



European Communities Trade Mark Association

**Monetary Compensation for Trade Mark Infringement  
– as applied in the Courts of the European Union<sup>1</sup>**

**A survey conducted by the  
ECTA Anti-Counterfeiting Committee**

**Introduction**

The Enforcement Directive (Directive 2004/48/EC on the enforcement of intellectual property rights) ("the Directive") requires Member States of the European Union to amend their national laws in accordance with the principles set out in the Directive, with a view to harmonising the procedural rules and substantive law relating to the enforcement of intellectual property rights in all Member States.

The Directive aims at removing disparities between the systems of the Member States as regards measures, procedures and remedies relating to the enforcement of IP rights, such as measures for preserving evidence, the right to obtain information relating to purchases and sales of infringing goods, provisional and precautionary measures, corrective measures, injunctions, alternative measures, damages, legal costs and publicity measures. Most Member States have implemented changes to their national laws in accordance with the Directive

While it is relatively straightforward for the courts of the Member States to deal with most of the remedies above, the area of damages and legal costs has traditionally been dealt with in different ways by the Courts of the various Member States. There has, naturally, been no consistency in the way in which the various courts have approached the award of damages and legal costs.

Consequently, the ECTA Anti-Counterfeiting Committee, under the Chairmanship of Ignacio D Rivera Elzaburu, decided to conduct a survey on the way in which the courts of Member States have approached and currently deal with the issues of damages and legal costs resulting from trade mark infringement.

Annick Mottet Haugaard compiled a Questionnaire on Monetary Compensation Awarded in Counterfeiting or Trade Mark Infringement Cases. The Questionnaire was directed to correspondents in each Member State. A copy of the Questionnaire is annexed hereto as "Annex I".

We have used the broad term "monetary compensation" (even though the Directive uses the phrase "pecuniary compensation") because:

- (a) whereas Article 13 of the Directive is simply headed "Damages", the text of that Article clearly envisages a broad interpretation of "damages", such as negative economic consequences, including "lost profits", "unfair profits" and, in appropriate cases, elements other than economic factors, such as "moral prejudice" or, alternatively, a "lump sum" on the basis of elements such as "royalties or fees" which would have been due if the infringer had requested eg, a licence; and
- (b) with regard to legal costs, Article 14 of the Directive provides that Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.

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<sup>1</sup> The survey is made available on the ECTA website at [www.ecta.eu](http://www.ecta.eu) under the Anti-Counterfeiting Committee/Papers and will be updated whenever applicable.



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An extract from the Recitals to the Directive, as far as they relate to damages and costs and Articles 13 and 14, is annexed hereto as "Annex II".

In some Member States, monetary compensation is available following criminal proceedings. The Questionnaire therefore included a question on criminal sanctions.

Responses to the Questionnaire were varied in length and detail. Consequently, it was decided to summarise each response into no more than two pages and to reduce the questions to the following simplified headings:-

1. Legal basis for compensation.
2. Assessment of damage suffered.
3. Award of the unfair profits made by the Defendant.
4. Commercialisation.
5. Knowledge.
6. Award of costs incurred by the Claimant
7. Punitive damages.
8. Criminal sanctions.
9. Compensation "*ex aequo et bono*".

The huge task of collating and summarising the responses to the Questionnaire was undertaken by Joe Cohen. The summary responses are found in the following pages and will also be found on the ECTA website. If any member of ECTA would like a copy of the full response from any Member State, please contact the contributor directly.

We are grateful to all the contributors, whose names appear on the next page. Two countries of the EU are missing from this survey and it is hoped that contributions from Ireland and Portugal will be forthcoming soon. Note: Scotland and Northern Ireland are separate jurisdictions, but the substantive trade mark law is the same as that of England & Wales.

This project will continue to be a work-in-progress – until we have a body of case law from the Courts of the individual Member States, built upon the principles laid out in Articles 13 and 14 of the Directive. As and when new cases on monetary compensation for trade mark infringement are heard in each Member State, the respective contributors will be asked to submit a brief note thereof to Sandrine Peters, Legal Co-Ordinator of ECTA.

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## **Austria**

### **1. Legal basis for compensation**

Section 53 of the Austrian Trade Mark Law contains specific provisions about the “appropriate compensation” to which the claimant is entitled.

### **2. Assessment of damage suffered**

The claimant is entitled to damages for loss suffered as a result of the defendant's infringement, if culpable. This includes damages for lost profits. The claimant must produce evidence to support his claim. If the claimant provides no proof of his lost profits, double royalties customary in the trade can be claimed, if the infringement was done knowingly or with gross negligence. Depreciation of the reputation of the trade mark is not taken into account.

The claimant may be entitled to damages for “moral prejudice” which is interpreted as "psychical" pain inflicted by the infringement. Tables specify the daily rates to be applied to compensation for moral prejudice.

### **3. Award of the unfair profits made by the Defendant**

As an alternative to compensation for lost profits, the claimant can request the handing over of the profits made by the defendant (an account of profits).

### **4. Commercialisation**

Whether or not the claimant itself commercialises the goods does not affect its right to claim compensation.

### **5. Knowledge of infringement**

Damages or an account of profits will only be awarded in the case of a “culpable” infringement. Unknowing infringement leads to payment of the legal costs plus surrender of unjustified enrichment, calculated on the basis of customary royalties. There is a claim for the surrender of unjustified enrichment in any case of infringement, whether culpable or not.

### **6. Award of costs incurred by the claimant**

The usual principle is that the unsuccessful party will pay the legal costs and disbursements of the successful party. Therefore, only if the claimant is successful will his costs be awarded on the basis of a schedule of fees, plus expenses.

### **7. Punitive damages**

Strictly speaking, there are no punitive damages in Austria. However, for a double royalty claim, see para 2 above.



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#### **8. Criminal sanctions**

There are criminal sanctions for infringement. These criminal proceedings are separate from the civil proceedings and may be applicable in addition to an award of damages.

#### **9. Compensation “ex aequo et bono” (“according to what is right and good”)**

This concept is not applicable in Austrian law.

Christa Heubusch  
Sonn & Partner Patentanwälte



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## Belgium

### 1. Legal basis for compensation

Trade mark infringement is a tort according to Article 1382 of the Civil Code. It is generally accepted that the damage resulting from the counterfeiting of a trade mark includes different components: the claimant's loss of profit because of the sale of the infringing goods, the extra costs the claimant incurs in protecting his trade mark, and the damage to the appeal and/or reputation of the trade mark.

The Benelux Convention on Intellectual Property ("the Convention") provides for different actions to compensate damages. Firstly, Article 2.21.1 of the Convention provides that the trade mark allows the claimant to claim compensation for the damages suffered by him following the prohibited use described in Article 2.20.1 of the Convention. Secondly, Article 2.21.4 of the Convention allows the claimant to claim the recovery of the profits made by the defendant.

### 2. Assessment of damage suffered

Damages are often awarded "*ex aequo et bono*" (see section 9 below). However, most case-law takes into account the quantity of goods that could have been sold by the claimant if the defendant had not infringed the claimant's rights (the lost profits), or the amount of royalties or fees which would have been due if the defendant had requested authorisation to use the trade mark. In order to calculate these losses two different steps must be taken. Firstly, the quantity of the infringing goods must be established. Secondly, the claimant's consequential loss is determined. The importance of the infringement and the duration thereof is almost always considered when determining the damages suffered by the claimant.

In order to evaluate the amount of lost royalties, several factors are taken into consideration, such as the quantity of infringing goods, the royalties generally requested by the claimant to use the trade mark (or if necessary, the royalties requested in the sector) and the reputation and/or appeal of the trade mark.

### 3. Award of unfair profits made by the infringer

Article 2.21.4 of the Benelux Convention allows the claimant to ask for the recovery of the unfair profits made by the defendant. However, unfair profits will not be awarded when the claimant did not act in bad faith or when the circumstances of the case do not justify the award. The claimant can, in accordance with Article 2.21.2 of the Benelux Convention, claim unfair profits instead of, or in combination with, claiming compensation for lost profits. The claimant may ask the defendant to present his accounts relating to his profits resulting from the infringement.

### 4. Commercialisation

When the claimant does not commercialise the goods, either because it has not yet commenced commercialisation or because it commercialises the goods through a subsidiary or a licensee, it could be argued that it did not suffer any lost profits on the sale of the goods. In that case, the damage suffered by the claimant corresponds to the amount of royalties or fees which it could obtain if the defendant had requested authorization to use the trade mark.



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## 5. Knowledge of infringement

The courts cannot award unfair profits if the defendant did not act in bad faith. However, the fact that the defendant unknowingly infringed the trade mark cannot be used as an argument to limit the damages when the claimant is claiming lost profits.

The Belgian courts may take into account the fact that the defendant has acted in bad faith to increase the compensation, or, at least, to be more generous vis-à-vis the claimant. The material fact of the counterfeiting generally constitutes a presumption of bad faith.

Good faith will not be accepted when it is only based on the defendant's ignorance of the existence of the registration. Other circumstances include the fact that the defendant has reasonably been led by the circumstances to believe that the trade mark was in the public domain or that he used the trade mark in a way in which he sincerely believed to be different from that of the claimant.

## 6. Award of costs incurred by the claimant

The Belgian courts have sometimes taken into consideration the claimant's costs in protecting his trade mark. The lawyer's fees, expert's fees or the costs for constituting a bank guarantee can influence the amount of compensation finally granted. More generally, all the judicial costs are normally reimbursed by the infringer. These costs are either separately calculated or included in the global amount evaluated "*ex aequo et bono*". As from 1 January 2008, new provisions in the Belgian Judicial Code entered into force. According to these provisions, the courts have to award payment of the claimant's the legal costs.

## 7. Punitive damages

Punitive damages are not allowed under Belgian law. There have, however, been some cases in which damages were awarded beyond actual compensation for the harm done, but these have been criticised.

## 8. Criminal sanctions

The Act of 15 May 2007 punishes an infringer who knowingly or fraudulently infringes Articles 2.20.1.a, b and c of the Convention or Article 9 of the Regulation on Community Trade Marks. Punishment may be a prison sentence of three months to three years and/or a fine of €500 to €500.000. Article 15 provides that the court can order the publication of the judgment. Furthermore, the counterfeited goods or the tools used to manufacture those counterfeited goods can be seized and given to the claimant with the value of such being counted as (part of the) compensation (Article 13). Alternatively, the courts may order destruction of the counterfeit goods.

## 9. Compensation "*ex aequo et bono*" ("according to what is right and good")

Belgian courts often calculate lost profits "*ex aequo et bono*" in accordance with Article 2.21.2.a of the Convention, which expressly provides that the courts shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused by the infringement.

In most instances, it is not possible to determine exactly the amount of lost profits and/or damages suffered. Such instances can occur for example when the quantity of infringing goods is unknown or



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when the infringing goods have been stopped and destroyed by the customs authorities and thus have never been sold. In such instances, the Belgian courts grant compensation to merely cover the costs borne by the trade mark owner (or even a symbolic award of 1 EUR).

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Lydian, Brussels



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## Bulgaria

### 1. Legal basis for compensation

The Law on Marks and Geographical Indications (LMGI) 1999 article 76 (1).3 provides for damages for Trade Mark infringement. There is no published case law on decisions of the Supreme Court regarding damages for infringement.

### 2. Assessment of damage suffered

Article 76.a, which was inserted into the LMGI in October 2006, introduced a new way of determining compensation in cases of infringement. Previously damages for trade mark infringement were determined in accordance with the general rules of law. However, there is no published case law on the new law.

Article 76.a of the LMGI provides for the possibility of the claimant being awarded damages for all types of loss, including lost profits and moral prejudice, provided the loss is a direct and immediate consequence of the infringement. The court will take into consideration all the circumstances of the case to determine a fair compensation which shall act as a prevention and warning to the defendant and the public.

Article 76.b of the LMGI provides for "special cases of compensation" when there is not enough data to establish the amount. The claimant can claim compensation from 500 to 100,000 leva. The actual amount is determined by the Court, which can take into account the retail prices of legally manufactured goods identical or similar to the goods which are the subject of the infringement and it does also take into account the incomes obtained as a result of the infringement.

### 3. Award of unfair profits made by the infringer

There is no provision for an account of unfair profits. However, the "incomes", including "unfair profits" made by the defendant by his infringing act will be taken into account in the award of damages.

### 4. Commercialisation

The fact that the claimant does not itself commercialise the goods may affect the amount of damages awarded.

### 5. Knowledge of infringement

The defendant's state of knowledge may be taken into account when the Court considers "all the circumstances" of the case.

### 6. Award of costs incurred by the claimant

The claimant may ask the court to order payment of all expenses connected with the storage and the destruction of the infringing goods according to Art. 76(2)2 of the LMGI. Award of other costs is unlikely as the costs will rarely be considered as a "direct and immediate consequence of the infringement".



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## **7. Punitive damages**

The LMGI provides for the award of punitive damages in the administrative procedures before the Patent Office. Any appeal of the decision to award punitive damages will be heard under the provisions of the Law on Administrative Violations and Sanctions. Punitive damages vary from 500 to 1,500 leva for individuals and 1,000 to 3,000 leva for judicial persons.

## **8. Criminal sanctions**

Trade Mark infringement is a criminal offence and the individual may face sanctions of up to five years imprisonment and a fine of up to 5,000 Leva. Criminal and civil proceedings are separate.

## **9. Compensation “ex aequo et bono” (“according to what is right and good”)**

The LMGI provides for this kind of compensation in special cases. However, as this provision only came into force in 2006 there is not yet any case law considering when this compensation could be awarded.

