

NORDEMANN

Regional Webinar on the Calculation of
Damages for IP Infringements

Current Practice in Germany

organized by the World Intellectual Property Organization (WIPO)
in cooperation with the Hungarian Intellectual Property Office (HIPO)

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Best Lawyers
IP Law Firm of
the Year 2022

Managing IP
Copyright Law Firm of
the Year 2022

JUV **2021**
AWARDS

Kanzlei des Jahres
für Medien

The statutory provisions for the calculation of damages for IP infringements in Germany:

- § 97(2) German Copyright Act;
official English translation here: https://www.gesetze-im-internet.de/englisch_urhg/index.html
- § 45(2) German Design Act;
official English translation here: https://www.gesetze-im-internet.de/englisch_geschmmg/index.html
- §§ 14(6), 15(5) German Trademark Act;
official English translation here: https://www.gesetze-im-internet.de/englisch_markeng/index.html
- § 139(2) German Patent Act;
official English translation here: https://www.gesetze-im-internet.de/englisch_patg/index.html

Requirements

(Material) Damages

Exclusive ownership of infringed rights (standing to sue)

+

No justification for infringement

+

Fault (intent or negligence)

Compensation

lost profits

OR

infringer's
profit

OR

adequate
license
fee

Requirements

(Material) Damages

Exclusive ownership of infringed right

No justifications

**Note: German law harmonized by
Art. 13 EU Enforcement Directive 2004/48.**

lo.

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Immaterial damages

- Immaterial damages possible under German law if infringement of moral IP rights (e.g., copyright).
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- Additional requirement: Equity.
- Calculation: Usually free estimation by court.

Lost Profits

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- This means: The IP owner must disclose internal sales figures and other data to allow a plausible estimate of the profits that could have been made without the infringement.
- This method is therefore rather unpopular.

Lost profits

- The court needs to be satisfied that the loss of profits is a direct result of the infringement and not due to other factors such as changes in market conditions or the plaintiff's own business decisions.
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- This is a common issue in trademark cases where the defendant's goods are considered inferior or unpopular.

Example where lost profits were awarded:

**Illegal imitation of IP protected fashion.
The main customer of the IP owner
cancelled an order because the illegal
goods flooded the market.**

**(Surrender of the)
Infringer's profit**

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- The IP owner may ask for the entire infringer's profit.
- Even if IP owner could not have made the profit.
- Profit = turnover minus directly attributable costs (no overhead costs deducted).
- If only parts of the product IP infringing: It must be determined what share of the profit obtained was due to the IP infringement.
- German Federal Supreme Court 2009 (BGH) - *Tripp Trapp Chair*



Infringer's profit

- simplified example

- An infringer prints a copyrighted photo on a T-shirt and sells it for 30 EUR.
- The accounting shows that the infringer has directly attributable costs of 10 EUR for purchase, transport and warehousing with each T-shirt sold.
- Store rent, personnel costs etc. are not relevant as over head costs.
- The relevant infringer's profit is 20 EUR.

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- But in the infringement period, the infringer also sells the same T-shirts without photo for 20 EUR; variable costs here are 5 EUR, so the profit for the mere T-shirt is 15 EUR.
- The share of the product in the profit needs to be set = Difference between the profits generated with and without the copyright infringement = EUR 20 minus EUR 15 = 5 EUR per T-shirt.

Adequate license fee

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- Adequate license fee is likely the most common method of calculating damages in Germany.

