

IN THE SUPREME COURT OF NEW ZEALAND

**SC 55/2008
[2009] NZSC 35**

BETWEEN TINY INTELLIGENCE LTD
Appellant

AND RESPORT LTD
Respondent

Hearing: 17 March 2009

Court: Elias CJ, Blanchard, Tipping, McGrath and Gault JJ

Counsel: C R Carruthers QC and G J Harley for Appellant
K W Clay for Respondent

Judgment: 8 April 2009

JUDGMENT OF THE COURT

A The appeal is dismissed.

B The appellant is ordered to pay the respondent costs of \$15,000 together with the respondent's reasonable disbursements as fixed by the Registrar.

REASONS

(Given by Gault J)

Introduction

[1] Tiny Intelligence Ltd, the appellant, obtained judgment for liability against Resport Limited, the respondent, for infringement of copyright in artistic works, being designs for a toy sword and a toy trumpet. Reproductions of these works were sold to supporters of the Crusaders rugby team. In the High Court, John Hansen J

granted a permanent injunction and ordered delivery up of the infringing copies and means for their production.¹ In a separate hearing on monetary relief the appellant elected an account of profits but sought also an award of “additional damages” under s 121(2) of the Copyright Act 1994 (the 1994 Act). On this second aspect John Hansen J, in a judgment delivered on 15 November 2006,² determined that additional damages could not be awarded when an account of profits is elected. He fixed the amount to be paid for profits at \$50,000. That decision was upheld in the Court of Appeal in a judgment delivered on 5 August 2008.³

[2] Leave was granted to the appellant to appeal to this Court on the issue:

Whether the Court of Appeal was correct to decide that “additional damages” under s 121(2) of the Copyright Act 1994 cannot be awarded when the plaintiff elects as its principal relief an account of profits.

[3] Relief in civil proceedings in respect of infringement of copyright is provided for in ss 120, 121 and 122 of the 1994 Act. We are concerned only with the first two of those sections that read:

120 Infringement actionable by copyright owner

- (1) An infringement of copyright is actionable by the copyright owner.
- (2) In proceedings for infringement of copyright, all such relief by way of damages, injunctions, accounts, or otherwise is available to the plaintiff as is available in respect of the infringement of any other property right.
- (3) This section has effect subject to the following provisions of this Part of this Act.

121 Provisions as to damages in infringement proceedings

- (1) Where, in proceedings for infringement of copyright, it is proved or admitted that at the time of the infringement the defendant did not know, and had no reason to believe, that copyright existed in the work to which the proceedings relate, the plaintiff is not entitled to damages but, without prejudice to the award of any other remedy, is entitled to an account of profits.

¹ *Tiny Intelligence Ltd v Resport* (unreported, High Court, Christchurch, CIV-203-409-352, 21 November 2005, John Hansen J).

² *Tiny Intelligence Ltd v Resport Ltd* [2007] 2 NZLR 263 (HC).

³ *Tiny Intelligence Ltd v Resport Ltd* [2008] NZCA 281, CA 270/06, 5 August 2008 (William Young P, Hammond and Ellen France JJ).

- (2) In proceedings for infringement of copyright, the court may, having regard to all the circumstances and in particular to –
 - (a) The flagrancy of the infringement; and
 - (b) Any benefit accruing to the defendant by reason of the infringement, –award such additional damages as the justice of the case may require.
- (3) In proceedings for infringement of copyright in respect of the construction of a building, no injunction or other order shall be made –
 - (a) after the construction of the building has been begun, so as to prevent the building from being completed; or
 - (b) so as to require the building, in so far as it has been constructed, to be demolished.

In this case flagrancy can be assumed from John Hansen J's finding in his judgment on relief:⁴

The defendant, in my view, was knowing and intentional in its infringements and they were repeated and substantial. At the very least it was deliberate and reckless infringement in that it is clear that Mr Phillipson, of the defendant, formed the view that there could be no copyright in such articles and took no steps to ascertain the correct position.

[4] For the appellant the argument throughout has been that additional damages under s 121(2) are a separate and discrete form of relief available in addition to any other relief provided for in s 120.

