Punitive damages as a contentious issue of Intellectual Property Rights

Questions

1) a) Does your country have a concept of punitive damages?
   Yes

b) If so, does it apply to patents, trade marks and other IPR?
   Patents no; trade marks no; but copyright yes! Section 24(3) provides for “additional damage” for flagrant infringement. This is in addition to Section 27, providing for criminal sanctions.

c) Would the possibility of an award of punitive damages be of benefit in infringement cases?
   There exists a widely held view that save in the case of copyright (see (b)) and save in the law of defamation, punitive damages are a stranger to South African law. It is to be remembered, however, that, in theory, if an offence or transgression of whatever kind under any of the laws mentioned above includes a criminal act leading to a criminal conviction, the court can (in terms of the criminal procedures act) attempt to rectify harm done to the aggrieved party and grant a monetary compensation even for matters not normally taken into account in calculating damage awards in intellectual property cases. However, the aggrieved party would then be barred from seeking damages in civil proceedings for the same matter.

   If the remedy of punitive damages were available more generally in I.P. matters in South Africa, acts of infringement would probably be discouraged provided the jurisdictional quantum were to be set high enough. There are some in our group who do not consider this a good enough reason to support the introduction of punitive damages, because in the USA and Canada, where this remedy is available, infringement still occurs.

   There are others, myself included, who would support the introduction of punitive damages if the evidence shows clear, flagrant and wilful infringement or other wrongful acts causing great harm which cannot be remedied by “ordinary” damages. Examples are:
   i) wilful infringement by a powerful infringer exploiting its financial strength against a financially weak rights holder;
   ii) or, where a financially powerful rights holder exploits its financial superiority against financially weak parties in order to enforce purported rights, where clearly no legally justifiable claim exists;
iii) there should be a mechanism for at least compensating the aggrieved party for the full costs incurred in connection with (i) and (ii), including compensation for in-house expenses – which normally are not recoverable at present. (To make such a remedy more readily available would require provisions in I.P. legislation laying down cost awards over and above the costs normally awarded according to the High Court tariff).

2) If punitive damages are available:

a) In what types of situations can punitive damages be awarded?

If an infringement is flagrant, e.g. if it is “scandalously dishonest”. Quoting from O H Dean, Handbook of South African Copyright Law:

"a) Additional damages may only be awarded by the court when, firstly, the plaintiff already has a cause of action for relief de hors the provisions of the section, and secondly, such relief cannot effectively be obtained by the plaintiff.

b) In determining whether it may be satisfied that effective relief could not otherwise be available to the plaintiff, the court will have regard not only to the flagrancy of the infringement and any benefit shown to have accrued to the defendant, but also to all other relevant considerations.

c) A consideration which is not relevant to the enquiry whether “effective relief which would not otherwise be available to the plaintiff” is the need to deter not only the particular defendant from infringing conduct but also other potential infringers. It is not justifiable to visit on the defendant the sins of other infringers.

d) The fact that there is no yardstick by which additional damages are to be assessed on the grounds of the flagrancy of the infringement of copyright is no bar to the award of damages. The court is required to exercise a value judgment in the matter."

b) How is the amount (quantum) of damages assessed?

The case law gives no guidance other than what is stated above. A court can order an enquiry into damages, where this quantum could be determined taking into account all circumstances.

3) Is there an obligation on a party to take legal advice to ensure there is no infringement? If so

a) what is the obligation and when does it arise and

No, however, if the infringer had taken legal advice, including a professional search without being able to establish the existence of infringed rights, such infringer might have a defence against the award of any damages at all on the ground that it had no reasonable means of knowing about the existence of such rights. This applies particularly if the goods of the rights owner had not been properly marked to identify the relevant I.P. rights.

b) how is that advice assessed in subsequent infringement proceedings?

If available, such advice would certainly be relevant in connection with (a) or with the establishment of flagrancy in connection with copyright infringement.
4) a) Is there a pre-trial discovery system which allows an IP owner to review the defendant’s behaviour?

Yes, after the close of pleadings, but this is limited to documents that are not privileged. Only documents which are relevant to the documents as pleaded need be discovered.

A possibility whereby an I.P. owner can gain much earlier access to documents (or other evidence) concerning the defendant’s behaviour is by way of an Anton Pillar action prior to initiating proceedings. This is subject to quite special requirements.

b) If so, are the parties required to give discovery of documents held abroad?

Yes, if the documents are under the control of the litigant. A litigant who knowingly withholds discovery of a relevant document may subsequently be debarred from relying on such document in support of its own case.