

Damages

United Kingdom perspective

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Statutory basis

Patents Act 1977, s 61(1)

"...civil proceedings may be brought in the court by the proprietor of a patent in respect of any act alleged to infringe the patent and (without prejudice to any other jurisdiction of the court) in those proceedings a claim may be made -

- (a) for an injunction or interdict restraining the defendant or defender from any apprehended act of infringement;*
- (b) for an order for him to deliver up or destroy any patented product in relation to which the patent is infringed or any article in which that product is inextricably comprised;*
- (c) for **damages in respect of the infringement**;*
- (d) for an **account of the profits derived by him from the infringement**;*
- (e) for a declaration or declarator that the patent is valid and has been infringed by him."*

Enforcement Directive

- Art 13 - damages
 - *appropriate to the actual prejudice suffered by [the patentee] as a result of the infringement*
 - *take into account all appropriate aspects, such as the negative economic consequences, including **lost profits, which the injured party has suffered**, any **unfair profits made by the infringer** and, in appropriate cases, elements other than economic factors, such as the **moral prejudice caused to the rightholder** by the infringement*
 - *Alternatively: set the damages as a lump sum on the basis of elements such as **at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.***

The Intellectual Property (Enforcement, etc.) Regulations 2006

- 3(1) Where in an action for infringement of an intellectual property right the defendant knew, or had reasonable grounds to know, that he engaged in infringing activity, the damages awarded to the claimant shall be appropriate to the actual prejudice he suffered as a result of the infringement.
- 3(2) When awarding such damages-
- (a) **all appropriate aspects shall be taken into account**, including in particular—
 - (i) the negative economic consequences, including any **lost profits, which the claimant has suffered, and any unfair profits made by the defendant**; and
 - (ii) elements other than economic factors, including the **moral prejudice caused to the claimant by the infringement**; or
 - (b) where appropriate, they may be awarded on the basis of the royalties or fees which would have been due had the defendant obtained a licence.

Damages

- Recovery on tortious basis
 - a) the claimant should be restored to the position he would have been in if no wrong had been done
 - b) the claimant may recover loss which is
 - (i) foreseeable (i.e. not too remote);
 - (ii) caused by the wrong; and
 - (iii) not excluded from recovery by public or social policy

Gerber Garment Technology Inc v Lectra Systems Ltd [1997] RPC 443

"Damages should be liberally assessed but.. the object is to compensate the plaintiffs and not punish the defendants"

General Tire & Rubber Co Ltd v Firestone Tyre and Rubber Co Ltd [1975] FSR 273

Damages - categories

- Profit lost on sales by the patentee/exclusive licensee who manufacturers patented article
- Loss of licence fee where patentee in business of granting licences
- If no loss of comparable profits or licensing activity
 - Estimate a notional reasonable royalty

General Tire & Rubber Co Ltd v Firestone Tyre and Rubber Co Ltd [1975] FSR 273

Damages – lost sales



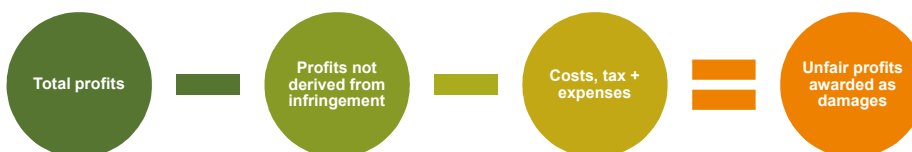
- Burden of proof: the claimant must demonstrate he would have made the infringing sales if defendant did not. Possibility of lawful competition is irrelevant. Royalty available for sales he would not have made.
- Lost sales of "conveyed goods" (and services) may be added
 - Requires evidence of the likelihood that the sale would have occurred
- Lost profits resulting from price reduction are recoverable
- Losses suffered by subsidiaries *may* be recoverable if claimant can prove that it also suffered damage as a result
- Interest losses may also be recoverable – rate subject to evidence

Damages – licence fee/royalty

- Licensing entity/practice:
 - Rate is that which would be agreed by willing licensor and licensee
 - Court will examine comparable licences
 - OR
 - Assess the profits made by defendant and apportion between parties
- No history of licensing:
 - Also applies to sales made by defendant which lack causation
 - Evidence as to expectations of willing licensor/licensee
 - Apportionment of profits
- *"royalty rates for such [mechanical] patents are commonly about 5%" – but 8% awarded*

Ultraframe (UK) Ltd v Eurocell Building Plastics [2006] EWHC 1344 (Pat)

Account of profits



- Equitable remedy – usual maxims apply
- Limited to *"profits derived from the infringement"*. Profits will be apportioned to the infringing component if part of a complex product
- Claimant must take defendant as he finds him if the activity was unprofitable

Celanese International v BP Chemicals [1999] RPC 203

Moral prejudice

*"damages, if otherwise appropriate, should not be increased by an award of additional damages, whether by reference to flagrancy or **"moral prejudice"** or any other such considerations."* (Sir William Blackburne)

Experience Hendrix LLC v Times Newspapers Limited [2010] EWHC 1986 (Ch)

"Recital 26 of the Enforcement Directive confirms that damages are compensatory and emphasises that "The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion ..."." (Birss J)

Xena Systems Ltd v Cantideck [2013] F.S.R. 41

Procedural aspects

- Recovery restricted to parties named in complaint
- Quantum of compensation determined separately to liability
 - Order made following judgment
 - Patentee entitled to early financial disclosure to allow it to elect between damages and account of profits
(*Island Records v Tring* [1996] 1 WLR 1256)
 - Statements of case on recovery sought and full directions for trial on damages enquiry (disclosure, evidence, experts)

Thank you!

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