Olga Sirakova  
Interius



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## Cyprus

### 1. Legal basis for compensation

In Cyprus, there are no specific rules regarding monetary compensation in the field of trade mark infringement. General rules apply (under the “unfair competition” heading) on the basis of Art. 35 of the Civil Wrongs (Torts) Act [Cap. 148 and Amending Laws], which may be used, also, when applying for an injunction.

### 2. Assessment of damage suffered

In theory, all the cited criteria (quantity of goods sold by the Defendant; quantity of goods manufactured or imported and sold by the Defendant; quantity of goods that could have been sold by the Claimant if the Defendant would not have sold the infringing goods; profits that the Claimant could have made on such sales) are supposed to be taken into consideration by the Court, when evaluating the amount of lost profits. For this, very strict evidence is required. (In Cyprus the Common Law system and rules of evidence are based on the old English Law). In practice, however, only nominal damages are granted to the Claimant.

The Courts may grant compensation for depreciation in the reputation of the trade mark, but there has been no case on such a situation.

Damages for moral prejudice is not a notion that has been dealt with by Cypriot courts for trade mark infringement cases.

### 3. Award of the unfair profits made by the Defendant

The legal notion of unfair profits does not exist in Cypriot Law.

### 4. Commercialisation

The commercialisation of the goods through a licensee gives to the Claimant, according to the Law, the right to claim compensation for lost profits. Again, in practice, only nominal (symbolic) damages are granted.

### 5. Knowledge

Each case is judged on its own merits. In theory, (there is no case law on the subject) the infringer’s “ignorance” could be an important mitigating factor at the stage of the determination of the amount of compensation to be granted to the Claimant.

### 6. Award of costs incurred by the Claimant

Cypriot courts may order the Defendant, as the losing party, pay in full the Claimant’s lawyer’s fees, as well as an expert’s fees. These costs may sometimes lower the final compensation.

### 7. Punitive damages

Punitive damages are not awarded in Cyprus in trade mark infringement cases.



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## 8. Criminal sanctions

Art. 53A (introduced by Law 121(I) of 2006) of the Trade Marks Act, Cap. 268, provides for indirect criminal sanctions. A court may not order sanctions on the infringer immediately upon the finding of an infringement. At a first stage, the court may order the infringer not to repeat such infringements. It is only on a second time that the court may order sanctions against the infringer going up to 35000 Cyprus Pounds and/or imprisonment of up to three years, for not respecting its first order.

## 9. Compensation “ex aequo et bono” (“according to what is right and good”)

The courts may grant compensation “ex aequo et bono”. However, this has not yet been implemented. Currently only nominal damages are granted. Courts seem to deal with damages in patent and Trade Mark cases in the same way. A characteristic patent infringement case, *Janssen Pharmaceutica N.V. v. Medochemie Ltd.*, No. 281/86 (30<sup>th</sup> October 1992) of the District Court of Limassol, where 1 million Cyprus Pounds was claimed, the Court granted just 10 Cyprus Pounds, as nominal damages. A rare example of a Trade Mark infringement case is *Swipe Limited v. Mitsios Trading Limited*, No. 9430/92 (30<sup>th</sup> September 1996) of the District Court of Nicosia. The Court denied the Claimant any damages because of insufficient evidence.

Sozos-Christos Theodoulou  
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## Czech Republic

### 1. Legal basis for compensation

The general principles of the Civil Code govern damages for Trade Mark infringement.

### 2. Assessment of damages suffered

When deciding the amount of damages, the Courts will take into account all the circumstances, including the lost profits. The amount of damages is calculated by a court expert who will look at all of the types of loss suffered by the Claimant.

Compensation for depreciation of goodwill can be claimed. The plaintiff has to claim the amount of damage. The Court however decides on its own consideration. There is no case law which could provide the rules for calculation of the damages.

There have been no decided cases yet on damages for moral prejudice.

### 3. Award of unfair profits made by the Defendant

There can be no award of unfair profits, but it is possible to ask the Court to award a single royalty fee for non-intentional infringement and a double royalty fee for intentional infringement.

### 4. Commercialisation

There is no case law on this matter and so the effect of non-commercialisation on damages is not known.

### 5. Knowledge

Damages for intentional infringement can be higher than for non-intentional infringement (see paragraph 3 above).

### 6. Award of costs incurred by the Claimant

These may be recoverable from the infringer if the claimant can prove that it was necessary to incur these costs.

### 7. Punitive damages

Punitive damages cannot be awarded.

### 8. Criminal sanctions

Criminal proceedings may be taken against the defendant in a separate action to the civil proceedings. The Defendant may be fined up to CZK 5,000,000 (€150,000) and his property may be confiscated.



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**9. Compensation “ex aequo et bono” (“according to what is right and good”)**

No decision has been made on this in the Czech courts.

Vladimir Rott  
Rott Ruzicka & Guttmann



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## Denmark

### 1. Legal basis for compensation

The law relating to compensation for trade mark infringement is set out in sections 43 and 44 of the Trade Marks Act 2005.

The Act requires the Court to consider the loss suffered by the Claimant. Following the implementation of Directive 2004/48/EC, the Act has been amended to provide that, when determining damages, regard must be taken of the loss to the injured party and the unjustified profit made by the infringer. In cases of wilful or negligent infringement, there may in addition be an award of compensation for non-economical damages.

### 2. Assessment of damage suffered

Section 43 of the Act provides that the Defendant must pay to the Claimant a reasonable remuneration for use by the Defendant of the Trade Mark, and damages for any further harm that the Claimant has suffered as a result of the infringement.

Before the amendments to the Act, the general principle in Danish law is to award damages for purely economical losses. The Claimant must provide substantial evidence of his loss. It is difficult to deduce from existing Court practice, how the Courts calculate the compensation, as Courts have normally awarded estimated amounts without further specification.

The Court will take into account the quantity of goods sold by the Defendant, the quantity of goods manufactured or imported by the Defendant and the quantity of goods that could have been sold by the Claimant. In some cases, the Courts have estimated and awarded damages for disturbance in the market. The Court can also consider possible harm to the reputation of the trade mark caused by the infringement. Compensation has even been awarded for goods which were destroyed after the Court decision and never brought into the market.

### 3. Award of unfair profits made by the Defendant

With the changes to the Trade Marks Act, it is now possible to take into account the unfair profits made by the Defendant when assessing the amount of compensation.

### 4. Commercialisation

The fact that the Claimant does not itself commercialise the goods will not affect its right to compensation even where it does not issue licences to others to use the trade mark. Rolls Royce received compensation from a chocolatier which used a similar logo.

### 5. Knowledge of infringement

It is possible that the amount of compensation may be affected by the state of the Defendant's knowledge, but there are no examples.



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#### **6. Award of costs incurred by the Claimant**

The Claimant cannot expect to recover all its expenses in connection with protection of its trade mark. Thus, compensation for fees to trade mark attorneys are normally not given; and compensation for lawyer's fees very often are only partial.

#### **7. Punitive damages**

There is no provision for punitive damages under Danish law.

#### **8. Criminal sanctions**

Wilful violations of a trade mark right which has been established via use or registration is punishable with a fine. In aggravating circumstances imprisonment up to one year is possible.

#### **9. Compensation "ex aequo et bono" ("according to what is right and good")**

It is difficult to answer this question, but some decisions may be interpreted in this way. In the case of *BP Gas A/S v Viking Gas A/S*, the Court awarded compensation even though BP Gas had not proven any loss, but the case is currently under appeal to the Supreme Court.

Mads Marstrand-Jorgensen  
Norsker & Co



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## England and Wales

### 1. Legal basis for compensation

Monetary compensation for trade mark infringement in England & Wales is assessed at common law. If a claimant is successful in a claim for trade mark infringement, one of two types of monetary compensation is available to him:-

- (i) damages, compensating the claimant for the loss it has suffered as a result of the infringement ("damages") – as in paragraph 2, below; **or**
- (ii) an account of profits made by the infringer ("an Account") – as in paragraph 3, below.

### 2. Assessment of damage suffered

The amount of loss to be paid to a successful claimant is usually determined by an inquiry as to damages (an "Inquiry"). The claimant must prove lost sales, resulting in lost profits. Additional legal costs are incurred in an Inquiry, so it is necessary for the successful claimant to demonstrate that he may be able to recover substantial damages in order for the Court to order an Inquiry. In practice, it is not difficult to demonstrate this to the Court. If a claimant fails to convince the Court that he may be able to recover substantial damages, the Court may award nominal damages and summarily order the amount to be paid by the defendant to the claimant.

The Court can take into account the depreciation of the appeal / repute of a mark and may grant damages to a claimant on the basis that the defendant's goods are of such poor quality in relation to the claimant's goods that they injure the trade reputation of the claimant. Such damages can include the cost of advertisements placed by the claimant to counteract the effect of the defendant's actions and the costs involved in putting foreign manufacturers on notice of infringing goods.

The Court can also award damages for the loss suffered by a claimant where competition from the defendant's infringing product has forced the claimant to lower the price of his goods. The damages awarded in this situation would be the extent to which the price of the claimant's goods had been eroded by the unlawful competition.

The Intellectual Property (Enforcement) Regulations 2006 provide for damages to be awarded to the claimant for losses other than economic ones. This will include damages for moral prejudice caused to the claimant by the infringement.

### 3. Award of the unfair profits made by the Defendant

Whereas damages are a matter of right for a successful claimant, the Court has discretion as to whether or not to order an Account to be taken. The defendant will be ordered to produce evidence of sales and of the cost of sales, from which a calculation of the defendant's profits is made. The amount of those profits is awarded to the claimant.

The successful claimant must show the Court that he may be able to recover a substantial amount before the Court will grant an Order for an Account. The test applied by the Court in deciding whether to order an Account is more stringent than for an Inquiry; and it is unusual for a Court to order an Account where there has been no deliberate deception on the part of the defendant. An Account of profits is awarded instead of damages – never in combination with damages.



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#### **4. Commercialisation**

The claimant has a right to claim compensation for lost profits even if he does not himself commercialise the goods, as long as he can prove loss, eg loss of opportunity to license the trade mark.

#### **5. Knowledge**

A defendant will be liable for the full amount of compensation, even if he can show that his infringement was innocent.

#### **6. Award of costs incurred by the Claimant**

If a claimant is successful on the main issue as to the liability of the defendant, the general rule is that the defendant will be ordered to pay the claimant's legal costs and expenses incurred in the litigation. If the defendant does not agree the amount of the claimant's legal costs, the costs will be assessed by the Court Costs Judge. The amount of legal costs payable by the defendant is likely to amount to approximately 80% of the actual costs paid by the claimant to his legal advisers for pursuing the claim, unless there are factors such as blatant conduct by the defendant, in which case the Court could order the payment of close to 100% of the costs.

The additional costs incurred in an Inquiry as to Damages or an Account of profits are usually dealt with after the hearing of the Inquiry or the taking of an Account. The Court will consider any offers made by the defendant in proposed settlement of the damages or profits claim. Therefore, a defendant can protect his position in relation to the costs of an Inquiry or Account by making a realistic settlement offer as early as possible before the hearing.

#### **7. Punitive damages**

While English common law provides for the award of punitive damages for civil wrongs, the award of punitive damages in trade mark infringement cases has never been made, even if the defendant's actions were blatant. An Account of *all* the defendant's profits and payment thereof to the claimant is sufficient.

#### **8. Criminal sanctions**

Criminal sanctions are available in England and Wales against the unauthorised user of a registered trade mark or of a sign which takes unfair advantage of a mark which has a reputation in the UK, or which is detrimental to the distinctive character or repute of the mark.

On summary conviction, a defendant is liable to up to 6 months in prison and a statutory fine of up to £5000. In more serious cases, a defendant is liable to up to 10 years in prison and an unlimited fine. Technically, the court can award compensation, but this is usually left to the civil court. If a defendant raises the issue of validity of the trade mark in question and brings a civil claim in this regard, it is highly likely that any criminal action would be stayed pending resolution of the civil case.



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**9. Compensation “ex aequo et bono” (“according to what is right and good”)**

The concept of “*ex aequo et bono*” is not known in English law. Nevertheless, in English law, the natural consequence of an infringement is that the infringer must pay at least *nominal* damages and the legal costs of the court action.

Joe Cohen  
Collyer Bristow LLP

## Estonia

### 1. Legal basis for compensation

Article 1043 of the Law of Obligations Act states, regarding liability in tort, that “A person (Defendant) who unlawfully causes damage to another person (Claimant) shall compensate the Claimant for the damage if the Defendant is culpable of causing the damage or is liable for causing the damage pursuant to law.”

In addition, Article 57(1) of the Trade Mark Act provides that the proprietor of a trade mark may file an action against a person infringing the exclusive right, including a licensee who violated the terms of the licence agreement for compensation for monetary damage caused intentionally or due to negligence, including loss of profit and moral damage.

### 2. Assessment of damage suffered

Generally, the intention is to place the injured person in the position he would have been had the tort not been committed. Damages are recoverable only to the extent that the infringement was the proximate cause of the loss. Any gain received by the Claimant as a result of the damage caused (particularly the costs avoided by the Claimant) shall be deducted from the compensation. The “difference hypothesis” is used to calculate damages, which assesses the difference between the actual position of the Claimant and the position in which he would have been if the Defendant had not infringed the mark.

