

The Correct Scope of Section 5 of the Protection of Trading Interests Act 1980

Anthony Kennedy

The question of the correct construction of Section 5 of the Protection of Trading Interests Act 1980 ("PTIA") is not one which a court is often required to answer. The decision of Calver J in *Motorola Solutions v Hytera Communications Corp Ltd*¹ is notable in itself for adding to the jurisprudence on the subject. For potential litigants, though, Calver J's conclusion that the prohibition in Section 5(1) of the PTIA on an English court's entertaining, at common law, an action for recovery of sums payable under a "judgment for multiple damages"² extends to recovery of ancillary awards for costs, disbursements or interest is even more noteworthy.

Background

In 2017, the claimant commenced proceedings against the defendant in Illinois alleging, *inter alia*, theft of its intellectual property, trade secret misappropriation and copyright infringement.³ In essence, the claimant argued that the defendant was in serious breach of two US statutes, namely: the Copyright Act and the Defend Trade Secrets Act ("DTSA"). Relevantly, under the latter legislation, a US court can award

"exemplary damages in an amount not more than 2 times the amount of the [damages awarded for compensation]".⁴

In February 2020, the Illinois court gave judgment for the claimant. The jury had awarded the claimant compensatory damages in the sum of \$345,761,156 and punitive damages in the sum of \$418,800,000.⁵ These sums were, however, reduced by the Illinois court to \$272.117m in compensatory damages and a further \$271.6m in punitive damages under the DTSA.⁶ The court in Illinois then went on to award further sums of: \$51,128,975 in pre-judgment interest;⁷ \$34,244,385.50 in attorney fees (i.e. costs);⁸ \$2,674,631.36 in "costs" (i.e. disbursements);⁹ and post-judgment interest.

In December 2023, an appellate court in the US heard an appeal by the defendant and a cross-appeal by the claimant against the judgment of the Illinois court. In July 2024, the appellate court vacated the judgment of the Illinois court in respect of certain aspects of the claimant's claim for damages under the Copyright Act but, crucially for present purposes, affirmed it with respect to the

1 [2024] EWHC 2891 (Comm) (hereafter, "*Motorola*").

2 See Sections 5(2)(a) and 5(3) of the PTIA.

3 *Motorola*, [12].

4 18 USC section 1836(b)(3).

5 *Motorola*, [13].

6 *Ibid*, [14].

7 *Ibid*, [17].

8 *Ibid*, [19].

9 *Ibid*, [20].

punitive damages under the DTSA.¹⁰

In England, and insofar as relevant, the claimant sought to enforce at common law parts of the judgment of the Illinois court, these parts being the aforementioned sums awarded for pre-judgment interest, attorney fees, disbursements and post-judgment interest. Calver J concluded that the claimant was not able to enforce these aspects of the Illinois court's judgment falling, as they did, within the prohibition set out in Section 5 of the PTIA.

The Court's Reasoning

It is important, at the outset, to have regard to what Section 5 of the PTIA actually says. In terms, it applies to "any judgment given by a court of an overseas country, being ... a judgment for multiple damages" and defines such judgment as one "for an amount arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained by the person in whose favour the judgment is given".¹¹ Calver J considered this wording closely when determining the matter before him. In order to reach his final conclusion, the judge effectively asked himself three sub-questions.

Was the award of punitive damages by the Illinois court a judgment for multiple damages?

The first question was whether the punitive damages element of the judgment under the DTSA awarded by the Illinois court to the claimant was a judgment for multiple

damages within the meaning of Section 5 of the PTIA. Calver J answered this question in the affirmative. Agreeing with existing authority¹² on the subject, His Lordship decided that, while the judgments most likely to be affected by Section 5 of the PTIA are judgments in United States anti-trust actions, these are not the only judgments with which the statutory section is or can be concerned.¹³ In principle, therefore, Section 5 "can apply to *any* judgment rendered outside the UK pursuant to any legal rule or statute in which the amount of damages is arrived at by multiplying the compensatory element".¹⁴

Applying this reasoning to the facts of the case, the court determined: even though the DTSA did not require a court, mechanistically, to double the compensatory calculation in order to reach the punitive calculation, the Illinois court had, in reality, done exactly that.¹⁵

In the light of the answer to the first question, did it follow that no part of the judgment under the DTSA awarded by the Illinois court was enforceable?

The second question really put at issue the correctness of the High Court's conclusion in *SAS Institute Inc v World Programming Ltd*.¹⁶ If that decision were correct, it would follow on the facts of the present case that the answer to the second question ought to be "yes" as well. Calver J was in no doubt that SAS had been correctly decided and so answered the second question in the affirmative here too.

In reaching this conclusion, Calver J helpfully clarified the application and effect of

¹⁰ *Ibid*, [23].

¹¹ Sections 5(2)(a) and 5(3) of the PTIA. As explained in Section 8(2) of the PTIA, "'overseas country' means any country or territory outside the United Kingdom other than one for whose international relations His Majesty's Government in the United Kingdom are responsible".

¹² *Hangzhou Jiudang Asset Management Co Ltd v Kei Kin Hung* [2022] 2 CLC 919.

