

Additional Damages Under Australia’s Intellectual Property Statutes

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Introduction

The intellectual property statutes provide for a range of remedies that are mainly intended to prevent infringements of intellectual property rights or to compensate the owner of those rights if they have been infringed.

The nature of intellectual property rights are such though that this might not act as a sufficient deterrent to infringement and, for that reason, most of the statutes also provide courts with the power to award ‘additional damages – for the express purposes of punishing the infringer and acting as both a specific and general deterrent.

Remedies for Infringements of Intellectual Property Rights

The ‘normal’ remedies for infringement of intellectual property rights, under the intellectual property statutes, include injunctions (subject to such terms, if any, as the court thinks fit)¹ and either damages or an account of profits.² Of those remedies, injunctions and accounts of profits are discretionary remedies, while damages are available as of right with no room for the exercise of discretion.³

Injunctions and the other two remedies are not mutually exclusive: see *Coles v Dormer* (2015) 117 IPR 184; [2015] QSC 224 at [88], and importantly, as Henry J noted in that case (at [85]), ‘... if an injunction is granted it may, if promptly complied with, significantly reduce the proper quantum of any damages and additional damages orders.

Of the two remedies that are available in the alternative⁴, damages or an account of profits, damages are intended to compensate ‘authors’ for any loss that they have suffered in consequence

¹ The injunctions ordered may be mandatory and need not be in the form sought by the plaintiff. See, for example, *Coles v Dormer* (2015) 117 IPR 184; [2015] QSC 224 at [92] et seq, where Henry J discusses the considerations that are to be taken into account, citing Millett LJ in *Jaggard v Sawyer* [1995] 1 WLR 269 at 288.

² *Copyright Act 1968* (Cth) s 115(2); *Designs Act 2003* (Cth) s 75(1); *Patents Act 1990* (Cth) s 122(1); *Trade Marks Act 1995* (Cth) s 126(1); *Circuit Layouts Act 1989* (Cth) s 27(2); *Plant Breeders Rights Act 1994* (Cth) ss 56(3) and 56A(3). It is clear from the sections that injunctions and the other two remedies are not mutually exclusive: see *Coles v Dormer* (2015) 117 IPR 184; [2015] QSC 224 at [88]

³ *LED Builders Pty Limited v Masterton Homes (NSW) Pty Limited* (1994)54 FCR 196 at 197 and 198, *Robert J Zupanovich Pty Ltd v B&N Beale Nominees Pty Ltd* (1995) 59 FCR 49 at 64-65 and *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569 at [17]-[18]. However, as the High Court noted in *Warman International Ltd v Dwyer* (1995) 182 CLR 544 at 559: ‘Although an account of profits, like other equitable remedies, is said to be discretionary, it is granted or withheld according to settled principles. It will be defeated by [inter alia] equitable defences such as estoppel, laches, acquiescence and delay’. The right to recover damages is limited, normally to 6 years from the time when the infringement took place (see, for example, *Copyright Act 1968* (Cth) s 134) though that period is enlivened each time an individual infringement takes place (see *LED Builders Pty Limited v Masterton Homes (NSW) Pty Limited* (1994)54 FCR 196 at 198

⁴ Damages and an account of profits are inconsistent remedies and plaintiffs must seek either one or the other; they cannot seek both: *Dr Martens Australia Pty Ltd v Bata Shoe Company of Australia Pty Ltd* (1997) 75 FCR 230 at 232 citing *Neilson v Betts* (1871) LR 5 HL 1; *De Vitre v Betts* (1873) LR 6 HL 319 at 321; *United*

of the infringement; an account is intended to deprive the infringer of his or her 'ill-gotten gains'⁵. The section does not specifically state who must make the election but the cases make it clear that the choice belongs to the plaintiff.⁶ Importantly, that choice need not normally be made before trial and may be delayed until all of the evidence has been heard, at least in a trial where liability and quantum are not split⁷ (though - as Carr J noted in *Robert J Zupanovich Pty Ltd v B&N Beale Nominees Pty Ltd* (1995) 59 FCR 49, there could be situations where the interests of justice could require a plaintiff to elect between the two alternatives before trial⁸, but that will not necessarily be the case, and whether it is will depend on the circumstances of the case⁹).

If a plaintiff elects to seek compensatory damages he or she cannot then also claim the profits made by the defendant as 'additional damages' on the basis that they were a 'benefit' obtained by reason

Australia Ltd v Barclays Bank Ltd [1941] AC 1; *Thornton Hall Manufacturing Ltd v Shanton Apparel Ltd* [1989] 3 NZLR 304; *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 at 32; *Island Records Ltd v Tring International Plc* [1996] 1 WLR 1256 at 1258; [1995] 3 All ER 444 at 446-447 and *Tang Man Sit (Personal Representatives of) v Capacious Investments Ltd* [1996] 1 AC 514. See also *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569 at [16].

⁵ See *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 at 32. See also *International Writing Institute Inc v Rimila Pty Limited* (1995) 57 FCR 135 at 136 (per Burchett, Whitlam and Kiefel JJ): 'The two remedies are of course quite different, damages being a compensation for loss suffered by the owner of the copyright whereas an account of profits requires the wrong-doer to give up any profits made. In that sense a claim for an account has been taken to condone the infringement: see eg per Lord Porter in *Caxton Publishing Co Ltd v Sutherland Publishing Co* [1939] AC 178 at 198'. One consequence of this is that, as Lander and Gordon JJ noted in *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569 at [18]: 'There is no element of punishment in an account of profits. The purpose is to prevent the infringer becoming unjustly enriched: *Dart Industries Inc v Décor Corporation Pty Ltd* (1993) 179 CLR 101 at 114-115 per Mason CJ, Deane, Dawson and Toohey JJ'.

⁶ *Peter Pan Manufacturing Corporation v Corsets Silhouette Limited*, [1964] 1 WLR 96 at 106 though in *Concrete Systems v Devon Symonds* (1978) 20 SASR 79 at 84 Legoe J says at 84 that 'In my opinion, the statute now removes that option from the plaintiff and places a discretion upon the court to grant which of the alternative relief under sub-so (2) may appear *appropriate to the court* at the trial of the action' (emphasis added). This runs counter to *Gentry Homes Pty Ltd v Diamond Homes Pty Ltd* [1993] AIPC 39,371 where Beazley J rejected the suggestion that an election is not required and that the Court is required to exercise a discretion as to which remedy to award. Beazley's view was subsequently cited with approval by Lindgren J in *Led Builders Pty Ltd v Eagle Homes Pty Ltd* (1996) 70 FCR 436 at 450. Given the thrust of subsequent decisions, Legoe J's view is unlikely to be a correct interpretation of the section. See, for example, *Coles v Dormer* (2015) 117 IPR 184; [2015] QSC 224 at [85] per Henry J.

⁷ *Dr Martens Australia Pty Ltd v Bata Shoe Company of Australia Pty Ltd* (1997) 75 FCR 230 at 237: 'In my view, an applicant cannot be compelled to insist upon an election being made before the commencement of trial and, consistently with the cases to which I have referred, in my opinion the applicant is entitled to delay making an election at least until all the evidence is in.' This is to ensure that the plaintiff 'is able to make an informed choice': see *Island Records Ltd v Tring International Plc* [1996] 1 WLR 1256 at 1258; [1995] 3 All ER 444 at 447'. See also *Coles v Dormer* (2015) 117 IPR 184; [2015] QSC 224 at [85] where Henry J noted that, '... as is their right the plaintiffs have delayed their election as to damages or an account of profits ... pending my decision as to whether an injunction will be granted'. On the issue of when the election must be made see *Tivo inc v Vivo International Corp Pty Ltd (No 3)* [2013] FCA 797 from [39]

⁸ As could be the case where any unreasonable delay could prejudice the defendant: see *Island Records Ltd v Tring International Plc* [1996] 1 WLR 1256 at 1258; [1995] 3 All ER 444 at 447.

⁹ *Robert J Zupanovich Pty Ltd v B&N Beale Nominees Pty Ltd* (1995) 59 FCR 49 at 64-65 per Carr J. Those circumstances could include whether damages were, in fact, available, as might not be the case if the defendant was not aware that he or she had committed an infringement; see *Copyright Act 1968* (Cth) s 115(3), *Designs Act 2003* (Cth) s 75(2); *Patents Act 1990* (Cth) s 123(1); *Circuit Layouts Act 1989* (Cth) s 27(3); *Plant Breeders Rights Act 1994* (Cth) s 57 There is no equivalent provision in the *Trade Marks Act 1995* (Cth). In *LED Builders Pty Limited v Masterton Homes (NSW) Pty Limited* (1994) 54 FCR 196 the parties agreed that the question of damages or account of profits was 'one which should be left until after the Court's decision on the question of liability was known.

of the infringement. As Lander and Gordon JJ noted in *Facton Ltd v Rifai fashions Pty Ltd* (2012) 199 FCR 569 at [37]: ‘Section 115(4)(b)(iii) does not allow an owner who has elected to be compensated in damages to seek an account of profits in addition to the award of damages. Section 115(4) only comes to be considered after the owner has elected for damages and has no part to play if the owner has elected for an account of profits ...’¹⁰

Where an account is sought it has been held that the profits to which the plaintiff will be entitled ‘will be limited to the profits made by [the defendant] during the period when it knew of the applicant’s rights’,¹¹ thereby, to a large extent, complementing the provision in s 115(3) that damages are not to be awarded if the defendant was not aware and had no reasonable grounds for suspecting, that the Act constituting the infringement was an infringement – though that provision does go on to say that the plaintiff is ‘entitled to an account of profits in respect of the infringement ...’.

In the case of copyright infringements, damages might also be awarded for conversion¹² or detention,¹³ and plaintiffs can also recover any infringing copies (or the device for making them).¹⁴ That remedy is available in addition to any order under s 115¹⁵ – though it is not to be granted if

¹⁰ See also per Gilmour J at [106].

¹¹ *LED Builders Pty Limited v Masterton Homes (NSW) Pty Limited* (1994) 54 FCR 196 at 198 citing *Colbeam Palmer Ltd v Stock affiliates Pty Ltd* (1968) 112 24 at 34, a case involving a trade mark infringement, in which Windeyer J had traced the origins of the statutory injunction and account remedies to their equitable antecedents (under which they were discretionary) and held that they were governed by the same principles and (at 198) that they ‘were intended to be applied in cases of infringement of copyright in the way that they have been applied over the years ...’. Sheppard J used the same approach to the question of damages saying (at 198) ‘My reason for thinking that there is no discretion in relation to damages is that I fail to see why they are not to be regarded as a common law remedy’.

¹² See *International Writing Institute Inc v Rimila Pty Limited* (1995) 57 FCR 135 at 139: ‘Conversion occurs when goods are dealt with in a manner inconsistent with the rights of the owner, but this must be clear: *Caxton Publishing* at 189. Whilst it is possible that conversion occurs at some different point (as was found on the facts in *Caxton Publishing*) the sale of the goods will, generally speaking, provide the necessary certainty. This appears to be the view expressed by Walton J in *Lewis Trusts v Bamber Stores Ltd* [1982] FSR 281 at 298’. The other IP statutes do not contain an equivalent provision.

¹³ See Gordon J in *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* [2009] FCA 633 at [42] et seq for a discussion of damages under s 116.

¹⁴ *Copyright Act 1968* (Cth) s 116(1). In *Columbia Pictures Industries Inc and Tri-Star Pictures Inc v Luckins* (1996) 34 IPR 504; [1996] FCA 1606 at [37] Tamberlin J described the difference between conversion damages and damages for infringement of copyright as follows: ‘The principle which underlies conversion damages is that the copyright holder is entitled to *treat an infringing copy as its property* (emphasis added) so that any dealing with it inconsistent with that proprietary right amounts to conversion of that article. See *Sutherland Publishing Co Ltd v Caxton Publishing Co Ltd* [1936] 1 Ch where Lord Wright MR at 338, made it clear that the remedy in conversion is a different legal method of compensation devised to prevent a stranger from acquiring, taking or selling infringing copies which in itself amounts to a wrong additional to infringement of the copyright. The legal principle is that compensation for infringement is in respect of a wrong done to an incorporeal right, namely copyright, whereas conversion is for conversion of the particular chattels which comprise the infringing chattels’. Consequently, if the converted articles are returned that should affect the applicable conversion. So, for example, in *Milpururru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 274; 130 ALR 659 at 690 von Doussa J, having ordered that all unsold carpets be delivered up, noted: ‘If those carpets are returned I do not consider it appropriate to award damages in addition for the conversion of them which occurred at the time of their entry into Australia ... the delivery up of those carpets will make good the damage flowing from the conversion’.

¹⁵ *Copyright Act 1968* (Cth) s 116(1B). See also *Columbia Pictures Industries Inc and Tri-Star Pictures Inc v Luckins* (1996) 34 IPR 504; [1996] FCA 1606 at [36] per Tamberlin J: ‘Although it is well settled that conversion damages are cumulative with and can be granted in addition to infringement damages...’

relief under s 115 would be a sufficient remedy.¹⁶ It will also not be available if the infringement was innocent.¹⁷ If damages are sought in conversion ‘the relevant measure of damages for copyright conversion is the same as for conversion at common law, that is, “by reference to the value of the goods converted”’: *Infabrics Ltd v Jaytex Ltd* [1982] AC 1 at 26 and *W H Brine Co v Whitton* (1981) 55 FLR 440 at 448-450 and ... the value of the goods converted is the figure that someone is prepared to pay for them: *Caxton Publishing Co* at 203-204. That market value is the normal measure is well established: see *Caxton Publishing* at 190¹⁸.