The reasons in the High Court

[5] John Hansen J interpreted the provisions with reference to the historical distinction between damages and the equitable remedy of an account of profits. He construed s 121(2) as directed to damages in the traditional sense so as to be unavailable where an account of profits has been elected. He relied on the decision

⁴ At para [13].

of the House of Lords in *Redrow Homes Ltd v Bett Brothers plc*⁵ in which substantially identical counterpart provisions in the Copyright, Designs and Patents Act 1988 (UK) (the 1988 UK Act) were interpreted in that way. He relied also on a decision of the Federal Court of Australia⁶ in which the same conclusion was reached on provisions similar to the predecessors to those in the current United Kingdom and New Zealand sections.

[6] The Judge was not persuaded of the contrary view by dicta in two earlier New Zealand cases.⁷

The reasons in the Court of Appeal

[7] In the judgment of the Court the provenance of ss 120 and 121 of the Act was traced and we will refer further to that.

[8] The Court then considered whether the general inconsistency between the remedies of damages and account of profits should apply in cases of copyright infringement between an account of profits and additional damages. The judgment states:⁸

A second and more practical possible inconsistency lies in the incongruity of the different forms of relief. On an account of profits a defendant might be thought fairly to be entitled to an allowance for expenses (or liabilities) incurred as a result of the infringement. Assuming say an award of additional damages against Resport of \$25,000, it might be thought to follow that the actual profit associated with the infringement was not \$50,000 but only \$25,000. ...

When we put this problem to Mr Carruthers QC, he said that it was not conclusive because the case turned on whether s 121(2) contemplates an award of additional damages in a case where there is an account of profits. That is, as far as it goes, a legitimate point. If s 121(2) was intended to permit a successful plaintiff to receive both the profits made by the defendant and additional damages, it necessarily follows that the account of profits component of the award must not contain an allowance (or off-set)

⁵ [1999] 1 AC 197.

⁶ *LED Builders Pty Ltd v Eagle Homes Pty Ltd* (1999) 44 IPR 24 (FCA).

⁷ *International Credit Control Ltd v Axelsen* [1974] 1 NZLR 695 at p 703 (SC) and *Wellington Newspapers Ltd v Dealers Guide Ltd* [1984] 2 NZLR 66 (CA).

⁸ At paras [13] – [14].

for the additional damages. Mr Carruther's response, however, did not shed much light on why:

- (a) The legislature would have provided for a remedy by way of account on a basis that not all expenses associated with the infringement should be allowed for; and
- (b) Why it would provide for so conceptually awkward a basis for an account without making it clear, explicitly, that this is what was intended.

[9] The Court reviewed the judgment of Laddie J in *Cala Homes (South) Ltd v Alfred McAlpine Homes East Ltd (No 2)*⁹ upon which counsel for the appellant relied, but preferred the reasoning of the House of Lords in the *Redrow Homes* case that overruled the *Cala Homes* case.

[10] The Court addressed the argument of counsel that limiting the remedy of additional damages to cases in which compensatory damages are sought would mean the flagrancy will, in some circumstances, go unpunished. It was acknowledged that the point has some force but it was not accepted as determinative. It was said to be important to remember that the gains made by a defendant can be captured where damages have been elected in an award of additional damages so there is no need to seek both an account of profits and additional damages.

The arguments in this Court

[11] For the appellant, Mr Carruthers QC submitted that, correctly interpreted, s 121(2) provides a sui generis remedy of additional damages that can be awarded in the circumstances prescribed when an account of profits is elected. That remedy serves a different purpose from, and so is not inconsistent with, an account of profits. In his written submissions he argued that:

In seeking leave to appeal ... Tiny Intelligence asserted that, in many instances, an account of profits would not, of itself, necessarily be an adequate or fully compensatory remedy – that while such an account would deprive the wrongdoer of *its own benefits*, the copyright holder may well be damaged separately and in ways unrelated to the profits derived by the Respondent (“Resport”). The contention was that Tiny Intelligence’s own business had suffered from lost opportunities to make and sell additional

⁹ [1996] FSR 36 (ChD).

volumes. Relatedly, Tiny Intelligence has been deprived of the opportunity to exploit better its relationships with both its suppliers and its outlets. As a result its goodwill was generally damaged. Accordingly, the concurrent account of profits and further remedy in “additional damages” were therefore entirely appropriate in principle.

Properly understood, because the two remedies serve different purposes, they are not “wholly inconsistent”, as Lord Clyde suggested in *Redrow Homes* (p 209 E-F), and which the Court of Appeal adopted at [10] – [14], [23].

