# TRADE MARK REMEDIES

## The quagmire of pecuniary relief

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# Pecuniary relief for trade mark infringement

## Overview

- Pecuniary relief for infringement of a registered trade mark comprises at the option of the plaintiff damages or an account of profits: *Trade Marks Act* 1995, s. 126.
- Damages – compensatory
- Account of profits – restitutionary
- Damages or an account of profits are subject to s. 127. This section provides the Court may not grant pecuniary relief to the plaintiff for any infringement of the trade mark in limited circumstances relating to infringements during a non-use period ("*the critical period*"). No cases on s. 127, apart from brief *obiter* mention in *E & J Gallo Winery v Lion Nathan (No. 2)* 78 IPR 334 at [10] Flick J.
- Since 15 April 2013, additional damages (for example, for flagrant infringement) have been available for trade mark infringement pursuant to the *Raising the Bar* amendments: see s. 126(2).

# Election of damages or profits # 1

- Damages and profits are not the same: "*what a plaintiff might have made had the defendant not invaded his rights* [damages] *is by no means the same thing as what the defendant did make by doing so* [profits] *… a plaintiff's loss is not to be measured by the defendant's gain, nor a defendant's gain by a plaintiff's loss. Either may be greater, or less, than the other*": *Colbeam Palmer v Stock Affiliates* (1968) 122 CLR 25, at 32.
- Generally a plaintiff will be required to elect damages or an account of profits by the date of judgment. The Court may defer the date for election so as to allow the plaintiff the opportunity to make an informed choice as to which remedy will be pursued.
- In *Dr Martens Australia v Bata Shoe Company* (1997) 75 FCR 230 at 237 (Goldberg J) where held that the applicant could not be compelled to elect between damages and an account of profits before trial, and was entitled to defer the election until all the evidence had been tendered.
- If a trial is split on liability and quantum (as is commonplace in IP matters), the issue of an election will not arise until liability has been determined.

# Election of damages or profits # 2

- The Court may determine (pursuant to FCR 2011 r. 30.01) the issue of liability separately from quantum. This is the "*norm*" in IP cases: *Rhone Poulenc v UIM Chemical Services* (1985) 10 FCR 567 at 570-71, 6 IPR 394 (Wilcox J); *Graham's Factree v Oak Enterprises (No. 1)* [2012] FCA 1033 (Dodds-Streeton J).
- But liability and quantum might not be split if there are other causes of action pleaded (e.g. ACL contraventions or passing off) or for some other good reason: see, e.g. *Energy Australia v Australian Energy* [2001] FCA 1049 at [7 – 9] (Stone J).
- Once liability for infringement has been established, the Court may direct the defendant to give discovery (or provide an affidavit) to ensure the plaintiff receives adequate information so at to make an informed election: for example, *Caterpillar v Sun Forward* (1996) 37 IPR 41; *LED Builders v Eagle Homes (No. 3)* (1996) 36 IPR 293; *Solahart Industries v Solar Shop (No. 3)* [2011] FCA 884. But the plaintiff is not therefore entitled to know the exact amount of any damages or profits to which he is entitled: *LED Builders v Eagle Homes (No. 3)* (1996) 36 IPR 293 at 304.

# Damages for trade mark infringement

## Basic principles for damages # 1

- The award of damages for infringement of IP rights "*is governed by similar consideration to the award of damages in tort. Its purpose is 'to compensate for loss or injury' suffered as a result if the respondent's infringement, rather than to punish the defendant*" so as to, as far as possible, "*put the injured party in the same position as he would have been in if he had not sustained the wrong*" (citing various authorities): *Seafolly v Fewstone* [2014] FCA 321, at [506, 510] Dodds-Streeton J.
- More broadly, said extracurially that the "*underlying principle in the awarding of damages is the restoration of the applicant by monetary compenation to the position it would have occupied but for the wrong*".
- It is "*widely recognised that calculating damages can be extremly difficult in intellectual property cases and that no method is entirely perfect*" (*Australian Trade Mark Law*, Burrell & Handler, 1st edition, OUP, Australia, 2010, at 553).

