



Damage in IP cases – legal framework and practice

Polish perspective

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Plan of presentation

- ▶ Legal framework – Article 13 of Directive 2004/48 on the enforcement of intellectual property rights and its implementation in Polish law in different fields of IP rights
- ▶ Damage compensation based on the notional license fee and its differences from ordinary civil damage compensation
- ▶ Court practise – notional license fee (evidence, data bases of royalties)
- ▶ New legal provisions since 1st July 2020 – court practice and questions

“

Member States shall ensure that the competent judicial authorities (...) 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:

- *they shall take into account all appropriate aspects... (economic and moral factors)*
- *as an alternative - 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.*

”

Article 13 of Directive 2004/48 on enforcement of intellectual property rights („enforcement directive”)

Two methods of damage compensation



Act on Copyright and Related Rights of 4th February, 1994 (article 79 section 1 point 3)

- ▶ The entitled person whose copyrights have been infringed may propose from the person who infringed these rights (..) to repair the damage caused:
 - a) on general terms or
 - b) by paying the sum of the effects in the amount of twice of the appropriate remuneration, which at the time of the claim, could be demanded by the authorized person in return of the consent to use of the artwork (*notional license fee*);
- ▶ before the adoption of Enforcement Directive (2004/48) the second method was not treated as damage compensation but as a different type of claim;
- ▶ now, it is considered to be a damage compensation, equal to the one based in the general rules;
- ▶ regardless of whether the infringement is culpable or not (*previously – when the infringement was culpable the amount of three times of the appropriate remuneration could be demanded, but this provision was found not to be in accordance with certain provision of Polish Constitution and removed from the system on the basis of Constitutional Court judgement of 23rd of June, 2015. SK 32/14*)
- ▶ the current provision on the notional license fee (twice of the appropriate remuneration) was examined by both - the EU Court of Justice and the Constitutional Court. In judgement of Constitutional Court of 5th of November, 2019 (P 14/19) the provision was found to be in accordance with Polish Constitution. In judgement of EU Court of Justice of 25th January, 2017, C-367/15 the provision was found to be in accordance with Directive 2004/48.

Act on Industrial Property Law of 30th June 2000

(article 296 section 1 point 1 and 2)

- ▶ A person whose right to protect a trademark has been infringed, may demand the person who has infringed the right (...) in the event of a culpable infringement, also remedy the damage caused:
 - 1) on a general terms or
 - 2) by paying the sum in the amount of the license fee granted or other appropriate remuneration, which at the time of the claim could be demanded by the rightholder in return of the consent to use the trademark.
- ▶ The same provision is applicable to the other of industrial property rights – e.g. patents and industrial designs.
- ▶ The requirement of culpable infringement.




Act on the legal protection of plant varieties of 26th of June, 2003 (article 36a section 1 point 3)

- ▶ The breeder whose exclusive right has been infringed may demand from the person who infringed this right (...) repair the damage caused:
 - a) on a general terms or
 - b) by paying a sum of money in the amount corresponding to the license fee which, at the time of claiming it, would be due for granting the license by the breeder - and in the event of a culpable infringement in the amount corresponding to the multiple of this remuneration, but not more than three times of it.

Resume of Part I


- ▶ in general - in all cases the rightholder can choose between damage compensation on general terms and notional license fee

- ▶ differences in the protection of different IP rights categories:
- ▶ copyrights and related rights – twice remuneration (license fee) regardless of the the culp
 - ▶ industrial property rights – remuneration (license fee) only when the infringement is culpable
- ▶ exclusive right of plant breeder - license fee in case of lack of the culp and its multiply in case of the culp (but not more than three times)



Damages based on notional license fee are very popular in IP cases in Poland

- ▶ in about 50% of IP cases damage compensation is sought (*own observation*);
- ▶ in majority of IP cases, where the rightholder seeks for the damages, the demand is based on notional license fee;
- ▶ what are the differences between „ordinary” damages compensation and damage compensation based on notional licence fee – court approach;
- ▶ what are the requirements for evidence (data bases of royalties) – court approach



