

DAMAGES/MONETARY REMEDIES FOR TRADE MARK INFRINGEMENT

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Resumen: En relación con la innovación, una cuestión a debate es en qué medida el Derecho de marcas contribuye a la innovación. En este contexto, la protección del carácter distintivo de la marca resulta de gran importancia para su titular y otros sujetos (consumidores, licenciatarios, competidores leales), considerando, además, que cuando se vulnera el derecho de marca, personas distintas del titular pueden sufrir perjuicios. El presente artículo se centra en el mecanismo especial del Derecho de marcas, según el cual el titular de la marca registrada puede reclamar, por cuenta de las personas facultadas para utilizar la marca, la reparación del daño que éstas hayan sufrido por el uso no autorizado de la marca.

Palabras clave: Innovación, Derecho de marcas, Reclamación, Reparación de daños, Acción colectiva.

Abstract: Related within innovation, a question which arises is how trade marks and their protection may assist innovation. In this context, protecting the distinctive character of a trade mark is important to the trade mark proprietor and other actors (consumers, licensees, honest competitors). When a trade mark is infringed, persons other than the registered proprietor may suffer detriment. The paper focuses on a mechanism special to trade mark law, whereby the registered proprietor of a trade mark may recover damages on behalf of licensees who are not parties to the infringement action.

Keywords: Innovation, Trade marks, Damages, Monetary remedies, Trade mark infringement, Class actions.

Sumario: I. Introduction: trade marks and innovation. II. A small mystery in the mechanisms for recovering money from trade mark infringers. III. What kinds of proprietor would find these provisions useful?. IV. Has s30(6) of the UK Trade Marks Act or Art 70(2) of the Community Trade Mark Regulation been applied in UK infringement actions?. V. Possible reasons why not. VI. Relationship between forms of trade mark infringement and money remedies. VII. Multiple parties and representative actions. VIII. Are there any signs of the English courts becoming less hostile to representative actions?. IX. Conclusion

I. INTRODUCTION: TRADE MARKS AND INNOVATION

When thinking of the encouragement and protection of innovation and technology transfer, patents and know-how come immediately to mind. Are trade marks also important in the processes of innovation? Grandstrand has argued that trade marks (and designs) assist with marketing efforts and hence buyer diffusion of new technology¹. Melanie Johnson MP, UK Minister for Competition, Consumers and Markets in 2001, stressed that “brands encourage competition and competition drives innovation”.² Certainly, the ability to distinguish the goods or services of one undertaking from another is the essence of a legally protectable trade mark³ and also vital for the competitive process. However, it may be argued that trade marks, being tools of communication⁴, are important at all stages of the innovation cycle. Rosler asserts⁵ that

“The fact that trade marks receive legal recognition, especially through registration, is of fundamental importance for innovation as

¹ GRANDSTRAND, Ove (1999) *The Economics and Management of Intellectual Property: Towards Intellectual Capitalism*, Cheltenham, Edward Elgar, p. 69

² JOHNSON, Melanie (2001) “Brands and the Innovation Imperative”, keynote address, The Brands Conference, London Tuesday, October 30, 2001. Text available at <http://www.berr.gov.uk/ministers/archived/MJohnson301001b.html>. (visited 2 June 2008)

³ Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks, Article 2 “A trade mark may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, *provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.*”; Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, Art 4 to similar effect.

⁴ BENTLY, Lionel, (2008) “From communication to thing: historical aspects of the conceptualization of trade marks” Ch 1 in DINWOODIE, Graeme B, and JANIS, Mark D (2008) *Trademark Law and Theory: A Handbook of Contemporary Research* (Cheltenham, Edward Elgar)

⁵ ROSLER, Hannes, (2007) “The rationale for European trade mark protection”, *European Intellectual Property Review* p. 100.

well as for the launch and marketing of products... It means that costs for communicating an image epitomising the product are not in vain and can directly benefit the brand owner.”

How may trade marks and their protection assist the various stages of innovation? Let us assume, following Grandstrand⁶, that a cycle of innovation involves the following stages

- Idea phase
- Research and development
- Commercialisation
- Growth
- Maturity
- Saturation
- Decline
- Second product generation

As regards the idea phase, Grandstrand remarks that ideas often come from product users⁷. Here the mark denoting an earlier product of a particular trader may be used by users/consumers to communicate suggestions for improvement to a manufacturer or distributor. During research and development, a name may identify a project and persuade a venture capitalist to invest. In the commercialisation phase, the roles of a trade marks are many – educating the public as to the availability of a new product from a particular source, assisting licensed distributors to enter a market by reference to the public’s awareness of a mark, facilitating storage by wholesalers, promotion by retailers, and so forth. During a product’s mature phase, goodwill built up under the trade mark may be used for ‘brand extension’ – establishing other goods or services

⁶ GRANDSTRAND, Ove (1999) *The Economics and Management of Intellectual Property: Towards Intellectual Capitalism*, Cheltenham, Edward Elgar. The innovation cycle may be characterised in other ways. For example, CHARLES, David and BENNEWORTH, Paul state that the basic process which innovating firms attempt to master is: “Innovative concept generation → project scoping and definition → product design and development → product launch and review.” (2001) Regional Centre for Electronics Technologies, Electronics Applications Investigation at p. 17 (report on file with the author).