Art. 128 (1) of the Law of Obligations Act regulates the types of damage subject to compensation, which are monetary or moral. Monetary damage includes, primarily, direct monetary damage (ie, the value of the lost or destroyed property, or the decrease in the value of property due to deterioration, even if such decrease occurs in the future; and reasonable expenses which have been incurred or will be incurred in the future due to the damage, including reasonable expenses relating to prevention or reduction of damage, expenses relating to establishment of the damage and the submission of the claim for compensation) and loss of profits.

No court decisions have been passed yet regarding the issue of compensation for depreciation of the appeal or reputation of a trade mark. If it could be proved that the injured party has suffered a decrease in the value of property due to the depreciation of the trade mark (even if it will be incurred in the future), the Claimant’s damages should be recoverable as monetary damage.

According to Article 128 (5) of the Law of Obligations Act, moral damage involves primarily the physical and emotional distress and suffering caused to the injured person. Although, the list of moral damage in the Law of Obligations Act is stated in inexhaustible form, the law specifies some circumstances in which moral damage shall be recovered. Moral damage must be proved by the injured party, and in those cases that are not specified in the law, these circumstances may be complicated to prove. Nevertheless, the specific provision of Article 57 (1) of the Trade Mark Act clearly states that action filed by the owner of a trade mark may include the request for compensation also for moral damage caused by the infringement of



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trade mark rights. In the absence of any case law, it is complicated to say which form moral damages might take.

### 3. Award of unfair profits made by the Defendant

Awarding the unfair profits made by the Defendant is against the legal principles effective in Estonia. Compensation cannot exceed the real loss suffered by the Claimant, ie the award of damages cannot be a basis for the enrichment of the Claimant. However, if compensation cannot be recoverable under the provisions of tort liability (Article 1043 of the Law of Obligations Act), compensation could be requested under the provisions of unfair enrichment (Articles 1027-1042 of the Law of Obligations Act).

### 4. Commercialisation

The fact that the Claimant does not itself commercialise the goods does not affect its right to claim lost profits since the lost profits may include the loss of an opportunity to receive gain.

The Law of Obligations Act was amended with effect from January 1, 2006, (bringing into effect the EU Enforcement Directive) and providing: "If compensation is requested for the infringement of copyright, related rights or industrial property rights, the court may, if this is reasonable, award damages as a fixed amount, taking into consideration *inter alia* the price the [Defendant] should have paid if he would have obtained the licence for the use of the relevant right."

The commercialisation of the goods through a subsidiary or a licensee does not change the situation.

### 5. Knowledge of infringement

The Defendant is presumed to be liable for the infringing act (intentionally or negligently). To be released from liability the Defendant must prove that he was not negligent, otherwise liability is imposed. The court may reduce the amount of compensation for damage if compensation in full would be grossly unfair to the Defendant or unacceptable for any other reason. All circumstances, in particular the nature of the liability, relationships between the persons and their economic situations, including insurance coverage, shall be taken into account (Article 140 (1) of the Law of Obligations Act).

### 6. Award of costs incurred by the Claimant

No court decisions have been passed in this respect. However, since the Law of Obligations Act clearly states that the direct monetary damages involve reasonable expenses which have been incurred or will be incurred in the future due to the damage, including reasonable expenses relating to prevention or reduction of damage and receipt of compensation, and expenses relating to establishment of the damage and submission of claims relating to compensation for the damage, it may be concluded that these costs incurred by the Claimant should be recoverable.

### 7. Punitive damages

It is against Estonian legal principles to award punitive damages in civil actions.



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#### **8. Criminal sanctions**

Trade mark infringement may attract criminal or administrative liability in Estonia.

#### **9. Compensation “ex aequo et bono” (“according to what is right and good”)**

As mentioned above, there are no court decisions regarding compensation issues in the counterfeiting or trade mark infringement cases and so it is impossible to say whether or not compensation can be granted on this basis.

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## Finland

### 1. Legal basis for compensation

The general principle regarding monetary compensation resulting from Trade Mark infringement is that the party liable for infringement must pay compensation for the use of the symbol and for all the damage caused. Damages may be awarded for an infringement that occurred prior to the registration of the mark provided the action is brought within a year of the mark's registration. This is regulated in Trade Mark Act, articles 38 and 40.

### 2. Assessment of damage suffered

Where damages for lost profits are claimed, it is up to the Court to consider how the amount of lost profits is assessed. For example the quantity of goods sold, manufactured or imported and the profits that the Claimant could have made, can be taken into account. It depends on the facts of the case which factors are taken as the basis of the assessment.

According to the Finnish law the owner of the trade mark is entitled to full compensation of damage, including loss for goodwill etc. However, the burden of proof lies on the Claimant and it is, in practice, very difficult to verify what is the amount of loss related to this kind of damage. Therefore, the Court usually estimates on the basis of the facts of the case whether such losses are compensated and to what extent.

### 3. Award of the unfair profits made by the Defendant

It seems that unfair profits cannot be awarded but they may have some significance in the assessment.

### 4. Commercialisation

The fact that the Claimant does not himself commercialise the goods does not necessarily affect the award for damages. Both the trade mark owner and the licensee may claim compensation for lost profits. However, the extent to which this is possible depends on the facts of the case.

### 5. Knowledge of infringement

Even if no negligence is found, the Defendant is obliged to pay a reasonable compensation for the use of the symbol.

### 6. Award of costs incurred by the Claimant

The Claimant may claim that costs for investigating the case (eg. lawyers' costs) form a part of the damage caused. If the costs are reasonable the Court may consider that they have to be compensated like any other damage. As a general rule the party losing the case has to pay the legal costs of the other party as far as they are reasonable. However, for example in complex cases, the court may consider that the winning party has to bear his own costs wholly or partly.

### 7. Punitive damages

Punitive damages are not allowed according to the legislation of Finland.



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## 8. Criminal sanctions

Criminal sanctions are possible. They are either based on the Trade Mark Act, article 39, or on the Penal Code, article 2 of Chapter 49. Anyone who deliberately infringes the right to a trade symbol under the Trade Mark Act shall, unless the act is punishable as an industrial property rights offence under Article 2 of Chapter 49 of the Penal Code, be sentenced to a fine for a violation of trade mark rights. In the case of a registered trade mark, no penalty may be imposed unless the infringement occurred after the date of registration.

Article 2 of Chapter 49 of the Penal Code states that a person who is in violation of the Trade Mark Act and behaves in a manner conducive to causing considerable financial loss to the Claimant and breaches the right to the Trade Mark shall be sentenced to a fine or to imprisonment of up to two years.

## 9. Compensation “ex aequo et bono” (“according to what is right and good”)

In case the amount of real damage cannot be determined, the Court will estimate the compensation “ex aequo et bono”.

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Kolster Oy AB



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## France

### 1. Legal basis for compensation

Compensation for trade mark infringement is assessed pursuant to the principles set out in Articles 1382 and 1383 of the Civil Code. These provide for the Defendant to compensate the Claimant for any damage that the Claimant suffers as a result of the Defendant's intentional, negligent or imprudent actions.

### 2. Assessment of damages suffered

The factors that are considered in the assessment of damages include lost profits, breach of property rights, depreciation of investments and dilution of goodwill in the intellectual property rights. The Claimant will have to produce evidence of the decrease in sales of his product and/or turnover.

French case law also provides for the award of damages for infringement when there has only been a Trade Mark application and no actual use of the mark.

The Claimant will be indemnified for his lost profits, with the court taking into account the scope of the infringement (N), the proportion of actual business lost by the Claimant (X%) and the Claimant's profit margin for the retail of each unit. These three factors are then combined in the equation  $N \times X\% \times P$  to calculate the amount of the Claimant's lost profits ("Gain manqué").

Compensation is also awarded for the depreciation of the trade mark owners assets ("perte subie").

The Courts will often award damages for moral prejudice, basing the assessment on the concept of "commercial disruption or prejudice".

### 3. Award of unfair profits made by the Defendant

There is no provision in French law for the award of unfair profits in the context of an account of the Defendant's profits. However, exceptionally, the amount of the Defendant's unfair profits will form part of the damages.

### 4. Commercialisation

The Claimant has the right to claim compensation for lost profits, e.g. if he has been deprived of the opportunity to license the mark, even if he does not commercialise the goods himself.

### 5. Knowledge of infringement

The knowledge and good or bad faith of the Defendant is not taken into account in the assessment of compensation. The compensation covers purely the damage suffered by the Claimant because of the infringement and so the Defendant's knowledge is irrelevant.

### 6. Award of costs incurred by the Claimant

The Claimant can recover some of these costs, but the amount recovered is rarely sufficient to cover the Claimant's costs in full.



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#### **7. Punitive damages**

No punitive damages are awarded in France. However, Judges often consider that the combination of damages awarded in civil proceedings, and the sanctions imposed in criminal proceedings have the same effect as punitive damages.

#### **8. Criminal sanctions**

Penalties such as imprisonment and fines do exist under French criminal law.

#### **9. Compensation “ex aequo et bono” (“according to what is right and good”)**

This concept is not recognised in French law. The principle of monetary compensation is to indemnify only the damage suffered, no more, no less.

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## Germany

### 1. Legal basis for compensation

The legal liability to pay compensation for Trade Mark infringement is imposed by s.14(6) of the German Trade Mark Act which provides that any person who commits an infringing act wilfully or negligently, shall be liable to compensate the proprietor of the trade mark for damage resulting from the infringing act.

The courts have developed specific methods of assessing compensation. The Claimant can choose either:

- (a) compensation for loss actually suffered;
- (b) transfer of profits made by the Defendant; or
- (c) a fictitious royalty, based on a licence analogy

These methods cannot currently be combined or accumulated.

### 2. Assessment of damage suffered

The calculation of damages from the perspective of lost profits has no practical significance, as the Claimant is required to prove that its loss of profits was actually caused by the infringement. Very strict proof of causality between infringement and lost profit is required. The court will not assume that the Claimant would have sold the same quantity of products (or a certain percentage thereof) as the infringer. Instead, the court looks at circumstantial evidence as to the volume of sales achieved by the infringer. The Code of Civil Procedure allows the courts to exercise a broad discretion to estimate the amount of damages if the Claimant has submitted indications sufficient to form a basis for such an estimate.

Damages for market disturbance caused by the confusion and depreciation of the reputation of the trade mark can be claimed as an additional item of damages ("Cefallone" case).

To date, there have been no cases concerning the award of non-material damages including moral prejudice caused to the Claimant by trade mark infringement, but these factors will be taken into consideration when the Enforcement Directive is implemented in November 2007.

In addition to any of the three alternative methods of calculating damages, the Claimant may claim some compensation for the negative effects on the reputation of the trade mark. This may be taken into account when determining the royalty rate of a fictitious licence or when estimating the actual loss suffered by the Claimant. However, in practice, such additional damages do not play an appreciable role. In some cases, it may be possible to obtain an award of the costs of an advertising campaign to "re-educate" the public.

### 3. Award of the unfair profits made by the Defendant

This is the preferred option for most Claimants, following a decision of the German Federal Supreme Court which ruled that the infringer was not entitled to deduct overheads or other cost items that were not directly related to the sale of the infringing products. Consequently, the injured party is in a relatively favourable position: it may use the infringer's net sales as a starting point. The infringer then has to justify those cost items which it believes were sufficiently related to the sales in question and correspondingly reduced its profit.



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It is only possible to go for the complete profit made by the infringer if the trade mark is very well known and the goods would hardly have been sold had the trade mark not been used on the goods.

#### **4. Commercialisation**

The fact that the Claimant may not itself have commercialised the goods will be inconsistent with a claim for lost profits. However, non-use by the Claimant will have no effect upon any claims for an account of profits or for a fictitious licence fee.

#### **5. Knowledge of infringement**

No liability for damages exists unless the Defendant acts with intent or is negligent. However, negligence can be easily assumed and includes cases where the Defendant failed to exercise due care in investigations into the possibility of infringement of the trade mark. Where there is no negligence, the Defendant must pay the Claimant a fictitious licence fee under the doctrine of unjust enrichment.

#### **6. Award of costs incurred by the Claimant**

An unsuccessful Defendant will be ordered to pay a reasonable portion of a successful Claimant's legal costs and expenses.

#### **7. Punitive damages**

There is no provision under German law for punitive damages.

#### **8. Criminal sanctions**

The penalty for trade mark infringement amounts to a term of imprisonment of up to 3 years or a fine. Where the Defendant acted on commercial grounds, imprisonment may be up to 5 years. The fine is paid to the Treasury and not to the Claimant.

#### **9. Compensation "ex aequo et bono" ("according to what is right and good")**

German law does not make any provision for this. Nevertheless, based on their broad discretion to estimate damage, the courts may be able to grant compensation even if there are relatively few hard facts justifying a specific amount.

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## Greece

### 1. Legal basis for compensation

According to Greek law and practice, the protection assigned to the owner of a trade mark and more specifically the right to claim a monetary compensation derives from the Trade Marks Law, the Unfair Competition law, as well as the general rules of the Civil Code. However, the Trade Marks Law covers all relevant matters, so the Civil Code is rarely used and when it is used, it is supplementary.

The Claimant can claim compensation if the trade mark that is being infringed is validly registered. The Claimant must have suffered loss or damage that is directly attributable to the infringement of the trade mark by the Defendant.

### 2. Assessment of damage suffered

Compensation is assessed by reference to the damage suffered by the Claimant. This includes its lost profit. The lost profit can be the amount that the Claimant would have expected to earn but for the infringement.