Civil damage compensation – IP damage compensation based on the notional license fee

CIVIL DAMAGE COMPENSATION

- ▶ The one who seeks damage compensation must prove three conditions:
 - damage (the difference in properties)
 - the event that caused the damage
 - causal link between the event and the damage.
- ▶ The function: to compensate the damage

IP DAMAGE COMPENSATION BASED ON LICENSE FEE

- ▶ damage in the usual sense does not exist in most cases – there's no contact between the rightholder and the infringer preceding the infringement (thus, the rightholder cannot expect that the license contract will be concluded and he will receive license fee)
- ▶ according to the approach adapted by courts in Poland (and strongly supported by the doctrine) – if rightholder seeks for damage compensation based on the license fee, he does not have to prove the damage and the link between infringement and damage in the sense of civil law (different function – remuneration and reward of cost that are difficult to be estimated)
- ▶ judgement of the Supreme Court of 8th March 2012, *V CSK 102/11*; judgement of the Court of Appeal in Warsaw of 26th February 2013, *I ACa 1001/12*



Evidence requirements to establish the amount of license fee

- ▶ expert opinion is the most common way (the expert is appointed by the court);
- ▶ there are no official databases for the needs of the courts;
- ▶ but expert opinion is not the only way to look for evidence;
- ▶ sometimes party who seeks for damages provides the documents – license contracts that have been already concluded by the party with third parties. It can be the evidence, if the party who seeks the protection grants the license. But if not, he cannot be deprived of the possibility to look for the compensation based on the notional license fee;
- ▶ If not an expert opinion, nor the documents (license contracts) is there any solution?




The answer is YES 😊

- ▶ case no XXII GWwp 8/18, Regional Court in Warsaw, XXII IP Department
- ▶ two claimants (designer from Scandinavia and lamp producer) sought for damage compensation for reproduction of the artwork and distribution the forgeries;
- ▶ the artworks were wooden lamps - designed by the designer (author) and produced by the factory (producer)
- ▶ lamps were protected as industrial designs and as artworks (the claimants sought for protection on the basis of the provisions of Act on Copyright);
- ▶ the designer didn't conclude any license contract – he transferred all of his copyrights to the the producer (factory – second claimant)

How the damage compensation was established?

- ▶ the claimants, thanks to the information claim, established the number of forgeries sold by the defendants;
- ▶ the claimants, in the course of the proceedings, presented the report „Licensing royalty rates” with sworn translation into Polish;
- ▶ according to the report - average license fee for the category „Artwork – lamps” was calculated between 3% and 6%;
- ▶ the court accepted the lowest rate – 3%;
- ▶ the court estimated the damage as follows: $3\% * \text{number of forgeries sold} * \text{price of each original lamp (forgeries are much cheaper)} * 2$ (twice amount of royalty rate)
- ▶ so, the expert opinion was not needed;
- ▶ the judgement is not final – there was an appeal brought and we are waiting if the Court of Appeal in Warsaw will share the attitude of the Regional Court in Warsaw.



Last, but not least ... new provisions concerning damage compensation

- ▶ Article 479 (93) of the Code of Civil Procedure
- ▶ *If, in a case of infringement, the court finds that the strict proof of the amount of the claim is impossible, very difficult or obviously pointless, it may award the appropriate amount in its judgment based on consideration of all the circumstances of the case.*
- ▶ Whether it is applicable also to the damage compensation based on the notional license fee – it is easier to be sought that civil daamage compensation based on the general terms. Is there a space to facilitate it this way? We are waiting for the answer.
- ▶ Court practice – party has sought damage compensation for trademark infringement (well known and used in many countries) and asked for the expert opinion. The court refused to ask the expert for the opinion and decided that this amount of damage was obvious in this case (the amount of damages claimed was not high, and the trademark was well-known, and the infringement was quite long).



Thank you for your kind attention😊

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