

infringement and remedies

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take a step back

- ▶ cost benefit analysis
- ▶ consider remedies before commence proceedings
- ▶ “the principle”?
- ▶ send strong message to other infringers?
- ▶ remove a competitor?
- ▶ recover damages?
- ▶ punish the infringer?
- ▶ other options - commercial licence

damages

- ▶ compensate not punish - *Aristocrat v DAP Kempsey (2007) 71 IPR 437*
- ▶ damage to IP as chose in action - *Facton Ltd v Rifai Fashions Pty Ltd (2012) 95 IPR 95*

loss of reputation/exclusivity

- ▶ \$35,000 *Review v New Cover (2008) 79 IPR 236*
- ▶ Originality and exclusivity decrease consumer willingness to buy at higher prices, so award \$20,000 - *Seafolly v Fewstone*
- ▶ \$10,000 - *Elwood v Cotton On*

lost sales

discount because unlikely to purchase original because different target market / sales channels / price point

Review v Redberry [2008] FCA 1588 (90% discount)

Digga v Norm (50% then 60% discount)

Elwood v Cotton On (66% discount)

Seafolly Pty Limited v Fewstone Pty Ltd (75% discount)

lost licence fee

Lost licence fee - why

- ▶ representative body so no “sales”
- ▶ no local sales because offshore / not carry on business in Australia
- ▶ makes profits as manufacturer not retailer
- ▶ earlier authority that unavailable when evidence owner would never grant licence
 - ▶ *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (2007)
157 FCR 564 (copyright)

lost licence fees- user principle

- ▶ *National Guild of Removers and Storers (NGRS) v Christopher Silveria* [2010] EWPC 15
- ▶ “In many trade mark cases the infringer's use of the infringing mark will lead to sales of the relevant goods which are lost to the claimant. In such a case damages can be calculated by assessing the profit lost as a result of losing those sales. In these cases however [infringement NGRS marks cases] **the claimant's business does not work in that way** and the defendants have not caused that sort of loss to the claimant. The kind of damage suffered by the claimant in these cases in financial terms can be regarded as the loss of the royalty which they should have been paid in return for use of their trade marks by the defendants. This remains so **even though the defendants' use did not result in any lost sales of goods** to the claimant.”
- ▶ In my judgment, as a matter of principle, where a defendant uses a mark without permission and thereby infringes a registered trade mark or commits an act of passing off, that act is **capable of damaging the claimant's property in the mark** ... or property in the goodwill attaching to his business. **That is so whether or not a lost sale has taken place**. It is the same kind of damage as the damage to a patent monopoly caused by an infringing sale which is not a lost sale to the patentee and for which a reasonable royalty is payable. It is an **invasion of a (lawful) monopoly**. Thus there is no reason in principle why damages should not be available, calculated on a “user” basis for trade mark infringement and for passing off. Of course it will be a question of fact in any given case to decide the amount of such damages.

Knott Investments Pty Ltd v Winnebago Industries Inc (No 2) (2013) 305 ALR 387

- ▶ Knott infringe passing off / ACL by using WINNEBAGO marks in manufacture and sale of “recreational vehicles”
- ▶ Winnebago lengthy delay in asserting rights
- ▶ Full FC - no injunction because Winnebago’s lengthy delay, but any use must include a disclaimer
- ▶ Full FC - no account of profits because equitable remedy and Winnebago lengthy delay and “impossible” to determine sales generated by trading on Winnebago’s reputation and Knott’s own developed reputation limited limited to damages
- ▶ Full FC - limited to 6 years before commence proceedings



