Evolving principles for award of punitive and compensatory damages in India

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INTELLECTUAL PROPERTY ATTORNEYS

Content	Page

Introduction of punitive damages in IP litigations in India

The principles involved in awarding of damages in IP litigation in India have seen a great evolution in the recent past. The landscape focusing on the award of punitive damages was aggressively set in January, 2005 when a single judge of the Delhi High Court in a suit for trademark infringement in **Time Incorporated v. Lokesh Srivastava and Anr.** 2005 (30) PTC 3 Delobserved that "*This Court has no hesitation in saying that the time has come when the Courts dealing actions for infringement of trademarks, copyrights, patents etc. should not only grant compensatory damages but award punitive damages also with a view to discourageand dishearten law breakers who indulge in violations with impunity out of lust for money so that they realize that in case they are caught, they would be liable not only to reimburse the aggrieved party but would be liable to pay punitive damages also, which may spell financial disaster for them…*"

"In Mathias v. Accor Economy Lodging, Inc. reported in 347 F.3d 672 (7th Cir. 2003) the factors underlying the grant of punitive damages were discussed and it was observed that one function of punitive damages is to relieve the pressure on an overloaded system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes……"

"This Court feels that this approach is necessitated further for the reason that it is very difficult for a plaintiff to give proof of actual damages suffered by him as the defendants who indulge in such activities never maintain proper accounts of their transactions since they know that the same are objectionable and unlawful."

In the instant case, the Court accordingly awarded punitive damages of INR 5 Lacs (about USD 7000) to the Plaintiff as claimed, and observed that "the claim of punitive damages is of INR 5 lacs only which can be safely awarded. Had it been higher even, this court would not have hesitated in awarding the same. This Court is of the view that the punitive damages should be really punitive and not flee bite and quantum thereof should depend upon the flagrancy of infringement."

It is important to note that even though the court was unequivocally expressive in awarding punitive damages owing to the conduct and wrong committed by the Defendants; the Plaintiff 's claim for damages of INR 12.5 Lacs (USD 17,150) or the order of rendition of accounts of the profits illegally earned by the defendants by use of suchtrade mark, was not entertained by the court and it was observed that "Damages in the sum of INR 12.5 lacs as claimed cannot be awarded on account of the fact that the plaintiff has not succeeded in proving on record as to how and on what basis these damages have been calculated". Thus, these observations of the court also pertained to the element of compensatory damages wherein the plaintiff is required to establish as to how he has reached the claimed figure and what calculation has been employed.

Thereafter, a catena of judgements have relied upon the above ratio until 2014 when in the case of **Hindustan Unilever Ltd. v. Reckitt Benckiser India Ltd.** a division bench of the Delhi High Court overruled the aforesaid reasoning elucidated in the case of **Time Incorporated v. Lokesh Srivastava andAnr.** in respect of punitive damages and observed:

"With due respect, this Court is unable to subscribe to that reasoning…… An added difficulty in holding that every violation of statute can result in punitive damages and proceeding to apply it in cases involving economic or commercial causes, such as intellectual property and not in other such matters, would be that even though statutes might provide penalties, prison sentences and fines (like under the Trademarks Act,

the Copyrights Act, Designs Act, etc) and such provisions invariably cap the amount of fine, sentence or statutory compensation, civil courts can nevertheless proceed unhindered, on the assumption that such causes involve criminal propensity, and award "punitive" damages despite the plaintiff's inability to prove any general damage. Further, the reasoning that "one function of punitive damages is to relieve the pressure on an overloaded system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes" is plainly wrong, because where the law provides that a crime is committed, it indicates the punishment. No statute authorizes the punishment of anyone for a libel- or infringement of trademark with a huge monetary fine-which goes not to the public exchequer, but to private coffers. Moreover, penalties and offences, wherever prescribed, require the prosecution to prove them without reasonable doubt. Therefore, to say that civil alternative to an overloaded criminal justice system is in public interest would be in fact to sanction violation of the law. This can also lead to undesirable results such as casual and unprincipled and eventually disproportionate awards. Consequently, this court declares that the reasoning and formulation of law enabling courts to determine punitive damages, based on the ruling in Lokesh Srivastava, and Microsoft Corporation v. Yogesh Papat and Anr., is without authority. Those decisions are accordingly overruled."

The division bench of the Delhi High Court in the above case also gave instructions to the courts to follow and observe the categorization and principles while awarding punitive/exemplary damages and the definitive conditions where such kind of damages would be applicable, namely:

1. Where there has been oppressive, arbitrary or unconstitutional action by the defendant. In other words, where the conduct of the defendant in the case or before the court has been reprehensible, contemptuous and oppressive.
2. Wrongful conduct by the defendant which has been calculated by him for himself which may well exceed the compensation payable to the claimant; and
3. Any case where exemplary damages are authorised by the statute.
4. The division bench also clarified that the burden of proof rests on the plaintiff to establish the facts necessary in order to bring the case within the above three categories.As it maybe appreciated, this approach is more circumspect and judicious in coming to a conclusion that the case warrants and/or ifthe plaintiff deserves an award of punitive or exemplary damages.

