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# IMC

Academy of Intellectual Property  
Marketing and Competition Law



Juridiska  
fakulteten

## Calculating and Determining Damages (and Damage) in an Intellectual Property Context

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# About Me

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# Legal Framework

Directive 2004/48/EC

The Swedish IP Acts

- Copyright Act, Article 54
- Trademark Act, Chapter 8, Article 4
- Design Protection Act, Article 36
- Patent Act, Article 58
- (Marketing Act, Article 37)

ECJ Cases

Swedish Court Cases



## Directive 2004/48/EC

### *Preamble*

(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.



## Directive 2004/48/EC

### *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/her 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

(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 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.



## Directive 2004/48/EC

### *Article 3*

1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.
2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.



## Swedish Law (Example)

Trademark Act (2010:1877), Chapter 9, Article 4:

Anyone who wilfully or with gross negligence commits a trademark infringement, shall pay a reasonable compensation for the exploitation of the trade symbol and compensation for the further damage that the infringement has caused. When the amount of the compensation is decided, particular consideration shall be given to

1. lost profit,
2. profit that has been made by the party that committed the infringement,
3. damage caused to the reputation of the trade symbol,
4. moral damage, and
5. the interest of the right-holder in that infringements are not committed.

Anyone who without intent or negligence commits a trademark infringement shall pay a compensation for the exploitation of the trade symbol if and to the extent that this is reasonable.

*(translation of the 2009 revision)*



# Analytical Perspective

Traditional/dogmatic approach

"The X approach"



Causation

Preventive

Calculations

Value

Actual costs

Account of profits

Punitive

Statistical data

Hypothetical costs

Compensatory

Avoiding overcompensation /  
avoiding undercompensation

Compensation /  
actual damage as  
a goal and not a  
criterion

An overall assessment

Proving the actual damage /  
evidence relief

Determining a fair amount





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# European Court of Justice

17 March 2016 – C-99/15 (Liffers)

9 June 2016 – C-481/14 (Hansson)

*22 June 2016 – C-280/15 (Nikolajeva)*

*25 January 2017 – C-367/15 (OTK)*



## C-99/15 (Liffers)

- Audiovisual work *Dos patrias, Cuba y la noche*  
Homo- and transsexual → Used in documentary  
about child prostitution
- Reasonable compensation (art. 13.1 b)
- Including moral prejudice? (art. 13.1 a)
- "as an alternative to a ... lump sum..."  
(Cf. Sec(2010) 1589 Final p. 23.)

- 
- 13.1 a and 13.1 b are not alternative methods
  - Full compensation (see purpose) includes damages  
for moral prejudice
  - (Should moral damages be proven? → Cf. Skyttedal)



## C-481/14 (Hansson)

- Plant variety rights (Article 94 of Council Regulation (EC) No. 2100/94) – LEMON SYMPHONY!

- Flat-rate infringer supplement/restitution of profits?

- Scope of reasonable compensation?

- Costs for legal proceedings

.....

- Minimum standard/e.g. punitive damages not required

- Flat-rate supplements (cf prevention) and restitution of profits not required

- Reasonable compensation includes closely related costs such as interest

- Costs for legal proceedings may in some cases include costs for a lost interlocutory application (art. 14 → art. 13)

- “It is the referring court which must determine the extent to which the damage pleaded by the holder of the variety infringed can be precisely established or whether it is necessary to set a lump sum which reflects the actual damage as accurately as possible.”





## C-280/15 (Nikolajeva)

- Article 9 of Regulation No 207/2009 (Trade Mark Regulation)
- Reasonable compensation for the unauthorized use of a mark (pending trademark registration after publication)?

- 
- Enforcement Directive, Article 13.2
  - More limited protection
  - Only recovery of profits (not, e.g., moral damages)
  - Prevention/deterrence



## C-367/15 (OTK)

- Double up (reasonable compensation)
- (Punitive damages?)
- Lump sums and causation?



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- Minimum standards
  - Punitive damages not prohibited per se – see art. 3.2 abuse of rights
  - Lump sums explicitly allowed = causation not always required



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