Winnebago Industries Inc v Knott Investments Pty Ltd (No 4) 115 IPR 494

- ▶ Under this principle, a plaintiff is entitled to recover, by way of damages, a reasonable sum from a defendant who **has wrongfully used the plaintiff's property**. The plaintiff may not have suffered actual loss from the use, and the wrongdoer may not have derived actual benefit. Nevertheless, under the principle, the defendant is obliged to pay a reasonable sum for the wrongful use. The reasonable sum is sometimes described as a reasonable rent, hiring fee, endorsement fee, licence fee or royalty (amongst other expressions), depending on the property involved and the nature of the wrongful use.
- ▶ Damages in tort are compensatory. But damages awarded under the user principle have a **restitutionary aspect** in the sense that the award can be seen to reverse the “use value” of the property in question:
 - ▶ **trespass** - make use of plaintiff's land without necessarily diminishing value of land itself
even tho no evidence plaintiff would have let the property to somebody else
even tho no evidence that the plaintiff would have used the property himself
 - ▶ **tortious interference with chattels / detinue**
even tho no evidence of loss
even tho no evidence that anyone else would have hired it
 - ▶ **patents** - every one of infringing articles is wrongful
even tho would never have asked for licence

User principle - hypothetical licence

- ▶ “does not depend for its application on the willingness, in fact, of the property owner and the wrongful user to offer and accept a licence or, what is more, on the willingness of the wrongful user to pay a royalty or licence fee. The user principle can be understood as proceeding on the basis of an hypothetical negotiation in which both parties are presumed to act reasonably.”
- ▶ Knott expert
 - ▶ Propose 1% with discount
 - ▶ Referred to Australian licence between Winnebago and another Australian company
 - ▶ Discounted to allow for Knott’s own reputation
- ▶ Winnebago
 - ▶ Between 4% to 5% of sale price
 - ▶ Referred to US licences

additional damages - section 126 (2)

- ▶ Introduced by 2012 “Raising the Bar” amendments (commence April 2013)
- ▶ Flagrancy
- ▶ Deterrence - need to deter similar infringements of registered trade marks;
- ▶ Conduct of party that infringed that occurred
 - ▶ after the act constituting infringement;
 - ▶ after party informed that allegedly infringed registered trade mark
- ▶ Benefit shown to have accrued to party because of infringement
- ▶ All other relevant matters

additional damages

- ▶ does not need to be proportionate to compensatory damages
- ▶ involves an element of penalty
- ▶ marks the Court's disapproval or opprobrium of the infringing conduct
- ▶ flagrant - deliberate and calculated infringement, a calculated disregard of the applicant's rights, or a cynical pursuit of benefit
- ▶ commercial scale piracy

Halal Certification Authority Pty Limited v Scadilone Pty Limited [2014] FCA 614

- ▶ \$10 damages, \$91,005 additional damages
- ▶ Only \$10 nominal damages because certification authority
- ▶ (claimed lost licence fees but not accepted)
- ▶ => no deterrence
- ▶ Intentionally created false certification certificates to display in shops
- ▶ => flagrancy
- ▶ continued after notice
- ▶ => conduct of party after informed of infringement
- ▶ Conduct during trial - defended trial by falsely blaming ex-employee
- ▶ => all other relevant matters



Vertical Leisure Limited v Skyrunner Pty Ltd [2014] FCCA 2033

- ▶ Federal Circuit Court - copyright + trade mark
- ▶ Poles used for pole dancing
- ▶ \$94,800 damages; \$300,000 additional damages

- ▶ sold under different names across different selling platforms
- ▶ => flagrancy

- ▶ continued after notice
- ▶ => conduct of party after informed of infringement

- ▶ no appearance / default judgment



Truong Giang Corporation v Quach [2015] 114 IPR 498

- ▶ 3 Ballerina tea
- ▶ \$3,500 damages, \$50,000 additional Quach, \$20,00 additional Alexandrou (claimed \$180,000 and \$75,000)

- ▶ knew products were counterfeit / deliberately infringed / disregarded TG Corp's rights
- ▶ =>flagrant

- ▶ Used cancelled business licences / acted to conceal their infringement
- ▶ => conduct after infringement

- ▶ Impossible to calculate damages because destroyed evidence so only nominal damages
- ▶ => no deterrence

- ▶ conduct during trial - unreliable witnesses / destroyed evidence / failed produce business records
- ▶ => all other relevant matters

- ▶ unrepresented; trial conducted through interpreters



additional damages - evidence

- ▶ need to set up before commence proceedings
- ▶ registration referred to on swing tags / packaging
- ▶ letters before action / cease and desist
- ▶ surveillance