

THE HIGH COURT

COMMERCIAL

[2013 No. 13177 P]

BETWEEN

ALDI STORES (IRELAND) LIMITED AND ALDI GMBH & CO. KG

PLAINTIFFS

AND

DUNNES STORES

DEFENDANT

(No. 3)

JUDGMENT of Mr Justice Cregan delivered on 15th day of March, 2016

**Introduction**

1. The defendant in these proceedings has brought an application for an order requiring the plaintiffs to make an election between (i) an inquiry into damages or (ii) an account of profits in the damages module of these trademark infringement proceedings. This application raises issues about the nature of an "election" in such cases, about whether a plaintiff must make an election between an account of profits or general damages and at what stage of the proceedings a plaintiff must make such an election.

**Background**

2. In these proceedings the plaintiffs sought orders to restrain the defendant from infringing their trademarks and from engaging in misleading comparative advertising under the European Communities (Misleading and Comparative Advertising) Regulations 2007 (S.I. No.774/2007).

3. By order of the High Court (Kelly J.) dated the 10th day of March, 2014 the High Court, on consent, made an order for a split trial on liability and quantum.

4. The liability module was at hearing before me for several weeks and on 9th day of June, 2015, I delivered my judgment in respect of the liability issues in these proceedings.

5. The defendant then indicated that it wished to appeal that decision to the Court of Appeal. The defendant also brought an application to stay the hearing of the damages module pending the appeal on the liability issue. This was opposed by the plaintiffs who indicated that they wished to have the damages module determined as soon as possible. In my second judgment of 21st day of July, 2015, I decided, for the reasons set out in that judgment, that the Court would case- manage the module on damages until it was ready for hearing but that the damages module would not in fact be heard until after the appeal on the liability issue had been determined by the Court of Appeal.

6. Subsequently I made further directions in relation to the furnishing of further particulars of loss and damage and directions in relation to discovery.

7. The defendant has now brought this application requiring the plaintiffs to make an election between its claim for damages or an account of profits in the damages module in these proceedings. It is agreed between the parties that this application should be heard and determined before the Court can proceed to determine the two discovery applications in this matter.

**The Pleadings**

8. In the Amended Statement of Claim delivered on 5th September, 2014 the plaintiffs plead in the prayer for relief *inter alia*:

*"(V) An inquiry as to damages for, and/or an account of profits in respect of, the infringement of the marks together with an order for payment of all sums due to the plaintiffs"*

9. The defendant's amended defence delivered on 3rd October, 2014 at para. 18 pleads that:

*"The plaintiffs are not entitled to the reliefs claimed in the statement of claim or at all".*

10. On 10th November, 2015, pursuant to the direction of the Court, the plaintiffs furnished further particulars of damage (after the liability issue had been heard and determined). These further particulars state *inter alia* as follows:

*"In accordance with the directions of the court made herein on 3rd November 2015, the Plaintiffs set out below the particulars of their claim for general damages and their claim for an account of profits.*

**GENERAL DAMAGES**

*1. The plaintiffs claim general damages and moral prejudice having regard to the very significant reputation and goodwill attaching to the Marks which are extremely well known in Ireland and internationally which reputation and goodwill were seriously damaged by the defendant's infringement." (Other particulars are then set out).*

**ACCOUNT OF PROFITS**

2. The learned Trial Judge found that the banners and the shelf edge labels constituted a separate infringement. The Defendant benefited significantly from this infringement in that it enabled the defendant to retain customers at its stores and acquire new customers. In principle therefore the plaintiffs are entitled to an account of profits in respect of all sales of the defendant's products in stores where the banners and shelf edge labels were on display during the campaign. However entirely without prejudice to the judge's finding and to the plaintiff's entitlement to claim an account of profits on that basis the plaintiffs are prepared to confine their claim to an account of profits to those sales of products by the defendant which were the subject of a specific comparison with the plaintiff's products during the period ("the Period") during which the shelf edge labels and banners were on display." (The pleadings also provide further particulars of this matter).

11. The defendant served a notice for further and better particulars of these particulars dated 17th November, 2015 and the plaintiff furnished such further particulars dated 24th November, 2015.

12. The plaintiffs' claim therefore consists of two separate and discrete headings of loss. These are:

- (1) A claim for general damages and
- (2) An account of profits.

### **Exchange of correspondence**

13. The first letter in relation to this matter appears to be a letter dated 9th October, 2015 from Vincent and Beatty solicitors to the defendant's solicitors stating that the plaintiffs wished to pursue a claim for general damages and an account of profits. The letter also states:

*"Our clients do not intend pursuing any claim for special damages including loss of profits."*(Emphasis added).

14. On 16th October 2015 the defendant's solicitors replied stating:

*"We note that you state in your letter that your clients wish to pursue a claim for "general damages and an account of profits". This is the first time that your clients stated that they intend to pursue both a claim for damages and to seek an account of profits. Up to now your clients stated that they intended to elect between either general damages or an account of profits."*

15. The letter also asked the plaintiffs to clarify whether the plaintiffs intended to elect between pursuing a claim for damages or seeking an account of profits and, if the plaintiffs did not intend to make such an election, to clarify the basis upon which they contended that they were entitled to pursue both a claim for damages and an account of profits.

16. On 23rd October, 2015 the plaintiffs responded stating that they intended to pursue a claim for both general damages and an account of profits, as they were entitled to do, having specifically pleaded both of these reliefs in their statement of claim.

17. On 29th October, 2015 the defendant's solicitors replied stating that they were not aware of any legal basis upon which the plaintiffs were entitled to both reliefs. They stated:

*"In addition the attempt to draw a distinction between 'general damages' and 'special damages'; given the particular subject matter of these proceedings is entirely artificial. It remains our clients' position that your clients must, prior to the trial of the second module of the proceedings, elect between either pursuing a claim for damages or seeking an account of profits". (Emphasis added).*

18. On 2nd November 2015 the plaintiffs' solicitors replied stating that they did not accept the contention that their clients had to elect between a claim for damages and an account of profits. They stated that the defendant's attempt to force the plaintiffs to elect between these two remedies was wrong in law.

