I. Current law and practice

Please answer all questions in Part I on the basis of your Group’s current law.

1. What non-sales infringing acts, i.e. infringing acts which do not involve sales, are recognised in your jurisdiction?

We address hereunder the question in respect of copyright (including neighbouring rights), patents and trade mark rights (i.e. the “major” IP rights).

**Copyright:** According to Article XI.165 of the Code of Economical Law (hereinafter “CEL”) unauthorized *distribution* (i.e., in essence, the sale of the original or copies of a work) is only one case of infringement, among others; infringement will, except when statutory exceptions apply, also occur in case of:

i. *(mere)* reproduction of the work (or part thereof), including by adaptation or translation;

ii. communication of the work to the public (including by making the work available on-line);

iii. the rental or lending of the work;

iv. not taking into account, even by an authorized licensee, the moral rights of the author, i.e. the rights of divulgation, paternity and respect for the work (as per Art. XI.165, §2 CEL).

The same acts are deemed infringing in respect of neighboring rights (although moral rights are granted only to performers, not producers). Likewise, the main acts reserved to the holder of the database *sui generis* right are the extraction and the reutilization of data, which do not imply any sale; only the further distribution of a competing database would be analyzed as an infringement by sale.

**Patents:** besides the *sale* of the patented products, or the products directly obtained through the patented method, Article XI.29 CEL provides that patent infringement will, but for statutory exceptions or compulsory license, occur in case of the following unauthorized acts with regard to the patented products or the products directly obtained through the patented method:
i. manufacturing;
ii. offer for sale;
iii. entry into circulation;
iv. use;
 v. importation or detention for the above.

Similarly, the unauthorized application of a method or procedure to which the patent relates, also constitutes an infringement, as well as the offer of such method or procedure, provided that the alleged infringer knows or it is clear due to the circumstances that such method or procedure requires the authorization from the patent holder.

**Trademarks:** besides the sale of products bearing the trademark (or a similar sign), Article 2.20 of the Benelux Convention on Intellectual Property (hereinafter ‘BCIP’) the infringement will, but for statutory exceptions, occur in case of unauthorized:

i. affixing of the trademark (or a similar sign) on the products;
ii. offering the goods under the sign, or stocking them for the purposes of offering or selling, or offering or supplying services under the sign;
iii. importing or exporting the goods under the sign;
iv. using the sign as a trade or company name or part of a trade or company name;
v. using the sign on business papers and in advertising;

**2 Please explain how damages are quantified, under the laws of your Group, in relation to infringing acts which do not involve sales of infringing products.**

(If the laws of your Group provided for different quantification of damages for different IP rights, please explain how damages are quantified for each type of IP right.)

Under Belgian law, the compensation of the prejudice suffered in case of IP infringement is based on the general principles of tort law, which were derived by case law from Article 1382 of the Belgian Civil Code [1]. The main principle is that of "restitutio in integrum", which means that the compensation should be equivalent to (no more and no less than) the actual prejudice suffered by the injured party. The purpose is to place the injured party back into the situation it had prior to the harmful event. The application of the restitutio in integrum principle in cases involving IP infringements has been consistently confirmed by jurisprudence, including by the Belgian Supreme Court (Cour de Cassation) [2].

According to this principle, damages are compensatory in nature; punitive damages are in principle not allowed under Belgian law. On the other hand, all aspects of the prejudice should be taken into account.

Belgian case-law considers that following elements must be taken into account when assessing the damage suffered:

- the loss of profit, which amounts to what the right holder would have earned but for the infringement; to determine the loss of profit, it is first necessary to determine the mass of counterfeited material, and then to determine the prejudice of the right holder, by reference to its profit margin or, alternatively, the royalties it lost. This may be problematic in respect of acts other than sale, because it may be difficult for the right holder to prove that such acts resulted into a perceivable loss of profit;
- other loss suffered, which includes the breach of the monopoly, the harm caused to the image and attractiveness of a trademark, as well as all costs and care of the proceedings, including any costs of technical and trademark attorneys or any destruction and storage costs of the counterfeited material.
It is also reminded that Directive 2004/48/EC, also known as the ‘Enforcement Directive’, which sets out a series of measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights, includes some guidelines regarding the quantification of damages.

Article 13 of this Directive provides that:

"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

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."

Analysis of recent Belgian case law (January 2010 - April 2019) shows that courts award relatively lower damages when the infringing use does not involve any sales of goods. The courts often rely on Article XI.335, §2, of the CEL to assess the damage in relation to such infringing acts. This article provides that "where the extent of the damage cannot be determined in any way, the court may in a reasonable and equitable manner fix a lump sum as damages".

The following cases illustrate that courts and claimants face difficulties with finding the right connecting factors to quantify the damages in case of non-sales infringements. This often results in lower damages or even no damages at all. This may also be due to the lack of evidence provided by the claimant.

Below we further explain, on the basis of existing case law, how damages are quantified in respect of different non-sales acts.

a. Copyright – communication to the public

Damages are commonly awarded in respect of unlicensed communications to the public of artistic works. Such communication to the public may consist, inter alia, in a public performance of the work, online streaming or uploading, hyperlinking to an unlawfully uploaded content, etc. Whether the infringer received any payment in consideration of such communication [4] is not particularly relevant when it comes to calculating the compensation which the right holder may claim. Absent or not the existence of such (direct) consideration, the compensation awarded to the right holder will depend upon the reach of the communication (what public? How long?) and the price that the right holder itself would have charged for such communication, or alternatively the royalties that would be due by an authorized licensee to proceed with such communication to the public.