In general, damages are assessed on the basis of a decrease in the Claimant's business. Damages include the expenses incurred by the Claimant due to the infringement, eg, where the Claimant needs to make announcements and/or publications in the press in order to prevent/avoid the risk of confusion. The damages can also include the depreciation of the mark's reputation where the Defendant's products are of poorer quality and customers believe that the products originate from the Claimant

As it is quite difficult to evaluate damages and depreciation of reputation, the courts are more eager to award an amount for the "moral prejudice" caused to the Claimant by the Defendant's infringing actions. This amount depends on various factors, such as the size of the Claimant's business, the extent of the use of the trade mark by the Claimant and by the Defendant, the extent of recognition of the mark, and the expenses incurred in advertising the mark.

### 3. Award of unfair profits made by the Defendant

The Claimant can be awarded compensation for the unfair profits made by the Defendant from the infringing act or an amount analogous to the licence fee that would have been paid for the use of the trade mark.

### 4. Commercialisation

In the case where the Claimant does not use or has not used the trade mark, it will not be possible to claim and prove damages. If, however, the Claimant can prove that it was preparing to make use of the mark and that it has suffered expected lost profit, then the result may be an award of compensation.

### 5. Knowledge of infringement

The law provides the Defendant must have knowledge of the infringement and must have intended to infringe or been negligent. However, the fact that the trade mark has been applied for implies the guilt and knowledge by the infringer as he should be aware that the mark is registered. Accordingly, if the infringer manages to prove that he strongly believed that he was



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not aware of and did not infringe any third party's rights, the right to the monetary compensation is lost.

#### **6. Award of costs incurred by the Claimant**

Unfortunately, there have rarely been awarded protection costs such as investigator's expenses, experts' reports and similar expenses. As to the lawyer's fees, these are in general awarded to the winning party. However, the amount awarded is much lower than the actual expenses and fees.

#### **7. Punitive damages**

There is no provision for punitive damages under the Greek Trade Marks Law. The courts can only impose the payment of a fine where the Defendant has failed to comply with an Order of the court. This fine serves as a means for the enforcement of the decision issued. For example, the court may order the Defendant to pay a certain amount for each and every infringing use of the trade mark in the future.

#### **8. Criminal sanctions**

Article 28 of the Trade Marks Law (criminal sanctions) provides for a minimum imprisonment of three months and a fine of at least 600 Euros. The penal prosecution is initiated upon a complaint made by the Claimant and is not ex officio.

#### **9. Compensation "ex aequo et bono" ("according to what is right and good")**

The Greek courts do not tend to award compensation "ex aequo et bono". Whenever, the determination of the lost profits and damages is not possible, the courts preferably award an amount for the "moral prejudice" suffered by the Claimant from the illegal use of his trade mark by the Defendant and the results from this illegal use.

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## Hungary

### 1. Legal basis for compensation

The main principles of damages are laid down in the Hungarian Civil Code. Certain references to the payment of profits are made by the Hungarian Trade Mark Act (No XI of 1997), and the rules regarding the payment of legal fees are implemented by the Criminal Procedure Code.

### 2. Assessment of damage suffered

Court practice relating to the assessment of damages for lost profits is very under-developed. Generally, the factors that can be used to assess compensation include the quantity of goods sold, manufactured or imported by the Defendant; the quantity of goods that the Claimant would have sold had the Defendant not infringed the Trade mark; and the net profits that the Claimant would have made on sales. The court will appoint an expert to estimate the amount of damages.

If the quantity of infringing goods is unknown or when the infringing goods have been stopped and destroyed by customs authorities and have thus never been sold, the courts can grant compensation to cover the costs borne by the Trade mark owner.

At the moment, it is not possible to claim damages for depreciation of goodwill or price erosion. Compensation for moral prejudice is an existing legal concept but it is not yet applied in practice by the courts in actions for trade mark infringement.

### 3. Award of the unfair profits made by the Defendant

Unfair profits can be claimed independently from damages. The court assesses unfair profits by deducting the purchase price from the sale price of the infringing products. Usually this amount is reduced by a further 10-20% being the estimated operational costs of the Defendant. The Claimant must prove the sale and purchase price of the infringing products.

It is possible for the Claimant to be awarded damages **both** for lost profits **and** an account of unfair profits.

### 4. Commercialisation

The Claimant is required to commercialise his goods (either himself or via a licensee) if he is to claim damages for lost profits. The Claimant may be able to claim lost royalties if he can demonstrate an existing licensing practice. This requires the Claimant to submit to the court licence agreements that it has made in Hungary that concern similar or identical products.

### 5. Knowledge of infringement

If the Defendant does not knowingly engage in the infringement, the Claimant can only claim unfair profits and its legal fees. The Claimant cannot claim damages from an innocent infringer.

### 6. Award of costs incurred by the Claimant of defending their Trade Mark

The court may award the Claimant its costs associated with defending its mark. This includes legal fees, stamp duty, expert fees, translation costs and the costs of obtaining authenticated



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trade mark certificates etc. The courts have the discretion to reduce the amount of costs awarded to the Claimant if they find that the sum claimed is exaggerated.

#### **7. Punitive damages**

It is not possible for the Claimant to be awarded punitive damages in Hungary.

#### **8. Criminal sanctions**

The most serious criminal sanction for Trade mark infringement is 3 years' imprisonment. However, the courts usually impose fines amounting to between €200 – €1000, although according to the Criminal Code a fine of even €40,000 could be imposed.

#### **9. Compensation “ex aequo et bono” (“according to what is right and good”)**

If the quantity of infringing goods is unknown or where the infringing goods have been stopped and destroyed by the Customs Authorities and thus, have never been sold, courts grant compensation to cover the costs borne by the trade mark owner; but the courts do not grant symbolic compensation or compensation ex aequo et bono.

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## Italy

### 1. Legal basis for compensation

Article 125 Italian Industrial Property Code (IPC) entitles the Claimant to compensation for infringement of its intellectual property rights.

### 2. Assessment of damage suffered

Under Italian law, the Claimant shall be compensated for loss of profits and actual damage. Usually, the quantification of actual damage is relatively easy while the evaluation of the loss of profits is quite complex. The latter can be determined by the Court on the basis of several criteria in order to adjust the quantification to the case at issue, such as negative economic consequences suffered by the Claimant, its loss of profits, profits gained by the Defendant (see 3, below) and, as necessary, non-economic elements like "moral" damages to the reputation of the trade mark owner and/or its enterprise or distinctive signs.

If it is not possible to perform an analytic assessment of damages, Article 125 IPC par. 2 provides for the assessment under an equitable method to evaluate the damage (see 9, below). In this case, the sum awarded as loss of profits cannot be lower than the fees which the Defendant should have paid to the Claimant had they reached a licence agreement and, in such a case, it will be determined according to the average royalties of the relevant sector.

### 3. Award of the unfair profits made by the Defendant

Under Article 125 par. 3 IPC (as amended by Legislative Decree No. 140/2006 enacting the Enforcement Directive), the Claimant can now ask for the surrender up of profits made by the Defendant. This remedy is independent from the compensation of damages and has to be separately claimed.

The assessment of unlawful profits is usually based on the commercial documents (invoices, purchase and sale orders, etc.) regarding the activity of the Defendant which, however, most of the times do not reflect the actual dimension of the activities it carried out. The Claimant can ask for the surrender of the profits made by the Defendant either alternatively or jointly to the award of damages. In the latter case, the wording of this paragraph allows the combination between these two remedies only when the amount of the unfair profits by the Defendant exceeds the amount of the loss of profits by the Claimant.

This new provision has raised some doubts among some scholars. Firstly because of the fact that awarding a sum as unfair profits, which is higher than the actual loss suffered by the Claimant, exceeds the limits of the compensatory function and is closer to a deterrent/punitive function. Secondly, some scholars have pointed out that the wording of Article 125.3 IPC seems to recognize that the Claimant has an unlimited right. However, in order to avoid unfair consequences, it would be advisable to limit the Claimant's right only to the part of the Defendant's profits which is strictly related to its unlawful activity.

### 4. Commercialisation

The right to compensation is not affected if the Claimant does not sell the goods itself. However, the amount of damages is likely to be influenced by such a circumstance. The availability of equitable royalties is appropriate for this situation.



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## 5. Knowledge

Under Italian law, as far as the award of damages is concerned, the Claimant shall prove, besides the existence of the damage and the causal connection between the same and the infringement, also the Defendant's negligence or its wilfulness. However, the case-law usually reduces the Claimant's burden of proof recognizing, in its favour, rebuttable presumptions as to the existence of the damage (which is often deemed to be inherent in the infringement itself) and as to the Defendant's negligence (in consideration of the public system for registration of trade marks).

As to the surrender up of profits, the majority of scholars deem it to be independent from the negligence of the Defendant and, as a consequence, the Defendant's awareness of the wrongdoing is not relevant.

## 6. Award of costs incurred by the Claimant

In principle, the Defendant must compensate the Claimant for all the legal costs and expenses it has incurred as a direct result of the infringement. In practice, the Courts usually award only part of the costs.

## 7. Punitive damages

No punitive damages are envisaged under Italian law. However, some scholars have stated that the surrender up of unfair profits is, somehow, a punitive measure (see Answer 3).

## 8. Criminal sanctions

Criminal sanctions are available in Italy (Article 127 IPC, Articles 473, 474, 515, 517 and 648 Italian Criminal Code).

## 9. Compensation "*ex aequo et bono*" ("according to what is right and good")

In most instances, Courts award damages *ex aequo et bono*. This occurs especially when damages for "moral" loss are claimed or there is no certainty as to the precise amount of the damages. As a matter of fact, even when economic damages are certain to have been caused by the infringement, it could be difficult to prove their amount. This may be due to a lack of detailed information on the activity of the infringer and/or on the quantity of the profits lost by the Claimant.

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## Latvia

### 1. Legal basis for compensation

The Latvian Civil Code lays down the general principles for compensation for trade mark infringement. The quantum of damages is measured according to the principles of tortious liability. Article 28 of the Law on Trade Marks and Indications of Geographical origin grants the Claimant the right to receive monetary compensation for pecuniary and non-pecuniary loss caused by infringement.

### 2. Assessment of damage suffered

Damages are assessed by reference to the Claimant's lost profits. The law does not limit the factors that can be taken into consideration when assessing damages. Loss of profit must be more than a mere possibility. It must be proven that the damages resulted from the infringement. If it is impossible to prove the actual amount of damages suffered, damages can be awarded as a lump sum based on a calculation of potential royalties or fees.

The Claimant may be entitled to damages for non-pecuniary loss such as moral prejudice or immaterial damage. Article 5 of the Civil Code grants the courts discretionary power to set the amount of damages for non-pecuniary loss deciding the matter in accordance with the general principles of law and justice.

Where it is impossible for the Claimant to prove actual loss or damage, damages can be awarded as a lump sum based upon potential royalties or fees.

### 3. Award of the unfair profits made by the Defendant

As stated above, Article 28 of the Law provides for the Claimant to receive damages equivalent to the Defendant's unfair profits from its infringing act. Under Art 28, it is possible to combine different types of loss, but it is not certain that the courts of Latvia will grant both the profits that the Claimant would have made and the unfair profits made by the Defendant.

### 4. Commercialisation

The Claimant may claim damages or royalties when he has himself commercialised the goods or has commercialised them via a licensee.

### 5. Knowledge

It is possible that the state of the Defendant's knowledge could be taken into consideration but there have been no examples of this in the courts.

### 6. Award of costs incurred by the Claimant

The Civil Code grants compensation for all damage suffered as result of trade mark infringement. This includes additional expenses, such as translation costs etc. This includes litigation expenses, such as court fee, the fees paid to the representative and other expenses as prescribed by Civil Procedure Law. The representative of the claimant can be a sworn advocate and a Patent Attorney. Civil Procedure Law provides recovery for legal costs of representation only of sworn advocates (Art. 44). There is different practice regarding lawyer's fees. In any case, Civil Procedure Law grants compensation at least 5% of claimed amount.



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Sometimes the court has compensated lawyer's fees which exceed the limit stated in Civil Procedure Law.

**7. Punitive damages**

The Latvian legal system does not recognise punitive damages.

**8. Criminal sanctions**

Criminal sanctions may be imposed upon the Defendant for infringing acts.

Other non-criminal sanctions to deter future infringement include the destruction of infringing goods or donation of the goods for charitable purposes.

**9. Compensation "ex aequo et bono" ("according to what is right and good")**

Where it is impossible to prove the actual amount of damages according to general principles, then a lump sum award may be made, based on potential royalties or fees. Compensation may also be awarded for non-pecuniary loss.

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Agency TRIA ROBIT



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## Lithuania

### 1. Legal basis for compensation

The general legal principles regarding monetary compensation resulting from Trade Mark infringements are established by Law on Trade Marks of the Republic of Lithuania, the Administrative Code of the Republic of Lithuania and the Criminal Code of the Republic of Lithuania. General legal principles regarding monetary compensation according to Lithuanian laws are:

- 1) the damages incurred must be compensated in full;
- 2) the amount of damages must be proved by the injured party;
- 3) non-pecuniary damage shall be compensated only in cases provided for by laws.

### 2. Assessment of damage suffered

In determining the amount of lost profits, Lithuanian courts take into account lost income that was suffered as a result of the Defendant's unfair operations. Therefore, lost profits shall be included into damages. According to the Civil Code, damage shall include the amount of the loss or damage of property sustained by a person and the expenses incurred (direct damages) as well as the incomes of which he has been deprived, i.e. the incomes he would have received if unlawful actions had not been committed.

Where the amount of damages cannot be proved by the party with precision, it shall be assessed by a court.