19. Given the impasse between the parties the defendant then issued this notice of motion.

### **Submissions of the Defendant**

20. The defendant in its written and oral submissions has put forward a number of arguments in support of its position. These arguments may be summarised as follows:

- (1.) Firstly, it submits that a plaintiff in an action for infringement of a trademark is entitled to an inquiry as to damages or an account of profits. However it cannot have both.
- (2.) Secondly, it says that the plaintiffs are obliged to make this election at this point in time (i.e. before discovery and before the hearing of the damages module) in order to avoid wasted costs and time. In the defendant's view the plaintiffs must make this election at this time and, having made this election, the request for discovery must then be limited to the documents relevant to whichever of the two claims they elect.
- (3.) Thirdly, it says that it is well established that damages are available as of right for a plaintiff in cases such as these whereas an account of profits is an equitable remedy and the court has the discretion whether or not to grant it.
- (4.) Fourthly, it submits that damages are compensatory only to put the claimant in the same position he would have been in had the wrong not been sustained whereas an account of profits is confined to profits actually made by the defendant and its purpose is to deprive the defendant of its unjust enrichment rather than to punish it.
- (5.) Fifthly, it submits that there is no distinction to be drawn between a claim of general damages and a claim of special damages.
- (6.) Sixthly, it claims, that insofar as the plaintiffs seek to rely on Article 13 of Directive 2004/48/EC on the Enforcement of Intellectual Property Rights, such reliance is misplaced.
- (7.) Finally it submits that recent case law both in Ireland and the UK support its proposition that a plaintiff such as the plaintiff in

this case must make an election between damages and an account of profits.

## Review of the Authorities

### English cases

21. One of the earliest statements of the rule of law in respect of such an election is set out in *De Vitre v Betts* (1873) LR 6 HL 319 where Lord Chelmsford in the House of Lords stated at p. 321:

*"My Lords, the case of Neilson v Betts (Law Rep. 3 Ch. Ap. 429) most undoubtedly decided the general principle, that upon a decree against a party for the infringement of a patent, a patentee is not entitled both to an account of profits and an inquiry into damages. That principle applies generally and without any distinction at all. It applies to every case of infringement; and, therefore, it must be taken to have settled conclusively that point, that the patentee must, in all these cases where he has a decree, elect whether he will have an account of profits or an inquiry into damages. He cannot have both."*

22. In more recent times, this issue has been considered by a number of English authorities including *Hollister Inc. v. Medik Ostomy Supplies Ltd.* [2012] EWCA Civ 1419, *Walsh v. Shanahan & Ors* [2013] EWCA Civ 411 and *Henderson v All Around the World Recordings Ltd.* [2014] EWHC 3087 (IPEC). In *Hollister* Kitchin LJ stated as follows:

*"53. That brings me, therefore, to the financial remedies available in respect of infringement of registered trade mark as a matter of domestic law and the particular order made in this case."*

*54. A claimant who has succeeded in an action for infringement is entitled to damages as of right. If it seems the claimant may have suffered more than nominal damage then he will generally be entitled to an inquiry, the central purpose of which is to ascertain the extent of his losses and so restore him to the position he would have been in if the infringement had not been committed."*

*55. Alternatively, a successful claimant may seek an account of the profits made by the infringer. This is an equitable remedy and the court has a discretion whether to order it. It may be refused if, for example, the infringer was entirely innocent or the trade mark owner has delayed in bringing proceedings. The purpose of an account is very different from an inquiry as to damages. It is to deprive the infringer of the profits he has made by the infringement. He is treated as if he has conducted the infringing business on behalf of the claimant. The losses the claimant has suffered by reason of the infringement are therefore not relevant."*

*56. It can be seen that the remedies of an inquiry as to damages and an account of profits proceed on very different bases. A successful claimant must therefore elect between them. Often, a successful claimant has insufficient information to make an informed decision as to which remedy he should pursue, and in those circumstances the court may order the defendant to provide limited disclosure and give the claimant a reasonable period of time thereafter in which to make his election."*

23. In the case of *Walsh v Shanahan & Ors* Rimer LJ stated at para 57:

*"57. Ms Andrews' first problem is that the authorities show that, whilst the remedies for the misuse of private information can include an account of profits or damages, the appropriate remedy in any particular case will be a matter for the determination of the court. Whilst a successful claimant can ask for an account of profits, he will not be entitled to an account as of right."*

*And at para. 62, Rimer L.J. stated:*

*"62. In Attorney-General v. Blake (Jonathan Cape Ltd Third Party) [2001] 1 AC 268, Lord Nicholls of Birkenhead (with whom Lord Goff of Chieveley and Lord Browne-Wilkinson agreed) uttered some observations that I regard as in line with Lord Denning's observations in Seager No. 1, although that decision was not apparently cited to the House. The relevant passage is in a section in which Lord Nicholls is discussing the remedies available at law and in equity for interference with rights of property, in which he includes remedies for breach of confidence. He dealt first, at 278D to 279E, with the awards of financial recompense at law for such interference, and explained how, although damages are traditionally assessed by reference to the claimant's loss rather than the defendant's gain, the common law had pragmatically recognised that there were situations in which this would not do justice between the parties; and he referred to cases, in particular cases of trespass to land, detention of goods or patent infringement, in which the damages were assessed by reference to the benefit received by the wrongdoer. Lord Nicholls continued, at 279E:*

