EIP

Oh Polly to pay substantial damages for unregistered design infringement

Background

Original Beauty ("**Claimants**") alleged infringement of their unregistered design rights under UK and EU law and that the defendants had passed off their brand "Oh Polly" ("**Defendants**") as a sister brand to the Claimants' "House of CB". The Defendants said the House of CB designs lacked originality and were common place.

In a previous judgment the judge found that seven of the garments selected for consideration at trial infringed both UK unregistered design right "UKUDR" and Community unregistered design right "CUDR". He dismissed the passing off claim. A further form of order hearing took place where the Defendants requested a declaration of non-infringement, but this was rejected.

This is the ninth judgment handed down by David Stone sitting as a Deputy Judge of the High Court in this action and concerns the award of standard and additional damages to the Claimants.

Standard Damages

The parties and Judge agreed on the law to be applied in the assessment of standard damages as summarised by Kitchin J (as he then was) in Ultraframe (UK) Limited v Eurocell Building Plastics Limited**[1]**:

"(i) The general rule is that the measure of damages is to be, as far as possible, that sum of money that will put the claimant in the same position as he would have been in if he

had not sustained the wrong.

p2 (ii) The claimant can recover loss which was (i) foreseeable; (ii) caused by the wrong; and (iii) not excluded from recovery by public or social policy. It is not enough that the loss would not have occurred but for the tort. The tort must be, as a matter of common sense, a cause of the loss. ...

v) Where a claimant has exploited his patent by manufacture and sale he can claim (a) lost profit on sales by the defendant that he would have made otherwise; (b) lost profit on his own sales to the extent that he was forced by the infringement to reduce his own price; and (c) a reasonable royalty on sales by the defendant which he would not have made".

Lost Profit Damages

The Claimants' case on lost profit damages was as follows:

"Lost profit = number of lost sales of the Infringing Garment (Lost Sales) x total per-unit profit for the Claimants' garments incorporating the respective Infringed Design (Per Unit Profit).

Lost Sales = total number of Defendants' sales of Infringing Garment x P"

The Defendants agreed with this approach but disputed the value of P: the probability a sale would have been made instead by the Claimants.

The Claimants submitted that P = 0.25 (that is, for every hundred infringing sales made by the Defendants, 25 were sales lost by the Claimants). The Defendants maintained that P = 0, i.e. none of the infringing sales was a sale lost by the Claimants.

The Judge held that at least some of the infringing sales were sales lost by the Claimants and P would therefore be 0.2 (20%). He awarded £74,847.92 in lost profits.

Reasonable Royalty

The Judge stated it was common ground between the parties that at least some damages should be awarded on the basis of a reasonable royalty. Damages on the basis of a reasonable royalty can apply only to sales which have not been compensated for as lost sales. These included:

(a)all sales outside the UK/EU;

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(b)all sales to customers in the EU (excluding UK) where the garment did not infringe CUDR;

(c)all sales of one particular garment (D41); and

(d)80% of sales to customers in the UK and EU (where the relevant garment did infringe CUDR).

The Claimants put the figure at £170,000 at the highest (£11 per garment) whereas the Defendants put the figure at around £15,000 (£1 per garment). The judge assessed the reasonable royalty figure at £75,276.64.

Additional damages

The Defendants conceded that the Claimants are entitled to additional damages as a result of the flagrancy of the infringement. They suggested that an uplift of 20% of the standard damages award would be appropriate, amounting to around £3,000, or 20p per garment. They "submitted that this would be (a) proportionate to the scale of the infringement; (b) punitive; and (c) serve as a deterrent to the Defendants and to other potential infringers". The Claimants argued for the total they would have received if they, rather than the Defendants, had made all the infringing sales (more than £500,000, or alternatively the total revenues received by the Defendants for the infringing sales (£451,188).

Noting that "this was serious infringement on a large scale. It was also flagrant infringement, carried out over four years", the judge awarded additional damages of £300,000 stating that "only an award of this size will be sufficient to punish them for what they have done, and to deter them from infringing again".

The award

The total payable damages were therefore £450,124.56. This judgment poses a warning and demonstrates to potential future infringers the stark dangers and financial implications of infringing another's design. It is best not to proceed by copying someone else's work.

[1] [2006] EWHC 1344 (Pat) at [47]

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