

The Remedy of Account of Profits in Industrial and Intellectual Property Litigation

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I. GENERAL PRINCIPLES

1. Comparison With Damages

Account of profits is one of two main types of pecuniary remedies given by the courts. The other main type of pecuniary remedy is, of course, damages. That being so it is, perhaps, natural for commentators to remark upon the distinction between the two remedies. In *Colbeam Palmer Ltd and Another v. Stock Affiliates Pty Ltd*,¹ (“*Colbeam Palmer*”) a trade mark case, Windeyer J. said:

The distinction between an account of profits and damages is that by the former the infringer is required to give up his ill-gotten gains to the party whose rights he has infringed: by the latter he is required to compensate the party wronged for the loss he has suffered.²

The relationship between these two orders is also important. Account of profits and damages are mutually exclusive. The plaintiff must elect one or the other. The House of Lords made

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1. (1968) 122 C.L.R. 25.

2. *Id.*, 32.

it quite clear in *De Vitre v. Betts*³ that the remarks which it made upon this question in *Neilson v. Betts*⁴

most undoubtedly decided the general principle that, upon a decree against a party for the infringement of a patent, the patentee is not entitled to both an account of profits and an enquiry into damages. That principle applies generally and without any distinction at all.⁵

The answer as to when an account of profits will be a desirable remedy for a plaintiff is very much dependent upon the way in which the account in each individual situation is calculated, which is discussed below. However, the following general remarks can be made. Where an account of profits is ordered in the area of industrial and intellectual property the defendant is required to make over to the plaintiff all the profits which he has made by use of the plaintiff's trade mark, use of the plaintiff's copyright material, use of an invention which infringes the plaintiff's patent or registered design, passing off the defendant's goods as the goods of the plaintiff or using the plaintiff's confidential information. Windeyer J. said in *Colbeam Palmer*, when discussing an account of profits, "what a plaintiff might have made had the defendant not invaded his rights is by no means the same thing as what the defendant did make by doing so".⁶ A plaintiff, accordingly, is most likely to elect to have an account of profits where the defendant made more money using the plaintiff's property or rights than the plaintiff could have done himself. This might occur, for example, where the capital structure of the defendant's business is much larger or the defendant makes a much greater or more successful use of advertising. McComas, Davison and Gonski⁷ give a useful illustration of this in relation to a situation in which there has been a breach of confidence:

[T]he plaintiff is only a small manufacturer and he discloses some trade secrets to a very large manufacturer hoping to make an agreement with it. If the large manufacturer breaches the confidence placed in it by the plaintiff and goes ahead and uses the trade secret its use may be considerably greater than that of the small manufacturer and accordingly the opportunity of receiving the profits of the large manufacturer may well considerably outweigh the small amount of damages which may be awarded to the plaintiff.⁸

3. (1873) L.R. 6 H.L. 319.

4. (1871) L.R. 5 H.L. 1.

5. Note 3 *supra*, 321 *per* Lord Chelmsford.

6. Note 1 *supra*, 32.

7. W.R. McComas, M. R. Davison, D. M. Gonski, *The Protection of Trade Secrets - A General Guide* (1981).

8. *Id.*, 33.

While, however, a plaintiff can do quite well out of an account of profits where this is the case it is not always easy for a plaintiff, even where the way in which the account is to be calculated is relatively clear, to know how much the defendant has made out of the plaintiff's property without actually seeing the defendant's books. For example, while a defendant may appear to have marketed the product which infringes the plaintiff's rights very successfully, the defendant's overheads may be such that the product has realized very little profit. The problem is exacerbated in the very common case where only one aspect of the goods sold by the defendant has involved a breach of the plaintiff's rights, "for example, a book of which only part infringes; or a stocking, in which all that was patented was the way the toe was made".⁹ Again, without access to the defendant's books the plaintiff may not be able to guess what part of the defendant's profit is attributable to the invasion of the plaintiff's rights; unless (taking a previous example) the inventor of the stocking toe can say:

Making the toe my way saves, on average, per dozen pairs of stockings, so many minutes of operative's time at so much an hour — then an estimate of the profits from the invention is directly available for comparison with estimates of damages before the plaintiff makes his election.¹⁰

(An additional advantage in a plaintiff electing to have an account of profits is that as the taking of the account may involve actual examination of the defendant's books of account this may incidentally afford the plaintiff a sight of customers' names and other information about the defendant.¹¹)

2. *Availability of Equitable Relief*

It is important to note that the choice of the remedy of account of profits may not always be open to the successful plaintiff. There are several other matters which may bar this choice. The first of these may be the availability of an injunction. The conventional view is that the right to an account of profits is dependent upon the right to an injunction, so that if the plaintiff is not entitled to an injunction he cannot have an account of profits.¹² In *Smith v. London and South Western Railway Co.* an

9. T.A. Blanco-White, R. Jacob and J.D. Davies, *Patents, Trade Marks Copyright and Industrial Designs* (2nd ed., 1978) 9-10.

10. *Ibid.*

11. W.R. Cornish, *Patents, Copyright, Trade Marks and Allied Rights* (1981) 55.

12. *Smith v. The London and South Western Railway Co.* (1854) Kay 408, 69 E.R. 173; *Price's Patent Candle Company, Limited v. Bauwen's Patent*

injunction was refused upon the ground of delay and thus an account of profits was not available.¹³ In *Price's Patent Candle Company, Limited v. Bauwen's Patent Candle Company, Limited*, (*Price's Patent Candle Co.*) which concerned the infringement of a patent, Vice-Chancellor Sir W. Page Wood expressed the view that there was "good reason" for this rule, because since the taking of accounts could present such difficulties the courts should not assume jurisdiction to do so "where it is not the right of the suitor to call for its exercise".¹⁴ He held that an injunction could not be granted because it would be useless and thus the plaintiff was not entitled to an account of profits. The so-called "reason" which the Vice-Chancellor gave for this rule is really more in the nature of an incidental benefit to the rule than a reason. In fact the reason for this rule seems to be that the present remedy of account is fettered by its equitable origins. This may perhaps be seen from the following passage:

The mere fact that the defendant has committed a tort against the plaintiff will not entitle the latter to an account, yet, if the tort is of such a kind that the plaintiff can obtain an injunction to prevent its repetition or continuance, the plaintiff may invoke the principle that equity will always grant complete relief, and ask that the injunction be accompanied by an account of any profit that the defendant has derived from it.¹⁵

If the rule in *Price's Patent Candle Co.* is still correct, at least with respect to injunctions refused on general discretionary grounds then a plaintiff will clearly not be able to get an injunction and, therefore, will not be able to get an account of profits, where he has been guilty of laches or lack of clean hands, or where, as happened in *Price's Patent Candle Co.*, an injunction would be useless. However, even without the rule in *Price's Patent Candle Co.* the plaintiff would be no better off with respect to the issues of laches and lack of clean hands. This is because the remedy of account of profits is, being an equitable remedy like the remedy of injunction, a discretionary remedy.¹⁶ This is, of course,

Candle Company Limited (1858) 4 K. & J. 727, 730, 70 E.R. 302, 303. This should be contrasted with the position taken by Windeyer J. in *Colbeam Palmer* as to which see the text accompanying notes 32-33, *infra*.