*'Courts of equity went further than the common law courts. In some cases equity required the wrongdoer to yield up all his gains. In respect of certain wrongs which originally or ordinarily were the subject of proceedings in the Court of Chancery, the standard remedies were injunction and, incidental thereto, an account of profits. These wrongs included passing off, infringement of trade marks, copyrights and patents, and breach of confidence. Some of these subjects are now embodied in statutory codes. An injunction restrained the continuance of the wrong, and the wrongdoer was required to account for the profits or benefits he had obtained from breaches or infringements which had already occurred. The court always had a discretion regarding the grant of the remedy of an account of profits, and this remains the position. ...'. (Emphasis supplied)*

*63. In my view, that makes the position clear: the award of an account of profits is a discretionary matter. More recently, Sales J reviewed the authorities relating to the remedies for breach of confidence in Vercoe and others v. Rutland Fund Management Ltd and others [2010] EWHC 424 (Ch); [2010] Bus LR Digest D141. ... He offered this rationalisation of Lord Nicholls's further observations:*

*"339. In my view, Lord Nicholls's speech in Blake's case has opened the way to a more principled examination of the circumstances in which an account of profits will be ordered by the courts and where it will not. His reasoning at p 285C-E, comparing remedies available in contract and for breach of confidence in relation to the same underlying facts, flows in both directions. It both opens up the possibility of an award for an account of profits in relation to breach of contract relating to confidential information and also opens up the possibility for a more principled debate about when an account of profits should be refused in relation to a breach of confidence, and a damages award (typically assessed by reference to a notional reasonable price to buy release from the claimant's rights, similar to the award made in*

*Wrotham Park Estate Co Ltd v. Parkside Homes Ltd* [1974] 1 WLR 789 and *Seager v. Copydex Ltd* [1967] 1 WLR 923) made instead. Both in cases of breach of contract and in cases of breach of confidence, the question (at a high level of generality) is, what is the just response to the wrong in question ...?’

64 I respectfully agree with those observations. An account of profits is, like all equitable remedies, a discretionary remedy. That is what the authorities show and that is what one would expect from a principled system of civil law in which the aim is to do justice that is fair to both claimant and wrongdoer. The objective in any case is to identify the appropriate remedy for the circumstances of the wrongdoing – to make the remedy fit the tort. As *Sales J* put it, it is to find the ‘just response to the wrong in question’. (Emphasis added.)

24. In *Henderson v All Around The World Recordings Ltd.* [2014] EWHC 3087 (IPEC) Hacon J held:

“73 As a matter of English law, the remedies of an inquiry as to damages on the one hand, and an account of profits on the other, are only available as alternatives (see *Redrow Homes Ltd v Betts Brothers plc* [1998] RPC 793 (HL), at 796–7). In intellectual property proceedings a claimant is free to choose between them but he may not have the benefit of both.”

#### Irish case-law

25. The matter has also been considered in a number of Irish cases including the Supreme Court decision in *Tommy Hilfiger Europe Inc v. McGarry (t/a Lifejacket)* [2008] IESC 36 and the High Court decisions of *McCambridge Ltd v Joseph Brennan Bakeries* [2014] IEHC 269 and *BMW v. Edward Ronayne (t/a BMW Care)* [2014] IEHC 210.

26. In *Tommy Hilfiger*, Finnegan J. outlined the basis upon which damages should be awarded for infringement of a registered trade mark and passing off. At p. 17 he said:-

‘The award of damages in these cases is intended to be compensatory, that is to give the plaintiff compensation for the damage, loss or injury which he has suffered. Thus in *General Tire and Rubber Company v. Firestone Tyre and Rubber Company* [1975] 1 W.L.R. 819, a patent case, Lord Wilberforce stated that as in any other tort the general rule in relation to economic torts is that the measure of damages is to be, as far as possible, that sum of money which will put the injured party in the same position as he would have been if he had not sustained the wrong’.

27. In the High Court case of *McCambridge Ltd v Joseph Brennan Bakeries* [2014] IEHC 269 Charleton J stated at para 7:

“7. It is inherent in the tort of passing off that an election may be made by a wronged plaintiff between a remedy in damages and an account of profit; *House of Spring Gardens Ltd v Point Blank Ltd* [1984] IR 611 per Griffin J at p.706 citing *Peter Pan Manufacturing v Corsets Silhouette Ltd* [1964] 1 WLR 96, at p. 106 per Pennycuik J and see *Edelsten v Edelsten* (1863) 46 ER 72 and *Weingarten Brothers v Bayer & Co* [1904-07] All ER Rep 877 at 880 per Lord MacNaghten. To this election there appears to be one exception. Where an injunction is sought but is not granted on the discretionary basis that damages are an adequate remedy, the plaintiff will be left without the choice of an account in compensation for the tort...

8. There may be circumstances in which a wronged plaintiff in a passing off action may more suitably choose to be compensated by an award of damages. Such circumstances might include the collapse of a new but under-capitalised business or a situation where intentional passing off might allow for the award of aggravated or exemplary damages. Before making such an election between damages and an account of profit, any plaintiff with a positive finding against a defendant of passing off is entitled, as in this case, to such financial accounts from the defendant, by way of discovery or otherwise, which will enable an appropriate choice to be made. It may be that no increase in profits by a tortious defendant can be demonstrated. In which case, damage in the context of passing off may be elected for and may still be awarded. As *Murphy J* commented in *Falcon Travel Ltd. v Owners Abroad Group plc* [1991] 1 IR 175, at page 181, the question of what damage must be proved is, like the tort itself “somewhat elusive.” *Murphy J* was of the view that actual damage is not a proof integral to the tort. He put it thus at page 182:

