

Legal Issue Seminar

Issue: Whether the Relief of Rendition of Accounts can be Clubbed with the Relief of Damages in IP Disputes?

Introduction

- ❖ The relief of rendition of accounts and the relief of damages are two separate reliefs that can be claimed by a plaintiff in IP disputes involving an infringement and/or passing off.
- ❖ These reliefs available to an IP holder in cases of infringement and/or passing off is however not granted simultaneously by the courts as per the provisions of Trademark Law.
- ❖ Copyright law provides for both remedies to be granted simultaneously.
- ❖ The remedy of rendition of accounts is an equitable remedy and granted only under specific circumstances and cannot be claimed as a matter of right, unlike damages.

Relevant Provisions of The Trade Marks Act, 1999

❖ **Section 135(1): “Relief in suits for infringement or for passing off. —**

*(1) The relief which a court may grant in any suit for infringement or for passing off referred to in section 134 includes 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, together with or without any order for the delivery-up of the infringing labels and marks for destruction or erasure.**” [Emphasis supplied]*

Relevant Provisions of The Copyright Act, 1957

❖ Section 55: “*Civil remedies for infringement of copyright.—*”

(1) Where copyright in any work has been infringed, the owner of the copyright shall, except as otherwise provided by this Act, be entitled to all such remedies by way of injunction, damages, accounts and otherwise as are or may be conferred by law for the infringement of a right: Provided that if the defendant proves that at the date of the infringement he was not aware and had no reasonable ground for believing that copyright subsisted in the work, the plaintiff shall not be entitled to any remedy other than an injunction in respect of the infringement and a decree for the whole or part of the profits made by the defendant by the sale of the infringing copies as the court may in the circumstances deem reasonable.

(2)

(3) The costs of all parties in any proceedings in respect of the infringement of copyright shall be in the discretion of the court.” [Emphasis supplied]

Relevant Case Laws

- ❖ ***Cadila Healthcare Ltd. and Ors. v. Sun Pharmaceutical Industries Limited, [2017 (69) PTC 368 (Mad)]***
 - “...the learned Single Judge has framed necessary issues and after analyzing both the oral and documentary evidence has granted reliefs of perpetual injunctions, **rendition of accounts and also liquidated damages** to the tune of Rs. 3 lakhs by way of passing the impugned judgment and the same is being challenged in the present Original Side Appeal.”
 - “The learned counsel appearing for the appellants/defendants has contended that as per evidence given by P.W.1, there is no cause of action for instituting the present suit and as per Section 135 of the Trade Marks Act, 1999, the plaintiff is not entitled to get both the reliefs of rendition of accounts as well as liquidated damages and even though on the side of the plaintiff, the relief of rendition of accounts has not been pressed, the learned Single Judge has erroneously granted the said two reliefs and therefore, the judgment and decree passed by the learned Single Judge are liable to be set aside.”
 - “To put it in short, **both liquidated damages as well as rendition of accounts cannot be claimed**. As per Section 135 of the said Act, the plaintiff cannot claim reliefs of damages as well as rendition of accounts. The relief granted in respect of rendition of accounts is set aside.” [Emphasis supplied]

Relevant Case Laws (Contd.)

- ❖ *E-merge Tech Global Services P. Ltd. v. M.R. Vindhyasagar and Ors.* [2022 (1) CTC 30]
 - “The learned counsel for the Plaintiff submitted that the Plaintiff is entitled to damages under the head of compensatory damages as also under the head of **restitutionary damages by way of an account of profits**. To test this contention, it is necessary to examine the concepts of compensatory and restitutionary damages. **Compensatory damages are awarded to redress the loss suffered by an aggrieved party. The restitutionary damages are more in the nature of directing the Defendants to disgorge the benefit accrued in his favour due to unjust enrichment at the expense of the Plaintiff.** Compensatory damages normally present themselves with difficulties associated in computing a reliable assessment of the loss caused to the plaintiff. Sometimes, the loss is of such nature that an accurate assessment may well be out of the question. It is clear that **an award of compensatory damages and an account of profits cannot go hand in hand**, and in any case **an account of profits can only be made in "exceptional" cases.**”
 - “The question arises have the plaintiff's made out any exceptional case to deviate from the general principle and seek for an account of profits? This Court is of the view that an order directing an account of profits where **the loss suffered could not be measured adequately or if measured could/would not adequately place the plaintiff in the same position as if the breach had not occurred.** In such a situation, the Court was empowered to justly compensate the plaintiff by assessing damages with reference to the gains made by the defendant instead of conventionally assessing it with reference to the loss caused to the plaintiff. [Emphasis supplied]