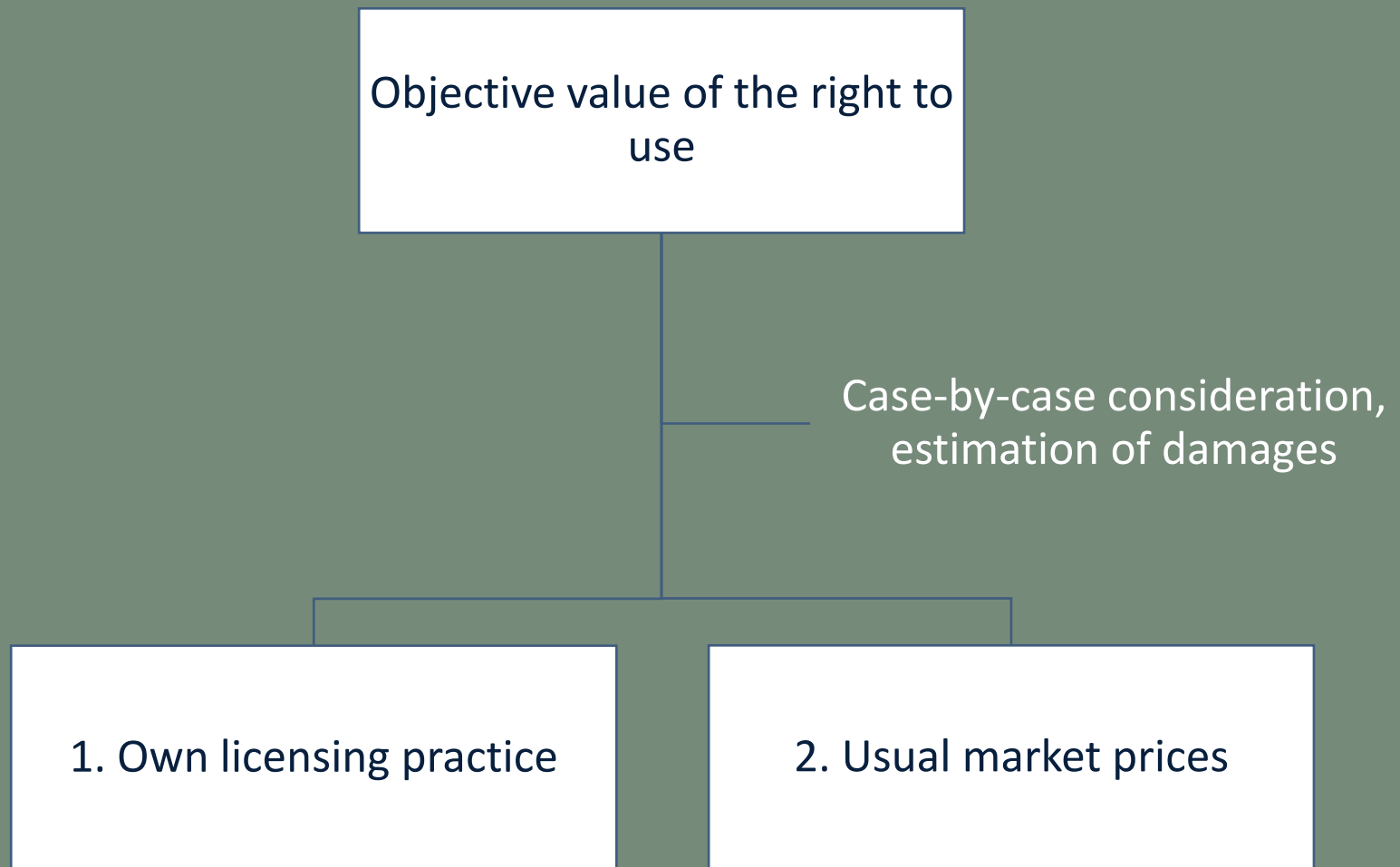
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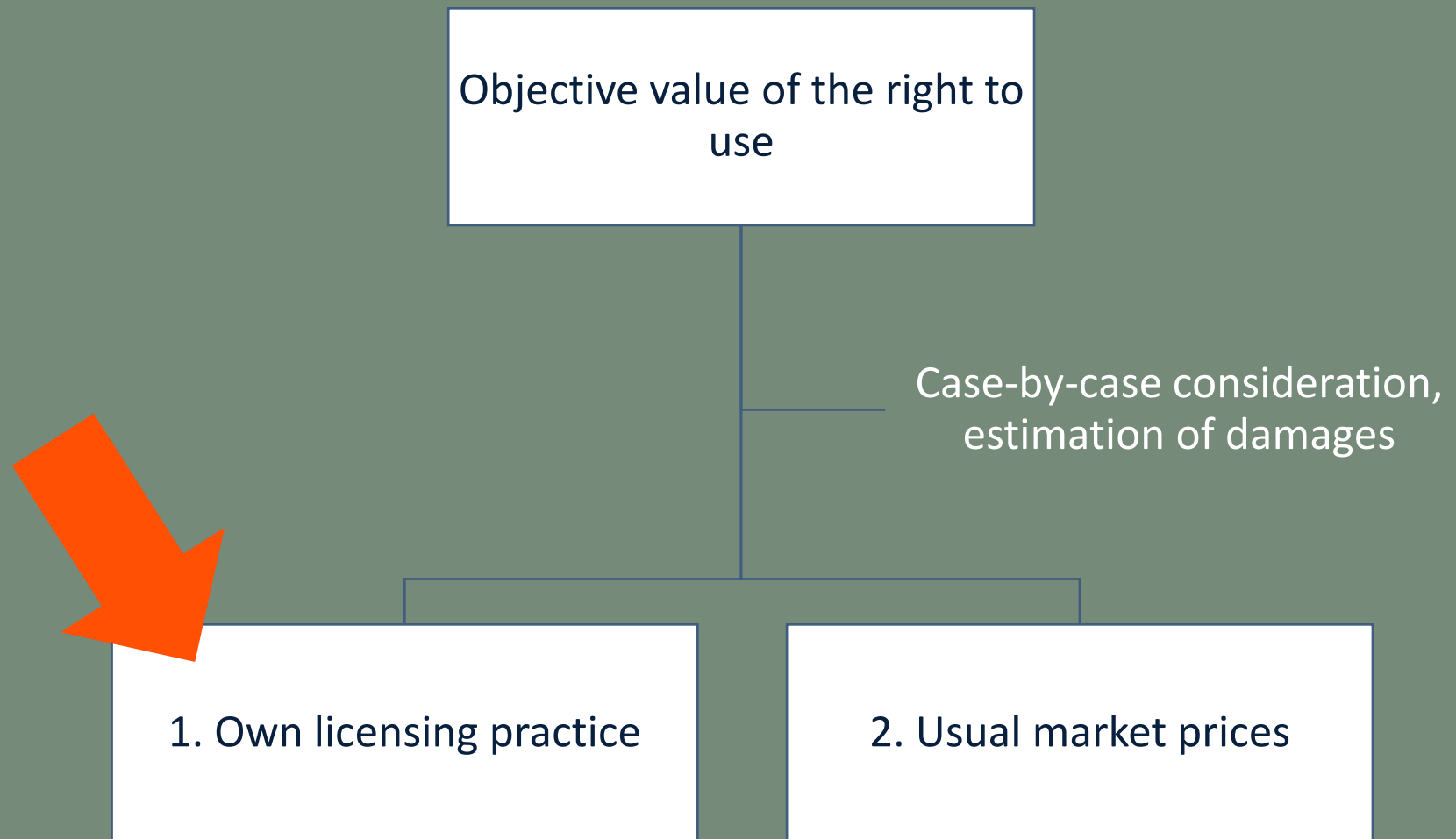
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- Adequate license fee is likely the most common method of calculating damages in Germany.
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- The conclusion of a license agreement on reasonable terms is simulated.