Although this case of 2014 overruled the findings/observations made in the case of Time Incorporated, the case of Time Incorporated has time and again been referred to by the courts where the question of awarding punitive damages has been an issue. This also signifies that where the conduct of the defendant has been reprehensible and contemptuous, the reasoning in the case of Time Incorporated still seemingly holds ground for disputes in all domains of IP including Trademarks, Patents, Copyright and impliedly invoked in Designs as the nature of protection is essentially of a copyright. These cases and other recent judgments on the issue of awarding punitive damages in light of the jurisprudential trend in this regard are succinctly discussed hereunder:-

TRADEMARKS

Award of damages is more prevalent in trademark disputes than any other domain of IP. The principles laid down for award of damages in trademark combats have acted as a benchmark for other domains of IP as well. On one hand, the grant of punitive damages has rested majorly on the conduct of defendant and flagrancy of violation. On the other hand, the award of compensatory damages depends upon the establishment of case of loss suffered by the plaintiff and profits made by the defendant along with basis of evaluation of these calculations.

Punitive Damages

Honeywell International Inc. v. Pravin Thorat and Ors.
Court: High Court of Delhi
Case No.: 2015(64)PTC95(Del)
Order dated: August 24, 2015

Brief facts: The Plaintiff filed a suit for passing off and infringement of its mark HONEYWELL which was an internationally reputed brand. It was claimed that the Defendant had been using the Plaintiff's well-known mark HONEYWELL as part of its trading name and on its packaging, advertising material etc. The Plaintiff also claimed for punitive damages.

Held: The Court granted permanent injunction in favour of the Plaintiff and awarded punitive damages of INR 3 lacs (about USD 4110).

Reasoning: The Court held that both exemplary and punitive damages have been granted against the defendants in matters of similar nature. The findings of the case Time Incorporated vs. Lokesh Srivastava and Anr. were reiterated. The decision in another case Microsoft Corporation vs. RajendraPawar and Anr., was also referred wherein it was held that "Perhaps it has now become a trend of sorts, especially in matters pertaining to passing off, for the defending party to evade court proceedings in a systematic attempt to jettison the relief sought by the plaintiff. Such flagrancy of the defendant's conduct is strictly deprecatory, and those who recklessly indulge in such shenanigans must do so at their peril, for it is now an inherited wisdom that evasion of court proceedings does not de facto tantamount to escape from liability. Judicial process has its own way of bringing to tasks such erring parties whilst at the same time ensuring that the aggrieved party who has knocked the doors of the court in anticipation of justice is afforded with adequate relief, both in law and in equity. It is here that the concept of awarding punitive damages comes into perspective." Thus, considering the facts and case precedents, the Court held that the Plaintiff is entitled to punitive damages and granted a sum of INR 3 lacs (about USD 4600) in favour of the Plaintiff.

Cartier International AG and Ors. v. Gaurav Bhatia and Ors.
Court: High Court of Delhi
Case No.: CS(OS) No.1317/2014
Order dated: January 4, 2016

Brief Facts: The Plaintiffs filed the suit seeking permanent injunction restraining infringement of trademark, passing off, damages etc. against the Defendants who were operating an e-commerce website offering counterfeit products bearing the trademarks and logos of various luxury brands, including those of the Plaintiffs, for sale. The Defendants did not file any defence and were proceeded ex-parte.

Held: The Court granted permanent injunction and awarded punitive damages to the tune of INR 1 Crore (about USD 138,000)

Reasoning: The Hon'ble High Court observed that "the defendants have deliberately stayed away from the present proceedings with the result that an enquiry into their accounts for determination of damages could not take place. The Hon'ble Court observed that allowing such conduct would give rise to situation where defendant who appears in Court and submits its account books would be liable for damages, while party who chooses to stay away from proceedings would escape the liability on account of failure of the availability of books of account." Subsequent to filing of the suit, raids were conducted at the Defendants' premises in Chandigarh where thousands of counterfeit products bearing the trademarks of various luxury brands including the trademark CARTIER were seized. The Chandigarh Cyber Cell's investigation confirmed that the Defendants were offering counterfeit products for sale including those bearing the trademark CARTIER on the impugned websites www.digaaz.com, www. watchcartz.com and www.luxecart.com. The Defendants had supplied massive quantities of counterfeits under the Plaintiff 's brands (Cartier, Panerai, Vacheron Constantin and Jaeger Lecoultre). Relying on the principle laid down in the case of Time Inc v Lokesh Srivastava and Anr., a heavy punitive damages to the tune of INR 1 Crore was awarded. The Hon'ble court also declared the trademarks Panerai, Vacheron, Constantin and Jaeger Lecoultre as well-known trademarks.

Yahoo Inc. v. Mr Rinshad Rinu and Ors.
Court: High Court of Delhi
Case No.: CS (COMM) 668/2016 Order
dated:July 3, 2017

Brief Facts: The Plaintiffs filed the suit seeking permanent injunction restraining infringement of trademarks, passing off, dilution and tarnishment, unfair competition, damages or rendition of accounts, delivery up etc. on the basis of the mark YAHOO.

Held: The Court granted permanent injunction in favour of the Plaintiff and awarded compensatory damages of INR 2 Lacs (about USD 3000) and punitive damages of INR 3 Lacs (about USD 4150).