[12] In the course of oral argument counsel contended initially that s 121(2) is defendant focussed, giving a remedy against the wrongdoer for flagrancy and the benefit obtained. It is not directed at damage suffered by the plaintiff. He accepted, however, that the wording of the subsection can encompass damage to a plaintiff, and indeed that is what his written submissions had put forward as the purpose of additional damages.

[13] It was submitted that the interpretation of s 121(2) contended for is supported by amendments made to the corresponding provisions when the 1994 Act replaced the Copyright Act 1962 (the 1962 Act).¹⁰ The matters dealt with in ss 120 and 121 were included in a single section in the 1962 Act that read, as presently relevant:

24 Action by owner of copyright for infringement –

- (1) Subject to the provisions of this Act, infringements of copyright shall be actionable at the suit of the owner of the copyright; and in any action for such an infringement all such relief, by way of damages, injunction, accounts, or otherwise, shall be available to the plaintiff as is available in any corresponding proceedings in respect of infringements of other proprietary rights.
- (2) Where in an action for infringement of copyright it is proved or admitted –
 - (a) That an infringement was committed; but
 - (b) That at the time of the infringement the defendant was not aware, and had no reasonable grounds for supposing, that it was an infringement of copyright, –

the plaintiff shall not be entitled under this section to any damages against the defendant in respect of the infringement, but shall be entitled to an account of profits in respect of the infringement, whether any other relief is granted under this section or not.

¹⁰ Section 24.

(3) Where in an action under this section an infringement of copyright is proved or admitted, and the Court, having regard (in addition to all other material considerations) to –

(a) The flagrancy of the infringement; and

(b) Any benefits shown to have accrued to the defendant by reason of the infringement, –

is satisfied that effective relief would not otherwise be available to the plaintiff, the Court, in assessing damages for the infringement, shall have power to award such additional damages by virtue of this subsection as the Court may consider appropriate in the circumstances.

[14] The appellant’s argument is that by separating the provision for additional damages from the section for general relief, and by omitting the qualifications of effective relief not otherwise being available and of any award being made by the Court “in assessing damages”, the legislature has deliberately separated “additional damages” from the general remedy of damages to which s 120 relates, thereby giving a discrete and independent remedy.

[15] It was submitted further that an award of damages under s 120(2) could itself extend to aggravated and exemplary damages so that, unless construed as providing a discrete remedy additional to other relief, s 121(2), providing for additional damages, would have no work to do. Counsel acknowledged that if this is correct, additional damages could be awarded only when damages were not elected.

[16] Mr Carruthers strongly argued that it cannot have been the legislative intention to deny the remedy of additional damages where an account of profits has been elected. In some cases that would result in flagrancy, otherwise causative of losses to a plaintiff, going unpunished. This, he said, would not give efficacy to the phrase “the justice of the case”. He submitted that this gap in remedies was not addressed by the House of Lords in the *Redrow Homes* case. Although Laddie J also did not expressly deal with the point in the *Cala Homes* case, counsel argued that his reasoning is more compelling. In any event, it was said, the *Redrow Homes* case is distinguishable because there is a specific statutory direction in the 1988 UK Act¹¹

¹¹ Section 172 of the 1988 UK Act. Subsection (2) reads: “A provision of this Part which corresponds to a provision of the previous law shall not be construed as departing from the previous law merely because of a change of expression”.

that a provision corresponding to the previous law is not to be construed as departing from the law merely because of a change of expression. The New Zealand Act has no equivalent provision.

[17] Mr Carruthers accepted that before they were omitted in 1994, the words “in assessing damages” in s 24(3) of the 1962 Act, meant the section could not be read as providing a discrete remedy separate from damages. That accords with the judgment of Lindgren J in the Federal Court of Australia¹² on provisions corresponding with s 24.

[18] Mr Clay, for the respondent, submitted that ss 96(1) and 97(1) of the 1988 UK Act that were adopted as ss 120 and 121 have been correctly construed by the House of Lords in the *Redrow Homes* case. That should be followed to maintain uniformity among jurisdictions based on the British law.

[19] Counsel emphasised the clear distinction between the remedies of damages and an account of profits. A successful plaintiff must elect between them. They are alternatives and mutually exclusive.¹³ He submitted that the changes made to the relevant provisions in the 1994 Act did not go nearly far enough to bring about such a substantial change as would reverse that basic principle. He emphasised particularly that the expression “additional damages” remains the same as before, when it could not have been construed other than as relating to the damages remedy that was always an alternative to an account of profits.

