AIPPI Remedies Trilogy: Part 2 – Financial Remedies in IP

Andrew Norris QC

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Account of Profits or Damages

Alternative ways of assessing compensation

Hollister Inc v Medik Ostomy Supplies Ltd [2013] FSR 24, Kitchin LJ said at [71]:

> "An assessment of the damage caused to the claimant forms no part of an account of the profits made by the infringer and the approach adopted by the judge constituted an illegitimate amalgamation of two quite different ways of assessing compensation."

Henderson v Round the World [2014] EWHC 3087

- C elected for 'user' damages and relied on art.13 of the EU Directive (art.3 of the Regulations) to also claim damages to recover D's profits
- Hacon HHJ rejected this claim. Art.13 did not provide for recovery of a D's profits, particularly as it would only apply in cases where D knowingly infringed. It risked being a punitive measure, if it did.

I'll have my cake and eat it…

Edwards v Boston Scientific [2018] EWHC 664

- Patentee sought an account of profits in relation to all of the Edwards companies who had profited.
- Patentee wanted to run a damages inquiry in conjunction to try and catch profits moved to other companies in the group.
- Once the results were in, it would then select.
- Hacon HHJ held that there was no statutory or common law bar to having a joint enquiry and account. He explained it was purely a matter of case management.

Where did electing come from?

Neilson v Betts (1871) LR 5 HL 1 at 22:

> "My Lords, I have only farther to observe that the decree of the Court below directed not only an inquiry as to damages, but also an account of profits. The two things are hardly reconcilable, for if you take an account of profits you condone the infringement. I therefore think, my Lords, that we were right in calling upon the Respondent's Counsel to elect between the two which he would adopt."

Lever v Goodwin [1887] LR 36 Ch., Cotton LJ held:

> ".. he may either say, "Now I claim from you the damage I have sustained from your wrongful act;" or, " I claim from you the profit which you have made by your wrongful act."

Accounts of Profits for Breach of Contract?

Stretchline v H & M Ltd [2016] EWHC 162

- A settlement agreement which contained the usual obligation not to infringe the patent. It had been breached so Stretchline entitled to common law damages for breach of contract but Stretchline wanted to see D's profits and then make an election.

- Henry Carr J refused to order *Tring* disclosure and Strecthline were not allowed an account.

- He cited **AG v Blake** [2001] 1 AC 268 – where it was held that whilst there was no reason in principle for a court to rule out an account of profits it would only be granted in exceptional circumstances.

Current Assessment of IP Damages

Recent Damages Assessments:

1. *Reformation Publishing Co Ltd v Cruiseco Ltd* [2019] RPC 32
2. *Link Up Mitaka Ltd (t/a thebigword) v Language Empire Ltd* [2018] EWHC 2633
3. *Ghias v Grill'O Xpress Ltd* [2018] EWHC 3445
4. *AP Racing v Alcon* [2016] EWHC 116
5. *Henderson v All Around the World Recordings* [2014] EWHC 3087
6. *Kohler Mira v Bristan Group* [2014] EWHC 1931
7. *SDL Hair v Next Row* [2014] 2084
8. *32 Red Plc v WHG* [2013] EWHC 815 (Ch)

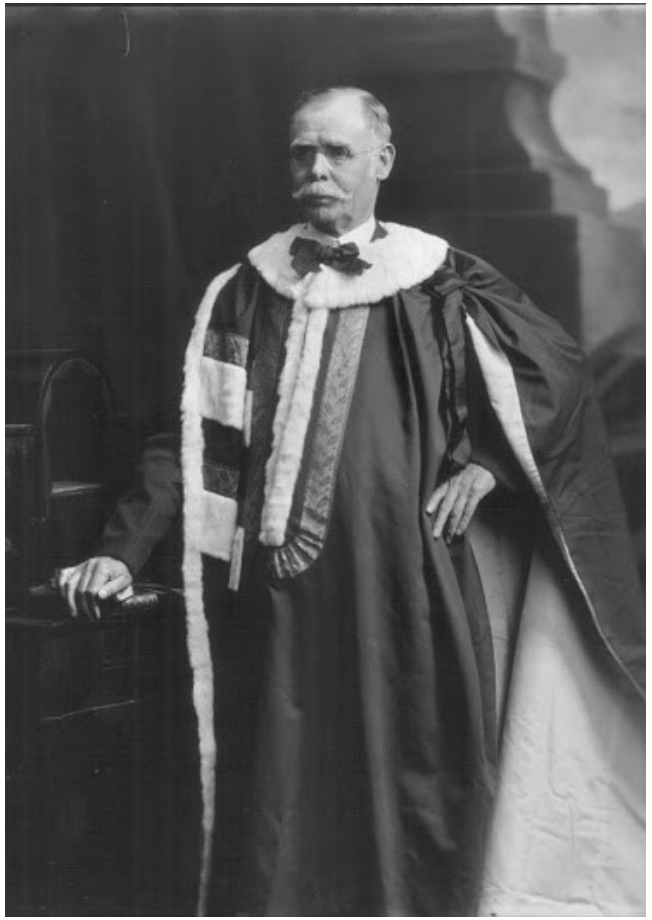
Henderson sets out the principles relating to damages inquiries following **General Tire**, **Gerber** and **Allied Maples**

... the exercise of sound imagination and the practice of the broad axe.

Watson, Laidlaw &Co v Pott, Cassels & Williamson (1914) 31 RPC 104 (HL)

"If A, being a liveryman, keeps his horse standing idle in the stable, and B, against his wish or without his knowledge, rides or drives it out, it is no answer to A for B to say: 'Against what loss do you want to be restored? I restore the horse. There is no loss. The horse is none the worse; it is the better for the exercise."

