

# AN INEXPLICABLE RIDDLE - NO UNIFORMITY IN AWARDING PUNITIVE DAMAGES ON INFRINGEMENTS OF TRADE MARKS BY INDIAN COURTS – A COMPARATIVE STUDY

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**Abstract:** For last few years the Indian Courts have been awarding damages for infringement in Trademark cases reveals though there is no specific statutory provision laid under trademark law or any other civil laws, but off late the judges have been awarding damages without establishment of uniform and legally tenable parameters for computing the amount of damages to be awarded to successful plaintiffs. In one of the matters the Delhi High Court has held in the matter of Disney Enterprises, Inc vs Mr. Rajesh Bharti decided on 13 February, 2013, wherein the court has referred the case of Microsoft Corporation Vs. Rajendra Pawar & Anr., CS(OS) 530/2003 decided on 27th July, 2007 has held this Court is also of the view that before award of damages it is not necessary that the plaintiff must show some particular benefit has accrued to the defendant or that the plaintiff must satisfy the Court by leading evidence that it has suffered actual loss. In Microsoft Corporation Vs. Ms. K. Mayuri & Ors., this Court has held "The practice of grant of exemplary damages needs to be strengthened particularly in those cases where flagrant infringement is found. Such an exercise of power is not to be fettered by any requirement that the plaintiff must show some particular benefit which has accrued to the defendant or that the plaintiff must satisfy the court by leading evidence that he has suffered actual loss. In a case where the plaintiff proves such actual loss, he would be entitled to the same. However, even without such a proof, in case of flagrant infringement, the court has the complete discretion to make such award of damages as may seem appropriate to the circumstances, so that it acts as deterrent. In some cases, it is not possible to prove the actual damages, namely, that there is a normal rate of profit or that there is a normal or establish licensed royalty. Yet, clearly, the damages have to be assessed." This Court has awarded the cost of Rs.3.00 Lacs as ex-parte decree to the plaintiff, keeping in view of the above; the different judges have made out their own individual formulas without applying scientific reasoning or support while awarding damages to the successful plaintiffs. World over the courts grant punitive damages in trademark infringement actions are based under quantum of damages fixed as per statutory laws or are following the judicial precedents. But so far all Indian courts are awarding damages do not have any reasoned scientific approach or tried and tested formula to decide the quantum of damages in each case, as such there is neither uniformity in deciding quantum of damages nor there any statute standardisation provision for the courts to decide within that defined parameters.

This paper is going to carry out detailed comprehensive study including finding out uniform, standardised legally tenable criteria, each factors of proof of infringement to be considered including question of whether punitive damages should be awarded keeping in view of the defendant's misconduct as well as presence of certain factual findings observed by the court and the same may be correlated with the by applying statistical figures of quantum of sales, profits/loss of sales of non litigation period of the plaintiff, so as to bring out reasonable criteria to quantify such damages that can be correlated with sound reasoning in awarding quantified damages to plaintiff. So that becomes a powerful deterrence for trademark infringement cases. This paper proposes creation of uniformed standardise check list to be considered before appropriation of quantum of damages in such infringement cases. This Paper is going to carry out critical evaluation of the damages awarded so far by the Indian Courts.

**Keywords:** trademark, infringement cases, damages, punitive damages, compensatory damages award, defendant's misconduct, evaluation of the damages, Principles of damages, methodology of damages.

## INTRODUCTION

World over the most of top brand owners approach respective court jurisdictions for the immediate enforcement of their trademark rights thereby stopping any infringing use, as swiftly as possible usually in majority of infringement cases, the brand owners primary objective for approaching court is to stop infringement and raising subsequent claims for an award of damages as same being a secondary issue as such this is not the prime concern of the brand owners. The brand owner's reluctance to pursue such claims before the court requires load of evidences from the brand owners in respect to claim damages from the infringers in the proceedings. In India in comparison to many of countries including UK USA and European Union is cumbersome and their outcome is by no means is going to be certain. But still USA and EU countries have provision in their respective statute of awarding punitive damages but not beyond its statute, in comparison to other countries As a result, the cost-benefit ratio in such infringement litigation is often perceived as being unattractive. Hence, that in many UK and European Union jurisdictions there is still scant case laws on punitive damages and how these are calculated.

## Evolution of Trademark Law, Infringement and damages:

The English Trademark laws have undergone significant transition over the years. Initially the Merchandise Marks Act was passed in 1862 and the Trade Mark Registration Act was passed in 1875. Subsequently, came the Trademarks Act of 1905, which was later amended in 1919 and 1937 and finally in the year 1938 amended new Trademark Act was passed. The 1938 Trademark Act contained novel concepts such as associated trademarks, a consent-to-use system, a defensive mark system, and non-claiming right system<sup>1</sup>.

The American trademark law was initially influenced by the English laws. However, USA is a Federal State, and the State courts adjudicate on the basis of State laws and Federal courts adjudicate on the basis of Federal laws. In 1870, the Federal Trade Mark Act was enacted to protect trademarks but it was later abolished due to inconsistency with the US Constitution. A trademark law replaced this Act in 1881. Finally in 1946, the Lanham Act was enacted, which put more emphasis on the 'use based principle'. According to this principle, a mark is registered on proof of actual use and not on mere intention to use. However in 1988, this Act was amended, as a result of which, intent to use is now sufficient to apply for trademark registration.<sup>2</sup>

Usually in India seeking Relief in the form of damages is one of the remedies available in claims of tortious liability. Damages are the sum of money, which a person wronged, is entitled to receive from the wrongdoer as compensation for the wrong. The general rule in fixing the sum to be given as damages is that, it should as close as possible to that amount which will put the injured party in the same position as he would have been in, if he had not sustained the wrong for which he is getting compensation.<sup>3</sup> Usually, damages are remedial rather than preventive or punitive. However, in a few instances, punitive damages in addition to compensatory damages may be awarded. Accordingly, there are three main categories of damages recognized under law: (i) Compensatory damages, (ii) Nominal damages, and (iii) Punitive damages.

### General Damages:

Damages are generally awarded to compensate an injured person for the harm caused by the defendant's actions. There are a number of different types of compensation for an injury, including compensation for physical pain and suffering, physical impairment, mental anguish, loss wages, and medical expenses.

### Punitive Damages:

Unlike general damages, punitive damages are meant to punish and are not directly tied to a tangible injury so imputed. They're not technically meant to compensate the plaintiff for a specific loss, although the plaintiff is the one who ends up receiving punitive damages from the defendant. So punitive damages require intentional misconduct or gross negligence. In other manner it requires a defendant to act with recklessness, malice or deceit. Punitive damages can be awarded in most cases, but are generally not included in a breach of contract case. Punitive damages are meant to punish and to deter similar wrongful or repugnant conduct.

Punitive damages are often awarded if courts in opinion that compensatory damage is deemed an inadequate remedy. Then the court may impose it to allow redress for undetectable torts and taking some strain away from the criminal justice system.<sup>4</sup> Punitive damages are most important for violations of the law that are hard to detect.<sup>5</sup> But still punitive damages awarded by the courts. Because they are usually paid in excess of the plaintiff's provable injuries, punitive damages are awarded only in special cases, usually under tort law, if the defendant's conduct was egregiously insidious. Punitive damages cannot generally be awarded in contract disputes with exception is in insurance bad faith cases, in the US, if the insurer's breach of contract is alleged to be so egregious as to amount to a breach of the "implied covenant of good faith and fair dealing", and is therefore considered to be a tort cause of action eligible for punitive damages (in excess of the value of the insurance policy).<sup>6</sup>

### Gross Negligence:

Gross negligence is also defined as conduct that is reckless and constitutes a conscious disregard or indifference to other's safety, life, or rights. While an ordinary negligence involves the violation of a general duty to act with reasonable care, but gross negligence there is an added element of recklessness. It's important to note that, where there is gross negligence, governmental entities and employees may lose their otherwise generally applicable immunity from liability for personal injury claims.

### Proof of damages:

<sup>1</sup> Principles Governing Damages in Trademark Infringement Astha Negi and Bhaskar Jyoti Thakuria

<sup>2</sup> Ono Shoen, *Overview of Japanese Trademark Law*, 2nd edn, 1999 ([www.iip.or.jp/translation/ono/ch2.pdf](http://www.iip.or.jp/translation/ono/ch2.pdf)).

<sup>3</sup> Pillai Atchuthen P S, *Law of Tort*, 8th edn (Eastern Book Company, Lucknow), 1987, p. 301, 435

<sup>4</sup> Kemezy v. Peters, 79 F.3d 33 (7th Cir. 1996) (Posner, J.)

<sup>5</sup> Howard A. Shelanski & J. Gregory Sidak, Antitrust Divestiture in Network Industries, 68 U. CHI. L. REV. 1, 44 (2011), [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=265652](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=265652).

<sup>6</sup> The landmark cases that established this tort were *Comunale v. Traders & General Ins. Co.*, 50 Cal. 2d 654, 328 P.2d 198, 68 A.L.R.2d 883 (1958) (third-party liability insurance), and *Gruenberg v. Aetna Ins. Co.*, 9 Cal. 3d 566, 108 Cal. Rptr. 480, 510 P.2d 1032 (1973) (first-party fire insurance)

Recovery of damages by a plaintiff in lawsuit is subject to the legal principle that damages must be proximately caused by the wrongful conduct of the defendant. This is known as the principle of proximate cause. This principle governs the recovery of all compensatory damages, whether the underlying claim is based on contract, tort, or both.<sup>7</sup> Damages are likely to be limited to those reasonably foreseeable by the defendant. If a defendant could not reasonably have foreseen that someone might be hurt by their actions, there may be no liability. This rule does not usually apply to intentional torts (for example, tort of deceit), and also has stunted applicability to the quantum in negligence where the maxim Intended consequences are never too remote applies – 'never' is inaccurate here but resorts to unforeseeable direct and natural consequences of an act.

