [1998] 1 WLR 860 at 868. Further, as he submits, if (which he does not accept) there is a case in malice against the First Defendant, it does not follow that the Second Defendants lose the privilege. See *Egger v Viscount Chelmsford* [1965] 1 QB 248, 261.
19. He submits that allegations of defects in quality and a history of infringing activity are relevant in a letter before action to a third party such as Classic and so not outside the scope of the privilege. He submits that if he is wrong about that, irrelevant allegations go in any event only to an issue of malice. See *Horrocks v. Lowe* [1975] AC 135, 150. That case is also, of course, authority, as he submits, for the proposition that a person may be found to be malicious in law if he lacks positive belief in the truth of what he has written but indifference to the truth is not to be equated with carelessness, impulsiveness or irrationality in arriving at a positive belief that what is written is true. Whatever may be said against the First Defendant, Mr Barnes submits that, so far as the Second Defendants are concerned, a solicitor must act upon instructions. Whilst he or she must take care in receiving the instructions and understanding them fully there is no authority for any general proposition of law to the effect that the solicitor must verify that what his client tells him is true.
20. Mr Barnes submits that the Claimants have had plenty of opportunity to formulate their case against the Second Defendants and have been unable to do so. He says that whether or not it is defective as a plea of aggravated damages, nevertheless those particulars which I have set out from paragraph 16 of the Particulars of Claim must be taken to be what a plea of malice would contain. He submits that they do not show that the Second Defendants were more likely than not to have had a dominant

intention of injuring the Claimant, those being the tests (see *Telnikoff and Matusevitch* [1991] 1 QB 102, 120.

21. Ms Moorman for the Claimant submits that this application is premature, and should not be entertained (if at all) until after service of a defence and reply and exchange of witness statements. In so far as the defence of qualified privilege is concerned, she submits that the allegation, in particular the allegation of a history of infringing activity, was completely irrelevant in the letter to Classic. It is therefore outside the scope of any protection afforded by qualified privilege.
22. In any event she submits, in particular with reference to the way the matter is pleaded in the Defence of the First Defendant, that the allegations are obviously false and that the most basic checks on the part of the Second Defendants would have revealed that at once. She submits that the bad faith of the First Defendant is demonstrated by the very public manner in which it procured the service of the German lawyers letter in October 2002, followed by the absence of any substantive response to the letter from Taylor Wessing.
23. She submits that the decision to bring proceedings against the Second Defendants, the solicitors, is one that is not taken lightly. She submits that the defamatory allegations included in a letter written by solicitors carry more weight than if written by the client alone. She notes that in *Waple*, Brooke LJ was critical of an attempt to dispose summarily of the claim against the Defendant in that action. That was a libel action on words that had been written on the Defendant's behalf by its solicitors. Brooke LJ endorsed this approach:

“If the question is one requiring serious argument and consideration, the Defendant should not apply to have the statement of claim struck out, but raise an objection in point of law in his defence and apply to have it tried as a preliminary issue”.
24. That is of course a reference to an application to strike out rather than to one under Part 24. In an appropriate case, applications under Part 24 can be made at this stage. Nevertheless, while there has been encouragement from the Court of Appeal to have matters resolved if possible before a full libel trial, there must equally be concern at raising substantive issues at too early a stage.
25. In some cases, where the positions of the parties have been fully set out in correspondence at a very early stage, it may be that no useful purpose would be served by requiring the service of pleadings, disclosure and exchange of witness statements. And it is fair to say that in this case the correspondence is extensive.
26. Nevertheless a feature of the case here is that the First Defendant has not waived privilege in respect of communications between it and the Second Defendants which led to the writing of the words complained of. Given the forceful criticisms that are made for the Claimant of the First Defendant's position as pleaded in its Defence (and it is not appropriate that I should set these out here), it does not seem to me that I can exclude the possibility that the First Defendant may sooner or later decide to waive privilege. I have no means of knowing whether to do so would bolster its case or not. It is possible that the fact that the solicitors have been joined as co-defendants is itself a factor which might influence such a decision on the part of the First Defendant. So

long as privilege is not waived, it cannot be said that more information is not going to become available. Unless and until it is clear that privilege either will, or will not, be waived (and it may not become clear before trial) it is not possible to proceed on the basis that the court is now in as good a position to deal with this matter as the trial court will be.