For example, the Court of Appeals of Brussels [5] considered a case where the infringer had reproduced and communicated to the public a horoscope available on the website of the claimant. The latter argued that as a result hereof, the amount of pageviews on its website had significantly decreased (allegedly by 105 million). Furthermore, the claimant argued that, due to the advertising banners displayed on its website, it earned USD 10 per 1000 pageviews. As a result, the applicant estimated its prejudice to be in the amount of USD 1,05 million. However, the Court rejected the quantification method put forward by the claimant, considering the evidence to be insufficient, in particular regarding the causal nexus between the unlawful reproduction and the decrease in the pageviews of the claimant. The court hence awarded damages, calculated ex aequo et bono, in the amount of EUR 250,000.

In another case, the Court of First Instance of Brussels awarded a lump sum compensation for making available to the public a logo of the Smurfs via several websites [6]. It justified the amount of the damages – a modest sum of BEF 50,000 (i.e. approximately EUR 1,250) – by stating that it would have been the minimum amount of royalties the right holder would have requested for such acts.

a. Copyright - reproduction

In copyright cases, it often happens that unauthorized acts of reproduction take place, without those reproduced works being sold afterwards. In these cases, the courts often apply an applicable rate from a collective management organization or determine a reasonable royalty rate that the infringer should have paid in case he requested the rightholder’s authorization. In absence of any comparable licenses granted by the right holder, such royalty rate is often determined ex aequo et bono by the courts.

In a case decided in 2017, the Court of Appeal of Brussels decided that the unauthorized reproduction, in a journal, of photographs available in a database entitled the right holder to a compensation. The amount of such compensation was based on the (minimum) rate applied by Sabam (the Belgian Association of Authors, Composers and Publishers) in case of reproduction of pictures in periodicals. The Court refused to apply prices negotiated between parties for previous contracts stating that such prices could not be applied outside the specific circumstances of such contracts.
In a case concerning the extraction and the re-use of data from a database, the Court of Appeal of Brussels rejected the submission of the right holder that its damage amounted to the turnover made by the infringer; nevertheless, the Court held, this does not imply that the right holder has not suffered any harm. Damages were thus assessed *ex aequo et bono*, taking into account various parameters, including the quantity of data that had been extracted, in comparison to the whole content of the original database, and the bad faith of the infringer. [6]

a. **Copyright – moral rights**

Likewise, damages are sometimes awarded in respect of infringements of an author’s moral rights, e.g. in case of unauthorized divulgation of a work, infringement of the paternity right or the unauthorized modification of a work.

The Court of Justice of the European Union (CJEU) clarified in the *Liffers* case[9] that a right holder can request compensation for moral damages (calculated in accordance with Article 13, par. 1(a) of the Directive 2004/48) [10], in addition to the compensation due for the infringement upon the exploitation rights amounting to the royalties that would have been paid under a license (according to Article 13, par. 1(b)). In its judgement, the Court determined that the two methods of calculation mentioned in Article 13, par. 1, could indeed be combined, because the objectives of the Directive “must be interpreted as establishing the principle that the calculation of the amount of damages to be paid to the holder of the intellectual property right must seek to ensure that the latter is compensated in full for the ‘actual prejudice suffered’ by him, which also includes any moral prejudice.” [11] (emphasis added).

The Court of Appeal of Brussels awarded a compensation in the amount of EUR 15,000 to the holder of a database of photographs for the unauthorized reproduction of some of these photographs without indicating the name of the holder. This amount was assessed *ex aequo et bono* “fair” and deemed to be fair taking into account the nature of the prejudice, the scope of the infringement, the nature and circumstances of the infringement and the value of the reproduction right. [12]

In a case decided in 2013 concerning the unauthorized reproduction of a logo on posters, the Court of Appeal of Brussels assessed globally the material and moral prejudice suffered by a copyright holder. A sum of EUR 12,500, assessed *ex aequo et bono*, was hence awarded to compensate both for the loss of profit and the violation of the paternity and integrity rights. [13]

In another case concerning both the reproduction and communication to the public of a family crest, and the sale of goods bearing this reproduction, the Commercial Court of Brussels stated that the moral damage suffered by the family was obviously much higher than the material prejudice (loss of profit) as the crest in question was not meant for commercial use. Therefore, it did not matter much that the defendant, i.e. the company Zara Home had ordered only 38, and sold only 30 litigious goods. The Court opined that the legal cost borne by the claimant family should also be taken into account. Damages were finally assessed *ex aequo et bono* and amounted to EUR 7,500. [14]

a. **Mere manufacturing**

The analysis of case law learns that in case of mere manufacturing of infringing products (or, under trademark law, the mere affixing of the infringing sign on the products), damages are sometimes awarded, although the products in question have not been effectively sold.

For example, in a case involving the infringement of Delvaux's copyright by clothes retailer C&A, the Court of Appeal of Brussels [15] determined that in order to quantify the damages, account should be taken not only of the products that had been sold, but also of the products that had been manufactured and/or imported but not yet sold. Moreover, the Court used the same damages quantification method as for products sold, i.e. it included the unsold goods into the infringing volume and multiplied that figure with the relevant profit margin. A similar reasoning has also been adopted by the Court of Appeal of Liège [16], the Court of First Instance of Ghent [17] and the Criminal Court of Ghent [18].

However, on other occasions, courts have refused to grant damages in respect of infringing goods which were not effectively sold.

For example, the Court of First Instance of Ghent [19] decided that only 112 machines manufactured and delivered to clients could be taken into account. Similarly, the Court of Appeal of Brussels [20], Liège [21] and Antwerp [22] decided that only the products sold by the infringer should be taken into account when determining the infringing volume.