[20] Mr Clay essentially adopted the reasons of the House of Lords in the *Redrow Homes* case and of the Court of Appeal in the judgment under appeal.

¹² *LED Builders Pty Ltd v Eagle Homes Pty Ltd* (1999) 44 IPR 24 at paras [208] – [221] (FCA).

¹³ *Personal Representatives of Tang Man Sit v Capacious Investments Ltd* [1996] AC 514 at p 520 (PC).

Discussion

[21] The appropriate starting point is the wording of ss 120 and 121. Plainly the two sections are inter-related. As Mr Carruthers said, s 121 qualifies s 120 in certain respects. Section 120 refers to such relief as is available in respect of the infringement of “any other property right.” It can be compared with provisions dealing with relief in proceedings for infringement of the other intellectual property rights.¹⁴ All give statutory forms of relief drawn from the common law and equity. Except for the Trade Marks Act 2002, they deal in various ways with limits on relief against innocent infringers. In none is there any indication other than that damages and an account of profits are alternative remedies. Flagrancy of infringement is addressed expressly only in the Plant Varieties Act 1987 and the Layout Designs Act 1994. In the former, flagrancy is a consideration “in awarding damages (including exemplary damages) or granting any other relief”. In the Layout Designs Act, which came into force on the same day as the 1994 Act, the relevant provisions are in substance the same as in s 24 of the 1962 Act in that “in assessing damages” the Court may award “additional damages” having regard to (inter alia) the flagrancy of the infringement.

[22] There is nothing in those statutes indicating a departure from the long-standing principle that damages and an account of profits cannot be obtained for the same wrongful act.

[23] Mr Carruthers rightly accepted that, under s 24 of the 1962 Act, additional damages could not be regarded as a stand-alone remedy distinct from damages and could not be awarded when an account of profits had been elected. That is clear on the words of the section and, as already mentioned, was determined on corresponding wording by Lindgren J in the Federal Court of Australia.

[24] Turning to the wording of ss 120 and 121, it is difficult to see a justification for construing the word “damages”, where it is used in the two inter-related sections,

¹⁴ Patents Act 1953, s 68; Designs Act 1953, s 13; Plant Variety Rights Act 1987, s 17; Layout Designs Act 1994, ss 25 and 26; and Trade Marks Act 2002, s 106.

as having different meanings. The disentitlement to damages against innocent infringers in s 121(1) clearly relates to those damages that might otherwise have been awarded under s 120(1). The heading of s 121 indicates that subs (2) is a provision as to damages and the term “additional damages” in its ordinary meaning conveys the sense of further or more damages. It does not, without explicit words, identify an independent form of relief different from damages.

[25] We refer to the argument presented by Mr Carruthers that s 121(2) must provide for a separate form of relief because damages awarded under s 120 would include aggravated and exemplary damages. He did not cite any case determining that, under s 120 or its predecessors, damages for copyright infringement would extend to aggravated and exemplary damages.¹⁵ There are, of course, cases in which provisions for additional damages have been interpreted as giving the basis for aggravated or exemplary damages.¹⁶ It seems more likely that, where, as in the present case, there has been included an express provision prescribing considerations that would be relevant to aggravated or exemplary damages, the legislature would not have intended that “damages” in s 120 should include aggravated and exemplary damages. Some light on this aspect is to be found in the legislative history to which we now turn.

[26] Counsel relied on the changes made in 1994 as indicating the correct interpretation of s 121(2). The background to those changes in structure and wording cannot be ignored and puts them in their proper perspective. Historically, at least since 1913, New Zealand’s copyright statutes generally have followed those of England. That is understandable since copyright has wide international significance with International Conventions directed to recognition and uniformity. As the Explanatory Note to the Copyright Bill introduced in 1994 states, it was largely based on the 1988 UK Act.¹⁷ Similarly the 1962 Act drew upon the 1956 UK Act. It was in that 1956 UK Act that there first appeared the predecessor to our s 121. Section 17 of that Act was adopted with substantially the same wording in our s 24

¹⁵ Interestingly exemplary damages are expressly included in “damages” in s 17(4) of the Plant Variety Rights Act 1987.