The chain-link model of innovation proposed in Kline S.J. and N. Rosenberg (1986), “An Overview of Innovation”, in R. Landau and N. Rosenberg (eds). *The Positive Sum Strategy. Harnessing Technology for Economic Growth*, National Academic Press, Washington, DC, p. 289 allows for feedback loops. It is submitted that using a distinguishing sign to denote a product or project will enhance the communication between phases of the innovation cycle regardless of the precise nature of the process.

⁷ At 69, citing VON HIPPEL (1976) “The dominant role of users in the scientific instrument innovation process” *Research Policy* 5(3) pags 212-219; VON HIPPEL (1988) *The Sources of Innovation* New York, Oxford University Press.

under the same mark, thus easing market entry for new products, or ‘co-branding’⁸ and other processes. When the market is saturated, the goodwill of the innovator’s trade mark may help in retention of market share. Lastly, premature decline may be forestalled by using trade mark law to restrain inferior products of competitors being passed off as those of the trade mark owner. The variable duration of product life cycles does not create a problem for trade mark protection – as long as a mark remains valid and in use, and renewal fees are paid, it stays protected.

The notion that trade marks may be important throughout the innovation cycle is reinforced by the observation of Charles and Benneworth⁹ that firms who are experienced in innovation communicate effectively during the process, not only within the firm but also with external firms and bodies such as suppliers, clients, end users, national and international partners and regulatory bodies. One may infer that this process is assisted by using a distinctive sign to denote a product or project.

It becomes clear that protecting the distinctive character of a trade mark is not only important to the trade mark proprietor, but to many other actors, including consumers, licensees and honest competitors¹⁰. When a trade mark is infringed, persons other than the registered proprietor may suffer detriment. This is recognized in the provisions of trade mark laws for the bringing of infringement suits by licensees.

It is also recognized in the subject of this paper - a mechanism special to trade mark law, whereby the registered proprietor of a trade mark may recover damages on behalf of licensees who are not parties to the infringement action. There is no explicit mechanism for compensating disappointed consumers¹¹, but the costs of mitigating damage, for example by advertisements or *ex gratia* payments to complaining customers, may be recovered by legitimate users of the mark.

However, there is a small mystery – why is this important-seeming provision so little used? There seems to be no reported case from the UK and one from Spain, discussed below.

⁸ BLACKETT, Tom and BOAD, Bob (1999) *Co-Branding: The Science of Alliance*, London, Basingstoke, Palgrave MacMillan.

⁹ CHARLES, David and BENNEWORTH, Paul (2001) Regional Centre for Electronics Technologies, Electronics Applications Investigation (report on file with the author) at p. 23.

¹⁰ For further analysis of the persons interested in trade mark protection, see FIRTH, Alison, LEA, Gary and CORNFORD, Peter (2005) *Trade marks: law and practice*. Bristol: Jordans, ch. 1.

¹¹ BELSON Jeffrey *Certification marks, guarantees and trust* [2002] EIPR 340 explores possible remedies under non-trade-mark legislation in the context of certification marks.

II. A SMALL MYSTERY IN THE MECHANISMS FOR RECOVERING MONEY FROM TRADE MARK INFRINGERS A. UK JURIDICAL CONTEXT

First some legal geography: the United Kingdom of Great Britain and Northern Ireland¹² is composed of three legal jurisdictions. England & Wales is common law – there is extensively reported case law, which acts as a source of interpretation but also as a source of law, by virtue of the doctrine of precedent. Northern Ireland is also a common law jurisdiction, similar to England & Wales. However, the body of decided cases is relatively small. Scotland is a mixed jurisdiction - civil law and common law both. The Trade Marks Act 1994 implemented directive 89/104/EEC and applies UK-wide; thus, Scottish decisions will in practice be applied by courts in the other jurisdictions, and so on. There is also protection for trade marks under the common law action for ‘passing off’ action¹³, which is recognized equally in all three jurisdictions. This paper concentrates primarily on England & Wales.

b. Trade Marks Act 1994 (UK)

Section 30 governs the infringement rights of licensees. The first five subsections make clear that non-exclusive licensees¹⁴ may bring proceedings for infringement if the registered proprietor refuses or fails to do so¹⁵. Subsection (6) introduces the really interesting provision:-

¹² For map, see http://www.lib.utexas.edu/maps/europe/united_kingdom_pol87.jpg.