“In my view the defendant is correct in saying that a plaintiff in an action for passing off must establish damage or the likelihood of damage but I am convinced that the defendant is mistaken as to what is involved in the word “damage” in that context. No doubt it will be possible to establish in many actions for passing off (particularly when the passing off relates to the goods of the plaintiff as opposed to his business) that the result of the defendant’s conduct is to induce members of the public to purchase from the defendant goods which the customer believed to be the plaintiff’s manufacture thus “diverting to himself orders intended and rightfully belonging to the plaintiff” (see the analysis of *Kenny J* in *C&A Modes v C&A (Waterford) Ltd* [1976] IR 198 at p 215). Not only might this occur but clearly this is what would be intended in the case where fraud or deceit (though not required for the tort) is in fact present. Again nobody would doubt that damage is established where the wrongdoer gains business by his improper conduct even though there is no corresponding loss to the plaintiff. Similarly if it were to happen that the plaintiff suffered a loss of business without any corresponding gain to the defendant, this too would be an observable and perhaps measurable loss to the plaintiff. However it seems to me that these three categories of loss are no more than the consequences of the wrongful (though perhaps unintentional) appropriation by the defendant of the goodwill of the plaintiff in its goods or business and it is this appropriation of goodwill which constitutes the damage necessary to sustain an action for passing off.”

*Charleton J* then continued:

9. Thus, where there has been an egregious misuse by a rival in the marketplace of the attributes of a product enabling an award of aggravated or exemplary damages or where a potentially excellent firm has been caused to collapse through this form of tortious competition or where an examination of the accounts of a tortfeasor shows no profit, a wronged plaintiff might reasonably elect for damages instead of an account of profit. There is perhaps also the instance where an injunction *quia timet* is taken on notice that passing off is imminent. There, there is no room for an account of profit since none will have been made. Instead the appropriate remedy is in damages. There is also authority in a breach of confidence case for the proposition that where a plaintiff has opted for an account of profit but, on analysis, if the judge hearing the issue considers that the remedy is inequitable in all of the circumstances, damages may be ordered in lieu; *Walsh v Shanahan* [2013] EWCA Civ 411; *Hollister v Medik* [2012] EWCA Civ 1419.”

28. In *BMW v. Edward Ronayne (t/a BMW Care)* [2014] IEHC 210 Ryan J. held that the plaintiff was entitled to an injunction

restraining the defendant from using the plaintiff's name or trademark. The plaintiff sought damages from the defendant. Ryan J. in his judgment stated as follows:

*"The approach to damages is guided by the following principles derived from the cases:*

- a) Damages are compensatory of the plaintiff, not punitive of the defendant;*
- b) The measure is the plaintiff's loss - the defendant's wrongful gain may represent the whole, or part of that, or may be additional;*
- c) Precise calculation of loss may be impossible so the broad axe may be employed by way of rough estimate; and*
- d) The principle remains that it is compensation." (Emphasis added).*

29. A succinct summary of the law on this issue of an election between damages or profits is set out in *Kerly's Law of Trademarks and Trade Names* (14th ed., Sweet & Maxwell, London, 2005) at p. 675 as follows:

**"ELECTION BETWEEN DAMAGES AND PROFITS**

*Damages are a matter of right; the account of profits is an equitable remedy and the court has a discretion whether or not to grant it. Accordingly, a successful claimant in an infringement action is entitled to an inquiry as to damages (at his own risk as to costs) in any case where there is a prospect that the inquiry would reach a positive result; whilst only in certain cases will the court grant an account of profits. In these cases, the claimant has an option (exercisable at the conclusion of the hearing of the case) to claim either damages or profits: he cannot have both. Accordingly it is usual in particulars of claim to ask for the two in the alternative."*

30. The basic principles for assessing damages and an account of profits are also summarised in Kerly at p. 672 as follows:

**"BASIC PRINCIPLES FOR ASSESSING DAMAGES**

*The basic principles for the assessment of damages in a patent case were considered by Jacob J. in *Gerber v. Lectra* [1995] RPC 383. The following principles are applicable to trade mark infringement:*

- 1. Damages are compensatory only, to put the claimant in the same position he would have been in had the wrong not been sustained.*
- 2. The burden of proof lies on the claimant, but damages are to be assessed liberally.*
- 3. Where the claimant has licensed his right, the damages are the lost royalty.*
- 4. It is irrelevant that the defendant could have competed lawfully.*
- 5. Where the claimant has exploited his right by his own sales, he can claim lost profit on sales by the defendant he would have made otherwise, and lost profit on his own sales to the extent that he was forced by the infringement to reduce his own price.*

31. At page 674 Kerly sets out the basic principles applicable to an account as follows:

**"BASIC PRINCIPLES APPLICABLE TO AN ACCOUNT**

*Accounts of profits in trade mark cases have been rare in the United Kingdom, but the following are probably sound basic principles:*

- (1) An account is confined to profits actually made, its purpose being to deprive the defendant of unjust enrichment rather than to punish him.*
- (2) An account is addressed to identifying profits caused, in the legal sense, by the infringement."*

(Kerly also set out further principles (3) – (8) which are not relevant to my consideration of the issues).

**Analysis of principles**

**(i) The Rule of Law which requires an election**

32. It is clear from the authorities that there is a rule of law in trademark and patent infringement cases that a plaintiff who has established an infringement must make an election between an inquiry into damages or an account of profits.

33. However the scope of this rule, the operation of this rule and the underlying principles or rationale for the rule are not so clear.

34. The earliest authorities – *Neilson v. Betts* and *De Vitre v Betts* – set out the rule on election but do not elaborate on the reasons for the rule. Historically, the rule of law developed because the courts of common law only awarded damages for trademark infringements whereas the courts of equity developed remedies such as an injunction or an account of profits. However as these were equitable remedies the courts always retained a discretion as to whether to grant an account of profits (see *Walsh v. Shanahan* para. 62).

