

Civil and criminal remedies for intellectual property infringement

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This practice note provides an overview of the remedies, both civil and criminal, which can potentially be deployed against those who infringe UK intellectual property rights (IPRs).

Legal nature of IPRs

The legal nature of IPRs determines what English law remedies are available for their infringement. With the exception of rights in confidential information, IPRs are a form of personal moveable property. They are often described as being ‘incorporeal’ as they cannot be seen or touched.

This legal classification is set out for patents in the Patents Act 1977, s 30(1) (PA 1977, s 30(1)), for trade marks in the Trade Marks Act 1994, ss 22, 24(1) (TMA 1994, ss 22, 24(1)), for registered designs in the Registered Designs Act 1949, ss 15A, 15(B)(1) (RDA 1949, ss 15A, 15(B)(1)), for copyright in the Copyright, Designs and Patents Act 1988, ss 1(1), 90(1) (CDPA 1988, ss 1(1), 90(1)) and for UK unregistered design right in sections CDPA 1988, ss 213(1), 222(1).

Community IPRs (such as community trade marks and community designs) owned either by an entity domiciled in the UK or by an entity not domiciled in any EU Member but with an establishment in the UK are also personal moveable property.

Information is not property under English law and thus it can not be stolen. However, the confidentiality of information can be protected by an action for breach of confidence, which is based on the enforcement of an equitable obligation of good faith rather than a property right in the information.

Enforcement of IPRs

As with other private property rights, English law generally requires the owner of IPRs to enforce them against infringers itself via a private civil action. However, the infringement of two types of intellectual property (registered trade marks and copyright) is considered sufficiently serious that criminal law remedies are also available; see Criminal remedies for IP Infringement.

References: PA 1977, s 30(1)
TMA 1994, ss 22, 24(1)
RDA 1949, ss 15A, 15(B)(1)
CDPA 1988, ss 1(1), 90(1), 213(1), 222(1)

References: Council Regulation (EC) 6/2002, art 27(1)
Council Regulation (EC) 207/2009, art 16(1)

See *Oxford v Moss* (1978) 68 Cr App Rep 183, [1979] Crim LR 119.

Remedies in private civil actions

The remedies available to a successful claimant in a private civil infringement action include:

- an injunction
- an award of costs
- damages or an account of profits
- delivery up/destruction of infringing items and items used to make them
- tracing orders

The injunction

IPRs are essentially negative in character: they all confer on their owners the right to stop others doing certain things, without the rights owner's consent. The practical manifestation of this ability to stop infringers is the prohibitory injunction. A prohibitory injunction is an order, made by a court, requiring a named individual or individuals to refrain from doing certain defined acts, which are the exclusive preserve of the IPR owner. In most IPR infringement cases the prohibitory injunction is by far and away the most important remedy in practice.

The High Court's power to grant injunctions is conferred by the Supreme Court Act 1981, s 37 (SCA 1981, s 37). Since the County Courts Act 1984, s 38 (CCA 1984, s 38) was amended by the Courts and Legal Services Act 1990, county courts have had the same power as the High Court to grant injunctions and for this reason the jurisdiction of the Patents County Court to grant injunctions in IP cases is co-extensive with that of the High Court. The rules as to which judges can grant injunctions are set out in the relevant practice direction.

There is no automatic entitlement to an injunction: CCA 1984, s 38(1) and SCA 1981, s 37(1) state that such injunctions should be granted if it is just and convenient to do so.

The Human Rights Act 1998 (HRA 1998) imposes an obligation on courts in the UK to give effect to legislation in a manner which is compatible with human rights. Following the decision of the Supreme Court in *South Bucks District Council v Porter* as to the applicability of the European Convention on Human Rights in the context of the granting of injunctions, it is now clearly also necessary for a Court to consider whether the grant of a prohibitory injunction is proportionate.

If, notwithstanding the grant of an injunction, the restrained party carries out a prohibited act, that would amount to a contempt of court, which could lead to fines or imprisonment.

The interim injunction

An IP owner does not have to wait until it wins on liability at trial to secure an injunction: it can, in certain circumstances, obtain such an injunction on an interim emergency basis, usually pending a full trial of the matter. The principles on which such an injunction are granted are set out in the Supreme Court decision of *American Cyanamid Co v Ethicon Ltd*. Laddie J's decision in *Series 5 Software Ltd v Clarke* and others provides some more modern guidance as to how the *American Cyanamid* principles are to be applied in practice.