In a case relating to an infringement of plant variety rights, the Court of Appeal in Antwerp [23] awarded the plaintiff a ‘reasonable compensation’ within the meaning of Article 94(1) of Regulation No 2100/94. The infringement concerned the production of potato plants. The Court applied the CJEU's reasoning in Case C-481/14 [24] to determine the ‘reasonable compensation, which covers (i) the fee that would normally be payable for licensed production (in this case 50% of the usual plant breeder's compensation per hectare) and (ii) all damage that is closely connected to the failure to pay that fee, which may include payment of default interest. The Court dismissed the plaintiff's claim for double damages and instead based its calculation of the damages on the number of hectares mentioned in a report made by an expert that was appointed by the court by multiplying the usual plant breeder's compensation per hectare with the number of hectares concerned.
The plaintiff also claimed compensation for ‘any further damage’ resulting from the infringing act on the basis that the defendant had acted intentionally or negligently within the meaning of Article 94(2) of Regulation No 2100/94. According to the CJEU’s judgment in Case C-481/14, this damage must be determined on the basis of the specific matters put forward by the holder of the variety infringed, if need be using a lump-sum method if those matters are not quantifiable. The Court of Appeal accepted, as a matter of principle, the plaintiff’s claim for reimbursement of the costs he made to trace, establish and manage the infringements, as well as the loss of exclusivity and the loss of reputation resulting therefrom. The Court accepted the defendant’s negligence but dismissed the plaintiff’s claim to order the restitution of the profits and gains made by the infringer, acknowledging however that these profits and gains can be used to set a ‘lower limit’. The Court eventually awarded a provisional amount of EUR 10,000 and appointed a court expert to determine this ‘lower limit’.

There is no clear justification for this contrasted case law regarding the quantification of damages in case of manufacturing without further marketing or sale.

a. Importing and warehousing

It follows from the case law that the importation of infringing products can also lead to damages being awarded to the right holder, even if these products have not yet been sold.

Indeed, in several cases the courts calculated the infringing volume by taking into account not only the number of products actually sold by the alleged infringer, but also the products that have merely been imported. The quantification of the damages resulting from the importation of products was therefore identical to the quantification of damages resulting from the sale of such products. Analysis of the case law shows that the damages allocated however varies greatly from one Court to another. The damages are generally assessed from EUR 25 up to EUR 500 per item (depending on the item concerned). Some Courts also granted a lump sum regardless of the mass of counterfeiting items seized.

However, on other occasions, courts have refused to grant damages in respect of infringing goods which were not offered for sale, or even for goods which although offered for sale, were not effectively sold.

For example, in a (trademark, copyright and model infringement) case brought by Apple Inc against a Belgian company, the Brussels Court of Appeal decided that the products imported but not sold (i.e. products that had been seized by the customs authorities) could not be taken into account for the calculation of damages.

It is also worth mentioning that Belgian Courts have on several occasions recognized in several case-law that the placing on the market of low-quality products undermines the image and repute of authentic products and hence harms the right holder.

A recent case before the Court of Appeal of Brussels illustrates the above and deals with the matter of damages for unauthorized import of goods in the EER. The Court identified four separate categories of infringing goods:

- The first category of goods was sold by the trademark holder outside the EER and were advertised, imported, offered for sale and sold in the EER by the infringer without any modification to the trademark. There were slight modifications to the goods in order to comply with EU regulations, but these were found not to be relevant for the judgement of the Court.

- The second category of goods were sold by the trademark holder outside the EER and imported in the EER by the infringer without any modification to the trademark, but were held in a customs warehouse without the destination of sale being known. The Court did not further examine a possible infringement in relation to these goods.

- The third category of goods were the goods under the second category that had their trademarks removed in the customs warehouse after which they were being advertised, offered for sale and sold in the EER. The removal was poorly executed whereby the trademark was still visible.

- The fourth category of goods were sold by the trademark holder outside the EER and were advertised, imported, offered for sale and sold in the EER after removing the trademark from the goods outside the EER. A prejudicial question was referred to the European Court of Justice. The Court did not take a decision as to the infringement or to the damages with regards to this category of goods.

For the first category of goods, the Court identified four infringing acts, namely advertisement, import, offering for sale and sales of infringing goods. The Court did however not make a distinction in damages awarded for damage resulting from advertisement, import or sales. It awarded, provisionally, one lump sum that covers the damage resulting from all three infringing acts. The lump sum was assessed at EUR 3 million taking as connecting factor the profit made on the actual goods sold in the EER (remittance of profit). The Court clarified that this sum covers three categories of damages. First the moral damages for the deterioration of the distinctive capability of the claimant’s trademarks, an impairment to their exclusivity, an erosion of their power to attract and prejudice to their reputation. With regards to these damages, the Court stated that the three infringing acts together, executed on a large scale over a period of more than four years, created the impression to the outside world that the trademark holder was not capable of stopping the unlawful parallel import and to control the first import of their goods in the EER. Next the material damages, in this case the loss of profits, due to the use of the trademarks without paying any royalty and without being bound under a license agreement. Lastly the costs related to the tracking, uncovering and cessation of the infringing activities such as administration- and personnel costs and costs related to seizure measures.

Interestingly the Court considered that the applicants were entitled to the lump sum without having to prove the exact scope of the actual...
prejudice suffered, nor whether the lump sum equates to this prejudice. Quoting the case law of the Benelux Court of Justice, the Court then went on to define “profit” and “deductible costs” and considered the “net-cost” to be sale price of the infringing good minus the purchase price and all costs and taxes directly related to the sale of the infringing, without taking account of the general costs of the undertaking. The Court provisionally awarded EUR 3 million and appointed an expert to further determine the exact profits made by the infringer with regards to this category of goods.

