

Study unit 6

What remedies are available to a patentee whose patent has been infringed?

Overview

In this study unit, you will find out what remedies are available to a patentee whose patent has been infringed. The existence of remedies which can deter potential infringers and can compensate the author for past infringement is essential for the promotion of patents — without effective relief, any rights granted to the author are meaningless. We will set out the minimum relief required by the TRIPS Agreement and then explain the statutory relief available in South Africa.

Learning outcomes

After completion of this study unit, you should be able to —

- ☐ set out the minimum TRIPS requirements for relief
- ☐ discuss the remedies available

Setting the scene

Look again at the episode we described in ‘Setting the scene’ in Study Unit 1. Assume that Vusi has obtained a product patent for his cream. It now transpires that Tsepo is making and selling a beauty cream which she claims to have the same qualities as Vusi’s. Assume also that Vusi has succeeded in proving that Tsepo is infringing his product patent. What legal remedies does he have against Tsepo?

Discussion

International requirements

The TRIPS Agreement is the first international patent instrument which requires certain minimum enforcement procedures when infringement has been proved. Previous instruments, like the Paris Convention, did not mention enforcement procedures.

Paris Convention

As a general obligation, the TRIPS Agreement states:

'Members shall ensure that enforcement procedures ... are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements' (article 41(1)).

fair

not costly

no special system

Also, enforcement procedures should be fair and equitable, not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays (article 41(2)). At the same time, the TRIPS Agreement does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law generally (article 41(5)).

It then deals with specific civil remedies, including injunctions (interdicts) (article 44), damages (article 45), and delivery up of infringing material (article 46).

performance standards

It appears, then, that the TRIPS Agreement, generally, sets three 'performance standards' in the context of remedies for patent infringement:

- ☐ effective remedies
- ☐ expeditious remedies to prevent infringement
- ☐ remedies which deter further infringement

National legislation

The South African Patents Act contains specific provisions relating to the relief that may be granted in the event of patent infringement. Section 65(3) provides for the following relief:

- ☐ an interdict (injunction)
- ☐ damages
- ☐ delivery up of any infringing product or any article or product of which the infringing product forms an inseparable part
- ☐ in lieu of damages, a reasonable royalty

common law

With the first two remedies, they are the same as are available in common law in respect of the commission of any other delict (tort).

In any proceedings for patent infringement the defendant

revocation

may counterclaim for the revocation of the patent and, by way of defence, rely upon any ground on which a patent may be revoked (section 65(4)).

notice to licensee

Also, the South African Patents Act states that the plaintiff in any infringement proceedings should, before she institutes the proceedings, give notice of it to every licensee under the patent whose name is recorded in the register (section 65(5)). Any such licensee may intervene as a co-plaintiff.

Interdicts (injunctions)

An interdict is a judicial order compelling someone to refrain from an unlawful act (prohibitory) or, more rarely, to do something (mandatory).

Interdicts can be either final or interim (*pendente lite*).

fault not required

From the requirements for the granting of an interdict, it appears that fault, in the form of intent or negligence, is not a prerequisite (see also the proviso to section 65(6) of the South African Patents Act).

Interim interdicts

An interim interdict preserves or restores the status quo pending the final determination of the rights of the parties. It does not affect the final determination of these rights.

The following requirements must be satisfied before an interim interdict can be granted (*LF Boshoff Investments (Pty) Ltd v Cape Town Municipality* 1969 (2) SA 256 (C); *Multi Tube Systems v Ponting* 1984 (3) SA 182 (D)):

- ☐ The applicant's right must be clear, or, if not clear, prima facie established, though open to some doubt.
- ☐ If the right is only prima facie established, there must be a well-grounded apprehension of irreparable harm to the applicant if the interim relief is not granted and she succeeds ultimately in establishing her right.
- ☐ The balance of convenience should favour the granting of an interim interdict.
- ☐ The applicant should have no other satisfactory remedy.

court's discretion

Even when these requirements have been satisfied, the court retains a general discretion to be exercised when it decides whether to grant or refuse a temporary interdict. In *Beecham Group Ltd v B-M Group (Pty) Ltd* 1977 (1) SA 50 (T) at 54, Franklin J stated that questions relating to the applicant's prospects of success in the action and to whether she would be adequately compensated by an award of damages at the trial are merely factors to be taken into account in the exercise of this discretion. These factors should not be considered in isolation, but together with factors such as the balance of convenience, the preservation of the status quo, the relative strength of each party's case (the so-called un-compensable disadvantages to each party), and the respective prejudice that would be suffered by each party as a result of the grant or refusal of the interdict. The latter boils down to the following question: Who will probably suffer the greater damage — the plaintiff, if the interdict is refused and the action finally succeeds, or the defendant, if the interdict is granted and the action ultimately fails?

uncompensable disadvantages

An interim interdict is obtained by means of an application to the High Court.