¹⁶ See, for example, *Williams v Settle* [1960] 2 All ER 806 (CA) and *Wellington Newspapers Ltd v Dealers Guide Ltd* [1984] 2 NZLR 56 (CA).

¹⁷ Copyright Bill 1994 (32–1).

of the 1962 Act¹⁸ and had its origin in a recommendation of the Gregory Committee. The relevant paragraph of that Committee's report reads:¹⁹

Extent of Penalties. One matter has concerned us, upon which we have received no representations but which arises in part out of recommendations which we are making. The successful Plaintiff in an action for infringement of copyright can claim an injunction to restrain further infringement, delivery or damages for conversion of infringing copies ... and damages for infringement of copyright. It seems to us that there are or may be cases in which an injunction will not benefit the Plaintiff, where the infringement has not involved the making of copies and where damages would be an inadequate remedy. We recommend that the Court should be given discretionary power to impose something equivalent to exemplary damages in cases where the existing remedies give inadequate relief.

[27] That report, and the enactment of s 17 adopting the recommendation, preceded the clarification in the United Kingdom of the distinction between aggravated damages and exemplary damages and the limitations on awards of the latter.²⁰

[28] It is clear that the Gregory Committee and the legislature did not consider that the prior statutory authority to award damages²¹ included exemplary damages. By adopting the English provision implementing that Committee's recommendation in s 24(1) of the 1962 Act, the New Zealand legislature must be taken to have proceeded on the same basis. That wording was retained for s 120(2) of the Act in 1994. We therefore do not accept the premise in Mr Carruthers' argument that unless providing a separate further remedy s 121(2) has no work to do.

[29] The legislative history gives further guidance on whether the amendments made in 1994 justify the interpretation of "additional damages" contended for by the appellant. The changes have their origin in the 1988 UK Act. That followed a review of the copyright law by the Whitford Committee. That Committee's report stated:²²

¹⁸ See para [13] above.

¹⁹ Copyright Committee, *Report of the Copyright Committee*, (Chairman, H S Gregory), Cmnd 8662, (1952), para [294].

²⁰ *Rookes v Barnard* [1964] AC 1129 and *Broome v Cassell & Co Ltd* [1972] AC 1027. Those limitations have not been adopted in New Zealand: *Taylor v Beere* [1982] 1 NZLR 81 (CA) and *Donselaar v Donselaar* [1982] 1 NZLR 97 (CA).

²¹ Copyright Act 1911 (UK), s 6.

²² *Report of the Committee to consider the Law on Copyright and Designs*, (Chairman, The Honourable Mr Justice Whitford) Cmnd 6732, (March 1977), para [704].

No one has submitted that exemplary damages in cases of flagrant infringement should be abolished, and we are of the opinion that this provision should undoubtedly be retained. The condition that such damages shall only be awarded if the Court is satisfied that effective relief would not otherwise be available to the plaintiff has, we understand, been interpreted as referring to relief which might be obtained outside copyright law. It is our view that the provisions for exemplary damages should if anything be strengthened and that the power of courts to award additional damages if there has been a flagrant infringement should not 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 that effective relief could not otherwise be available. In the case of flagrant infringement the court should be left with a complete discretion to make such award of damages as may seem appropriate to the circumstances, so that the existence of this provision will act as a deterrent if the existing deterrent of conversion damages is removed.²³

[30] The Committee appears to have regarded the additional damages provision in the statute current at the time, corresponding to our s 24(3) of the 1962 Act, as directed at exemplary damages.²⁴ They were recommending broadening and strengthening that remedy, not the introduction of a new form of relief separate from and unconnected to damages. When the 1988 UK Act eventually was drafted it incorporated the same amendments as those subsequently made in New Zealand in 1994 and now relied on by the appellant.

[31] Enactment in the separate ss 96 and 97 of the 1988 UK Act of provisions previously in subsections of s 17 of the 1956 UK Act reflects no more than a preferred drafting method. The amendments to the wording of the provision for additional damages must be seen as adopting the Whitford Committee's recommendation to enhance the damages remedy. By adopting the same amendments the New Zealand legislature plainly intended to achieve the same end.