Damages are assessed according to the prices valid on the day when the court judgment was passed unless the law or the nature of the obligation requires the application of prices that were valid on the day the damage arose or on the day when the action was brought.

When assessing the amount of losses, the court shall take into account the substance of violation, the amount of the inflicted damage and the lost income, as well as other expenses incurred by Claimant. If infringement leads to a depreciation of the appeal or reputation of a trade mark, the Claimant has to provide evidence to support this claim. Non-pecuniary damage shall be compensated only in cases provided for by laws. Where the amount of damages cannot be proved by the party with precision, the court examines all evidence delivered by parties and decides itself.

### 3. Award of the unfair profits made by the Defendant

The courts can take into account the profits that the Defendant made by performing unlawful actions. It should be noted that net profits are important in such cases. Lithuanian courts award either lost profits suffered by the Claimant, or unfair profits made by the Defendant. The Claimant must provide evidence that the Defendant's profit is linked to its unlawful actions.

### 4. Commercialisation

Where the Claimant does not himself commercialise the goods, he nevertheless has the right to claim compensation for lost profits. However, it is difficult to assess lost income in such circumstances, as the Claimant cannot always provide evidence of his market losses.



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Therefore, when awarding compensation in these circumstances, the court should take into consideration the unfair profits gained by the Defendant.

#### **5. Knowledge**

Where the Defendant unknowingly infringes the trade mark the court may, at the request of the Claimant, award the gained profits. The court does not take into account the fact that the Defendant did not knowingly engage in an infringing activity. Ignorance of the law shall not exempt from liability.

#### **6. Award of costs incurred by the Claimant**

Lithuanian courts always take into account all these costs. These expenses are awarded separately from material losses. There is general principle in Lithuanian law that the losing party should pay the legal costs of the successful party.

#### **7. Punitive damages**

No punitive damages are awarded in Lithuania

#### **8. Criminal sanctions**

In certain circumstances, the infringement of intellectual property rights will also amount to a criminal offence and the infringer might face a fine or, in very serious cases, imprisonment. A person who has marked a great number of goods with other company's trade mark without permission of other company and offered these goods for sale or used other company's trade mark and has made large profits, shall be fined. The amount of a fine is determined by court.

#### **9. Compensation "ex aequo et bono" ("according to what is right and good")**

There are no cases where compensation "*ex aequo et bono*" has been awarded. If it is not possible to determine the amount of lost profits and/or damages suffered, sometimes the criterion of a license fee can be applied. Lithuanian courts do not recognise any symbolic compensation.

Marius Jason  
AAA Baltic Service Company – Law Firm



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## Luxembourg

### 1. Legal basis for compensation

Article 2.21(1) of the Benelux Convention provides that the trade mark owner may, by virtue of its exclusive rights in a trade mark, claim compensation for any damage sustained as a result of any use without its consent (as defined by the Benelux Convention) of its trade mark.

Articles 2.32(4) and (5) of the Benelux Convention provides that a licensee shall be entitled, for the purpose of obtaining compensation for damages he has directly suffered, to intervene in proceedings brought by the trade mark owner. However, licensee may not institute independent proceedings without having obtained the authorization of the trade mark owner.

Articles 1382 and 1383 of the Civil Code also provide the legal basis for compensation for trade mark infringement. The success of this action is subject to the proof of the fault (including negligence) of the Defendant, of the prejudice suffered and the causal relation between the fault and the damage suffered. Compensation cannot be awarded for more nor for less than the actual prejudice.

### 2. Assessment of damage suffered

The assessment of damage is, since the implementation of the Enforcement Directive, defined under article 2.21(2) of the Benelux Convention as follows:

The court which sets the damage:

- a) shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice causes to the rightholder by the infringement, or
- b) as an alternative to a), may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorization to use the trade mark.

### 3. Award of the unfair profits made by the Defendant

Article 2.21(4) of the Benelux Convention provides that, in addition to or in lieu of a claim for damages, the trade mark owner may institute proceedings for surrender of the profits obtained by reason of the use without its consent, together with submission of the relevant account. This action is only possible where the use without consent was made in bad faith. However, the court shall refuse the petition for surrender of profits if it deems that the circumstances of the case do not give rise to such compensation.

As mentioned under paragraph 1 above, articles 2.32(4) and (5) of the Benelux Convention entitle also the licensee to obtain, in the circumstances above described, a proportional share of the profits obtained by the defendant.

### 4. Commercialisation

The Claimant must be able to prove which profits it actually lost in relation to the infringement.



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When a trade mark owner does not itself commercialise the goods, it may institute proceedings for damages or for surrender of profits on behalf of its licensee. In our opinion (there is no published case law on that specific question), a trade mark owner will not be entitled to claim compensation for any loss directly related to the sale by the trade mark owner of goods, since it does not commercialise them and thus does not actually suffer any damages. In that situation, the trade mark owner can claim compensation based on the equivalent of royalties that would have been payable.

## 5. Knowledge

Compensation for trade mark infringement may be awarded, regardless of good or bad faith, fault or negligence on the part of the infringer.

With regard to the surrender of profits, case law provides that, as the counterfeiting must be intentional, bad faith may not result from fault or negligence; it exists only if the person who uses the trade mark is aware of the fact that such use is unlawful.

## 6. Award of costs incurred by the Claimant

It is possible for the courts to grant an order for the payment of the Claimant's costs and expenses in protecting its trade mark. Only a limited amount of the attorney fees are ordered to be reimbursed in a few cases. Other costs are in principle borne by the party which loses the case.

## 7. Punitive damages

Punitive damages as such do not exist under Luxembourg law, although in some circumstances the Defendant may have to pay a fine (as discussed under paragraph 8 below) or surrender profits (as discussed at paragraph 3 above).

## 8. Criminal sanctions

Sanctions include imprisonment of up to 3 years, and a fine of between €251 and €125,000. The court may also, under the Criminal Code, prohibit the Defendant from exercising certain rights such as the right to vote or the right to be elected.

Note: The Claimant may request damages based on the civil liability provisions before a criminal court in the context of a pending criminal case. To succeed the Claimant must prove the prejudice suffered and the causal relationship between the infringement and damage suffered.

## 9. Compensation "ex aequo et bono" ("according to what is right and good")

The Luxembourg courts generally do grant compensation on this basis.

Héloïse Bock  
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## Malta

### 1. Legal basis for compensation

The law relating to compensation for trade mark infringement in Malta is regulated by the Trade Marks Act and by the Maltese Civil Code. The ordinary civil law rules on actions for damages apply within the context of actions for trade mark infringement. Chapter 488 of The Laws of Malta transposed the Enforcement Directive.

### 2. Assessment of damage suffered

Under the Civil Code, compensation is awarded only for real damages which would have to be proved by the claimant as the real economic damages suffered and would have to be quantified. These would include the real loss and damages suffered and expenses incurred and loss of profits. Maltese Courts are not liberal in granting compensation as they are in other countries, such as in the USA.

It is also to be noted that moral damages are not given except in exceptional cases such as in instances of violations of human rights and in consumer claims.

There is no hard and fast rule that sheds light on the way compensation for lost profits in trade mark cases would be calculated in Malta. There is no trade mark case-law on such points. It is however envisaged that the Courts would award damages on the basis of calculations that are made by the claimant. The Court would not be bound by such calculations since it is empowered to revise them if it deems necessary. The calculation of damages would, most probably, include the quantity of goods that were sold by the defendant (whether the goods were imported, manufactured or simply sold by the defendant).

It is questionable whether the claimant may also convincingly claim its loss of profit in the goods which it failed to sell due to the behaviour of the defendant. In order to do so the claimant would need to provide clear proof that the defendant's actions specifically led to the claimant's loss in sales and hence in the damage suffered. The Courts, in such situations, would most probably be only willing to entertain the award of net profits to the claimant.

The claimant may be able to claim damages for depreciation of his trade mark but would have to prove, financially, that actual damage was caused by the Defendant's actions.

Damages for moral prejudice are not awarded apart from in exceptional circumstances such as violations of human rights or consumer claims. Although there is no case law on the matter, we envisage that 5% to 10% of the direct damages awarded may be added for moral prejudice in an exceptional case.

### 3. Award of the unfair profits made by the Defendant

It is highly unlikely that the Maltese court would award to the claimant, the defendant's unfair profits. Section 14(2) of the Trade Marks Act fails to go beyond the provision for the Claimant to claim damages.

It may now be possible for the claimant to make such a claim, but it is questionable as to what extent the Courts would be willing to consider such a demand. It will be up to the plaintiff to provide solid evidence, preferably in the form of documents, which substantiate his claims and



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show in clear terms, figures and calculations the unfair profits that were made by the defendant.

#### **4. Commercialisation**

Only direct damages are awarded in an action for damages based on tort. This includes actual damage suffered and loss of profits. It is a matter of discretion as to whether the court will award damages to a claimant which did not itself commercialise the goods.

#### **5. Knowledge**

The Civil Code of Malta awards the payment of damages on the basis of the fault of the party who commits it. Full damages will only be awarded where the defendant either knowingly engaged in the infringing activity or should reasonably have been expected to know that it was an infringing activity.

Section 12(3) of Chapter 488 of the Laws of Malta (which transposed the Enforcement Directive) provided that where the defendant did not knowingly engage in the infringing activity, the court may order the recovery of profits or damages under the “relevant legislation”. The “relevant legislation” is taken to mean the intellectual property rights legislation in Malta. However, to date no such regulations have been issued and so it appears that the courts may not uphold this rule.

#### **6. Award of costs borne by the Claimant**

The losing party is usually ordered to pay the costs of the winning party. This would include legal fees (or a proportion thereof), court fees, expert fees, and other ancillary and related costs.

#### **7. Punitive damages**

The concept of punitive damages is not recognised by Maltese law.

#### **8. Criminal Sanctions**

If convicted for infringing a trade mark a defendant may be sentenced to up to 3 years imprisonment and/or a fine not exceeding €24,000.

It is a fundamental principle of Maltese law that criminal and civil actions are totally independent of each other. This means that in a civil action one cannot entertain criminal issues, and vice versa.



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#### 9. Compensation “ex aequo et bono” (“according to what is right and good”)

There is no hard and fast written rule at law in either the Trade Marks Act or in the Maltese Civil Code. However, this does not mean that a Civil Court, when faced with a situation eg, where the quantity of the infringing goods is unknown, would not order the defendant to pay the plaintiff an amount in compensation “*ex aequo et bono*”.

There are no trade mark related cases on this point but a recent Magistrates’ Court judgment the court granted the claimant “*ex aequo et bono*” an amount in compensation in respect of certain damages suffered by the claimant even though the Claimant did not quantify these in court.

Antoine Camilleri  
Mamo TCV



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## Netherlands

### 1. Legal basis for compensation

The Benelux Convention on Intellectual Property (BCIP) enables a claimant to claim compensation immediately upon infringement of its trade mark. The EC Enforcement Directive 48/2004 was implemented by means of a new title in the Code of Civil Procedure to provide the legal basis for claims to recover legal costs.

### 2. Assessment of damage suffered

In determining damages, the court must take account all appropriate aspects, including loss of profits suffered by the injured party. Under Dutch law, these factors are already involved in the assessment of the loss. Determining the level of lost profits is always dependent on the circumstances specific to the case. It remains the case that it is hard to show the degree of lost profits and that in practice, surrender of profits will be claimed as this is easier to prove (see paragraph 3 below).

The court will also take account of the negative economic consequences arising from trade mark infringement and a non-exhaustive list of factors, eg any loss of goodwill and the like. The basic rule is that in cases of infringements of intellectual property rights, liability arises for reimbursing the losses that are caused as a result. The loss may, among other things, consist of the loss of the distinctiveness of the mark as a result of which its exclusivity is reduced, loss to reputation etc. The disadvantage to this form of loss lies in the difficulty of expressing in monetary terms the level of the loss to reputation actually suffered.

### 3. Award of the unfair profits made by the Defendant

The requirement that the court must take account all appropriate aspects, includes taking into account the unlawful profits earned by the infringer. Under Dutch law, these factors are already involved in the loss determination. Many intellectual property laws incorporate a specific provision relating to the possibility of a claim for surrender of profits. This possibility of claiming surrender of profits has a two-fold background. The first is that the holder of an intellectual property right often has difficulty in proving the nature of the loss it has suffered. If the Court orders the infringer to supply a report about the profits it earned, the holder of an intellectual property right is released from the burden of proof falling upon it in terms of the loss it suffered. The second reason for incorporating the claim for payment for surrender of profits is so as to prevent the infringer obtaining financial advantage from engaging in infringement. Claims for surrender of profits are in practice frequently awarded.

The term profit must be understood as the net earned profit that is calculated by deducting from the sales price not only the purchase price of the goods but also the taxes and costs directly linked to the sale of the relevant products.

Case law has held that an account of profits is possible in addition to an award of damages. However, the total award cannot exceed the highest amount of any one of the single items of loss. Thus, a full cumulation is contrary to Dutch law.

### 4. Commercialisation

In principle, the fact that the claimant himself does not commercialise the goods does not affect the amount of compensation awarded. The amount of compensation is related to the



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degree to which the trade mark holder has suffered loss. The trade mark holder must make a convincing case for this. In accordance with Article 2.21 paragraph 4 BCIP the trade mark holder may, in addition to or instead of damages, claim the surrender of the profit earned through infringement (see paragraph 3). If the court takes the view that the use was not made in bad faith or that the circumstances of the case do not provide grounds for such an order, the court will dismiss the claim.