¹³ WADLOW, Christopher, (2005, 3rd edn) *The Law of Passing-Off: Unfair Competition by Misrepresentation* (London, Sweet & Maxwell).

¹⁴ Exclusive licensees may bring infringement proceedings as provided by section 31.

¹⁵ 30(1) This section has effect with respect to the rights of a licensee in relation to infringement of a registered trademark.

The provisions of this section do not apply where or to the extent that, by virtue of section 31(1) below (exclusive licensee having rights and remedies of assignee), the licensee has a right to bring proceedings in his own name.

(2) A licensee is entitled, unless his licence, or any licence through which his interest is derived, provides otherwise, to call on the proprietor of the registered trade mark to take infringement proceedings in respect of any matter which affects his interests.

(3) If the proprietor-

(a) refuses to do so, or

(b) fails to do so within two months after being called upon,

the licensee may bring the proceedings in his own name as if he were the proprietor.

(4) Where infringement proceedings are brought by a licensee by virtue of this section, the licensee may not, without the leave of the court, proceed with the action unless the proprietor is either joined as a plaintiff or added as a defendant.

This does not affect the granting of interlocutory relief on an application by a licensee alone.

(5) A proprietor who is added as a defendant as mentioned in subsection (4) shall not be made liable for any costs in the action unless he takes part in the proceedings.

(6) In infringement proceedings brought by the proprietor¹⁶ of a registered trade mark any loss suffered or likely to be suffered by licensees shall be taken into account; and the court may give such directions as it thinks fit as to the extent to which the plaintiff is to hold the proceeds of any pecuniary remedy on behalf of licensees.

Thus, a trade mark proprietor who is claimant¹⁷ in infringement proceedings may be awarded damages on behalf of licensees, with directions from the Court on how to distribute the money. Section 30(6) requires the court to take licensees' loss into account and empowers the court to give directions without any request from the claimant. The strong mandatory language of subsection 30(6) suggests that it should be routinely applied.

The phrase 'pecuniary remedy' demonstrates that this mechanism also applies to the account of profits, an alternative¹⁸ monetary remedy which seeks to reverse the infringer's profits generated through wrongdoing rather than compensate the claimant for loss. The notion that the licensee's loss should be compensated by a share in the account of profits seems anomalous, but the licensee's standing to gain should not depend upon whether the claimant elects for damages or an account of profits.

Lastly, similar provisions also apply to the infringement of collective marks¹⁹ (denoting the goods or services of a member of the proprietor association) and certification marks²⁰ (denoting goods or services whose qualities have been certified by the proprietor of the mark).

c. The context of the Community Trade Mark Regulation

The Community Trade Mark Regulation²¹ permits licensees to participate in infringement proceedings and has a provision somewhat simi-

¹⁶ Section 30(7) ensures that this also applies when proceedings are brought by an exclusive licensee.

¹⁷ use of the phrase 'Plaintiff' in the English courts is discouraged these days.

¹⁸ The courts have treated damages and account of profits as alternative, but see Stephen Watterson (2004) *An account for profits or damages? The history of orthodoxy* [2004] Oxford Journal of Legal Studies 471.

¹⁹ Para 12(6) of Sched 1 to the Trade Marks Act 1994. For an interesting summary of the functioning of the 'Green Dot' collective mark in Germany, see *Der Grüne Punkt—Duales System Deutschland GmbH v Commission of the European Communities (No.2)* [2007] 5 C.M.L.R. 5 at para [179]. Japan has introduced a collective mark system to protect geographical indications: TESSENSOHN, John and YAMAMOTO, Shusaku *Japan: trade marks - Japan's new regional collective trade mark system will protect famous goods and services from regional communities* [2006] EIPR N145.

²⁰ Para 14 of Sched 2 to the Trade Marks Act 1994. For discussion of this type of mark, see DAWSON, Norma (1988) *Certification Trade Marks Law and Practice*; ROZAS, R and JOHNSTON, H *Impact of Certification Marks on Innovation and the Global Market-Place* [1997] EIPR 598; BELSON Jeffrey *Certification marks, guarantees and trust* [2002] EIPR 340

²¹ Reglamento (CE) n° 40/94 del Consejo, de 20 de diciembre de 1993, sobre la marca comunitaria.

lar in effect to Subsection 30(6) for Community collective marks. These can be seen in the Spanish language text as follows [emphasis added].

Artículo 22 Licencia

...