Reasoning: The Hon'ble High Court observed that "….the adoption of the YAHOO mark by the Defendants is dishonest as is evident from the fact that the font used by the Defendants to represent YAHOO in their trading name is identical to the unique stylized font which the Plaintiff used to represents its YAHOO trade mark till 2014. There is also no plausible explanation for the adoption of the identical mark as part of trading name and domain name of the Defendants. Further, the Defendants cannot have any justification for the adoption of the mark YAHOO. The potentiality of harm is enormous on the internet as the Plaintiff has a very wide internet presence and operates various YAHOO formative websites. In any event, as the averments in the plaint have not been rebutted by the Defendants in spite of ample opportunities given by this Court, they are deemed to have been admitted." In view thereof, the Court imposed compensatory damages as well as punitive damages.

Nokia Corporation and Ors. v. Movieexpress and Ors.
Court: High Court of Delhi
Case No: CS (COMM) 286/2012
Order dated: November 3, 2017

Brief Facts: The Plaintiff filed this suit for declaration, permanent injunction for restraining, passing off of trade mark, delivery up and recovery of damages on the basis of its rights vested in the mark NOKIA, against the Defendants, to stop them from advertising, airing songs, publishing, publicizing, offering for viewing, the impugned movie under the title Mr. NOKIA and/or Mr. NO.KEYIA and/or Mr. NA-VKIA and/or offering the songs containing any reference to the mark NOKIA and/or NO.KEYIA.

Held: The Court granted permanent injunction and awarded punitive damages to the tune of INR 5 Lacs (about USD 7000).

Reasoning: The Hon'ble High Court observed that "since the plaintiff had been able to show prima facie violation of the plaintiff 's exclusive right by the defendants and since the conduct of the defendant is deplorable inasmuch as despite committing serious violation of the plaintiff's right, the defendants have chosen not to appear before this Court which indicates the tendency of the defendants to indulge in illegal activities and since the intention of the defendants was to deceive the plaintiff and obtain wrongful advantage of the Trademark of the plaintiff, hence to preserve the exclusive mark and reputation / goodwill of the plaintiff, the Plaintiff is awarded damages to the tune of INR 5 Lacs against the defendants, payable jointly and severally. The cost of the suit was also awarded in favour of Plaintiff and against the Defendants.

HT Media Ltd. and Anr. v. Susheel Kumar and Ors.
Court: High Court of Delhi
Case No.: CS (COMM) 323/2018
Order dated: May 22, 2018

Brief facts: The Plaintiffs filed this suit for permanent injunction, restraining the infringement of trademark SHINE and SHINE.COM, passing off, damages, rendition of accounts, against the Defendants, and for taking down of impugned domain name www.click2shine.com.

Held: The Court granted permanent injunction and awarded punitive damages to the tune of INR 10 Lacs (about USD 13,700) along with an interest @ 10% p.a. on the damages so awarded from the date of filing of the suit till the date of realization.

Reasoning: The Hon'ble high Court considered that since the Plaintiffs had suffered immense loss to goodwill and reputation, they were entitled to a grant of damages not only in terms of compensatory damages but also in the form of punitive damages. The Court observed that the Defendants have recused themselves from the proceedings and therefore, they cannot be permitted to enjoy the benefits of evasion or covert priorities as they have been using the domain websites and infringing the plaintiffs' trademarks. The court held that the given facts and circumstances certainly make the Defendants liable to pay the damages to the Plaintiffs.

Glenmark Pharmaceuticals Ltd. v. Curetech Skincare and Galpha Laboratories Ltd.
Court: High Court of Bombay
Case No: Notice of Motion (L) No. 1890 of 2018 in COMIP (L) NO. 1063 of 2018
Order dated: August 28, 2018

Brief Facts: The dispute concerned the Plaintiff's product Candid-B, an anti-fungal cream, and a similar drug being sold by Defendant No. 2 named Clodid-B ("impugned mark"). In addition to the adoption of similar word mark, the Defendant No. 2 had also copied the trade dress, color scheme, art work, font style and even manner of writing of the Plaintiff's product. The Defendant No. 2 stated that the impugned mark was adopted by mistake and chose not to contest the suit. The Defendant No. 1, being just the contract manufacturer for Defendant No. 2, also chose to submit to the decree.

Held: The Court granted permanent injunction and awarded punitive damages to the tune of INR 1 Crore 50 Lacs (about USD 206,000).

Reasoning: While decreeing the suit in favour of the Plaintiff, the Court considered the fact that Defendant No. 2 is a habitual offender. The counsel for the Plaintiff produced a prior judgment of the Delhi High Court [Win-Medicare Pvt. Ltd. Vs. Galpha Laboratories Ltd. & Ors.] wherein it was categorically observed by the Delhi High Court that Defendant No. 2 is a habitual offender. It was also noted by the Court that various pharmaceutical companies have instituted infringement cases against Defendant No. 2 and most of them have obtained injunction orders. Over and above the infringing activities, Defendant No. 2 was also found to be a violator of FDA regulations. In many instances, the medicinal products of Defendant No. 2 were found to be of "Not of standard quality/Spurious" by Central Drugs Standard Control Organization. In view of the repeated violations, the Court, as a matter of deterrence, slapped an exemplary cost of INR 1 Crore 50 Lacs (about USD 206,000) on Defendant

No. 2. Along with the cost, the Court also ordered the furnishing of personal undertakings to the Court from all the Directors of Defendant No.2 to the effect that they would withdraw and destroy all products bearing the impugned mark and its variants from the market; apply for cancellation of manufacturing permission for products bearing the impugned mark; shall conduct business in accordance with FDA rules and regulations and would not indulge in infringing activities qua products of not only the Plaintiff but other pharmaceutical companies also.