# Basic principles for damages # 2

- *Kerly's Law of Trade Marks*, 15th edition, 2011:
  1. Mere proof of infringement entitles a claimant to nominal damages.
  2. For substantial damages, damages are compensatory only, to put the claimant in the same position he would have been in had the wrong not been sustained.
  3. The burden of proof lies with the claimant, but damages are to be assessed liberally.
  4. Where the claimant has licensed his right, the damages are the **lost royalties**.
  5. Where the claimant has exploited his right by his own sales, he can claim the **lost profit** on sales by the defendant he would have made otherwise, and lost profit on his own sales to the extent he was forced by the infringement to reduce his own price.
  6. It is irrelevant that the defendant could have competed lawfully.
  7. Damages might be recoverable where the defendant sells inferior spurious goods which **injure the trade reputation** of the claimant, or where the stress of the competition **compels the claimant to lower his price** and thus suffer loss.

*Kerly* [20 – 135, 20 – 142].

Largely adopted by French J in *Paramount Pictures v Hasluck* (2006) 70 IPR 293, at [33 – 34].

# Assessment of damages

- The infringer is liable for all loss actually sustained by the applicant that is the "*natural and direct consequence*" of its unlawful acts: *Spalding v Gammage* (1918) 35 RPC 101.
- The applicant bears the onus of proving the loss and damage claimed, with as much precision as the subject matter reasonably permits: *Placer (Granny Smith) v Thiess Contractors* (2003) 196 ALR 257, at [37 – 38] (High Court).
- The damage suffered is the damage which in the circumstances can fairly be attributed to the wrongful act of selling infringing goods: *Draper v Trist* (1939) 56 RPC 429, at 437-8 Greene MR.
- The Court must do its best to quantify the loss suffered by the applicant by reason of the infringement, even if some degree of speculation or guess work is involved: *Aristocrat Technologies v DAP Services (Kempsey)* (2007) 157 FCR 564 at [35] Black CJ and Jacobson J.
- Any assessment of damages is not confined to those instances particularised in the pleadings against the infringer, but encompasses all infringing uses of the trade mark: *Nokia Corporation v Liu* (2009) 179 FCR 422; 82 IPR 452, at [34 – 44] Finn, Sundberg and Edmonds JJ.

# Lost royalties

- Where the claimant has licensed his right, the damages are the lost royalties.
- If the applicant would have been prepared to permit use of the mark by the respondent as an authorised user, then the damage suffered may be the loss of royality or license fee: *Cantarella Bros v Modena Trading* (2013) 99 IPR 492, at [189 – 193] Emmett J.
- If the owner grants licences to users at a particular rate of royalty, it should lead evidence about that: *Aristocrat Technologies v DAP Services (Kempsey)* (2007) 157 FCR 564 at [29].
- Where the owner has not previously licensed the right, the court might award damages based on a "*notional royalty*" or "*notional bargain approach*" by which the notional royalty would be the "*going rate*" commercially in the relevant market for such a royalty at the time of infringement: see, for example *Shoshana v 10th Cantanae* (1987) 11 IPR 249, at 267-8 (Burchett J); *Nominet UK v Diverse Internet* (2005) 68 IPR 131, at [30 – 31] (French J).
- However, although a notional license fee approach offers guidance, it is not "*straightforwardly applicable*" where the owner would not have granted a licence or where the infringer would not have taken one: see *LED Builders v Eagle Homes* (1999) 44 IPR 24 at [188] (Lindgren J). A royalty might not provide the appropriate measure of damages where the owner would not have granted a licence; or where there is no evidence it would have: *Aristocrat Technologies v DAP Services (Kempsey)* (2007) 157 FCR 564 at [27].

# Lost profits

## Methods of calculating –
## “the five steps” for calculating lost profits from the *Elwood* case

- Justice Gordon in *Elwood Clothing v Cotton On Clothing* (2009) 81 IPR 378 discussed a method for calculating damages for lost sales for copyright infringement between trade competitors (referring to earlier copyright and design cases).

- Her Honour identified five steps to be taken in calculating damages using the “*lost profits*” method at [13]:
    1. examine the number of sales made by the respondent;
    2. assume that the respondent was trying to capture sales from the applicant;
    3. assume that the number of sales made by respondent is equal to the number of sales lost by the applicant;
    4. discount the number of sales to reflect that not all of the respondent’s sales would have been lost sales for the applicant; and
    5. apply any further discount which is necessary in the circumstances of the case.

- Applied a 2/3rd discount, yielding $120,000 in lost sales: [25].