(4) En el proceso por violación entablado por el *titular* de la marca comunitaria *podrá intervenir cualquier licenciataria* a fin de obtener reparación del perjuicio que se le haya causado.

Artículo 70

Ejercicio de la acción por violación de marca

...

(2) El *titular* de una marca comunitaria colectiva podrá *reclamar*, en *nombre* de las personas facultadas para utilizar la marca, la reparación del daño que éstas hayan sufrido por el uso no autorizado de la marca.

The wording of Art 70(2)²² suggests that an express claim by the proprietor is required for licensee compensation. It also seems to benefit a potentially wider class of trade mark user. Arguably ‘persons who have authority’ goes beyond ‘licensees’. However, too wide an interpretation of this provision would lead to undue uncertainty in its application.

d. Ley de marcas (Spain)

Article 76(2) of Trademark Law No. 17/2001 of 7 December²³ applies to both collective and certification (guarantee) marks:

El titular de una marca colectiva o de garantía podrá reclamar, por cuenta de las personas facultadas para utilizar la marca, la reparación del daño que éstas hayan sufrido por el uso no autorizado de la marca.

Article 76 has been considered by the Court of Appeal of Granada²⁴. The proprietor of collective mark “Anís Chinchón” brought an action

²² In the English language:

“2. The proprietor of a Community collective mark shall be entitled to claim compensation on behalf of persons who have authority to use the mark where they have sustained damage in consequence of unauthorized use of the mark.”

²³ Art 76(2) may be rendered into English as follows:

(2) The owner of a collective or guarantee mark shall be entitled to claim, on account of persons who have authority to use the mark, compensated for the damage they have suffered through the unauthorized use of the mark.

²⁴ *Asociación de Empresas Acogidas a la Denominación Geográfica Chinchón v Promeks Industrial, SA* Audiencia Provincial de Granada (Sección 3ª) Sentencia núm. 34/2006, 20 January 2006 (appeal dismissed, with costs). Warm thanks for information on this case and on Art 76(2) to Prof Dr PÉREZ TROYA, Adoración, Dr GONZÁLEZ LÓPEZ, Inmaculada and Prof Dr RIBAS FERRER, Vicenç.

against the owner of a trade mark “Señorío de Chinchón”, which could be confusing in when used in relation to “anís” (a typical Spanish alcoholic drink; anís from Chinchon is considered particularly delicious). The plaintiff asked for a monetary remedy (7.296,12 Euros) on behalf of the users of the collective trademark²⁵. The infringer alleged that the plaintiff lacked standing to bring the claim. But the first instance court and the Court of Appeal of Granada both concluded that the plaintiff had “plena legitimación de la actora para solicitar en interés de los usuarios de la marca colectiva la indemnización que estos no podrán obtener de otra forma” (full legitimation of the plaintiff to ask in the interest of the users of the collective trademark the monetary remedy that they can’t obtain otherwise). It is submitted that this case clearly demonstrates the usefulness of the remedy.

III. WHAT KINDS OF PROPRIETOR WOULD FIND THESE PROVISIONS USEFUL?

In relation to ordinary trade marks, an offshore holding company or an asset-holding company within a group would be able to sue as proprietor and recover compensation for profits lost to licensees, even though the holding does not carry on business under the mark which could be directly damaged by the infringer’s activities.²⁶ In England and the UK generally, the courts are quite strict as to the allocation of loss between the different legal persons. In *Gerber v Lectra*²⁷ (a patent case) Jacob J (as he then was) held that he was prepared to accept that every pound lost to a subsidiary was a pound lost to the parent company. However, this was overturned on appeal: the parent company was a separate entity; it might suffer loss in value of its shares in the subsidiary, but would have to prove this in order to recover damages.²⁸

An active licensor such as a franchisor should certainly consider a claim for damages on behalf of licensees. Equally, an exclusive licensee

²⁵ As well as declarations, a injunction to restrain further use by the defendant, withdrawal of marked bottles from circulation, destruction of printed labels bearing the ‘Señorío de Chinchón’ mark and publication of the relevant part of the decision at the defendant’s cost in Granada “El Ideal” newspaper and the national paper “El País”.

²⁶ Of course the holding company might be able to show direct damage in the form of lost royalties, but these would tend to be less than the damage to business caused by the infringement.

²⁷ *Gerber Garment Technology Inc v Lectra Systems Ltd* [1995] RPC 383 Chancery Division (Patents Court).

²⁸ *Gerber Garment Technology Inc v Lectra Systems Ltd* [1997] RPC 443 Court of Appeal (Civil Division) at pp 479, 482.

with power to sublicense is in the position equivalent to that of a trade mark owner and should be able to benefit from the provision.