The Court applied the same reasoning for the third category of goods (found four infringing acts and awarded one lump sum without distinction) and appointed an expert to determine the exact scope of the profits made by the infringer with regards to this category of goods.

In a different case, but also related to the unauthorized import of goods in the EER, the Court of Appeal of Brussels [28] followed the same reasoning. The Court identified five infringing acts, namely the purchase, import, offering for sale, sales and warehousing of infringing goods. A lump sum was granted and estimated *ex aequo et bono* for all of the identified infringing acts. The lump sum was granted for reason that the trademark holder was deprived of the possibility to be the first to introduce the infringing goods in the EER which resulted in moral damages, material damages and costs related to the tracking, uncovering and cessation of the infringing activities. The Court awarded EUR 12,500 taking into account the purchase, sales and stock numbers of the infringer. The Court also allowed a remittance of profit, estimated at EUR 179.90 euro for a total of 1.621 miniature bottles of two kinds of liquor. The Court went a step further in determining the loss of profit as also including profit on infringing purchased goods not found in the inventory, nor in any sales record. According to the Court, these goods are included, unless the infringer can produce sufficient evidence that it has given the infringing goods away for free. The Court ordered the destruction of the other remaining goods in the inventory.

Finally, in a case before the Court of Appeal of Brussels [29] that also deals with the matter of damages for unauthorized import of goods in the EER. The Court identified four infringing acts, namely the import, warehousing, offering for sale and sales of infringing goods. The Court rejected the claim for remittance of profit and the remittance of unsold goods due to the lack bad faith, despite the previous litigation between the parties and judgements in favour of the trademark holder in other countries. Similarly as above, the Court granted one lump sum and estimated it *ex aequo et bono* for all of the identified infringing acts. The lump sum was assessed at EUR 125,670 taking as connecting factor the actual goods sold in the EER multiplied by EUR 30. This covers the loss of profit and the dilution to the distinctive power suffered by the trademark holder due to the fact that the infringing goods were sold in a supermarket at relatively cheap discounted prices. Damage to the reputation was not proven. For its calculation, the Court thus only took account of the actual sales (4.194 out of 8.131). The remaining goods in the inventory could not be further sold. The case involved a chain of actors that were all convicted *in solidum* for the entire sum as they all contributed to the damage suffered by the trademark holder.

With respect to the issue of warehousing, a different approach may also be noticed in function of the intellectual property right at stake. Under Belgian patent law, simply storing goods in a warehouse without offering them for sale or bringing them to market in the Belgian territory has been held not to constitute patent infringement. The Antwerp Court of Appeal indeed considered that an infringement can be found only to the extent the infringing goods have entered the market, are used or are stored in view of commercialization or use. [30]

a. Exporting (outside the EU)

A judgement of the Court of Appeal of Antwerp of 25 June 2002 [31] dealt with such a situation. In its judgement, the Court appointed an expert to examine the economic damage caused to the trademark owner following the infringing use of a Benelux trademark (‘L’aigle du Nord’) on flour bags which had been seized in the harbor of Rotterdam and, following the release of such seizure, exported to Mozambique and Angola. The court considered that neither the existence nor the extent of the alleged prejudice was yet established, given that the infringing goods could apparently not be imported into Mozambique due to health protection measures and that it remained uncertain whether the decrease of the sales of the right holder in Angola had been caused by the infringing acts. Nonetheless, the court held, it was not excluded that the infringing act had caused a prejudice to the right holder and it did not matter that such prejudice had taken place abroad (i.e. outside the Benelux); indeed the illegal use of the trademark in the Benelux amounts to a fault which entitles the victim to a full compensation of the resulting prejudice. In this respect it does not matter whether or not the infringed trademark is protected in the country where the goods are sold.

In the group’s view, these findings are compliant with Article 2.21 BCIP, allowing the trademark owner to claim any damage resulting from the infringing use, combined with Article 2.20 (3) BCIP, which states that “exporting the goods under the trademark” is considered as a trade mark use falling under the exclusive right of the trademark owner.

a. Offering for sale / advertisement (including multi-jurisdictional)

In trademark law, in particular, the offering of infringing products for sale and commercial advertising for such products (or services) will entitle the right holder to compensation. In light of the difficulty to determine exactly the harm caused to the right holder because of such acts, the damages are often determined *ex aequo et bono* by the courts.

In a case brought before the Court of Appeal of Mons [32], it was determined that by offering infringing products *on the market*, the infringer harmed, amongst others, the *legal monopoly* granted to the patent holder. In order to calculate the damages caused as a result hereof, the court took into account the specialized and closed character of the market in question, the high price of the products and the fact that the infringer was well known and established on the market whereas the patent holder was still young and relatively unknown. Yet, given that no objective method was available in order to calculate the damages, the court eventually determined those damages *ex aequo et bono* and awarded EUR 200,000.

Furthermore, the use of a name in the course of trade that infringes upon an existing trademark or commercial name, can also lead to the
awarding of damages, even if no counterfeit goods have been sold. In a case before the Commercial Court of Brussels [33], the Court awarded PLAYMOBIL a lump sum of EUR 2,500 for the prejudice it had incurred when a Belgian company had used the word mark “PLAYMOBIL” as part of its company name (“PLAYMOBIL INDUSTRIE”). The justification given by the Court was that the latter company’s use of the name “PLAYMOBIL” had damaged PLAYMOBIL’s “professional interests” by using a name confusingly similar to its commercial name and company name. In a similar case concerning the use of the commercial name “BEAUTIFUL FREAK” for a tattoo shop, the Commercial Court of Ghent [34] awarded EUR 1 provisional, in absence of further evidence, for the use of an identical/similar commercial name.