If those statutory remedies are not available (usually because the intellectual property was not registered under the relevant statute) or, for other reasons, they are not adequate or appropriate, other remedies may be available under the tort of passing off, under the misleading or deceptive conduct provisions in s 18 of the *Australian Consumer Law* or, possibly, in an action for breach of confidence.¹⁹ In appropriate cases (though only for breaches of copyright), an action might also lie in conversion or detention because of an unauthorized use of physical materials.²⁰

If damages are awarded under the ‘general remedies’ provisions in the intellectual property statutes (ie through other than the ‘additional damages’ provisions), they are compensatory in nature.²¹ They

¹⁶ *Copyright Act 1968* (Cth) s 116(1C). Even before the inclusion of s 116(1C), while damages could be awarded under both s 115(2) and s 116, the Courts were careful to avoid any overlap. See *Milpururru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 275; 130 ALR 659 at 691. See also *Columbia Pictures Industries Inc and Tri-Star Pictures Inc v Luckins* (1996) 34 IPR 504; [1996] FCA 1606 at [36] per Tamberlin J: ‘... I do not think that conversion damages are appropriate in this case. The infringement damages which I have estimated overlap and take into account the damage which might otherwise be granted by way of conversion damages and the authorities indicate that in such circumstances the Court should take care not to over compensate’. See also *Polygram Editions v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 573 where Lockhart J commented: ‘Although the applicants elected to pursue damages under s 115(2), at one stage of the case the applicants did not press this claim. Doubtless this course was taken because conversion damages, which were also sought, are usually higher than compensatory damages under s 115(2), and applicants naturally prefer to obtain the higher award. It is unlikely that the applicants would have successfully claimed full damages under both ss 115(2) and 116 since the damages would overlap significantly and would be reduced by the extent of the overlap. ... In any event, towards the end of the case the applicants revived their claim and sought nominal damages under s 115(2) in addition to conversion damages. The applicants’ reasons for persisting with this claim will become apparent when I deal with the additional damages issue’. See also *Coles v Dormer* (2015) 117 IPR 184; [2015] QSC 224 at [83] where Henry J, while finding that there had been a conversion of the plaintiff’s house plans, refused to award damages under s 116 ‘because the relief allowed for by s 115 for infringement of copyright will provide sufficient remedy in this case’.

¹⁷ *Copyright Act 1968* (Cth) s 116(2)

¹⁸ *International Writing Institute Inc v Rimila Pty Limited* (1995) 57 FCR 135 at 138 per Burchett, Whitlam and Kiefel JJ

¹⁹ Though, as Bowen CJ in Equity observed in *Interfirm Comparison (Aust) Pty Ltd v Law Society of New South Wales* (1975) 6 ALR 445, damages for breaches of copyright and for breaches of confidence are not cumulative.

²⁰ See *Copyright Act 1968* (Cth) s 116. There are no equivalent provisions in the other intellectual property statutes. See *Autodesk Inc v Yee* (1996) (1996) 68 FCR 391 and *Sutherland Publishing Co Ltd v Caxton Publishing Ltd* [1936] 1 Ch 323 (considering the then UK equivalent - s 7 of the the *Copyright Act 1911* (UK)) and *Columbia Pictures Industries Inc and Tri-Star Pictures Inc v Luckins* (1996) 34 IPR 504; [1996] FCA 1606 at [35]-[38]. In the UK, the *Report of the Whitford Committee*, 1977, and the *White Paper on Intellectual Property and Innovation*, 1986 recommended that damages for conversion be abolished (on the grounds that such damages could be, as the Whitford Committee report put it (at para 702), ‘out of all proportion to the injury suffered’). The *Copyright Designs and Patents Act 1988* (UK) repealed the provision.

²¹ See, for example, Henry J in *Coles v Dormer (No 2)* (2016) 330 ALR 151; 117 IPR 204; [2016] QSC 28 at [6]: ‘given the availability of damages in s 115(2) as an alternative to an account of profits and given the availability of additional damages through s 115(4), it is apparent the reference to damages in s 115(2) is to compensatory damages’.

are intended to compensate the owner of rights for the losses he or she actually suffers as a result of the infringement²² and they are assessed on principles that are similar to an award of damages in tort.²³

That is, as Lord Wilberforce noted in *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1975] 2 All ER 173 at 177, after finding that infringement of a patent was a tort,²⁴ that:

‘As in the case of any other tort (leaving aside cases where exemplary damages can be given) the object of damages is to compensate for loss or injury. The general rule at any rate in relation to ‘economic’ torts is that the measure of damages is to be, so far as possible, that sum of money which will put the injured party in the same position as he would have been in if he had not sustained the wrong’.²⁵

Therefore, for example, matters that are not relevant to a plaintiff’s loss are not to be taken into consideration. Consequently, in *Prior v Lansdowne Press Pty Ltd* [1977] VR 65 (at 70); (1975) 29 FLR 59 (at 65); (1975) 12 ALR 59 (at 70), when Gowans J was considering the appropriate measure of compensatory damages, and the possible relevance to that calculation of the benefit that the defendant may have derived from the infringement, held that it was not relevant, saying: ‘It is ... the damage to the copyright in the hands of the plaintiff and not the benefit to the defendant that is the critical test’.²⁶

Because damages are compensatory, there also cannot be any overlap between damages for infringement of the IP statutes and damages for conversion, breach of s 18 (or the other misleading or deceptive conduct provisions) of the Australian Consumer Law, breach of confidence, passing off or any other possible head of claim founded on the same facts.

A claim for damages for infringement of intellectual property rights is ‘a claim for a wrong done to an incorporeal right’²⁷ and the ‘measure of damages’ to be awarded in such cases was described by Lord Wright MR as ‘the depreciation caused by the infringement to the value of the copyright’²⁸ as a chose in action’.²⁹

²² *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [89] per Collier J, citing *A V Jennings Ltd v Bogdan* [2009] FCA 307 at [90]; *Interfirm Comparison (Aust) Pty Limited v Law Society of New South Wales* (1975) 6 ALR 445 at 446; *Bailey v Namol Pty Limited* (1994) 53 FCR 102 at 111; *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd (in liq)* (2007) 157 FCR 564; (2007) 239 ALR 702 at [25] per Black CJ and Jacobsen J. See also *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [17]

²³ *Bailey v Namol Pty Limited* (1994) 53 FCR 102 at 110 and *Facton Ltd v Rifai fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [17].

²⁴ Infringements of intellectual property statutes are considered to be tortious, so the common law principles as to liability of tortfeasors applies to such infringements: see, in the context of the *Copyright Act 1968* (Cth), *WEA International Inc v Hanimex Corporation Ltd* (1987) 17 FCR 274 at 283 and *Milpurruru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 264; 130 ALR 659 at 680.

²⁵ Citing Lord Blackburn in *Livingstone v Rawyards Coal Co* (1880) 5 App Cas 25 at 39.

²⁶ That benefit can, however, be taken into account when the court is considering whether ‘it is proper’ to award additional damages. See *Copyright Act 1968* (Cth) s 115(4)(b)(iii); *Designs Act 2003* (Cth) s 75(3); *Patents Act 1990* (Cth) s 122(1A)(d); *Trade Marks Act 1995* (Cth) s 126(2)(d); *Circuit Layouts Act 1989* (Cth) s 27(4)(b)(ii).

²⁷ *Columbia Pictures Industries Inc and Tri-Star Pictures Inc v Luckins* (1996) 34 IPR 504; [1996] FCA 1606 at [16] per Tamberlin J.

²⁸ In *Prior v Lansdowne Press Pty Ltd* [1977] VR 65 at 70; (1975) 29 FLR 59 at 65; (1975) 12 ALR 59 at 70, Gowans J said that that formulation ‘refers to loss of sales and injury to reputation and the like’.

²⁹ *Sutherland Publishing Co Ltd v Caxton Publishing Ltd* [1936] 1 Ch 323 at 336. His Lordship’s comment was made in the context of a dispute regarding the inter-relationship between ss 6 and 7 of the *Copyright Act 1911* (UK). The former provided for damages for breach of copyright, the latter dealt with damages for conversion

The difficulty with that formulation is that it is not always easy 'to establish that the infringing [conduct] has caused a quantifiable diminution in the value of the rights comprised in the copyright'.³⁰ As a result it has been subject to a great deal of judicial comment and it is now accepted that it is 'no more than a convenient label for the various ways of assessing damages which are available in any particular case',³¹ that damages are available for any loss that an owner has suffered as a result of an infringement of his or her intellectual property rights,³² that the appropriate quantum of damages is, as Lord Wilberforce had put it in *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1975] 2 All ER 173 at 177: 'the sum of money which will put the injured party in the same position as he would have been in if he had not sustained the wrong',³³ that, accordingly,

for the same infringement and the question was whether the remedies were in the alternative or whether they could apply, cumulatively, to the same infringement..

³⁰ *Columbia Pictures Industries Inc and Tri-Star Pictures Inc v Luckins* (1996) 34 IPR 504; [1996] FCA 1606 at [19] per Tamberlin J. See also, *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 where Collier J awarded only nominal damages for the defendant's infringement of the plaintiff's copyright, noting (at [91]), 'There is no evidence before me that the value of the applicant's source code or associated materials has diminished by the conduct of Mr Koudstaal. There is, for example, no evidence that the applicants cannot continue to use the Taken Materials in the manner in which they were using them prior to the events discussed in this judgment (cf discussion of Blackburn CJ in *Australasian Performing Rights Association v Grebo Trading Co Pty Ltd* (1978) 23 ACTR 30 at 31) '.

³¹ *Australasian Performing Rights Association v Grebo Trading Co Pty Ltd* (1978) 23 ACTR 30 at 31 where Blackburn CJ went on to note: 'In the case before me, the phrase means that the copyright has been less valuable to its owner than it was before the infringement, because it then had the potentiality of generating the income which would have been derived from the lawful performance of these musical works, and it has not in fact generated that income.. The difference is the income which should have been generated; that is to say the fess that the infringers would have paid in order to perform the works lawfully. That amount, for the purposes of this case, is the 'depreciation in the value of the copyright'.

³² So, for example, in *Milpururru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 277; 130 ALR 659 at 692 von Doussa J held that 'the assessment of damages under s 115(2) may include damages for personal suffering, for example for insulting behavior ... and for humiliation ... In the present case the infringements have caused personal distress and, potentially at least, have exposed the artists to embarrassment and contempt within their communities, if not to the risk of diminished earning potential and physical harm. ... Losses resulting from tortious wrongdoing experienced by Aboriginals in their particular environments are properly to be brought to account'.

³³ See *Interfirm Comparison (Australia) Pty Ltd v Law Society of New South Wales* (1975) 6 ALR 445 where Bowen CJ in Equity noted (at 446): 'it would, in my opinion, be wrong to treat the measure of damages for breach of copyright stated by Lord Wright MR in *Sutherland Publishing Co Ltd v Caxton Publishing Co Ltd* ... as having the force and rigidity of statutory provision. The purpose of damages is to compensate the plaintiff for the loss which he has suffered as a result of the defendant's breach'. See, also, *Concrete Systems v Devon Symonds* (1978) 20 SASR 79 at 84; *Bailey v Namol Pty Ltd* (1994) 53 FCR 102 at 110-11; *Statuscard Australia Pty Ltd v Rotondo* [2009] 1 Qd R 559; (2008) 219 FLR 206 at [117]; *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* [2009] FCA 633 at [6]; *Seafolly Pty Ltd v Fewstone Pty Ltd* (2014) 313 ALR 41 at [510] and *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [89]. See also *Pacific Enterprises (Aust) Pty Ltd v Bernen Pty Ltd* (2014) 321 ALR 715 where Pagone J said at [5]: 'The award of damages should, as far as possible, restore Pacific to the position it would have been in had the infringements not occurred: see *Pearce v Paul Kingston Pty Ltd* (1992) 25 IPR 591 at 592 ; *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1975] 1 WLR 819 at 824 ; (1975) 1B IPR 713 at 726 ; [1975] 2 All ER 173 at 177 ; [1976] RPC 197 at 212 . That would generally require the assessment of damages by reference to a common sense causal link between the infringing conduct and the loss suffered: see *Bitech Engineering v Garth Living Pty Ltd* [2013] FCA 822 at [75] ; *Catnic Components Ltd v Hill & Smith Ltd* [1983] FSR 512 at 521; *Gerber Garment Technology Inc v Lectra Systems Ltd* [1997] RPC 443 (Gerber); *Ultraframe (UK) Ltd v Eurocell Building Plastics Ltd* [2006] EWHC 1344 (Pat), at [47]. In *TS & B Retail Systems Pty Ltd v 3Fold Resources Pty Ltd (No 3)* (2007) 158 FCR 444; 239 ALR 117 at [207] Finkelstein J noted that 'lost profit is usually the best measure of damage' at least when the parties are in actual or potential competition and in *Norm Engineering Pty Ltd v Digga Australia Pty Ltd* (2007) 162 FCR 1 Greenwood J adopted a five step approach to the calculation of lost profits, an approach subsequently summarised by Gordon J in *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* (2008) 172 FCR 580 at [13] as

the appropriate measure of damages will depend on the particular circumstance of each case,³⁴ that they may include damages for indirect losses (such as damage to goodwill) as long as the cause is the infringement, the loss is foreseeable and is not unduly speculative³⁵ and that damages can be ‘at large’, allowing the court to award ‘what amount I think right as if I were a jury’³⁶ (though within the constraint that they are not intended to punish the infringer³⁷).

At common law compensatory damages can be awarded for damage to reputation³⁸ and it too may therefore also be compensated by damages under the ‘general remedies’ provisions in the intellectual property statutes.³⁹ The common law also permits the award of aggravated⁴⁰ and/or

‘(1) examine the number of sales made by the Respondent; (2) assume that the Respondent was trying to capture sales from the Applicant, the market leader; (3) assume that the number of sales made by the Respondent is equal to the number of sales lost by the Applicant; (4) discount the number in (3) to reflect the fact that not all sales made by the Respondent can be considered sales lost by the Applicant; and (5) apply any further discount necessary in the circumstances of the case...’. See, generally, on the method of calculating damages Deane, Gaudron and McHugh JJ in *Malec v JC Hutton Pty Ltd* (1990) 169 CLR 638 at 643 (explained by Finkelstein J in *Axe Australasia Pty Ltd v Australume Pty Ltd* (2006) 69 IPR 45; [2006] FCA 668 at [34]).

