Kluwer Copyright Blog

Design infringement “does not pay”: English High Court sends message to copyists in Original Beauty v G4K Fashion

Jeremy Blum, Sean Ibbetson (Bristows LLP) · Tuesday, April 19th, 2022

Original Beauty Technology Company Limited & others v G4K Fashion Limited & others, [2021] EWHC 3439 (Ch)

Photo by Rio Lecatompessy on Unsplash

The High Court has recently awarded £450,000 in damages to a successful claimant in a dispute about unregistered design rights in clothing. Unregistered design rights in the UK are a unique right that often catch designs that fall outside the scope of copyright protection. Whilst the underlying acts of infringement in this case relate to unregistered design rights, this decision on damages will be equally applicable to disputes concerning copyright as the principles which are applied are the same.

The court found that the defendant, Oh Polly, had infringed unregistered design rights owned by the claimants, House of CB and Mistress Rocks. Both parties sold ‘bandage’ and ‘bodycon’ style clothing.

In the UK, IP disputes are typically dealt with on a split basis, with liability determined first before there is a separate trial to determine the amount owed in damages or on account of the defendant’s profits.

As quantum trials are expensive, and the amount awarded by the courts can be reasonably small, parties often reach settlement rather than incur these costs. As a result, judgments following damages inquires are relatively rare.

Oh Polly and House of CB were unable to reach a settlement, leaving us with an interesting judgment. The case is also interesting because the sum awarded, including a sum of £300,000 in ‘additional damages’, is quite large for a design rights case in the UK.

Background

House of CB brought a claim against Oh Polly for infringement of their UK and EU unregistered design rights in relation to 91 items of clothing.

20 of these 91 items were selected as being a representative sample to assess for infringement purposes, and the judge found that seven of the 20 selected garments were infringing. The evidence showed that the defendants had typically collected images of the claimants' clothing and then sent these to a factory to be copied.

In total, 15,393 infringing items were sold over a period of four years, and the judge found that the defendants had a "*couldn't care less*" attitude to IP rights. This justified an award of additional damages, which is available in the UK for cases of flagrant infringement.

The claimants sought damages under three separate heads:

(1) the lost profits on sales they would have made were it not for Oh Polly selling an infringing alternative;

(2) for sales not covered by head (1), a reasonable royalty to represent the licence fees the parties would have agreed if they had entered into a hypothetical licence; and

(3) additional damages to reflect the flagrancy of the infringement.

In total, they were awarded just over £450,000, as broken down below.

Lost profits

The parties were competitors, and the judge accepted that some infringing sales made by the defendants would otherwise have been made by the claimants.

To determine the amount due under this head of damage, it was necessary to calculate how many sales the claimant was likely to have lost to the defendant, and then multiply that number by the per-unit profit the claimant would have made. To do this, the judge sought to establish the probability that a sale of an infringing garment would otherwise have gone to the claimants.

The claimants' opening position was that every infringing sale replaced a sale it would have made itself. However, whilst the parties were competitors, there were significant differences between the original and copied items in terms of price, quality, material and colour. This led the judge to conclude that 20% of the defendants' sales would otherwise have been made by the claimants. Applying this to the claimants' profit margins led to a total sum for profits was £74,847.92.

Standard damages on the basis of a reasonable royalty

For items not covered by the lost profits basis, the claimants sought damages on the basis of a reasonable royalty. This type of damage is calculated on the basis of a hypothetical agreement which the parties would have reached had they entered into a licensing arrangement.

This is a difficult exercise, as the parties' position was – understandably – that they would never have entered into an agreement with each other. Crucial to deciding the terms of the hypothetical licence is the parties' respective bargaining power. In particular, the judge noted that they were

competitors, the defendants' evidence suggested that they were not in a position to design their own products, and nor did they have a good alternative source of complete and commercially successful designs.

Taking this into account, the judge arrived at a hypothetical licence, and set out the terms which the parties would, hypothetically, have agreed. He held that the licence fees would have been calculated on the basis of the defendants' net sales revenue, at a royalty rate of 10%. That figure was said to be higher than average for similar licences, but took into account the weak bargaining position of the defendant. The judge also held that the parties would have agreed to a minimum licence fee of £4,000 for each design which was copied, i.e. if no or few items were actually sold.

Applying those licence terms to the volume of infringing items gave a sum under this head of £75,276.64.

Additional damages

The judge then assessed the sum due as 'additional damages' given the flagrancy of the infringement.

Additional damages do not attempt to put the claimant in the position they would otherwise have been in. They instead aim to deter the defendant, and other potential infringers, by making sure that IP infringements are effectively punished.

The authorities reviewed by the judge showed that there was no clear rule for the amount of additional damages awarded. However, there was authority for awarding damages on the basis of an 'uplift' on the standard damages which had been awarded. Ultimately, the judge awarded an additional £300,000 in damages, representing an uplift of 200% on the standard damages.

The justification for this sum included the flagrancy of the infringement (15,393 items over four years) as well as the defendants' attitude and its approach to its infringing activity. The judge also stressed the importance of punishing the defendants, to deter them and others from infringing again.

Comment

The judgment serves as a useful reminder that the English courts have tools at their disposal to ensure that IP infringement, particularly on a large scale, will be expensive for the copyist.

In addition to the damages awarded here, the defendant is very likely to be liable for a substantial part of the claimant's legal costs for the damages enquiry (unless it protected itself with settlement offers which the claimant should have accepted).

Given the complexity of this damages enquiry, those legal costs are likely to be very substantial, and will likely dwarf the £450,000 which was awarded in damages. But as the judge notes, the general message must be that IP infringement does not pay.

To make sure you do not miss out on regular updates from the Kluwer Copyright Blog, please subscribe here.

Kluwer IP Law

The **2022 Future Ready Lawyer survey** showed that 79% of lawyers think that the importance of legal technology will increase for next year. With Kluwer IP Law you can navigate the increasingly global practice of IP law with specialized, local and cross-border information and tools from every preferred location. Are you, as an IP professional, ready for the future?

Learn how **Kluwer IP Law** can support you.

This entry was posted on Tuesday, April 19th, 2022 at 12:14 pm and is filed under Case Law, Damages, Infringement, United Kingdom
You can follow any responses to this entry through the Comments (RSS) feed. You can leave a response, or trackback from your own site.