Relevant Case Laws (Contd.)

- ❖ ***K. C. Skaria v. The Government Of State Of Kerala & Anr. [(2006) 1 MLJ 124 (SC)]***
 - *Order 20 Rule 16 provides that "in a suit for an account of pecuniary transactions between a principal and an agent, and in any other suit not hereinbefore provided for, where it is necessary, in order to ascertain the amount of money due to or from any party, that an account should be taken, the court shall, before passing its final decree, pass a preliminary decree directing such accounts to be taken as it thinks fit." We may clarify that **Order 20 Rule 16 does not create or confer any substantive right to seek rendition of accounts in any particular type of cases, nor in all types of cases. It merely refers to a rule of procedure and would apply where there is an existing right to seek rendition of accounts having regard to the relationship between the parties.***
 - *It is now well-settled that the right to claim rendition of accounts is **an unusual form of relief granted only in certain specific cases** and to be claimed when **the relationship between the parties** is such that the rendition of accounts is the **only relief** which will enable the plaintiff to satisfactorily assert his legal right. [Emphasis supplied]*

Relevant Case Laws (Contd.)

❖ *K. C. Skaria v. The Government Of State Of Kerala & Anr.* [(2006) 1 MLJ 124 (SC)] [Contd.]

- *“To summarise, a suit for rendition of accounts can be maintained only if a person suing has a right to receive an account from the defendant. Such a right can either be (a) created or recognized under a statute; or (b) based on the fiduciary relationship between the parties as in the case of a beneficiary and a trustee, or (c) claimed in equity when the relationship is such that rendition of accounts is the only relief which will enable the person seeking account to satisfactorily assert his legal right. Such a right to seek accounts **cannot be claimed as a matter of convenience or on the ground of hardship or on the ground that the person suing did not know the exact amount due to him**, as that will open the floodgates for converting several types of money claims into suits for accounts, to avoid payment of court fee at the time of institution.”* [Emphasis supplied]

Relevant Case Laws (Contd.)

- ❖ ***Titan Industries v. Nitin P. Jain And Anr.* [126 (2006) DLT 132]**
 - *“The plaintiff has resisted this application on the ground that the suit is not merely for infringement/passing off of trade mark under the Act but it is also a suit for infringement of copyright under the Copyright Act, 1957 and thus in view of the provisions of Section 55 of the Copyright Act, relief of damages as well as rendition of accounts can be claimed. Without prejudice to this contention, it is submitted that even under the Act, where one or the other relief can be claimed, it is **necessary for the plaintiff to make prayer for both the reliefs and the plaintiff can exercise the right of election of a particular remedy at the conclusion of the hearing once the infringement of trade mark/passing off thereof is established.**”*
 - *“It is clear that **damages are a matter of right, account of profits is an equitable remedy and the court may or may not grant the latter relief.** It is for this reason the claimant is given an option to claim either damages or profits and such an option is exercisable at the conclusion of hearing of the case. The claimant is, thus, **permitted to plead for both the remedies**, though in the alternative, so that the claimant who has been successful in action of trade mark infringement or passing off may exercise for such an option at the time of conclusion of the hearing. The reason for giving such an option at the conclusion of hearing is that the claimant **may not have sufficient knowledge of the defendants' activities to make an informed decision as to whether he will seek an inquiry as to damages or an account of profits and, therefore, he may seek disclosure before making his election.**” [Emphasis supplied]*

Relevant Case Laws (Contd.)