³⁴ *Bailey v Namol Pty Ltd* (1994) 53 FCR 102 at 111. See also *Statuscard Australia Pty Ltd v Rotondo* [2009] 1 Qd R 559; (2008) 219 FLR 206 at [117] where the appropriate measure of damages was held to be ‘the loss of sales suffered by the plaintiff’ and *Coles v Dormer (No 2)* (2016) 330 ALR 151; 117 IPR 204; [2016] QSC 28 where, although there was no pecuniary loss, damages of \$10,000 were awarded under s 115(2) as compensation for the plaintiff’s ‘temporary past loss of enjoyment of his locally unique residence’: see at [15].

³⁵ *TS & B Retail Systems Pty Ltd v 3Fold Resources Pty Ltd (No 3)* (2007) 158 FCR 444; 239 ALR 117 at [207] per Finkelstein J. See also *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* (2008) 172 FCR 580 at [11] per Gordon J and *Seafolly Pty Ltd v Fewstone Pty Ltd* (2014) 313 ALR 41 at [614] per Dodds-Stretton J..

³⁶ *Fenning Film Services Ltd v Wolverhampton Walsall & District Cinemas Ltd* [1914] 3 KB 1171 at 1174 per Horridge J. See also *Spotless Group Limited v Blanco Catering Pty Ltd* [2011] FCA 979 where Mansfield J noted at [133]: ‘... in certain circumstances, the assessment of damages for copyright may simply be ‘at large’. That will be the case where, for example, the applicant has no previous practice of licensing the copyright material and is unable to prove any specific loss of commercial opportunity as a result of the respondent’s infringement of that copyright. In such cases the Court will seek to give ‘what amount I think right as if I were a jury ...’. See also *Nominet UK v Diverse Internet Pty Ltd (No 2)* (2005) 68 IPR 131 at [49], *TS & B Retail Systems Pty Ltd v 3Fold Resources Pty Ltd (No 3)* (2007) 158 FCR 444; 239 ALR 117 at [205] (‘When damages are described as being “at large” judges sometimes mean that the plaintiff need not prove specific or special damage, but that seems to be confined to actions where damage is the gist of the claim. In other cases the reference is to the ability to recover damages not confined to pecuniary loss, for example loss of reputation can be taken into account’) and *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [89]. See also *Australian Performing Right Association Limited v Riceboy Pty Limited* [2011] FMCA 942 at [22]: ‘Copyright damages are said to be “at large”, or “a jury question”. By this is meant that they are not to be the subject of exhaustive analysis, but that the judge must do his or her best to settle upon an appropriate figure in light of all of the available evidence’.

³⁷ *Bailey v Namol Pty Ltd* (1994) 53 FCR 102 at 110-11; *Norm Engineering Pty Ltd v Digga Australia Pty Ltd* (2007) 162 FCR 1 at [264]; *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* [2009] FCA 633 at [5] and *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [89]. The non-punitive nature of damages under, in that case, s 115(2) was also emphasized in *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [19].

³⁸ See, for example, *Prior v Lansdowne Press Pty Ltd* [1977] VR 65 at 70; (1975) 29 FLR 59 at 65; (1975) 12 ALR 59 at 70 and *TS & B Retail Systems Pty Ltd v 3Fold Resources Pty Ltd (No 3)* (2007) 158 FCR 444; 239 ALR 117 at [205]

³⁹ See, for example, *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9: at [25]: ‘An owner’s loss of reputation sounds in compensatory damages and may be awarded under s 115(2) of the *Copyright Act* if the evidence justifies such an award. See also *Elwood Clothing Pty Ltd v Cotton on Clothing Pty Ltd* (2009) 81 IPR 378; [2009] FCA 633 and *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty Ltd and Anor* (2008) 166 FCR 358; [2008] FCA 74 and *GM Holden Ltd v Paine* (2011) 281 ALR 406 at [90] (in relation to the *Designs Act*).

exemplary⁴¹ damages as part of ‘compensation, so it appears that they could also be considerations that a court could take into account in determining the quantum of compensation under the Acts’ ‘general damages’ provisions.

Damages in all such cases may have to be estimated if they cannot be precisely calculated.⁴² Some loss must, however, be shown before any compensatory damages can be awarded, the plaintiff bears that onus⁴³ and it is not enough to show, simply, that the defendant was guilty of wrongful conduct.⁴⁴ If, however, loss can be shown, the courts must then do their best to quantify the loss, even if some degree of speculation and guess work is involved.⁴⁵

If loss arising from the infringement cannot be shown, nominal damages may still be awarded under this head to vindicate the invasion of [the plaintiff’s] proprietary rights’.⁴⁶

⁴⁰ As Windeyer J noted in *Uren v John Fairfax & Sons Pty Limited* (1966) 117 CLR 118 at 149: ‘... aggravated damages are given to compensate the plaintiff when the harm done to him by a wrongful act was aggravated by the manner in which the act was done.’

⁴¹ See also *Uren v John Fairfax & Sons Pty Limited* (1966) 117 CLR 118 at 149 per Windeyer J: ‘...exemplary damages ... are intended to punish the defendant, and presumably to serve one or more of the objects of punishment – moral retribution or deterrence.’

⁴² See, for example, *Hugo Boss Trade Mark Management GmbH & Co Kg v Sasalili Oxford Fia* [2014] FCA 1328 at [27]: ‘In my view an award of damages of \$20,000 would compensate the applicant for the damage caused by the Respondent’s conduct even if some degree of speculation and guesswork is involved: see, eg, *Adidas-Salomon AG v Turner* (2003) 58 IPR 66 at [5]’ and (at[28] ‘While the applicant has limited evidence available [of its loss] ... that does not preclude the Court finding that compensatory damages can be awarded. ... the Court must do its best to quantify the loss suffered by the applicant by reason of the Respondents’ infringement of the Applicant’s Hugo Boss Trade Marks’.

⁴³ *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* [2009] FCA 633 at [6]

⁴⁴ *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd (in liq)* (2007) 157 FCR 564; (2007) 239 ALR 702 at [35]. See also *Commonwealth v Amann Aviation Pty Ltd* (1991) 174 CLR 64 at 83 per Mason CJ and Dawson J and *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [89].

⁴⁵ See n 35 above and *Spotless Group Limited v Blanco Catering Pty Ltd* [2011] FCA 979 where Mansfield J noted at [133]: ‘...the fact that damages cannot be calculated precisely should not prevent the Court from making an award of damages, even if some element of speculation and guesswork is involved: see generally *Fenning Film Service Ltd v Wolverhampton, Walsall and District Cinemas, Limited* [1914] 3 KB 1171 at 1174; *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472 at 477 per Wilcox J; *Columbia Pictures Inc v Luckins* (1996) 34 IPR 504 at 510 per Tamberlin J; *Enzed Holdings Ltd v Wynthea Pty Ltd* (1984) 3 IPR 504 619 at 637 per Sheppard, Morling and Wilcox JJ; *Foxtel Management Pty Ltd v Mod Shop Pty Ltd* (2007) 165 FCR 149 at [315]-[336] per Siopsis J.’ For a statement of general principle concerning the Courts duty to quantify loss as best it can, see *Placer (Granny Smith) Pty Ltd v Thiess Contractors Pty Ltd* (2003) 196 ALR 257 at 266 (and the authorities cited there) per Hayne J. See also *Commonwealth v Amann Aviation Pty Ltd* (1991) 174 CLR 64 at 83 per Mason CJ and Dawson J and *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [89] and [91]. See also *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [28] per Lander and Gordon JJ re loss of reputation – where evidence of the value of the loss of reputation is not available, the Court is obliged to consider the value as best it can citing *Commonwealth v Amann Aviation Pty Ltd* (1991) 174 CLR 64 at 83 per Mason CJ and Dawson J: ‘The settled rule, both here and in England, is that mere difficulty in estimating damages does not relieve a court from the responsibility of estimating them as best it can’.

⁴⁶ *MJA Scientifics International Pty Ltd v SC Johnson & Sons Pty Ltd* (1999) 43 IPR 275 at 281 per Sundberg J (citing *Hanfstaengl v WH Smith* [1905] 1 Ch 519), cited with approval in *Spotless Group Limited v Blanco Catering Pty Ltd* [2011] FCA 979 at [134] and in *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd (No 2)* [2008] FCA 746; (2008) 76 IPR 763 at [16]. See also *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [89] and the authorities cited there and *Insight SRC IP Holdings Pty Ltd v Australian Council for Educational Research Ltd* (2012) 211 FCR 563; [2012] FCA 779 at [118] (not subject to adverse comment on appeal: *Insight SRC IP Holdings Pty Ltd v Australian Council for Educational Research Ltd* [2013] FCAFC 62), *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd (in liq)* (2007) 157 FCR 564; (2007) 239 ALR 702 at [2] and [38]-[39] and *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* [2009] FCA 633 at

Additional Damages

In addition to the 'normal remedies' the intellectual property statutes all now provide for what they call 'additional damages'.

Additional damages are to be distinguished from compensatory damages. They are, as the name implies 'additional' to compensatory damages and their purpose is not to compensate plaintiffs for any loss they might have suffered⁴⁷ but to punish and deter defendants from further infringing conduct.⁴⁸ They are an independent head of relief,⁴⁹ they exist to allow courts to grant 'something equivalent to exemplary damages' where awards of general damages might be thought to be inadequate,⁵⁰ - though they are 'not limited to cases in which the conventional remedies, including compensatory damages, are insufficient to redress the wrong suffered by the copyright holder',⁵¹ they are awarded on bases similar to those on which aggravated or exemplary damages are awarded⁵² - though they have an existence of their own,⁵³ they are discretionary⁵⁴ (in relation to, both, whether it is 'proper' to make an award and, if so, in what amount⁵⁵) and that discretion is 'unfettered',⁵⁶ they may be arbitrary,⁵⁷ they need bear no relationship to any compensatory damages awarded⁵⁸ and they are awarded on of their own principles.

[6]. For an equivalent statement in relation to s 126(1)(b) of the *Trade Marks Act 1995* (Cth) see *Halal Certification Authority Pty Limited v Scadilone Pty Limited* [2014] FCA 614 at [89].

⁴⁷ *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88(1997) 145 ALR 1 at 6. See also *Zero Tolerance Entertainment Inc v Venue Adult Shops Pty Ltd* [2007] FMCA 155 at [163].

⁴⁸ *Halal Certification Authority Pty Limited v Scadilone Pty Limited* [2014] FCA 614 at [96]-[98]

⁴⁹ *Autodesk Inc v Yee* (1996) 139 ALR 735 at 738-9; *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88; (1997) 145 ALR 1 at 6; *Zero Entertainment v Venus* at [163]. The equivalent UK and NZ provisions have been interpreted as applying in exactly the same way: see, for example, *Cala Homes (South) Ltd v Alfred McAlpine Homes East Ltd (No 2)* [1996] FSR 36 at 43, where Laddie J referred to additional damages as being 'a head of relief independent of and not dependent upon whatever form of financial relief the plaintiffs seek' and *International Credit Control Ltd v Axelsen* [1974] 1 NZLR 695 at 703 (though noting, as Lockhart J did in *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 576: 'Although assistance may be gleaned by Australian courts from cases decided in the United Kingdom and New Zealand which concern those provisions, as was observed in *Bailey v Namol Pty Ltd* (1994) 53 FCR 102 at 113 by a Full Court of this Court, care must be observed in applying those authorities to the Australian section. While there are similarities in the comparable statutory provisions of those countries to s 115(4), there are also differences').

⁵⁰ Report of the Copyright Law Review Committee 1959 ('Spicer Committee'), para 309

⁵¹ *Autodesk Australia Inc v Cheung* (1990) 94 ALR 472 at 478. See also *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [31]

⁵² *Bailey v Namol Pty Limited* (1994) 53 FCR 102 at 113-114; *Autodesk Inc v Yee* (1996) 68 FCR 391 at 394; *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (2007) 157 FCR 564; (2007) 239 ALR 702 at [42]; *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569 at [33]-[36] *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* [2014] 312 ALR 705 at [38] .

⁵³ As a remedy they are recognized as *sui generis*: See *Autodesk Inc v Yee* (1996) 68 FCR 391 at 394; (1996) 139 ALR 735 at 738-9, *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [36]; *Truong Giang Corporation v Quach* [2015] FCA 1097.

⁵⁴ *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [89]

⁵⁵ *Sullivan v FNH Investments Pty Ltd t/as Palm Bay Hideaway* (2003) 57 IPR 63; [2003] FCA 323 at [101] (confirmed in *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [23]).

⁵⁶ *Concrete Systems Pty Ltd v Devon Symonds Holdings Pty Ltd* (1978) 20 SASR 79 at 85; *Deckers Outdoor Corporation Inc v Farley (No 5)* [2009] FCA 1298 at [114] and the cases there cited

⁵⁷ *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472 at 479-80

⁵⁸ *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88 at 93; *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [31]; *Sullivan v FNH Investments Pty Ltd t/as Palm Bay Hideaway* (2003) 57 IPR 63; [2003] FCA 323 at [100] (confirmed in *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [23]).

The Legislative Basis for Awarding Additional Damages

The first provision allowing courts to award additional damages for intellectual property infringements appeared in Australia in 1968 with the passage of the *Copyright Act 1968* (Cth) which repealed and replaced the *Copyright Act 1912* (Cth) – which had contained no such provision.

The inclusion of that provision implemented a recommendation in the Copyright Law Review Committee's 1959 Report (the 'Spicer Report') which had recommended that Australia adopt (inter alia) a provision similar to s 17(3) of the then *Copyright Act 1956* (UK).⁵⁹ It imposed a form of punitive damages for flagrant infringement of copyright rights. The Spicer Report noted (at para 309) that:

Section 17(3) [of the UK Act] enables a court, in an action for infringement to grant exemplary damages where it thinks such a remedy is appropriate having regard to the flagrancy of the infringement and any benefit accruing to the infringer. We approve of a provision to this effect. It may be particularly useful in the case of the performing right where the event has occurred and the loss is difficult to assess in precise money terms.

The UK provision read:

(3) Where in an action under this section an infringement of copyright is proved or admitted, and the court, having regard (in addition to all other material considerations) to—

(a) the flagrancy of the infringement, and

(b) any benefit shown to have accrued to the defendant by reason of the infringement,

is satisfied that effective relief would not otherwise be available to the plaintiff, the court, in assessing damages for the infringement, shall have power to award such additional damages by virtue of this subsection as the court may consider appropriate in the circumstances.