Adequate license fee



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Adequate license fee

1. Own licensing practice

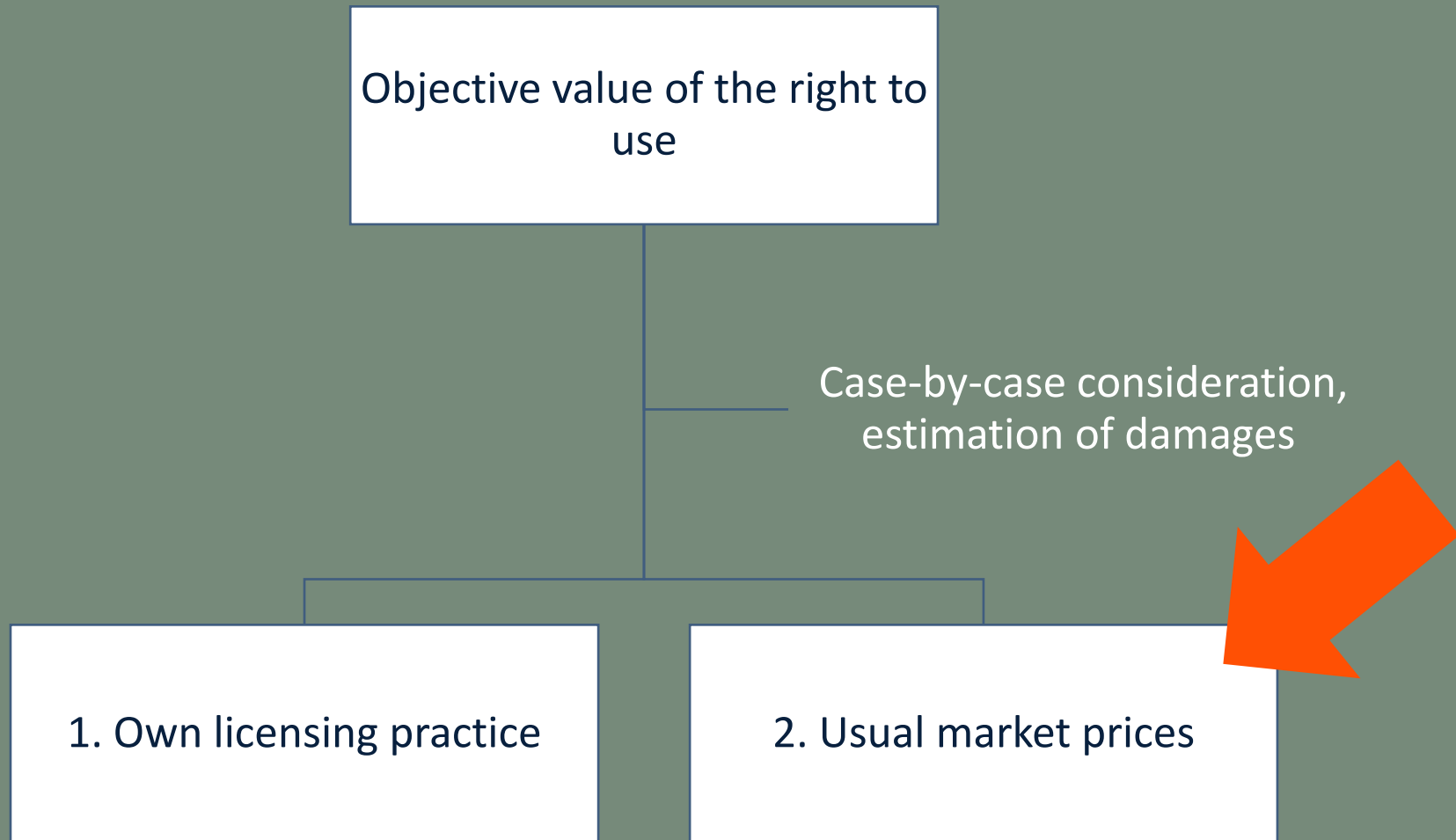
- May be above usual market prices.

Adequate license fee

1. Own licensing practice

- May be above usual market prices.
- But: Quite strict requirements for the proof.
- Own practice for **late licensing** (= licensing after warning letter) has **no** relevance to show own licensing practice

Adequate license fee



Adequate license fee

2. Usual market prices

- Only if the IP owner cannot show own licensing practice.