# More on lost profits

- Gordon J also applied the same method in *GM Holden v Paine* (2011) 281 ALR 406 at [76 – 84] in an assessment of damages for lost sales of trade mark infringement, determining the appropriate discount to be 40%.
- This method of calculation was also considered in:
  - *Kismet International v Guano Fertilizer Sales* [2013] FCA 375, Murphy J at [25 – 26, 123 – 133] in assessing damages for trade practices contravention and passing off, but held that the method was innappropriate in that case, being better suited to "*circumstances where precise evidence of the infringing sales is unavailable*"; but that even if the method was used it yielded the same results – namely, no damage (or a discount at or close to 100%).
  - *Seafolly v Fewstone* [2014] FCA 321, Dodds-Streeton J, at [518] in assessing damages for copyright infringement of garments, held that the appropriate discount was "*significant*" and assessed at 75% (not 25% as submitted) due to the price differences in the rival garments and different target demographics, as well as fixed overhead costs not being factored in: at [592 – 593].

# Other cases on damages assessment

- The applicants did poorly in two other decisions in the Federal Court:
  - *Paramount Pictures v Hasluck* (2006) 70 IPR 293, at [40 – 42] per French J (trade mark infringement) and
  - *Facton v Mish Mash Clothing* (2012) 94 IPR 523 at [45 – 48] per Jessup J (trade mark and copyright infringement).

- In *Paramount*, only nominal damages were awarded for trade mark infringement: at [56].
- In *Facton*, the claim for damages was rejected entirely: at [61].

- These two cases illustrate the evidence an applicant will require, and the inferences a Court will be prepared to draw to assist an applicant who has filed limited evidence. The evidence required (see *Facton* above) includes:
  - the profits the applicant would usually make on the sales it is said to have lost;
  - the circumstances in which the parties sell or provide their goods or services (for example, physical proximity leading to substitutability);
  - the category of consumers to which the relevant goods or services is directed; and
  - the factors which influence consumer choices in respect of the relevant goods or services (for example, price).

# Other difficulties with damages

- Particular difficulties arise for the assessment of damages when the infringer takes no or little part in the proceedings: for example, see the trade mark infringement case against an eBay seller, *Nokia Corporation v Liu* (2009) 82 IPR 452, at [44 – 46]. The plaintiff assumes costs risks of proceeding to assessment of damages with slender evidence: [59].
- A court might be reluctant to draw inferences to bolster an applicant's case; at least in circumstances where the Court thinks the applicant has not done all it could to provide information to assist in the assessment: for example, *Placer* at [38].
- Nevertheless "*damages should be liberally assessed, in the sense that inferences will be more readily drawn against* [the wrongdoers]*, but the object remains to compensate* [the applicant]*, not to punish the respondent*": *Aristocrat* at [34].
- Application for damages "*at large*" for trade mark infringement which failed for lack of evidence: *Bing! Software v Bing Technologies (No. 1)* (2008) 79 IPR 454, at [121 – 126] per Collier J.

# Damage to reputation and goodwill (or devaluation of trade mark)

- More common lately for trade mark owners to claim that infringers have damaged their reputation or the reputation of their brand and products, especially for luxury goods where it is asserted that the infringing product is of inferior quality.
- There has only been limited modest success with such claims.
- In *Elwood*, Gordon J ordered $10,000 for loss of reputation to the "*iconic*" and "*exclusive*" Elwood brand which was alleged to be "*cheapened*" by production of the infringing products by the respondent.
- Her Honour noted that the applicant adduced no evidence of the damage it suffered to its reputation by reason of the infringement of its copyright. The judge was "*prepared to accept that the exclusivity of the applicant's reputation was, on balance, adversely affected by the availability of the infringing products – as the availability of the product increases and its cost decreases, it will be viewed as less exclusive*" but the problem was "*how to quantify this 'drop' in exclusivity*": [33 – 34].