¹³ *Motorola*, [41].

¹⁴ *Ibid*.

¹⁵ *Motorola*, [39].

¹⁶ [2018] EWHC 3452 (Comm).

the Court of Appeal's decision in *Lewis v Eliades*.¹⁷ In *Lewis*, the judgment in question consisted of a single sum of roughly \$8m for breach of fiduciary duty as well as (i.e. included within it) a clearly separate award of treble punitive damages, amounting to \$1.1m, under US legislation. There, the Court of Appeal had concluded that PTIA precluded recovery of the punitive damages but not the judgment in its entirety. Importantly, *Lewis* was concerned with "judgments on separate causes of action, one of which was purely compensatory (breach of fiduciary duty/fraud) and the other of which was not".¹⁸

That made it different from the facts with which the court was concerned in the *SAS* decision and in *Motorola* itself. Both of these cases had to consider the enforceability of the compensatory part of a single multiplied award. Hence, where a court is confronted with an attempt to enforce the compensatory part of one judgment based on multiplication, there is only one judgment and the wording of Section 5(3) of the PTIA creates no ambiguity: the judgment cannot be enforced.¹⁹

Does Section 5 of the PTIA preclude the awards of interest, costs and fees, ancillary to the award of damages?

Unlike the first and the second question which Calver J had to answer, the third question was one to which no previous authority had provided an answer.²⁰ In simple terms, the claimant argued that awards of interest, costs and disbursements ancillary to the (unenforceable) judgment are not caught by the prohibition contained within Section 5 of the PTIA. This argument was rejected by the court.

Calver J²¹ found the justification for his rejection in the wording of Section 5(1) of the PTIA: "no court in the United Kingdom shall entertain proceedings at common law for the recovery of any sum payable under [a judgment for multiple damages within the meaning of Section 5(3)]". In the court's view, an award of interest, fees or costs which is ancillary to an award of damages is "properly to be characterised as a 'sum payable under' the judgment containing the award of damages".²² Pragmatically, such a conclusion could be said to fit with the (English) way of pleading: prayers in particulars of claim, say, nearly always ask, in addition to substantive relief, for interest and costs. In Calver J's view, his conclusion was also justified by the fact that, were it otherwise, the "absurd consequence would be that the claimant would be unable to enforce its compensatory damages award under the DTSA judgment but would be able to enforce the awards of interest, costs and fees consequent (at least in part) upon the judgment."²³

Key Takeaways and an Unanswered Question

On the face of it, the Commercial Court's conclusions in *Motorola* chime with such authority as presently exists on the correct construction of Section 5 of the PTIA and, where no such authority exists, fit with the strict wording of the legislation and the policy behind it.²⁴ The consequence of the judgment is that, unless one can bring the foreign judgment within the ambit of the Court of Appeal's decision in *Lewis*, as the law presently stands, the PTIA presents an absolute roadblock to recovery in

¹⁷ [2004] 1 WLR 692

¹⁸ *Motorola*, [60].

¹⁹ *Ibid*, [73].

²⁰ The question was considered, but not determined, in *Swiss Life AG v Kraus* [2015] EWHC 2133 (QB).

²¹ *Motorola*, [79].

²² *Ibid*, [80].

²³ *Ibid*.

²⁴ As to which, see *Dicey, Morris and Collins on the Conflict of Laws* (16th ed), 14-220 and 14-222.

circumstances where it applies.

That said, there is still one potentially creative avenue left for those who might wish to explore it. In the course of his judgment, Calver J raised, but determined that he did not actually need to answer, the question: what is meant by “otherwise multiplying a sum” in Section 5(3) of the PTIA. As part of its discussion of this matter, the court drew a distinction between two situations. In the first, which was based on the facts in *Motorola*: the foreign rule of law does not mandate a punitive award of damages which multiplies the compensatory sum by a specific amount (double or treble, say) but the foreign court chooses as a matter to so multiply the compensatory award. This, in Calver J’s view, would still fall foul of the prohibition in Section 5 of the PTIA.²⁵

The second situation is more interesting, given that it presents a litigant with the chance to recover under a foreign judgment.

²⁵ *Motorola*, [43].

²⁶ *Ibid*, [44].

²⁷ As to which, see A Briggs, *Civil Jurisdiction and Judgments* (7th ed), 34.38.

Where, say, the foreign rule of law either does not mandate a punitive award of damages which multiplies the compensatory sum or there is no foreign rule of law at all and the foreign court simply imposes an additional punitive on top of the compensatory amount, there is a real question as to whether this is caught by the prohibition in Section 5 of the PTIA. In Calver J’s view, such a case is “less likely ... to fall foul of Section 5 of the PTIA”.²⁶ In such a situation, however, the English court will have to consider (i) how and (ii) in what sum the foreign court calculated the additional element of damages in order to determine whether or not the court has, in the wording of Section 5, “otherwise multiplied” the compensatory amount.

Whether, in fact, the situation envisaged in the previous paragraph is caught by the prohibition in Section 5 is a difficult question, calling into question the language and policy of the itself.²⁷ It is unclear how long litigants will have to wait for an answer to it.

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