The authorities

[32] In the *Cala Homes* case Laddie J rejected the argument that the amendments to s 17(3) of the 1956 UK Act relating to additional damages as incorporated in the

²³ The right of successful plaintiffs to seek conversion damages was not re-enacted in the 1988 Act in the United Kingdom. It was made discretionary in New Zealand with criteria similar to those for additional damages by s 2A of the Copyright Amendment Act 1985 and subsequently repealed in the Copyright Act 1994.

²⁴ Presumably as clarified by *Rookes v Barnard* [1964] AC 1129 for the United Kingdom.

new s 97(2) of the 1988 UK Act were mere changes of expression. He considered that omission of the words “is satisfied that effective relief would not otherwise be available to the plaintiff” brought about a change of substance with the effect that the court could award additional damages even in cases in which effective relief is available to the plaintiff. He saw the amendment as extending beyond compensatory awards so permitting additional damages even when an account of profits had been elected. However, with respect, it does not follow that, because the statutory remedy may include a punitive element going beyond what is necessary to compensate the plaintiff, the award must be *sui generis* and distinct from damages. Exemplary damages at common law are of that character yet still are damages and parasitic upon compensatory damages, and historically have not been available in conjunction with the equitable remedy of an account of profits.

[33] Laddie J also invoked, as suggestive of his conclusion, the last sentence in paragraph 294 of the Gregory Report set out above. But the provision adopting the recommendation (s 17(3) of the 1956 UK Act) plainly required additional damages to be considered by the court “in assessing damages”. As well, contrary to the learned Judge’s view, the legislative history is inconsistent with his conclusion.

[34] The House of Lords in the *Redrow Homes* case was presented with the same issue as in the present case. The principal speeches are those of Lord Jauncey of Tullichettle and Lord Clyde and were agreed with by the other members of the House. In each the clear view is recorded that the expression “additional damages” in s 97(2) carries the same meaning as in the earlier s 17(3), and that under that earlier section “additional damages” were damages additional to, or an enhancement of, damages awarded under s 17(1).

[35] Lord Jauncey expressly disagreed with Laddie J’s views on the legislative history, particularly his reliance upon the Gregory Committee Report. He determined that the minor differences in wording between the earlier and later provisions do not as a matter of construction produce a difference in effect. After

referring to other provisions of the Act having no similar legislative history, but in essentially the same terms, and to s 172²⁵ he said:²⁶

Furthermore in light of the provisions of section 172(1) and (2) it would be particularly remarkable if Parliament had intended to create an entirely new independent remedy available against infringers whether innocent or not in a section dealing with damages rather than remedies and that solely by implication as a result of the omission of certain words in a re-enacting section. I am satisfied that Parliament had no such intention.

[36] Lord Clyde set out four grounds on which he based his judgment. They are quoted in the judgment of the Court of Appeal²⁷ and need not be repeated. He said with reference to the amendments:²⁸

The expression “additional damages” remained unchanged. If it was to be transformed into some independent remedy compatible with an accounting that would have required clear words. On the contrary the retention of the expression and the evident intention to rewrite without necessarily amending the law suggest that the concept of additional damages was not intended to be changed.

[37] In his argument Mr Carruthers submitted that we should depart from the decision in the *Redrow Homes* case for two main reasons. One was because their Lordships did not address what we refer to below as the policy argument, and the other was that there was reliance on s 172 of the 1988 UK Act that has no counterpart in the 1994 Act. We are not persuaded that there is anything in this second point. It is clear that their Lordships were of the view that the proper construction of the words of the sections justified their conclusion apart from s 172. Further, it was necessary to conclude, as they did, that the changes were mere changes of expression before s 172 could be applied. In any event, the New Zealand legislature, presumably knowing of s 172, adopted the very same words for our provisions and must be regarded as intending them to carry the same meaning.

[38] It is true that in *International Credit Control Ltd v Axelsen*²⁹ Mahon J proceeded on the assumption that he had jurisdiction to make an award of additional damages under s 24(3) of the 1962 Act when an account of profits had been ordered.

²⁵ See footnote 11 above.

²⁶ At p 207.

²⁷ At para [23].

²⁸ At pp 208 – 209.

²⁹ [1974] 1 NZLR 695 (SC).

Also there are dicta in the judgments of the Court of Appeal in *Wellington Newspapers Ltd v Dealers Guide Ltd*³⁰ suggesting such an award might be made. But those cases were under the 1962 Act and it is now accepted that s 24(3) of that Act was directed to additional damages as an enhancement of damages under s 24(1). There is no support for the appellant in those cases.