### Expert testimony:

It may be useful for the lawyers, the plaintiff and/or the defendant to employ forensic accountants or someone trained in the relevant field of economics to give evidence on the value of the loss<sup>8</sup>, in this case, they may be called upon to give opinion evidence as an expert witness.

### Compensatory damages

Compensatory damages are paid to compensate the claimant for loss, injury, or harm suffered as a result of another's breach of duty including a negligence claim under tort law. Damages are used in contract law<sup>9</sup>

### Quantum (measure) of damages:

Liability for payment of an award of damages is established when the claimant proves, on the balance of probabilities, that a defendant's wrongful act caused a tangible, harm, loss or injury to the plaintiff. Once that threshold is met, the plaintiff is entitled to some amount of recovery for that loss or injury. The court must then assess the amount of compensation attributable to the harmful acts of the defendant.<sup>10</sup>

### Lack of Reasonable Basis:

There must be a reasonable basis for an injured person to seek punitive damages in a personal injury lawsuit. Where there is limited or no evidence of intentional misconduct, gross negligence, or deceit, a court can levy monetary sanctions on the injured person and his or her attorney for seeking punitive damages. By requiring a reasonable basis for asking for these kinds of compensation, courts are trying to discourage frivolous claims for punitive damages in personal injury cases.

### Determination of Principles for awarding Punitive Damages in India:

Though world over the courts grant punitive damages in trademark infringement actions are based under quantum of damages fixed as per statutory laws or are following the judicial precedents. But so far all Indian courts are awarding damages do not have any reasoned scientific approach or tried and tested formula to decide the quantum of damages in each case, as such there is neither uniformity in deciding quantum of damages nor there any statute standardisation provision for the courts to decide within that defined parameters.

In India, liquidated damages are dealt under Indian Contract Act, 1872 within section 73 and section 74. Sec. 73 states that "when a contract has been broken, the aggrieved party is entitled to get compensation or any loss or damages which has been inflicted to him/her naturally during the usual course of breach of contract or about which the parties to the contract has prior knowledge when they entered the contract." The Indian law makes no distinction between liquidated damages and penalty. The compensation awarded cannot exceed the amount mentioned in the contract. According to Section 74 of the Indian Contract Act, 1872, if the parties fix the damages, the Court will not allow more. However, it may award a lesser amount, depending on the case. Hence, the suffering party gets a reasonable compensation but no penalty.

As far as India is concerned, like other countries common law remedy is available and also selectively recognized the economic tort of unfair competition. Though award of punitive damages has been rare in India but the courts have been very cautious in invoking damages on the losing parties. Most of the civil remedies cases including IPR cases rare cases have been where the court has awarded damages to against the losing parties. In India majority of intellectual property rights infringement cases particularly originated from the metro cities and are filed under the respective original jurisdiction of the High Courts in Delhi, Mumbai Chennai particularly the cases filed in Delhi Jurisdiction till the year 2017 are often valued at more than Rs. 20 lacs as valuation of suits in such cases claiming damages and injunction rests with the plaintiffs.

The entire litigation with respect to infringement suits under IPR is solely relation to awarding of temporary injunctions. On non grant of injunctions the appeals are filed in most cases Appellate and to the Supreme Court. Majority of jurisprudence enumerated through temporary injunction order in relation to intellectual property rights infringement cannot be treated as precedents once the

<sup>7</sup> Brinig, Brian P., JD, CPA (2011). *Finance & Accounting for Lawyers*. Portland, OR: BV Resources, LLC. p 200. ISBN 978-1-935081-71-5.

<sup>8</sup> Larson, Aaron (25 July 2016). "How Are Damages Calculated After an Injury or Lawsuit"

<sup>9</sup> Robinson v Harman (1848) 1 Ex Rep 850

<sup>10</sup> the U.S. Supreme Court cases of "The Conqueror, 166 US 110, 17 S. Ct. 510, 41 L. Ed. 937 (1897)". and "Palmer v. Connecticut Railway & Lighting Co., 311 US 544, 61 S. Ct. 379, 85 L. Ed. 336 (1941)".

injunctions are granted against the defendants, numerous cases are settled even after the granting or refusal of injunctions by the Supreme Court on appeal. The insistence on injunction applications before the court in India over damages is because of the nature of the infringers and the difficulties associated with assessing damages due to infringement. The Defendants are often fly by night companies, who shift or abscond as soon as an infringement suit are filed in the courts usually small traders and shop owners, who are the infringers and such a scenario in most cases small shop keepers do not maintain account books or file returns, that makes it very difficult to assess account of profits of the small players.

As if often also pointed out by brand owner's owners, the true legal battle begins only after once final decree with respect to damages is awarded. Despite of being awarded decree It is impossible to execute decree and obtain damages from the defendants. In such a scenario the plaintiff gives up on the damages as well as of rendition of accounts once the courts grant an permanent injunction.

The moot question arises here in this paper that the when there is no specific statutory obligation or clear enumerated principles with reference to award of damages, how Court of Delhi High Court has adopted the principle awarding punitive damages in Indian IP jurisprudence by incorporating an American concept which is nothing to do with trademark infringement and this ruling has been a main originator principle where every court has applied without going deep in to the context of the ruling thus the American concept was misapplied in all the rulings. The moot question arises here before considering or applying of principles of punitive damages concept by the court, the court has to decide firstly whether the defendant's misconduct has an element in the nature which has risen to the level of wilful and wanton negligence which shocks the conscience of the court than court has to decide the quantum of loss of the plaintiff by applying reasonable factors in totality to arrive on conclusion of awarding punitive damages, due many complexities for arriving on particular amount of damages to be levied, as such punitive damages are known to be awarded only in extremely rare cases. In the current case but it appears the High Court of Delhi that the Court has partly borrowed and applied the concept for awarding punitive damages in all cases without looking deep into its nuances of borrowed concept.

### First awarding of Punitive damages by Delhi High Court in the Trademark case:

The principle of awarding damages is a recent phenomenon arisen magnificently without any substance in intellectual property litigation in India and it has evolved very rapidly in the very recent past in IPR litigation. The principle of the awarding of punitive damages was aggressively carried out in the year 2005 onwards without any substantive, when a single judge of Delhi High Court in a suit for trademark infringement in the case of *Times Incorporated v. Lokesh Srivastava*<sup>11</sup> had found an Indian publisher guilty of passing off its Hindi news magazine as the famous Times magazine by adopting a similar name, a similar front page with a distinctive red border and an identical typescript and font. After finding the defendant liable for passing off and trademark infringement, the court has proceeds to grant the plaintiff the punitive damages amounting of Rs. 5 lakhs. It is really intriguing firstly that judge came to the conclusion that he could grant punitive damages, secondly he could grant punitive damages to the extent of Rs. 5 lacs. The reasoning for awarding punitive damages rendered by the judge on the basis of conclusion is based on an American judgment in the case of *Mathias v. Accor Economy Lodging Inc.*<sup>12</sup>.

The judge's reliance on this American judgment was misplaced for two reasons. Firstly the court awarding punitive damages by relying on Mathias judgement (supra) incomprehensible as the issue involved in this judgment was not remotely related to issues pertaining to the infringement of IP rights or passing off. Factually the issues involved in this case were entirely different than case in hand of the judge actually the facts in that case were involved a brother and sister suing a Chicago motel for being bitten by bed bugs. Still the judge took this case as precedence to award damages, the indication of this case as sample for awarding punitive damages surpassed quite the stretch of judicial imagination to equate a case of rampant bed-bug infestation of a motel with trademark infringement and passing off. The disturbing part of this judgment, when there is no equivalence of facts or reasoning, than how is the Mathias case even remotely relevant to an Indian case involving infringement of IP rights and can be used as precedent for awarding punitive damages.

The major problem with the court reliance on the Mathias judgment involving infringement of IP rights was completely misapplied the ruling as under American Lanham Act, before the award of punitive damages, the plaintiff is required to at least prove his case for compensatory damages. The punitive damages are usually follows as a plea for multiple of the compensatory damages. The basic logic for such reasoning American law is that, it is necessary to firstly know the actual damage suffered by the Plaintiff and then the question arises of punitive damages as punitive damages are solely meant to punish the defendant by making him cough up more than the actual damages suffered by the plaintiff, otherwise there is no question of punishing anybody with damages.

<sup>11</sup> 2006 131 Comp Cas 198 Delhi, 116 (2005) DLT 599, 2005 (30) PTC 3 Del "This court has no hesitation in saying that the time has come when the courts dealing actions for infringement of trademarks, copyrights, patents, etc., should not only grant compensatory damages but award punitive damages also with a view to discourage dishearten law breakers who indulge in violations with impunity out of lust for money so that they realize that in case they are caught, they would be liable not only to reimburse the aggrieved party but would be liable to pay punitive damages also, which may spell financial disaster for them."

<sup>12</sup> 347 F.3d 672 (7th Cir. 2003) Desiree Mathias, and her brother Burl, (collectively plaintiffs) checked into a Motel 6 owned and operated by Accor Economy Lodging, Inc. (Motel 6) (defendant). During their stay, Desiree complained of being bitten by bedbugs. Plaintiffs \_led suit in federal district court against Motel 6 alleging it knew of the bedbug problem and had ignored it, amounting to "willful and wanton conduct." At trial, evidence showed that the motel's exterminating service discovered the bedbugs in 1998 and offered to spray each room for a total of \$500. The motel refused and, instead, transferred guests to a different room when they complained of the bedbugs. On other occasions, Motel 6 told guests that they were not bedbugs, but were ticks instead. The jury awarded Plaintiffs \$5,000 in compensatory damages and \$186,000 in punitive damages. Motel 6 appealed.