27. On the defence of qualified privilege, Ms Moorman submits that it is well established that irrelevant matters can take the words complained of outside the protection of the privilege. She cites *Warren v. Warren* (1834) CMR 250, *Adam v. Ward* [1917] AC 309, and *Henry v. McKeough* [1927] 1 Rep 348 discussed in *Gatley on Libel and Slander* 10th Ed para 14-61.
28. So far as the position of a solicitor is concerned, she submits that a solicitor must not make himself “a conduit pipe for every defamatory allegation of a chagrined or indignant client... he is bound to exclude anything defamatory that is not relevant to the occasion”. She cites *McKeough v. O'Brian Moran* [1927] 1 Ir R 348, and *Slipper v. Braisby* [1930] NZLR 953 discussed in *Gatley* at para 14-55. The position of a solicitor has also been discussed more recently in *Regan v. Taylor* [2000] EMLR 549.
29. Whereas in the Irish case the metaphor of the conduit pipe was used to demonstrate that there are things which a solicitor must exclude from a letter, even if instructed, in *Regan* it is used to show that there are things which a solicitor may include, even if not instructed. Either way the solicitor is to be distinguished from an agent who must simply follow whatever his instructions are, no more and no less.
30. In *Regan* it is put this way by May LJ at page 563:

“In my view a modern solicitor in Mr Taylor’s position is not to be seen as a mere channel of communication. He is engaged to advise and give the client the benefit of his experience. He is engaged to represent his client in the matter in which he is engaged and may often be called on to make communications whose content may in part be derived from his own experience, rather than from direct instructions by his client. The client’s own ability and experience may be considerably more restricted than his solicitors and the proper conduct of his client’s affairs may demand input from the solicitor which is his and not that of the client. There is no hard dividing line between fact and opinion...”
31. So far as malice is concerned, Ms Moorman notes that the writer of the words complained of has made a witness statement in which he states that he, and his colleague who was involved, both acted in good faith. For today’s purposes she accepts that she cannot contradict that. But she does wish to test it. She submits that the allegations in the words complained of were not only false, but obviously extremely serious and damaging, and no doubt intended to be damaging to the Claimant’s business and reputation. Whatever may be the position of a non lawyer (such as, I presume Mr Popple to be), Ms Moorman submits that an experienced intellectual property solicitor, such as the writer of the letter, must be taken to be recklessly indifferent to the truth or falsity of the allegations unless he made enquiries. She submits that the most basic and obvious enquiries would have revealed the falsity

of the allegations. She also submits that it can be inferred from the letters of 1st November 2004 that the solicitors, since they had apparently to ask for the documents from the Claimant, must, in the circumstances of the present case, have failed to make the most obvious and basic enquiries of their clients.

DISCUSSION AND CONCLUSION

32. These are very serious matters. Ms Moorman is entirely right to have said that such claims against solicitors are not to be advanced lightly.
33. It seems to me an important feature of this case is the history of what occurred in Germany and the letter from Taylor Wessing. I am in no position at all to form a view as to the likely findings of fact as between the Claimant and the First Defendant. But I can say that, on the information before me, the Claimant has a real prospect of success against the First Defendant and the contrary has not been suggested in the proceedings before me. I add that the converse is also true. The First Defendant also, on the present information, has a real prospect of success. But if the Claimant is right, there are questions to be asked as to how the letters dated 7th September 2004 came to be written in the form in which they were, and communicated to a third party, if, as is arguably the case, the Second Defendant had what might be inadequate instructions for that purpose.
34. It seems to me that what passed between the First and Second Defendant may become known in the sense that it is not unrealistic to consider the possibility that the First Defendant might wish to waive privilege. Its decision to do so or not, as the case may be, may make the resolution of the issues more or less difficult. But approaching the matter as directed by the House of Lords in *Three Rivers*, it seems to me that the position of the solicitors in this case could raise questions of some difficulty as to matters both of law and of fact. The modern procedure for disclosure of documents and exchange of witness statements before trial means that it is now possible in a defamation action to consider issues of malice on the documents as has been contemplated in a number of cases, including *McDonald v. Steel* [1995] 3All ER 615 cited by Lord Hobhouse in *Three Rivers* at para 160.
35. It does not seem to me that I can characterise this case as one in which the Claimants are simply hoping that something might turn up. Accordingly I decline to enter summary judgment at this stage of the proceedings. The application is dismissed.