

Damages

An English perspective

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Does the patent system currently deliver appropriate protection for the patentee?

- What kinds of financial compensation are available to a patentee in England?
- Are they appropriate?
- EC Directive 2004/48

Financial compensation available

- Damages as compensation for loss
- Account to deprive infringer of profits made improperly
- Legal costs

Legal costs

- Cost of enforcing a patent is a loss to the patentee
- Losing party compensates the winner
- Only costs assessed as reasonable are awarded
- Costs are considered issue by issue
- New Patents County Court system

Damages or profits

- Alternative remedies:
- In order to make a rational choice, obtain disclosure from the infringer

Island Records v Tring [2005] FSR 560

- Procedure

Damages

- Compensation for patentee's loss
- Profits lost or reasonable royalty?
 - If sales lost: loss of profits is the appropriate measure.
 - If no sales lost: reasonable royalty is the appropriate measure
 - Can have both remedies in the same assessment for different infringements

Assessment of damages

- Focus of analysis is on the patentee
- Lost profits:
 - Loss of contribution to overhead.
 - Fixed overheads not generally included
- Reasonable royalty
 - Comparables
 - Profits available
- Published decisions rare. Cases settle.

Impact of Directive 2004/48

Recital 26:

“As an alternative, for example *where it would be difficult to determine* the amount of the actual prejudice suffered, the amount of the damages might be derived from elements such as the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

- Is this logical?
- What are its implications if no loss has been suffered?

Impact of the Directive II

- Are infringer's profits relevant to damages? (Art. 13(1)(a))
- What is moral prejudice?
 - No cases in England
- Exemplary damages in England
- State of knowledge
 - s62 of the 1977 Patents Act

Account of profits

- Restitutionary remedy
- To deprive the infringer of profits improperly made from wrongful acts committed in breach of the patentee's rights. (*Spring Form v Toy Brokers* [2002] FSR 17)
- Available even if patentee suffered no loss

Assessment of account

- Focus of analysis is on the infringer
- *Hoechst v BP Chemicals* [1999] RPC 203:
 - Where only part of a process infringes, profit may be apportioned
 - If infringement was essential to whole process, it may be right not to apportion

Assessment of account II

- Direct costs allowed e.g. manufacturing
 - Related costs may be allowed: e.g. R&D, cost of financing infringing plant.
 - Unrelated costs will not be allowed.
- Maximum payment is total profit. So if defendant infringes inefficiently, the sum due will reflect that.

Other remedies

- Injunction
- Delivery up
- Trade channels – removal/recall
- Publication of judgment
- Relief may or may not be stayed pending appeal

Trade channels

“... there should be corrective measures, where appropriate at the expense of the infringer, such as the recall and definitive removal from the channels of commerce, or destruction, of the infringing goods and, in appropriate cases, of the materials and implements principally used in the creation or manufacture of these goods. These corrective measures should take account of the interests of third parties including, in particular, consumers and private parties acting in good faith.” *Directive, recital 24 and Art 10*

- Can the order go further than the contractual rights of the infringer?
- On whom is the decision binding?
 - Contrast theory and practice

Conclusion

- English approach to remedies is flexible
 - E.g. terms imposed as the price for a stay of an injunction: *Kirin-Amgen v TKT* [2005] FSR 44
- Modest impact of EC Enforcement Directive
 - But some details to resolve