Final interdicts

A final interdict is based on a final determination of the rights of the parties.

Before a final interdict can be granted the following three requirements must be satisfied —

- ☐ the applicant should have a clear right
- ☐ there must be an injury actually committed or reasonably apprehended
- ☐ there must be no adequate protection by any other ordinary remedy

The usual way to obtain a final interdict is by way of action, when a full trial takes place. But it may also be obtained by way of application, provided there is no material factual dispute between the parties.

The requirements for granting a final injunction in England, for example, are substantially similar to those in South Africa. However, because of the equitable basis of the English injunction, the court there has a much greater discretion as to whether to grant or refuse final relief than a South African

equitable basis

court.



Activity 6.1

Vusi wants to stop Tsepo from making and selling her cream. There is a material dispute of fact as to whether the complete specification for Vusi's product patent adequately discloses the best method for performing the invention, but he wants immediate action. He approaches you as his attorney (solicitor).

- ☐ Set out the steps that he must take to get immediate relief and to get more permanent relief.
- ☐ What requirements must he prove to get immediate relief?
- ☐ What requirements must he prove to get permanent relief?

Discussion

Order for delivery up

Upon the final determination of the rights of the parties to an infringement action, the court may grant the successful plaintiff an interdict to restrain the defendant from infringing the plaintiff's patent. However, the possibility exists that the defendant may have in her possession infringing articles that could be used to commit further acts of infringement.

To discourage the defendant from disregarding the interdict and committing further acts of infringement, the court may make an order for the delivery of all infringing articles or products of which the infringing product forms an inseparable part.

The purpose of an order for delivery has been said to enhance the efficacy of the interdict, since the infringer is deprived of the means to perform acts of infringement. Consequently, a claim for delivery should be combined with a claim for an interdict. Viewed in this way, fault on the part of the infringer should not be a prerequisite.

enhance efficacy

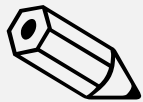
combined with interdict

damages

It can, of course, also be argued that any offending material delivered up to the successful plaintiff may have some intrinsic value, so that she gains an advantage by the delivery up, which, in turn, relates to the damages that she should receive. The fact is, however, that the purpose and function of delivery up bears no relationship to the determination or award of damages. Since the purpose and function of a claim for delivery up bear no relation to the determination or award of damages, fault should thus not be a prerequisite for a claim for delivery up.

nature

Some uncertainty exists concerning the basis and precise nature of a claim for delivery up, but the correct view appears to be to regard such an order as a mandatory interdict which is granted together with a prohibitory interdict.



Activity 6.2

Vusi knows that Tsepo is packaging and selling her cream in her beauty salon.

- ☐ What can he do to prevent Tsepo from doing so?
- ☐ Can he get an order to obtain these articles?

Discussion

Damages

Infringement of a patent is a delict (tort), and the usual principles of delictual liability apply to an award of damages for such infringement.

fault

Since infringement gives rise to delictual liability, fault in the form of intent or negligence on the part of the infringer must be proved before any claim for damages can succeed. This principle is stated in article 45 of the TRIPS Agreement:

'The 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 grounds to know*, engaged in infringing activity' (emphasis added).