35. The purpose of an award of damages (or an inquiry into the plaintiff's damages) was to ascertain the extent of the plaintiff's losses and to restore him to the position he would have been in if the infringement had not been committed i.e. to compensate him (see *Hollister* para. 35 sub. para. 54). The purpose of an account of profits, on the other hand, was to deprive the infringer of the unjust enrichment he had derived from the infringement (see *Hollister* para. 55).

36. Therefore, as stated in *Hollister* at para. 56, the remedies of an inquiry as to damages and an account of profits proceed on very different bases.

37. However, in my view, the mere fact that historical developments show that one is a remedy of the common law courts and the other is a remedy of the courts of equity does not explain why there has to be an election. Moreover the fact that one remedy proceeds on the basis of compensating the plaintiff and the other proceeds on the basis of preventing the unjust enrichment of the defendant also does not fully explain why a plaintiff who has suffered an infringement must elect between one or the other.

38. The underlying reason, in my view, why a plaintiff must elect between an inquiry into his own damages or an account of the defendant's profits is because in many trademark infringement cases, the defendant has gained profits as a result of his infringements and the plaintiff has lost profits as a result of these infringements. Therefore if a plaintiff could recover damages for his loss of profits on his loss of sales and also obtain an award of the defendant's profits on his sales he would enjoy an unmerited windfall. He would, in effect, recover "on the double". This would mean that a plaintiff would be "over-compensated" and a defendant would be "over-penalised".

39. If this is the underlying principle for the rule of an election, and I am of the view that it is, then it is clear that the objective of the courts in seeking to do justice between the parties is not to apply the rule in a mechanistic way but rather to understand the rationale for the rule and to apply it in each case in an appropriate manner to ensure justice is done to the plaintiff for the infringement whilst also ensuring that the plaintiff is not over-compensated in a manner which would do an injustice to the defendant.

40. This means that a court should be careful to ensure that there is no element of a plaintiff's claim in damages which might result in an element of over-compensation. Thus a plaintiff, it is said, must "elect" between one or the other.

41. However when one considers how the courts in Ireland and the UK have applied this rule of an "election" between an inquiry into damages or an account of profits, it can be seen that the use of the word "election" is itself something of a misnomer. It is true that a plaintiff must indicate to the court which of the two remedies he would prefer. In that sense he is "electing" one over the other. However this does not mean, in any way, that he is abandoning his second relief. The two remedies are, in effect, remedies in the alternative.

42. Moreover because an account of profits is an equitable remedy, it is a matter in the discretion of the court as to whether it will be granted in any particular case. Thus a plaintiff who has suffered an infringement will not know before a court decision whether a court will in fact grant an order for an account of profits. Thus, although a party may "elect" for an account of profits that is not determinative of the issue. The Court is not bound by that election. A plaintiff elects but the Court decides.

43. Thus, as a matter of principle, if a plaintiff elects for an account of profits and the Court decides otherwise, it is not the case that a plaintiff is then left without a remedy for an infringement and is unable to seek an inquiry as to damages. That would be wrong in principle and wrong in law. It would, quite clearly, be unjust to a plaintiff. Thus just because a plaintiff elects for an account of profits does not mean he thereby abandons his claim for an inquiry as to damages. It remains as an alternative remedy. Indeed there is no reported case among all the authorities opened to me in which a court has refused an account of profits and has also refused an inquiry to damages. It is always one or the other.

44. It is when one considers the principles underlying the rule of election that one sees why the defendant's application is misconceived. The defendant's application was premised entirely on the view that if the plaintiff elected for one he had to abandon the other. That is wrong as a matter of principle and of law and on this ground alone, the defendant's application must be refused.

## **(ii) The issue of General Damages and Special Damages**

45. Moreover on the facts of the present case the plaintiff is not seeking an inquiry into its own damages at all. It is not seeking an inquiry into damages in respect of its own lost sales or profits on those lost sales. It is only seeking general damages and an account of profits. Indeed it could be said that the plaintiff has already made an election and is seeking an account of profits. If it fails to obtain an account of the defendant's profits it has not left itself with any fall-back position of an inquiry into its own damages.

46. The plaintiff is seeking (a) general damages and (b) an account of profits. The question which then arises is whether a plaintiff is entitled to seek both of these reliefs or whether it must elect one or the other.

47. It is therefore necessary to consider the principles set out above and to apply them to this question of whether the plaintiffs are entitled to seek general damages as well as an account of profits.

48. In the course of the hearing, the nomenclature adopted by the parties was that the plaintiffs' claim for loss of profits on any of its lost sales which might form part of an inquiry into damages was, in effect, "special damages". This is the claim which they are not pursuing. However they say that they are still entitled to maintain a claim for "general damages."

49. It is clear that when a plaintiff suffers an infringement of its trademark it has suffered "damage". This damage can be divided into (a) pecuniary and (b) non-pecuniary loss. Special damages consist of pecuniary loss e.g. loss of profits by the plaintiff in a trademark infringement case. General damages, on the other hand, covers non-pecuniary loss. As was stated by Finnegan J. in the Supreme Court in *Tommy Hilfiger Europe v. Derek McGarry* [2008] IESC 36 at pp. 11-12:

*"Before considering what effect, if any, the correction of these errors may have I propose considering the basis upon which damages should be awarded for infringement of a registered Trade Mark and passing off. The position is the same in respect of each of the causes of action. The object of an award of damages is to give to the plaintiff compensation for the damage or loss which he has suffered. Damage is divisible into pecuniary and non-pecuniary loss. The former comprises all financial loss such as loss of business profits or expenses incurred in a case such as the present. The latter in a case such as the present would include damage to reputation or goodwill and can be described as monetary compensation or reparation and takes the form of general as opposed to special damages as they do not admit of mathematical calculation. The assessment of damages for infringement and passing off follow the same lines and both claims are frequently taken together with a single award being made: *Dormeuil Freres SA v. Feraglow Ltd* [1990] RPC 449. The plaintiff need not show damage and the law presumes that any interference with goodwill by infringement or passing off will result in damage." (Emphasis added).*

50. The defendant's essential argument in relation to this point is that the rule of law which requires an election between an account of profits or an inquiry into damages covers special damages and general damages.

