

TOPIC 13

CIVIL REMEDIES

LTC Harms
Japan 2017

SOURCES

- INTERNATIONAL:
 - TRIPS
- NATIONAL
 - Statute law:
 - Copyright Act
 - Trade Marks Act
 - Patents Act
 - Procedural law

CIVIL REMEDIES

- Injunctions
- Interim injunctions
- Anton Piller
- Mareva
- Damages
- Delivery-up

PROVISIONAL REMEDIES

TRIPS ART 50

1. The judicial authorities shall have the authority to order prompt and effective provisional measures:

- to prevent an infringement of any IP right from occurring;
- to preserve relevant evidence.

2. The judicial authorities shall have the authority to adopt provisional measures *inaudita altera parte* where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.

TEMPORARY INJUNCTIONS

One of the most important civil remedies for the breach of IP rights is a temporary injunction pending the full ventilation of the dispute at a trial.

- Restores the status *quo* and
- Halts the infringing act.
- Provides parties with a preview of the opponent's case.
- Cases are consequently often settled or concluded without a trial.
- Cost effective
 - decided urgently
 - without a full hearing or oral evidence.

NATURE OF DISCRETION

- A court has a wide discretion to refuse an interim interdict.
- Have regard to disparate features in coming to a decision not a free and unfettered discretion.
- Discretion is judicial which must be exercised according to law and upon established facts.

DISCRETION

- Global assessment required.
- Consider the whole case.
- Have regard to
 - the strength of the claim and
 - the strength of the defence,
- and then decide what is best to be done.

THE OBJECT AND NATURE OF INTERIM INJUNCTIONS

- Purpose:

- to regulate, and
- to preserve,

the rights of the parties pending the final determination of the matter.

- It is

- temporary and
- discretionary.

- Has far-reaching commercial consequences.

ENGLISH LAW:

The applicant must show

- a serious question to be tried;
- irreparable injury for which damages will not be an adequate compensation; and
- balance of convenience.

STRONG PRIMA FACIE CASE NOT REQUIRED

- The “serious question to be tried”-test replaced the former “(strong) prima facie case”-test.
- The requirement of a serious question to be tried is not the same as that of a prima facie right,
- The claim must not be frivolous or vexatious .

American Cyanamid Co v Ethicon Ltd [1975] AC 396

US LAW

- A reasonable likelihood of success on the merits;
- irreparable harm if not granted;
- balance of the hardships and
- the impact of the injunction on the public interest.

POINTS OF LAW

If the resolution of the issues in dispute would be resolved by the determination of a point of law that can be answered at the interlocutory stage the court should decide the point and dispose of the matter.

IRREPARABLE HARM

- *Irreparable* refers to the nature of the harm suffered rather than its magnitude.
- It is harm which either cannot be quantified in monetary terms or which cannot be cured, usually because one party cannot collect damages from the other.
- The evidence must be clear and not speculative.

HARM: WEIGHING UP

The plaintiff's need for protection must be weighed against the need for the defendant to be protected from exercising his own legal rights for which he could not be adequately compensated in damages if case were resolved in the defendant's favour at the trial.

ANTI-MONOPOLY SENTIMENTS IRRELEVANT

- 'Public-interest' factors can and ought to be taken into account in the exercise of the discretion
- Anti-monopoly sentiments are irrelevant.
- To refuse only so as to frustrate the patentee's lawful right is an abuse of the discretionary powers.
- The strength of the right decides the case.

PRESERVATION OR EVIDENCE

- Orders for preservation of evidence required by Trips.
- The orders are meant to protect evidence from being destroyed, not to gain litigious advantage.
- Obtained in camera
- Requires safeguards
- Without notice.

Canadian test

- The plaintiff has demonstrated a strong prima facie case
- The damage, potential or actual, must be very serious.
- Convincing evidence that the defendant has in its possession incriminating documents or things
- A real possibility that the defendant may destroy the material before the discovery process can do its work.

PRESERVATION OF ASSETS

- Not a TRIPS obligation.
- Prevents the respondent from dealing freely with his assets to which the applicant has no preferential claim
- Does not create preferential rights over those assets.
- The applicant need show a particular state of mind on the part of the respondent, i.e., that he is getting rid of the funds, or is likely to do so, with the intention of defeating the claims of creditors.

Norwich Pharmacal order

- If through no fault of his own a person gets mixed up in the tortious acts of others is as to facilitate their wrongdoing he may incur no personal liability
- but he comes under a duty to assist the person who has been wronged by
 - giving him full information and
 - disclosing the identity of the wrongdoers

DISCLOSURE BY THIRD PARTIES

A bank may be obliged to disclose the identity of an the holder of an account into which the proceeds of the sale of a counterfeit product were deposited to the owner of the counterfeit trade mark.

Disclosure orders against ISPs

Norwich Pharmacal order

- Disclosure of individuals' identities can be ordered if
 - there is a cause of action,
 - the identities are not discernible, and
 - another person knows or is likely to know those individuals' identities (ISPs in this instance).
- Australian court applied to file sharers
 - ordered the disclosure of the sharers' identities by the ISPs to copyright owner, subject to certain safeguards.

