

Facton Ltd v Rifai Fashions Pty Ltd [2011] FCA 290 (30 March 2011)

Posted on 03/06/2011 by [Gus Hazel](#)

Damages Awards For Trade Mark and Copyright Infringement

In this case Justice Bromberg of The Federal Court of Australia examined the law on damages in a case involving counterfeit goods. The decision summarises the principles for the award of damages and shows the importance of supporting claims with sufficient evidence.

The defendants – Rifai Fashions Pty Ltd and its director Mr Rifai – were knowingly selling counterfeit “G-Star” Products in Australia. The issue was the assessment of damages and, in particular, whether exemplary or additional damages could be awarded.

1. Compensatory Damages

The court assesses the award of damages under statute by way of similar considerations as are taken into account when assessing an award of damages in tort:

- Damages are *compensatory* in nature and are awarded for the purpose of compensating for loss suffered and not to punish the respondent;
- The measure of damages, so far as is possible, is to be the sum which will put the plaintiff in the same position as it would have been if it had not suffered the wrong; and

- In relation to damages under s115(2) of the Copyright Act, an award of damages should reflect the depreciation to the value of the applicant's copyright (as a chose in action) that resulted from the respondent's infringing conduct.

On the onus and manner for assessing damages the following principles were noted:

- The applicant bears the onus of *proving* depreciation or loss;
- Where it is found that the respondent is a "wrongdoer", damages should be liberally assessed, in the sense that inferences may be more readily drawn against a wrongdoer;
- If a court is satisfied that damage has occurred, it must do its best to quantify the loss even if some degree of speculation and guess work is involved;
- A stricter approach will be taken when an applicant has failed to adduce evidence that was apparently available to prove the loss claimed; and
- If an applicant fails to discharge its onus, only nominal damages might be awarded.

In this case, there was evidence of sale of 140 counterfeit items valued at \$9,213. Although the court noted that a significantly larger number could have been sold, it awarded only \$9,213 in compensatory damages, as that was the limit of the evidence filed.

2. Damages for Loss of Reputation

The plaintiff also claimed its reputation was damaged, but the court held that it failed to show the basis of that damage. The evidence failed to distinguish between goodwill and reputation, and gave no value to goodwill or reputation. The court refused to speculate about value without appropriate evidence and therefore did not award damages for this claimed loss.

A claim **must** be supported by evidence; without a secure evidential foundation, the court is not willing to award damages.

3. Exemplary Damages

Despite signing a “Notice of Consent to Forfeit Goods” and consenting to the seizure of infringing goods, the defendants continued to sell counterfeit goods. The Court had to decide if this behaviour was particularly dishonest and justified an award of exemplary damages. Again it was held that in the absence of evidence on the elements of contumelious conduct (such as malice or spite), exemplary damages could not be awarded.

4. Additional Damages

The Court was prepared to award additional damages for copyright infringement. The Courts’ aim under this head is to punish, deter and strip the Respondents of the pecuniary benefits received from the sale of counterfeit goods. The Court held that in order to have a punitive effect, the additional damages do not need to be proportional to the compensatory award.

In making its final calculations, the court noted the following:

- The proceeding costs, which the respondent has to pay;
- The respondent forfeited goods to the value of \$32,000;
- The respondent accepted wrongdoing at an early stage, cooperated and made various admissions and concessions; and
- The respondents’ poor financial position.

These considerations finally led to an award of \$1,000 for additional damages.

5. Conclusion

Although circumstances in which exemplary, additional or other damages would be appropriate are common, it is essential to base any claims to such damages upon evidence. The court cannot act in these areas without an evidential foundation. It is therefore prudent to either seek such evidence (beyond mere speculative claims) or be prepared to draw back on such claims. It is arguable that this creates a practical costs bias in favour of infringers, as is so often the case in intentional intellectual property infringement cases.