References: CPR PD 2B, para 2.1, 8.1
SCA 1981, s 37
CCA 1984, s 38

References: CCA 1984, s 38(1)
SCA 1981, s 37(1)

References: HRA 1998, ss 3(1), 6(1), 6(2)
South Bucks District Council v Porter
[2004] 4 All ER 775

References: *American Cyanamid Co v Ethicon Ltd* [1975] 1 All ER 504
Series 5 Software Ltd v Clarke [1996] 1 All ER 853

Territorial effect

The territorial effect of an injunction made by an English court is limited to England and Wales, but such orders can also be registered in the courts of Scotland and Northern Ireland to give effect to them there. Unlike courts in the Netherlands and Germany, English courts have been reluctant to hear claims in respect of the infringement of a bundle of national patents flowing from the same European patent application (eg *Coin Controls Ltd v Suzo International (UK) Ltd and others*). A patentee with a bundle of national European patents currently has no real option other than to enforce them on a country by country basis. See the European Court of Justice decisions in *GAT v Luk* and *Roche v Primus*.

Duration of prohibition

Many injunctions do not specify the duration of the prohibition. Where they do specify the duration it is common to refer to the duration of the infringed IPR. Where licences of right are available (as for example for UK unregistered design right under CDPA 1988, s 237), provision needs to be made for such licences of right in the form of the order. Injunctions can be granted for a 'springboard period' beyond the expiry of the term of underlying right, where to do so is just in all the circumstances to deprive an infringer of an advantage he illegitimately built up during a period when the IPR was in force.

Costs

In the UK the general rule is that the losing party pays a proportion (typically two thirds to three quarters) of the successful party's costs on the claims on which it has lost.

In IPR cases, there are often two issues in dispute: infringement of the claimant's IPRs and their validity. In patent actions, English courts retain the freedom to apportion the costs between these two issues so that where the patent in issue was held to be invalid but infringed or alternatively valid but not infringed, the winner of each issue can have his entitlement to the costs of such issue offset against his liability to pay his opponent's costs on the issues on which he himself lost (and for which he himself therefore cannot recover).

The enforcement of IPRs in the UK is notoriously expensive: for example, the average patent infringement action in the High Court costs each side approximately £700,000, (source: Lord Justice Jackson's Review of Civil Litigation Costs: Final Report, paragraph 8.2, page 24). It is hardly surprising, therefore, that the possibility of being able to recover a proportion of one's costs from the loser in English legal proceedings is a very important remedy in practice. Indeed, in many UK IP disputes which reach trial, the amount of costs awarded dwarfs what is recoverable by way of damages or an account of profits.

To prevent patentees repeatedly losing out on their irrecoverable costs of defending the validity of their patents, PA 1977, s 65 provides that a court can, at the end of a trial in which validity has been unsuccessfully challenged, make an order certifying that validity was unsuccessfully contested. The effect of the making of such an order of contested validity is that in subsequent proceedings in which validity is again put in issue the successful patentee can recover his costs of the validity part of an action on the indemnity basis, which is generally much closer to his actual costs of such action.

References: [Civil Jurisdiction and Judgments Act 1982, s 18 and sch 6](#)
[Coin Controls Ltd v Suzo International \(UK\) Ltd and others \[1997\] 3 All ER 45](#)
[Roche Nederland BV and others v Primus and another \(Case C-539/03\) \[2006\] All ER \(D\) 186 \(Jul\)](#)
[GAT v Luk \(C-4/03\)](#)

References: [Dyson Appliances Ltd v Hoover Ltd \(No 2\) \[2001\] All ER \(D\) 37 \(Jan\)](#)
[CDPA 1988, s 237](#)

References: [CPR 44.3\(2\)\(a\)](#)
[Monsanto Technology LLC v Cargill International SA and another \[2007\] All ER \(D\) 118 \(Oct\)](#)

References: [PA 1977, s 65](#)

Patents County Court

Since 1 October 2010 there has been a cheaper forum for the resolution of IP disputes: the Patents County Court. This now has jurisdiction to hear all types of IP disputes save in relation to freestanding breach of confidence disputes.