Section 115(4) of the new *Copyright Act 1968* (Cth) largely followed its UK equivalent though with slightly different wording, the one significant difference being that under the Australian provision there was no requirement that the court be 'satisfied that effective relief would not otherwise be available to the plaintiff'. Importantly it provided that the court, when deciding whether to award additional damages and, if so, in what sum, should have regard to the same three matters – the flagrancy of the infringement, any benefit that had accrued to the defendant by reason of the infringement and 'all other material considerations'.

The new s 115 provided that:

(1) Subject to this Act, the owner of a copyright may bring an action for an infringement of the copyright.

(2) Subject to this Act, the relief that a court may grant in an action for an infringement of copyright includes an injunction (subject to such terms, if any, as the court thinks fit) and either damages or an account of profits.

⁵⁹ It was subsequently repealed and replaced by the *Copyright, Designs and Patents Act 1988* (UK), s 97(2) of which preserved the courts' ability to award additional damages. That sub-section reads: 'The court may in an action for infringement of copyright having regard to all the circumstances, and in particular to-

(a) the flagrancy of the infringement, and

(b) any benefit accruing to the defendant by reason of the infringement, award such additional damages as the justice of the case may require'.

(3) Where, in an action for infringement of copyright, it is established that an infringement was committed but it is also established that, at the time of the infringement, the defendant was not aware, and had no reasonable grounds for suspecting, that the act constituting the infringement was an infringement of the copyright, the plaintiff is not entitled under this section to any damages against the defendant in respect of the infringement, but is entitled to an account of profits in respect of the infringement whether any other relief is granted under this section or not.

(4) Where, in an action under this section-

(a) an infringement of copyright is established; and

(b) the court is satisfied that it is proper to do so, having regard to-

(i) the flagrancy of the infringement;

(ii) any benefit shown to have accrued to the defendant by reason of the infringement;
and

(iii) all other relevant matters,

the court may, in assessing damages for the infringement, award such additional damages as it considers appropriate in the circumstances.

Sub-section 4(b) was subsequently amended in 2000 (by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) - Act 110 of 2000) specifically to allow courts to take into account situations where the infringement included the conversion of a work from hardcopy or analog form to digital or other electronic machine-readable form.

The amended subsection (4) read:

(4) Where, in an action under this section:

(a) an infringement of copyright is established; and

(b) the court is satisfied that it is proper to do so, having regard to:

(i) the flagrancy of the infringement; and

(ii) whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form; and

(iii) any benefit shown to have accrued to the defendant by reason of the infringement; and

(iv) all other relevant matters;

the court may, in assessing damages for the infringement, award such additional damages as it considers appropriate in the circumstances.

Section 115(4)(b) was amended again in 2003 (by the *Copyright Amendment (Parallel Importation) Act 2003* (Cth)), to add a number of additional matters to which the court could have regard when considering whether it was 'proper' to award additional damages.

The Supplementary Explanatory Memorandum accompanying that Act noted that:

'The amendments encourage courts hearing civil matters to consider the assessment and award of additional damages for serious infringement. Australian copyright law allows "additional damages" to punish or make an example of undesirable conduct. The courts can currently award additional damages for infringement in certain circumstances the main element being "flagrancy". Two further factors, deterrence of similar infringements of copyright and the defendant's conduct subsequent to becoming aware of alleged infringements, are now added to the list of factors to be considered in the award of additional damages. This approach effectively targets and penalises serious copyright infringement and avoids potential arbitrary application of alternative deterrent approaches such as fixed statutory amounts'.

The revised sub-section 4 then read:

- (4) Where, in an action under this section:
- (a) an infringement of copyright is established; and
 - (b) the court is satisfied that it is proper to do so, having regard to:
 - (i) the flagrancy of the infringement; and
 - (ia) the need to deter similar infringements of copyright; and
 - (ib) the conduct of the defendant after the act constituting the infringement or, if relevant, after the defendant was informed that the defendant had allegedly infringed the plaintiff's copyright; and
 - (ii) whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form; and
 - (iii) any benefit shown to have accrued to the defendant by reason of the infringement; and
 - (iv) all other relevant matters;

the court may, in assessing damages for the infringement, award such additional damages as it considers appropriate in the circumstances.

That wording remains, unchanged, in the Copyright Act today.

Designs: For designs a provision similar to s 115(4) of the *Copyright Act 1968* (Cth), at least in intent if not in wording, can be found in s 75(3) of the *Designs Act 2003* (Cth)⁶⁰. That inclusion of that

⁶⁰ Commenced 17 June 2004.

provision in the (then) new *Designs Act 2003* (Cth) was the first time additional damages were included in the available remedies for infringement of design rights; there had been no equivalent provision in previous Act, the *Designs Act 1906* (Cth). Although the *Designs Act 2003* (Cth) was passed after the 2000 amendments to the *Copyright Act*, its s 75(3) was, and still is, substantially shorter and less directive than s 115(4)(b) for determining when the courts should consider additional damages for an infringement. This appears to have been deliberate and a direct consequence of the fact that including s 75(3) was as the result of parliament accepting a recommendation in the Australian Law Reforms Commission's Report in 1995 (ie before the 2000 and 2003 amendments to s 115(4) of the *Copyright Act 1968* (Cth)) that:

Provision should be made for additional damages in cases of flagrant infringement *in terms similar to the Copyright Act s115(4)*. (emphasis added)⁶¹

As passed, s 75(3) read (and still reads) simply:

(3) The court may award such additional damages as it considers appropriate, having regard to the flagrancy of the infringement and all other relevant matters.

Why there should have been this significant difference between the two provisions – and why it should remain unchanged (especially as the subsequent insertion of 'additional damages' provision in the other two main intellectual property statutes closely followed the post-2003 wording in s 115(4)(b) of the *Copyright Act* is not clear.⁶² Paragraph 119 of the Revised Explanatory Memorandum simply noted that: 'The court will also be able to award additional damages where the infringement is flagrant (subclause 75(3))'.

Patents: For patents, a new sub-section (1A), with wording similar to the post-2003 wording of s 115(4)(b) of the *Copyright Act*, was inserted into s 122 of the *Patents Act 1990* (Cth) in 2006 by the *Intellectual Property Laws Amendment Act 2006* (Cth). Section 122, which has not been further amended, reads:

122 Relief for infringement of patent

(1) The relief which a court may grant for infringement of a patent includes an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.

(1A) A court may include an additional amount in an assessment of damages for an infringement of a patent, if the court considers it appropriate to do so having regard to:

- (a) the flagrancy of the infringement; and
- (b) the need to deter similar infringements of patents; and
- (c) the conduct of the party that infringed the patent that occurred:

⁶¹ Australian Law Reform Commission Report 74 – Designs, Recommendation 151.

⁶² Interestingly, the March 2015 Final Report of the Australian Council on Intellectual Property (ACIP) 'Review of the Designs System', which had been commissioned by the then Attorney-General, Mark Dreyfus QC, in May 2012, made no comment on the obvious disparity between the *Designs Act* 'additional damages' provision and its equivalents in the other three main intellectual property statutes.

- (i) after the act constituting the infringement; or
- (ii) after that party was informed that it had allegedly infringed the patent; and
- (d) any benefit shown to have accrued to that party because of the infringement; and
- (e) all other relevant matters.

(2) On the application of either party, the court may make such order for the inspection of any thing in or on any vehicle, vessel, aircraft or premises, and may impose such terms and give such directions about the inspection, as the court thinks fit.

Trade Marks: For trade marks there was no provision for additional damages until 15 April 2013 when the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth) inserted s 126(2) into the *Trade Marks Act 1995* (Cth). Section 126(2) reads:

- (2) A court may include an additional amount in an assessment of damages for an infringement of a registered trade mark, if the court considers it appropriate to do so having regard to:
- (a) the flagrancy of the infringement; and
 - (b) the need to deter similar infringements of registered trade marks; and
 - (c) the conduct of the party that infringed the registered trade mark that occurred:
 - (i) after the act constituting the infringement; or
 - (ii) after that party was informed that it had allegedly infringed the registered trade mark; and
 - (d) any benefit shown to have accrued to that party because of the infringement; and
 - (e) all other relevant matters.

The Explanatory Memorandum accompanying the amending Act gave the following explanation for the change:

‘This item amends section 126 to give a court the discretion to award additional damages if the court considers it appropriate to do so.

Additional damages (also known as punitive or exemplary damages) are available for flagrant infringement of patents, registered designs, and copyright. However, additional damages are not currently available for trade mark infringement. This limits the ability of a court to mark its disapproval of the blatant violation of the trade mark owner’s personal property rights under the Trade Marks Act.

Additionally, stakeholders have submitted that many counterfeiters do not maintain sufficient business records to enable a satisfactory calculation of ordinary damages or an account of profits: purely nominal damages may be regarded by counterfeiters as merely the ‘cost of

doing business’, rather than an effective deterrent. The absence of additional damages under the Trade Marks Act limits the ability of a court to provide an effective deterrent to intentional counterfeiting’.

The amendment remedies these problems by giving the court the discretion to award additional damages. This aligns the remedies for trade mark infringement with other forms of intellectual property. It permits the court to provide a substantial deterrent and to mark its disapproval of flagrant infringement.

Consistent with the additional damages provisions in other IP legislation, the power to award additional damages is discretionary. The courts will therefore have sufficient flexibility to ensure that additional damages are only awarded in appropriate circumstances. In exercising its discretion, a court would have regard to all relevant matters. Consistent with the approach in the Patents Act, there is also a list of specific factors to assist the courts as to when it may be appropriate to award additional damages.

Circuit Layouts: Section 27(4) of the *Circuit Layouts Act 1989* (Cth) also provides for the award of additional damages in terms that are almost identical to the original wording of s 115(4) of the *Copyright Act*. It was included in the Act as passed⁶³ and reads:

(4) Where, in an action for infringement of EL rights⁶⁴:

(a) an infringement is established; and

(b) the court is satisfied that it is proper to do so, having regard to:

(i) the flagrancy of the infringement;

(ii) any benefit shown to have accrued to the defendant because of the infringement; and

(iii) all other relevant matters;

the court may, in assessing damages for the infringement, award such additional damages as it considers appropriate in the circumstances.

As paragraph 53 of the Explanatory Memorandum accompanying that Act makes clear, this similarity with the original *Copyright Act* provision was deliberate. It simply noted that:

Consistent with the copyright style of protection afforded by the Bill, these provisions are very similar to provisions in the *Copyright Act 1968*.

Plant Breeders Rights: It is perhaps surprising that there is no equivalent provision in the *Plant Breeders Rights Act 1994* (Cth) – despite it being passed some five years after the *Circuit Layouts Act 1989* (Cth). The Explanatory Memorandum accompanying the Bill makes no reference at all to why the powers that s 56 confers on the court should not include power to award additional damages and the only reference in the document to anything potentially relevant is the notation in para 11 (dealing with the Financial Impact of the Bill) that:

⁶³ Commenced 21 December 1990.

⁶⁴ The term ‘EL rights’ refers to eligible layout rights and is defined in s 5 of the Act as ‘the exclusive rights specified in section 17 in relation to an eligible layout’.

This potential [for cost to the government] is small because the legislation retains its non-adversarial nature and alternative dispute resolution provisions of the *Plant Variety Rights Act 1987*.

Consequently, s 56(3) of the Act simply provides:

(3) The relief that the Federal Court may grant in an action or proceeding for infringement of PBR includes an injunction (subject to such terms, if any, as the Federal Court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.

The Relationship between ‘Normal’ Compensatory Damages and Additional Damages that are Available under the Acts

The start point in any discussion of the relationship between additional damages and the general damages that can be awarded under the Acts is recognising that the two remedies are designed to achieve two different purposes. As the court noted in *Hugo Boss Trade Mark Management GmbH & Co Kg v Sasalili Oxford Fia* [2014] FCA 1328 at [14] (citing *Halal Certification Authority Pty Limited v Scadilone Pty Limited* [2014] FCA 614 at [99]):

‘... it is clear that additional damages are to operate as a deterrent and to make infringement unattractive, not to compensate an applicant’s loss’.

Interestingly however, especially given that s 115 of the *Copyright Act*, which includes both the general damages provision and the additional damages provision, has been part of the *Copyright Act* (and that, therefore, by extension they have been part of the available remedies for intellectual property infringements), since the *Copyright Act* was passed in 1968, the relationship between the two types of damages was not subject to judicial interpretation in Australia until 1997 when it was dealt with in *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565.⁶⁵

In that case Lockhart J, having found no previous authority, went on to say that, in his view, provided the plaintiff had sought (and was granted) any form of relief under s 115 – whether damages, an injunction or declaratory relief⁶⁶ - additional damages could be awarded (provided the formal requirements of s 115(4) were also met). Accordingly, as he had already determined that nominal damages should be awarded, he held that additional damages could also be awarded.

An exactly similar outcome was reached in *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd (No 2)* (2008) 76 IPR 763 where Bersanko J said (at [17]): ‘In relation to the claim for additional damages under s 115(4) of the Act ... there is no need for me to consider if an award of additional damages can be made under s 115(4) if no damages are awarded under s 115(2) because I have awarded nominal damages under s 115(2) (*Polygram Pty Ltd v Golden Editions Pty Ltd (No 2)* 38 IPR 451 at 459-461 per Lockhart J; *MJA Scientifics* at 283-284 per Sundberg J)’.

⁶⁵ See (at 573): ‘The researches of counsel and myself have not revealed any other case where the point has been decided’.

⁶⁶ Whilst declaratory relief is not specifically provided for in s 115(2) the section merely states that the relief that may be awarded ‘includes an injunction ... and either damages or an account of profits’. A declaration is not excluded and declarations have in fact been made in appropriate cases. See *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565, *Dynamic Supplies Pty Limited v Tonnex International Pty Limited (No 2)* [2011] FCA 675 at [14] and *Insight SRC IP Holdings Pty Ltd v Australian Council for Educational Research Ltd* (2012) 211 FCR 563; [2012] FCA 779 at [202].