13. *Ibid.*

14. Note 12 *supra*.

15. F.H. Lawson, *Remedies of English Law* (2nd ed., 1980) 143. See also a similar statement in *Bailey v. Taylor* 1 Russ and My 75, 75; 39 E.R. 28, 28 per Sir John Leach, quoted with approval by Sir W. Page Wood V.C. in *Smith v. The London and South Western Railway Co.* (1854) Kay 408, 415; 69 E.R. 173, 176.

16. *Smith v. The London and South-Western Railway Co.*, note 12 *supra*, E.R. 173; J. Lahore, J. W. Dwyer, J. J. Garnsey and A. Dufty, *Intellectual*

another point of distinction between the remedy of damages and the remedy of account of profits. The discretionary aspect of the remedy may, in certain cases, prohibit a successful plaintiff from electing for an account of profits.

3. *Disqualifying Delay*

One of the main ways in which this discretionary aspect has manifested itself in the industrial and intellectual property area is with respect to situations involving delay on the part of a plaintiff. A case which demonstrates the way in which delay can influence remedies in this area is *Edward Young and Co. Ltd v. Stanley Silverwood Holt*.¹⁷ This case concerned a situation in which the defendant, who was selling sherry under the brand name of "Mencoza", was held to have infringed the trade mark of the plaintiff, who sold sherry under the brand name of "Mendoza". A question in the case was as to the date until which the account should run. Should it run from the time at which the defendant first began to market his sherry to the time of the action or to the date at which the plaintiff was acquainted with the defendant's behaviour? The answer to this question, according to Wynn Parry J., depended upon the view taken of the plaintiff's behaviour; and, more specifically whether or not he accepted the argument of the defendant that the delay was virtually unexplained and that, as the plaintiff was seeking equitable relief, it being guilty of delay was not entitled to that relief.¹⁸ The delay being referred to here is a delay on the part of the plaintiff between the placing of a trap order with the defendant and the taking of any other action against the defendant. The trap order was placed on 14 January 1946 and the letter from the plaintiff's solicitor to the defendant informing the defendant that the plaintiff was registered proprietor of the name "Mendoza" and requiring the defendant to cease to use the name "Mencoza" was dated 9 May 1946. Between these two dates various enquiries, including enquiries in Spain, had been made by the plaintiff's solicitors on the advice of counsel. The plaintiff said, with respect to these matters, that the defendant was a man "in a large way of business"¹⁹ and "a force

Property in Australia, (1977), para. 4.5.029; S. Ricketson *Industrial and Intellectual Property* (1984) 21; G. Jones, "Restitution of Benefits Obtained in Breach of Another's Confidence" (1970) 86 L.Q.R. 463, 486-488.

17. (1948) 65 R.P.C. 25.

18. *Id.*, 31.

19. *Ibid.*

to be reckoned with”²⁰ and the plaintiff wanted to be “sure of [its] ground”²¹ before doing anything to censure the defendant. Wynn Parry J. said that he could not regard the steps the plaintiff took as being unreasonable. He also took into account the fact that the managing clerk of the plaintiff’s solicitors, who was handling the matter, was ill for approximately one month. Thus, accordingly, he was prepared to grant an account of profits unlimited with respect to time. It appears that even if Wynn Parry J. had found that there had been unacceptable delay on the part of the plaintiff he would not, in the circumstances of the case, have denied the account of profits altogether but would have merely limited it so that it ran from the time the defendant commenced trading until a date immediately prior to the date upon which the delay began.

A case in which delay on the part of the plaintiff did limit the period during which profits for the purposes of an account of profits could be calculated is *Lever Brothers, Port Sunlight, Ltd v. Sunniwhite Products, Ltd.*²² This case involved an infringement of the plaintiffs’ trade mark “Sunlight” which was registered “in respect of soap, substances for laundry use, detergents and certain cosmetic goods”.²³ The infringement occurred when the defendant put out a soapless detergent under the name “Sunniwhite” at the beginning of 1946. The plaintiff companies became aware of the product in August 1946 but they did not write to the defendant informing it of the plaintiff companies’ trade mark and asking it to cease the sale of “Sunniwhite” laundry powder until 28 April 1947. The action was commenced by the issue of a writ on 12 June 1947. With respect to the question of the period during which profits should be calculated, the defendant argued that “[w]here the plaintiff in an action of this character has been aware that infringement has taken place, and a substantial period of time has taken place from that awareness before proceedings were taken, the account should date from the date of the complaint”.²⁴ The plaintiffs did not object to this and such an order was, accordingly, made.

4. Knowledge

Another matter of importance in this area is knowledge on the part of the defendant. In *Colbeam Palmer* Windeyer J. said:

20. *Ibid.*

21. *Ibid.*

22. (1949) 66 R.P.C. 84.

23. *Ibid.*

24. *Id.*, 102.

the account of profits retains the characteristics of its origin in the Court of Chancery. By it a defendant is made to account for, and is then stripped of, profits he has made which it would be unconscionable that he retain. These are profits made by him dishonestly, that is by his knowingly infringing the rights of the proprietor of the trade mark. This explains why the liability to account is still not necessarily co-extensive with acts of infringement. The account is limited to the profits made by the defendant during the period when he knew of the plaintiff's rights.²⁵

Thus, lack of relevant knowledge on the part of the defendant may be another matter which bars a plaintiff's right to elect an account of profits in industrial or intellectual property litigation, particularly as the onus of proving knowledge on the part of the defendant rests with the plaintiff.²⁶ *Moet v. Couston*,²⁷ a passing off case, is an example of a situation in which the court refused an account of profits, because although the defendant infringed the plaintiff's rights by selling "Moet's Champagne", it had done so quite innocently.

5. Summary

To summarize the effect of the case law in this area it may be said that a successful plaintiff in an intellectual or industrial property suit will, subject to three matters, be permitted to elect either damages or an account of profits. The three matters to which this is subject are; first, the account of profits can generally only be granted as ancillary to an injunction; secondly, the account of profits is itself a discretionary remedy and thus its availability is subject to matters such as delay or lack of "clean hands" on the part of the plaintiff; and, thirdly, the remedy of account of profits will only be available for profits derived during the period in which the defendant was aware of the plaintiff's rights. One further, seemingly trite, matter should be mentioned, that is, that an account of profits will not be granted where there are no profits and probably not where the profits made are too small to justify the costs of an enquiry as to profits.²⁸ It is appropriate at this point, having reviewed the main aspects of case law, to consider the effect of statutory provisions in this area.

25. Note 1 *supra*, 34. See also *Edelsten v. Edelsten* (1863) 1 De G. J. & S. 185, 199, 46 E.R. 72, 78; *Moet v. Couston* (1864) 33 Beav. 578, 580; 55 E.R. 493, 494; *A.G. Spalding and Bros v. A.W. Gamage Ltd* (1915) 32 R.P.C. 273, 283.

26. *Colbeam Palmer*, note 1 *supra*, 35.