Probably the mechanism would be most useful to the proprietor of a collective or certification mark: it is interesting that the Community Trade Mark Regulation provides for the proprietor of a collective mark to claim damages on behalf of a licensee, whereas in the case of the licensee of an 'ordinary' Community trade mark there is merely the right to participate. Further, the *Anis Chinchon* case in Spain²⁹ concerns exactly this type of mark.

IV. HAS §30(6) OF THE UK TRADE MARKS ACT OR ART 70(2) OF THE COMMUNITY TRADE MARK REGULATION BEEN APPLIED IN UK INFRINGEMENT ACTIONS?

In contrast to Spain, a search of legal databases³⁰, shows no instance where these apparently valuable provisions have been used in the UK. Why might this be so?

V. POSSIBLE REASONS WHY NOT

- a. Trade mark proprietors leave it to licensees to bring proceedings.

That may be true in some cases. Section 30 allows non-exclusive licensees to bring proceedings, if the proprietor consents or fails to do so after a request from the licensee. This is more generous than the situation for most IP rights in the UK. An example of a licence agreement demonstrating use of these provisions may be found in the case of *Leofelis SA v Lonsdale Sports Ltd*³¹, Clauses in the licence agreement stated

"7.1 If the Licensee learns of any infringement or threatened infringement of the Trade Marks or of any action detrimental to the Trade Marks or of any third party allegation that the Trade Marks are liable to cause deception or confusion to the public the Licensee shall forthwith and without delay notify the Licensor giving full particulars of such circumstances

²⁹ See above, at n00. As will be seen, this appears to be the only case in Spain or the UK to date

³⁰ Including <http://www.bailii.org/>, which is a comprehensive and open access resource.

³¹ [2007] EWHC 451 (Ch), i.e. High Court of England & Wales, Chancery Division (first instance); [2008] EWCA 640 [2008] ETMR 63 – appeal allowed in part by the Court of Appeal, Civil Division. The disputes in this case were contract-related: Leofelis alleged that Lonsdale had misrepresented the position as regards exclusivity, given that third party had rights to use the mark, whilst Lonsdale alleged that Leofelis had engaged in unauthorized sales and sub-licensing.

and the Licensee shall make no comment or admission to any third party in respect of such circumstances.

7.2 The licensee shall, subject to clause 7.3 below, after consultation with the Licensor in its own name and at its own cost take such action and do all such things (including litigation, arbitration or compromise) as the Licensor may deem necessary in respect of any infringement or alleged infringement of the Trade Marks or passing off or any other claim or counterclaim brought or threatened ("Disputes") in respect of the use of the Trade Marks, save only in respect of any claims made by third parties relating to the Licensor's ownership of or title to the Trade Marks,. In resolving any Disputes the Licensee shall keep the Licensor fully informed of the actions taken in respect of such Disputes. ...

7.4 In any action brought by the Licensee for infringement under [section 30 of the Trade Marks Act 1994](#) the Licensee shall have the conduct of all proceedings relating to the Trade Marks.'

b. Licensees who suffer damage are usually active litigants for evidential purposes

Infringement cases often do involve licensees, but it is difficult to test this assertion directly. This situation is further complicated by the fact that passing-off claims are often added to claims for infringement of registered trade marks; damage to reputation or goodwill must be proved in passing off, thus increasing the need to join the licensee as a claimant.

An indirect test would be to consider the relationship between forms of TM infringement and available money remedies (see below).

c. Damages are usually calculated at a separate inquiry after the court has made a finding of infringement.

This is true, and reports of such enquiries are rare. However, one would expect s30(6) to be pleaded in the main action and mentioned by the judge, since it involves a type of representative claim.

d. The English courts dislike representative actions

This is certainly true. The UK Intellectual Property Office³² and the Ministry of Justice have been consulting on this. The Civil Procedure Rules for England and Wales provide for representative actions by one party on behalf of other parties with the same interest³³. However, the 'same interest' requirement has been rather strictly interpreted. In *Market & Co v Knight Steamship*³⁴, a group of shippers having cargo upon the same ship were held not to have the 'same interest'. Over the years, this strictness was somewhat modified into a requirement of a 'common ingredient'³⁵, so that the Courts have been prepared to contemplate that a record company might sue for an injunction on behalf of itself and other copyright holders, most recently against an on-line trader in the *Independiente* case³⁶.

To date the legislator has relaxed the current strict regime only where necessary under EC law - the 'targeted' approach described by Fry³⁷. For example, The Injunctions directive 98/27/EC has been implemented by Stop Now Orders (E.C. Directive) Regulations 2001 SI No. 1422, including misleading advertising and unfair commercial practices (Office of Fair Trading).³⁸

The question of representative or class actions is considered further below.