Whatman International Limited Vs P. Mehta & Ors.
Court: High Court of Delhi
Case No: CS (COMM) 351/2016 & I.A. 5235/2018
Order dated: February 01, 2019

Brief Facts: The Plaintiff contended that the Defendants are manufacturing and selling Whatman filter paper and are also using an identical colour combination for other filter papers sold by them under various trademarks including "HIRAL", "ACHME", "LABSMAN", "UCHEM" and "SUN". It is the stand of the Plaintiff that the Defendants are habitual infringers, and have a long history of manufacturing and selling counterfeit Whatman filter paper, beginning from 1992, and thereafter in 2005. The Defendants, despite giving undertakings, continued to sell the infringing goods, leading to the filing of the present suit by the Plaintiff. In the subject suit, an interim injunction was granted on 23rd May, 2014 and Local Commissioners were appointed to visit the premises of the Defendants in Mumbai, where seizures of infringing products were made. Despite seizures being effectuated and the interim injunction operating against them, the Defendants continued to sell infringing products.

Held: The Court granted permanent injunction and awarded punitive damages to the tune of INR 1 Crore 85 Lacs (about USD 2,66,750) against the defendants and awarded actual cost.

Reasoning: The Court held that the Defendants are habitual offender. It was held that Defendants have a history of repeatedly using the WHATMAN trademark as also an identical getup, colour combination and layout for filter paper sold by the plaintiff. It was held that the denial of knowledge of the WHATMAN brand and the Plaintiff's rights in the trademark were baseless and the intention was to clearly pass off the Defendants' products as those of the Plaintiff's. The court said that the grant of the ad-interim exparte injunction dated 23rd May, 2014 was well within the knowledge of all the 1-6 Defendants. Since the defendants have been in malicious conduct of infringement and passing off since the year 1992 and have made false statements before the court, they were held guilty not only for infringement and passing off but also for the contempt of court.

Compensatory Damages

Christian Louboutin SAS v. Pawan Kumar and Ors.
Court: High Court of Delhi
Case No.: CS (Comm.) 714/2016
Order dated: December 12, 2017

Brief Facts: The Plaintiff instituted a suit against the Defendants restraining them from manufacturing and selling its high end luxury shoes under its registered trade mark for the RED SOLE which has become the signature style of the Plaintiff. The Plaintiff in the case also prayed to declare Plaintiff's RED SOLE trademark as a well-known trademark in India.

Held: The Hon'ble Court held that thePlaintiff is entitled to exclusive ownership of the trademark of red colour on the soles of its ladies' footwear and declared the RED SOLE trademark as a well-known mark and awarded compensatory damages in favour of the Plaintiff.

Reasoning: The Hon'ble Court in the said case observed that Plaintiff's trademark is internationally recognizable due to registrations of its mark in different jurisdictions across the globe and has extensive usage in India as well. It simultaneously enjoys a trans-border reputation that has spilled over in India from various other countries as the consumers across the globe were well aware of the goodwill and reputation of the mark even before it was formally launched in India. The Hon'ble Court taking into consideration various factors inter alia the status of the Plaintiff's mark as well known in other countries, its extensive use, knowledge to Indian customers, extensive promotion and extensive internet presence; held the trade mark to be well known in nature. While deciding on damages the Hon'ble Court took into consideration the turnover of the Defendants including the margin of profit on the illegal turnover and awarded compensatory damages of INR 1 Lac 63 Thousand (about USD 2,250) to the Plaintiff along with the cost of legal proceedings incurred by the Plaintiff.

Ferrero SPA and Ors. v. Ruchi International and Ors.
Court: High Court of Delhi
Case No.: CS (Comm) 76/2018
Order dated: April 2, 2018

Brief Facts: The chocolate products sold by the Defendants and the packaging thereof was identical to the packaging of the Plaintiff's 'Ferrero Rocher' chocolates.

Held: The Hon'ble High Court passed an order of permanent injunction against the Defendants and awarded damages to the Plaintiff to the tune of INR 10 Lacs (about USD 14000).

Reasoning: The Hon'ble High Court observed that since the Plaintiff had suffered an immense loss of goodwill and reputation, it is entitled for grant of damages not only in terms of compensatory damages but also in the form of punitive damages. While awarding damages, the Hon'ble Court took note of the conduct of the Defendant who despite being served chose not to contest the proceedings before the Court. However, at the same time, the Defendant in contempt of the injunction order passed by the Hon'ble Court continued to deal with its infringing activities by exporting the counterfeit goods into India and making them available for sale through online websites. The Hon'ble Court by relying upon the case Time Incorporated Vs. Lokesh Srivastava and Anr. observed that the Defendant who chooses to stay away from the proceedings of the Court should not be permitted to enjoy the benefits of evasion of the Court proceedings and escaping the liability. Keeping in view, the aforementioned facts and the intentional violation on part of the Defendant, the Hon'ble Court awarded damages of INR 10 Lacs (about USD 14,000) to compensate for the loss suffered by the Plaintiff making it clear that a party who chooses to escape liability by not participating in the Court proceedings and stays away must suffer the consequences. It is interesting to note that though the Court made an observation regarding punitive damages; the damages awarded were almost equal to the compensation claimed by the Plaintiff i.e. INR 9.8 Lacs (about USD 13,500), thereby making the awarded damages technically compensatory in nature.