In the *Time Incorporated v Lokesh Srivastava and Anr* case, the plaintiffs have failed to prove their case for compensatory damages when the plaintiffs have failed to prove even the basic compensatory damages how court can award of punitive damages, even in this case the court has awarded punitive damages on ex-parte basis, wherein the defendant did not present his case to the court, as there was no external evidence of damage and the defendants themselves were unavailable to present their accounts to the Court. The Court saw this as an opportunity to punish the defendants, as in court's opinion, at this juncture not imposing such a punishment would amount to encouraging parties who do not submit themselves to litigation, as such Ld. Judge has arrived awarding of punitive damages on the basis un-rebutted plaintiff documents, which were not tested at any stage of the litigation, this erroneous awarding of the punitive damages has become a watershed in awarding damages.

For all the reasons above, the reliance on the Mathias judgment was simply misplaced. Taking cue from the said judgment which was though overruled rendered by the Delhi High Court, most of the judges of the Delhi High Court had continued to cite *Time Incorporated v. Lokesh Srivastava* (supra) despite of the fact that even after the said judgment had been over-ruled by a Division Bench led by Justice Ravindra Bhat still single judges have followed the judgment without realising that the judgment has been over-ruled but the judges have been awarding damages without establishment of uniform and legally tenable parameters for computing the amount of damages to be awarded to successful plaintiffs.

The Delhi High Court had continued to apply the over-ruled judgment in *Time Incorporated v. Lokesh Srivastava*, despite overruling, all judges have followed and was regularly cited at the Delhi High Court despite of overruling of this judgment, 25 judgments where the Delhi High Court had continued to cite *Time Incorporated v. Lokesh Srivastava* even after the judgment had been over-ruled in the year 2014 by a Division Bench led by Justice Ravindra Bhat, in one of the matters the Delhi High Court has held in the matter of Disney Enterprises, Inc vs Mr. Rajesh Bharti decided on 13 February, 2013, wherein the court has referred the case of Microsoft Corporation Vs. Rajendra Pawar & Anr,<sup>13</sup> In Microsoft Corporation Vs. Ms. K. Mayuri & Ors., this Court has held<sup>14</sup> Taking the cue of this judgment, this Court has awarded the cost of Rs.3.00 Lacs as ex-parte decree to the plaintiff, keeping in view of the above; the different judges have made out their own individual formulas without applying scientific reasoning or support while awarding damages to the successful plaintiffs.

Surprisingly all 25 judgments<sup>15</sup> have cited the overruled *Times* judgment and majority of 22 judgments as maximum 88% out of 25 judgments were awarded punitive damages ranging from Rs. 50,000 to Rs. 1 Crore, rest of the three remaining judgments noted the *Time Incorporated* case but declined to grant punitive damages. This clearly shows that how Single Judges were ignoring binding precedent on them but continued to cite an over-ruled judgment in their later delivered judgments, this is a troubling sign for the rule of law in a common law country like India where the principle of binding precedent is fundamental to judicial discipline.

The Hon'ble Judges of Delhi High Court have been consistently inconsistent in relation to Jurisprudence of awarding of damages without computing it's how much damage should be awarded but also when it should be awarded whether it is punitive or compensatory, the Delhi High Court has been consistently inconsistent in terms of not only computing how much damage should be awarded but also when it should be awarded. Though many methods of calculation have been proposed (keeping the financial status of the defendant in mind as discussed here, or the host of factors to be taken into account as mandated by the EU directive), what is fundamental to the question of awarding damages is the proof of actual loss or damage suffered by the plaintiff. This basic question not only addresses the when but also the how much of the damages.

Another striking feature observed is that an overwhelming 88% of these cases were decided entirely as ex parte wherein the defendant did not appear before the court and the punitive damages were awarded on pleadings of the plaintiff in the form of affidavits. The grant of punitive damages in relation to absent defendants raises the reasonable logic that Delhi High Courts have punished non-contesting defendants more severely

In the another case the plaintiff, *Honeywell International Co. vs Pravin Thorat & Ors*<sup>16</sup> wherein the court has awarded punitive damages to the tune of three lacs rupees in addition to cost of proceedings besides granting usual permanent injunction, firstly it is a ex-parte award of a pecuniary damages without quantifying actual damages or award granted thereof, secondly the award of damages was carried out without testing the veracity plaintiff documentary evidence. In Delhi High Court it is a norm to award punitive without identifying basis for actual damages rather without justifying judicial principles but just incorporating similar judicial reasoning as cited in the earlier cases to justify awarding of punitive damages in the instant cases. So the history of awarding punitive damages in Indian IP jurisprudence has arrived by adopting an American concept imported by the Delhi HC in the *Time*

<sup>13</sup> CS(OS) 530/2003 decided on 27th July, 2007 has held this Court is also of the view that before award of damages it is not necessary that the plaintiff must show some particular benefit has accrued to the defendant or that the plaintiff must satisfy the Court by leading evidence that it has suffered actual loss

<sup>14</sup> MIPR 2007 (3) 27, 2007 (35) PTC 415 Del" The practice of grant of exemplary damages needs to be strengthened particularly in those cases where flagrant infringement is found. Such an exercise of power is not to be fettered by any requirement that the plaintiff must show some particular benefit which has accrued to the defendant or that the plaintiff must satisfy the court by leading evidence that he has suffered actual loss. In a case where the plaintiff proves such actual loss, he would be entitled to the same. However, even without such a proof, in case of flagrant infringement, the court has the complete discretion to make such award of damages as may seem appropriate to the circumstances, so that it acts as deterrent. In some cases, it is not possible to prove the actual damages, namely, that there is a normal rate of profit or that there is a normal or establish licensed royalty. Yet, clearly, the damages have to be assessed."

<sup>15</sup> Delhi High Court Has Liberally Applied *Time Incorporated* to Award Punitive Damages Even After Justice Bhat Over-ruled It by Prashant Reddy August 15, 2017 <https://spicyip.com/2017/08/delhi-high-court-has-liberally-applied-time-incorporated-to-award-punitive-damages-even-after-justice-bhat-over-ruled-it.html>

<sup>16</sup> Honey well International Inc. vs Pravin Thorat & Ors. on 24 August, 2015 Judgment pronounced on: 24th August, 2015 in the matter of CS(OS) 3684/2014

Incorporated Vs. Lokesh Srivastava & Anr judgement where the judge took the principle from Mathias v. Accor Economy which is nothing to do with trademark infringement and while also misapplying the ruling.

The court have been awarding damages without carrying out the evidence process including look in to the value of the evidence of the plaintiff loss or defendant's financial position, how can a Court determine whether an award of punitive damages is insufficient, proportionate or excessive, it is no doubt the defendants had committed infringement but at the same time when the defendant was proceeded ex-parte but mere absence of the defendant from legal proceedings, that does not tantamount or warrant to awarding of punitive damages to the aggrieved party.

How the Court in the instant Honeywell matter has made an determination that an awarding punitive damages of 3 lacs is sufficient to achieve the objective of deterrence, without having any knowledge whatsoever with regard to the plaintiff loss or existing financial position of the defendant, his ability to pay and how much is enough to achieve the goal of deterrence. In the instant matter the court has failed to decide firstly whether the defendant's misconduct has an element in the nature which has risen to the level of wilful and wanton negligence, which shocks the conscience of the court than court has to decide the quantum of loss of the plaintiff by applying reasonable factors in totality to arrive on conclusion of awarding punitive damages.

Another Judgement wherein the punitive damages to the extent of The Delhi High Court, in a recent trademark matter before it, awarded exemplary compensation to the U.K. based plaintiff, Whatman International Limited<sup>17</sup> in lieu of damage caused to its various intellectual property rights by the defendants since a period stretching over 25 years. The defendants had continually and persistently infringed trademark, copyright and trade-dress, while passing off their goods under the trademark of Whatman International limited and diluted the market by fraudulently selling duplicate goods, poised to be those of the plaintiff's. Moreover, the Hon'ble Court while dealing with the impugned judgment passed by the lower court with regards to punitive damages, it discussed the judicial pronouncement relied on by the lower court to arrive at the conclusion, Times Incorporated v. Lokesh Srivastava, in which the Single judge in an ex parte trademark infringement where the judge took the principle from Mathias v. Accor Economy which is nothing to do with trademark infringement and while also misapplying the ruling and further even the aforesaid judgment had been over-ruled in the year 2014 by a Division Bench led by Justice Ravindra Bhatt<sup>18</sup>.

That the division bench of Delhi High Court while dealing in the matter Hindustan Unilever Limited v Reckitt Benckiser India Limited (Supra) has observed, No statute authorizes the punishment of anyone for a libel- or infringement of trademark with a huge monetary fine-which goes not to the public exchequer, but to private coffers. Moreover, penalties and offences wherever prescribed require the prosecution to prove them without reasonable doubt. Therefore, to say that civil alternative to an overloaded criminal justice system is in public interest would be in fact to sanction violation of the law. This can also lead to undesirable results such as casual and unprincipled and eventually disproportionate awards. Consequently, this court declares that the reasoning and formulation of law enabling courts to determine punitive damages, based on the ruling in **Lokesh Srivastava and Microsoft corporation vs Yogesh Popat**<sup>19</sup> is without authority. Those decisions are accordingly overruled. To award punitive damages, the courts should follow the categorization indicated in Rookes (supra) and further grant such damages only after being satisfied that the damages awarded for the wrongdoing is inadequate in the circumstances, having regard to the three categories in Rookes and also following the five principles in Cassel. The danger of not following this step by step reasoning would be ad hoc judge centric award of damages, without discussion of the extent of harm or injury suffered by the plaintiff, on a mere whim that the defendant's action is so wrong that it has a "criminal" propensity or the case RFA (OS) 50/2008 Page 65 merely falls in one of the three categories mentioned in Rookes (to quote Cassel again - such event "does not of itself entitle the jury to award damages purely exemplary in character".