27. (1864) 33 Beav. 578; 55 E.R. 493.

28. This matter is referred to by Windeyer J. in *Colbeam Palmer*, note 1 *supra*, 36. It probably represents another aspect of the discretion of the court exercised on the basis that equity will not make a useless order.

II. AVAILABILITY UNDER STATUTE

The simplest statutory provision to deal with is section 65 of the Trade Marks Act 1955 (Cth).²⁹ The section is cast inclusively rather than exclusively. It allows a successful plaintiff to be granted an injunction and to elect for either damages or for an account of profits. The only exception to the availability of damages or an account of profits is where the relevant mark is registered under Part C of the Register. (Part C contains certification trade marks³⁰ which are governed by Part XI of the Act.³¹) It appears that Section 65 of the Trade Marks Act 1955 (Cth) does not vary from the case law position. In *Colbeam Palmer* Windeyer J. considered that the section did not enlarge the scope of account of profits; he went on to say:

The effect of s. 65 is to make expressly available in the case of infringement of a registered trade mark the same remedies and relief as can be had in a passing off action in the case of a common law trade mark.³²

However, for the purposes of statutory interpretation, it is important to note the stance taken by Windeyer J. in *Colbeam Palmer* on the necessity of the award of an injunction before an account of profits can be awarded. In that case, Windeyer J. was not prepared to grant an injunction but did allow the plaintiff to elect for an account of profits. Windeyer J. acknowledged that under usual circumstances with respect to both general principles and section 65 of the Trade Marks Act 1955 (Cth) the remedy of account of profits was to be awarded as ancillary to an injunction but that the circumstances of the particular case were unusual. The circumstances he was referring to here were the facts, first, that the plaintiff had, prior to the hearing, assigned the trade mark and when Windeyer J. handed down his first judgment in the matter the assignee had not been joined, and, secondly, that the registration of the plaintiff's trade mark had expired. It was on these two grounds, principally the second, that Windeyer J.

29 Section 65 of the Trade Marks Act 1955 (Cth) provides:

The relief which a court may grant in an action or proceeding for infringement of a registered trade mark includes an injunction (subject to such terms, if any, as the court thinks fit) and, except in the case of a trade mark registered in Part C of the Register, at the option of the plaintiff, either damages or an account of profits.

30. Trade Marks Act 1955 (Cth) s.83(1).

31. There is a brief description of Part C trade marks in B. Kercher and M. Noone, *Remedies* (1983) 294.

32. Note 1 *supra*, 31-32. See also J. Lahore, *et al*, note 16 *supra*, para 4.5.029.

refused to grant the injunction.³³ Thus the injunction was not refused upon the ordinary general discretionary grounds upon which a court may refuse to order an injunction. *Colbeam Palmer* can probably, on this basis, be distinguished from the general run of cases. That is to say, *Colbeam Palmer* does not, it is argued, affect a situation where, for example, an injunction is refused because of laches and lack of "clean hands". What it does, however, show is that there is no longer an inflexible principle that an account of profits may only be granted ancillary to an injunction, and, in particular, it shows that the words of section 65 of the Trade Marks Act 1955 (Cth) do not necessarily require either damages or account of profits to be granted ancillary to an injunction.

The situation with respect to patents is dealt with by section 118(1) of the Patents Act 1952 (Cth).³⁴ This section is identical with section 65 of the Trade Marks Act 1955 (Cth), except for the reference in section 65 to trade marks registered in Part C of the Register. Thus principles of statutory construction, not to mention common sense, would suggest that it is to be regarded in more or less the same light as section 65. However, since section 118(1) has not generated any reported explicit judicial pronouncement such as that in *Colbeam Palmer* (referred to above) on the effect of the statutory remedy on the common law position it is as well to take note of several aspects of section 118(1). First, the use of the word "may" in the phrase "The relief which a court may grant" emphasizes the discretionary nature of the remedies referred to in the section.³⁵ Thus the matters relevant to the court's discretion discussed above are still relevant to this remedy. Secondly, the sub-section seems to be saying that the remedy which the court may grant is an injunction and either damages or an account of profits. A reasonable interpretation of such wording would be that under the sub-section the court may grant damages or account of profits only if it grants an injunction.

33. Note 1 *supra*, 31. By the time the second judgment in this matter was handed down, which judgment appears at note 1 *supra*, 40-47, the assignee of the trade mark had been joined as a plaintiff and the trade mark registration had been renewed. In such circumstances Windeyer J. was prepared to grant an injunction by consent in favour of the assignee: note 1 *supra*, 40-41.

34. Section 118(1) of the Patents Act 1952 (Cth) provides:

The relief which a court may grant in an action or proceeding for infringement of a patent includes an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.

35. S. Ricketson, note 16 *supra*, 24.

However, if reference is made to section 65 of the Trade Marks Act 1955 (Cth) and its application in *Colbeam Palmer*, it will be seen that Windeyer J. did not interpret the identical words of section 65 to mean this, although, as discussed above, he may have been saying that an account of profits can be granted without an injunction only in exceptional circumstances. Thirdly, it is clear that, as under case law, damages and account of profits are alternative remedies.

While section 118(1) of the Patents Act 1952 (Cth) is almost identical to section 65 of the Trade Marks Act 1955 (Cth), the Patents Act differs from the Trade Marks Act in this area because it makes provision to exempt an innocent infringer from liability for damages or account of profits in section 124.³⁶ There are several points to note about this section: first, in sub-section (1) the word "may" in the phrase "A court may refuse" indicates that the court has a discretion. It seems that a court is entitled to grant an account of profits under this section even if it believes an infringer is, for the purposes of the section, innocent.³⁷ It is suggested that this provision may reflect the fact that the ignorance defence under case law was originally one aspect of the court's discretion. (However, the principle, it seems, has become much more rigid under case law and it is submitted that in an action, such as an action for passing off which is not governed by statute, a court should regard itself as being disentitled to award an account of profits against an innocent infringer.) The second point to note in respect of section 124 is that the words "had no reason to believe" in sub-section (1) import the notion of constructive knowledge into the section. The Act contains no indication that the Register of Patents would constitute constructive knowledge and thus there appears no reason, in the

36. Section 124 of the Patents Act 1952 (Cth) provides:

- (1) A court may refuse to award damages, or to make an order for an account of profits, in respect of an infringement of a patent committed after the date of commencement of this Act from a defendant who satisfies the court that, at the date of the infringement, he was not aware, and had no reason to believe, that a patent for the invention existed.
- (2) If articles manufactured according to a patented invention and marked in such a manner as to indicate that the articles are patented in Australia have been sold or used in Australia to a substantial extent, the defendant shall be deemed, unless the contrary is proved, to have been aware of the existence of the patent.
- (3) Nothing in this section affects the power of a court to grant relief by way of an injunction.