PATENTS

The basis for award of compensatory damages which is to put the party who has suffered injury in the same position as he would have been, had the infringing act not been committed, has also been observed in Patent litigation as well. The basic method followed by the courts to calculate damages is by taking into account any of the following:

1. The defendants' profits owing to the infringing activity.

2. Actual/prospective loss caused to the claimant, including business and reputation loss.
3. Reasonable royalty that the defendant would have had to pay to the plaintiff if they had entered into a licensing agreement.

With regard to punitive damages, even in patent litigation, the crux has always been on the flagrancy of conduct and violation on the part of the defendant.

Compensatory and Punitive Damages

Merck Sharpe and Dohme Corporation v. Glenmark
Court: High Court of Delhi
Case No.: CS(OS) 586/2013
Order dated: October 7, 2015

Brief Facts: The Plaintiffs filed this suit seeking permanent injunction restraining the manufacture and sale of Sitagliptin Phosphate Monohydrate or any other salt of Sitagliptin in any form, alone or in combination by the Defendants as the same infringed the subject matter of the Plaintiffs' Indian Patent No. 209816. Plaintiffs had claimed damages, rendition of accounts and delivery up of the infringing materials.

Held: The Court permanently restrained the Defendants and awarded actual costs of the litigation to the Plaintiff. No actual or compensatory damages were awarded.

Reasoning: The Court observed "as regards damages are concerned, no issue has been framed in this regard, inasmuch as, only on the basis of the admission by DW1 (Defendant's Witness No. 1) regarding total sales and the percentage of the profits earned by the defendant, I do not find it justifiable to quantify the amount of damages. Plaintiffs shall, however, be entitled to actual costs of the proceedings."

F. Hoffmann-La Roche Ltd. and Anr. v. Cipla Ltd.
Court: High Court of Delhi
Case No.: RFA (OS) 92/2012 and 103/2012
Order dated: November 27, 2015

Brief Facts: This case pertained to the infringement claim initiated by the Plaintiff against the Defendant in relation to the patent which is a product relating to a new molecule Erlotinib Hydrochloride.
Held: Although Cipla tried to make out a case for the invalidity of the suit patent; the same was not decided in its favour. Accordingly, the suit patent was treated to be valid and enforceable with the observation that the life of the patent in favor of Roche in India would expire in March, 2016. Thus, the Division Bench of the Delhi High Court held that Cipla had infringed Roche's patent and that the patent was valid. As regards damages to award compensatory relief to Roche, even though the suit patent was to expire, it was decreed that Cipla would be liable to render accounts concerning manufacture and sale of the infringing product Erlocip. As such, the suit filed by Roche against Cipla was held to be restored with the direction that it be listed before the learned Joint Registrar who would record evidence pertaining to the profits made by Cipla concerning the offending product. Thereafter, the report of the learned Joint Registrar shall be placed before the learned Single Judge as per roster for appropriate orders.

Aftermath: Roche vs. Cipla, the long-standing battle, eventually, as expected, reached the Supreme Court as Cipla preferred Special Leave Petitions [SLP (C) No. 1677-78 of 2016] against the Division

Bench ruling in F. Hoffmann-La Roche Ltd. v. Cipla Ltd. affirming the Single Judge Judgement and decree dated September 7, 2012. The Supreme Court was finally considering the various questions of law and issues such as true scope and import of Section 3(d) in the civil appeal. However, in a surprising development, after a series of legal proceedings, the parties have finally settled their disputes. On May 30, 2017, the Single Judge of the Delhi High Court disposed of the suit as well as the counter-claim in terms of the compromise arrived between the parties and accordingly passed a decree. Finally, on Cipla's request, the SC on June 22, 2017 dismissed the civil appeals as unconditionally withdrawn and accordingly allowed Cipla's application for withdrawal of the appeals.

Vior (International) Ltd. & Anr. v. Maxycon Health Care Pvt. Ltd.
Court: High Court of Delhi
Case No.: CS(COMM) 712/2018
Order dated: April 12, 2018

Brief Facts: The Plaintiffs had filed this suit for restraining the Defendants from infringement of Indian Patent No. 221536; infringement of copyright in the literary work; dilution & tarnishment of brand image of the Plaintiffs; malicious falsehood; delivery up; rendition of accounts; damages etc. against the Defendants.

Held: Considering the claim for rendition of accounts of profit as well as punitive damages, the Hon'ble High Court passed an order of permanent injunction against the Defendant and awarded damages to the tune of INR 10 Lacs (about USD 14,000).