This court declares that the reasoning and formulation of law enabling courts to determine punitive damages, based on the ruling in **Lokesh Srivastava and Microsoft corporation vs Yogesh Popat** and others is without authority. To award punitive damages, the courts should follow the categorization indicated in Rookes (supra) and further grant such damages only after being satisfied that the damages awarded for the wrongdoing is inadequate in the circumstances, having regard to the three categories in Rookes (supra) and also following the five principles in Cassel. The danger of not following this step by step reasoning would be ad hoc judge centric award of damages, without discussion of the extent of harm or injury suffered by the plaintiff, on a mere whim that the defendant's action is so wrong that it has a criminal propensity or the case RFA (OS) 50/2008 Page 65 merely falls in one of the three categories mentioned in Rookes (supra) (to quote Cassel again - such event does not of itself entitle the jury to award damages purely exemplary in character".

Wherever the legitimacy of a claim for pecuniary damages has been recognized by the Courts, the next logical step would entail assessing the approximate amount of pecuniary damages to be awarded based on specific considerations. If the Court in this matter has indeed leaned on any such considerations at all before making his decision, the court needs to look in to the aspect that grant such damages only after being satisfied that the damages awarded for the wrongdoing is inadequate in the circumstances. While observing the pattern in grant of punitive damages, we can categorise cases in to two categories firstly where damages were awarded without any proof of actual harm suffered by the plaintiff secondly where the Court refused damages based on insufficient evidence.

<sup>17</sup> CS (COMM) 351/2016 & I.A. 5235/2018, Whatman International Limited Vs.P. Mehta & Ors., judgment dated February 1, 2019, passed by a Single Judge of the Delhi High Court.

<sup>18</sup> RFA(OS) 50/2008, decided on 31st ,2014

<sup>19</sup> 2005 (30) PTC 245 (Del)

There further another judgment in the Sholay case<sup>20</sup>, in which damages were awarded even when the plaintiffs accepted the fact that actual damages could not be proved secondly the punitive damages awarded amounting to 10 lacs on ex-parte basis. The reasoning given by the Court was limited to use of precedent (Time case), which itself has been criticized and overruled. A case that follows this is the Hero Honda case, in which no damage was estimated but damages to the tune of 5 lakhs were granted. The reasoning used by the Court in both these cases seems to be that damages are the logical consequence of an infringement, excluding monetary determination.

The another type of cases like Mont Blanc<sup>21</sup> and the **Glaxo Smith Kline vs Sarath Kumar Reddy** case, (“GSK Case”)<sup>22</sup> where though the Court formed an opinion that trademarks of the plaintiffs had been infringed, but still it refused to grant damages due to lack of sufficient evidence on the part of the plaintiff. Though the Court did not expound much on the material which was submitted in the Mont Blanc case, in the GSK Case, it clearly laid down that material showing the sales of the defendant and quantification of losses caused to the plaintiff due to infringement of their trademark were required for a claim for damages to succeed.

These above two categories of cases stand as exceptions, with the gray area in between filled by the recent case of Cartier International Vs Gaurav Bhatia<sup>23</sup>. The courts has come to conclusion on the basis of three points about this case – (a) the details which were submitted as evidence for losses suffered by the plaintiff, (b) the method of calculation of damages and (c) the sheer amount of the punitive damages: a whopping 10 Crores as this case is also not without its flaws. Firstly, though the Court noted that the details of losses suffered by the plaintiffs and the defendant’s profits were provided to the Court, there is no discussion about it anywhere in the judgment. It notes, in fact, that the details that have been provided are sufficient, without guiding us as to what is sufficient. Secondly, even though several suggested methods (by the plaintiffs) are considered to compute damages, there is no tangible reasoning as to why amounts as huge as 10 crores needed to be awarded.

In another case of trademark infringement and passing off *Toyota Jidosha Kabushiki v M/S Prius Auto Industries Ltd.*<sup>24</sup>, the Delhi high Court judge has further exacerbated the problem of courts awarding punitive damages without proper application of mind and has heightened the need for the High Court to survey the damage that its jurisprudence on damages has inflicted upon Indian IP law. While the case is otherwise quite unremarkable in that it reaffirms well accepted principles relating to trans-border reputation, passing off actions, well known marks and bona fide use, what makes this judgment stand out is the Court’s decision to award 10 lakh rupees to the plaintiff as punitive damages. Agreeing with the plaintiff’s contention that the word PRIUS, used to denote the plaintiff’s hybrid car, has acquired the status of a well-known mark, the Court granted a permanent injunction, preventing the defendants from using the word ‘PRIUS’ or words such as TOYOTA, INNOVA and TOYOTA DEVICE, which are indicators of the plaintiff’s brand, as markers of their products.

But this single judge order was reversed by the DB of the High Court and further the Supreme Court's stance on affirming the Delhi High Court's decision to grant the mark PRIUS to Prius Auto Industries has been heralded as the new will lit (albeit narrower) path of the Trans-Border reputation doctrine. Continuous warding punitive damage without tangible reasoning raises, the question, which becomes relevant to in present context that ‘how much punitive damages’ should be awarded if then to what extent can court has discretion to award punitive or otherwise any other cost of any amount to the plaintiff without adopting equitable rational method or whether the court has power to award punitive or other damages despite the plaintiff’s inability to prove any general damage.

If we compare these discussed cases with the principles enumerated under UK or US laws, where punitive damages are allowed under statutory provisions, where the punitive damages are computed as ‘x’ times the compensatory damage (or as a multiplier of three times). The discussed cases makes it important to refer as to how to compute compensatory damages logically, accurately and efficiently with cogent reasoning, which requires that the actual damage be quantified by the plaintiff and examined by the Court. As compensatory damages aim to place the plaintiff back in his/her ‘original position’, in the absence of a clear determination of losses, arbitrary figures would continue to rule the realm of compensatory as well as punitive damages. This would add more confusion to a field that is already as clear as a mud puddle during the monsoons. An example of this was clearly demonstrated in this post, where even though facts were identical, the punitive damages provided were different, for no apparent reason.

### Comparison between Indian laws, UK, EU and American laws in Grant of Punitive Damages:

If we draw comparison between Indian laws and American laws, the Indian trademark laws do not embody any explicit provision pertaining to punitive damages whereas the Lanham Act does not include punitive damages as a remedy for infringement of federally registered marks. But section 35(a) of the Act<sup>25</sup> expressly states that damages “shall constitute compensation and not a

<sup>20</sup> CS (OS) No.1892/2006 24 August, 2015 Sholay Media and Entertainment Pvt. Ltd & anr V Parag Sanghavi & Ors Defendants ExParte.

<sup>21</sup> M/S Mont Blanc Simplo Gmbh vs Gaurav Bhatia And Ors on 23 January, 2018 CONT.CAS(C) 46/2018 The claim for damages is hereby rejected since the plaintiffs have not produced sufficient evidences to show the extent of actual damages they had suffered due to the act of defendants

<sup>22</sup> Glaxosmithkline vs Sarath Kumar Reddy G on 2 November, 2016 CS(OS) 1141/2013 The plaintiffs have suffered significant damages from the infringing acts of the defendants. Looking at the facts of the case and considering the distinguished reputation that the plaintiffs have globally as well as in India, it would only seem fair for the Court to grant punitive damages in this case. However, we note that the Delhi High Court preferred the alternate by affirming that the plaintiffs were not able to quantify the extent of damage caused to them and accordingly declined the latter damages.

<sup>23</sup> Cartier International Ag & Others vs Gaurav Bhatia & Ors on 4 January, 2016 in CS(OS) No.1317/2014

<sup>24</sup> CIVIL APPEAL NOs.5375-5377 OF 2017

<sup>25</sup> 15 U.S.C. § 1117(a).



penalty.” Federal courts<sup>26</sup> have uniformly interpreted this provision to mean that punitive damages are unavailable under the Act. However, Section 35(a) of the Act allows courts to enter a judgment for amounts above actual damages and above actual profits. The increased damages provision, although deemed compensatory, enables the court to punish a wrongdoer for its wilful misconduct. Moreover, treble damages and attorney’s fees may also be awarded for counterfeiting under Section 35(b) essentially giving the courts the authority to penalize for misconduct.

In this case, the plaintiffs were unable to prove that the defendants had actually used the trademark or copyright owned by the plaintiffs. The defendants had attempted to enter into a compromise with respect to the first 2 infringing acts with the plaintiffs, and had either abandoned, withdrawn or gotten rejected the next 3 infringing acts that were discovered. This was clearly a case where the plaintiffs could not have asked for damages, as there was no external evidence of damage and the defendants themselves were unavailable to present their accounts to the Court. The High Court saw this as an opportunity to punish the defendants, as in their opinion, not imposing such a punishment would amount to encouraging parties to not submit themselves to litigation.

The principle of punitive damages may be available for wilful trademark infringements under each state trademark laws, as such in most of states of USA; the plaintiff carries a heavy burden of proof on the issue of the defendant’s bad intent. In the case of *Charles Jacquin et Cie, Inc. v. Destileria Serralles Inc.*,<sup>27</sup> the plaintiff filed a suit under Lanham Act Section 43(a) and under Pennsylvania common laws for infringement of its trade dress and uniquely shaped liquor bottle, the jury has found that the plaintiff’s bottle had acquired secondary meaning and that consumer confusion was likely and further the court acknowledged in this case that punitive damages were available for the common-law trade dress infringement claims, as the Pennsylvania Courts follow Section 908(2) of the Restatement (Second) of Torts, and punitive damages are allowed under Section 908 for “conduct that is outrageous because of the defendant’s evil motive or his reckless indifference to the rights<sup>28</sup> of others.” While the plaintiff had presented some evidence of intentional copying, the court declined to award punitive damages absent a showing of outrageous behaviour by the defendant. The case of *BMW of North America, Inc. v. Gore*<sup>29</sup>, which is hallmark in respect the question of the extent of punitive damages to be awarded the US Supreme Court has made a issue on appeal whether the \$2 million punitive damages award to the purchaser of a refinished car grossly excessive, so as to violate the Due Process Clause of the 14th Amendment of the Constitution?,

While deciding this case the US Supreme Court has necessitated the consideration of the three principles as guideposts which were recognized by the US Supreme Court in the *BMW v. Gore* in determination that the \$2 million award against Petitioner is grossly excessive: (i) the degree of reprehensibility; (ii) the disparity between the harm suffered and the punitive damage award; and (iii) the difference between this remedy and civil penalties authorized in comparable cases. The US Supreme Court has laid these principles as deemed to be indispensable ingredients of any process which is aimed at determining of the amount of punitive damages that is to be awarded to the party. As further acknowledged by the US Supreme Court in *Exxon Shipping Co. v. Baker*<sup>30</sup>, while US law sets down broad limitations governing the award of punitive damages to the contesting parties but at the same time, it leaves many questions open to be considered and decided by courts under respective state laws independently. The individual state laws can vary to the extent that whether punitive damages can be awarded to the party and secondly, the certain relevant factors that are to be taken into account while considering the aspect of punitive damages.