This did however leave open the question of whether additional damages can be awarded 'if no damages are awarded under [the general damages provision]' – as well as the broader question of whether additional damages could be awarded if the principal remedy was not damages but an injunction and/or an account of profits instead.

Those question arose for decision in *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 where, referring to Bersanko J's judgment in *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd (No 2)*, Lander and Gordon JJ stated (erroneously) at [30] that Bersanko J had said that he 'did not feel it necessary to determine whether an owner of a copyright could be entitled to additional damages without first proving an entitlement to either damages or an account of profits under s 115(2)' (emphasis added). In fact he did not refer (and was not required to refer to any remedy under s 115(2) except damages – because he had already decided to award damages, albeit nominal damages, and therefore did not need to consider any other situation.

In *Facton Ltd v Rifai Fashions Pty Ltd*, even though, again, they were not required to decide the point (because compensatory damages under s 115(2) were awarded)⁶⁷ Lander and Gordon JJ went on to say, regarding whether the 'additional damages' provisions could apply when general damages were not awarded (their comment clearly being obiter):

'31 Section 115(4) speaks of additional damages. It must mean additional to some other damages. The only other damages to which it could refer are damages awarded under s 115(2). Whilst an award can be made under s 115(2) which does not reflect damages but reflects an account of profits, that would not allow an owner to seek additional damages under s 115(4) because a claim for additional damages does not lie where an owner has sought an account of profits: *Redrow Homes Ltd v Bett Brothers plc* [1999] 1 AC 197 at 209 per Lord Clyde; *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* at 568 per Black CJ and Jacobsen J'.

32 An owner of copyright would not be entitled to additional damages under s 115(4) without first making out an entitlement to damages under s 115(2). This is so because of the use of the words 'additional damages' in s 115(4), and also because s 115(4) speaks of 'non-compensatory damages. If a defendant has infringed an owner's copyright but not caused the owner any damage it is unlikely that the Court would think there was any need for any pecuniary damages. However the authorities appear to recognise that s 115(4) may be engaged when the owner is entitled only to nominal damages under s 115(2); *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd*. This is not a case of that kind so no further consideration needs to be given to that circumstance.'

What Lord Clyde had said in *Redrow Homes Ltd v Bett Brothers plc* [1999] 1 AC 197; [1998] 1 All ER 385; at 209; at 391-93, (referring to the equivalent provision in the *Copyright, Designs and Patents Act 1988* (UK) was:

'My Lords, this appeal concerns the construction of the words 'additional damages' in s 97(2) of the Copyright, Designs and Patents Act 1988. Either it is intended to refer to an addition to an award of damages, or it is intended to constitute a self-standing remedy. As was recognised both in the Outer House and in the Inner House persuasive arguments can be presented for either view and the decision is not altogether easy. Despite the careful presentation of the argument for the appellants, fortified as it was by the judgment of Laddie J in *Cala Homes (South) Ltd v Alfred McAlpine Homes (East) Ltd (No 2)* [1996] FSR 36 I

⁶⁷ *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [31]

have come to the view that the result reached by the Second Division [that it is not a self-standing remedy] is to be preferred. There are four considerations which have moved me to that opinion.

In the first place the language used in the statute seems to me to point to the understanding that what is intended in s 97(2) is an enhancement of an award of damages and not the provision of a self-standing remedy.

Secondly, it seems to me that Ch VI of the Act ... sets out a statutory code for the remedies for infringement of copyright. ... The provision in s 97(1) is tied in as part of the scheme and does not constitute a separate remedy.

In the third place, it seems to me quite clear that additional damages under the earlier legislation, s 17 of the Copyright Act 1956, were intended to be an enhancement of an award of ordinary damages. ... Those words have not been copied in the later form of the legislation in s 97 of the 1988 Act. But the significance which might otherwise have been attributed to the disappearance of those words in the 1988 Act is materially diminished by the provisions of s 172. That section explains that Pt I of the Act ... is restating and amending the law of copyright. It then provides expressly in sub-s (2) that a provision of Pt I which corresponds to a provision of the previous law is not to be construed as departing from the previous law merely because of a change of expression. ... The intention was plainly not only to amend but also to restate the former law, in what was no doubt hoped to be clearer language, and to preserve the existing jurisprudence.

Finally, I accept that ... a distinction can be drawn between a 'benefit accruing to the defendant' ... and the net profits which the defender might earn by the infringement. The latter would be caught by an action for accounting, but the former could extend to such matters as the acquisition of an enhanced position in the market which would not be included in a calculation of the net profits. But this additional content for the word 'benefit' does not seem to me to justify the conclusion that an award under s 97(2) was intended to be available when the pursuer opted to claim an accounting. ... That the remedy of an award under s 97(2) may not be available as an addition to an accounting of profits is wholly consistent with the basic principle that an award for damages is inconsistent with an accounting. ... I am not persuaded that Parliament intended to innovate upon the basic principle and allow a claim of this kind to be pursued alongside an accounting'.

In *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (2007) 157 FCR 564; (2007) 239 ALR 702 Black CJ and Jacobsen J were more succinct simply saying at [24]: 'Here, Aristocrat elected to claim damages, perhaps because additional damages under s 115(4) do not lie where an account of profits is claimed'.

The proposition that additional damages cannot be awarded unless there has been at least some award of compensatory damages under the general remedies provision also appears to have been accepted without argument by the parties in the much earlier decision, *Polygram Editions v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 573, where Lockhart J commented: 'Although the applicants elected to pursue damages under s 115(2), at one stage of the case the applicants did not press this claim. ... towards the end of the case the applicants revived their claim and sought nominal damages under s 115(2) in addition to conversion damages. The applicants' reasons for persisting with this claim will become apparent when I deal with the additional damages issue' (emphasis added). At 574 he then explained that allusion saying: '... it is my view, as at present advised, that "if only nominal damages are claimed and awarded under subs (2), the Court is entitled to make an award of

additional damages under subs (4) provided, of course, the necessary preconditions upon which the award may be founded and prescribed by par (a) and (b) of subs (4) are satisfied’.

He also noted (also at 574), while first noting that it was ‘not strictly necessary to decide the point in this case’⁶⁸ (because he had already decided to award nominal damages under s 115(2)), that ‘If the owner of a copyright seeks injunctive relief under s 115(2) and conversion damages under s 116, but not compensatory damages under subs (2), my present view is that the Court would still be empowered to make an award of additional damages under subs (4).’

In addition to that comment clearly being obiter, His Honour did not refer to the House of Lords decision in *Redrow Homes Ltd v Bett Brothers plc* [1999] 1 AC 197; [1998] 1 All ER 385 (or, indeed any possibly relevant authorities) and, given its apparent inconsistency with the reasoning in *Redrow*, which was later accepted and relied upon by the Full Federal Court in *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9, it is unlikely to be correct. Before additional damages can be awarded in conjunction with an injunction there must also be an award of at least nominal damages under the general damages provisions.

The same would also seem to apply in relation to copyright infringements⁶⁹ if the plaintiff has sought and been awarded damages for conversion. The opening words of s 115(4) of the *Copyright Act 1968* (Cth) (and of the equivalent provisions in the other Acts) read, ‘Where, in an action under this section –’. They therefore preclude additional damages being awarded unless the action was taken under s 115. In a practical sense this is not a major limitation because as in *Polygram Editions v Golden Editions Pty Ltd* (1997) 76 FCR 565 a plaintiff can seek and be awarded both conversion damages and damages under s 115 (subject to the limitation that they may not overlap⁷⁰) – so additional damages can be awarded even where the plaintiff has primarily sought conversion damages under s 116.

The net result then is that for a plaintiff to be awarded additional damages the Court must also have awarded compensatory damages under the general remedies provision – irrespective of how small that award might be. Other remedies, including those specifically mentioned in the general remedies section or other (such as a declaration) which are not specifically included,⁷¹ will not allow an award of additional damages to be made – unless there is also an award of compensatory damages under the section.⁷²

⁶⁸ His Honour said: ‘I talk of my present view because it is not strictly necessary to decide the point in this case’.

⁶⁹ There are no equivalents of s 116 of the *Copyright Act 1968* (Cth) in the other intellectual property statutes.

⁷⁰ See *Copyright Act 1968* (Cth) s 116(1C) and, for a more general statement of principle, *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 577 and *Fraserside Holdings v Venus Adult Shops* (2005) 222 ALR 388 at [59].

⁷¹ See, for example, Lockhart J in *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 575: ‘The owner of a copyright may bring an action for infringement of copyright (s 115(1)). The Court may grant various forms of relief including those mentioned in subs (2), The relief mentioned in subs (2) is by way of inclusion and is not exhaustive of the Court’s powers. The Court may also grant declaratory relief’.

⁷² This does not, however, appear to affect the plaintiff’s rights in relation to a possible award of additional damages during preparation for trial. For example, in *SNF (Australia) Pty Ltd v Ciba Speciality Chemicals Water Treatment Ltd (No 4)* [2013] FCA 845 at [12] Davies J held that Ciba could seek discovery of documents that could bear on an additional damages claim even though it had not then elected whether it would seek damages or an account – on the basis that ‘Ciba is not yet obliged to make an election and this class of documents is relevant in aid Ciba of making an election on an informed basis: *LED Builders Pty Ltd v Eagle Homes Pty Ltd* (1996) 70 FCR 436; *Tivo Inc v Vivo International Corp Pty Ltd No 3* [2013] FCA 797. (In *LED Builders Pty Ltd v Eagle Homes Pty Ltd* (1996) 70 FCR 436 Lindgren J had said (at 450): ‘In the ordinary case, the owner of copyright or other intellectual property will be able to be adequately informed prior to the hearing, for the purpose of making its election, by the interlocutory procedures of discovery and, if appropriate, the administration of interrogatories, or by other means referred to in the cases discussed earlier’). See also *Tivo Inc v Vivo International Corporation Pty Ltd (No 3)* [2013] FCA 797 at [45]

The 'Rules' for Awarding Additional Damages

The statutes make it clear that:

- a. additional damages *may* (not must) be awarded;
- b. if 'the court is satisfied that it is proper to do so';
- c. having regard to the specified considerations; and
- d. in such amount as the court 'considers appropriate in the circumstances'.

The principal consideration then is, whether the court considers it 'proper' to award additional damages having had regard to the considerations that are set out in the Acts.⁷³

In determining when it is 'proper' to award additional damages and what amounts are 'appropriate in the circumstances', the courts have developed their own jurisprudence which has involved both interpreting the statutory provisions and developing other rules to assist in deciding when it would be 'proper to award such damages and what quantum would be 'appropriate in the circumstances'.

Much of that jurisprudence has been derived from cases involving infringements of copyright (the statute with the longest history of additional damages as a remedy) but it is well accepted that the principles that have been developed in the copyright context are equally applicable to awards of additional damages under the other statutes. See, for example *Review Australia v Innovative Lifestyle* (2008) 166 FCR 358 at [53] (in relation to a design infringement⁷⁴) and *Truong Giang Corporation v Quach* [2015] FCA 1097 at [132] (in relation to a trade marks infringement). See also, *Pacific Enterprises (Aust) Pty Ltd v Bernen Pty Ltd* (2014) 321 ALR 715; [2014] FCA 1372 (a case involving patent infringement) where Pagone J noted at [13] that s 122(1A) had only recently been introduced 'and has received limited judicial consideration,' before drawing analogies with cases involving additional damages for infringements of copyright, trade marks and design rights.⁷⁵

Rules Relating to Whether it is Proper to Award Additional Damages

Rule 1

Punishment: Consistent with the accepted difference between compensatory damages and additional damages, additional damages are awarded to punish and deter the infringer (and others) from committing further infringement. Compensation is therefore not a consideration to be taken into account in determining whether it is proper to award additional damages.

Rule 2

Compliance with the Acts pre-conditions: Additional damages can only be awarded if the conditions in the relevant section are met. As Gowans J said in *See Prior v Lansdowne Press Pty Ltd* [1977] VR 65 at 69; (1975) 29 FLR 59 at 64; (1975) ALR 685 at 689: '... before additional damages can be awarded under s 115 it would be necessary for the plaintiff to establish the conditions which enable the court to assess such damages. The material condition is that set out in par (b) of s 115(4) ...'. He then went

⁷³ *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 574 per Lockhart J

⁷⁴ Though the Court there acknowledged that the specific matters that were required to be taken into account under the *Designs Act 2003* (Cth) were different to those that were required to be taken into account under the *Copyright Act 1968* (Cth)

⁷⁵ See also *Zetco Pty Ltd v Austworld Commodities Pty Ltd (No 2)* [2011] FCA 848 at [267] per Bennett J, *Australian Mud Company Pty Ltd v Coretell Pty Ltd (No 4)* [2015] FCA 1372 at [426], both also involving patent infringement, where analogous decisions involving other areas of intellectual property were applied..

on to say: 'I have come to the conclusion that the evidence as to the publication shows primarily a case of mistake and perhaps carelessness, but it does not show a case of flagrancy or calculated disregard of the plaintiff's rights, or cynical pursuit of benefit, or other matter justifying the award of additional damages going beyond what is required for compensation' (emphasis added).

See also *Review 2 Pty Ltd (in liq) v Redberry Enterprise Pty Ltd* (2008) 173 FCR 450 where Kenny J refused to award additional damages for an alleged design infringement, because the relevant pre-conditions had not been made out, saying at [84]: 'If Redberry infringed, its conduct in importing and selling the Redberry garments ... was in ignorance of Review 2's design rights and at a time when the existence of such rights had only briefly been a matter of public record. ...'

Rule 3

Onus of proof: The onus of proving the existence of those conditions is on the plaintiff and 'There must be something more than is sufficient to justify a possible view of the defendant's conduct, it must be sufficient to establish a persuasive conclusion': *Prior v Lansdowne Press Pty Ltd* [1977] VR 65 at 69; (1975) 29 FLR 59 at 64; (1975) ALR 685 at 689.