37. See also S. Ricketson note 16 *supra*, 24.

light of *Slazenger and Sons v. Spalding and Bros*³⁸ which provides that the Trade Marks Register does not constitute constructive notice,³⁹ to assert that it does. Sub-section (2), however, does refer to a matter which will constitute constructive knowledge. Under that sub-section if articles manufactured pursuant to a patent are so marked to indicate they are patented in Australia and they have been sold or used in Australia to a substantial extent the defendant will be deemed to be aware of the patent. This is stated to be subject to the defendant proving to the contrary. It is quite clear that constructive notice of a patent can be received pursuant to sub-section (1) in a manner other than that mentioned in sub-section (2).

The remedies for infringement of a registered design are dealt with by section 32B of the Designs Act 1906 (Cth).⁴⁰ This section, it can be seen, contains both the permissible relief and the "ignorance" defence. As with the Trade Marks Act and Patents Act, sub-section (1) which lists the relief which may be granted is cast in permissive terms, that is, the use of the word "may" shows that that grant of relief is discretionary. Also, as with the other statutory provisions considered, the permissible relief is an injunction and either damages or account of profits. For reasons alluded to earlier,⁴¹ this form of words appears not to necessarily require the award of an injunction as a prerequisite to damages or an account of profits. Also, once again, the case law is reflected in the fact that damages and account of profits are alternative remedies to be elected by the plaintiff. Sub-section (2) of section 32B governs the ignorance defence. Paragraph (a) appears to refer to actual knowledge of the existence of a registered design at the time of infringement. Paragraph (b), on the other hand, appears

38. [1910] 1 Ch. 257,261.

39. The decision in *Colbeam Palmer*, note 1 *supra* is consistent with this proposition.

40. Section 32B provides:

- (1) The relief that a court may grant in an action or proceeding for the infringement of the monopoly in a registered design includes an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.
- (2) A court may refuse to award damages, or to make an order for an account of profits, in respect of an infringement of the monopoly in a registered design if the defendant satisfies the court —
 - (a) that, at the time of the infringement, he was not aware that the design was registered; and
 - (b) that he had, prior to that time, taken all reasonable steps to ascertain whether a monopoly in the design existed.

41. See the text accompanying notes 32-33 *supra*.

to refer to constructive knowledge. However, the language of paragraph (b) is such, it is submitted, as to make it quite different from the constructive knowledge provisions in the Patents Act. It will be recalled that section 124(1) of the Patents Act provides that a defendant may be protected where he is not aware and had no reason to believe that a patent for the invention existed. Under this sub-section it seems that the defendant will only have constructive knowledge imputed to him if some information comes to him with respect to the registration of the patent. In contrast sub-section (2)(b) of section 32B of the Designs Act requires the defendant before he is entitled to protection to prove in addition to the matters referred to in paragraph (a) that he took "all reasonable steps" to ascertain whether a monopoly in the design existed.⁴² In other words it seems to require positive action on the part of the defendant to seek out the relevant information. This, of course, appears to be very similar to the requirements for exculpation from liability placed upon the defendant in *Edward Young & Co. Ltd v. Stanley Silverwood Holt*⁴³ in which Wynn Parry J. was of the view that the defendant being a man of experience in the trade should have made enquiries to check that he was not infringing the rights of anyone else. In that light then, what are "all reasonable steps" referred to in section 32B(2)(b) of the Designs Act 1906 (Cth)? One would have thought that an eminently reasonable step would be to search the Register of Designs. This Register is always open to the public on the payment of a prescribed fee⁴⁴ and contains, *inter alia*, particulars of all registered designs and the dates of registration and expiry.⁴⁵ However, if this was the intention of the Act then why would the defence even be included? That is, if registration is equal to constructive knowledge and relief is only available in respect of registered designs then whenever there is entitlement to relief there is constructive knowledge and the defendant cannot rely on lack thereof to save himself from liability to pay damages or to account for profits. Perhaps then, as appears to be the case, what is reasonable depends, as it appeared to do in *Edward Young & Co. Ltd v. Stanley Silverwood Holt*, upon the particular defendant. For

42. The use of the phrase "monopoly in the design" means that the design is registered: Designs Act 1906 (Cth) s.25.

43. Note 17 *supra*.

44. Designs Act 1906 (Cth) s.35.

45. *Id.*, s.33(a). See also *id.*, s.27(1). This does not appear to be affected by s.40F, even in the relatively limited area in which s.40F applies, because s.40F applies to restrictions of information with respect to application for registration of a design.

example, if the defendant is someone with lengthy experience in the area of manufacturing and marketing and has registered many designs himself then a reasonable step for that person might be to check the Register. If, on the other hand, the person was someone who had just started up in a very small business and was not aware of the existence of such a thing as a registered design then the weight of proving that reasonable steps had been taken would be less heavy. For a person who fell between these two extremes, reasonable steps would perhaps mean, as they did in *Edward Young & Co. Ltd v. Stanley Silverwood Holt*, consulting trade journals or some type of materials which indicated the existence of designs belonging to somebody else. There appear to be no reported cases which shed light on what is meant by "all reasonable steps" in section 32B(1)(b) of the Designs Act 1906 (Cth).

Section 115(2) of the Copyright Act 1968 (Cth) governs the relief available in an action for an infringement of copyright.⁴⁶ The sub-section is the same in substance as section 65 of the Trade Marks Act 1955 (Cth), section 118(1) of the Patents Act 1952 (Cth) and section 32B(1) of the Designs Act 1906 (Cth) and the remarks made with respect to all those sections apply, *mutatis mutandi*, to section 115(2) of the Copyright Act. The interesting provision of the Copyright Act is that which allows for partial exculpation for an infringer upon the ground of his lack of knowledge. This provision is contained in section 115(3).⁴⁷ This sub-section provides that where an infringer can establish that he was not aware and had no reasonable grounds for suspecting that his infringing act was a breach of copyright then the plaintiff is disentitled to damages. For the purpose of the present examination it is unnecessary to consider what constitutes "reasonable grounds for suspecting" since the sub-section does

46. Section 115(2) of the Copyright Act 1968 (Cth) provides:

Subject to this Act, the relief that a court may grant in an action for an infringement of copyright includes an injunction (subject to such terms, if any, as the court thinks fit) and either damages or an account of profits.

47. Section 115(3) of the Copyright Act 1968 (Cth) provides:

Where, in an action for infringement of copyright, it is established that an infringement was committed but it is also established that, at the time of the infringement, the defendant was not aware, and had no reasonable grounds to suspecting, that the act constituting the infringement was an infringement of the copyright, the plaintiff is not entitled under this section to any damages against the defendant in respect of the infringement, but is entitled to an account of profits in respect of the infringement whether any other relief is granted under this section or not.

not disentitle the plaintiff to an account of profits; in fact, it does quite the opposite. The sub-section provides that the plaintiff is “entitled” to an account of profits whether any other relief is granted under section 115 or not. Ricketson has remarked that the use of “[t]he word ‘entitled’ is oddly at variance with the discretionary nature of the account remedy”.⁴⁸ Not only that, its use also seems to create an absurdity since it appears, due to the use of the word “may” in section 115(2), that in normal circumstances the grant of an account of profits is discretionary; however, if the defendant is not aware and had no reasonable grounds for suspecting that his act constituted an infringement of copyright then the plaintiff is “entitled” to an account of profits. This peculiarity has led to the assertion that the use of the word “entitled” does not oust the discretion of the court to refuse an account of profits upon ordinary discretionary grounds,⁴⁹ a suggestion which seems reasonable, even if unsupported by the words of the section.

