

Quantum in IP Matters

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An Enquiry as to Damages vs. An Account of Profits

- An Enquiry as to Damages is a common law remedy, and is (usually) available as of right
 - compensates the claimant for its loss and damage
- An Account of Profits is an equitable remedy, and so will only be granted in the discretion of the court
 - deprives the defendant of its unjustified enrichment

General Principles for the Recoverability of Damages in Tort Cases

- Most IPR infringements are either common law or statutory torts, and so damages are to be assessed like any other tort
- An exception might be breach of a duty of confidentiality
- Thus, governed by the following principles:-
 - restoration to the *status quo ante*
 - can recover loss that is
 - foreseeable (*i.e.* not too remote)
 - caused by the wrong; and,
 - not excluded by reason of public policy

General Considerations I

damages are compensatory only: “What would have been the condition of the plaintiff if the defendants had acted properly, instead of acting improperly? That condition, if it can be ascertained, will, I apprehend, be the proper nature of the plaintiff’s loss.” (*per* Page Wood VC in *Penn v Jack* (1867) LRS Eq 81 at 84)

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General Considerations II

the burden of proof lies on the claimant, but damages are to be assessed liberally: “First the plaintiffs have the burden of proving their loss: second, that the defendants being wrongdoers, ***damages should be liberally assessed*** but the object is to compensate the plaintiffs and not punish the defendants.” (*per* Lord Wilberforce in *General Tire and Rubber Company v Firestone Tyre and Rubber Company Ltd* [1976] RPC 197 at 212) (***emphasis added***)

General Considerations III

it is irrelevant that the defendants could have competed lawfully: “It appears to be beside the mark to say that the respondents might have arrived at the same result by lawful means and that, without infringing the appellants’ rights, they might have produced a nail which would have proved an equally dangerous rival of the Globe nail. The sole question is, what was the loss sustained by the appellants by reason of the unlawful sale of the respondents’ nail.” (*per* Lord Macnaghten in *United Horse-Shoe and Nail Co Ltd v Stewart* (1888) 5 RPC 260 at 268) [but note *Force India* at [426] for confidential information]

General Considerations IV

damages are not capable of precise estimation where the patentee exploits by his own manufacture and sale: “A matter to be dealt with in the rough, doing the best one can, not attempting or professing to be minutely accurate – having regard to all the circumstances of the case, and saying what upon the whole is the fair thing to be done ... We are really in the position of a jury, and we must arrive at the conclusion as best we can, not tying ourselves down by any hard and fast rule, not requiring the plaintiffs to establish before us that any definite number of retailers would have come to the plaintiffs if the defendants had not supplied infringing instruments, but dealing with the matter broadly as men of common sense.” (*per* Sir Herbert Cozens Hardy MR in *Meters Ltd v Metropolitan Gas Meters Ltd* 28 (1911) RPC 157 at 161)

Blayney (t/a Aardvark Jewellery) vs Clogau St Davids Gold Mines Ltd

- CA [2003] FSR 19, 360
- If lost sales are proved, then damages equate to the claimant's loss of profit
- If normally exploit by granting a licence, then damages equate to normal licence granted
- Otherwise, hypothetical royalty between a notional willing licensor and willing licensee: irrelevant that claimant would not normally grant a licence: broadly divide the available profit commercially.

User Principle

- Damages in property cases may be founded upon the “user principle” based upon the benefit received by the wrongdoer: confidential information – *Force India Formula One Team Ltd v Aeorlab Srl* [2012] EWHC 616 (Ch) Arnold J, 2013 EWCA Civ 780, CA.
- TM matters: *National Guild of Removers & Storers Ltd v Silveria (t/a C S Movers)* [2010] EWPC 15, HHJ Birss QC vs *Reed Executive plc v Reed Business Information Ltd* [2004] RPC 40 at [165], Jacob LJ

Gerber Garment Technology Inc vs. Lectra Ltd

- [1995] RPC 383, Jacob J; and CA [1997] RPC 443
- Conveyed losses recoverable so long as foreseeable.
- Bridgehead losses (for a monopoly right) were recoverable.
- lost to subsidiary can be a loss to the parent company that can be recoverable by the latter in principle (but not proved in this case).

Licensee's Ability to Claim Damages

- At common law, a mere licensee, exclusive or otherwise, has no title to the property under consideration, and so cannot sue for damages (*quaere*: *Simkin Trust* PC (NZ) 64/2003).
- By virtue of some statutes, an exclusive licensee has a right to sue (e.g. TMA 1994 s 31, and PA 1977 s 67)
- By virtue of some legislation, any licensee may claim damages (e.g. Reg 6/2002 a. 32)

Discretion to Refuse an Enquiry as to Damages

- *Reed Executive plc v Reed Business Information Ltd* ([2004] RPC 40 at [164]), Jacob LJ, having found some infringements, opined that in a case where “*the damages are likely to be negligible or small, [the court] can use its case management powers to stop things getting out of hand*”.

Additional Damages

- e.g. CDPA 1988 ss 97(2) and 229(3)
 - flagrancy of the infringement, or
 - any benefit accruing to the defendant by reason of the infringement,
- *Springsteen v Flute International Ltd* [1999] EMLR 180: additional damages in a copyright case
- *Redrow Homes Ltd v Bett Brothers plc* [1999] 1 AC 197: additional damages may only be awarded in addition to damages, and not an account of profits
- Enforcement Directive 2004/48, art 13: “moral prejudice” & “negative economic consequences”

Innocent Infringement

- e.g. CDPA 1988 ss 97(1) & 233(1); RDA 1949 s 9(1); and PA 1977 62(1)
 - no damages if defendant innocent, *i.e.* did not know right subsisted: very narrow
- Not present for trade mark infringement nor passing-off
- if defendant innocently acquired an infringing article in which design right subsists, then only damages (based upon a reasonable royalty), not an injunction, may be granted for an act of secondary infringement (CDPA 1988 s 233(2))

Account of Profits

- *Celanese International Corp v BP Chemicals Ltd*
- [1999] RPC 203, Laddie J.
- The defendant is treated as if it had conducted its business and made profits on behalf of the claimant
- An account considered the profits made by the infringer, and not the harm inflicted on the claimant

Account of Profits: General Principles

- What profits are caused by the infringing acts?
- No reduction if all or most of them might instead have been made in a non-infringing way.
- The claimant must take the infringer as it found it.
- The maximum payment is the total profit made by the infringer.
- The claimant is only entitled to those profits attributable to the infringing acts. Therefore, a need for apportionment, which must be logical and founded on facts, not surmise.
- A useful guide, in the absence of some special reason to the contrary, is to divide the profits in accordance with the costs and expenses that are attributed to them.
- The infringer is allowed to deduct all allowable costs

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- All areas of IP law and practice, in particular patents, trade marks, copyright and designs. 100 reported cases since 2000, of which two thirds were appeals or judicial reviews. Appeared often before the CJEU and the GC (Luxembourg) in appeals from OHIM and Article 267 references (over 40 cases), and in the EPO (Legal and Technical BoA and Opposition Division). Acted for the UK government, Comptroller-General of Patents, Registrar of Trade Marks, CIPA, ITMA and AIPPI UK.