Reasoning: The Hon'ble Court on the issue of infringement of the Patent by the Defendant considered Section 48 of the Patents Act, 1970 and held that the act of the Defendant to deal with the impugned API clearly relates to the product Ferric Carboxymaltose as has been claimed by the Plaintiff in its independent claim 1. Further, the Hon'ble Court noted that such a product cannot be clinically effaceable without using the process as claimed. The Hon'ble Court therefore held that the acts of the Defendant amounted to infringement of the Plaintiff's rights. On the issue of copyright violations by the Defendant, the Hon'ble Court observed that the Defendant blatantly copied the contents of the Plaintiff's website in violation of the copyright vested with the Plaintiff which amounts to infringement. Further, on the issue of damages, the Hon'ble Court by taking into consideration the mala-fide conduct of the Defendant observed that despite the fact that the injunction order was operating against the Defendant, it recused themselves from the proceedings of the Hon'ble Court and continued with its infringing activities. In view of this, the Hon'ble Court considered it right to award the damages including punitive damages to not only compensate the Plaintiff but also to punish the Defendant in an exemplary manner so that the differentiation is made out between the wilful and innocent wrongdoer. Considering the intentional violation of the order of the Hon'ble Court by the Defendant and its evasion from the court proceedings, the Hon'ble Court awarded total damages of INR 10 lacs (about USD 14,000) in favour of the Plaintiff and against the Defendant.

Koninklijke Philips NV v. Rajesh Bansal and Ors.
Court: Delhi High Court
Case No: CS (COMM) 24/2016) and CS (COMM) 436/2017
Order dated: July 12, 2018

Brief Facts: In this case, infringement of an SEP (Standard Essential Patent) was committed by the Defendants in relation to the registered patent of the Plaintiff for DVD Video player. The Plaintiff claimed reliefs of permanent injunction, directions to the defendants to provide complete details, delivery, rendition of accounts, damages, etc. Plaintiff claimed both actual and punitive damages. For actual damages, Plaintiff referred to the license fee required to be paid by the Defendants to the Plaintiff in view of their manufacture, assembly and sale of the DVD video player without securing the necessary license, and also claimed that a standard rate of royalty for DVD video functionality charged by the Plaintiff from other entities amounted to 2.50 USD per DVD video player.

Held: The court held that Defendants are required to pay royalty to the Plaintiff @USD 3.175 from the date of institution of the suit till 27th May, 2010 and from 28th May, 2010 @ USD 1.90 till 12th February, 2015. This was in the form of awarding actual or compensatory damages. The Court also awarded the Plaintiff with punitive damages of INR 5 lacs (about USD 7000) against the Defendants; even though no injunction was granted as the suit patent had expired in 2015.

Reasoning: The above compensatory damages in the form of royalty to the Plaintiff (as license fee) were awarded considering the fact that the Plaintiff was seeking royalty at FRAND (fair, reasonable, and non-discriminatory) terms and no evidence was led by the Defendants to rebut the evidence of the Plaintiff despite the onus being on the Defendants. The Court also relied on the US Federal Court's decision in Commonwealth Scientific and Industrial Research Organization vs. CISCO Systems, Inc. to conclude that the royalty rates may be based on informal negotiations, and in the absence of a countervailing methodology by the Defendants, the Court allowed the royalty rate to be fixed as above. It may be worth emphasizing that even the change in the royalty rate charged by the Plaintiff before and after May, 2010 was considered while doing so. Additionally, due to the flagrancy in the conduct of the Defendants and the fact that one of the Defendants was an ex-employee of the Plaintiff, punitive damages of INR 5 lacs (about USD 7000) and actual costs including the lawyer's fees, court fees and local commissioner's fees were also granted in the Plaintiff's favour.

> **Merck Sharp and Dohme Corp and Anr vs. Abhaya Kumar Deepak and Anr,**
> Court: Delhi High Court
> Case No: CONT (CAS) (C) 846/2018
> Order dated: March 11, 2019

Brief Facts: The Petitioner initiated contempt proceedings against the Respondent for the willful breach of earlier order dated 05.05.2016. The Petitioner had filed a suit for patent infringement for Sitagliptin which was disposed of vide order dated 05.05.2016 pursuant to a settlement containing undertakings furnished by the Respondent. The Respondents were alleged to be in breach of earlier order and therefore the present contempt proceedings were initiated.

Held: The court imposed a cost of Rs. 80 lakhs and also asked respondents to plant a large number of trees.

Reasoning: The Court noted that the respondent acknowledged the breach of the Court's order and while considering the background, business, annual turnover of the respondent, the Court ordered a cost of Rs. 80 lakhs to be imposed on the Respondent, "to be utilised for the larger public good". The Court directed that the same amount will be used for planting 1,40,000 trees on the Central Ridge in Delhi. This order is also known as a green order amongst IP fraternity, which has been first of its kind and has been appreciated by public at large.

COPYRIGHT

The path lighted for grant of damages through various trademark litigation, specifically the Time Incorporated Judgement, has been the chosen track to form the basis of award of damages in copyright disputes as well. While for compensatory damages, the plaintiff has to clearly establish the loss suffered and the profits made by the defendant by way of evidence, the grant of punitive damages chiefly relies upon the flagrancy of conduct and violation on the part of the defendant.

Compensatory and Punitive Damages

Microsoft Corporation v. Deepak Raval
Court: High Court of Delhi
Case No.: CS (OS) No. 529/2003
Order dated: June 16, 2006

Brief Facts: This suit was filed by the Plaintiff for damages and permanent injunction to restrain the infringement of Plaintiff's copyright and trademarks. The Defendant company had been indulging in copyright piracy in respect of the various softwares ("original literary works") owned by the Plaintiff.