In a similar decision of the Court of Appeals of Brussels [35], the Court held that the infringing use of the sign “Jimmy’s” or “Jimmy’s Private Club” had affected the distinctive character of the plaintiff’s trademarks, resulting in moral damage for the latter. However, the extent of the moral damage suffered by plaintiff was not proven. The plaintiff admitted that there are no precise elements to estimate the damage. In the absence of precise elements to estimate the damage, the Court assessed the other factual elements and documents available, in particular those showing that although the defendants offer their services in collaboration with other players located throughout Europe, their appearance and activities are mainly limited territorially to the city of Antwerp and the Antwerp region. As a result, the detriment to the distinctive character of the plaintiff’s trademarks was relatively limited. The court thus set the moral damage suffered by the plaintiff at a lump sum amount of EUR 5,000.

Similarly, the Court of Commerce of Antwerp [36], in a case relating to the infringing use of a protected name as an adword and metatag, awarded damages ex aequo et bono, estimated at EUR 5,000 for the loss of profits and the reputation damage. The claimant claimed loss of profits for the reason that it was unable to use the adword and metatag, thus losing out on potential customers. The Court found that the claimant did not provide sufficient and serious evidence concerning the potential customers it missed. The defendant did not submit records showing an evolution in the sales. Providing its raw income as its loss of profit without specifying production costs for its services did not suffice. Every cost related to the provision of the services, including taxes, should have been considered.

In an earlier judgement the Court [37] had already warned the claimant therefor and did not follow its reasoning to award damages based on the websites’ visitor statistics. The claimant had argued that it supposedly missed out on 26 subscribers and had calculated its damages to recover the entire subscription fee (EUR 481.23) for every missed subscriber, without taking into consideration any costs. Such reasoning was dismissed.

The Court of Commerce of Ghent, in a case relating to infringing use and registration for a trademark in bad faith of a protected name for similar services, dismissed the claimed amount of EUR 2,500 ex aequo et bono estimated damages [38]. The claimant did not provide the Court with any evidence of any potential damage or any disadvantage that the claimant might have incurred. The Court awarded 1 euro provisionally. The Court emphasized that the damages it can award consist either of loss of profit (lucrum cessans) or of suffered damages (damnum emergens), including damage to its good name and reputation. The Court also reiterated that the claimant must prove the causal relationship between the damage and the infringing use. This appears to be the most difficult part for this kind of cases.

In patent law, the mere offering of infringing products in Belgium constitutes a patent infringement. Given the difficulty for the patent holder to demonstrate the exact amount of lost profits and damages incurred, courts generally consider that an ex aequo et bono amount of damages should be awarded, taking into account that the amount should be sufficiently high to deter speculation on behalf of the infringing party. Additionally, Belgian courts tend to award a compensation for the costs made to investigate the infringement and enforce their patent rights (including costs of experts and patent attorneys) [39].

In this respect, also the presentation of an infringing product on a fair [40], the description thereof in a promotional document constitutes infringement. However, if no sales have resulted of this promotion or offer, the Court of Appeal of Brussels decided in 2009 that the claimed lost profits should not be awarded. On the other hand, the costs of the patent expert were awarded as compensation. [41]

Footnotes

1. ^ This well-known provision states that “any act of man, which causes damages to another, shall oblige the person by whose fault it occurred to repair it”. For some IP rights, the right to obtain compensation of the prejudice suffered has however been confirmed by specific provisions, without many more details however: see e.g. Article 2.21 and 3.17 of the Benelux Convention on Intellectual Property (regarding Benelux trademarks Benelux designs, respectively).


4. ^ Even when such communication to the public has been made for a consideration, the infringer’s act does not qualify, in Belgian legal terminology, as a “sale”, as it concerns services rather than goods.


6. ^ [61] Court of First Instance Brussels, 7 October 2003, IRDI 2004, 47.

7. ^ [77] Court of Appeals Brussels, 3 October 2017, darts-IP.


10. [10] Or at least, according to the Spanish law provision that implemented Article 13 into national law.


12. [12] Court of Appeal Brussels, 3 October 2017, darts-IP.


25. [25] Court of first Instance Ghent, 10 January 2007, IRDI 2007, 13; Court of first instance of West Flanders, division Bruges, criminal div, 7 June 2017, www.ie-forum.be. See also references to case law above under c) mere manufacturing.


31. [31] Court of Appeal Antwerp, 25 June 2002, Meneba Meel / Nextra and Rijnpoort Trading en Transport, case n° 200/AR/1743 and 2001/AR/302, p. 10-11. In several cases, the court also decided to prevent the export, from the Benelux, of the goods illegally bearing the trademark (injunctive relief) : see Pres. Commercial Court Antwerp, 15 October 2015 and 4 December 2015, Heineken / Brouwerij Martens (look-a-like beer cans and bottles for export to African markets – counterfeit seizure of stocks in Belgium was authorized); Pres. Commercial Court Brussels, 29 July 2011, Red Bull GmbH t. NV Konings case nr. A/2011/264 (injunction to cease use of trademark “Bullet” on cans of energy drinks for export); Pres. Commercial Court Antwerp 23 April 1999, Unilever t. NV Pauwels, IER 2000, 95 (preliminary injunction against export of jars of mayonnaise with look-a-like labels to Russia); Court of First instance Antwerp, 28 November 2001, Rolex/X, case nr. A.R. 99/6683/A (injunction in the context of an international network of counterfeit “Rolex” watches). See also Court of First Instance Brussels, 20 November 2011, case nr. 03/11231/A (case involving patent infringement where damages were claimed for sales in the USA, subsequent to infringing manufacturing in Belgium. This judgement is currently under appeal).