Rule 4

Not all of the sub-sections' conditions must be satisfied: While the Courts must have regard to all of the matters set down in the relevant provision – not all must apply to the infringement before additional damages can be awarded (ie the factors to which a court must have regard under s 115(4) are *not cumulative* in the sense that they must all be satisfied). The principle was stated by Tamberlin J in *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88 at 103 in an often cited passage. He noted: 'If the court is satisfied that *one or more* of the circumstances set out in in subs (4)(b) are present, it has a discretion to award such damages as it considers appropriate'. That principle has been consistently applied, since.⁷⁶

Rule 5

Additional damages are related to exemplary and aggravated damages. As additional damages are intended to punish and deter, additional damages *may* be awarded on principles corresponding to those governing awards of aggravated and exemplary damages at common law.⁷⁷

Rule 6

They are however a remedy *sui generis*: While 'the circumstances which are relevant to an assessment of aggravated damages and exemplary damages will be relevant in some cases in considering additional damages under this section ... in the end result the damages to be awarded are not exemplary or aggravated damages but additional damages, being of a type *sui generis*'

⁷⁶ See *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 575; *Sony Entertainment (Australia) Ltd v Smith* (2005) 215 ALR 788 at [158] per Jacobsen J, *Norm Engineering v Digga Austraklia* (2007) 162 FCR 1 at 79 ; *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd (No 2)* (2008) 76 IPR 763 at [17]; *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* [2014] 312 ALR 705 at [44].

⁷⁷ See, for example, *Bailey v Namol Pty Limited* (1994) 53 FCR 102 at 113-114; *Autodesk Inc v Yee* (1996) 68 FCR 391 at 394; *Sullivan v FNH Investments Pty Ltd t/as Palm Bay Hideaway* (2003) 57 IPR 63; [2003] FCA 323 at [95] (confirmed in *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [23]; *Woolworths v Olsen* (2004) 184 FLR 121 at [343]; *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (2007) 157 FCR 564 at [42]; *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569 at [33]-[36]; *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* [2014] 312 ALR 705 at [38].

(emphasis added).⁷⁸ This has two consequences. First, the fact that the ‘principles governing awards of aggravated damages and exemplary damages at common law *may inform* the question as to whether additional damages should be awarded’⁷⁹ - not that they ‘must inform’ that question. This means that awards of additional damages are not constrained by common law principles that might restrict awards of exemplary and aggravated damages.⁸⁰ Secondly, while the sections do lay down particular considerations to which the courts must have regard it is a non-exclusive list so courts have a wide discretion in relation to the matters they can consider⁸¹- a matter reinforced by the inclusion in the listing of the matters to which courts are to have regard, ‘all other relevant matters’.

Rule 7

Additional damages are ‘not limited to cases in which the conventional remedies, including compensatory damages, are insufficient to redress the wrong suffered by the copyright holder’.⁸² They are ‘a head of relief independent of and not dependent upon whatever form of financial relief the plaintiff seeks ...’⁸³ though, of course, the amount awarded may in appropriate cases, be influenced by the amount of any compensatory damages,⁸⁴ if they are great the additional damages may be reduced⁸⁵ while, on the other hand, if they are small, a larger sum of additional damages may be required to punish and deter.⁸⁶

⁷⁸ *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [36]. See also *Truong Giang Corporation v Quach* [2015] FCA 1097.

⁷⁹ *Henley Arch Pty Ltd v Lucky Homes Pty Ltd* [2016] FCA 1217 at [242] per Beach J. See also *Autodesk Inc v Yee* (1996) 68 FCR 391 at 394 per Burchett J and *Lamb v Cotongo* (1987) 164 CLR 1 at 9-10 per Mason CJ, Brennan, Deane, Dawson and Gaudron JJ

⁸⁰ So, for example in *FHN Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [26]-[27] even though there was a contractual relationship between the parties the fact ‘that exemplary damages are, at best, only awarded in rare cases involving a breach of contract’ was considered irrelevant. The court noted (at [26]) that ‘No such limitation is imposed by the subsection. Nor should it be implied given that the Act is intended to afford owners of the statutory rights ... a number of *statutory remedies* to protect or vindicate those rights’. Similarly, even though Australian courts are not bound by the limitations which *Rookes v Barnard* [1964] AC 1129 imposed on awards of exemplary damages (see *Uren v John Fairfax & Sons Pty Limited* (1966) 117 CLR 118, affirmed in *Australian Consolidated Press Ltd v Uren* (1967) 117 CLR 185), if they were, those limitations would not apply to awards of additional damages.

⁸¹ *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [36].

⁸² *Autodesk Australia Inc v Cheung* (1990) 94 ALR 472 at 478. See also *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [31]; *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd (No 2)* (2008) 76 IPR 763 at [17] (upheld on appeal, see *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd* [2009] FCAFC 2).

⁸³ *Cala Homes (South) Limited v Alfred McAlpine Homes East Limited (No 2)* 23 [1996] FSR 36 at 43 per Laddie J.

⁸⁴ See, for example *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (2007) 157 FCR 564 at [52] per Black CJ and Jacobsen J: ‘The very nature of ‘additional’ damages ... suggest that an amount awarded *may depend on the sufficiency or otherwise* of the compensatory damages ...’ (emphasis added).

⁸⁵ See, for example *Amalgamated Mining Services Pty Ltd v Warman International Ltd* (1992) 111 ALR 269 at 286-287 where Wilcox J declined to award additional damages because of the already significant compensatory damages: ‘... had compensatory damages not justified an award as high as \$3 million, I would have imposed additional damages to take the award to that figure.’

⁸⁶ See, for example *Pacific Enterprises (Aust) Pty Ltd v Bernen Pty Ltd* (2014) 321 ALR 715; [2014] FCA 1372 at [15] per Pagone J: ‘... The amount awarded as damages may also be relevant when assessing the additional amount to be awarded under s 122(1A). A relatively small amount obtained as damages may, in some cases, be thought insufficient to reflect the sanction appropriate to the flagrancy of the infringement or to deter similar infringements. ...’ See also *Milpurrruru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 278; 130 ALR 659 at 693.

Rule 8

Additional damages may be awarded to indicate the Court's disapproval of the defendant's conduct:⁸⁷ This was also the subject of specific comment in the Explanatory Memorandum to the *Intellectual Property Amendment (Raising the Bar) Act 2012* (Cth) which included the new s 126(2) (dealing with the power to award additional damages) into the *Trade Marks Act 1995* (Cth). The Explanatory Memorandum gave as one of its express reasons for the new inclusion the fact that not having the ability to award additional damages 'limits the ability of a court to mark its disapproval of the blatant violation of the Trade Mark owner's personal property rights under the Trade Marks Act' (emphasis added). From the case, it seems that using an award of additional damages to indicate the court's disapproval is often coupled with an expressed need to provide some form of substantial deterrent.

Rule 9

Fault on the plaintiff's part will not prevent an award of additional damages. This appears to apply particularly where it relates to commencing enforcement proceedings and it will not necessarily affect either the availability of amount of additional damages.⁸⁸

Rule 10

Additional damages must be clearly included in the claim: This is to ensure that the defendant has an opportunity to respond adequately. This means, in most cases, that the pleadings must include the claim and the 'facts, matters and circumstances upon which [the applicant] intended to rely to justify such a claim'.⁸⁹ If they are not clearly included in the claim they will not be awarded.

Rules Relating to the 'Appropriate' Quantum of Additional Damages

Rule 1

Additional damages are 'at large: In the context of additional damages this means no more than it does in relation to damages generally – that the amount to be awarded is 'to be the subject of exhaustive analysis, but that the judge must do his or her best to settle upon an appropriate figure in light of all the available evidence' (*Australian Performing Right Association Limited v Riceboy Pty Limited* [2011] FMCA 942 at [89]). Invariable this means that the assessment of additional damages will always depend on the particular circumstances of the case.⁹⁰

⁸⁷ See, for example, *Bailey v Namol Pty Limited* (1994) 53 FCR 102 at 113-114', *Sony Entertainment (Australia) Ltd v Smith* (2005) 215 ALR 788; [2005] FCA 228 at [167]; *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [36]; *Microsoft Corporation v Ezy Loans Pty Ltd* (2004) 63 IPR 54; [2004] FCA 1135 at [95] and *Sullivan v FNH Investments Pty Ltd t/as Palm Bay Hideaway* (2003) 57 IPR 63; [2003] FCA 323 at [103] (confirmed in *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [23]).

⁸⁸ See *Columbia Pictures Industries Inc and Tri-Star Pictures Inc v Luckins* (1996) 34 IPR 504; [1996] FCA 1606 at [46] where Tamberlin J refused 'to reduce the amount of additional damages to any significant extent' just because 'the damages arose from the substantial delay on the part of the applicants in commencing proceedings'.

⁸⁹ *In the Matter of APT Technology Pty Ltd; APT Technology Pty Ltd v Aladesaye (No 2)* [2016] FCA 203 at [137] (cf at [138]-[140] where additional damages were refused). See also *Acohs Pty Ltd v Ucorp Pty Ltd (No 5)* [2013] FCA 1006; (2013) 103 IPR 51 at [41]

⁹⁰ *Eagle Rock Entertainment Ltd v Caisley* [2005] FCA 1238 at [24]

Rule 2

The amount of additional damages is uniquely a matter for the Court: Allied to Rule 1 this means that the Court has a very wide discretion,⁹¹ it will 'have regard to past awards...'⁹² but retains an unfettered discretion to determine awards of additional damages on the particular circumstances of each case.

Rule 3

Courts approach additional damages cautiously: In this respect they treat awards of additional damages as they do awards of exemplary damages.⁹³ It has, therefore, been held that the appropriate approach is to award a 'moderate, but not excessive, sum'.⁹⁴ This is especially the case 'When conversion damages have been awarded under s 116 and a claim is also made for additional damages under s 115(4), [when] the Court must be careful and approach the question of additional damages with a view to the additional damages not being immoderate'⁹⁵ - because both forms of damage involve a punitive element for what may be the same behaviour.

Rule 4

The assessment of additional damages may be arbitrary: As Wilcox J noted in *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472 at 479-80: 'Once again, any assessment must be arbitrary, in the sense that it is impossible to demonstrate its correctness by reference to provable fact'. Other courts have referred to the calculation of additional damages as 'of necessity, an imprecise exercise'⁹⁶ or 'by no means a precise science'.⁹⁷

Rule 5

There is no requirement for proportionality between compensatory and additional damages:⁹⁸ This reflects both the different purposes to which the two forms of damages are directed and the unfettered nature of the Court's power to award additional damages.⁹⁹ In particular it applies in those cases where, for any reason, the courts are only able to award nominal damages under the compensatory damages provision but the circumstances are such that a significant award of

⁹¹ *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88 at 103; *Concrete Systems v Devon Symonds* (1978) 20 SASR 79 at 85; *Sullivan v FNH Investments Pty Ltd t/as Palm Bay Hideaway* (2003) 57 IPR 63; [2003] FCA 323 at [101] (confirmed in *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [23]).

⁹² *Australian Performing Right Association Limited v Riceboy Pty Limited* [2011] FMCA 942 at [28]

⁹³ See *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 577

⁹⁴ *Nichols Advanced Vehicle Systems Inc v Rees* (at 140)

⁹⁵ *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 57

⁹⁶ *Sullivan v FNH Investments Pty Ltd t/as Palm Bay Hideaway* (2003) 57 IPR 63; [2003] FCA 323 at [100] (confirmed in *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [23]).

⁹⁷ *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [85]

⁹⁸ *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88 at 93; *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* [2014] 312 ALR 705 at [52]

⁹⁹ *Deckers Outdoor Corporation Inc v Farley (No 5)* [2009] FCA 1298 (at [114])

additional damages are needed to punish and/or deter the infringer.¹⁰⁰ In this respect therefore additional damages are very much aligned with exemplary damages.¹⁰¹

However, while there need not be proportionality, any additional damages that are awarded cannot be excessive in the context of the infringement and the harm the plaintiff has suffered.¹⁰²

Rule 6

The impact on the infringer must be taken into account: Because the aim of additional damages is to punish and deter the infringer from further infringement the probable effect of the award on the infringer, including the burden that the award will impose, is a proper consideration to be taken into account in determining the ‘appropriateness’ of any award.¹⁰³ The application behind this ‘Rule’ is that it may properly be taken into account under the ‘all other relevant matters’ provision, its relevance being explained by Pagone J in *Pacific Enterprises (Aust) Pty Ltd v Bernen Pty Ltd* (2014) 321 ALR 715; [2014] FCA 1372 at [15]:

‘The amount to be awarded under s 122(1A) should be felt as a sanction by the person on whom it is imposed and should also act as a deterrent to others. Those objectives require consideration of the specific circumstances of each case and each infringer. An amount which may be an effective sanction upon an infringer with limited means may be ineffective as a sanction, or as a deterrent, to a wealthy infringer or potential infringer. ...’

Rule 7

Additional damages will not be awarded if that would result in an ‘overlap’ of damages or a ‘doubling up’: While most instance of overlap are likely to occur when compensatory damages are sought for an intellectual property infringement and also some for some allied wrong (a breach of contract, breach of confidence, or a tort such as conversion or passing off) it is possible that exemplary damages for those wrongs could overlap with additional damages under the intellectual property statutes. In some cases the factual basis underlying even compensatory damages (such as, for example, reputational damages) could intersect with the factual basis for a claim for additional damages.

In such cases the courts are careful to ensure that there is no ‘doubling up’. So, for example, in *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 Lander and Gordon JJ noted

¹⁰⁰ See *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd (in liq)* (2007) 157 FCR 564; (2007) 239 ALR 702 at [54] and the cases there cited; see also *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd (No 2)* [2008] FCA 746; (2008) IPR 763 at [17] and the cases there cited.

¹⁰¹ See *XL Petroleum (NSW) Pty Ltd v Caltex Oil (Australia) Pty Ltd* (1985) 155 CLR 448 at 471 per Brennan J: ‘As an award of exemplary damages is intended to punish the defendant for conduct showing a conscious and contumelious disregard for the plaintiff’s rights and to deter him from committing like conduct again ... [t]here is no necessary proportionality between the assessment of the two categories’ (cited in *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [65]).