# More on reputational damages

- Where reputational damages are sought, evidence should be led to establish:
  - the importance of singularity, distinctiveness, quality or some other commercially valuable aspect of reputation to the victim; and
  - how and to what extent the infringing product or conduct damaged that aspect of the victim's reputation: *GM Holden v Paine* at [90] per Gordon J (awarding $20,000 for damage to reputation at [93]).
- In *Review v Innovative Lifestyle* (2008) 166 FCR 358, at [30 – 31] (design), Jessup J awarded compensatory damages of $7,500 as the "*capital value… upon the probable diminution of the applicant's reputation for originality brought about by the respondent's infringement*".
- In *Review Australia v New Cover Group* (2008) 79 IPR 236, at [46] (design), Kenny J awarded $35,000 for the effect of an infringement on the commercial value of designs with respect to their future use and reputation.
- In *Seafolly v Fewstone* [2014] FCA 321, at [619] (copyright), Dodds-Streeton J awarded $20,000 for the diminution and damage to Seafolly's reputation for originality and exclusivity and the decrease in consumer's willingness to buy at the higher prices charged, describing such damage as being "*modest*".

# More on reputational damages # 2

- But in *Paramount Pictures v Hasluck* (2006) 70 IPR 293 at [40 – 55] (trade mark infringement), French J said there was no "*logical basis … shown for the* [inference] *of the reputation of the applicants in the market place for their products has been adversly affected …* [so that not] *even nominal damages should be allowed on this basis*". But his Honour was prepared to allow a figure of $1,000 to each applicant for "*product devaluation*".
- In *Facton Limited v Rifai Fashions* (2012) 199 FCR 569, at [29, 128], (predominantly a copyright/passing off case) reputational damages of $5,000 were awarded, based on findings by the trial judge that the appellants had established a substantial, exclusive and valuable reputation in Australia in relation to the trade marks, brand and goods, that the brand would be diminished by the sale of counterfeit items and that customers would be lost because the goods were no longer considered exclusive.

# AWARDS OF DAMAGES FOR TRADE MARK INFRINGEMENT

## DAMAGES

| CASE | DAMAGES – LOST PROFITS | DAMAGES – REPUTATION | DAMAGES – OTHER |
|---|---|---|---|
| *Paramount Pictures v Hasluck* (2006) 70 IPR 293 (pirated DVDs) | Nominal only, $500 | $1,000<br>(product devaluation) | - |
| *Bing ! Software v Bing Technologies (No. 1)* (2008) 79 IPR 454 (software) | Not even nominal damages | NIL | "*At large*",<br>NIL |
| *Nokia Corp v Liu* (2009) 179 FCR 422 (counterfeit mobile phones) | Nominal only, $10 | NIL | Note argument about O. 62, 36A(1) re costs penalty if judgment less than $100,000: [48 – 62].<br>Now FCR 2011 r. 40.08. Availability of proceedings in Federal Circuit Court of Australia? |
| *GM Holden v Paine* (2011) 281 ALR 406 (counterfeit car wheels) | - | $20,000<br>(design infringements as well) | - |
| *Facton v Mish Mash Clothing* (2012) 94 IPR 523 ("*Raw Denim*" clothing) | NIL | NIL | - |
| *Facton v Rifai* (2012) 199 FCR 569 ("*G-Star*" clothing – predominantly a copyright/passing off case) | $9,200 (at trial) | $5,000 (on appeal) | - |

# Additional damages – s. 126(2) TMA

- Since 15 April 2013, s. 126(2) of the *Trade Marks Act* now provides that a Court may include an additional amount in assessment of damages for infringement of registered trade mark, if the Court considers it appropriate to do so having regard to:
  - the flagrancy of the infringement;
  - the need to deter similar infringements;
  - the conduct of the party after the act constituting the infringement or after that party was informed that it had allegedly infringed the mark; and,
  - any benefit shown to have accrued to that party because of the infringement; and
  - all other relevant matters.
- It is likely the Court will approach this head of damages with the similar provisions in mind in other IP legislation (for patents, designs and copyright), especially the cases on the similarly worded provisions for additional damages for patent and copyright infringement.
- For the other IP legislation: see s. 115(4) of the *Copyright Act* 1968, s. 75(3) of the *Designs Act* 2003 and s. 122(1A) of the *Patents Act* 1990.