3. **Please explain what approach your current law takes in relation to “franking”: if damages are paid in relation one infringing act (e.g. manufacturing) for specific infringing goods, can those goods then be circulated freely subsequently, or does their subsequent circulation amount to a fresh infringement in relation to which an injunction or damages may be available?**

We have not encountered any case law in Belgium addressing the situation of “franking”.

This said, under Belgian law, compensation should always be proportional to the prejudice suffered by the victim of the wrongful act, in this case the right holder. Therefore, if the right holder has already obtained damages in respect of an infringing act related to particular goods, it could claim additional damages for further infringing acts in respect of the same goods only if it can establish that it suffers additional harm due to the latter acts.

II. Policy considerations and proposals for improvements of your Group's current law

4. **Are there aspects of your Group’s current law or practice relating to the quantification of damages for non-sales infringements that could be improved? If YES, please explain.**

Yes

Please Explain

Yes, the group believes that the current law and practice could be clarified and improved regarding the quantification of damages for the (mere) manufacturing and/or (mere) importation (and warehousing) of tangible goods.

As described above in our answer to question 2), some decisions have denied to grant damages in respect of such goods, while other decisions quantify damages for such non-sales infringing acts by using the same method as for infringing sales; in the latter case, the manufactured or imported goods, although not sold (or even offered for sale), are considered as part of the infringing volume together with the goods that have been sold by the infringer, with the result that damages are awarded, at a unique tariff (normally the margin of the right holder on the sale of comparable authentic goods), for all counterfeit goods whether sold or not sold.

The group agrees that the manufacturing or importation (and warehousing) of counterfeit goods may cause a prejudice to the right holder, but is divided on the extent of such prejudice and the appropriate way to quantify damages in such circumstance.

In the view of the majority of the group, infringing goods that have been manufactured or imported but not yet sold do not result in the same loss of profits for the right holder as in the case they are put on the market and effectively sold. It is difficult to consider that the mere manufacture, or importation, of a counterfeit good, results in the right holder ‘missing out’ a sale. Given that the driving principle of “restitutio in integrum”, which means that the compensation should be equivalent to (no more and no less than) the actual prejudice suffered by the injured party, the majority of the group believes that quantifying the damages in such a way may result in an over-compensation of the prejudice.
A minority of the group, however, believes that the (mere) manufacturing and the (mere) importation are typically performed by counterfeiters with the intent to subsequently sell the infringing goods. Those members consider that damages may in this case be calculated as if the goods concerned had been sold; indeed, it should be taken into account, on the one hand, that the proof of actual sales is difficult to bring and, on the other hand, that it is likely that the infringer, who is found in possession of infringing goods, has already marketed similar goods.

There was a consensus among the group that the right holder should in any event be compensated for any suffered loss. Consequently, the group agreed that the compensation due by the infringer should at least include the costs of identification and pursuit of the (particular) infringement, the costs for the seizure and destruction of the infringing goods in question, the fees of technical and legal experts, and possible similar costs.

Furthermore, in some circumstances, it appears justified – also to the majority of the group - to award the right holder damages to compensate a loss of royalties. Given that, under the law applicable to most IP rights, manufacturing (reproducing) and importing, and as the case may be detaining, infringing goods, are considered as infringing acts as such, it may be argued that the infringer should have requested a license from the right holder in order to perform these acts, and damages could therefore be awarded on this basis. This damages quantification method appears particularly appropriate where the right holder has already license agreements, or even has a standard royalty rate, in place where the mere manufacturing (or importation) of goods (or yet the mere reproduction of a work) entails the payment of royalties. In absence of such reference, specific to the right holder, reference could also be made to the royalties that generally apply in the relevant sector. Finally, if none of these methods could be used to quantify the damages, the courts could determine a reasonable royalty rate, or lump sum compensation, purely ex aequo et bono.

It is also observed that it is not necessary that the prejudice resulting from acts other than sale occurs during the term of the concerned IP right. As long as the infringement has occurred during this term, any harm or prejudice resulting from these acts should be compensated, irrespective of the time at which it arises. The prejudice can for example consist in the circumstance that the infringer was able to launch a competitive product on a large scale immediately after the expiry of the protection term, whereas, in absence of the illicit acts of manufacturing and/or importation (and warehousing), such level of competition could only have been attained after a certain period during which preparatory acts would have taken place.

In the case where infringing goods are not only manufactured, or imported, but also offered for sale, or advertised, the right holder suffers additional harm – like the harm to reputation or the loss of exclusivity - which may result in additional compensation. This was not disputed among the group.

Footnotes


What policy should be adopted generally in relation to non-sales infringements?

Should:

Both damages and an injunction should be available.

Please Explain

The group considers that both damages and an injunction should be available in relation to non-sales infringements. First, except in exceptional cases where an abuse of a dominant position, or an abuse of right, is stated, an injunction should always be pronounced at the request of the right holder in case of infringement, irrespective of whether any goods have been sold. For example, if infringing goods have been manufactured or imported, the right holder should be able to request an injunction preventing these goods from entering into circulation. Nevertheless, even if an injunction is granted, the right holder should still be compensated for the prejudice he has incurred as a result of the infringement. This includes the costs made by the right holder (identification and pursuit of the infringement, costs for seizure and destruction of infringing goods, costs of experts), an indemnification for the harm to reputation and possibly the loss of profits (e.g. in case where works are unlawfully made available for free on the Internet) or the loss of royalties.