VI. RELATIONSHIP BETWEEN FORMS OF TRADE MARK INFRINGEMENT AND MONEY REMEDIES

In order to illuminate the question of interest and damage, we shall now consider the relationship between different types of trade mark infringement and money remedies available. Section 14(2) of the UK Trade Marks Act 1994 states

³² <http://www.ipo.gov.uk/press-release-20060926.htm>

³³ CPR Part 19, rule 19.6; http://www.justice.gov.uk/civil/procrules_fin/contents/parts/part19.htm#rule19_6 (last visited 19 September 2008).

³⁴ [1910] 2KB 1021 CA, citing the even earlier House of Lords case *Duke of Bedford v Ellis* [1901] AC1 HL.

³⁵ *Prudential Assurance Co Ltd v Newman Industries Ltd* [1981] Ch 229, discussed by MULHERON, Rachel *From Representative Rule to Class Action* [2005] CJQ 424.

³⁶ *Independiente Ltd v. Music Trading On-Line (HK) Ltd* [2003] EWHC 470 (Ch).

³⁷ FRY, Robin (2002) *Copyright infringement and collective enforcement* [2002] E.I.P.R. 516.

³⁸ HODGES Christopher (2007) *Europeanization of civil justice: trends and issues* [2007] C.J.Q. 96.

“In an action for infringement all such relief by way of damages, injunctions, accounts or otherwise is available to him as is available in respect of the infringement of any other property right.”

Although this applies generally, it is submitted that certain forms of money remedy are particularly suited to certain forms of infringement. This may best be illustrated in the form of a table:

Form of infringement	Injury	Remedy
Exact imitation/confusion	Diversion of sales	Profits the claimant would have made on lost sales (i.e. licensee trading company)
	Loss of licensing opportunity?	Notional royalties (licensor)
Unfair advantage	Unjust enrichment of defendant rather than loss to claimant	Account of profits (defendant's) – should be restored to proprietor/licensees?
Detriment to distinctive character or repute	Loss in value of mark	Compensate proprietor for depreciation in value (difficult to quantify)

As indicated above, cases of infringement under the 1994 Act are frequently tried in two stages. First, liability for infringement is assessed. If the defendant is found liable, then an order is made for money remedies to be assessed at a subsequent hearing. Very often the parties reach a compromise, so it is rare for the court to decide disputed ‘quantum’. All the remedies listed in the table are available in trade mark proceedings, but we need to look to intellectual property cases generally to find examples.

The general principles of intellectual property damages were set forth in the patents case of *General Tire v Firestone Tyre*³⁹. Here the House of Lords recognized the two main forms of damages listed in the table – profits lost by the claimant and reasonable royalty. These are both contemplated by the Enforcement Directive⁴⁰. Another kind of money re-

³⁹ [1975] RPC 203.

⁴⁰ European Parliament and of the Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights.

medy is the account of profits, illustrated by the patents case of *Celanese v BP*⁴¹

However, A claimant is not awarded both damages and an account, she or he must elect between them and can ask for information to inform that choice: *Island Records v Tring*⁴². The segregation of damages and account of profits was confirmed in a copyright case: *Redrow Homes v Betts*⁴³.

In the UK we face a possible merger of these money remedies, at least for for knowing infringements, under Enforcement Directive and Intellectual Property (Enforcement, etc) Regulations 2006⁴⁴, para 3

(2) When awarding such *damages*—

(a) all appropriate aspects shall be taken into account, including in particular—

(i) the negative economic consequences, including any lost profits, which the claimant has suffered, and *any unfair profits made by the defendant*; and

(ii) elements other than economic factors, including the moral prejudice caused to the claimant by the infringement; or

(b) where appropriate, they may be awarded on the basis of the royalties or fees which would have been due had the defendant obtained a licence.

[emphasis added].

This suggests that the courts may, and should, consider the defendants' gains as well as the claimant's loss in determining the level of compensation. As yet there is no indication as to how this will be applied.

VII. MULTIPLE PARTIES AND REPRESENTATIVE ACTIONS

Maniatis & Kamperman Sanders⁴⁵ have advocated the ready availability of class actions on behalf of consumers in trade mark matters. However, this is not the situation in England at present. Class actions may presently constituted as an administrative way of dealing with mul-

⁴¹ [1999] RPC 2003.

⁴² [1995] FSR 560.

⁴³ [1998] 1 AC 197.

⁴⁴ this instrument transposed the enforcement directive into UK law.