The issue was whether the pursuers were entitled to recover damages for sales which had been made by the defenders in a territory where the pursuers could not themselves have traded, and which the defenders would have made even if the machines had not incorporated the infringing part. They were.



Parallels with Contract Damages

- 'User' damages similar to the assessment of damages in contract disputes. IP judges often look to contract cases for guidance: Lord Nicholls in **AG v Blake** [2001] 1 AC 268 and Arnold J in **Force India**.

- **Morris-Garner v One Step** [2018] UKSC 20 largely closed the door on using **Wrotham Park** damages in contract cases.

  - i.e. damages assessed by reference to the hypothetical fee that C could have charged in return for releasing D from the obligation. The principle grew upwards and outwards over the years to cases where the court considered it 'just' in the circumstances.

  - They could apply only where D had taken an asset for nothing effectively depriving C of its right, in respect of which C had a right to expect payment. So a breach for a non-compete or non-solicitation clause did not fall into that category.

'User' Damages: **Henderson** [18-19]

- Assume both parties are willing and make reasonable use of their bargaining positions as at the time the negotiation would have taken place.

- Look at the circumstances in which the parties were placed to determine the value of the wrongful use. This includes the parties' strengths and weaknesses.

- The court can look to the eventual outcome and consider whether that provides a useful guide.

- It is irrelevant that one of the parties would not have agreed a licence. Neither are financial circumstances or character traits of the people involved, e.g. aggressive or easy going.

How much and how long?

What if only a small bit is taken, or the infringement is only for a short period. Is the licence reduced? What if C typically grants a fixed term licence?

- In **Reformation Publishing** Nugee J applied **Stovin-Bradford** [1971] Ch. 1007: the hypothetical licence in the case of a person who treats himself as free to make such use as he wants of a copyright work is a hypothetical licence to copy the work, not just a licence to copy those parts of it that have in fact been used, even if the part used is a small fraction of the whole.

- The hypothetical licence is limited to the actual period of the infringement but needs to reflect the realities of a negotiation. See **National Guild of Removers and Storers Ltd v Statham** [2014] EWHC 3572

Additional Damages under s.97 CDPA

Pumfrey J in **Nottinghamshire Healthcare v NGN** [2002] EWHC 409: "…carelessness sufficiently serious to amount to an attitude of 'couldn't care less' is in my judgment capable of aggravating infringement and of founding an award of damages under section 97(2). Recklessness can be equated to deliberation for this purpose."

Reformation Publishing v Cruiseco

- D created the publicity clip for 'Back to the 80s' cruise but gave it to D's agent to book the talent and complete promo video. D liable for its agent's 'couldn't care less' attitude.
- Little submission and no authority provided on the quantum, so Nugee J 'selected' a figure of £25k (added to the 'user' based damages of £38,750)

PPL v Hagan [2017] FSR 24 – Hacon HHJ considered dissuasiveness to the defendant and third parties was a factor. £2k ordered (added to the £13,700).

Reflective Loss Rule lives on (just)

Reflective Loss - Where a third party commits a wrong against a company causing it to suffer loss, the reflective loss rule barred the shareholder (and creditor) from bringing a claim against that wrongdoer. It had to be the company.

Carlos Sevilleja Garcia v Marex Financial [2020] UKSC 31

- Following judgment in Marex's favour, Mr.Sevilleja transferred millions of dollars into third party companies in his control. The defendant from original claims was not bankrupt.
- CoA found that Reflective Loss rule prevented creditors and shareholders from claims against him.
- SC unanimously found in Marex's favour but split 4-3 on why.

Accounts of Profits

- What profits?

  Hollister v Medik Ostomy [2012] EWCA Civ 1419

  Jack Wills v House of Fraser [2016] EWHC 626 (Ch)

  OOO Abbott v Design & Display [2017] FSR 42

- Disgorged profit = Turnover from infringing sales but with the following stripped out - direct costs, proportion of general overheads (usually) and apportionment to reflect value of IP

- But also 'Differential Profit': profits earned from the infringement less those profits that would have been earned had the infringer produced a non-infringing alternative. Preferred in Canada (**Dow v Nova** [2017] FC 350)

Apportionment

Pelling HHJ relied on Lewison LJ in **Design & Display Limited** at [36]:

> *" A manufacturer sells a car which includes a patented brake. If the car did not have brakes the manufacturer could not have sold it but it did not have to have that particular brake. In those circumstances … it would be unjust to charge the manufacturer with the whole profit made on the car …"*

Do car brakes have the same role in the purchasing decision as branding on clothing?

Disgorging Profits For Non-Infringing Goods

'Springboard' profits

Dow v Nova [2017] FC 350

- Springboard advantage? - Nova would need time to develop and test products

Bayer Cropscience v Charles River Laboratories Preclinical Services [2011] SLT 145

- Lord Malcolm saw no distinction between its application in damages or an account of profits

Disgorging Profits For Non-Infringing Goods (2)

Convoyed Profits

OOO Abbott v Design & Display [2017] FSR 43 at 1046

There needs to be:

- a perceived compatibility, functional interaction or some connection of that nature between the infringing goods and the non-infringing goods, and

- the sale of the non-infringing goods must be consequential upon the sale of the infringing goods.

Convoyed Sales - causation

AP Racing v Alcon [2016] EWHC 116

The rights owner needed to show that there is a causative link in the NASCAR teams' minds between the calipers and the convoyed goods.

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THE END

anorris@hogarthchambers.com