¹⁰² See *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [45]: ‘... Although there need not be any proportionality between the amount of compensatory damages awarded under s 115(2) and the amount of additional damages awarded under s 115(4) ... the sums sought by the appellants both on trial and on appeal are so disproportionate to the damage suffered that the claims must be rejected’. (emphasis added)

¹⁰³ *Amalgamated Mining Services Pty Ltd v Warman International Ltd* (1992) 111 ALR 269 at 286-287; *Universal Music Australia Pty Ltd v Miyamoto* [2004] FCA 982 at [22]-[23]; *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [46]; *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* [2014] 312 ALR 705 at [53]; *Henley Arch Pty Ltd v Lucky Homes Pty Ltd* [2016] FCA 1217 at [256], [257] and [263].

at [10] that: ‘... if the appellants receive both compensatory damages and additional damages under s 115 ... they should not receive any further damages, including exemplary damages, for the tort of passing off’.

In the same case Gilmour J said at [91]: ‘To the extent that damages are awarded under s 115(4) they cannot, by reliance on the same facts, be recovered, in addition, by way of exemplary damages. The converse is the same. Indeed an award under s 115(4) can encompass damages which, at common law, would be aggravated damages and exemplary damages: *Futuretronics* at [17]; *Bailey v Namol Pty Ltd* (1994) 53 FCR 102 at 113-14’.

In relation to possible overlap in cases involving reputational damages it was noted in *Australasian Performing Right Association Limited v Riceboy Pty Limited* [2011] FMCA 942 (when referring to the sequence of *Facton* cases),¹⁰⁴ that that could and should be taken into account. See, at [28]: ‘In each of those cases ‘reputational damages’ were also awarded. There is some overlap between additional damages and reputational damages, so that the real level of the award of additional damages in those cases was higher than the nominal level’.

That does not prevent additional damages being awarded together with exemplary, aggravated or even reputational damages provided there is appropriate justification and that is appropriate – as was the case in *GM Holden v Paine* [2011] FCA 569 where Gordon J awarded \$20,000 for reputational damage, \$200,000 in exemplary damages for the passing off and also \$10,000 in additional damages for the design infringement.

Rule 8

Additional damages may be reduced if the plaintiff has acquiesced in the infringing behaviour: This reflects the questions of both the degree of flagrancy and the requirement for deterrence – as well as the defendant’s culpability and, therefore the need to punish. So, for example, in *Fraserside Holdings v Venus Adult Shops* (2005) 222 ALR 388 at [60] it was held that because the plaintiff had become aware that the defendants had acquired some infringing copies by parallel importation and had advised them that they were not concerned with parallel imported DVDs but then sued in respect of them, the \$100,000 additional damages that the Court would have awarded were reduced to \$85,000.

Rule 9

Additional damages can be awarded for conduct in the period before the commencement of the relevant additional damages provision: This applies at least in respect of those statutes where the power to award additional damages was inserted after the Act’s commencement (so that a right to pursue an action for infringement and to claim damages already existed). This is because the new provision, which then simply changes the quantum or kind of damages, is regarded as procedural rather than substantive.¹⁰⁵

Rule 10

‘An award of general damages will not be set aside on appeal merely because the court would have awarded some other figure:’¹⁰⁶ As in the case with all appeals on quantum, an appellate court will only interfere if it is shown that the primary judge erred in principle, gave improper or

¹⁰⁴ All listed in *Facton Ltd v Dash Industries* [2010] FMCA 709.

¹⁰⁵ See *Halal Certification Authority Pty Limited v Quality Kebabs Wholesalers Pty Ltd* (2014) 223 FCR 540 at [11]-[20] - though Perram J did note, at [16], that the authorities were ‘difficult to explain on a consistent basis’

¹⁰⁶ *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd* [2009] FCAFC 2 at [50]

insufficient emphasis to a fact or was mistaken as to a relevant fact.¹⁰⁷ This is because, while appellate courts are generally reluctant to interfere with a finding of fact, they are particularly reluctant to interfere with a finding on the quantum of damages because that is generally much more a matter of speculation and estimate.¹⁰⁸

The Considerations Mandated by s 115(4)(b) of the *Copyright Act 1968* (Cth) (and its Equivalents in the other Statutes) – the Considerations to which Courts are to have ‘regard’

Meaning of ‘having regard to’

In *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd* [2009] FCAFC 2 at [53] Bersanko J noted: ‘It is to be remembered that s 115(4)(b) requires the court to “have regard to” the listed factors. That means it must take them into account and give weight to them: *R v Hunt; Ex parte Sean Investments Pty Ltd* (1979) 180 CLR 322 at 329’.

In *R v Hunt; Ex parte Sean Investments Pty Ltd* (1979) 180 CLR 322, a case relating to the fixing of fees for a nursing home, what Mason J said (at 329) was:

‘When sub-s (7) directs the Permanent Head to “have regard to” the costs, it requires him to take those costs into account and to give weight to them as a fundamental element in making his determination.

However, the sub-section does not direct the Permanent Head to fix the scale of fees exclusively by reference to costs necessarily incurred and profit. The sub-section is so generally expressed that it is not possible to say that he is confined to these two considerations. The Permanent Head is entitled to have regard to other considerations which show or tend to show that a scale of fees arrived at by reference to costs necessarily incurred, with or without a profit factor, is excessive or unreasonable’.

The Six Specific Considerations

1. The Flagrancy of the Infringement

In *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472 at 477 Wilcox J said, referring to s 115(4)(b), that:

‘Paragraphs structured in this way have been interpreted in comparable overseas statutes as requiring that flagrant conduct be shown: see *Ravenscroft v Herbert and New England Library* [1980] RPC 193 at 208 and *Wellington Newspapers Ltd v Dealers Guide Ltd* (1984) 4 IPR 417 at 420-21. Without deciding the point I am content to assume, for the purposes of the present case, that this approach is equally applicable to s 115(4). I am able to deal with the matter in this way because it is clear that the respondent’s conduct constituted a flagrant infringement of the plaintiff’s rights’.

It is clear, therefore, that His Honour did not give the matter due consideration. It is also clear that this is not the accepted view of the ‘flagrancy’ factor in Australia. That view is that ‘flagrancy’ is merely one consideration that the courts must take into account and that additional damages may

¹⁰⁷ *Planet Fisheries Pty Ltd v La Rosa* (1968) 119 CLR 118 at 124; *Miller v. Jennings* ((1954) 92 CLR 190

¹⁰⁸ *Davies v Powell Duffryn Associated Collieries Ltd* [1942] AC 601; [1942] 1 All ER 657 at 664 per Lord Wright

be awarded even in cases where there is no evidence of flagrancy. See, for example, *Raben Footwear v Polygram Records* (1997) 75 FCR 88 at 93, *Polygram Pty Ltd v Golden Editions* (1997) 76 FCR 565 at 575, *MJA Scientifics International Pty Ltd v SC Johnson & Son Pty Ltd* (1999) 43 IPR 275 at 282 and *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [32], (among others).

Defining ‘flagrancy’: The courts have used various definitions of ‘flagrancy’ in the additional damages provisions. One of the more regularly cited is that which Sundberg J adopted in *MJA Scientifics International Pty Ltd v SC Johnson & Son Pty Ltd* (1999) 43 IPR 275 at 282. He said:

‘It has been said that ‘flagrancy’ involves “calculated disregard of the plaintiff’s rights, or cynical pursuit of benefit”: *Prior v Lansdowne Press Pty Ltd* [1977] VR 65 at 70; “scandalous conduct, deceit including deliberate and calculated infringement where a defendant reaps a pecuniary advantage in excess of the damages he would otherwise have to pay”: Copinger and Skone James on Copyright, 13th ed, 1991, p 344; “the existence of scandalous conduct, deceit and such like; it includes deliberate and calculated copyright infringement”: *Ravenscroft v Herbert & New English Library Ltd* [1980] RPC 193 at 208; *Autodesk Australia Pty Ltd v Cheung* (1990) 17 IPR 69; 94 ALR 472 at 478’.¹⁰⁹

In *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88 at 103 Tamberlin J noted:

‘In ordinary usage “flagrancy” connotes conduct which could probably be described as “glaring, notorious, scandalous” or “blatant”’.

Limitations on ‘Flagrancy’: What it does not include are: ‘mere mistake or carelessness. If the infringer mistakenly believed that he or she owned the relevant copyright (*Prior v Lansdowne Press*) or acted in the bona fide belief that no copyright subsisted in the plaintiff’s work (*International Credit Control Ltd v Axelsen* [1974] 1 NZLR 695) the conduct is not flagrant. See also *Tyco Industries Inc v Interlego AG* [1987] 9 IPR 133 and on appeal to the Privy Council *Interlego AG v Tyco Industries Inc* [1988] 3 WLR 678; [1988] 3 All ER 949’.¹¹⁰

In addition, while ‘deliberate’ and ‘calculated’ conduct can establish flagrancy ‘the presence of such elements in and of themselves do not justify an award of additional damage ...’,¹¹¹ and ‘flagrancy is not established by proof of mere knowledge of copying’.¹¹²

‘[T]he flagrancy of conduct to be considered ... is flagrancy of the infringement ..., not the flagrancy of another wrong committed by the defendant’¹¹³ Therefore if the flagrancy is in an associated breach of contract or fiduciary duty, that will not establish ‘flagrancy’ for the purposes of the provision.¹¹⁴ However, the courts have taken such reprehensible conduct into account as ‘all other

¹⁰⁹ See also *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [35]

¹¹⁰ *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 575. See also *Milpurrruru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 280; 130 ALR 659 at 695: ‘The infringements by Mr King and Mr Rylands arose because of indifference and neglect of duty, not by reason of a deliberate and calculated action. In these circumstances it would not be appropriate to characterise their conduct as “flagrant”’.

¹¹¹ *Woolworths Ltd v Olsen* (2004) 184 FLR 121 at [343] per Einstein J.

¹¹² *International Writing Institute Inc v Rimila Pty Ltd* (1994) 30 IPR 250; [1994] FCA 1509 at [19] per Lockhart J. See also *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* [2014] 312 ALR 705 at [45]-[47]

¹¹³ *Luxottica Retail Australia v Grant* [2009] NSWSC 126; (2009) 81 IPR 26 at [37]

¹¹⁴ *Woolworths Ltd v Olsen* (2004) 184 FLR 121 at [345]-[348] per Einstein J. In *Luxottica Retail Australia v Grant* [2009] NSWSC 126; (2009) 81 IPR 26 (at [42]) White J commented about the *Woolworths* case, ‘the intractable difficulty for Woolworths is that the greater part of its claim to additional damages is founded on **an egregious breach of a right that copyright does not protect**’. (emphasis added).

relevant matters'. Such conduct which was associated with, but separate from, the infringement has included the defendant's plan to steal work away from his company (*Bailey v Namol Pty Ltd* (1994) 53 FCR 102 at 114) and flagrant infringements compounded by outrageous and frightening threats and false defences to the plaintiff's claims threats of physical violence (*Sony Entertainment (Australia) Ltd v Smith* [2005] FCA 228; (2008) 215 ALR 788 at 810 [165]-[172]).

Underlying the difference between additional damages and exemplary damage White J commented, in *Luxottica Retail Australia v Grant* [2009] NSWSC 126; (2009) 81 IPR 26 at [39]: 'The section does not require proof that the defendant has acted in contumelious disregard of the plaintiff's rights. This must necessarily follow from the fact that it is not a prerequisite to the making of an award of additional damages under s 115(4) that the plaintiff establish that the infringement of copyright was flagrant'.(emphasis added)

2. Deterrence

Deterrence was only inserted into the *Copyright Act* as a specific factor to be taken into account as part of the 2003 amendments. Despite that, the need for deterrence had long been taken into acknowledged (as a 'relevant matter')¹¹⁵ so its specific inclusion was really, at least in part, a codification of the existing case law.¹¹⁶

The need for deterrence has two aspects: the need for specific deterrence to prevent the infringer infringing again¹¹⁷ and the need for general deterrence to deter others from committing similar infringements¹¹⁸ – whether against the plaintiff or against others.¹¹⁹

In relation to the need for specific deterrence, the requirement to consider deterrence can, on occasion, operate to reduce the likelihood of additional damages being awarded, or if they are awarded, to reduce their quantum. For example in *Acohs Pty Ltd v Ucorp Pty Ltd (No 5)* [2013] FCA 1006 at [49] Jessup J refers to deterrence and says:

'I do not think that the need arises to provide for any deterrent, additional to the sobering impact which Acohs' success in this long, expensive and sobering litigation will presumably have had on the respondents. With respect to the possible future use of reproductions of copyright works made in the past, the delivery up order which I propose to make should, of course, obviate the need for any further deterrent. With respect to the possibility of future infringing conduct ... the disposition of the present case will be marked by the making of permanent injunctions binding the respondents not to act in ways that would amount to infringements of Acohs copyright. I have no reason not to assume that the respondents will

¹¹⁵ See, for example, *MJA Scientifics International Pty Ltd v SC Johnson & Sons Pty Ltd* (1999) 43 IPR 275

¹¹⁶ *Bailey v Namol Pty Ltd* (1994) 125 ALR 228 at 239; *Microsoft Corporation v TYN Electronics Pty Ltd (in liq)* [2004] FCR 1307; (2005) 63 IPR 137 says at [47]; *Zero Tolerance Entertainment Inc v Venus Adult Shops Pty Ltd* [2007] FMCA 155 at [166].

¹¹⁷ See, for example, *Halal Certification Authority Pty Limited v Scadilone Pty Limited* [2014] FCA 614 at [111]

¹¹⁸ *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* [2014] 312 ALR 705 at [39] citing *Lamb v Cotogno* (1987) 164 CLR 1. On the need for both specific and general deterrence see *Henley Arch Pty Ltd v Lucky Homes Pty Ltd* [2016] FCA 1217 at [259] and [262] where Beach J held that while the 'modest amount' awarded was a sufficient specific deterrent, he thought that awarding less would not be sufficient general deterrence. See also *Deckers Outdoor Corporation Inc v Farley (No 5)* [2009] FCA 1298 at [139]

¹¹⁹ *Microsoft Corporation v Ezy Loans Pty Ltd* (2004) 63 IPR 54; [2004] FCA 1135 at [95] per Stone J: 'It is important to more than the applicants that copyright infringers are not encouraged to think that by ignoring court proceedings they can escape the consequences of calculated infringement of the rights of others in the pursuit of profits'

comply with those injunctions, and, to the extent that there may be a risk of non-compliance, I cannot see that the awarding of additional damages at this stage would effectively add to the likelihood of that occurring’.