51. However, when one considers the principles which underline the rule of law and when one considers that the essential rationale for the rule is to ensure that a plaintiff is not over-compensated, the question then becomes whether a plaintiff who recovers "special

damages" and "general damages" is recovering "on the double" or is being over-compensated. The answer to that is clearly no. A plaintiff is entitled to damages for the loss he has suffered. This includes (i) general damages and (ii) special damages (being the loss of profits). However, it cannot be argued that a plaintiff in obtaining general damages and special damages is being over-compensated.

52. If that be so, then it cannot be argued that a plaintiff who is seeking general damages and an account of profits is being over-compensated.

53. The defendant submits that the principle of election – and the rule of law based on this principle of election – simply states that the election must be made between a claim of damages (to include special damages and general damages) or an account of profits. However, in my view, such a proposition cannot be right either as a matter of principle or as a matter of law. As a matter of principle it is misconceived; as a statement of the rule of law it is overly broad.

54. Moreover, the defendant, although referring to numerous authorities, accepted that it was not able to point to a single case which clearly stated the proposition that a plaintiff must make an election between a right of general damages or an account of profits. The case law appears to refer to an election between the plaintiffs' claim to an inquiry into damages generally or an account of profits. However, in my view, the case law, when properly analysed, in fact refers to an election between the plaintiffs' right to special damages (not general damages) or an account of the defendant's profits.

55. The defendant sought to argue that there is no difference in principle between general damages and special damages but in my view this contention is unsustainable. Although general damages and special damages are both called "damages" and/or "damage" there is a clear analytical distinction between them. General damages do not admit of mathematical calculation whereas special damages are amenable to mathematical calculation as they involve pecuniary loss. An account of profits is likewise amenable to mathematical calculation as it involves pecuniary profit.

56. Thus the rule of law in relation to election is, in effect, a rule of law which requires an election between an account of profits or an inquiry into special damages (or loss of profits) suffered by the plaintiffs. It does not mean an election between an account of profits and general damages.

57. I have also considered the decision of the Court of Appeal in *Hollister* where Kitchin L.J. said at para. 71 (in relation to the relief granted by the judge at first instance):

*"An assessment of the damage caused to the claimant forms no part of an account of the profits made by the infringer and the approach adopted by the judge constituted an illegitimate amalgamation of two quite different ways of assessing compensation."*

However this case should be seen in the light of its own facts. At para. 40 of Kitchin L.J.'s decision he considers various matters which were considered by the judge at first instance and it appears that the judge at first instance may have taken into account profits the plaintiff might have earned on its lost sales. Thus, the judge at first instance in *Hollister* appears to have directed an account as to the defendant's profits but also to have taken into account some element of the special damages or loss of profits suffered by the plaintiff. That is of course an incorrect amalgamation of two quite different ways of assessing compensations. However I do not read *Hollister* as a clear statement of principle that if a court is to consider an account of profits it cannot also consider whether a measure of general damages should not also be awarded.

58. There is also another reason why the rule of law which requires an election cannot mean an election between (1) general damages or (2) an account of the defendant's profits. This is because a plaintiff can never know with any exactitude what sum a court might award for general damages. As a result, a plaintiff could never be in a position to make an informed election between an unknown figure of general damages and a known or knowable figure on an account of profits.

59. Therefore I would conclude that the rule of law which requires a plaintiff to make an election between an inquiry as to damages or an account of profits must mean an election between the plaintiff's inquiry as to special damages or an account of the defendant's profits. This means that a plaintiff's claim to general damages remains intact.

### **(iii) The timing of the election**

60. I turn now to consider the issue of the timing of the election. The defendant submitted that the plaintiffs had to make an election at this point in the proceedings i.e. before discovery was agreed or ordered and even before the hearing of the damages module. The plaintiffs submit that such an election could only be made at the conclusion of the hearing on damages when they had all available information on both options but before the trial judge made his decision.

61. The defendant placed reliance on *Island Records Ltd v. Tring International* [1995] 3 All. ER 444. This was an action for infringement of copyright in which the plaintiff issued a motion seeking summary judgment claiming an inquiry as to damages and in the alternative an account of profits. It was agreed between the parties that the plaintiff was entitled to judgment but the question arose as to the date at which the plaintiff had to elect between the two alternative remedies. The plaintiff contended that no election was required until the plaintiff had (either by means of discovery or otherwise) sufficient information to make an informed choice. The defendants however intended that the election had to be made at the hearing of the motion.

62. Lightman J. in the High Court held that it was well established that a plaintiff could not attain judgment for both damages and an account of profits. However he also held that a party should not be required to elect between either option until he was able to make an informed choice.

63. As Lightman J. stated at p. 447 of his decision:

*"Four principles are clear. First whilst a plaintiff can apply in proceedings in the alternative for damages and an account of profits he cannot obtain judgment for both; he can only obtain judgment for one or the other: (see Neilson v. Betts (1871) LR5 HL1 and De Vitre v Betts (1873) LR6 HL 319 at 321. Second once judgment has been entered either for damages or an account of profits, any right of election is lost: any claim to the remedy other than that for which judgment is entered is forever lost see United Australia v. Barclays Bank Ltd [1941] AC 1 at 30. Third a party should in general not be required to elect or be found to have elected between remedies unless and until he is able to make an informed choice. A right of election, if it is to be meaningful and not a mere gamble, must embrace the right to readily available information as to his likely entitlement in case of both the two alternative remedies. It is quite unreasonable to require the plaintiff to speculate totally in the dark as to whether or not the sum recoverable by way of damages will*

*exceed that recoverable under an account of profits... Fourth the exercise of the right of election should not be unreasonably delayed to the prejudice of the defendant.*