Footnotes
III. Proposals for harmonisation

Please consult with relevant in-house / industry members of your Group in responding to Part III. For the purposes of this div III, please assume that the following acts are infringing acts, even if they are not infringing acts under the current laws of your Group:

(a) Manufacturing;
(b) Selling;
(c) Offering whether for sale otherwise;
(d) Importing; and
(e) Keeping and warehousing.

Do you believe that there should be harmonisation in relation to damages for non-sales IP infringement?
If YES, please respond to the following questions without regard to your Group’s current law or practice.  
Even if NO, please address the following questions to the extent your Group considers your Group’s current law or practice could be improved.

9 Manufacturing of patented products: How should damages be quantified in relation to the manufacturing of infringing products?

We refer to our response to question 4). In cases involving the manufacturing of patented products, the right holder should in any event be compensated for any incurred costs (identification and pursuit of the infringement, costs for seizure and destruction of infringing goods, costs of experts, etc.). Additionally, given that the infringer should have requested a license for the manufacturing of patented products, the right holder could also be awarded damages for the loss of royalties. The lost royalties can be quantified by referring to (ranked in order of precedence) (i) similar license agreements concluded by the right holder; (ii) royalties that generally apply in the sector; (iii) an ex aequo et bono compensation (either in the form of a fair royalty rate or a lump sum).

10 Should the subsequent export and sale of manufactured infringing goods change the quantification of damages?

Yes, in the event that the manufactured infringing goods are subsequently exported and sold, we believe that damages should be calculated taking into account such export and sale. Damages awarded for the sale of infringing goods, normally also includes a compensation for non-sales infringing acts, such as manufacturing, import/export, warehousing, which occurred before the sale. [1]

However, the right holder cannot be compensated twice (or more) for the same prejudice. Therefore, if the right holder has already been awarded damages for the sales of infringing goods in one territory, he should not be awarded further damages for resales of the same goods, be it in another territory. In such a case, the right holder could only claim additional damages if he can demonstrate that he has not been fully compensated for the prejudice which he suffers as a result of the various infringing acts. For example, if the first damages awarded only compensate the sales of goods in territory A, but goods have also been exported and sold in other territories, it would then be possible to obtain damages in relation to the latter sales.

On another note, the group is of the opinion that if goods are manufactured in one country in violation of particular IP rights and then exported and sold in another country where no similar protection applies, the sale of these goods in that latter territory could nevertheless be taken into account when quantifying damages for the non-sales infringing acts which occurred in the first country. In such case, we think, there is indeed sufficient causality between the infringement in the first country and the loss suffered in the latter country [2]; provided however that the right holder is selling in this country despite the absence of exclusivity. The profit margin which should then be taken into account to quantify the damages, should be that margin which the right holder is making in the country of destination, which will usually be lower than the margin in the country of exportation.

The difficulty for the trademark owner to prove that the economic loss, in foreign markets, is a consequence of the infringing use in the Benelux, could be resolved by reverting to the civil law theory of the “loss of a chance” (“perte d’une chance”) [3].

Footnotes

1. *For more details regarding the quantification of damages for acts of sale, we refer to the 2017 AIPPI report of the Belgian Group: “Quantification of monetary relief”.*

2. *In this respect, see the Judgment of the Court of Appeal of Antwerp of 25 June 2002 cited in our answer to question 2 (point g).*

3. *Regarding this concept, we refer to the 2017 AIPPI report of the Belgian Group: “Quantification of monetary relief”, under question 19(a).*
**11** Importing and warehousing of patented products: How should damages be quantified in relation to importing and keeping or warehousing?

We refer to our response to question 9). The method for quantifying damages in relation to importing and keeping or warehousing should be the same as in case of (mere) manufacturing of patented products. The indemnifiable costs, made by the right holder, may just be of a different nature.

**12** Series of infringements in relation to patented products: In the situation where there is a series of infringing acts, such as manufacturing, followed by warehousing, followed by a sale, should damages be quantified, for each individual infringing product:

**2.** On the basis of a sale alone, if that infringing product was eventually sold?

Yes

Please Explain

Unless a specific distinguishable harm can be attributed to any of the non-sales infringing acts, we believe damages should be quantified on the basis of the sale of the patented products. The damages awarded for such sale, should under normal circumstances also compensate the prejudice incurred by the right holder for preceding non-sales acts, such as manufacturing, import/export, keeping and warehousing, etc. Where the damages are awarded on the basis of lost royalties [1], however, it may be the case that distinct royalties are applicable in respect of the various acts in the chain which fall under the exclusive right of the patentee; in such case, the concerned royalty rates could be aggregated, as they would be in respect of a licensee who both manufactures, warehouses and sells the patented products.

If several parties have performed distinguishable infringing acts, all of the involved parties shall typically be liable in solidum towards the right holder for the payment of all damages. Afterwards, it would be up to the joint-tortfeasors to sort out amongst themselves to which extent each of them should contribute to the debt; in absence of an agreement in this respect, the court would decide.

Footnotes

1. ^ This will be the case, for example, where the patentee is a non-practising entity the business whereof consists in licensing its patents: see the 2017 AIPPI report of the Belgian Group: “Quantification of monetary relief”, question 2.

**2.** On the basis of each infringing act in the chain?

No

Please Explain

See above our response to question 12.a

**2.** If the infringing product was never sold?

No

Please Explain

See above our response to question 12.a
24. On some other basis?

No, see above our response to question 12.a

13. Services/operating patented processes: please explain how damages should be quantified in relation to infringements that consist of carrying out infringing processes, e.g. a patented manufacturing process?