Held: The Court granted permanent injunction along with damages to the tune of INR 5 Lacs (about USD 7000) in the collective nature of compensation and punitive action.

Reasoning: The Hon'ble High Court of Delhi referred to the Time Incorporated judgement while awarding the compensatory and punitive damages to the Plaintiff, that collectively amounted to INR 5 Lacs (about USD 7000). In addition to Time Incorporated Judgement, the court also resorted to various foreign court judgements and observed that award of additional damages depends on factors such as flagrancy of infringement and benefit accrued to the defendant. The Hon'ble High Court observed that the Courts in India have treaded the same path and applied the same principles as applied by the US, UK and Australian Courts in awarding the damages and have recognised that compensatory as well as punitive damages are to be awarded. The justification for award of compensatory damages is to make up for the loss suffered by the plaintiff and the rationale behind granting punitive damages is to deter a wrong doer and the like-minded from indulging in such unlawful activities. It was held that while awarding punitive damages, what has to be seen is the flagrancy of the defendant's conduct. The Hon'ble High Court observed that the Defendant is a private limited company and it is presumed to be doing business in an organized manner. Further, the Defendant, in spite of the legal notice sent by the Plaintiff, continued with the infringing activities showing wilful, flagrant and intentional violation on the part of Defendant. In view of the this, the Court considered that the Plaintiff is entitled to damages in the nature of compensatory damages, punitive damages and damages for loss of reputation and goodwill which could be worked out to INR 1 Crore 28 Lacs (about USD18,000). However, as the damages claimed in the suit were INR 5 Lacs (about USD 7000), the Court said that it is has no option but to limit the damages to INR 5 Lacs.

Sholay Media Entertainment Pvt. Ltd. and Ors. v. Parag Sanghavi and Ors.
Court: High Court of Delhi
Case No.: CS (OS) 1892/2006
Order dated: August 24, 2015

Brief Facts: The Plaintiffs filed a suit for permanent injunction restraining the infringement of copyright, passing off, and infringement of registered trademarks vested in one of the most legendary Bollywood films – SHOLAY, against the Defendants who produced and released a modern day remake of the said film without authorization. Apart from compensatory damages for loss of business & reputation and illegal profits gained by the Defendants, the Plaintiffs also prayed for punitive/exemplary damages.

Held: The Court granted permanent injunction and awarded punitive damages to the tune of INR 10 Lacs (about USD 14000).

Reasoning: The Hon'ble High Court referred to the earlier judgments in the cases of Time Incorporated Vs. Lokesh Srivastava andAnr., and Microsoft Corporation Vs. Rajendra Pawar and Anr. wherein the pitch for awarding of punitive damages to discourage and dishearten law breakers who indulge in violation of exclusive rights of others and evade court proceedings was set. The court observed that "the defendants have intentionally and deliberately brought the movie in violation of plaintiffs' exclusive moral rights, copyright and their activity also constitutes passing off. On the relevant date, the defendants were aware about the rights of the plaintiffs, their ownership and authorship as well as use of unauthorized copyright. It was not the case of the said defendants that the work in question i.e. the movie SHOLAY is not created by the plaintiffs and they are not the owners and authors." The impugned remake i.e. 'RAM GOPAL VARMA KI AAG' retained the same plot. At various instances, the Defendants used the same underlying music, lyrics and background score and even dialogues from the original film. The characters of the film, though named differently, had striking resemblance to the corresponding characters in the original film. Even publicity material coupled with the impugned film gave an overall impression that it is a remake of the original film. Therefore, keeping in view the aforementioned facts and the intentional violation on the part of the defendants, the Court granted a sum of INR 10 Lacs (about USD 14,000) as punitive damages along with costs amounting to INR 50 Thousand (about USD 700).

Further, though compensatory damages to the tune of INR 1 Crore (about USD 140,000) were prayed for, they were not pressed by the Plaintiff as the actual damages were not proved in the court.

> **Super Cassettes Industries Private Limited v. SCN Sujla Channel**
> Court: High Court of Delhi
> Case No.: CS (COMM) 67/2016
> Order dated: February 23, 2017

Brief Facts: The Plaintiff, a music company, filed a suit for permanent injunction restraining the infringement of copyright, rendition of accounts, damages etc. against the Defendant; a ground cable operator providing cable television services in the State of Rajasthan. The Plaintiff contended that the Defendant heavily used songs and film extracts to enhance its viewership. In June 2015, when its executive captured the content being broadcast by the Defendant on CD and DVD, it realized that a major chunk of the content was copyrighted by the Plaintiff and was broadcasted without its consent. The Defendants chose not to participate in the proceedings and contest the suit.

Held: The Court granted permanent injunction and awarded punitive damages to the tune of INR 5 Lacs (about USD 7000).

Reasoning: The Hon'ble Court observed that it found substance in the submissions on behalf of the Plaintiff that stated that the defendant having been found to have indulged in illegal infringing activity affecting the commercial rights of the Plaintiff in the copyrighted works and having chosen not to participate in the proceedings arising out of the suit cannot be allowed to get away unscathed merely by grant of a prohibitory injunction. The Court further held that the disregard of the lawful rights of the plaintiff by deliberate and calculated infringement must result in damages being awarded. In absence of any defence having been raised by the defendant, the same being wilful, intentional and flagrant violation of law, the objective to be served by such award of damages must be not only to penalize the wrongdoer but also to recompense, to the extent possible, the loss suffered by the aggrieved party. The fact that the Defendants carried on with the infringing activity even after service of legal notice by the plaintiff showed that the infringing activities carried on by the defendants are intentional and wilful. In view of the same, the Court awarded permanent injunction along with penal damages amounting to the sum of INR 5 Lacs (about USD 7000).