*The question raised is whether the court can adopt a procedure which reconciles the four principles and enables a plaintiff, who has established the liability of the defendant and his right to elect between remedies, to secure the wherewithal to make an informed election before thereafter with reasonable promptitude committing himself to either remedy. The need for such procedure is made the more acute by the desirability of supporting the practice of limited discovery in cases of split trials and of encouraging a plaintiff, who is so entitled, to enter judgment at an early stage in the proceedings (thereby saving court time and costs). Whilst it is true that there is no English authority where such a procedure has been adopted or even hinted at, I think that it is open to the court to develop such a procedure and that it is just and convenient that it should do so.” (Emphasis added).*

64. The court held in that case that it could give directions to ensure that the plaintiff had such information as it required to enable it to make an informed election. This could be done by discovery or by some alternative means e.g. by directing the defendant to provide audited reports. The court in that case directed the defendants to furnish an audited schedule setting out the figures sought by the plaintiff, as an alternative to discovery and that the plaintiff should elect between the two remedies within seven days thereafter.

65. However although the principles (particularly the third principle) in that case are applicable to the present case, there are a number of points which should be noted. Firstly, it is clear in the present case that the plaintiffs have made an election (i.e. they have elected to pursue an account of profits rather than their own damages); Secondly, it is difficult to see as a matter of principle how a plaintiff could make an informed election between an account of profits and general damages in circumstances where the plaintiff could not know what figure for general damages might be awarded by the court; thirdly, the defendant in this case is seeking an order requiring the plaintiff to make an election even before discovery is ordered or agreed and therefore the plaintiff has no idea what figure the account of profits might yield. It is difficult to reconcile this contention with the third principle set out by Lightman J. i.e. that a party should in general not be required to make the election until and unless he is able to make an informed choice.

66. It is difficult to see, on any view of the situation, how a court could make an order sought by the defendants before discovery in circumstances where the defendant has not offered any audited reports or any figures sought by the plaintiff. The plaintiff does not have any information to make an informed decision as to its election and it is clear that the plaintiff must have all relevant information to make an informed election between damages and/or an account of profits.

67. In those circumstances the question might be asked: how is a plaintiff to make an informed election between a claim for general damages and/or an account of profits when he has no information under either heading to enable him to make an informed choice. As Lightman J. said “a right of election if it is to be meaningful and not a mere gamble, must embrace the right to readily available information as to his likely entitlement in the case of both two alternative remedies. It is quite unreasonable to require the plaintiff to speculate totally in the dark as to whether or not the sum recoverable by way of damages would exceed that recoverable under an account of profits”. In the present case the defendant’s application to compel the plaintiff to make an election between general damages or an account of profits without providing any figures in respect of either claim would be entirely wrong and unreasonable. It would compel a plaintiff who has already succeeded on establishing liability, to make an uninformed gamble at an early stage as to which remedy to choose. That cannot be right as a matter of principle or as a matter of law.

68. Moreover the defendant can provide no authority for the proposition that the plaintiff should elect at this stage of the proceedings. Indeed the only authority upon which they rely i.e. *Kerly’s Law of Trademarks and Trade Names* (15th ed., Sweet & Maxwell, London, 2014) actually states that the claimant has an option exercisable at the conclusion of the hearing of the case to claim either damages or profits.

69. I would therefore conclude that the defendant’s application for an order directing the plaintiff to make an election must be refused.

#### **Directive 2004/48/EC on the enforcement of intellectual property rights**

70. I turn now to consider the issue of Directive 2004/48/EC. Counsel for the plaintiffs, Mr Gallagher SC, submitted that it was possible for the Court to decide this application on the basis of national law alone and I agree with this submission. However it is necessary to consider the Directive and to ensure that the national rule of law is not in conflict with the Directive.

71. The plaintiffs have sought to place some reliance on Directive 2004/48/EC – the enforcement directive and in particular on Article 13 (1) (a).

72. Article 13 (1) (a) and article 13(2) are as follows:

#### *“Article 13*

#### *Damages*

*1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.*

*When the judicial authorities set the damages:*

*(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;*

*2. Where the infringer did not knowingly, or with reasonable grounds know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established. (Emphasis added).*

73. Directive 2004/48 has not been implemented into Irish law as yet.

74. However the fact that the Directive has not been implemented into Irish law does not mean that it is of no legal effect. The



plaintiffs submit, that having regard to the decision in *Marleasing SA v. La Comercial Internacional* [1990] (Case C-106/89), the court could, if necessary, have regard to it. In *Marleasing* the court stated at paras. 8 & 9 of its judgment:

*"In order to reply to that question, it should be observed that, as the Court pointed out in its judgment in Case 14/83 Von Colson and Kamann v Land Nordrhein-Westfalen [1984] ECR 1891, paragraph 26, the Member States' obligation arising from a directive to achieve the result envisaged by the directive and their duty under Article 5 of the Treaty to take all appropriate measures, whether general or particular, to ensure the fulfilment of that obligation, is binding on all the authorities of Member States including, for matters within their jurisdiction, the courts.*

*It follows that, in applying national law, whether the provisions in question were adopted before or after the directive, the national court called upon to interpret it is required to do so, as far as possible, in the light of the wording and the purpose of the directive in order to achieve the result pursued by the latter and thereby comply with the third paragraph of Article 189 of the Treaty."* (Emphasis added).

75. Thus the Court of Justice reaffirmed its position in *Von Colson v Land Nordrhein-Westfalen* [1984] (Case 14/83), that national courts must, as far as possible, interpret national law in the light of the wording and purpose of the Directive in order to achieve the result pursued by the Directive whether the national provisions in question are adopted before or after the Directive. This principle of "indirect effect" is an interpretative rule to be considered by national courts when interpreting national rules which may conflict with a Directive in the same area.