III. TAKING THE ACCOUNT

1. *Procedural Aspects*

When the court makes an order for an account of profits the actual process of taking an account of the profits is usually left to the Master, the Registrar or some other senior officer of the court.⁵⁰ However, this is not necessarily the case. For example, in *Colbeam Palmer* Windeyer J. decided that since he was well acquainted with the matter he would take the actual account himself in the hope of saving costs.⁵¹ To facilitate the taking of the account in *Colbeam Palmer* Windeyer J. ordered that the defendant file with the Registrar within one month a statement of his sales of the relevant goods (divided into relevant periods). This statement was to be verified by affidavit.⁵² Verification by affidavit is required under the Supreme Court Rules Part 48 Rule 4(2) unless the court otherwise orders. Rule 5 of the same Part requires, unless the court otherwise orders, the filing of the account and verifying affidavit and on the same day the service of those documents on the other party.

Rule 3(a) of Part 48 provides that where the court makes an

48. Note 16 *supra*, 24-25.

49. H. Laddie, P. Prescott and M. Vitoria, *The Modern Law of Copyright* (1980) 418. See also S. Ricketson, note 16 *supra*, 25.

50. Lahore et. al., note 16 *supra*, para. 4.5.031.

51. Note 1 *supra*, 46.

52. *Ibid.*

order for an account of profits it may in the same or a subsequent judgment give directions for the taking of an account. In *Leplastrier and Co. Ltd v. Armstrong Holland Ltd*⁵³ (“*Leplastrier*”) both procedural and substantive matters relating to the way in which an account was to be taken came before the court on a reference from the Master. This case involved the infringement of a patent with respect to concrete mixing machines and it provides an example of the matters which may be required to be stated and served on the other party. The Master in taking the account had required the defendant to file and serve on the plaintiff a statement including:

- (1) a statement of the distinguishing number of the machines sold;
- (2) the prices of the machines sold;
- (3) the works cost of the manufacture of the machines including a statement of the cost of labour and material and reasonable particulars of other expenses;
- (4) reasonable prices of other costs, and
- (5) an account of royalties.⁵⁴

The court appears to have approved the Master requiring this statement. Another example of a statement which may be required to be filed by the defendant was that required in *Colbeam Palmer* where Windeyer J. directed the defendant to file, in addition to the other things required of him, “a statement showing, in respect of the said profits in each of the said periods, how much, if any, thereof it admits was attributable to its use of the trade mark “*Craftmaster*” and stating the basis of the apportionment.”⁵⁵

2. Costs

The costs of the inquiry for the account of profits are normally reserved until after the account is taken. In *Blackie & Sons Ltd v. The Lothian Book Publishing Co. Pty Ltd*,⁵⁶ a copyright case in which a very small part of the defendant’s book was copied from the plaintiff’s book, Starke J. said that the plaintiff may have an enquiry as to damages, at his own risk as to costs, but it would be preferable for him to waive it.⁵⁷ The implication was that the amount would be too small to justify the enquiry and in such a circumstance the burden of costs would be shifted to the plaintiff. This reasoning applies also to an enquiry as to account of profits⁵⁸

53. (1926) 26 S.R. (N.S.W.) 585.

54. *Id.*, 587.

55. Note 1 *supra*, 46.

56. (1924) 29 C.L.R. 396.

57. *Id.*, 404.

58. *Colbeam Palmer*, note 1 *supra*, 36.

although, as noted above where an account of profits would yield only a very small amount, the account would probably not be ordered in the first place.⁵⁹

IV. CALCULATION OF “PROFIT”

1. Patents

In *Colbeam Palmer* Windeyer J., in the process of drawing a distinction between patent cases and trade mark cases said:

If the infringer of a patent sells an article made wholly in accordance with the invention and thereby obtains more than it cost him to make or acquire it, he is accountable for the difference as profit. That is because he has infringed the patentee's monopoly right to make, use, exercise and vend the invention.⁶⁰

Leaving aside the question of what constitutes profit, this seems to be a reasonable formulation for a patent case in which the article *sold* is made wholly in accordance with the invention. But what about, for example, a situation where only part of the article is made in accordance with the patent? This was the situation in *Leplastrier* in which the article being sold was the plaintiff's invention with various attachments. The court said (and it would appear to be clear) that the plaintiff cannot “fairly claim any portion of those extra attachments as included in the profits which he is entitled to claim by virtue of his being entitled to profits on the machine made in accordance with the invention”.⁶¹ Arguably, however, if the attachments would not have been marketable items without being attached to the plaintiff's patented machine then the plaintiff would have been entitled to the whole profits on the sales since the defendant would have made nothing without the infringement.

Another possible situation is a situation where the defendant uses a patented item of the plaintiff's in, for example, a manufacturing process. In *The United Horse-Shoe and Nail Company Limited v. John Stewart & Co.*⁶² the patentee claimed as damages the profits made by the unauthorised use of patented machinery to manufacture horse-shoe nails. Lord Watson said in that case:

When a patentee elects to claim the profits made by the unauthorised use of his machinery, it becomes material to ascertain how much of his invention was actually appropriated, in order to determine what

59. See text accompanying note 28 *supra*.

60. Note 1 *supra*, 37.

61. Note 53 *supra*, 590.

62. (1888) 13 App. Cas. 401.

proportion of the net profits realised by the infringer was attributable to its use. It would be unreasonable to give the patentee profits which were not earned by the use of his invention.⁶³

However, the true quantum of profits in such a situation may well also depend upon whether or not there was any other item which the defendant could have used. If there was, then the quantum of profits will be a comparison of profitability using the plaintiff's invention with a comparison of profitability under an alternative that the defendant was likely to use looking at all the circumstances of the case.⁶⁴ So, in *Sidell v. Vickers*⁶⁵ there was a comparison, it seems, between the use of the plaintiff's steam powered invention and some other steam powered invention which the defendant could have used. The court rejected the contention that because the defendant had been using manual labour immediately prior to using the plaintiff's invention the correct comparison was between manual labour and the plaintiff's steam powered invention. They accepted the argument of the defendant that if it had not used the plaintiff's invention it would have mechanised and used some other steam powered invention and thus steam versus steam was the correct basis of comparison. Of course, if there was no other steam powered invention then the comparison would necessarily be between steam and manual. But what will be the position where there is nothing else which can be used but the plaintiff's invention?

2. Trade Marks

With respect to the question of the quantum of profits in the case of an infringement of a trade mark, Windeyer J. in *Colbeam Palmer* said that

... infringement consists in the unauthorised use of the mark in the course of trade in relation to goods in respect of which it is registered. The profit for which the infringer of a trade mark must account is thus not the profit he made from selling the article itself, but, the profit made in selling it under the trade mark.⁶⁶

He later said that the reason behind this, relying upon *Smith Kline and French Laboratories (Australia) Ltd v. Registrar of Trade Marks*,⁶⁷ was that a trade mark is something quite distinct from the goods in relation to which it is used.⁶⁸ It was clear in *Colbeam Palmer* that the painting sets in question could have been

63. *Id.*, 412-413.