The “policy” argument

[39] It is clear from the written submissions that the appellant’s objective is to obtain compensation for loss said to be outside the account of profits remedy, contending that in many instances an account of profits would not necessarily be an adequate or fully compensatory remedy. This seems to be advocating a punitive damages remedy to overcome inadequacy of compensation secured through an account of profits. Put that way, the claim confronts the inconsistency between the alternative remedies of compensatory damages and an account of profits. On its face this is an attempt to secure both. Counsel says this result should be open through an award of additional damages because otherwise flagrancy, in some cases, will go unpunished. But that was the position under the former statutory provisions and generally in equity, where the punitive remedy of exemplary damages could not be obtained in addition to an account of profits. Therefore, to reach the result sought by the appellant it would be necessary to find that the legislature intended to effect a significant departure from the basic principle that the remedies of damages and an account are inconsistent.

[40] We are not persuaded that, because there may be circumstances in which flagrancy might go unpunished, we should accept the appellant’s interpretation of s 121(2). First, as already noted, on the accepted interpretation of the earlier s 24 a successful plaintiff electing an account of profits could not have obtained additional damages and we have been referred to no extrinsic material suggesting that the amendments were intended to change that.

³⁰ [1984] 2 NZLR 66.

[41] Secondly, if the appellant's approach were correct, an award of additional damages would be available against an innocent infringer. Yet in subs (1) of s 121 it is expressly provided that an award of damages cannot be made against an innocent infringer. It would be unusual to give the term "damages" different meanings in the same section. Also, such a result would fly in the face of the consistent protection for innocent infringers throughout the intellectual property statutes. On the appellant's argument losses that could not be sought from an innocent infringer because of s 121(1) might be recovered under s 121(2). That cannot be right.

[42] Thirdly, there is the practical point of difficulty in quantification. It would be necessary to attempt to assess the extent to which the account of profits compensated the plaintiff for claimed losses before any additional damages could be considered.

[43] Then there are the two points made by the Court of Appeal. The very election of remedy puts the successful plaintiff in the position to determine which remedy will better compensate for losses suffered. And any additional damages, if awarded, would not avail a plaintiff should they be treated as an expense for the defendant when accounting for profits.

[44] Contrary to Mr Carruthers' contention that the House of Lords did not address this "policy" issue, the contention that there should be available recovery beyond an account of profits was adverted to towards the end of Lord Clyde's speech. He said:³¹

Finally, I accept that, as counsel for the appellant explained, a distinction can be drawn between a "benefit accruing to the defendant" such as is referred to in section 97(2) and the net profits which the defender might earn by the infringement. The latter would be caught by an action for accounting, but the former could extend to such matters as the acquisition of an enhanced position in the market which would not be included in a calculation of the net profits. But this additional content for the word "benefit" does not seem to me to justify the conclusion that an award under section 97(2) was intended to be available when the pursuers opted to claim an accounting. The matter of a benefit accruing to the defender was among the express considerations to which the court was to have regard under the former provision in section 17(3)(b) of the Act of 1956 which was plainly in the context of an award for damages. That the remedy of an award under section 97(2) may not be available as an addition to an accounting of profits is wholly consistent with the basic principle that an award for damages is

³¹ At p 209.

inconsistent with an accounting. Whether the character of an award of damages under section 97(2) is defined as exemplary damages, or, more probably, aggravated damages, it remains an award of damages. In the absence of any clear indication to the contrary I am not persuaded that Parliament intended to innovate upon the basic principle and allow a claim of this kind to be pursued alongside an accounting. But that is what the pursuers have sought to do in the present action.

[45] While His Lordship referred to additional benefits accruing to a defendant, the same considerations apply to losses claimed by a plaintiff as uncompensated by an account of profits.

[46] If there truly is a gap in the available remedies, it has existed for a long time in respect of all of the statutory intellectual property rights. If a change is perceived to be in the interests of justice it should receive consideration as a matter of policy by the legislature. Certainly, had it been the intention of Parliament in 1994 to depart from general principle and introduce a new stand-alone remedy, much more explicit language would have been used.

Result

[47] The appeal should be dismissed with costs to the respondent of \$15,000 together with its reasonable disbursements as fixed by the Registrar.

Solicitors:
The Mairehau Law Centre, Christchurch for Appellant
MDS Law, Christchurch for Respondent