# More on additional damages

- For additional damages for copyright infringement, see:
  - the judgments of Lander and Gordon JJ at [30 – 49] and Gilmour J at [87 – 116] in *Facton v Rifai* (2012) 199 FCR 569 ($25,000 additional damages were awarded)
  - *Futuretronics.com.au v Graphix Labels (No. 2)* (2008) 76 IPR 763 per Besanko J at [17 – 35] (making a "*modest*" award of $10,000) and
  - *Seafolly v Fewstone* [2014] FCA 321 per Dodds-Streeton J at [624 – 634] in which a *"significant*" award of $150,000 was warranted [643], noting the necessity of a *"general deterrence from copying*" [642].
- For additional damages for design infringement, see *Review Australia v New Cover Group* (2008) 79 IPR 236, where Kenny J awarded $50,000: at [52 – 62].
- Additional damages for patent infringement refused in *Zetco v Austworld Commodities (No. 2)* [2011] FCA 848 at [266-69] Bennett J.
- Still no cases on additional damages for trade mark infringement?

# AWARDS OF ADDITIONAL DAMAGES

No cases on additional damages per s. 126 TMA

| CASE | CAUSE OF ACTION | AMOUNT | COMMENT |
|---|---|---|---|
| *Futuretronics.com.au v Graphix Labels (No. 2)* (2008) 76 IPR 763, [35] | Copyright | $10,000 | Only nominal damages of $10 for copyright infringement: [16]<br>"*Modest*" award: [35] |
| *Review Aust. v New Cover Group* (2008) 79 IPR 236, [52 – 62] | Design | $50,000 | Similar principles to aggravated or exemplary damages of common law: at [53]<br>Warranted by deficiencies in discovery, responses to notices to produce, failure of witnesses to attend for cross-examination, and unsatisfactory evidence given: [58-61] |
| *GM Holden v Paine* (2011) 281 ALR 406, [100] | Design | $10,000 | Flagrant design infringement: [100]<br>General deterrence: [96]<br>Also at trial awarded exemplary damages for passing off of $200,000: [98]<br>On appeal, exemplary damages reduced to $75,000: *Taleb v GM Holden* (2011) 286 ALR 309, [55] |
| *Facton v Rifai Fashions* (2012) 199 FCR 569, [30 – 49] | Copyright | $25,000 | Flagrant disregard of plaintiff's copyright: [43]<br>Meant to act as a punishment: [46] |
| *Seafolly v Fewstone* [2014] FCA 321, [642 – 643] | Copyright | $150,000 | General deterrence from copying: at [642]<br>"*Significant*" award: [643] |

# Account of profits

- This remedy described extracurially as forcing "*a defendant to account for, and to disgorge, profits attributable to his infringement of an IP right…. The plaintiff need not have suffered any loss. The remedy is a species of the equitable action of account.*"
- "*The defendant is made to account for, and is then stripped of, profits he has made which it would be unconscionable that he retain*": *Colbeam Palmer v Stock Affiliates* (1968) 122 CLR 25, at 34 per Windeyer J; approved in *Dart Industries v Décor Corporation* (1993) 179 CLR 101, at 111.
- By an account of profits, an infringer is required "*to give up his ill-gotten gains to the party whose rights he has infringed*": *Colbeam Palmer*, at 32 per Windeyer J.
- A plaintiff seeking an account of profits must establish the profits were made by the defendant "*knowing that he was transgressing of the plaintiff's rights*": *Colbeam Palmer*, at 35.
- In equity's auxiliary jurisdiction, accounts are not available in respect of innocent infringement, "*innocent*" denoting actual ignorance of the plaintiff's rights: *Colbeam Palmer*, at 34.
- A lack of diligence by the defendant in enquiring about the plaintiff's rights does not transform ignorance into knowledge: *Colbeam Palmer*, at 32 – 33.
- In an account of profits, since it is an equitable remedy, a Court may have regard to general equitable discretionary factors such as estoppel, laches or acquiescence in deciding whether to award an account of profits: *Warman International v Dwyer* (1995) 182 CLR 544; 128 ALR 201, at 209-10; *Lever Bros Port Sunlight v Sunniwhite Products* (1949) 66 RPC 84; *Colbeam Palmer* at 34.
- If two infringers (e.g. manufacturer and retailer), the applicant can recover profits from each one (such as wholesale and retail profits): *Unilin Beeher BV v Huili Building Materials (No. 2)* (2007) 74 IPR 345 at [74, 86] Allsop J (patent case).