Adequate license fee

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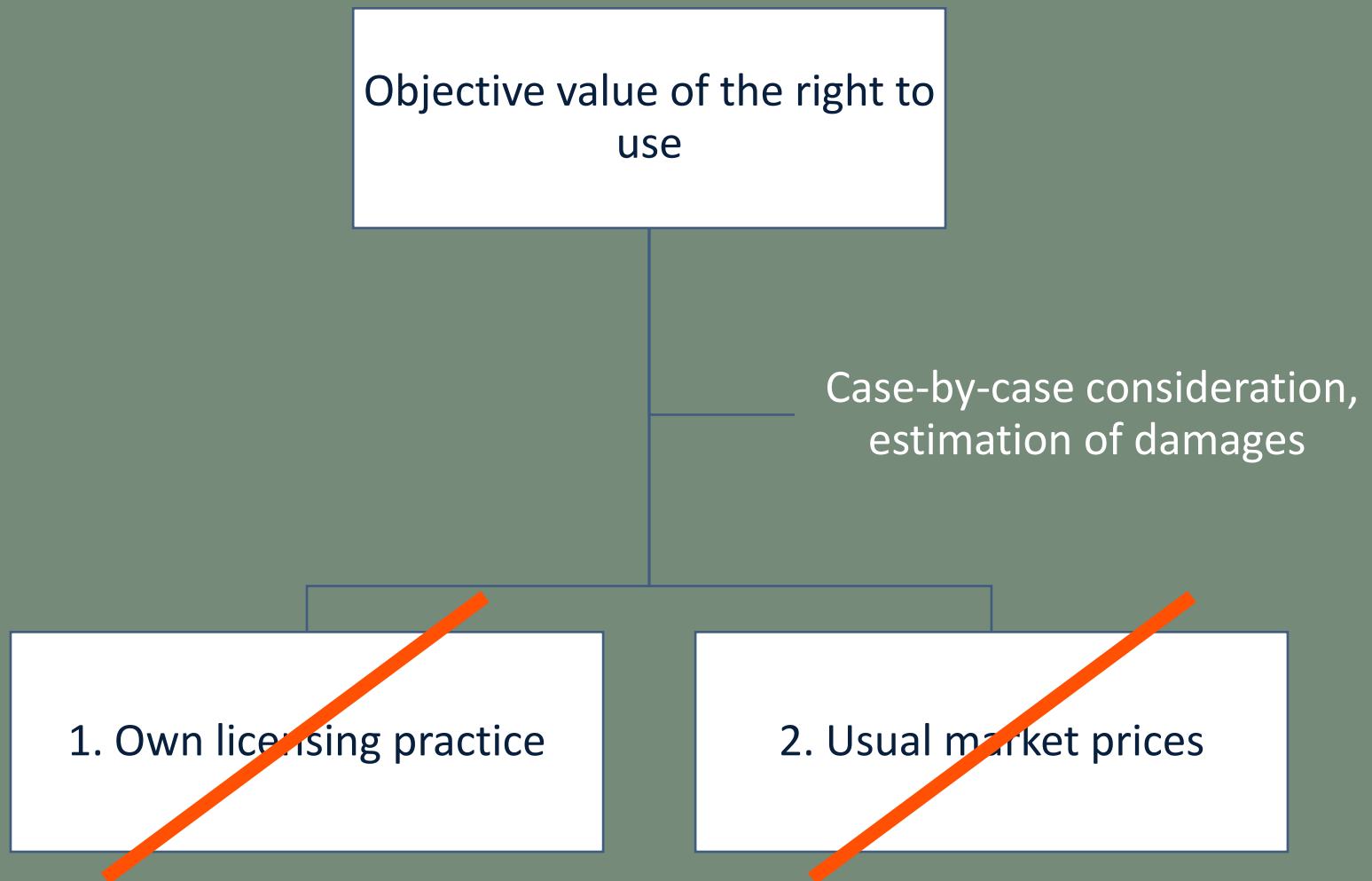
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- Reliable basis for court necessary.
 - **Price lists in market overview** (if based on reliable empirical method).
 - Copyright: Published tariffs of collective management organizations (collecting societies).

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 - **Opinion by court expert.**

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- 3. No own licensing practice and no usual market prices**
 - Free estimation of the court.

Adequate license fee

3. No own licensing practice and no usual market prices

- Free estimation of the court.
- Taking all factors into account, e.g.:
 - **Opinion by court expert.**
 - **Usual prices on other markets.**

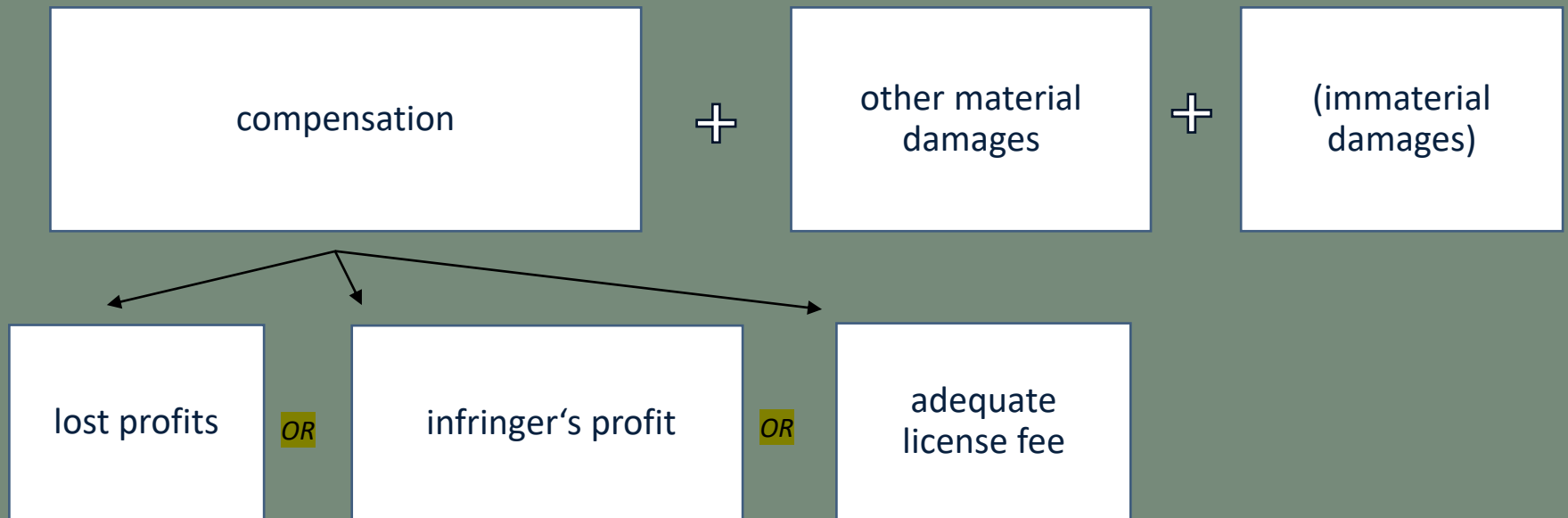
Punitive Damages?