64. *Sidell v. Vickers* (1892) 9 R.P.C. 152.

65. *Ibid.*

66. Note 1 *supra*, 37.

67. (1967) 41 A.L.J.R. 221.

68. Note 1 *supra*, 42.

made and sold without the use of the word "Craftmaster". Windeyer J. distinguishes these facts from a hypothetical situation where the goods had acquired such a reputation under the name "Craftmaster" that that was the reason they had sold. With respect to the latter situation he seems to adopt (as an *obiter dictum* only) the views of the Court in *Hamilton-Brown Shoe Co. v. Wolf Bros & Co.*⁶⁹ in which it was said that where it was inherently impossible to determine how much of the profits is attributable to the use of the improper mark and how much is attributable to the intrinsic quality of the goods, the plaintiff is entitled to the whole profit. However, the facts in *Colbeam Palmer* did not disclose such a case, and thus, placing reliance on a statement of Frankfurter J. in *Mishawaka Rubber & Woolen Manufacturing Co. v. SS. Kresge Co.*,⁷⁰ he held that if the defendant can show that some sales were due to the intrinsic merit of the painting sets, and the onus of establishing this is upon the defendant, then the plaintiff will not be entitled to profits from this sale. Thus relying on *Sidell v. Vickers*⁷¹ he said that one must compare what profit the defendant made using the trade mark, with what profit, looking at all the circumstances of the case, he would most likely have made otherwise.⁷² Applying that to the facts of *Colbeam Palmer* the defendant would have been able to sell the painting sets without the mark if it had obliterated the mark (which would have cost money). Thus the true quantum of profits will be derived by subtracting the profit the defendant would have made had it done this from the profit it did make and that will be the amount due to the use of the mark, which in turn equals the amount for which the defendant is liable to account. At least one variable in this highly unsatisfactory calculation is that it is extremely difficult to say how far sales would drop if the name "Craftmaster" had been obliterated.

*Dubiner v. Cherio Toys & Games Ltd*⁷³ perhaps sheds some light on this confused and confusing quantum of profit. In that case the plaintiff argued that he was

entitled to all of the profits made by the defendant during the accounting period, because it is the goodwill of the trade marks that the defendant has obtained and that he has traded upon, whereas the latter maintains that the plaintiff is only entitled to that portion of such profits directly attributable to the use of the plaintiff's trade marks.⁷⁴

69. (1915) 240 U.S. 251.

70. (1942) 316 U.S. 203.

71. Note 64 *supra*.

72. Note 1 *supra*, 46.

73. (1966) 55 D.L.R. (2d) 420.

74. *Id.*, 434.

It was held on the basis of *Cartier v. Carlisle*⁷⁵ that the argument of the defendant was correct. The court had then to set about the difficult task of deciding what portion of the defendant's profits was attributable to the use by it of the plaintiff's trade marks. The court appears to approve the procedure used by the Deputy-Registrar, who took into consideration a number of things including: the value placed by the president of the defendant company on the plaintiff's trade marks when he executed an agreement which had permitted the defendant to use the plaintiff's trade marks for a certain time; the evidence of that same president in cross examination; "the fact that the defendant used its own trade marks during the accounting period and the way in which it used them"; "the significance of the sales achieved by the defendant during its promotion campaign in St. John's Newfoundland, in November 1964, which counsel for the defendant submitted was the first promotion campaign conducted by the defendant without the use of any of the plaintiff's trade marks."⁷⁶ Taking all these types of consideration into account the Deputy-Registrar came to a figure of 20% of the defendant's total profit, which it was then liable to pay over to the plaintiff. Noel J. remarked upon the possible unconscionable results which could flow from adopting the approach argued for by the plaintiff in this case. He considered, in particular, the results which would follow from the plaintiff's position in a case where several trade marks were used all belonging to different people. He said:

Indeed, one might ask whether, if the trade marks used together belonged to different people, the defendant should be compelled to pay an amount equal to all of his profits to each of the individual owners. To reach such a result would indeed be most unreasonable and would lead to unjustifiable abuses.⁷⁷

Amongst other things this case sheds some light on the sort of things that could be taken into account in deciding how much of the profit was attributable to the use of the trade mark.

3. *Passing Off*

The quantum of profits in the area of passing off has recently been considered in *My Kinda Town Ltd (Trading as Chicago Pizza Pie Factory) v. Soll* ("My Kinda Town"),⁷⁸ in which Slade J. was considering a situation where the plaintiff had obtained an injunction to stop the defendant using the name "Chicago Pizza"

75. (1862) 31 Beav. 292; 54 E.R. 1151.

76. Note 73 *supra*, 434.

77. *Ibid.*

78. [1982] 8 F.S.R. 147.

in any part of its restaurant name. The plaintiff elected to have an account of profits and claimed all of the profits made by the defendant during the time when the defendant had been carrying on his business under the name "L.S. Grunts Chicago Pizza Company" or any other name including the phrase "Chicago Pizza". The defendant, on the other hand, argued that the only profits which may be recovered by the plaintiff are profits attributable to the wrongful use by the defendant of the plaintiff's trade name (an argument which would appear to be in accordance with the trade marks cases discussed above). It was necessary to consider these competing arguments and in particular the correctness of the defendant's argument in the light of cases such as *Edelsten v. Edelsten*,⁷⁹ *Ford v. Foster*⁸⁰ and *Lever v. Goodwin*⁸¹ in which the relevant courts had held that, in a case of passing off, purchasers do not have to be deceived in order for a successful plaintiff to recover the profits made by the defendant on the purchases. For example, in *Edelsten v. Edelsten*, the Lord Chancellor said, referring to an account of profits,

[i]t is not necessary for relief in equity, that proof should be given of persons having actually been deceived and having bought goods with the defendant's mark, under the belief that they were of the manufacture of the plaintiff, provided the Court be satisfied that the resemblance is such as would be likely to cause the one mark to be mistaken for the other.⁸²

In *My Kinda Town* Slade J. said that the defendant had gained profits from three classes of customers:

- (i) profits made from meals served to customers of the defendants who had been confused into believing that the defendants' restaurant was connected with the plaintiffs' restaurant; and
- (ii) profits made from meals served to customers of the defendants who knew of the existence of the plaintiffs' restaurant but had not been confused in any way; and
- (iii) profits made from meals served to customers of the defendants who had no knowledge of the existence of the plaintiffs' restaurant.⁸³

He pointed out that on the plaintiff's argument no distinction would be drawn between those three classes. As to whether or not this was the correct position, Slade J. said that it was necessary to relate each type of profit to the object in granting an account of profits which he said was "to deprive the defendants of the profits which they have improperly made by wrongful acts committed in breach of the plaintiffs' rights and to transfer such profits to the

79. (1863) 1 De G. J. & S. 185; 46 E.R. 72.

80. (1872) 7 Ch. App. 611.