# Calculation of the profit – general

- There are also considerable practical difficulties and costs associated with ascertaining the profit.
- The whole profit should be ascertained as the starting point for computation of the profits made by the wrongful use of the trade mark: *Colbeam Palmer* at 38.
- The profit for which the infringer of a trade mark must account "*is thus not the profit he made from selling the article itself but, as the ordinary form of the order shews, the profit made in selling it under the trade mark*": *Colbeam Palmer* at 37 ("*Craftmaster*" painting sets).
- A defendant will not usually be accountable for the whole of the profit gained by the sale of goods to which an infringing trade mark has been applied.
- "*The true rule … is that a person who wrongly uses another man's industrial property … is accountable for any profits which he makes which are attributable to his use of the property which was not his….* [and the order usually made is] *'an account of all profits actually made by the defendant by means of the infringement'*": *Colbeam Palmer* at 42.
- In *Dart Industries v Décor Corporation* (1993) 179 CLR 101 at 120 – 121, the High Court described that passage as the "*correct principle*".
- Justice Windeyer also said in *Colbeam* that the "*true test of comparison is to take the ratio of profit derived when the* [trade mark] *was used to the profit which would have been derived had the defendant used that which, looking at all the circumstances of the case, it would most probably have used had he not illegally adopted the* [trade mark]": at 46.
- Remember that the relevant goods and the trade mark are distinct and separate, with the statutory monopoly for a registered trade mark not extending to a right to prevent the defendant from making, using or selling goods to which the infringing mark has been applied: for example, see *Smith Kline & French Laboratories v Registrar of Trade Marks* (1967) 116 CLR 628, at 639-40.

# Calculation of profits – details # 1

- In *Colbeam Palmer*, Justice Windeyer directed the Registrar in taking the account to:
  - ascertain the sum received by the defendant for the goods sold by it between certain dates under the name “*Craftmaster*” or bearing such a name upon them or upon any cards, leaflets or advertising matter sold therewith;
  - ascertain the total costs to the defendant of:
    - obtaining the article so sold and getting them to its store or place of business (landing cost in Australia, including customs charges and costs for carriage) and
    - selling and delivering the goods so sold to the buyers of them, including any costs directly attributable to such sales and delivery.
- General overhead costs are not deducted or taken into account where they would have been occurred in the ordinary course of business anyway and were not therefore referable to the sale of the infringing goods: *Colbeam Palmer* at 39 and in *Le Plastrier v Armstrong-Holland* (1926) 26 SR(NSW) 585.
- The leading authority in the deduction of fixed or overhead costs is *Dart Industries v Décor Corporation* (1993) 179 CLR 101 at 119 – 120.

# Calculation of profits – details # 2

- The majority in the High Court held that in some cases profit could "*only be properly assessed by deducting a proportion of at least some of the overheads, including fixed costs*": at 117. An infringer can deduct fixed overhead costs which were attributable to the manufacture and sale of the infringing products, so that it accounts for *"the actual profit, no more and no less, which it has gained from the infringement*" (at 116).
- In determining that, a Court would be required to consider whether the overhead costs:
  - were increased by the sale or manufacture of the infringing product;
  - would have been reduced or not been incurred had the infringing product not been produced;
  - would fall within the surplus capacity of the business;
  - would have been incurred, in the absence of the infringing product, in the manufacture or sale of other products ("opportunity costs") (at 119).
- The High Court majority judgment in *Dart v Décor* was applied by Burchett J in *Kettle Chip Co v Apand* (1998) 40 IPR 481 (passing off).
- In that case it was held (affirmed on appeal in *Apand v Kettle Chip Co* (1999) 43 IPR 225) that:
  - the respondent was entitled to claim deductions for 30% of the proportion of fixed costs that was recouped by the infringing product: at 488;
  - the respondent was required to account for the capital profit made from the sale of the relevant trade marks and goodwill to the purchaser of the business: at 494;
  - the applicant was entitled to claim interest on the amounts for which the respondent was required to account: at 496.
- The next stage in the account involves a calculation of the apportionment or proportion of profit attributable to the wrongful use of the trade mark – "*a question of some nicety*": *Colbeam Palmer* per Windeyer J at 39. It is simpler with calculations of profit in patent, design or copyright cases, where the profits were made by the use or sale of some thing, and the whole thing came into existence by reason of the infringement – then, generally speaking, all the profits must be accounted: *Colbeam*, at 43; *Dart v Décor* at 120 – 121.

