

Awards of additional damages for patent infringement

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In brief

- | Section 122(1A) of the *Patents Act 1990* (Cth), which allows for the award of additional damages for patent infringement, has been considered for the first time by the Federal Court of Australia.
- | Neither an unsuccessful defence of invalidity, where properly pursued, nor evidence of copying is of itself sufficient to justify an award of additional damages.

The decision

On 1 August 2011 Justice Bennett handed down her decision in *Zetco Pty Ltd v Austworld Commodities Pty Ltd (No 2)* [2011] FCA 848, a case concerning patent infringement. Importantly, this case also considered, for the first time, section 122(1A) of the *Patents Act 1990* (Cth) (Act).

Zetco is the holder of a patent for a plumbing valve for use with instantaneous gas and hot water systems. Austworld supplies a variety of plumbing products in Australia, including plumbing valves which Zetco claimed infringed its patent. Zetco brought proceedings against Austworld alleging patent infringement, contravention of sections 52 and 53 of the *Trade Practices Act 1974* (Cth) (TPA) and passing off. Austworld denied all liability and cross-claimed for an order revoking Zetco's patent for invalidity.

Zetco failed to establish its claims for contravention of the TPA and passing. Austworld was also unsuccessful in establishing invalidity of the patent and was found to have infringed various claims of the patent. Given the finding of patent infringement, the court went on to consider whether Austworld's conduct attracted the operation of section 122(1A) of the Act which permits the court to award 'additional damages' for patent infringement:

if the court considers it appropriate to do so having regard to:

- a. *the flagrancy of the infringement; and*
- b. *the need to deter similar infringements of patents; and*
- c. *the conduct of the party that infringed the patent that occurred:*
 - i. *after the act constituting the infringement; or*
 - ii. *after that party was informed that it had allegedly infringed the patent; and*
- d. *any benefit shown to have accrued to that party because of the infringement; and*
- e. *all other relevant matters.*

Zetco argued that Austworld should be liable for additional damages for the following reasons:

- | Austworld engaged in deliberate and calculated infringement—it was on notice of the patent and the asserted infringement since January 2007 and accepted, subject to its counterarguments concerning validity, that its products infringed Zetco's patent.
- | Austworld's infringing products yielded sales and profit.
- | The similarity between Zetco's and Austworld's valves should create an inference that Austworld had copied the patented valve and, Zetco argued, the onus should be on Austworld to adduce evidence to prove the contrary.

In considering whether section 122(1A) should apply in this case, Justice Bennett made the following observations:

- | An 'unsuccessful defence of invalidity is not of itself sufficient to warrant the award of additional damages.' In this case, Austworld had at all times denied infringement and maintained its claim that Zetco's patent was invalid and, accordingly,

filed a cross-claim for revocation. The claim of invalidity was not 'hopeless or improperly pursued'.

- I Evidence of copying, of itself, is insufficient to justify an award for additional damages. Nevertheless, deliberate copying may be relevant to a decision whether to award additional damages. Similarly to section 115(4) of the *Copyright Act 1968* (Cth) (which is the equivalent section which provides for awards of additional damages), 'there must be an additional element to the infringing conduct to warrant additional damages.' Justice Bennett rejected Zetco's submission that the onus be on Austworld to prove that similarities between the valves did not arise from copying. Rather, she held that if Zetco wished to establish copying, the onus was on it to adduce relevant evidence and this was not done.

No additional damages were awarded in this case.

Implications

Although the court did not consider it appropriate to award additional damages in this case, Justice Bennett's judgment provides some guidance on how section 122(1A) of the Act is likely to be interpreted. Her judgment indicates that case law relevant to the equivalent provision of the Copyright Act 1968 (Cth) (section 115(4)) may be used analogously in patent cases. The decision also suggests that, where a defence of invalidity is hopelessly or improperly pursued and infringing conduct continues despite knowledge of asserted patent infringement, a case may be made for an award of additional damages.

Accordingly, if a party accused of infringing a patent chooses to continue the allegedly infringing conduct it should satisfy itself that there are sound grounds for asserting that the patent is invalid or be prepared for the possibility of additional damages being awarded against it if infringement is made out at trial.

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More information

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