The Patents County Court operates a modified version of UK civil litigation procedure and limits the amount of costs that can be recovered by the successful party from the unsuccessful party to an absolute maximum of £50,000, save in cases of serious misconduct. The amount of costs that are recoverable in practice will frequently be much less than this, as the costs are determined by reference to scale fees. Tables A and B of s 25C of the Costs Practice Direction set out the maximum amount of scale costs which the court will award for each stage of a claim in the Patents County Court: the net effect of these rules is that even a successful claimant in the Patents County Court will frequently be materially out-of-pocket in relation to his own legal costs: this does, however, represent the price the claimant has to pay for having his exposure to the defendant's costs capped at £50,000.

References: Patents County Court Guide, 12 May 2011, page 3

References: CPR 45.41
CPR 45.42
CPR PD 45, s 25C, Tables A & B

Damages or an account of profits

English law has since at least the time of the Middle Ages provided a restitutionary remedy for the invasion of private property rights: the rights owner is entitled to deprive the infringer of the unjust enrichment that has accrued to him as a result of his unlawful activities. In the context of IPRs this leads to the remedy of an account of profits being available: these are the defendant's (and not the claimant's) profits made as a result of his infringement. It is generally considered that an account of profits is not available for breach of confidence

References: Attorney General v Blake (Jonathan Cape Ltd, third party) [2000] All ER (D) 1074
Vercoe and others v Rutland Fund Management Ltd and others [2010] All ER (D) 79 (Jun)

As an alternative to restitution, the IPR owner can seek the compensatory remedy of an award of damages. The aim of an award of damages is to compensate the IPR owner for the invasion of his rights: the award of a monetary sum is intended to put him back, as far as practicable, in the position he would have been in if there had been no infringement. The usual tortious rules as to remoteness and causation apply to limit the amount that can be recovered.

References: General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd [1975] 2 All ER 173
Gerber Garment Technology Inc v Lectra Systems Ltd and another (1994) IP & T Digest 15

An IPR owner can not claim both an account of profits and damages: he must choose one or the other. In practice after the trial on liability has concluded, the successful IP owner is given a short period within which to make his election. Often this is done after there has been some disclosure by the unsuccessful infringer of basic financial information relating to the infringement, which is intended to enable the IP owner to make a more informed decision. Additional statutory damages can be awarded for copyright infringement which is flagrant.

References: CDPA 1988, s 97(2)

Procedure

In theory the process of determining what sum should be paid to a successful IPR owner after it has won an infringement action is determined by a separate litigation process called an enquiry as to damages, which involves a process similar, in many respects, to trial on liability, with disclosure, witness statements, expert reports, skeleton arguments and a trial on quantum. In practice, however, enquiries as to damages are rare, as in the vast majority of cases the parties successfully reach agreement on the sum to be paid. Few defendants who have lost painfully at a first trial on liability are prepared to go through a second fully contested bout of litigation on quantum.

Basis of award

Successful IPR owners are frequently advised to seek damages rather than an account of profits as it is considered that an infringer will be able to manipulate his profit figure so as to artificially reduce the profits available. Where a process patent has been infringed the current state of the law will frequently militate strongly against electing for an account as it mandates that the amount of profits available to the IPR owner is that proportion of the infringer's manufacturing costs represented by the implementation of the infringing process. In a multi-staged manufacturing process the costs of the patented part of the process may be a tiny fraction of the overall costs and this would materially impact on the amount of profits available to the patentee, as happened in *Celanese International v BP Chemicals*.

In relation to the calculation of damages a distinction is to be drawn between an IPR owner who himself exploits the IPR and one who does not. An IPR owner who does not exploit his IPR himself will only be able to claim, as damages, a licence fee: the fee that would have been paid by the infringer if it had sought a licence instead of infringing. Where the IPR owner does himself exploit the IPR, he will be entitled to damages calculated by reference to the profits he has lost on unmade sales, lost to the infringing competitor and lost because of price depression. The losses claimed can extend to other items or services that would have been sold in addition to the item embodying the infringed IP: for example damages can be claimed for consumables, service and maintenance contracts and other items that would have been sold with the item embodying the IPR). In relation to damages, it does not matter if the invention is but a small part of a much larger item.