The trade mark holder may bring an action on behalf of its licensee both for damages and for obtaining surrender of profit. Furthermore it can be noted that, as an alternative, the court may in suitable cases determine damages as being a fixed amount, based upon elements such as, at the least, the royalties or fees that would have been payable had the infringer sought permission to use the mark. It is conceivable that an alternative of this nature might be appropriate in a case like this, but that would be for the court to decide.

## 5. Knowledge

Whether or not the defendant acted in good or bad faith will be taken into account by the courts. This is particularly relevant in an award for costs. Of decisive importance in allocating full legal costs is where the defendant does not cease the infringement immediately after being required to do so, thus acting in bad faith. An application for an account of profits will be refused where the defendant has not acted in bad faith.

## 6. Award of costs incurred by the Claimant

These costs are recoverable provided they are sufficiently substantiated. Besides lawyers' fees, the claimant may recover court fees, investigation costs, professionals' fees such as trade mark attorneys' fees and enquiry agents' fees, and the costs of travel, translation and accountancy fees provided these are specifically, reasonably, and sufficiently substantiated.

## 7. Punitive damages

There is no provision for punitive damages under Dutch law.

## 8. Criminal sanctions

Article 337 of the Criminal Code enforces criminal sanctions for trade mark infringement. The provision applies to the infringing activities of importing, exporting, forwarding, selling, offering for sale, delivering, distributing, or having in stock, counterfeit or unlawfully manufactured goods, or goods that are identified with the mark or bear an imitation of the mark. The maximum penalty is four years' imprisonment and/or a fine of up to €67,000.

The fact that, from a criminal law perspective, a person is found not guilty does not mean that from a civil-law perspective no liability arises.

## 9. Compensation "ex aequo et bono" ("according to what is right and good")

Compensation *ex aequo et bono* will be specifically awarded when the tangible loss suffered is unclear.

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Banning Advocaten



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## Poland

### 1. Legal basis for compensation

In Poland, the legal basis to enforce financial claims for infringement of the right of protection for a trade mark is the Act of June 30, 2000 on Industrial Property Law. Art. 296 of this Act provides for the possibility to require the defendant to surrender unlawfully obtained profits and, and to claim damages where the defendant is culpable.

### 2. Assessment of damage suffered

Lost profit is one type of damage that is taken into account. Evaluation of whether the damage in the form of lost profit occurs is made based on the principles of the Civil Code. The claimant must produce evidence of the amount of profit actually lost and define causal relations between the trade mark infringement and the lost profit. This is very difficult owing to the fact that the amount of profit on sale of the goods may be affected not only by the trading in the counterfeit goods, but also by other connected factors.

There is not one rule or methodology for calculating the appropriate compensation. Polish courts use various methods, the basic point of reference being the amount of goods that the claimant would have sold but for the defendant's infringement. For this purpose claimant's documents showing the amount of goods sold prior to the introduction of infringing goods into the market, decrease in sales of the claimant's goods and a prognosis of sales of the claimant's goods will be considered. The courts examine all these elements frequently with help of experts in accounting.

Since Polish courts require very scrupulous calculations of the profit actually lost, which is very hard to evidence, financial claims in this scope are often dismissed, or the courts use the rule of moderation of the amount of indemnity, i.e. adjudicate the appropriate sum according to their own assessments based on consideration of all circumstances of the case.

The courts also take into consideration other factors when assessing the amount of compensation. When a renowned trade mark is subject to infringement, the claimant must also file documents evidencing the renown of the mark as well as evidentiary support for the claimed detriment to the renown as well as the scope of the detriment. For this purpose, the claimant may file a valuation of the mark, where one of the elements is renown of the mark. When adjudicating the sum for the benefit of the claimant, the courts do not state what part of this sum is compensation for the renown lost or its depreciation. Polish law does not provide for compensation for a moral detriment that the trade mark infringement has caused.

### 3. Award of the unfair profits made by the Defendant

It is possible to enforce claims for payment of both the profit lost by the claimant and the profits unlawfully obtained by the defendant. This means that where the claimant provides evidence of both the amount of lost profit and of unlawfully obtained profits, the court may award both.

The amount of unlawfully obtained profits is calculated by reference to documents showing the sales of infringing goods and the account books of the defendant, who is obliged to file these with the court. As with the case of evaluation of the lost profit, while examining the amount of unduly obtained profits, the court is assisted by experts in accounting. The court also takes into consideration the prognosis of sales of the claimant's goods bearing the mark. In this case



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the court may use the rule of moderation of the amount of indemnity referred to in paragraph 2 above.

#### **4. Commercialisation**

This will depend on the provisions of any licence agreement between the claimant and a licensee. If the amount of the licence fee is dependent on the quantity of goods bearing the mark that are sold, the court will have to evaluate the profit lost in the way referred to in paragraph 2 above, based on the documents filed with the court files and determine the amount of the profit lost. It would be difficult, in turn, to evidence the amount of the lost profit if the licence agreement provided for a flat licence fee for using the mark regardless of the amount of sale of goods bearing the mark.

#### **5. Knowledge of infringement**

According to Art. 296 of the Act of June 30, 2000 on Industrial Property Law, the claimant may demand compensation for damages when the defendant is culpable of infringement. Furthermore, regardless of the defendant's culpability or its degree, the claimant may demand the surrender of profits unlawfully obtained as a result of trade mark infringement. The aspect of culpability is a new change introduced into the Polish law in connection with the provisions of the Directive 2004/48/EC and, therefore, Polish courts have no practice in this scope so far, in particular concerning the influence of culpable trade mark infringement on the amount of the damages.

#### **6. Award of costs incurred by the Claimant**

The general rule is that the losing party pays the court costs. When the parties are represented by their attorneys, the court's decision on recovery of the costs includes the costs of legal representation. These cannot be higher than six times the amount provided for in the regulations on fees for attorney's work in civil proceedings. The refund of the costs, beside the costs of legal representation, also covers the refund of the expenses that emerged during the process with relation to the necessity to conduct evidentiary proceedings by the court (eg, an expert opinion, translation costs, etc). Hence, the costs awarded to the claimant in the case of a positive conclusion are an independent category from the compensation or unduly obtained profits that the court awards because of infringement of rights in a trade mark.

#### **7. Punitive damages**

Polish civil procedure does not recognize punitive damages. Instead, it is possible to prosecute infringers based on criminal provisions provided for both in the Act referred to in paragraph 1 above and under the Criminal Code.

#### **8. Criminal sanctions**

Under Art. 305 of Industrial Property Law, anyone who produces counterfeit goods for the purpose of placing them on the market or who places them on the market, shall be liable to a fine, limitation of freedom or imprisonment for a period of up to two years. A person who persistently commits infringing acts or commits and infringement of goods of high value shall be liable to imprisonment for a period from 6 months to five years.



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**9. Compensation “ex aequo et bono” (“according to what is right and good”)**

Polish civil procedure regulations do not provide for damages “*ex aequo et bono*”. Instead, the court may apply the rule of moderation of the amount of indemnity.

Jaroslav Kulikowski  
Kulikowska & Kulikowski



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## Romania

### 1. Legal basis for compensation

Under Romanian law, monetary compensation for torts infringing the provisions of the law on trade marks and geographical indications no. 84/1998 ("Trade Mark law") can be granted following the general civil law principles which govern the legal regime of civil tort liability.

Articles 998 – 999 of the Romanian Civil Code ("RCC") provide that: "Any deed of a person causing damages to another party, compels the person who caused the misdeed and damages to provide for reparation. One is responsible not only for the damages [willingly] caused by one's own deeds, but also for those caused by negligence or imprudence."

### 2. Assessment of damage suffered

Under the Trade Mark law there is no explicit manner to assess the damages claimed for trade mark infringement. The Trade Mark law makes reference to general civil law principles. Such principles contain no express provision to determine the amount of lost profits.

Therefore, the criteria employed by the courts vary from one situation to another. Reference can be made to the net profit that the trade mark owner could have made from sales of its own product (provided that such sales can be ascertained by proofs), or to the equivalent of the goods sold by the infringer. In assessing the damages thus incurred, the court will not analyse potential customers of the rights holder, but actual customers that the right holder had at the time of the infringement.

Since, notwithstanding the criteria used, their aim is to determine with reasonable certainty the amount of the damages incurred as a result of trade mark infringement, in most such cases the court would most probably order the carrying out of both a technical and an accounting judiciary expertise.

Compensation for depreciation of the appeal or reputation of trade mark may constitute grounds for the recovery of moral damages. As regards the criteria employed to establish the amount of moral damages awarded, case law generally argued that "one cannot make use of material proofs in order to assess moral damages, the judge being the only one who can assess... a global sum able to compensate for the losses caused as a result of the perpetrator's deed."

Therefore, the present tendency of Romanian case law when assessing moral damages is to avoid the arbitrary, by making use of material proofs relevant to determine the extent of the moral damages awarded, but not their nature.

### 3. Award of the unfair profits made by the Defendant

Damages suffered by the trade mark holder as a result of trade mark infringement are made up of the caused loss (actual damage suffered) and the lost profit. The unfair profits made by the tortfeasor may fall under the lost profit.

However, there is no legal provision compelling the court to assess the damages based on the unfair profits made by the tortfeasor. Moreover, there is no unequivocal connection between the lost profit of the trade mark owner and the unfair profit made by the infringer and thus some courts disregard this damage criterion altogether. Should the unfair profit be taken into account, its assessment will be done by means of judiciary expertise.



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#### **4. Commercialisation**

The trade mark owner does not need to have suffered any concrete damage, nor does actual damage have to be present. The rights granted under the Trade Mark law are “privative” rights (prohibiting all third parties from infringing them) and, therefore, any violation of such rights must be properly sanctioned, notwithstanding whether an actual commercialization under the infringed trade mark has been carried out or not.

#### **5. Knowledge**

Under Romanian law, if committing the infringement “unknowingly” designates a lack of any guilt (however mild), the deed is not punished. If there is presence of some guilt (in the form of negligence), then the infringement is punishable.

However, the degree of guilt may have an influence upon the amount of damages to be awarded by the court. Thus, the guilt is not the determining factor as regards full or partial reparation of the damage, but only as regards its amount. Consequently it has been argued that indemnification is not awarded to punish an offence, but to repair the damage and therefore, the guilt’s nature (voluntary or involuntary) can be taken into account only in order to determine the extent of the damages awarded.

#### **6. Award of costs incurred by the Claimant**

Expenses borne by the trade mark owner during the judgment of the claim for damages, filed as a result of the trade mark infringement (e.g. attorney’s fees, expert’s fees and so on) can be recovered from the tortfeasor, provided that the rights holder receives a favourable judgment on the merits.

#### **7. Punitive damages**

Under Romanian law the award of damages is only compensatory, not punitive. As a result, the court will always establish a just and complete indemnification, notwithstanding the financial background of either the victim or the tortfeasor.

On the other hand, Romanian law provides criminal sanctions for trade mark infringements and therefore the punishable character is observed by means of the criminal law.

#### **8. Criminal sanctions**

According the Trade Mark law, the performance of, inter alia, any act of infringement, imitation or unlawful use of a trade mark with the intent of misleading the public as to the quality of the goods or services to which the trade mark applies, by a person not having the consent of the owner of the registered trade mark, shall constitute an offence, for which the perpetrator will be liable to imprisonment of between three months and three years or a fine of 15 million Lei.



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**9. Compensation "*ex aequo et bono*"**

Although the equity principle (or the "*ex aequo et bono*" principle) is part of Romanian law in a limited sphere (as regards eg the fulfilment of agreements), there is no example of case law granting compensation "*ex aequo et bono*" in respect of damages for trade mark infringement.

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Cosmin Cristian Vasile,  
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## Slovakia

### 1. Legal basis for compensation

Article 26 of the Act no. 55/1997 Coll. on Trade Marks (the “Act on Trade Marks”) provides the legal basis for compensation for trade mark infringement. The rights under the Act are invoked by trade mark infringement rather than damage. If violation of the trade mark results in damage, the injured party is entitled to have his damage compensated. If the infringement results in non-pecuniary damage, the claimant is entitled to claim a reasonable compensation that may take the form of a pecuniary award.

### 2. Assessment of damage suffered

Lost profits are recoverable provided the claimant provides evidence to support the amount of his claim. The court will always consider the relevant circumstances and evidence to make its decision. There are no specific set rules for fixing the amount of compensation.

The Courts of the Slovak Republic could take various factors into account in assessing monetary compensation for losses and for non-material harm. Each specific case is considered and it is not possible to determine any general principle.

### 3. Award of the unfair profits made by the Defendant

The legal basis for an award of unfair profits is set out by the Slovak Civil Code and Commercial Code instead of the Act on Trade Marks. Article 451 of the Slovak Civil Code states that anyone who gains unfair profits (unjust enrichment) to the detriment of another person shall surrender those profits.

Similarly, according to Article 53 of the Slovak Commercial Code, the subject harmed by unfair competition is entitled to demand the payment of the unfair profits gained by the unfair competition.

Unfair profits can be claimed only if the conditions for equal compensation in respect of damages are not met fulfilled.

### 4. Commercialisation

The type of award that the court makes depends upon the potential or real results of infringement. Lost profit is understood to be the potential profit that the claimant would have made had the defendant not infringed the trade mark. If this kind of profit does not exist then the claimant cannot be compensated for it. In such a case, the claimant could sue for a retraining order and for some form of satisfaction for non-material harm.