Section 66(1) of the South African Patents Act accordingly

states:

'A patentee shall not be entitled to recover damages in respect of infringement of a patent from a defendant who proves that at the date of the infringement he was not aware, and had no reasonable means of making himself aware, of the existence of the patent, and the marking of an article with the word "patent" or "patented" or any word or words expressing or implying that a patent has been obtained for the article, stamped, engraved, impressed on or otherwise applied to the article, shall not be deemed to constitute notice of the existence of the patent unless such word or words are accompanied by the number of the patent...'

difficult to prove

Damages have been said to be 'aimed at compensating the proprietor for his patrimonial loss, actual or prospective, sustained through the infringement' (*Omega Africa Plastics (Pty) Ltd v Swisstool Manufacturing Co (Pty) Ltd* 1978 (3) SA 465 (A) 471). Damages are notoriously difficult to prove in intellectual property cases and the courts will estimate the damages suffered to the best of their ability on the probabilities (*International Tobacco Co SA Ltd v United Tobacco Co Ltd* 1955 (2) SA 1 (W); *Hushon SA (Pty) Ltd v Pitech (Pty) Ltd* [1997] 2 All SA 672 (SCA)).

loss of profits

burden of proof

The damages awarded may include loss of profits in respect of those infringing articles that the plaintiff could and would himself have made and sold but for the infringement. The burden of proof is on the plaintiff to prove damages, since there is no legal inference that infringing sales would have gone to the plaintiff (*Omega Africa Plastics (Pty) Ltd v Swisstool Manufacturing Co (Pty) Ltd* (*supra*) at 472).

Section 66 of the South African Patents Act imposes certain restrictions on the right of a patentee to recover damages for infringement:

patent number

- ❑ Any person who represents that any invention is patented without disclosing in such representation the number of the patent concerned, and from whom such number has been requested (in the prescribed form) by any other person unaware of such number, may not recover from such other person damages in respect of any infringement of such patent by her, committed during the period starting with the representation and terminating two months after the date on which she was notified in writing by the first-mentioned person of the number of the patent (section 66(2)). Any person who, having asked for the

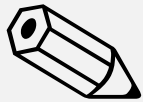
number of a patent, expends during this period any money, time, or labour with a view to making, using, exercising, or disposing of the invention, may apply to the Commissioner for compensation (section 66(3)). She may issue such order as she deems fit.

failure to pay renewal fee

- ❑ If proceedings are instituted in respect of patent infringement committed after the patentee has failed to pay any renewal fee on time, the Commissioner may, if she thinks fit, refuse to award any damages in respect of the infringement (section 66(4)).

specification amended

- ❑ Where a specification has been amended, the Commissioner may refuse to award damages in respect of any acts of infringement committed before that amendment (section 66(5)). In exercising her discretion, the Commissioner may consider the conduct of the patentee in framing the specification and permitting it to remain in its unamended form.



Activity 6.3

Vusi has suffered loss through Tsepo's actions. However, he cannot say precisely how much money he has lost. Will this prevent him from instituting a claim for damages?

Discussion

Reasonable royalty

In the event of patent infringement, the patentee is entitled, inter alia, to claim damages. Alternatively, a successful plaintiff in an infringement action may seek an amount calculated on the basis of a reasonable royalty.

The remedy of a reasonable royalty appears in section 65(6) of the South African Patents Act:

'In lieu of damages the plaintiff may, at his or her option, be awarded an amount calculated on the basis of a reasonable royalty which would have been payable by a licensee or sub-licensee in respect of the patent concerned.'

Note that the claim for a reasonable royalty is an alternative

alternative to claim for damages

to a claim for damages — the opening words of section 65(6) clearly state this. The successful plaintiff may still, of course, claim additional damages under section 24(3).

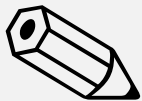
fault

A claim for a reasonable royalty is closely linked to a claim for damages. Both have the same purpose and function — the recovery of compensation. Viewed in this way, fault on the part of the infringer should be a prerequisite for a claim for a reasonable royalty.

Commenting on this remedy, Timothy Donald Burrell (*Burrell's South African Patent and Design Law* 3rd ed (1999) § 7.13.11 p 355) writes:

inducing infringement

‘Hopefully section 66(6) [sc 65(6)] will make matters easier from a procedural aspect for a patentee seeking compensation for loss sustained by the infringement of his patent. The provision does have the potential shortcoming of inducing a third party to infringe a patent, particularly in a case where the invention is of an ephemeral nature or the prospective market is likely to be short-lived, and then, when sued, to succumb to an interdict and to tender payment of compensation on the basis of a reasonable royalty. But against that, such an infringer will have to weigh up the risk not only of the patentee not exercising his option in terms of section 66(6), and instead seeking his actual patrimonial loss, but also of having to pay the legal costs involved.’