- ❖ *Titan Industries v. Nitin P. Jain And Anr.* [126 (2006) DLT 132] [Contd.]
 - “... Section 135 of the Trademarks Act, 1999, is the legislative mandate to common law principles...the plaintiff can claim relief either for damages or relief for account of profits...it is also held that both the reliefs can be claimed in the alternative with right to the plaintiff to make an informed election between damages and profits **in the course of trial** in the light of information revealed on discovery and the evidence at the trial.”
 - The court also noted that with a view to savings of cost, the practice has developed, in particular in intellectual property cases, to have a “**split trial**”. The action is divided into two stages. The first stage is the trial at which the issue is limited to that of liability, i.e. whether the plaintiff's rights have been infringed. The second stage, which is contingent upon liability being established at the first stage, is concerned with the **question of assessment of damages and calculation of profits**. In this way, the costs of exploring the issue of damages and profits is put off until it is clear that the defendant is liable and the issue really arises and requires determination.
 - “in India, this rule that a **successful plaintiff** in an action for infringement could elect between an inquiry as to damages and an account of profits is followed...a plaintiff who originally claimed an account of profits may give up this claim subsequently at the trial and ask for damages instead. [Emphasis supplied]

Relevant Case Laws (Contd.)

❖ *Adidas Salomon AG and Ors. v. A. Dhawan*, [118 (2005) DLT 560]

- “...the plaintiffs are the proprietors of the **trade mark 'adidas'** and have **copy rights** in the logo as well as trefoil device used on the shoes, clothing apparel, etc., being manufactured and sold by the plaintiffs. It is also proved on record that the defendant, who is manufacturer and seller of clothing apparel has started using unauthorisedly and illegally the trade mark 'adidas', 'adidas' logo and the trefoil device on its products with a view to deceive the unsuspecting consumers. The plaintiffs, Therefore, are entitled to a decree of permanent injunction, delivery up, **rendition of accounts as well as damages**, as prayed.” [Emphasis supplied]

❖ *Yash Raj Films Pvt. Ltd. v. Sri Sai Ganesh Productions and Ors.* [2019 (80) PTC 200 (Del)]

- “Pass a decree in favour of the Plaintiff and against the Defendants jointly and severally directing the Defendants **to render accounts of the income received in any manner from the movie...or from any of the works in that movie and thereafter award damages to the Plaintiff in the sum of Rs. 20 lacs or such higher amount as may be determined or ascertained after rendition of accounts by the Defendants.**”
- “....the suit is **decreed in favour of the plaintiff** and against defendants in terms of the prayer clause (i) and (iv) of the plaint.” [Emphasis supplied]

Conclusion

- ❖ In a suit for trademark infringement and/or passing off both reliefs - damages and rendition of accounts cannot be granted.
- ❖ As per the trademark law, the doctrine of election is incorporated into the relevant statutory provision making these alternative remedies, and thus one cannot claim both simultaneously.
- ❖ Once it has been ascertained that there is a case of infringement then the court, in the first stage will pass a preliminary decree for the rendition of accounts and at the second stage, the evidence is led on the question of assessment of damages.
- ❖ As per the current judicial trend, before a plaintiff can call upon the defendant to render the accounts, the plaintiff has to satisfy the Court that he has a legal right to claim rendition of accounts.
- ❖ Account of profits can only be granted in exceptional cases. The Court is empowered to justly compensate the plaintiff by assessing damages with reference to the gains made by the defendant instead of conventionally assessing it with reference to the loss caused to the plaintiff.
- ❖ Damages are a matter of right whereas account of profits is an equitable remedy and the court may or may not grant the latter relief.

THANK YOU!

Questions?

Shreya Kunwar, Trainee Associate

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