

## Resolution



### Question Q186

#### **Punitive damages as a contentious issue of Intellectual Property Rights**

#### **AIPPI**

##### **Observing:**

- a) That an award of damages is generally aimed towards compensating a party for the loss suffered because of a tortious act rather than towards removing the tortfeasor's gain or punishing him.
- b) That, in contrast, punitive damages, in the sense that this term is generally understood, are based on different public policy considerations, to punish the tortfeasor for his behaviour and to deter the wrongdoer and others from this behaviour.
- c) That punitive damages in some jurisdictions may be awarded in cases involving wilful infringement.
- d) That in those jurisdictions which authorise courts to award punitive damages for infringement of IPRs, the courts infrequently award such damages.

##### **Noting:**

- a) That article 45(1) of the TRIPS Agreement provides that "judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person's intellectual property right by an infringer who knowingly, or with reasonable ground to know, engaged in infringing activity."
- b) That article 45(2) of the TRIPS Agreement provides that "In appropriate cases, Members may authorise the judicial authorities to order recovery of profits and/or payment of pre-established damages even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity".
- c) That the EU Directive on the enforcement of intellectual property rights (2004/48/EC) provides in Article 13 that the infringer shall pay the right holder damages appropriate to the actual prejudice suffered by the rightholder as a result of the infringement, but that, when the judicial authorities set the damages, they shall take into account all relevant aspects and that unfair profits made by the infringer are explicitly mentioned.
- d) That the EU Directive also provides in Recital 26 that damages should be awarded "with a view to compensating for the prejudice suffered as a result of an infringement" and that "the aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the right holder, such as the costs of identification and research".
- e) That in Q169 "Criminal law sanctions with regard to the infringement of intellectual property rights", AIPPI resolved (Yearbook 2002/II p. 381) that criminal sanctions should be available to combat "wilful infringement" of IP rights.

- f) That AIPPI in Resolution Q134, "Enforcement of intellectual property rights – TRIPS" (1998) considered matters concerning enforcement and considered compensation in infringement cases in general. In the context of compensation it was also concluded that punitive damages are not desirable. However, Q134 did not examine in detail the question whether national systems are working to establish sufficient respect for intellectual property rights and practical routes for enforcement.
- g) That in some cases a defendant's failure to obtain legal advice that proposed activities are not an infringement of intellectual property rights has been found to be an indication of deliberate infringement.

**Considering:**

- a) That punitive damages are meant to serve as a punishment.
- b) That in certain countries, punitive damages, are considered to serve a socially desirable function by discouraging the knowing, intentional infringement of IPRs.
- c) That the question of wilful infringement involves an issue of intent that comprises an element of uncertainty for undertakings considering a course of action, and that during proceedings the parties may in certain countries also bear a significant discovery burden which complicates and increases the costs of litigation.
- d) That in practice compensatory damages may not sufficiently compensate the IPR owner for the damage suffered and for litigation costs and are not intended to deter others from infringing IPRs
- e) That in practice criminal law sanctions, requiring a criminal burden of proof, by themselves may not be sufficient to combat wilful infringement of intellectual property rights as it is frequently difficult to obtain the necessary assistance and participation of the enforcement authorities.

**Adopts the following Resolution:**

- 1) Courts should impose remedies and penalties sufficient to ensure respect for intellectual property rights.
- 2) Awards of compensatory damages equivalent to the losses of the IPR owner or the profits of an infringer should be available.
- 3) Where laws do not otherwise provide a practical deterrent to deliberate infringement, further awards of enhanced damages in civil cases may be justified.
- 4) AIPPI is not in favour of an obligation for parties to take legal advice to ensure that there is no infringement, but considers it to be good practice for them to do so.