

## Suggested Answers to the Questions in Chapter 22

### 1. In what circumstances would an account of profits be more of an advantage than a claim for damages?

The good answer will:

- Demonstrate knowledge of monetary remedies: account of profits or damages. With an account of profits, the aim is to transfer to the claimant the profits which the defendant has made from his/her infringing conduct, rather than to compensate the claimant for lost revenue from the intellectual property right. The remedy of an account of profits can be complex to apply and has the effect of condoning past acts of infringement. Nevertheless, there are instances when it is more advantageous than damages.
- Explain that damages for the infringement of intellectual property rights are tortious in nature, their objective being to restore the claimant to the position they would have been in had the defendant not infringed. The principles governing the award of damages for intellectual property rights are set out in detail in *General Tire v Firestone* by Lord Wilberforce—the key point is to try to put the claimant in the position the claimant would have been in had the infringement not occurred. In the case of patent infringement, where the claimant is in the business of manufacturing goods, and so in competition with the defendant, the measure of damages will be lost profits. In all other cases of patent infringement, the measure of damages will be a reasonable licence fee. ‘Lost profits’ is also the measure of damages adopted in trade mark infringement actions, and where there has been wrongful use of a competitor’s trade secret (*Cadbury Schweppes Inc v FBI Foods Ltd*). In the case of copyright infringement, the normal measure will be a reasonable licence fee. In *Henderson v All Around the World Recordings Ltd* it was held that damages should not be calculated based on both lost profits to the claimant and unfair profits gained by the defendant, as this would be unduly punitive (for more on this and related issues see academic commentary by Scott).
- Note that in terms of monetary relief, a claimant should weigh up whether it is more advantageous to claim an account of profits, or whether to argue for damages because they will not be entitled to both (*General Tire v Firestone*; *Potton v Yorkclose*; *Henderson v All Around the World Recordings Ltd*).
- Conclude by noting that the decision of *Potton v Yorkclose* is a good example of when an account is preferable to damages. *Potton* was a case of copyright infringement where the copyright work consisted of an architect’s plans for houses. Had the defendant sought a licence before building the houses, the fee would have been governed by the rules of the Royal Institute of British Architects and would have been

relatively low. However, by copying without permission and by building houses at a time of a rising housing market, the defendant gained much more from its infringing activities. Despite the complexity of the calculation, an account was a more effective remedy than damages would have been.

## Suggested Answers to the Questions in Chapter 22

### 2. Why are injunctions—preliminary and final—so important to claimants? What is the potential impact on the defendant?

The good answer will:

- Demonstrate knowledge of preliminary or interim injunctions, which are governed by the Senior Courts Act 1981, s. 37 together with CPR Part 25. An interim injunction is a court order directing that certain acts do or do not take place or should continue, pending the final determination of the parties' rights by the court. An injunction may be ordered in all cases in which it appears to the court to be just and convenient to do so. The objective of an interim injunction is to preserve the status quo in order to prevent irremediable harm. As with other interim remedies, an interim injunction may be sought before, or after, the claim form is issued, although seeking interim relief before proceedings have been started can only be done in cases of urgency. The key principles were outlined in *American Cyanamid v Ethicon* where Lord Diplock stated the basic rule that the award of an interim injunction is essentially a discretionary matter. The principal issue, according to Lord Diplock, ought to be whether there is a serious issue to be tried—arguably a more relaxed test than that of showing a prima facie case. Lord Diplock listed the factors to be considered when granting interim relief: whether there is a serious issue to be tried; whether damages are an adequate remedy; adequacy has to be considered from the viewpoint of both parties; where the balance of convenience lies; preserving the status quo ex ante; and which party has the stronger case.
- Explain final injunctions, which may be granted under RDA s. 24A, TMA s. 14, CDPA s. 96 and the Patents Act 1977, s. 61. Final injunctions are typically granted once it has been established that there has been infringement of an intellectual property right and the infringement has not completely ceased at the date of trial: *Cantor Gaming Ltd v Gameaccount Global Ltd*. The final injunction protects the claimant from a continuation of the infringements of his rights. The court assumes that the infringement is not a one-off activity and so grants relief to avoid repetition: *Coflexip SA v Stolt Comex Seaway MS Ltd*. Nevertheless, even a final injunction is discretionary in nature. It must be fair to the defendant and will not be awarded where it is unlikely that the defendant will repeat any acts of infringement, because, for example, undertakings have been given: *Landor & Hawa International Ltd v Azure Designs Ltd*. Equally, a final injunction will not be granted if the interference with the claimant's right is trivial. The injunction will be discharged if the intellectual property right in question is declared invalid in other, parallel proceedings against a different defendant: *Coflexip SA v Stolt Offshore MS Ltd*. The same principle also applies to the award of damages: *Virgin Atlantic Airways Ltd v Zodiac Seats UK Ltd*.

- Conclude by emphasising the impact on the defendant – the defendant must stop manufacturing, distributing, promoting, etc. the infringing product. This can be costly to the defendant, which is why these remedies are discretionary in nature – in some cases they may be refused on the grounds of fairness.

## Suggested Answers to the Questions in Chapter 22

### 3. Should the criminal law have a role to play in intellectual property law at all, or is it the case that such remedies are draconian?

The good answer will:

- Demonstrate knowledge of criminal sanctions in IP law. Note that to commit copyright and trade mark infringement by way of trade gives rise to criminal liability: see the CDPA 1988, s. 107 (copyright) and s. 198 (performances); and the TMA ss. 92 and 93. There is no such liability in relation to patents, the unregistered design right, or the theft of trade secrets. The Intellectual Property Act 2014 imposes criminal liability for the deliberate copying of a registered design (whether UK or EU). Prosecution in cases of criminal enforcement is not confined to those who are counterfeiters, but may be brought against the intellectual property owner's competitors: *Thames & Hudson v Design & Copyright Artists Society*. The enforcement of the criminal provisions relating to IP is delegated to Local Authority Trading Standards Departments. This can include raiding premises where counterfeit goods, often worth thousands of pounds, are being made, or any place where they are sold. Under the Criminal Justice Act 1988 (Confiscation Orders) Order 1995, a magistrates' court can impose a confiscation order in respect of the criminal offences found in the CDPA and the Trade Marks Act 1994. The maximum penalties were increased by the Digital Economy Act 2010.
- Question whether it is right that infringement of a private property right should give rise to criminal liability. As noted by Buccafusco and Masur there is a legitimate fear that 'using criminal sanctions to protect IP will expand already overgrown rights' and end up having a 'chilling effect' on valuable expressive and inventive behaviour.
- Conclude by emphasising that while there may be a role for criminal sanctions in the fight against large-scale counterfeiting operations, there are also risks of over-protection of IP in cases where criminal laws are used.