Punitive damages are available under state law in many U.S. jurisdictions. If punitive damages are available as a tort remedy, generally they are also available for trademark infringement<sup>31</sup>. However, courts may award punitive damages only if the defendant has been guilty of oppression, fraud or malice or has engaged in malicious or wanton misconduct. Id. The concept of punitive damages generally is absent from European law. In some jurisdictions the court may in its discretion increase the damage award if the defendant’s conduct is extreme. For example, an Austrian court may award damages in excess of the plaintiff’s demonstrated losses where the defendant was grossly negligent. The excess damages are not considered punitive in nature. Rather, the increased awards are compensatory in principle.

Under US laws the punitive damages may be imposed to further a State’s legitimate interests in punishing unlawful conduct or deterring its repetition in any manner. The respective states laws have considerable flexibility to protect its citizens by prohibiting deceptive trade malpractices. It is fact that the plaintiff cannot recover punitive damages as a matter of right or as an independent form of relief and such relief are generally awarded only to supplement compensatory damages with the exact amount being awarded at the court’s discretion. This necessitates for fixation of a recognized and established set of standards for awarding punitive damages against wrong doers and to extent it must be examined on a case-to-case basis.

<sup>26</sup> *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 112 (2d Cir. 1988); *McCarthy*, supra § 30:95

<sup>27</sup> F.2d 467, 472 (3d Cir. 1990).

<sup>28</sup> Availability of Punitive Damages for Trademark Infringement INTA Bulletin August 1, 2007 Vol. 62 No. 14 Felicia Boyd and Timothy Cruz, Faegre & Benson LLP, Minneapolis, Minnesota, USA; Iliana Haleen, Frankfurt am Main, Germany; John Murphy, Arochi, marroquin & Lindner S.C., Mexico City, Mexico

<sup>29</sup> 517 U.S. 559 (1996) After purchasing a new vehicle from an authorized Alabama BMW dealership, Ira Gore, Jr. discovered that his new vehicle had been repainted. He sued BMW’s American distributor (BMW), alleging that it committed fraud by failing to inform him that his car had been repainted. The Alabama Circuit Court entered judgment, following a jury verdict, awarding Gore \$4,000 in compensatory damages and \$4 million in punitive damages. On appeal from the trial judge’s denial of BMW’s post-trial petition to set aside the punitive damages as ‘grossly excessive,’ the Alabama Supreme Court ruled that the punitive damages were not so excessive as to violate BMW’s Fourteenth Amendment right to due process. Due to a jury calculation error, however, the Alabama Supreme Court reduced Gore’s punitive damage award to \$2 million. BMW appealed to the Supreme Court.

<sup>30</sup> *Exxon Shipping Co. v. Baker*, 554 U.S. 471 (2008), was a case decided by the Supreme Court of the United States. The Court ruled in a 5-3 decision that the punitive damages awarded to the victims of the Exxon Valdez oil spill should be reduced from US\$2.5 billion to US\$500 million.

<sup>31</sup> J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:95 (4th ed. 2007)



As per Jean; McIntyre, J in **Vorvis v. Insurance Corporation of British Columbia**<sup>32</sup> has aptly stated “Punitive damages, as the name would indicate, are designed to punish. In this, they constitute an exception to the general common law rule that damages are designed to compensate the injured, not to punish the wrongdoer. Where compensatory damages are to be awarded to the plaintiff for actual injury and loss suffered, the defendant’s financial status assumes no significance because the objective is to put the plaintiff in the same financial position that he would have been in had the tort not been committed. The function of punitive damages is associated with punishing the defendant for previous misconduct as well as deterring similar reprehensible activities by others – this purpose is deemed to be achieved only when a duty to pay damages has been imposed on the wrongdoer in proportion to his wealth, or alternatively, profitability of the defendant’s misconduct.

Since Lord Devlin’s landmark speech in **Rookes v Barnard**<sup>33</sup> the remedy has been confined to just three categories of case. Those are cases of oppressive, arbitrary or unconstitutional conduct by government servants acting in that capacity (Category I), cases of conduct aimed at making a profit in excess of the compensation payable to the claimant (Category II), and cases where statute authorises an award of punitive damages (Category III). The award of punitive damages is particularly relevant to corporate defendants given the extension of the award to Category II. Unlike certain other common-law jurisdictions, where punitive damages have been extensively investigated from an empirical perspective (particularly the United States), no hard data exist regarding the remedy in the UK.

In the UK, the two main principles governing the grant of damages in trademark infringement cases are: First, the plaintiff has the burden of proving the losses suffered by it that merit the grant of damages. And, second, the central goal animating the remedy of grant of damages is the compensation of the plaintiff for the losses suffered by it and not the punishment of the defendant.

In the UK, successful claimants in trade mark infringement cases are entitled to damages. A claimant will usually be free to choose between an inquiry as to damages and an account of profits for his financial remedy. The guidance we have as to how financial compensation for trade mark infringement is to be calculated in the UK is limited because the parties often settle their dispute before hearing of the inquiry or account is due to take place. But the UK courts may accept a hypothetical licence with an uplifted royalty rate as the basis on which to compensate a trade mark owner where there is no likelihood of confusion but there is dilution or tarnishing. A claimant who has succeeded in an action for trade mark infringement in the UK is entitled to damages as of right. If the claimant appears to have suffered more than nominal damage then he will generally be entitled to what is referred to as an inquiry as to damages. This is a separate legal process and hearing, the purpose of which is to ascertain the extent of his losses and restore him to the position he would have been in if the infringement had not been committed<sup>34</sup>.

The treatment of damages in jurisprudences across the globe has been dealt with already here, but what deserves to be noted is that Article 13 of the EU Directive on Intellectual Property (Directive 2004/48) requires actual prejudice to be shown. This can be in several forms, like loss in revenue due to infringement or the profit to the defendant or lost royalty, but some quantification is required to award damages. Though this is admittedly complicated, it is desirable to provide consistency, clarity and some level of predictability to the whole process, which in the mish-mash of contradictory rulings is urgently required.

Under Article 5(2) of the EU Trade Marks Directive 2008/95/EC, if the trade mark owner can establish that its mark has "a reputation" in the UK then it will be able to establish infringement if a defendant has used a similar mark without due cause and such use has taken unfair advantage of, or caused detriment to, the distinctive character or repute of its trade mark. One type of detriment to the distinctive character of a mark is the harm that would be done to the essential distinguishing function by a likelihood of origin confusion resulting from use of the defendant's similar sign.

Article 13 of the EU Intellectual Property Enforcement Directive provides that when the judicial authorities set the damages: 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 right holder by the infringement; or as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

In France, while the discretion of judges to grant damages is not much systematised, the issues of liability and quantum are not split into separate hearings so damages for trade mark infringement are awarded at the main trial. French judges have a wide discretion as to what damages figure they award; however damages are, as in the UK, compensatory and not punitive. But the position in the UK, the trade mark owner can be compensated for the profits which it would have made if it had made the infringing sales itself or

<sup>32</sup>[1989] 1 SCR 1085 Lawyer terminated after seven years employment. Two years before dismissed new supervisor comes in and decides that this lawyer is a problem because they are overcautious, over-papers everything. Tries to get lawyer to conform, weekly productivity meetings, which were basically weekly harassment meetings. Vorvis resorts to medical attention from these meetings. Arbitrarily supervisor comes along and fires him. The lawyer brings a claim for wrongful dismissal. SCC sets out scope of punitive damages and says absolutely possible to award in contract cases, shouldn't be just in tort cases. The SCC goes on to hold that punitive damages should: only awarded where the conduct complained of merits punishment. Awarding punitive damages requires “harsh, vindictive, and reprehensible in nature” and they require an independent actionable wrong. Meaning there has to be a wrong that is independent of the contractual breach. Historically not many cases with awards of punitive damages. Requirement independent actionable wrong.

<sup>33</sup> *Rookes v Barnard* [1964] AC 1129 is a UK labour law and English tort law case and the leading case in English law on punitive damages and was a turning point in judicial activism against trade unions. Citation(s): AC 1129, 1 All ER 367, UKHL 1 Decided: 21 January 1964 Court: House of Lords

<sup>34</sup> Managing IP A Guide to Damages Calculations for Trade Mark Infringement Courts in the EU Bonita Trimmer explains the factors they take into account so IP owners can shape their litigation strategies

for the profits it would have obtained had it not been deprived of the opportunity to license the mark. Unlike in the UK, the French courts will frequently award damages for what is known as moral prejudice, basing the assessment of such damages on commercial disruption or prejudice. In the UK there has yet to be an award for moral prejudice in a trade mark infringement case. Accounts of profits are not awarded in France although on rare occasions the defendant's unfair profits are taken into account in the damages awarded.

The German courts may assess compensation for trade mark infringement by one of three alternative methods: transfer of profits made by the defendant; a hypothetical licence royalty; or compensation for losses actually suffered. As the German courts require strict proof that the infringements have actually caused the lost profits claimed and this is often very difficult to establish. There is no principle that "the defendants being wrong-doers, damages should be liberally assessed" as there is in the UK. In respect of (a) and the transfer of unfair profits, a defendant is not entitled to deduct overheads or other costs that it cannot justify as directly related to the sale of the infringing products. Therefore, this is often the preferred option in Germany.