### 5. Knowledge

The fact that the defendant knowingly or unknowingly infringed the trade mark does not affect the amount of compensation. The principle of “objective responsibility” is to be applied in these circumstances.



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#### **6. Award of costs incurred by the Claimant**

The Code of Civil Procedure enables the successful claimant to reclaim its costs involved in protecting its trade mark. If the claimant has only partial success the court will award costs in a proportionate way. Alternatively the court may decide not to award any costs.

#### **7. Punitive damages**

Courts in the Slovak Republic do not impose direct punitive damages, because national legislation does not provide for this form of damages.

#### **8. Criminal sanctions**

The Slovak Criminal Code governs the criminal sanctions for trade mark infringement. Those who infringe trade marks belonging to another may be punished by up to one year, may be fined, or may have to forfeit the infringing goods.

#### **9. Compensation “ex aequo et bono” (“according to what is right and good”)**

Compensation on this basis is not usually granted. Any compensation must be justified by reference to all relevant conditions. However, in some circumstances where the compensation claimed is not quantifiable in monetary terms and the claimant asks for a symbolic amount, the court may use award it, even when a higher amount of compensation would not be granted.

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Dedák & Partners



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## Slovenia

### 1. Legal basis for compensation

The Slovenian Intellectual Property Act of May 23, 2001 as last amended in February 2006 (the IP Act) provides liability to pay compensation for trade mark infringement.

Article 121a of the IP Act provides that:

*(1) For infringements under this Act, general rules governing causation of damage shall be applicable, unless otherwise provided by this Act.*

*(2) The infringer shall pay to the owner of the right damages in the amount to be defined under general rules on compensation for damage, or in the amount which is equal to agreed or customary license fee.*

Consequently the claimant can choose from among the following options:

- (a) compensation for loss actually suffered;
- (b) transfer of profits made by the defendant; or
- (c) a fictitious royalty, based on a licence analogy

### 2. Assessment of damage suffered

The lost profit is determined by the Slovenian Code of Obligations as a profit which may be expected in certain circumstances and in a normal course of the events, which were not achieved due to the committed infringement.

The calculation of damages from the perspective of lost profits has no practical significance, namely the claimant is required to prove that its loss of profits was *actually* caused by the infringement. Very exact evidence of the causality between infringement and lost profit is required. It is not assumed that the claimant would have sold the same quantity of products (or a certain percentage thereof) as the infringer. Thus, the court has to establish the volume of sales which were achieved by the infringer on the submitted relevant evidence of sale. If the damages cannot be established by the submitted relevant indicators, then a financial expert is appointed in order to estimate the amount of damages.

Additionally, the claimant can request the reimbursement of non-material damages suffered because of the adverse effect on its reputation as a legal person. The damages are evaluated with respect to all circumstances, wherein the burden of proof shall lie with the claimant.

### 3. Award of the unfair profits made by the Defendant

This depends on the circumstances of the case, namely, if there is evidence that unfair profit was made by the infringer, the amount thereof can be taken into consideration.

The claimant may use the infringer's net sales as a starting point. However, the infringer is required to prove those costs which are sufficiently related to the sales in question and correspondingly, that reduces the amount which the claimant can recover as unfair profit.



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#### **4. Commercialisation**

The fact that the claimant may not itself have commercialised the goods will be the essential element for proving the actual suffered damages. However, if the claimant's licensee sold the goods, the claimant/licensee would be in a position to claim for lost profits. The important fact is that the person who actually suffered the damages must sue the infringer.

#### **5. Knowledge of infringement**

Liability for damages exists when the infringer acts with intent or out of negligence. However, negligence can be easily assumed and includes cases where the defendant failed to exercise due care in investigations into the possibility of infringement of the trade mark.

#### **6. Award of costs incurred by the Claimant**

The main rule is that all the costs of the proceedings have to be paid by the losing party, i.e. the losing party has also to reimburse the costs to the winning party. This also means that if the defendant loses the dispute it must bear its own legal costs as well as those caused to the claimant in the procedure.

The exact amount which has to be reimbursed by one party to the other is always approved by the Court in its final judgment.

#### **7. Punitive damages**

There is no provision for punitive damages under the Slovenian law.

#### **8. Criminal sanctions**

Under the Slovenian Criminal Law, a penalty of a (maximum) three-year imprisonment is laid down for trade mark infringement.

#### **9. Compensation "ex aequo et bono" ("according to what is right and good")**

The Slovenian IP Act does not include any provision for this. The legal practice concerning this issue has so far been quite poor so no award in the sense of compensation "ex aequo et bono" compensation has been imposed.

Vesna Kovič  
Patentna pisarna d.o.o.



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## Spain

### 1. Legal basis for compensation

In Spain this is regulated by Spanish Trade Mark Act 17/2001. Title V, Chapter III of the Act, Section 43 deals with Quantum of damages and Sec 44 with "Coercion indemnity".

### 2. Assessment of damage suffered

Under Section 43, the indemnity of damages comprises not only lost profit, but also earnings not obtained by trade mark owner as a consequence of the trade mark infringement. The mark holder may also claim indemnity for any damage caused by the infringing party to the mark's prestige.

To establish lost profit it shall be taken into account, at the discretion of the damaged party:

- a. Economical negative effects, amongst them, profits that the trade mark owner would have obtained by using the mark if the infringement had not occurred and the benefits obtained by infringer as a consequence of such infringement. Moral damages shall be awarded even in the case that no economic damage is proven.
- b. The price the infringing party would have had to pay to the holder for a license to use the mark lawfully.

The criteria to determine the indemnity quantum include the public knowledge, recognition and prestige of the mark, and the number and type of outstanding licences at the time the infringement commenced. The quantum of damage to the mark's prestige will also be affected by the circumstances of the infringement, seriousness of the damage and awareness in the market. The owner of the mark, in order to determine the quantum of damages, may require the responsible party to produce any documents thereof useful for such purpose.

Under Section 44, whenever a court orders the cessation of any acts infringing a mark, it shall determine a "coercion" indemnity not below € 600 per day until the infringement actually ceases. The amount and initial date of such indemnity shall be provided in the judgment execution proceedings.

Although the law appears to be very clear, the interpretation of this requirement from Court to Court varies substantially. Different Judges have different approaches, and thus some tend to grant higher damage awards, others are quite strict with procedural requirements. Supreme Court of Spain has a jurisprudence line which establishes that in any case, what is to be repaired is strictly the damage caused and proven.

### 3. Award of the unfair profits made by the Defendant

The owner of a mark which is held to have been infringed is entitled, in any case and without need to produce any evidence, to one per cent of the infringing party's turnover resulting from the unlawfully marked products or services, on account of indemnity for damages. The holder of the mark may also require a larger indemnity upon demonstrating that the infringement of the mark resulted in any further damages.

The main issue here is the type of books of account that the infringer has. In the case of an average company, this is relatively easy, as access to books and records is granted by law.



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Regarding the possibility of granting both profits obtained by infringer as well as those not obtained by trade mark owner, this is a matter which is still under dispute. From my point of view this would amount to a non-justified enrichment by trade mark owner, which would receive double damage for the same acts.

#### **4. Commercialisation**

Where the trade mark owner has commercialised goods through a third party such as a licensee, the owner's right to compensation will not be affected. However, where the trade mark owner has not used the trade mark at all for over five years the infringer may ask for cancellation of the mark for non-use. Where there is less than five years' non-use then the owner will be awarded damages on the basis of a hypothetical licence.

#### **5. Knowledge**

The infringer will be held responsible for damages only (a) if it was previously and sufficiently warned by the trade mark owner or by any other person duly entitled to take steps to protect the mark, or (b) where the infringing party was negligent, or (c) where the relevant mark is well-known and recognized.

#### **6. Award of costs incurred by the Claimant**

Legal fees are awarded separately from damage claim, and have a legal cap. Trade mark infringement cases are defined as "non defined value claims" because at the outset the trade mark owner cannot assess the value of the damage. Only if the court orders all claims i.e. declaration of infringement, cessation of use, damages etc, will the court also grant legal fees. The normal cap to this award varies from 3000 to 5.000 euro.

In addition, the award may include, on its case, the investigation costs associated with obtaining the evidence of the infringement which is the subject of the Court action.

#### **7. Punitive damages**

Punitive damages are not available under Spanish law. The only similar type of award is the "coercion" indemnity of not below € 600 per day until the infringement actually ceases, referred to in paragraph 2 above.

#### **8. Criminal sanctions**

Criminal sanctions may be imposed, but the scope of this is limited to blatant copies. The trade mark owner can participate in the action alongside the Public Prosecutor.

#### **9. Compensation "*ex aequo et bono*"**

There no instances of compensation being awarded on this basis. If the trade mark owner cannot prove damage on the basis of evidence then it is unlikely it will be compensated.

Salvador Ferrandis  
Delvalle-Abogados



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## Sweden

### 1. Legal basis for compensation

According to Section 38 in the Swedish Trade Marks Act (1960:644) the infringer shall, if the infringement is considered willful or negligent, (i) pay reasonable compensation for the use of the trade mark and (ii) pay compensation *for the further damage caused by the infringement*. If the infringement is considered unintentional, the infringer shall pay compensation only if and to the extent as found reasonable.

### 2. Assessment of damage suffered

In Sweden assessment of damages for the violation of trade mark rights is based on a mix between the grounds of violation of property proprietorship and civil liability. On one hand, the trade mark proprietor is entitled to monetary remedy in an amount corresponding to a *reasonable compensation* for the use of the trade mark. On the other hand, general principles of tort law apply for compensation for *further damage*.

One common way to calculate the *reasonable compensation* for the use of the trade mark is to base it on the royalty that the trade mark proprietor normally applies in his business or the corresponding level of royalty used in similar business, alternatively, an assumed royalty should the trade mark proprietor have agreed to license his trade mark to the infringer.

*Further damage* includes lost sales, price erosion, internal costs and losses, goodwill damage, costs for marketing etc. Such a claim is in most cases a complicated task to complete. The possible compensation for further damage, in addition to the compensation for use of the trade mark, shall not result in an over-compensation for the trade mark proprietor.

### 3. Award of the unfair profits made by the Defendant

According to the preparatory works of the Swedish Trade Marks Act, the court may consider the sales and profit made by the infringer. It does though largely depend on the circumstances in the case and in particular on the parties' argumentation in the case.

In case the damage is calculated on the infringers' profit, the profit can be defined as the profit the infringer would have obtained if he had sold the products at the price corresponding to the price of the original products, at least as concerns counterfeit products. This alternative calculation can many times render a higher damage since the infringing products many times are manufactured at lower cost than the original products.

### 4. Commercialisation

Whether or not the trade mark proprietor commercialises the trade mark does not affect its right to claim compensation. However such factors as investments by the trade mark proprietor and the extent of it in order to make the trade mark known may support that the trade mark is a valuable trade mark and information about the investments can be used as evidence to support the claim for *further damages*, especially with regards to the goodwill damages suffered.



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## **5. Knowledge of the infringement**

Monetary remedy for violation of trade mark rights in an amount corresponding to reasonable compensation for the use of the trade mark is available in circumstances where the violation was committed negligently or intentionally. In the event a violation has taken place but was committed unintentionally, monetary remedy is still available if and to the extent that this is considered reasonable. It shall be noted that if the infringement case concerns a registered trade mark, the courts always considers the infringement to be at least negligent.

A monetary compensation should be provided to the trade mark proprietor with a higher sum in cases of intentional violation of trade mark rights than in cases of negligent violations. Thus, by defining counterfeiting and piracy of trade marks as intentional violations of the trade mark rights these forms of violation should have an impact on the monetary compensation when compared to negligent infringement of trade mark rights, but not when compared to intentional infringements. In the preparatory work it is also stated that the period the infringement has taken place and the degree of guilt of the infringer's side should have an impact on the amount of damages. The aim is however that the owner of the right should have full compensation for its loss, not more.

## **6. Award of costs incurred by the Claimant**

According to the fundamental rule of the Swedish Code of Judicial Procedure (Chapter 18 Section 1) the losing party shall compensate the winning party's costs and expenses in the concerned infringement proceedings. Deviation from this may follow of other sections in the Code of Judicial Procedure, but there is no special exception for infringements and there is no exception mentioned in the Swedish Trade Marks Act.

## **7. Punitive damages**

Compensation similar to the punitive damages applied in some jurisdictions is not applied in Sweden. However in certain cases reasonable remuneration for the use of the trade mark may exceed the actual damages suffered and can therefore be regarded as a kind of punitive damage to compensate the trade mark proprietor in general for the infringement occurred.

## **8. Criminal sanctions**

According to Section 37 in the Swedish Trade Marks Act, an infringer in cases of intentional or gross negligent infringements can be sentenced to a fine or up to two years of imprisonment. According to the same Section, preparation for and attempted infringements of such kind may also be punished according to Chapter 23 of the Swedish Penal Code (1962:700).

However, a claimant must file a criminal complaint and the Swedish Prosecutors Office must also consider prosecution of the infringement to be of public interest, for there to be a criminal case. This is quite uncommon.



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**9. Compensation “ex aequo et bono” (“according to what is right and good”)**

According to general rules of evidence, the trade mark proprietor has to prove the scope of damages incurred. Swedish Code of Judicial Procedure (Chapter 35, Section 5) provides that the court may estimate the damage to a reasonable amount if full evidence cannot be presented at all, or only with difficulty, or if the evidence can be assumed to entail costs or inconvenience not being in a reasonable proportion to the size of the damage and the claim concerns only a lesser amount.