81. (1887) 36 Ch. D. 1.

82. Note 79 *supra*, 200, 78.

83. Note 78 *supra*, 149.

plaintiffs.”⁸⁴ On this type of analysis it is clear that the profits in the first class mentioned are of the kind which should be paid over to the plaintiff. To deal with the second and third classes of profits it is necessary to look again at the cases referred to above (those are *Edelsten v. Edelsten*, *Ford v. Foster* and *Lever v. Goodwin*) upon which the plaintiff relied. In addition the plaintiff relied upon the cases of *Saxlehner v. Apollinaris Co.*,⁸⁵ *Saxlehner Weingarten Bros v. Charles Bayer & Co.*⁸⁶ and *Peter Pan Manufacturing Corp. v. Corsets Silhouette Ltd* (“*Peter Pan*”).⁸⁷ Slade J. was able to distinguish all these cases, except *Saxlehner v. Apollinaris Co.* and *Peter Pan* upon the basis that they involved sales to middlemen in which the conduct complained of was the fact that the defendants were, by their behaviour, putting an instrument of fraud into the hands of middlemen by which it is possible that any or every ultimate consumer may be deceived.⁸⁸ *Saxlehner v. Apollinaris Co.* was distinguished on the basis that Kekewich J. in that case was purporting to do no more than follow *Lever v. Goodwin*. *Peter Pan* was distinguished on the basis that it was a breach of confidence case. However it is submitted that a preferable basis of distinction would be that it was a case in which (as discussed below) the goods simply could not be made or sold at all without the infringement of the plaintiff’s rights, particularly since Slade J. went on to rely upon, *inter alia*, two patents cases⁸⁹ for the proposition that even in a passing off case the court will only take away profits improperly made and in practical terms that means that profits in the second and third classes (that is, profits made from people who were not deceived) are not liable to be paid over to the plaintiff. Slade J. regarded this as the most equitable conclusion to which he could come. He referred to the problems inherent in any other decision:

The evidence before me indicated that the defendants’ restaurant is a thriving concern and that a considerable part of their profits owes nothing to the plaintiffs or the plaintiffs’ reputation. To order an account in the form sought by the plaintiffs would be tantamount to a decision that [the

84. *Ibid.*

85. [1897] 1 Ch. 893.

86. (1905) 22 R.P.C. 341.

87. [1963] R.P.C. 45.

88. This appears to be completely justifiable. See the Lord Chancellor in *Edelsten v. Edelsten*, note 79 *supra*, 200, 78.

89. The patent cases to which Slade J. referred were *The United Shoe and Nail Co. Limited v. Stewart & Co.*, note 62 *supra* and *Sidell v. Vickers*, note 64 *supra*. He referred also to *Cartier v. Carlisle* note 75 *supra*, a common law trade mark case.

defendants], whose personal honesty is not in dispute, should be treated as having conducted the whole of the business of the defendants' restaurant throughout the relevant period as trustees for the benefit of the plaintiffs, albeit at a reasonable wage for themselves.⁹⁰

In summary then, in a passing off case it is necessary first to decide whether or not the case involves sales to middlemen. If it does then it appears that the defendant will be liable to account to the plaintiff for all profits made on such sales. If, however, the case does not involve sales to middlemen, then the defendant will not be liable to account for profits derived from sales to consumers who are not deceived. Presumably, if the sales involve both sales to middlemen and to consumers then the only sales for which the defendant will not be accountable are those to ultimate consumers who are not deceived. It is obvious, but nevertheless relevant to observe, that there will be some difficulty deciding here exactly what proportion of purchasers have or have not been deceived. Slade J. held in *My Kinda Town* that in deciding this apportionment the onus should not, at first, fall upon either party since "[p]roof of such matters on a mathematically exact basis would clearly be impossible, either way".⁹¹ It is necessary, he said, to try and reach a fair apportionment. He did, however, say that the defendant was not liable only to account for sales to those people whose sole motivation in buying was their confusion about the name. He said "if the customers have been influenced by a number of factors, of which the name is a prominent factor, the master may well take the view that in such cases the profits are properly attributable to use by the defendants of the name" and in making his decision the Master will have to apply "reasonable common sense standards".⁹² However, notwithstanding these difficulties (which plague this whole area) it is submitted that the decision of Slade J. in *My Kinda Town* is a most desirable one. Not only does it satisfactorily reconcile the cases in the area but it also brings the quantum of profits in the passing off area into line with the quantum of profits decisions in the patent and trade mark areas. In all these areas it is now relevant to ask: "How much of the profits are due to the infringement?" and then to apportion them accordingly.

4. Breach of Confidence

The quantum of the profits liable to be accounted for in the breach of confidence area has been given its most significant

90. Note 78 *supra*, 157-158.

91. *Id.*, 159.

92. *Ibid.*

consideration in *Peter Pan* and the more recent New Zealand decision of *A.B. Consolidated Ltd v. Europe Strength Food Co. Pty Limited* (“*A.B. Consolidated*”)⁹³. In *Peter Pan* the defendant had used confidential information to manufacture a particular type of brassiere. The argument for the defendant appeared to be that taking into account the various cases in this area the amount for which the defendant is liable to account is

the amount by which the profit made by the defendant from manufacturing articles with the aid of the patents, trade marks, confidential information, or whatever it may be, which he has in fact used exceeds the amount of the profit which he would have made if he had manufactured the same article without the aid of that material.⁹⁴

Pennycuick J. said, first, that it was “quite impossible” to regard this as the true meaning of the cases; and secondly, “perfectly impossible” to regard such a statement of principle as being applicable in this case.⁹⁵ With respect to his first statement, it is respectfully submitted that Pennycuick J. was wrong because it is not “quite impossible” to regard the cases as standing for that proposition provided one regards as exceptions “middleman cases”,⁹⁶ cases in which a mark has become inextricably linked with the goods and cases in which the goods could not be made at all without the infringement. The motivating reason behind the second statement of Pennycuick J. was that in this case the manufacture of the particular style of brassiere could not have occurred at all without the breach of the confidential information. He distinguished *Sidell v. Vickers*⁹⁷ upon the basis that in that case the defendant could have manufactured the product using other means, in this case, as stated above, it could not. Thus, the case is clear authority for the proposition that, at least in the area of breach of confidential information, the defendant will be liable to account for the whole of the profits where the article could not have been manufactured (or sold) without the breach. In this context the whole of the profits means: “[H]ow much had it cost to manufacture [the goods]? What was the price received on its sale? The difference being the profit.”⁹⁸

The same test was applied in *A.B. Consolidated*. In that case the facts lead to the same conclusion as in *Peter Pan*, that is that the

93. [1978] 2 N.Z.L.R. 515.