Whereas the India does not have any legal precedents or recognised standards or parameters that can be used by the Courts as yardsticks to assess whether the plea of the plaintiff in a particular case warrants an award for punitive damages, if yes then to what extent. The Indian courts have been following legal precedents, Principles borrowed from the USA or UK to decide quantum of punitive damages, simply because there appears to be no legal precedent in the country would this make it legitimate for the Court to arbitrarily decide when to grant punitive damages and to what extent? Our courts need to follow principles of American jurisprudence or United Kingdom further to create our own principles for such cases. As a closer scrutiny of the legal regimes governing the grant of punitive damages in other jurisdictions unequivocally indicates, India's approach to the grant of such damages is an aberration and needs urgent reconsideration.

### **General Principles, conditions and assessment of Punitive Damages in UK and USA:**

As far as most of the intellectual property rights is of today the rights derived their existence through its statute rather than the existing common laws, the infringement of always felt to be part of tort as such the rules relating to the award of damages in the law of tort apply but at present the courts in USA have limited statutory rules relating to the award of damages but when it comes to the assessment of damages in these cases then no distinction is drawn between the infringement of the registered trade mark and the tort of passing off as both are creation of statutory laws. Punitive damages might be a big source of recovery, if the person suffers a bodily injury or property loss and the defendant's conduct is unreasonably wanton or egregiously negligent.

The Trademarks cases are protected from infringement under common law as well as statute through the *Lanham Act*.<sup>35</sup> This act permits registration of four types of marks: trademarks, service marks, certification marks, and collective marks.<sup>36</sup> Infringement of a trademark is essentially the unauthorized use of the mark in the same market in which the owner of the trademark operates. Similarly, in the United States, certain states provide for punitive damages typically amounting to 3 times the amount of actual damages on meeting the threshold conditions of such damages, however this figure of 3 is merely indicative and has been left upon the discretion of the court to apply as found fit with respect to the factual consideration of "extent" and "graveness" in individual cases.

A fundamental issue addressed in trademark infringement cases is whether the use of the infringing mark resulted in confusion in the minds of consumers located in the relevant marketplace. Once the infringement of a trademark has been established, injunctive relief to prevent further infringement is a crucial remedy. When it can be established that the infringement contributed to actual confusion in the market or was wilful, a plaintiff may be entitled to monetary recovery based on:

- Actual damages suffered by the plaintiff and measured by lost profits, price erosion, and reputational damage (compensation for reputational damage may include the expense of corrective advertising to remediate the harm);
- The defendant/infringer's ill-gotten gains (for example, profits);
- The costs of the action;<sup>37</sup>
- A reasonable royalty;<sup>38</sup> and
- Statutory damages of \$500 to \$100,000 per counterfeit trademark (up to \$1 million per mark for willful violations) and \$1,000 to \$100,000 per unlawful domain name.<sup>10</sup>

<sup>35</sup> Title 15 of the U.S. Code

<sup>36</sup> 15 U.S.C. § 45.

<sup>37</sup> 15 U.S.C. § 35 addresses recovery for violation of rights and states: "the plaintiff shall be entitled to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed."

<sup>38</sup> Unlike the preceding forms of recovery for trademark infringement, this form arises from case law, not statute. See, for instance, *Sands, Taylor & Wood v. Quaker Oats Co.*, 34 F.3d 1340 (7<sup>th</sup> Cir. 1994). In *Sands*, the court noted that the royalty provided a "form of restitution designed to prevent unjust enrichment." In general, a royalty-based approach can be considered when calculating the plaintiff's lost profits is not feasible.

## United Kingdom

Generally, punitive damages, which are also termed exemplary damages in the United Kingdom, are not awarded in order to compensate the plaintiff, but in order to reform or deter the defendant and similar persons from pursuing a course of action such as that which damaged the plaintiff. Punitive damages are awarded only in special cases where conduct was egregiously insidious and are over and above the amount of compensatory damages, such as in the event of malice or intent. Great judicial restraint is expected to be exercised in their application. In the United States punitive damages awards are subject to the limitations imposed by the due process of law clauses of the Fifth and Fourteenth Amendments to the United States Constitution.

The issue of exemplary damages, also known as punitive damages, has long been controversial in English law. It was criticised on the ground that it confused civil and criminal justice: the former's purpose is to compensate and to restore, while the latter's purpose was to punish and to deter. However, compensatory damages were a form of punishment, but one which was administered through civil justice. Defendants in civil cases were liable to be punished through exemplary damages, without the benefit of the safeguards that exist in criminal courts, such as the heightened burden of proof. In **Rookes v Barnard (1964)**, Lord Devlin severely limited the circumstances under which exemplary damages could be awarded. However, he declined to abolish exemplary damages entirely, because there were precedents for awarding them, and because there were at least two statutes which mentioned them by name. According to Devlin, they could be awarded in cases: The test prescribed includes only three circumstances wherein the court can precede award punitive damages. It is a very cautious approach, as there is money being put in the plaintiff's hand. The 3 situations factors prescribed are as follows:

- (a) Oppressive, arbitrary or unconstitutional action any the servants of the government;
- (b) Wrongful conduct by the defendant which has been calculated by him for himself which may well exceed the compensation payable to the claimant; and
- (c) Any case where exemplary damages are authorised by the statute.

In the case at hand, the court concluded that if not anything else, there was immense wrongful conduct on the part of the defendant. The court stated:

Lord Devlin said: '[W]here a defendant with a cynical disregard for a plaintiff's rights has calculated that money to be made out of his wrongdoing will probably exceed the damages at risk, it is necessary for the law to show that it cannot be broken with impunity. This category is not confined to money making in the strict sense. It extends to cases in which the defendant is seeking gain at the expense of the plaintiff some object – perhaps some property which he covets – which either he could not obtain at all or not obtain except at a price greater than he wants to put down. Exemplary damages can properly be awarded whenever it is necessary to teach a wrongdoer that tort does not pay . . . In a case in which exemplary damages are appropriate, a jury should be directed that if, but only if, the sum which they have in mind to award as compensation (which may, of course, be a sum aggravated by the way in which the defendant has behaved to the plaintiff) is inadequate to punish him for his outrageous conduct, to mark their disapproval of such conduct and to deter him from repeating it, then it can award some larger sum.'

Lord Evershed: 'Nowadays, when it is a rare thing to find a preamble in any public general statute, the field of inquiry is even narrower than it was in former times. In the absence of a preamble there can, I think, be only two cases in which it is permissible to depart from the ordinary and natural sense of the words of an enactment. It must be shown either that the words taken in their natural sense lead to some absurdity or that there is some other clause in the body of the Act inconsistent with, or repugnant to, the enactment in question construed in the ordinary sense of the language in which it is expressed.'

On March 4, 1971, the Court of Appeal unanimously dismissed the appeals. The three judges all concluded that the defendants' conduct fell into Lord Devlin's second category in *Rookes v Barnard*, and that therefore the jury was entitled to award exemplary damages.

In the other case of **Cassell & Co. Ltd. v. Broome**<sup>39</sup>,– In this case; the Court outlined five principles for awarding punitive damages as under:

That the burden of proof rests on the plaintiff to establish the facts necessary to bring the case within the categories;

That the mere fact that the case falls within the categories does not of itself entitle the jury to award damages purely exemplary in character

That the Jury shall be satisfied that the punitive or exemplary element is not sufficiently met within the figure which they have arrived at for the plaintiff's solatium;

<sup>39</sup> 1972 AC 1027



That, in assessing the total sum which the defendant should pay, the total figure awarded should be in substitution for and not in addition to the smaller figure which would have been treated as adequate solatium;

That the use of the word “fine” in connection with the punitive or exemplary element in damages, where it is appropriate. Damages remain a civil, not a criminal, remedy, even where an exemplary award is appropriate, and juries should not be encouraged to lose sight of the fact that in making such an award they are putting money into a plaintiff’s pocket, and not contributing to the rates, or to the revenues of central government,

Lately, the UK courts have laid out the parameters for assessment of damages of IP rights by invoking economic torts in the matter related infringement of a patent: **General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd**<sup>40</sup> in the House of Lords. In the said matter house of Lords affirmed that the general rule is that the award of damages is to put the injured party (the owner of the patent) back in the position he would have been in had the tort not occurred’ and that “two essential principles” apply: (a) the plaintiff has the burden of proving its loss; and (b) as the defendant is a wrong-doer, damages should be assessed liberally, bearing in mind that the object is to compensate the plaintiff and not to punish the defendant.” The court stated in its judgment that the parties did agree that the damages should be assessed according to the principles laid down in *General Tire and Rubber Company v Firestone Tyre and Rubber Company Limited* [1975] 1 WLR 819. These principles were summarised into 3 potential approaches to the calculation of damages (conveniently described by the parties as Group 1, 2 and 3):

**Group 1** Where the owner of the infringed IP right (“the proprietor”) makes a profit from the sale of goods or services protected by the IP right which has been infringed, damages are calculated by assessing the loss of profit to the proprietor caused by the redirected sales to the infringer.

**Group 2** Where the proprietor usually grants a licence and/or receives royalties for the exploitation of their IP, damages due are the royalty payments or licence fee that the infringer would have paid to the proprietor had the infringer acted lawfully and taken a licence of the type generally granted.

**Group 3** In this case the court objectively assesses what would have been paid by way of a royalty on the hypothesis that the proprietor had been a willing licensor and the infringer a willing licensee. The courts will look to analogous and the surrounding commercial facts in this situation.