# Calculation of profits – details # 3

- A Full Federal Court decision on accounts of profits in trade mark infringement cases is *Liquideng Farm Supplies v Liquid Engineering 2003* (2009) 175 FCR 26; (2009) 79 IPR 437 in which a total of $330,000 profits was awarded: [47-48]. The Full Court said that:
  - in determining an account of profits, the Court must do the best it can on the whole of the material before it and while it is generally not appropriate to speculate or guess without foundation, the exercise calls for allowance to be made for lack of precision where the available material is incomplete, inexact and generalised: at [36];
  - the trial judge correctly decided to adopt a pragmatic approach and took into account the evidence as providing indicators from the limited material as to the proper figure, rather than simply taking an open-ended approach settling on growth sales: at [37];
  - however, to simply award the gross revenue as profits with an arbitrary discount would be contrary to the evidence, although inexact and incomplete, before the Court: at [42];
  - the wages to the employee director were wrongly included as costs; it was well-settled law that an infringing party cannot claim remuneration or director's fees for carrying on the infringing activities: at [46 – 47].
- The purpose of ordering an account of profits is not to inflict punishment on the defendant but to prevent an unjust enrichment of the defendant by compelling him to surrender those profits actually made by him which were improperly made - and nothing beyond this: *My Kinda Town Ltd v Soll* [1982] FSR 147, at 156.

# Some last words on calculations of profits

- In whatever way an infringer's profit is computed, it seldom easy: *Colbeam Palmer*, at 46.
- Mathematical exactness is not required "*but only a reasonable approximation*": *Décor Corp v Dart Industries* (1991) 33 FCR 397, at 401 or "*a judicial estimation of the available indications*": *Warman International v Dwyer* (1995) 182 CLR 544, at 567.
- Calculation of profits have also been considered in the following cases:
  - *Sony Computer Entertainment Australia v Jakopcevic* [2002] FCA 777 at [23 – 24] (Lindgren J), trade mark infringement;
  - *Wang v Anying Group (No. 3)* [2012] FCA 1380, at [18 – 29] (Foster J), passing off;
  - *Intellectual Property Development v Primary Distributors New Zealand* (2012) 97 IPR 237, NZCA at [22 – 38], trade mark infringement.

# Profit when?

- The liability of the account of profits is not necessarily coextensive with acts of infringement because “*the account is limited to the profits made by the defendant during the period when he knew of the plaintiff’s rights*. *So it was in respect of common law trade marks. So it is in respect of registered trade marks*”: *Colbeam Palmer* at 34 – 35.

- The majority judgment of the High Court in *Dart Industries v Décor Corp* (1993) 179 CLR 101 at 111 approved Justice Windeyer’s observations in *Colbeam Palmer* that an account of profits retained its equitable characteristics “*in that a defendant is made to account for, and is then stripped of, profits which it has dishonestly made by the infringement and which it would be unconscionable for it to retain*”.

# AWARDS OF PROFITS FOR TRADE MARK INFRINGEMENT / PASSING OFF

| CASE | PROFITS |
|---|---|
| *Kettle Chip v Apand* (1998) 40 IPR 481 (“*Kettle*” crisps, passing off) | c. $700,000 **??** trading profit (30% allowed for fixed overheads)<br>$5.6M for sale of goodwill and mark as capital profit |
| *Sony Computer v Jakopcevic* [2002] FCA 777 (Playstation computer games) | $156,000 |
| *Liquideng Farm Supplies v Liquid Engineering 2003* (2009) 175 FCR 26 (farm supplies, “*Exit Rust*”, “*Fuel Set*”) | $330,000 |
| *Wang v Anying Group (No. 3)* [2012] FCA 1380 (foreign exchange business, passing off) | $125,000 |

# Summary / main 'take away points'

- damages for lost profits and reputation are difficult to prove and costly
- awards of such damages are conservative
- additional damages offer scope to be much higher (but no trade mark cases)
- accounts of profits are also difficult and costly as well as discretionary
- but the awards of profits are generally better than damages
- pecuniary relief is fraught with legal, practical and evidentiary pitfalls
- think carefully before you proceed to pecuniary relief, once you have established liability and obtained an injunction
- A well-pitched offer of compromise/payment into Court by an infringing respondent is a powerful weapon before an applicant embarks on an assessment of damages or profits.