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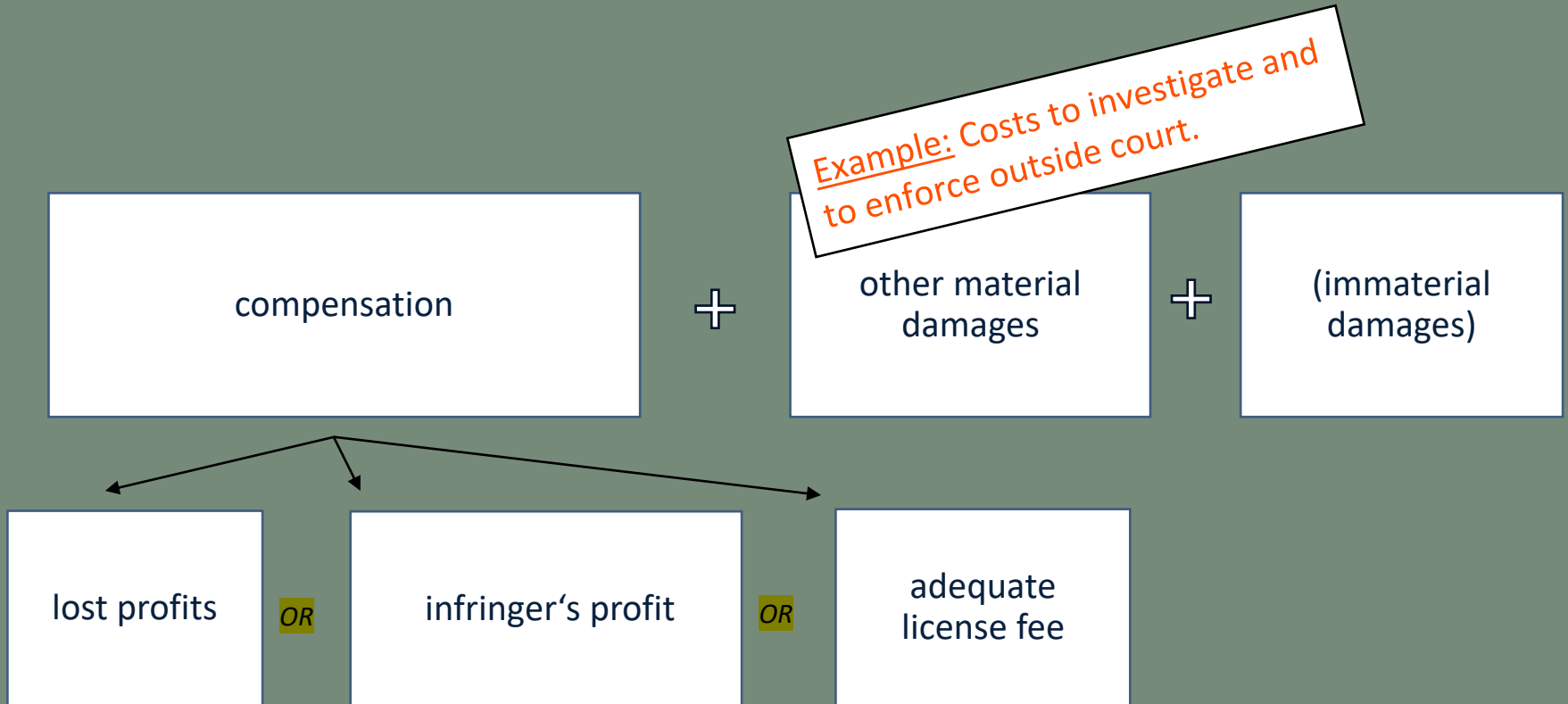
- No punitive damages (multiplying adequate license fee) in Germany.