Deterrence can also reduce the likelihood of additional damages being awarded as a general deterrent. For example, in *Luxottica Retail Australia v Grant* [2009] NSWSC 126; (2009) 81 IPR 2643 White J noted at [43], in relation to a submission to the effect that additional damages were warranted to prevent other employees from committing similar infringements:

‘... the very institution of the proceedings with the attendant costs, time and anxiety that such proceedings must entail, together with orders for the delivery up of the documents, would itself in all probability have a deterrent effect in respect of any other employees of the plaintiff who might be minded to copy the plaintiff’s documents other than for the purposes of their employment. Nonetheless, I accept that an award of additional damages is likely to enhance that deterrent effect. This is **one factor** to go in the scales in assessing whether it is proper to order additional damages’ (emphasis added).¹²⁰

3. The conduct of the defendant after the act constituting the infringement or, if relevant, after the defendant was informed that there had been an alleged infringement

Like the insertion into the legislation of ‘deterrence’ as a factor to be considered when determining whether it was ‘proper’ to award additional damages, the insertion to the defendant’s post-infringement conduct as a consideration was seen as largely declaratory of what courts had already been doing in the cases they had decided.

However, it has been held that the conduct that was taken into account in the earlier cases was ‘conduct which was relevant to the substantive allegations made against the respondent’¹²¹ – such as continuing infringements¹²² (particularly if they were accompanied with a ‘defiant attitude’¹²³), deliberately avoiding service,¹²⁴ filing a false defence,¹²⁵ and refusing to obey orders for, inter alia, discovery.¹²⁶ It did not include ‘conduct of the defence insofar as it relates to procedural matters and matters whereby the applicants are put to the proof of their case, albeit unreasonably.’¹²⁷

Positive actions, such as early co-operation (including not defending the action), ceasing the infringing conduct and expressing regret¹²⁸ (so long as it was genuine and timely¹²⁹) can also be considered and can negate or limit any award of additional damages.

¹²⁰ For a contrary result on different facts see *Fortuity Pty Ltd v Barcza* (1995) 32 IPR 517 at 533

¹²¹ *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [45]

¹²² *Milpurruru v Indofurn Pty Ltd* (1994) 54 FCR 240; 130 ALR 659; *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* [2009] FCA 633at [36]; *Facton Ltd v Rifai Fashions Pty Ltd* (2012) FCR 569; [2012] FCAFC 9 at [107]

¹²³ *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [10]-[17] - particularly [17].

¹²⁴ *SBO Pictures Inc v KAOS Shop Pty Ltd* [2006] FMCA 82

¹²⁵ *Microsoft Corporation v Goodview Electronics Pty Ltd* (2000) 49 IPR 578

¹²⁶ *Microsoft Corporation v Ezy Loans Pty Ltd* (2004) 63 IPR 54; [2004] FCA 1135 at [95]. See also, for example, *Eagle Rock Entertainment Ltd v Caisley* [2005] FCA 1238 at [5], *Review Australia Pty Ltd v New Cover Group Pty Ltd* [2008] FCA 1589; (2008) 79 IPR 236 and *Deckers Outdoor Corporation Inc v Farley (No 5)* [2009] FCA 1298 at [102]-[113]

¹²⁷ *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [45]. It was considered ‘that these are matters more appropriately dealt with by an appropriate order for costs’.

¹²⁸ *Universal Music Australia Pty Ltd v Miyamoto* [2004] FCA 982 at [21]

¹²⁹ *Milpurruru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 279; 130 ALR 659 at 694; *Facton Ltd v Rifai Fashions Pty Ltd* (2012) FCR 569; [2012] FCAFC 9 at [107]

In relation to conduct of the proceedings the vast majority of the cases have followed Goldberg J's view in *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [45] that defendants are entitled to put the plaintiff to proof and, otherwise, to conduct their defence as they see fit – within accepted procedures and provided it is not 'wilfully contemptuous'¹³⁰ - and that, accordingly, that conduct is not to be considered when determining whether it is 'proper' to award additional damages. Instead, that behavior can be taken into account in the determination of an appropriate order for costs.¹³¹

4. Whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form

This consideration is really non-contentious. It was inserted into the *Copyright Act 1968* (Cth) in 2000 (by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth)), specifically to allow courts to take into account situations where the infringement included the conversion of a work from hardcopy or analog form to digital (or other electronic machine-readable) form. It only applies to infringements of copyright and, to date, seems to have been a consideration in only one reported case - *Sullivan v FNH Investments Pty Ltd t/as Palm Bay Hideaway* (2003) 57 IPR 63; [2003] FCA 323 at [98] (confirmed in *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [23]), where the defendants were found liable for additional damages, at least in part because their infringement had included converting the plaintiffs photos (which they had ordered but for which they had refused to pay) from hardcopy to digital format for use in their brochures and online advertising.

5. Any benefit shown to have accrued to the defendant by reason of the infringement

At the outset it needs to be noted that 'benefit to the defendant' in this context can only be used to determine whether the court should be 'satisfied that it is proper' to award additional damages. It is not however an appropriate determinant of the appropriate measure of compensatory damages. This is for two reasons:

- a. First, compensatory damages are, as has already been seen, designed to put the plaintiff in the position in which he or she would have been but for the infringement (the standard tortious measure of quantum). Therefore, as Gowans J said in *Prior v Lansdowne Press Pty Ltd* [1977] VR 65 at 70; (1975) 29 FLR 59 at 65; (1975) 12 ALR 59 at 70: 'It is however, the damage to the copyright in the hands of the plaintiff and not the benefit to the defendant that is the critical test; and
- b. Secondly, divesting a defendant of the benefit obtained through the infringement is, in effect, to award an account of profits and, as already seen, compensatory damages and an account are inconsistent remedies – so a plaintiff cannot, through the mechanism of additional damages, receive what would otherwise be inconsistent remedies.¹³²

¹³⁰ *Milpurrruru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 281; 130 ALR 659 at 696 per von Doussa J. See also *Truong Giang Corporation v Quach* [2015] FCA 1097 at [138] per Wigney J: '... post-infringement conduct ... is more relevant to the appropriate order as to costs. That said, it is difficult to see why some aspects of the conduct by a respondent, in defence of infringement proceedings, might not be relevant to the award of additional damages Conduct of the proceedings which involved high-handedness, dishonesty, recalcitrance, or flagrant disregard or, or deficiencies in compliance with, discovery orders or notices to produce might, at the very least, suggest a greater need for an award of additional damages that would deter future infringing conduct by the respondent'.

¹³¹ See, for example, *Milpurrruru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 281; 130 ALR 659 at 696J; *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [40]; *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd (No 2)* (2008) 76 IPR 763 at [17]; *Facton Ltd v Rifai fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [109] and [113]; *Henley Arch Pty Ltd v Lucky Homes Pty Ltd* [2016] FCA 1217 at [248]

¹³² See, for example, *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [31]

In the context of determining whether it is proper to award additional damages because the defendant has obtained some benefit the courts have developed a number of principles:

1. Of basic importance was Lockhart J's finding in *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565 at 576: that 'benefit', in the context of the section is not limited to pecuniary benefit; any form of benefit can be considered and it can even accrue in situations where there is no clearly discernible tangible financial benefit.¹³³

Therefore, in *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472, where the defendant had imported and distributed pirate copies of the plaintiff's AutoCAD computer programs free of charge to customers who purchased computers from him, Wilcox J awarded additional damages on the basis that (at 478): 'These actions conferred upon him a *commercial advantage vis-à-vis his competitors*. He was able to offer his customers, free of charge, valuable computer programs'.

The same can be seen in *Columbia Pictures Industries Inc and Tri-Star Pictures Inc v Luckins* (1996) 34 IPR 504; [1996] FCA 1606 at [45] where Tamberlin J found the benefit to be the 'significant advantage over his competitors, including the applicants' that the defendant obtained by importing infringing copies of movie, 'by reason of the contemporaneity of the distribution by him of films in NTSC format, with those being shown for the first time in cinemas in Australia'.

In *Sullivan v FNH Investments Pty Ltd t/as Palm Bay Hideaway* (2003) 57 IPR 63; [2003] FCA 323 at [97] (confirmed in *FNH Investments Pty Ltd v Sullivan* [2003] FCAFC 246 at [23]) the benefit was the likelihood that the defendant would 'have attracted custom by publishing the [infringing] photos in its brochure and in high quality travel magazines and their corresponding websites'.

In *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [102] Collier J found that the defendant 'having the applicants' source code available as a reference point at a time when he was employed by [his new employer] is a tangible benefit'.

2. As with all of the other matters to which the courts can have regard, 'benefit', by itself, can be sufficient to ground a claim for additional damages.¹³⁴
3. Although additional damages may be awarded where it can be established that a defendant obtained a benefit as a result of the infringement, the purpose of additional damages is not simply to strip the defendant of any pecuniary benefit. The real purpose of additional damages is punishment.¹³⁵ Accordingly, a finding of benefit may be used to justify awarding additional damages but the quantum of those damages need have no direct relationship with the amount of that benefit.¹³⁶ Quantum is determined by looking not only at the question of benefit but at all of the other factors to which courts are to have regard,¹³⁷ especially, in many cases, the need for an appropriate deterrent.¹³⁸

¹³³ *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd (No 3)* [2014] 312 ALR 705 at [48]

¹³⁴ *Acohs Pty Ltd v Ucorp Pty Ltd (No 5)* [2013] FCA 1006 at [52] per Jessup J

¹³⁵ *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [40]

¹³⁶ An outcome which is entirely in keeping with the courts unfettered discretion to award additional damages and the fact that they are 'at large'.

¹³⁷ *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569; [2012] FCAFC 9 at [41]

¹³⁸ See, for example, *Halal Certification Authority Pty Limited v Scadilone Pty Limited* [2014] FCA 614 at [111]

4. There is no requirement, before benefit can be taken into account that it be quantifiable. As was said in *Spotless Group Limited v Blanco Catering Pty Ltd* [2011] FCA 979 at [138]: ‘As regards the consideration of “any benefit” shown to have been accrued to the defendant for the purposes of assessing additional damages, it does not import any particular quantitative or qualitative requirement. Even though there is no precise evidence as to the profits or income derived by the defendant as a result of their infringing conduct, courts will readily assume that their activities are profitable and that the use of the plaintiff’s copyright material was not unimportant to its success.’¹³⁹

6. All other relevant matters;

As Goldberg J said in *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [32]: ‘... I do not have to make findings as to the existence of “all other relevant matters” but rather I am to have regard to them in determining whether I am satisfied that it is proper to award additional damages’.

In *Polygram Pty Ltd v Golden Editions Pty Ltd* (1997) 76 FCR 565, Lockhart J said (at 576): ‘Some guidance about the matters which may be taken into account as “other relevant matters” under s 115(4) may be those which are considered in a common law action for exemplary damages: see *XL Petroleum (NSW) Pty Ltd v Caltex Oil (Australia) Pty Ltd* (1985) 155 CLR 448 per Gibbs CJ (at 461) and Brennan J (at 472)’.

Using that guidance matters that have been taken into consideration under this head have included cultural considerations,¹⁴⁰ attempts by the defendants to obtain permission or a licence,¹⁴¹ the difficult confronting the owners of intellectual property in protecting their rights,¹⁴² the anxiety that might accompany the realization that their intellectual property had been compromised,¹⁴³ the cooperation (or otherwise) of the defendant in the action,¹⁴⁴ previous involvement by the defendant in intellectual property infringements,¹⁴⁵ the defendant’s knowledge that the conduct in question was an infringement¹⁴⁶ (or otherwise),¹⁴⁷ the duration of the infringement (especially if it was known to be an infringement and was one that could have been cured by obtaining a readily available licence)¹⁴⁸, the improbability that the identified breaches were the only infringements by the defendant¹⁴⁹ and any acquiescence by the plaintiff in the infringing behavior.¹⁵⁰

¹³⁹ *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472 (at 478) per Wilcox J

¹⁴⁰ *Milpurruru v Indofurn Pty Ltd* (1994) 54 FCR 240 at 279; 130 ALR 659 at 695

¹⁴¹ *ibid*

¹⁴² *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472 at 479 per Wilcox J

¹⁴³ *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 at [103] per Collier J

¹⁴⁴ *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472 at 479 per Wilcox J and *Flags 2000 Pty Ltd v Smith* [2003] FCA 1067 at [40]

¹⁴⁵ *Microsoft Corporation v PC Club Australia Pty Ltd* (2005) 148 FCR 262

¹⁴⁶ *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd (No 2)* [2008] FCA 746; (2008) IPR 763 at [20] per Bersanko J

¹⁴⁷ *Luxottica Retail Australia v Grant* [2009] NSWSC 126; (2009) 81 IPR 26 at [42] per White J and *Review 2 Pty Ltd (in liq) v Redberry Enterprise Pty Ltd* (2008) 173 FCR 450 at [84] per Kenny J

¹⁴⁸ *Australasian Performing Right Association Limited v Riceboy Pty Limited* [2011] FMCA at [29]: ‘Here the conduct was flagrant and sustained over four years. ... The respondents could have taken a licence at any time, but chose not to and they have ignored APRA, its members and the processes of this Court’.

¹⁴⁹ *Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472 at 479 per Wilcox J and *Halal Certification Authority Pty Limited v Scadilone Pty Limited* [2014] FCA 614 at [107] per Perram J

¹⁵⁰ *Fraser side Holdings v Venus Adult Shops* (2005) 222 ALR 388 at [58]

Conclusion

While the common law does make provision for aggravated and exemplary damages as a form of 'punishment' for the miscreant the instances in which those remedies are awarded are limited.

The provision of 'additional damages' in the intellectual property statutes involve a much less constrained remedy and one which the courts have been willing to deploy to demonstrate their disapproval of the infringing behaviour, to punish it and to act as a deterrent to similar behaviour by either the infringer or others who might otherwise be tempted to infringe.