Activity 6.4

In what circumstances would you, as Vusi's attorney, think it advisable for Vusi to claim a reasonable royalty instead of actual damages?

Discussion

Anton Piller orders

components

The Anton Piller order (taking its name from *Anton Piller KG v Manufacturing Processes Ltd* [1976] Ch 66) is a further legal remedy developed initially in England but now frequently used in South Africa, in particular in proceedings relating to intellectual property rights. The original Anton Piller order, in both England and South Africa, comprised an ex parte order in the form of a mandatory injunction coupled with an inspection order and an order for delivery or

disclosure. It is a remedy which is aimed particularly at acquiring or conserving information for purposes of a subsequent action on the ground of infringement. The information so acquired generally relates to the origin and extent of the infringement, the identity of infringers, the profits obtained as a result of the infringement, and the whereabouts of the infringing articles, materials, or aids.

advantages

The great value of this remedy is that it is brought as an ex parte application without prior notice to the other party, so that the latter is caught unawares, before she has time to destroy or dispose of her infringing stock or incriminating papers. This traditional Anton Piller order usually comprises the following:

search

☐ an order to enter and search the premises of the defendant, and to attach documents and other material located, with the primary purpose of preserving this as evidence

disclosure

☐ an order for the disclosure of the identity of suppliers and customers of the defendant, and of the origin of infringing articles

delivery up

☐ an order for the delivery up of infringing articles as well as relevant documents

validity questioned

The remedy in this form (which is still the form in which granted in England) was granted in South Africa in several cases, in none of which its legal validity was questioned. However, in a subsequent series of decisions, the courts strongly condemned this type of remedy, on the basis that the relief, other than the search for and attachment of property in the possession of the defendant, was not based on the principles of Roman-Dutch law.

search and attach

preserving evidence

The Appellate Division (now the Supreme Court of Appeal) subsequently held that a more limited version of the Anton Piller order, for the search and attachment of documents and other material to which the plaintiff has no right but for the purpose of preserving it as evidence forms part of our law (*Shoba v Officer Commanding, Temporary Police Camp, Wagendrift; Maphanga v Officer Commanding, South African Police Murder and Robbery Unit, Pietermaritzburg* 1995 (4) SA 1 (A)).

without notice

This remedy may be brought as an ex parte application without prior notice to the respondent. To obtain such an order, the applicant must prima facie establish the following:

☐ that she has a cause of action on the ground of infringement against the respondent which she

- ☐ intends to pursue
- ☐ that the respondent has in her possession specific, and specified, documents and other material which are of vital importance to her subsequent action
- ☐ that there is a real and well-founded apprehension that this evidence may be destroyed or disposed of before the subsequent action comes to trial or before the stage of discovery

discretion

The court has a discretion to grant the remedy. In exercising this discretion, the court will have regard inter alia to the following factors:

- ☐ the cogency of the applicant's prima facie case as set out in its application
- ☐ the potential harm that would be suffered by the respondent if the order is granted as compared to the potential harm that would be suffered by the applicant if the order is refused
- ☐ the terms of the order (these should not be more onerous than is necessary to protect the interests of the applicant)

abuse

It is noted, in both England and South Africa, that courts must ensure that this type of procedure is not abused.

constitutional

In *Ex parte Dabelstein & Hildebrandt* [1996] 1 All SA 17 (C), the court held that the granting of an Anton Piller order is not inconsistent with the protection of human rights in the Constitution of the Republic of South Africa Act 108 of 1996. The court ruled that Anton Piller orders are necessary and proportionate to the legitimate aim pursued and constitute a justifiable limitation of the rights envisaged by section 33(1) of the Constitution. (Section 33(1) states that '[e]veryone has the right to administrative action that is lawful, reasonable and procedurally fair'.)



Activity 6.5

Vusi wants to institute an action for damages against Tsepo. He knows that Tsepo has full documentation setting out the profits she made selling her cream. He has also heard that Tsepo intends destroying these documents so that she need not disclose them during the court action.

- ☐ Is there anything Vusi can do to prevent this?

- ❑ Set out what he must prove to obtain such an order.

Conclusion

You should now know which remedies are available to a patentee whose patent has been infringed. You should understand the standards set by the TRIPS Agreement, and be able to determine how these standards could be implemented in legislation and practice.