Relationship between the calculation methods

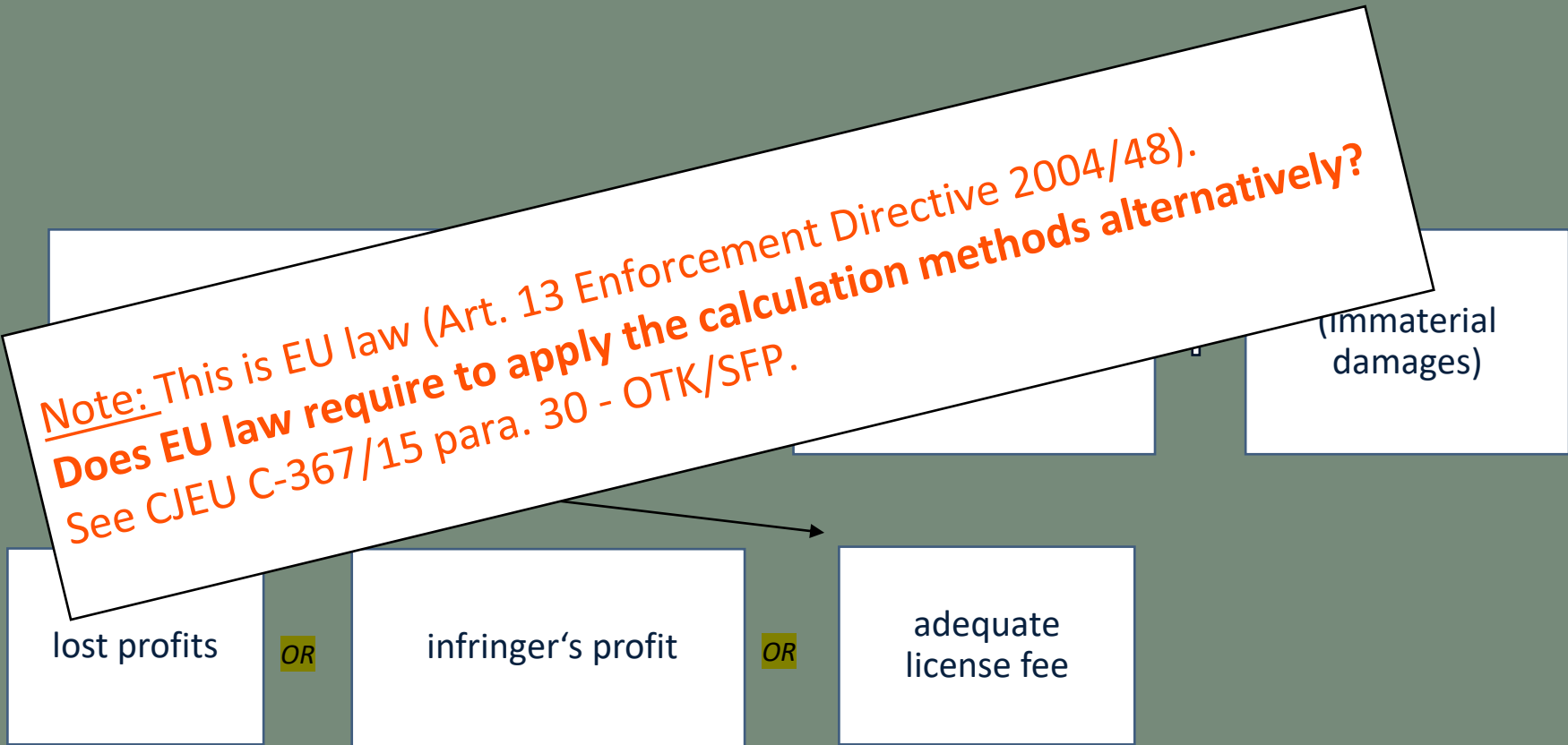
Relationship between the calculation methods



Relationship between the calculation methods



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Thank you.

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