A successful IPR owner does not have to prove each lost sale on the balance of probabilities to recover his loss: if he claims to have lost x sales then if the court concludes that he had only a 20% chance of making a each sale, the IPR owner will still be able to recover for the profits lost on the sale of two such items as the percentage lost chance of making the sales is multiplied by the total number of sales.

See the *Sullivan* case for a recent case on damages for copyright infringement. The substantive issue involved a copyright infringement claim by a musician, in respect of a video which had been posted on YouTube for five days and which, it was calculated, would have been seen by the defendant film company's staff plus a maximum of 50 people. *Sullivan* sought damages of £800,000 for 'breach of statutory duty, infringement of copyright and...loss of a chance'. The claim was transferred to the Chancery Division, where its value was assessed at just £50. The defendant applied successfully to have the claim struck out on the basis that a claim for such a small sum was a disproportionate use of the court's time and resources.

References: *Celanese International Corp and another v BP Chemicals and another* [1998] All ER (D) 493

References: *Gerber Garment Technology Inc v Lectra Systems Ltd and another* (1994) IP & T Digest 15

References: *Allied Maples Group Ltd v Simmons & Simmons (a firm)* [1995] 4 All ER 907

References: *Sullivan v Bristol Film Studios Ltd* [2012] All ER (D) 69 (May)

Delivery up or destruction

There is no automatic entitlement to delivery up or destruction but once infringement is shown, orders requiring either or both these things will usually be made. UK courts are now required to take into account the need for proportionality between the seriousness of the infringement and the remedy ordered and the interests of third parties, under Council Directive (EC) 2004/48 (IP Enforcement Directive). Where the infringing item is a small part of a larger item, the effect of the IP Enforcement Directive may be that no order for delivery up will be made.

In relation to imported items, it is possible for the IPR owner to request that HM Revenue & Customs (HMRC) detains imports at the UK's borders goods, which are suspected of infringing IPR. Providing civil litigation is started within ten days of the detention of such goods, HMRC will continue to detain them. HMRC makes a daily charge for the storage of such detained goods which is recoverable as a head of damages against an infringer. For further reading see practice note: Anti-counterfeiting and customs.

References: Council Directive (EC) 2004/48, art 10(3)

References: Council Regulation (EC) 1383/2003
Goods Infringing Intellectual Property Rights (Customs) Regulations 2004, SI 2004/1473

Tracing remedies

An infringer can be ordered to provide details of where he got his supplies of infringing goods. Failure to provide the information sought in the face of such an order can amount to a contempt of court.

Criminal remedies for IP infringement

TMA 1994, s 92 and CDPA 1988, s 107 make it a criminal offence to make and deal with items that infringe UK and community registered trade marks and UK copyright. The more serious copyright and trade mark offences carry a maximum ten year prison term on indictment and/or an unlimited fine.

References: TMA 1994, s 92
CDPA 1988, s 107

Confiscation orders

In criminal cases there is no right to damages as such. However, under the Proceeds of Crime Act 2002 (POCA 2002) it is possible to seek a confiscation order. The effect of the making of a confiscation order by a Crown Court is that the defendant's assets, which were acquired with the proceeds of crime, are confiscated. If a confiscation order is made the onus is on the convicted defendant to prove that all his assets, acquired in the six years leading up to conviction, were acquired lawfully. If he cannot, such assets become liable to confiscation. Under POCA 2002, s 13(5), those who have been financially disadvantaged by a criminal enterprise (such as a brand owner in a counterfeiting case) can apply to court for compensation out of confiscated assets. The police and the courts also have rights to such funds.

References: POCA 2002

The costs advantages of private prosecutions

For a claimant to recover his costs of a civil case, he must be awarded his costs by the court and the defendant must have the money to meet his obligations under the court order and he must actually pay the money over.

In stark contrast, the claimant's costs (win or lose) of bringing a private prosecution in respect of an indictable offence are recoverable from Central Funds, pursuant to the Prosecution of Offences Act 1985, s 17 (POA 1985, s 17). The test for recovery of the prosecution's costs is not whether the claimant has won or lost on the majority of the issues in dispute but the much lower standard of whether the prosecution was properly brought or not. In practice a private prosecutor should recover its costs, incurred in relation to a private prosecution, unless the court forms the view that the case was brought/proceeded without good cause, ie was malicious.

[References: POA 1985, s 17](#)

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