94. Note 87 *supra*, 60.

95. *Ibid.*

96. This, of course, begs the question whether or not the middleman analysis applies to trade mark cases.

97. Note 64 *supra*.

98. Note 87 *supra*, 59. Pennycuick J. adopted this test from *Lever v. Goodwin*, note 81 *supra*.

offending goods could not have been made at all without the abuse of the confidential information. In that case the defendant had been trying for several years to manufacture the relevant goods (health food bars) but had not been successful until it used the confidential information supplied to it by the plaintiff. Woodhouse J. made it quite clear that in applying the formula from *Peter Pan*⁹⁹ the costs of manufacture were only those costs of manufacture incurred after the defendant commenced using the manufacturing process of the plaintiff which had been disclosed to it in confidence. The defendant could not set off against the amount received from sales the costs of its years of unsuccessful manufacture.

The result reached in these cases seems to be eminently sensible since where an article could not have been made or sold in any other way there is (obviously) no alternative method the profits of which can be compared with the profits gained under the breach. (Nevertheless it may result in a situation where the plaintiff is receiving more than he would have received had he used the information himself.) It is submitted that there is no good reason why this principle should not apply to all areas of industrial and intellectual property.

5. *Copyright and Industrial Designs*

The law in the area of copyright (including industrial designs) appears to be very much in line with the law as stated with respect to other areas of industrial and intellectual property in so far as it is applicable. That is, the relevant concept is apportionment. In giving an account of profits the profits due to the incorporation of the plaintiff's copyright material will be the ones for which the defendant is accountable. Where, of course, the copyright in the whole item sold by the defendant belongs to the plaintiff, all the profits will belong to the plaintiff. The same applies, presumably, where the article could not be manufactured or sold at all without the inclusion of the copyright material.

In *Colburn v. Simms*¹⁰⁰ the court was addressing itself to a situation where a cheaper work produced by the defendant had incorporated part of a more expensive work, the copyright in which was owned by the plaintiff. Sir James Wigram V.C. articulated the basis upon which the account was to be granted. He also drew attention to some of the defects in the remedy:

99. See the text accompanying note 98 *supra*.

100. (1843) 2 Ha. 543; 67 E.R. 224.

The Court, by the account, as the nearest approximation which it can make to justice, takes from the wrongdoer all the profits he has made from his piracy and gives them to the party who has been wronged. In doing this the court may often give the injured party more, in fact, than he is entitled to, for *non constat* that a single additional copy of the more expensive book would have been sold if the injury by the sale of the cheaper book had not been committed.¹⁰¹

Here Sir James Wigram V.C. was pointing out something referred to earlier in this article. That is, that the remedy of account of profits may well put the plaintiff in a better position than he otherwise would have been.

6. Afterword

Besides the general difficulties sought to be illustrated by the discussion in this area of calculation there are some problems not adequately dealt with in the cases. Perhaps the most general problem is the extent to which the cases on calculation in one category of industrial and intellectual property can be used as authority in another category. In the above discussion it has been suggested interstitially that there is no objection to using the authorities in such a way. Generally speaking, the judges appear to find no difficulty in crossing category lines and an example of this would be the approach of Windeyer J. in *Colbeam Palmer*. Of course, there have been some reservations expressed with regard to the procedure. For example in *My Kinda Town*, Slade J. (after relying upon *Sidell v. Vickers*¹⁰²) remarked that although patent cases are not binding in a passing off case they illustrate that the court will not order an account that is inequitable and thus will order an apportionment.¹⁰³ Even on this strict application of *stare decisis*, while the decisions in other categories are not binding they are relevant to the question of quantum of profits in another category. Thus, subject to the view of Slade J. in *My Kinda Town*, there appears to be no objection in authority to using the decisions in one category to draw general principles insofar as these are applicable for another category. Further there appears to be no objection in reason to this approach.

In summary then, one could perhaps say that in a case involving an infringement of an industrial or intellectual property right the defendant will be required to account only for that portion of its profits which have resulted from the infringement, with the proviso that the courts will not order an apportionment and the

101. *Id.*, 560, 231.

102. Note 64 *supra*.

103. Note 78 *supra*, 156.

defendant will be forced to account for the whole of the profits in relation to the item where

- (i) in the case of a trade mark infringement or passing off, the sales by the defendant have been to a middleman;
- (ii) in a case of trade mark infringement or passing off, the inherent nature of the goods has become so inextricably entwined with the name or other mark under which they are sold that it is impossible to separate them out; and
- (iii) in any case, the item could not have been manufactured or sold without the infringement taking place.

However, this whole formulation begs the question of what are the “profits”.

V. DEFINITIONAL ISSUES

The question of what is “profit” in the industrial and intellectual property context is an extremely difficult one. It is proposed here only to briefly review the main contributions made by various judges in this area, rather than to enter into an economist’s discussion. Perhaps the most significant contribution is that made by Windeyer J. in *Colbeam Palmer* who suggested that the way in which the Registrar should take the account in order to ascertain the profits derived in relation to the goods is

- (1) to ascertain the sum received by the defendant for painting sets sold by it between 30th August 1965 and 18th October 1966 under the name Craftmaster or Craft Master or bearing such name upon them or upon any cards, leaflets or advertising matter sold therewith;
- (2) to ascertain the total cost to the defendant of
 - (a) obtaining the articles so sold and getting them to its store or place of business. This will be the landed cost in Australia including any charges for customs duties etc. payable by the defendant and also any costs of carriage to the place of business; and of
 - (b) selling and delivering the articles so sold to the buyers of them. This will include any costs directly attributable to such sales and deliveries. But it should not, I think, include any part of the general overhead costs, managerial expenses and so forth of the defendant’s business, as it seems that all these would have been incurred in any event in the ordinary course of its business in which as it was put in evidence the painting sets were a “side line”: cf. *Leplastrier & Co. Ltd. v. Armstrong-Holland Ltd.*¹⁰⁴

The difference between (1) and (2) represents the profit.¹⁰⁵ As can be seen Windeyer J. referred to *Leplastrier*, in which the court considered, amongst other things what matters can be deducted from the gross takings in order to come to the amount which

104. Note 1 *supra*, 38-39.

105. *Id.*, 39.

equals the profit, in other words those costs deductible under paragraph (2)(b) of the scheme of Windeyer J. in *Colbeam Palmer*. Harvey C.J. said in that case that the defendant was not entitled to deduct "interest on capital employed in the business" or "remuneration to himself, nor under any circumstances can he claim . . . any director's fees for carrying on the business."¹⁰⁶ This latter prohibition may well conflict with a statement by Slade J. in *My Kinda Town* (extracted above¹⁰⁷) in which he envisaged that if he granted the account of profits sought by the plaintiff he would be holding in effect that the defendants had carried on their business as trustees for the plaintiff, although at a remuneration to themselves, thus implying that he would have allowed them to deduct their own salary costs from the profits. It should however be pointed out that this was an *obiter dictum*.

Harvey C.J. in *Lepplastrier* thought, on the other hand, that some things that could be taken into account were "costs of material", "costs of wages" and any other thing which is "solely referable to the manufacture of the machines".¹⁰⁸ Obviously, the matters referred to by these judges are not exhaustive and it seems that the onus of showing that a particular item will be deductible falls upon the defendant.¹⁰⁹

106. Note 53 *supra*, 593.

107. See text accompanying note 90 *supra*.

108. Note 53 *supra*, 593.

109. *Ibid*.