⁴⁵ MANIATIS, Spyros & KAMPERMAN SANDERS, Anselm (1993) *A consumer trade mark: protection based on origin and quality* [1993] 11 EIPR 406.

multiple claims by making a [Group Litigation Order](#) under rule 19.10 of Part 19 of the Civil Procedure Rules. The criterion for such grouping of cases is that they give rise to “common or related issues of fact or law”. This is broader than the ‘same interest’ test for representative actions under CPR Part 19, rule 19.6 but there is no indication that this rather cumbersome procedure has been used in any trade mark case.

Returning to the situation where one claimant sues as representing itself and other claimants in a similar position, there has been some indication from recent copyright cases that the court will give effect to representative claims, at least in special circumstances.

In the *Independiente* case noted above, the dispute was settled by the defendants giving undertakings not to continue their infringing behaviour. The defendants subsequently acted in breach of these undertakings and were held to be in contempt of court. The Court of Appeal ruled that damages for the contempt were recoverable as damages for breach of contract.⁴⁶ The High Court eventually ordered an inquiry into damages for copyright infringements suffered by the claimants and those they represented, not limited to the test purchases on which the contempt application was based.⁴⁷

What if the representative claimant is not one of a number of similarly injured parties, but a trade association claiming to represent the injured parties? The standing of a trade association to sue in passing off was considered by the English Court of Appeal in *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd*⁴⁸. The Court rejected the argument that because damage to members might cause indirect damage to Chocosuisse in the form of reduction in membership, Chocosuisse could sue in passing off. And even if Chocosuisse did enjoy passing off rights, it would not have the ‘same interest’ as its members in suing Cadbury⁴⁹.

⁴⁶ [2007] EWCA 111; [2008] 1 WLR 608.

⁴⁷ [2007] EWHC 533 (Ch); [2007] FSR 21.

⁴⁸ [1999] E.T.M.R. 1020 [1999] R.P.C. 826. It was also considered in several ‘Parma Ham’ cases brought by the Consorzio del Prosciutto di Parma. However, in *Consorzio del Prosciutto di Parma and Salumificio S. Rita SpA v Asda Stores Ltd and Hygrade Foods Ltd* [2003] 2 C.M.L.R. 21 the European Court of Justice held that, although the slicing and packaging conditions were a justifiable restriction on free movement of goods, they could not be enforced in civil or criminal proceedings against economic operators, as it had not been brought to their attention by adequate publicity in Community legislation.

⁴⁹ for using the phrase ‘Swiss Chalet’ in relation to a chocolate product produced in the UK.

In *The Scotch Whisky Association and others v. JD Vintners Ltd*⁵⁰ a claim by the Association for an injunction seemed to be contemplated, although a representative claim for damages was rejected. The Vice-Chancellor stated

“I can, however, see considerable reason why a trade association such as the Scotch Whisky Association should be permitted to sue in a representative capacity on behalf of its members and to seek injunctions to restrain any breaches that may be adversely affecting the interests of its members. I can see no reason why a trade association, on the other hand, should assume in its own right and claim damages in its own right for breaches of a Regulation that adversely affects the interests of its members.”

However, the Court of Appeal in *Chocosuisse* rejected the notion that a trade association could sue purely on behalf of its members for an injunction. Lord Justice Chadwick had this to say:

“I respectfully agree with the Vice-Chancellor’s view [in the *Scotch Whisky* case] that it would be convenient if a trade association were permitted to sue in a representative capacity on behalf of its members. But I find it impossible to reach the conclusion that that is permitted under the language of Order 15, rule 12(1)⁵¹ in circumstances where, as will usually be the case, the trade association either has no interest of its own capable of founding a cause of action; or, if it has any interest of its own, that is not the same interest as that interest of its members. The remedy lies in an alteration to the Rules of Court. It does not lie in bending those Rules to allow a representative action in circumstances which, as drawn, they were not intended to cover.”

As regards intellectual property, we await the results of further consultation which closed in December 2007. On 8 July 2008, in reply to a question by Adam Afriyie (Shadow Minister, Innovation, Universities and Skills), a written answer by Ian Pearson (Minister of State (Science and Innovation), Department for Innovation, Universities and Skills stated⁵²

“[The UK Intellectual Property](#) Office’s consultation on representative actions concluded in 2006 and their findings have not been published

⁵⁰ [1997] Eur. L.R. 446 at 452; a case cited by MILLS, Andrew (2007) *Collective enforcement of rights and class actions* [2007] 36(12) C.I.P.A.J. 684-687.

⁵¹ Now replaced by CPR Part 19, rule 19.6.

⁵² <http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080708/text/80708w0014.htm#08070866006149> (last visited 19 September 2008).

to date. The [Ministry of Justice](#), who are the lead Department on representative actions, are shortly to commence an interdepartmental review on this subject and the UK [Intellectual Property](#) Office are involved with this exercise. The future direction of this work, as well as the timing of any announcements, will need to be guided by the emerging findings of the Ministry of Justice's more general exercise."