In relation to services/operating patented processes, the same principles regarding the quantification of damages apply. As a result, the right holder should be compensated for all prejudice he suffered as a result of the infringement.

This includes the costs made by the right holder to enforce its rights (identification and pursuit of the infringement, seizure and destruction of infringing goods, costs of experts, etc.), the loss of profits and any other loss suffered (such as the harm to the right holder’s reputation/legal monopoly). The loss of profits can be calculated in one of two ways. If the right holder offers itself to perform the services/processes to third parties, the quantification of damages should take into account the prices applied by the right holder for such services. If the right holder does not offer such services/processes on the market, the loss of profits should be quantified with reference to the royalties that the right holder would have charged under a license agreement with the infringer. The royalties can be quantified by referring to (ranked in order of precedence) (i) similar license agreements concluded by the right holder; (ii) royalties that generally apply in the sector; (iii) an ex aequo et bono compensation (either in the form of a fair royalty rate or a lump sum).

14. Please explain how damages should be quantified for subsequent post-manufacturing activities in relation to the products of a patented process, e.g. the offering for sale of a product made using a patented process?

Given that the products manufactured by using a patented process without the consent of the right holder are considered as infringing products, the method for quantifying damages in relation to post-manufacturing activities in relation to such products, is the same as for patented products as described in our responses to questions 9) until 12).

15. Simultaneous single infringing acts: In the situation where there is a single act, such as an offer for sale on the internet, which amounts to an infringing act simultaneously in a number of jurisdictions, how should damages be quantified in each of those jurisdictions? For example, one single offer to sell products is made on the internet and that single offer is considered to infringe by the courts of two jurisdictions A and B. If court A awards damages for that single act which compensate for the loss suffered by the right holder, should court B also award damages and how should those damages be quantified so as to eliminate or reduce double recovery?

If, in the example described in the question, court A has the competence to award damages on a worldwide basis (e.g. where the infringer has its domicile in country A) and has proceeded to do so, the right holder should have been fully compensated for any prejudice he suffered as a result of all the infringing acts. Therefore, the right holder should not be entitled to claim additional damages before court B as he cannot claim damages twice for the same prejudice.

However, if court A has granted damages only for the prejudice incurred by the right holder in country A (because its competence is limited), court B could still award damages in case any additional prejudice is caused to the right holder in country B (or as the case may be yet another country). The quantification method in such case depends on the type of infringing acts for which the right holder is claiming additional damages. Reference is made to the responses to the questions above. If the infringing act consists in an offer for sale on the Internet, each court could for example refer to the conditions under which a license for the court territory would be granted to a willing licensee.

16. Franking: If damages have been paid in relation to goods that have been manufactured but the further circulation of those goods has not been restricted by injunction, should the infringer (or the acquirer of the goods) be liable again for damages if those same goods are subsequently sold?

No
Please Explain

The Group would like first to remind that it is only in exceptional circumstances that a court should not pronounce an injunction in respect of an infringement which has been identified.

This said, the group is of the opinion that, in any case, the right holder can only be compensated once for the prejudice he suffered. This means that the right holder can claim damages for subsequent infringing acts only if these acts cause an additional prejudice which has not been compensated already. If the right holder has been compensated only in respect of the manufacturing of infringing products, but not for their subsequent sale, it is likely that this sale causes additional prejudice. Indeed:

- In relation to the loss of profits, in case of mere manufacturing of infringing products such loss may only be quantified by referring to the loss of royalties, whereas in case infringing goods have been sold, the loss of sales should be used as the appropriate basis to quantify the loss of profits of the right holder;

- additionally, the mere manufacturing or importation of infringing goods does normally not result in any harm to the reputation or legal monopoly of the right holder, whereas such harm is much more likely to occur if those goods are subsequently sold.

In order to compensate the right holder for the additional prejudice, he could be attributed the difference between the damages quantified using the method for respectively (i) the manufacturing of infringing products and (ii) the sale of infringing products.

Footnotes

1. See above, question 9.
2. See 2017 AIPPI report of the Belgian Group: “Quantification of monetary relief”.

If the answer to Question 16 is NO, does that mean that the right holder can recover twice in relation to the same goods?

No

Please Explain

This does not mean that the infringer has a de facto licence to sell the manufactured infringing goods, because the right holder should normally be able to request an injunction preventing the further circulation of infringing goods. Nor does it mean that the right holder can recover twice in relation to the same goods, given that any additional damages concern different aspects of the prejudice suffered by the right holder and together only aim to compensate the right holder once in full for all prejudice which he suffered as a result of the infringing acts.

If the answer to Question 16 is YES, does that mean that the infringer has a de facto licence to sell the manufactured infringing goods?

No

Please Explain

Please comment on any additional issues concerning any aspect of quantification you consider relevant to this Study Question.

There are no additional issues we would like to comment on.

Please indicate which industry sector views provided by in-house counsel are included in your Group’s answers to Part III.

One industry sector view provided by in-house counsel concern the damages awarded in case of non-sales infringing acts such as manufacturing and importation. Given that these acts are typically performed with the intent to subsequently sell the infringing goods, it is their
view that, also in such case, sufficient damages should be awarded to the right holders to discourage potential infringers from partaking in such acts.

They disagree with the caselaw which considers that in such instances, the right holder did not suffer any loss of profits. Therefore, they believe that a quantification of the loss of profits based on lost royalties, as recommended by (the majority of) the group in our response to question 4, could be a way to justify that sufficient damages are awarded to the right holders. [1]

Footnotes

1. ^ See above, question 4) and 9).