Ann-Charlotte Söderlund & Mikael Ludwigs  
Gozzo Advokater



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## Switzerland

### 1. Legal basis for compensation

The Federal Law on Protection of Trade Marks and Indications of Source of 28 August 1992 ("LPM") does not provide for specific rules governing monetary compensation.

Article 55 § 2 LPM merely provides that a claimant may, in accordance with the Code of Obligations ("CO"), institute proceedings for damages and for moral prejudice, and may require the surrender of profits in accordance with the provisions on agency without authority. Even though it is not mentioned in Article 55 § 2 LPM, the claimant may also base his claim on the rules regarding unjust enrichment.

### 2. Assessment of damage suffered

Compensation for lost profits based on Article 41 CO (liability originating from tort) has to be distinguished from the surrender of profits in accordance with the provisions on agency without authority or from unjust enrichment. Three methods have been recognised by the Federal Supreme Court in order to calculate the *lost profit*:-

- (i) The actual or direct damage. The claimant has to establish the profit he would have made if his rights had not been infringed. He will base his claim on the fall (or non-increase) in his turnover. However, in practice, it is very difficult to prove that the fall or non-increase in his turnover is the result of the infringing activity of the defendant. However, the court has a discretion to estimate the amount of damages.
- (ii) The "*fair royalty*" method. Here, the damage is calculated on the basis of the amount of a hypothetical licence agreement between the claimant and defendant. The claimant has to establish that he would have concluded the said licence agreement in "normal" conditions. If it appears that a licence agreement would never have been concluded, this method is not applicable.
- (iii) This is based on the profit made by the defendant. However, contrary to the rules on surrender of profits in accordance with the provisions on agency without authority based on Article 423 CO (see paragraph 4 below), the claimant has to prove that, but for the defendant's actions, he would have been in a situation where he could have made the *same* profit.

Compensation for depreciation and dilution is possible. However, the claimant will, more often than not, encounter difficulties in proving the amount of damages. In this case, the Judge will assess damages at his discretion.

### 3. Award of the unfair profits made by the Defendant

Article 423 CO enables the Court to order the surrender to the claimant of profit made by the defendant. The claimant does not need to establish his own damages (or that he would have been in a position to make the same profit as the infringer), but he merely has to prove the amount of profit actually made by the defendant. Even if the claimant would not have been in a position to make any profit himself, he may nevertheless claim the surrender of profit made by the defendant.



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However, the Federal Supreme Court has ruled that this action based on Article 423 CO is only possible if the claimant can prove bad faith on the part of the infringer. The amount of unfair profits is calculated by reference to the net profit made by the defendant or the amount of royalties that the defendant would have had to pay to the claimant under a licence agreement.

If the defendant has not acted in bad faith, the claimant may still base his action on unjust enrichment (Article 62 CO).

#### **4. Commercialisation**

A claim based on Article 423 CO (surrender of profit) or Article 62 CO (unjust enrichment) is independent of whether or not the claimant actually commercialises the goods concerned. On the contrary, as already stated in paragraph 2 (iii), in an action based on tort (Article 41 CO), the claimant has to prove that he would have been in a position to make the same profit as the infringer, which is not the case if he himself does not commercialise the goods concerned.

#### **5. Knowledge of the infringement**

The effect on compensation of the defendant's state of knowledge depends on which Article the claimant is relying upon. In an action based on tort (intent or negligence), fault is one of the necessary conditions. It is generally considered that a defendant is negligent if he uses the mark, without having carried out trade mark searches at the registry. In assessing compensation, the judge can take into account the degree of fault and may also reduce the damages in the case of simple negligence (as opposed to gross negligence or intent) by the defendant.

In an action for surrender of profits in accordance with the provisions on agency without authority (Article 423 CO), the Federal Supreme Court has ruled that this action is only possible if the claimant can prove the bad faith of the defendant. An action for unjust enrichment (Article 62 CO) is totally independent of possible fault or the bad faith of the defendant.

#### **6. Award of costs incurred by the Claimant**

The Court can award compensation for the claimant's costs and expenses in direct relation to the concerned infringement proceedings.

#### **7. Punitive damages**

Swiss law does not provide for any punitive damages.

#### **8. Criminal sanctions**

The Federal Law on Protection of Trade Marks and Indications of Source provides for criminal sanctions in case of trade mark infringements (fine and/or imprisonment). In addition, the court may order that the judgment be published at the cost of the defendant.



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#### 9. Compensation “ex aequo et bono” (“according to what is right and good”)

Swiss law does not provide for compensation on an “*ex aequo et bono*” basis. The principle is that “*whoever claims damages must prove the damage*” (Article 42 § 1 CO). However, Article 42 § 2 CO provides that, if the exact amount of damages cannot be established, “*the judge shall assess them at his discretion, having regard to the ordinary course of events and the measures taken by the damaged party*”.

Christophe Maillefer  
Gros & Waltenspühl



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## Annex I

### ECTA

#### Questionnaire on monetary compensation awarded in counterfeiting or trade mark infringement cases

##### Introduction

On 29 April 2004, the European Parliament and the Council of the European Union adopted Directive 2004/48/EC on the enforcement of intellectual property rights (hereinafter the "Enforcement Directive").

The aim of the Enforcement Directive is to tackle important disparities between Member States with respect to, amongst others, the damages awarded to trade mark owners whose trade marks have been infringed in different Member States (see section 6 of the Directive).

This leads to the question of how compensation resulting from infringement of trade marks is currently assessed in your country.

Although Article 13 of the Directive is simply headed "Damages", the text of the Article clearly envisages a broad interpretation of "damages", to include "lost profits", "unfair profits" and "moral prejudice"; or a "lump sum" based on royalties or fees". We may give this a broader term: "Monetary Compensation".

In general, compensation for trade mark infringement is based on tort liability (1) and consists of compensation for lost profits (2) and compensation for damage suffered (3). In some circumstances, the knowledge or wilful misconduct of the infringer may affect the amount of compensation (4). Compensation may even consist of punitive damages (5). Compensation may also be awarded "ex aequo et bono" in the form of the payment of a lump sum (6).

How do the Courts of each Member State treat these various elements when assessing "damages" in the broad sense?

These issues are addressed in the questions below.

##### **1. Legal basis for compensation**

*What are the general legal principles regarding monetary compensation resulting from trade mark infringements in your country?*

Comments: In some countries, the matter is ruled by general principles laid down in their civil code. In some other countries, specific rules govern the matter. What is the situation in your country?



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## **Composition and assessment of compensation for lost profits**

### *2.1. How is the amount of lost profits determined in your country?*

Comments: While it is true that it is difficult to determine the exact amount of lost profits, various criteria can give an indication, amongst which are:

- The quantity of goods sold by the infringer;
- The quantity of goods manufactured or imported and sold by the infringer;
- The quantity of goods that could have been sold by the trade mark owner if the infringer would not have sold the infringing goods: this amount is not necessarily equal to the quantity of goods sold by the infringer, notably because of the price difference. This quantity will often depend on the specific circumstances of the market involved (the degree of competition on the market, existence of similar products);
- The profits that the trade mark owner could have made on such sales: do the courts take into account the net profits or gross profits?

Do the courts of your country merely multiply the quantity of goods sold by the infringer by a fixed amount (depending on the type of infringing product concerned, e.g. 50 € for a pair of jeans, 100 € for a common watch and 500 € for an exclusive watch) or do they calculate lost profits by taking into account all circumstances and the above-mentioned criteria (or others), possibly with the help of an expert?

Please provide us with an answer on how the courts in your country generally determine the amount of lost profits and which criteria and circumstances they generally take into account in doing this, if possible with examples and references to case law.

### *2.2. Can the courts of your country, instead of, or in combination with, awarding compensation for the lost profits that the trade mark owner could have made, award unfair profits made by the infringer? If so, under what conditions?*

Comments: the Enforcement Directive provides that judicial authorities shall take into account all appropriate aspects when determining the damages, amongst which are the unfair profits made by the infringer. This seems to go beyond the system of the equivalence between compensation and damage. Does such possibility already exist in your country? How do the Courts assess unfair profits? What are the conditions for the grant of such unfair profits to the trade mark owner? Can the courts of your country grant both the profits that the trade mark owner would have made and the unfair profits?

### *2.3. Does the fact that the trade mark owner does not himself commercialize the goods affect his right to claim compensation for lost profits?*

Comments: when the trade mark owner does not himself commercialize the goods, it could be argued that he did not suffer any lost profits on the sale of the goods as he does not sell any goods. An alternative would be to grant the amount of royalties or fees which would have been due if the infringer had requested authorization to use the trade mark. To what extent can the trade mark owner obtain, in your country, compensation for lost profits on the sale of goods or other compensation if he does not himself commercialize the goods? What happens if he commercializes the goods through a subsidiary or a licensee?



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## **2. Composition and assessment of compensation for damage suffered**

- 3.1. *Do the judicial authorities of your country take into account the depreciation of the appeal and/or reputation of a trade mark and the possible resulting loss of goodwill, potential market share and other possible damage such as price erosion when determining the amount of compensation? If so, how is this part of the compensation assessed and under what conditions is such compensation granted?*

Comments: trade mark infringements often lead to a depreciation of the appeal or reputation of a trade mark and thus constitute a damage suffered. The amount of compensation for depreciation of the appeal or reputation of a trade mark is, however, often difficult to determine, which is the reason why some courts often grant compensation “*ex aequo et bono*”, in the form of a lump sum. Some factors, such as the poor quality of the infringing products or the very low prices of the infringing products, can give an indication as to the extent of depreciation of the trade mark.

Do the courts in your country grant compensation for depreciation of the appeal or reputation of a trade mark and, if so, under what conditions and how is the amount of these damages determined? Is this the “moral prejudice” referred to in paragraph 1. (b) of Article 13? If not, how do the Courts of your country assess compensation for “moral prejudice”?

- 3.2. *Do the courts in your country grant compensation for the costs borne by the trade mark owner in protecting his trade mark?*

Comments: in case of infringement of his trade mark, a trade mark owner often has to bear considerable costs (e.g. lawyer’s fees, expert’s fees, the costs for constituting a bank guarantee). Do the courts in your country take into account these costs when determining the final compensation? If so, what costs will be reimbursed and to what extent will they be reimbursed?

## **3. Does the fact that the infringer unknowingly infringed the trade mark right affect the amount of compensation the trade mark owner can obtain?**

Comments: it could be argued that an infringer infringing a trade mark right commits in principle a tort and should pay the damages resulting from such tort, even though he did not do so knowingly. However, the Enforcement Directive does not impose on Member States an obligation to lay down that judicial authorities should order the recovery of profits or the payment of compensation, but only permits Member States to do so (article 13.2. of the Enforcement Directive). Do the courts of your country take into account the fact that an infringer did not knowingly engage in an infringing activity? If so, what is the effect on the compensation granted?

## **4. Punitive damages**

Comments: where in general compensation is meant to compensate a trade mark owner for the harm done (i.e. damages suffered in the broad sense, above), punitive damages are intended to punish the infringer and go beyond compensation for the harm done, to teach the infringer that infringing does not pay. The argument is that if the compensation awarded is limited to the actual harm done, the financial risks for an infringer may not be sufficiently deterrent. On the other hand, many countries also have a sanction for trade mark infringements on the criminal level, so that punitive damages in a civil action may not be necessary.



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- 5.1. *If punitive damages are awarded in your country in trade mark infringement cases:*
- a) In what types of situations can punitive damages be awarded in civil actions?
  - b) How is the amount thereof determined?
  - c) Is there a criminal sanction for trade mark infringements in your country? If so, what are the sanctions and how do they relate to the punitive damages (e.g. can a court condemn an infringer to pay punitive damages and to criminal penalties at the same time)?
- 5.2. *If no punitive damages as such are awarded in your country, does your judicial system dispose of other means, such as criminal sanctions, to sufficiently deter potential infringers?*

**5. To what extent (if any) do courts of your country grant compensation “ex aequo et bono”?**

Comment: In some instances, it is not possible to determine the amount of lost profits and/or damages suffered. Such instances can occur for example when the quantity of infringing goods is unknown or when the infringing goods have been stopped and destroyed by the customs authorities and thus have never been sold. Do the courts of your country tend to grant, in such instances, compensation to merely cover the costs borne by the trade mark owner (or even a symbolic compensation of 1 €) or do they tend to grant a compensation “ex aequo et bono” compensating more than merely the costs borne by the trade mark owner by taking into consideration for instance the quantity of the goods seized (examples of and references to case law of the latter compensation would be appreciated)?



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## Annex II

### **Extract from the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157 30 April 2004), relating to damages**

Whereas:

(25) Where an infringement is committed unintentionally and without negligence and where the corrective measures or injunctions provided for by this Directive would be disproportionate, Member States should have the option of providing for the possibility, in appropriate cases, of pecuniary compensation being awarded to the injured party as an alternative measure. However, where the commercial use of counterfeit goods or the supply of services would constitute an infringement of law other than intellectual property law or would be likely to harm consumers, such use or supply should remain prohibited.

(26) With a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the rightholder should take account of all appropriate aspects, such as loss of earnings incurred by the rightholder, or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the rightholder. As an alternative, for example where it would be difficult to determine the amount of the actual prejudice suffered, the amount of the damages might be derived from elements such as the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question. The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the rightholder, such as the costs of identification and research.

## **Section 6 Damages and legal costs**

### **Article 13 Damages**

**1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him as a result of the infringement.**

When the judicial authorities set the damages:

(a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;

or



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

2. Where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.

#### **Article 14 Legal costs**

**Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.**