In failing to legislate for representative claims in intellectual property cases, has the UK failed fully to implement of the European Parliament and of the Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights? The implementing rules - Intellectual Property (Enforcement, etc) Regulations 2006 (SI 2006/1028) - do not provide for representative actions, eg by trade associations and copyright collecting societies. This is said to be because they do not have standing to sue 'according to the applicable law' (see recital 18 and article 4 of Directive 2004/48/EC). This does indeed accord with the decision in *Chocosuisse*, discussed above. However, it has been argued by Mills⁵³ and others, that representative and class actions should be recognized.

In the meantime we may consider specific situations involving trade marks

a. Single TM registration with multiple owners

This circumstance is relatively unusual but if so, could one owner sue on behalf of the others? They satisfy the basic requirement under rule 19(6) of the English Civil Procedure Rules of having the 'same interest', so it would seem that one may sue and claim damages on behalf of all, following *Independiente*.

b. concurrent registration of the same mark for the same products

In the case of honest concurrent users (acquiescence), one may find several registrations, in different names, for the same or similar categories of product. Each registration confers a separate right against third parties and a defence against infringing other concurrent registrations. The rights are distinct, so at first glance it appears that the 'same interest' test is not satisfied. However, the copyrights in *Independiente* were distinct. Assuming that case was correctly decided and the court were minded to apply it to a trade mark case, one concurrent proprietor might be able to sue on behalf of the others. But, extending *Independiente* would give rise to a clash with an authority in the field of passing off, considered next.

⁵³ MILLS, Andrew (2007) *Collective enforcement of rights and class actions* [2007] 36(12) C.I.P.A.J. 684-687.

c. one of several persons enjoying goodwill sues in passing off

It is well established that one may sue alone for an injunction and to recover own losses, but not losses suffered by third parties, as in the classic House of Lords case of *Erven Warnink BV v J Townend & Sons (Hull) Ltd*⁵⁴. This is a decision of the House of Lords, and would prevail over the Court of Appeal's decision in *Independiente*.

d. trade associations do not have standing to sue in passing off where defendants are imitating product marks, because the associations do not trade in the products. They cannot sue in passing off as representing their members, because their interests are not the same. However, there may be other causes of action under legislation. In *Taittinger v Allbev* [1993] FSR 641 at 678, the Comite des Vins was held to have standing to sue to enforce the geographical indication 'CHAMPAGNE' under the relevant EU regulation.

e. a trade association can register a collective or certification mark, then sue as proprietor. S30(6) would be especially useful here – this is the scenario equivalent to the ANIS CHINCHON case, but no reported UK instance has been found.

f. a trade association with no interest in TM registrations cannot sue on behalf of its members as it does not share the same interest.

This follows from the *Chocosuisse* decision discussed above.

VIII. ARE THERE ANY SIGNS OF THE ENGLISH COURTS BECOMING LESS HOSTILE TO REPRESENTATIVE ACTIONS?

The most promising indication for trade marks is the *Independiente* decision on copyright damages noted above. However, it may be constrained by other case law, such as the ADVOCAAT decision of the House of Lords. Is there other judicial authority, outside of intellectual property, which suggests a more friendly attitude to representative actions? Turning to public law, one finds *R v Inspectorate of Pollution, Ex parte Greenpeace Ltd (No 2)*⁵⁵. Here the court held that Greenpeace could bring a representative action for judicial review of administrative action regarding reprocessing of nuclear waste at Sellafield in Cumbria. 2,500 Greenpeace members lived in the region. This could be considered ana-

⁵⁴ [1979] A.C. 731 (House of Lords), the 'ADVOCAAT' case.

⁵⁵ [1994] 4 All ER 329; contrast Cf Canary Islands case before the European Court; see CYGAN Adam (2003) *Protecting the Interests of Civil Society in Community Decision—Making—the Limits of Article 230 EC* (2003) 52 ICLQ 995.

logous to a trade association suing on behalf of its members. However, it is unlikely that judicial activism would make the leap from this case into private law, especially with a consultation on law reform ongoing.

IX. CONCLUSION

While the question of representative actions for intellectual property infringement is being debated by policy-makers in the UK, there already exists a perfectly formed example whereby trade mark proprietors can claim damages on behalf of authorized users. Section 30(6) of the Trade Marks Act 1994 provides a mechanism for trade mark litigants to sidestep procedural difficulties associated with representative proceedings. Despite appearing to be especially desirable in trade mark cases, this provision has not been used. This is unfortunate, because decisions on s30(6) could illuminate the current procedural debates. I should be delighted to hear from⁵⁶ anyone with experience of provisions equivalent to s 30(6).

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