But still in UK the claimant will usually be free to choose between an inquiry as to damages and an account of profits for his financial remedy. The guidance we have as to how financial compensation for trade mark infringement is to be calculated in the UK is limited because the parties often settle their dispute before hearing of the inquiry or account is due to take place. But the UK courts may accept a hypothetical licence with an uplifted royalty rate as the basis on which to compensate a trade mark owner where there is no likelihood of confusion but there is dilution or tarnishing.

## Canada

That looking at other commonwealth countries, the principles enumerated in the judgement rendered by Lord Devlin *Rookes v. Barnard* enjoyed only a limited application in Canada. The categories were applied for a brief period throughout Canada after the *Rookes* decision was handed down. In 1964 in *Alberta the Appellate Division* applied the categories in **Wasson v. The California Standard Company et al.**<sup>41</sup>, when it found that a trespass for the financial benefit of the defendant and which was contrary to a provincial regulation was within the categories set out by Lord Devlin, and awarded punitive damages. The British Columbia Supreme Court refused to award punitive damages in two cases in 1965 when the cause of action did not fall within the categories of *Rookes v. Barnard*.<sup>42</sup> Lord Devlin's categories are still applied in Nova Scotia where the court prefers to apply aggravated damages to situations outside of the categories. In two cases before the British Columbia Supreme Court in recent years the court held that it did not have to decide whether or not Lord Devlin's categories applied in that jurisdiction.<sup>43</sup>

## EU

Analysing a few of the foreign provisions on punitive damages in IP enforcement issues, Article 13 of the EU Directive on Enforcement of Intellectual Property Rights, specifically pens down factors to be considered by the court while determining damages. It states: When the judicial authorities set the damages:

<sup>40</sup> GENERAL TIRE V FIRESTONE TYRE AND RUBBER COMPANY LIMITED: HL 1975 [1976] RPC 197, [1975] 1 WLR 819, [1975] 2 All ER 173, [1975] FSR 273 The object of damages is to compensate for loss or injury. The general rule for ‘economic’ torts is that the measure is that sum of money which will put the injured party in the same position as he would have been in if he had not sustained the wrong.

<sup>41</sup> *Wasson v. The California Standard Company et al.* (1964) 48 W.W.R. 513 (Alta. C.A.).

<sup>42</sup> *Schuster v. Martin* (1965) 50 D.L.R. (2d) 176 (B.C.S.C.); *Kirisits v. Morrell and Hanson*, supra n. 24, where aggravated damages were awarded.

<sup>43</sup> In *Golnik et al. v. Geissinger*, supra n. 22, Dryer J. after mentioning the cases that reject *Rookes v. Barnard* said, at 756: “I do not think that I have to decide that question here”, and awarded aggravated damages to the victim of an assault. In *Lawson v. Burns, Succamore and Jim Pattison Broadcasting Ltd.* (1975) 1 W.W.R. 171 (B.C.S.C.), a defamation action, Aikins J. said at 18g.90: “... assuming that *Rookes v. Barnard* sets out the law to be applied in Canada, I am unable to find that the defendant's conduct falls within any of the three categories stated by Lord Devlin as giving rise to entitlement to exemplary or punitive damages .... I am aware that the applicability of *Rookes v. Barnard* in Canada has been questioned at the highest level by Spence J. in his dissenting judgment in *McElroy v. Cowper-Smith*, (1967) S.C.R. 425, 60 W.W.R. 85, 62 D.L.R. (2d) 65 at 71. In the present case I do not propose to award punitive or exemplary 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 rights holder by the infringement; Or

(b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

This provision has sufficiently incorporated broad language and again, provides discretion to the judicial authority to set the amount taking into account certain broad objective in to considerations. The amount cannot be objectively determined based on formulae of calculation, due to the factual independence and distinctness of each suit.

### Method to Calculate Punitive Damages in Trademark Laws

The Calculation of Damages is carried out by the French legal provision<sup>44</sup> by the courts, as per Directive 2004/48/EC of 29 April 2004 on the enforcement of IPRs whereas (26) +Art. 13 Implemented by Law 2007/1544 of October 29th, 2007, Reform by Law 2014/315 of March 11th, 2014. In fixing of the damages, the court shall take into consideration methods separately and are as under:

- I. The courts carry out valuation of damages through the negative economic consequences of infringement, including lost profits and losses suffered by the injured party;
- II. The non-pecuniary damage caused to the injured party;
- III. The profits made by the infringer, including the savings of intellectual, material and promotional investments, which he has derived from infringing the IPR.

• However, the court may, as an alternative and at the request of the injured party, award a lump sum as damages. This amount shall exceed the amount of the royalties or fees that would have been payable if the infringer had applied for authorization to use the right infringed. This amount is not exclusive of compensation for the non-pecuniary damage caused to the injured party.

### Calculation of Damages

#### 1st part: Main method

- 1.1. Right holder Prejudice (actual prejudice = economic + moral) +
  - 1.2. Infringer profits (unfair profits)
- 2nd part: Alternative method (lump sum)

#### A. Actual Prejudice

##### 1.1.1 Negative economic consequences of infringement

##### a. LOST PROFITS

##### 3 step method

1. Assessment of the masse contrefaisante = number of products sold by the infringer

Problem: unknown by the right holder (at the very beginning of the proceeding)

☐ Right of information

Judge may order to communicate information on the quantities produced, manufactured, delivered and the price.

- During the proceeding (on the merit/summary); or

- Two judgements

☐ 1st Judgment on the infringement + order to communicate information (under fine)

☐ 2nd judgment on damages

#### B. Actual prejudice

##### 1.1.1 Negative economic consequences of infringement

##### LOST PROFITS

2. Assessment of lost sales for the right holder “lost sales rate” = 100% of infringing products?

<sup>44</sup> AIPPI Trilateral meeting of the Polish, German and French Groups March 16 - March 17 2017 Damages in IP infringement matters (calculation methods and liable persons) by Dr. Guillaume HENRY

**Criteria used by the judges:**

- Did the right holder have the industrial/commercial capacity to manufacture and sale all the infringing sales?
- Analysis of the market:
  - Are there substituted products available on the market?
  - What are the market shares of the IPR holder?
- Are original and infringing products substitutable? Are distribution networks identical? Are the prices of the products similar?
- What is the importance of the IPR for the product?

**C. Actual prejudice****1.1.1 Negative economic consequences of infringement****a. LOST PROFITS****3. Assessment of the right holder profit margin - Profit margin = gross profit****Gross profit**

= revenue: sale of one infringed product (turnover without taxes)

– minus

costs associated with manufacturing and selling of the product.

No fixed overheads (standing expenses)

**- Burden of evidence: right holder**

Problem: he doesn't want to reveal his gross profit!

**D. Actual prejudice****1.1.1. Negative economic consequences of infringement****Calculation of lost profits**

Amount of infringing sales lost by the right holder

X

Right holder gross profit

=

Actual loss

**E. Actual prejudice****1.1.1 Negative economic consequences of infringement****Specific situations****3. The IPR holder doesn't sale products implementing his IPR**

The actual loss is the amount of the royalties that the infringer would have paid, if he had applied for a license (redevance indemnitaire = royalty method)

**1. Assessment of the royalty rate**

- Royalty rate obtained for this IPR; or - the usual/reasonably royalty rate in the field of the infringed product.

**Royalty rate is usually overestimated (not more than doubling the usual rate)**

2. Assessment of infringer turnover of infringing products (excluding taxes e.g. VAT) = 100% (no reduction)



3. Calculation: (infringer turnover) X (royalty rate) = lost profits

### Factors needed to be determined for award of Damages by the Indian courts:

In all the judgements rendered so far by the various single judges of the Delhi High Courts for last few years with regard to awarding damages, whether in the nature of punitive or otherwise or was based on wrong jurisprudence principles that were followed in *Times Incorporated v. Lokesh Srivastava* (Supra). The single judge has rendered judgment awarding the damages against the Indian publisher, who was found to be guilty of passing off its Hindi news magazine as the famous Times magazine by adopting a similar name. The single judge after finding the defendant is liable for passing off and trademark infringement, the court has proceeded with granting of the punitive damages amounting of Rs. 5 lacs to the plaintiff's. The single has followed the same jurisprudence principles as enumerated in one of the American judgment in the case of *Mathias v. Accor Economy Lodging Inc (supra)* and awarding punitive damages.

The Time Incorporated judgment when it decided to grant punitive damages in a case for trademark infringement and passing off has actually departed from its long standing precedent. The court in that case stated unequivocally that the time had come to grant higher punitive damages in IP cases, so as to financially punish infringers by making them pay more than the damages suffered by the plaintiff. Further the court has tried to justify higher punitive damages as a means to relieve pressure on an overloaded system of criminal justice by providing a civil alternative to criminal prosecution.

This judgment was controversial from its inception, as both trademark and copyright laws in India already provide for adequate separate civil and criminal remedies within its ambit. The criminal remedies include imprisonment and statutory fines. The judges can use discretion in awarding damages but awarding of damages has to have legal tenable justified method to arrive for awarding particular amount as damages. When Parliament has not provided scheme of punitive damages as remedy, a judge cannot alter the statutory scheme and decide to punish with punitive damages to alleged infringers through civil laws. Secondly the major flaw was that the judgment did not lay down any framework or methodology to calculate quantum of punitive damages which may be termed as enough to punish the defendant and for the plaintiff and how judge is going to methodology or to make an enquiry? The lack of any particular framework to calculate damages can lead to arbitrariness and that is exactly what happened in the decade that has followed after delivery of the Time Incorporated judgment.