76. Thus a national court must seek to interpret domestic law in a manner which is, as far as possible, consistent with the provisions of a directive. The practicality of construing national law in such a manner can be difficult when one is considering a measure of national legislation; that difficulty is however compounded when a court is faced with a rule of common law and when the scope and parameters of that rule of law are not entirely clear.

77. The plaintiffs relied on an opinion of the Advocate General in *Hansson v Jungpflanzen Grünwald GmbH* (Case C- 481/14) delivered on the 4th February, 2016. The opinion of the Advocate was given in the context of a reference for a preliminary ruling concerning the interpretation of Article 13 (1) of Directive 2004/48 on the enforcement of intellectual property rights. In particular the plaintiffs sought to rely on para. 103 of the Advocate General's opinion which provides as follows:

*"In providing that national courts should 'take into account' all appropriate aspects, such as the unfair profits made by the infringer, neither does Article 13, para. 1, second indent, under 3(a) of the Directive 2004/48, promote these profits as a minimum threshold or as a binding prejudice assessment criterion. In my view, this provision limits itself to establishing the margin of appreciation of the national judge in order to determine the prejudice according to criteria deemed appropriate which include the said profits."*

78. The Directive has been implemented in the UK. The scope and provisions of the Directive and the implementing UK regulations were considered in a number of decisions in the UK including *Henderson v. All Around the World Recordings Ltd* (High Court, Hacon J.), *Hollister v. Medik Ostomy Supplies Limited* [2012] EWCA Civ 1419 and I have considered these judgments.

### **Analysis of Article 13 (1)**

79. The first point to note in construing Article 13 (1) is that the Directive provides that when national judicial authorities are considering damages for infringement "they shall take into account all appropriate aspects".

80. Secondly, the Directive goes on to provide that in considering "all appropriate aspects" national courts "shall" take into account aspects "such as" "the negative economic consequences" and "elements other than economic factors". This is clearly conjunctive and not disjunctive. The Directive therefore requires national courts to consider both economic consequences and non- economic consequences.

81. Thirdly, in construing the words "negative economic consequences", including lost profits which the injured party has suffered, any unfair profits made by the infringer, and "in appropriate cases elements other than economic factors", I am of the view that these phrases also should be construed in a conjunctive and not a disjunctive manner. The defendant submitted that they should be construed disjunctively but I do not agree with this submission. Firstly, the courts are required to take "all" appropriate aspects into account; secondly, the structure of the sentence and the use of the conjunction "and" show that all of the factors are to be considered conjunctively; thirdly there is no "or" anywhere in the sentence to suggest a disjunctive interpretation.

82. Thus a court must take into account all appropriate aspects including "the lost profits" of a plaintiff and "the unfair profits" made by the infringer. However of course a court should not, to reiterate the principle from the authorities, take both matters into account in such a way that results in "over-compensation" to a plaintiff.

83. Thus the Directive permits national courts to take into account the plaintiff's lost profits (i.e. an inquiry into damages or special damages). It also permits a Court to take into account any unfair profits made by a defendant (i.e. an account of profits). It does not on the face of it, require an election by a plaintiff. However the Directive must be read in the light of the underlying principle that a plaintiff cannot be over-compensated no matter how it is computed and a Court may take all these factors into consideration in arriving at a fair figure of compensation for a plaintiff.

84. Thus, applying the interpretative principle set out in *Marleasing* where Directive 2004/48 has not been implemented into Irish law, I am of the view that there is no conflict between the national rule of law on damages for an infringement and the wording of the Directive. The national law permits a court to take into account whether to direct an account of profits or an inquiry into damages (but not both) so as to ensure that a plaintiff is compensated or a defendant is not unjustly enriched. This national rule is however subject to the over-riding principle that a plaintiff should not be "overly compensated"; similarly the Directive permits a national court to take into account the lost profits suffered by a plaintiff, "any unfair profits" made by a defendant and other matters. This however is also subject to the overriding principle that a plaintiff should not be "overly compensated" because of the general principle contained in article 3 (1) of the Directive that the remedies shall be "fair and equitable".

85. Whilst it is true that there is an apparent difference between national law and Article 13 in that national law requires an election (or in effect a court decision on whether to award an account of profits or an inquiry into damages) and Article 13 appears to suggest, as a matter of construction, that a national court should take into account "lost profits" (i.e. an inquiry into damages) and "unfair profits" (i.e. an account of profits), in my view this distinction is more apparent than real. It may be that in certain cases a Court might decide to direct an account of profits under the Directive and in others to direct an inquiry as to damages. Perhaps the Directive offers more flexibility in relation to the fashioning of the remedy than the older common law rule. But it is clear that the

common law rule is itself evolving. As Rimer LJ stated in *Walsh v Shanahan* (as set out above) "*The objective in any case is to identify the appropriate remedy for the circumstances of the wrongdoing – to make the remedy fit the tort. As Sales J put it, it is to find the "just response to the wrong in question". Likewise as Ryan J stated in the BMW case- "The measure is the plaintiff's loss- the defendant's wrongful gain may represent the whole, or part of that, or may be additional."*

86. Moreover, in relation to the issue of an account of profits and general damages, as I have set out above, I am of the view that the national rule of law permits a plaintiff to seek (1) an account of profits and (2) general damages (which as Finnegan J. stated in *Tommy Hilfiger* are non- pecuniary losses). This is similar to the provision in Article 13 (1) that a court shall take into account "negative economic consequences" (e.g. either the plaintiff's lost profits or the defendant's unfair profits) and elements other than economic factors (i.e. non- pecuniary losses such as general damages).

87. I am of the view therefore that the national rule on election when properly understood in the light of the case law is in conformity with the provisions of Article 13 (1).

### **Conclusion**

88. For all the above reasons, I must refuse the defendant's application.