Dallas Buyers Club LLC v iiNet Limited [2015] FCA 317

FINAL RELIEF

INJUNCTIONS

TRIPS art 44.1

- The judicial authorities shall have the authority to order a party to desist from an infringement, *inter alia* to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods.
- Members are not obliged to accord such authority in respect of protected subject matter acquired or ordered by a person prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail the infringement of an intellectual property right.

Purpose of interdict/injunction

- The ordinary rules relating to injunctions apply to IP cases.
- Not a remedy for past invasions of rights.
- It is for the protection of an existing right.
- The basis is the threat, actual or implied, on the part of a defendant that he is about to do an act which is a violation of the plaintiff's right.
- Any actual infringement is merely evidence upon which the court implies an intention to continue in the same course.

USA

A plaintiff must demonstrate:

- that the public interest would not be disserved by a permanent injunction.

DAMAGES

1. Introduction

2 Damages

3 Notional royalty

4 Account of profit

5 Inquiry into damages

TRIPS ART 45

Courts must be able to order the infringer

- to pay the right holder damages adequate to compensate for the injury
- to pay the right holder expenses, which may include appropriate attorney's fees.

The problem of quantification of damages

- Courts often have great difficulty in determining compensation for the infringement of IP rights.
- Calculation of damages is usually determined separately, after the issues of validity of the IP right and infringement have been decided.

THE GENERAL RULE

- Damages constitute the difference between the plaintiff's pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred.
- 'How much did the rights holder suffer by the infringement?'
- But for the infringement, what would the rights holder have made?'

“BUT FOR”

- The burden of proving causation is on the plaintiff.
- The plaintiff’s actual situation must be compared with a hypothetical situation, where infringement had not taken place.
- The difference is the damage but only insofar as the difference has actually been caused by the infringement.

Loss of profit

- IP right is income earning
- The measure of damage is typically the loss of profits in respect of those infringing articles that he could and would have made and sold.
- Loss of profit is usually due to the fact that the owner
 - sells fewer products,
 - charges lower prices in order to compete with the infringer, or
 - has increased production costs.

NOTIONAL ROYALTY

- The preferred method of calculating damages
- Claimant does not have to have suffered any loss.
- To succeed, a plaintiff has to prove what in commercial practice a reasonable royalty rate is.

Object of notional royalties

- The object of notional royalties is to obviate proof of actual loss, something extremely difficult to establish in IP infringement cases.
- All a claimant has to prove is
 - the number of infringing articles and
 - the reasonable royalty rate.

ACCOUNT OF PROFITS

- The profit made by the defendant is also seldom equivalent to the plaintiff's loss.
- Some jurisdictions allow a claimant to claim the infringer's gain by means of an account of profits.
- But the plaintiff has to establish that profits were made by the defendant knowing that he was infringing.

INQUIRY INTO DAMAGES

A plaintiff/applicant who wishes to have the issue of liability decided before embarking on quantification, may claim a declaratory order to the effect that the defendant/respondent is liable, and pray for an order that the quantification stand over for later adjudication.

DELIVERY UP/DESTRUCTION OF INFRINGING GOODS

Delivery up/Destruction of infringing goods

- Ancillary to injunction
- Purpose is to act as an aid to the injunction.
- Has the effect of protecting the rights holder from any further use.
- Made in the exercise of the court's discretion.

TRIPS

- TRIPS contains two provisions relating to the disposal or destruction of infringing goods.
- Art 46, is of general application, ie, it applies to the disposal or destruction of infringing goods, irrespective of whether they are counterfeit.
- Art 59, deals with imported counterfeit goods in the hands of the customs authorities.

Art 46: destruction generally

- Creates an effective deterrent to infringement,
- Judicial authorities have the authority to order that infringing goods, are
 - destroyed or
 - disposed of
- without compensation of any sort.

Destruction of materials and implements

- Judiciary must have authority to order that materials and implements be disposed of outside the channels of commerce
- If their predominant use was in making infringing goods
- to minimize the risks of further infringements
- No compensation

Proportionality

- In considering such requests [for destruction],
- the need for proportionality between the seriousness of the infringement and the remedies ordered
- as well as the interests of third parties
- shall be taken into account.

Art 46: destruction is a general remedy

- Applies to all types of IP infringement: patent, designs, trademarks or copyright.
- It is a remedy like damages or injunctions.
- An order destruction or disposal requires a judicial finding of infringement.

Art 59

- Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority,
- competent authorities [CUSTOMS]
- shall have the authority
- to order the destruction or disposal of infringing goods
- in accordance with the principles set out in Article 46.

Art 59: Re-exportation

Customs may not allow re-exportation of counterfeit trademark goods in an unaltered state other than in exceptional circumstances.

The scope of Art 59

- This Article is a Customs provision and applies to importation only.
- It does not apply to goods seized where
 - they are destined for export or
 - are being trans-shipped

Removal of counterfeit trademarks

- The simple removal of a counterfeit trademark
- is not sufficient,
- to permit release of the goods.