Later same principle was followed and relied unthinkingly by all single judges of the Delhi High Court without realising its actual applicability in *Times Incorporated v. Lokesh Srivastava* (Supra) and the Delhi High Court generously awarded punitive damages but there was rarely ever any legal equitable explanation given by judges for the quantum of punitive damages that were being granted. Moreover, virtually all these cases were ex-parte judgments delivered when the defendant was not present in the court room. As in this case, the single judge's reliance on this American judgment was misplaced for two reasons. Firstly the court awarding punitive damages by relying on *Mathias v. Accor Economy Lodging Inc (supra)* judgement incomprehensible, as the issues involved in the said judgment were not remotely related to issues pertaining to the infringement of IP rights or passing off. Factually the issues involved in this case were entirely different than case in hand of the judge actually the facts in that case were involved a brother and sister suing a Chicago motel for being bitten by bed bugs. Still the judge took this case as precedence to award damages, the indication of this case as sample for awarding punitive damages surpassed quite the stretch of judicial imagination to equate a case of rampant bed-bug infestation of a motel with trademark infringement and passing off. The disturbing part of this judgment, when there is no equivalence of facts or reasoning, than how is the Mathias case even remotely relevant to an Indian case involving infringement of IP rights and can be used as precedent for awarding punitive damages. Moreover, virtually all these cases were ex-parte judgments delivered when the defendant was not present in the court room.

Finally, in the year 2014, the issue of award of punitive damages for infringement or passing-off, was addressed in the case of *Hindustan Unilever Ltd. v. Reckitt Benckiser India Ltd., (supra)* by a Division Bench of the Delhi High Court headed by Justice Ravindra Bhat who minced no words while over-ruling the judgment in *Time Incorporated v. Lokesh Srivastava*. Citing relevant authorities, the Division Bench declared that "that the reasoning and formulation of law enabling courts to determine punitive damages, based on the ruling in *Lokesh Srivastava* and *Microsoft Corporation v. Yogesh Papat* and Another is without authority. Those decisions are accordingly overruled." In its reasoning, the Division Bench explained that "the reasoning that "one function of punitive damages is to relieve the pressure on an overloaded system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes" is plainly wrong, because where the law provides that a crime is committed, it indicates the punishment." Surprisingly, this judgment by the Division Bench has simply been ignored by judges on the original side of the Delhi High Court, as they have continued to cite *Time Incorporated v. Lokesh Srivastava* to award punitive damages in IP cases. The Division Bench has also

The division Bench has further held that "In India, the Supreme Court has affirmed the principles in *Rookes (supra)* and *Cassell (supra)*. Interestingly, however, the application in those cases has been in the context of abuse of authority leading to infringement of Constitutional rights or by public authorities (ref. *Ghaziabad Development Authority v. Balbir Singh*, (2004) 5 SCC 6; *Lucknow Development Authority v. M.K. Gupta*, 1994 SCC (1) 243). As yet, however, the Supreme Court has not indicated the standards which are to be applied while awarding punitive or exemplary damages in libel, tortious claims with economic overtones such as slander of goods, or in respect of intellectual property matters."

The Division bench has reaffirmed the position enumerated in **Rookes v Barnard and Cassell & Co. Ltd. v. Broome** as It is confirmed by the Apex court In India the remedy has been confined to just three categories of case. Those are cases of oppressive, arbitrary or unconstitutional conduct by government servants acting in that capacity (Category I), cases of conduct aimed at making a profit in excess of the compensation payable to the claimant (Category II), and cases where statute authorises an award of punitive damages (Category III). Still awarding of punitive damages by the Delhi high court is un-palpable on wrong precedents raises tangible question on the judgements. The High Court is bound by its division bench as the Supreme Court has repeatedly stressed on the importance of following the rule of precedent in its several judgments stating that “India is governed by a judicial system identified by a hierarchy of courts, where the doctrine of binding precedent is a cardinal feature of its jurisprudence”. The doctrine of stare decisis or binding precedent is fundamental to rule of law and there can never be certainty and predictability in the rule of law, if the courts below are going to ignore binding precedents.

Though this paper the paper author is trying to devise a methodology or formula wherein claim of for pecuniary damages have legitimacy and at the same time are recognized by the Courts, though there is no provisions provided by the Indian statute to award damages punitive still with certain conditions, the courts may set parameters to mitigate relief to the plaintiff in accordance to set out principles have equitable parameters which can be set by the courts through incorporating detailed parameters and methodology after ascertaining the tort in its judgments and then next logical step would to entail assessment of the approximate amount of pecuniary damages to be awarded based on specific considerations. If the Court in this matter has indeed leaned on any such considerations at all before making his decision, the court needs to look in to the aspect that grant such damages only after being satisfied that the damages awarded for the wrongdoing is inadequate in the circumstances. While observing the pattern in grant of punitive damages, the courts have to consider the specific facts and circumstances and factors with regard to the victim's vulnerability, defendant's strengths, and the duration/severity of the harm. As per suggestion the Indian courts may categorise the essential factors to determine Punitive Damages if the said unreasonably wanton or egregiously negligent act broadly as under.

- I. How reprehensible was conduct and the nature and quantum of the injuries in respect of the goods that has been infringed, damages are calculated by assessing the loss of profit to the proprietor caused by the redirected sales to the infringer.
- II. What actual and potential harm or injury through unreasonableness of the defendant's conduct has caused to the plaintiff in terms of damages with regard to royalty payments or licence fee that the infringer would have paid to the proprietor had the infringer acted lawfully and taken a licence of the type generally granted.
- III. Subsequent changes due to the unreasonableness conduct of the defendant's, which came to play in to the plaintiff business, wherein the owner of the infringed IP right (“the owner”) earlier use to make a profit from the sale of goods or services protected by the IP right.
- IV. The comparative strength of the defendant and it sources in comparison to plaintiff if the court objectively assesses what would have been paid by way of a royalty on the hypothesis that the proprietor had been a willing licensor and the infringer a willing licensee. The courts will look to analogous and the surrounding commercial facts in this situation.
- V. What amount of monetary damage is necessary to punish defendant to discourage defendant and others from future wrongful conduct in light of defendant's financial condition?

### Measure Trademark Damages:

The absence of provisions in the Trademark Act has led to lesser restraints over the infringers for awarding of legally tangible Cost of Damages. Though damages can be awarded to the plaintiff at discretion of the Court, usually with a view to compensate the plaintiffs as relief against infringement of trademark, in addition to equitable relief, there are several other distinct monetary remedies may also be available with the court. Although the odds of obtaining monetary recovery from the defendants are usually long, the relief of damages are only available if there is proof of actual confusion; it is not unjust enrichment by the infringer, or the use or sale of a counterfeit trademark. Moreover, these claims may have to be established by the plaintiffs in court with assertions that the claims are more likely legal and not equitable in nature. These are powerful tools for trademark plaintiffs and their lawyers.

Indian Courts have been awarding damages for infringement in Trademark cases reveals that there is no specific statutory provision or legal defined method laid under trademark law or under any other civil laws, but despite of non availability of clear legal provisions under any of statute off late the judges have been awarding damages under their judicial discretion without considering the established uniform and legally tenable parameters for computing the amount of damages to be awarded to successful plaintiffs even on ex-parte basis and further sometime the cost of damages were awarded to the plaintiffs despite the plaintiff's inability to prove any general damage also. This paper proposes creation of uniformed standardise check list to be considered before appropriation of quantum of damages in such infringement cases. This Paper is going to carry out critical evaluation of the damages awarded so far by the Indian Courts

As such in Indian Context this paper has tried to bring out a detailed comprehensive study in finding out uniform and establishing in standardised legally tenable criteria which can judicial scrutiny as well as bring public good, for deciding damages of any nature, the court has to ponder on each factors correlating with the proof of infringement to be considered including question of whether punitive damages could be awarded in the instant case, further keeping tin view of the defendant's misconduct as well as presence

of certain factual findings observed by the court and the same may be correlated with the by applying statistical figures of quantum of sales, profits/ loss of sales of non litigation period of the plaintiff.

Keeping in view of the absence of any awarding Cost of Damages provisions in the Trademark Act in India, as the different methods adopted by France to calculate punitive damages under trademark Laws as per EU directives, These methods shown in section A to E under **Method to Calculate Punitive Damages in Trademark Laws head** is the best option country like India to adopt and that can be utilised and used practically by the courts to provide relief to the plaintiffs by calculating different forms of to obtain damages from the infringers, this solution certainly will usher a bench mark in rendering justice inn equitable manner. So as to bring out reasonable criteria to quantify such damages that can be correlated with sound reasoning in awarding quantified damages to plaintiff. So that becomes a powerful deterrence for trademark infringement cases.

## CONCLUSION

The recent Indian decisions discussed above do raise a legitimate concern that the process of assessing damages for infringement of an intellectual property right can result in an punitive award that in practical terms is more then to the sum payable under a licence, so that the infringer ends up paying for its infringements punitive damages without proper valuation of the same by the courts as well as no availability of any statutory provision or legal defined method laid under trademark law or under any other civil laws, but despite of non availability of clear legal provisions under any of statute off late the judges have been awarding damages under their judicial discretion without considering the established uniform and legally tenable parameters for computing the amount of damages to be awarded to successful plaintiffs and further sometime the cost of damages were awarded to the plaintiffs despite the plaintiff's inability to prove even any general damage. Given that one of the fundamental rights accorded to the owner of a patent, a copyright and a trade mark is the freedom to decide whether to use it or allow others to do so, there is a risk that concern to avoid high or punitive awards means that damages rarely reflect the value that both intellectual property owners and society place on innovation and creativity

In India, the principles involving damages in trademark infringement are still evolving and the Indian courts are continuously adapting and developing newer interpretations. The focus on awarding damages has intensified due to increase in piracy and the need for deterrence, importance of compensating plaintiffs in an environment where the costs of litigation are increasing, and the need to relieve pressure on the country's criminal justice system by fashioning more civil remedies.

When the courts are assessing damages for infringement of any intellectual property rights, the courts are almost inevitably to engage in speculation about what might have been: rarely is it merely a matter of looking at how much profit did the plaintiff lose as a result of the defendant's infringing activity and what will the outcome after awarding of such a sum as damages. Sometimes the rights infringed have never been exploited by the plaintiff itself, and the courts are ever mindful of the need to avoid punishing the infringer, for that is not what the law of tort says is the aim of the damages remedy.