The court, however, did not award compensatory damages as in its opinion the documents and information showcased by the plaintiff to establish a case for compensatory damages were vague. The

Plaintiff did furnish the licensee it charges for cable operator license and calculated a sum of INR 1 Crore (about USD 140,000) as compensatory damages. But the court opined that no material has been mustered, muss less sufficient, on which it can be said that the damages quantified and claimed in the legal notice represented the losses actually incurred or, on which the claim of damages to the tune of INR 1,00,01,000/- could be justified. The plaintiff, even in ex parte trial, could have summoned the records of the defendant to bring before the court some material on which assessment of the revenue illegally earned by the infringing activity could have been undertaken. The rate card at which the plaintiff grants licenses to cable operators may give some indication of the amount which the defendant (cable operator) would be obliged to pay as consideration for the grant of license to compute the extent of unlawful gain thereby made. But, the evidence of the plaintiff 's merely stating that clientele catered to by the defendant runs into thousands is very vague and cannot form the basis of the damages claimed in the legal notice or the suit being justified.

DESIGNS

Award of damages isn't very prevalent in cases of design infringement and the courts in such cases scarcely awards damages in the nature of compensation or punitive action. However, we bring to you a couple of instances of design infringement wherein damages have been awarded to the plaintiff against the defendants.

Punitive Damages and Compensatory Damages

Cavinkare Private Limited v. Daily Fresh Fruits P. Ltd. and Ors.
Court: High Court of Madras
Case No.: 2016(68)PTC173(Mad)
Order dated: April 29, 2016

Brief facts: The Plaintiff, a well-reputed manufacturer and marketer of fruit juices, had adopted a distinctive label/packaging with unique shape and configuration of bottles for selling its fruit juices under the name MAA. The Plaintiff had also obtained registration for shape and configuration of its bottles. It was claimed that the label and design adopted by the Defendant was completely identical to the Plaintiff's copyright and design. The suit was filed for design infringement, copyright infringement and trade dress passing off.

Held: The Court granted permanent injunction in favour of the Plaintiff and awarded a sum of INR 1 Lac (about USD 1,400) as compensatory and punitive damages.

Reasoning: It was held that the design of the bottle and the label adopted by the Defendant was similar to that of the Plaintiff 's. It was held that the adoption of similar label and design of bottles by the Defendant was done deliberately with fraudulent intention and amounted to dishonest trade practice. Considering the facts of the case, the Court awarded a sum of INR 1 Lac (about USD 1,400) as compensatory and punitive damages in favour of the Plaintiff.

Mahesh Gupta and Anr. v. Rajeev Mittal andAnr.
Court: High Court of Delhi
Case No.: CS(COMM) 542/2017
Order dated: February 07, 2018

Brief Facts: The Plaintiffs instituted the suit to restrain the Defendants from infringing certain registered designs of the Plaintiffs with respect to water purifiers.

Held: The Court granted permanent injunction and directed the Defendants to pay a compensation of INR 50 Thousand (about USD 700) to the Plaintiffs.

Reasoning: The suit was earlier proceeded ex-parte wherein the Defendants were restrained from selling, importing, offering for sale or advertising directly or indirectly the products infringing the Plaintiffs designs and the product under the name 'DIVINE' which was found to be deceptively similar to the design of the Plaintiffs' product 'KENT PRIME'. The Defendants appeared on the later date and stated that they are willing to suffer a decree for permanent injunction and pay a compensation of INR 50 Thousand to the Plaintiffs, as sought in prayer of the present suit. The Defendant further stated that they are not the manufacturers of the impugned product and that they were only selling the products. They further stated that they had sold about 100 or 102 water purifiers under the impugned design at a price of INR 7,000 (about USD 100) each in which the Defendants held a profit margin of INR 1,000 (about USD 15) on each water purifier. The Hon'ble High Court deemed appropriate to award compensation to the Plaintiff besides the relief of permanent injunction to which the defendants had consented and thus, awarded compensation in tune of INR 50 Thousand (about USD 700) along with the cost of the suit; consolidated cost assessed at INR 2 Lacs (about USD 3000).

Conclusion

The summary of the aforesaid cases clearly demonstrates the intent of the Indian courts to penalize the infringers, to cause deterrence and to disincentivise the infringing acts. Therefore, punitive damages are triggered more by conduct of the defendant such as high-handed, malicious, vindictive, and oppressive behaviour. Punitive damages are awarded where the court feels that the award of actual damages will not achieve sufficient deterrence and that the defendant's actions must be further punished. The aim of the punitive damages is not to compensate the plaintiff, but rather to punish the defendant. Having said that, the time has now come for the courts to focus on evolving sound principles for award of actual damages in IP infringement cases in the context of emerging Indian market, and more particularly in patent infringement cases to make the assertion of right a potent business tool for technology companies.

NOTE

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