

## **Report Q203**

in the name of the Austrian Group  
by Christian SCHUMACHER and Julia HORNSTEINER

### **Damages for infringement, counterfeiting and piracy of Trademarks**

#### **Questions**

##### **1) The state of the substantive law in the countries**

- 1) *The Groups are invited to indicate, in summary form, if their national law distinguishes between different kinds of infringement, counterfeiting and piracy of trademarks and what the conditions are for liability for those different kinds of infringement, counterfeiting and piracy.*

*The Groups are also invited to indicate if these various forms of the violation of trademark rights have an impact on the monetary compensation to be provided to the trademark owner.*

Austrian law does not distinguish per se between liability for infringement, counterfeiting and piracy.

Generally, according to sec 53 of the Austrian Trademark Protection Act the owner of the trademark is entitled to an adequate compensation in case of a trademark infringement. If such trademark infringement has been caused by intentional or negligent behaviour, the owner of the trademark is entitled to either damages including lost profits or the profit made by the infringer. In case of gross negligence or intent the owner of the trademark is entitled to the double amount of the adequate compensation irrespective of whether any damage can be proved. Furthermore, the owner of a trademark is also entitled to a adequate compensation for all non-pecuniary loss if the trademark infringement has been caused by negligent or intentional behaviour and if the specific circumstances justify such consideration.

- 2) *The Groups are asked to present in a summarised form the legal theories in their respective jurisdictions for the assessment of damages for the violation of trademark rights.*

*Is this assessment based on the ground of civil liability or on the ground of violation of property ownership or some other ground(s)?*

As can be seen in answer to question 1) monetary compensation for trademark infringement follows various lines of underlying principles from tort law and unjustified enrichment to punitive aspects (double adequate compensation).

- 3) *The Groups are asked to indicate what factors are taken into account in the assessment of damages and how the value of the trademark is used in this assessment.*

a) *Do the Courts take into consideration how strong the trademark is, both in terms of its inherent distinctiveness and popularity acquired through use and publicity?*

Yes, the Austrian courts tend to take into account the general economic value of the trademark.

- b) *Do the Courts take into consideration the investment made by the trademark owner in order to make the trade mark known?*

There are no indications in the case law so far that Austrian courts take into consideration the specific investment made by the trademark owner in order to make the trade mark known. However, as the Austrian courts tend to take into account the general economic value of the trademark, this implies that also investment made by the trademark owner is somehow considered.

- c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors profitability? If so, how?*

There is no guidance by case law in this respect. However, in case of severe infringements the trademark owner may also be entitled to a reasonable consideration for all non-pecuniary loss if the trademark infringement has been caused by negligent or intentional behaviour and if the specific circumstances justify such consideration.

- d) *Do the Courts take into account price erosion? If so, how?*

There is no guidance by case law in this respect.

- e) *Do the Courts distinguish between actual lost sales ( i.e; the sales which would otherwise have been made by the trademark owner) and all sales made by the infringer? If so, which sales matter?*

Yes, the Austrian law distinguishes between actual lost sales of the trademark owner and the sales made by the infringer. If trademark infringement has been caused by intentional or negligent behaviour, the owner of the trademark is entitled to either damages including the own lost profits or the surrender of profits made by the infringer.

- f) *Do the Courts treat parallel imports differently? If so, what is the legal basis for this differentiation?*

There is no case law regarding damages for parallel imports so far in Austria.

- 4) *In case the compensation is evaluated on the basis of lost profits of the trademark owner or an account of the profits arising from infringement:*

- a) *What are the key principles?*

See b) below.

- b) *How are the profits defined and how are they calculated?*

Lost profit according to Austrian law has been defined as prospects of profit which might be realized under usual circumstances although not with almost certainty. The exact amount is determined by assessing the margin between the current assets of the trademark owner and the potential assets without the infringing action.

- c) *What shares of the profits are attributed to the trademark owner and any licensees?*

There is no case law in Austria in this respect.

- d) *Does the strength of the trademark come into play in apportioning the profits?*

There is no guidance by case law in Austria in this respect.

- 5) *In case the monetary compensation is assessed on basis of a royalty,*

- a) *How is the royalty rate fixed?*

The monetary compensation is assessed on basis of a royalty as far as the adequate compensation (and not damages in case of intentional or negligent behaviour) are concerned.

There is only very little case law in Austria regarding the assessment of the exact amount of the royalty rate to be paid. The licence fees to be paid usually are assessed on the commonly paid licence fees. The advantages and disadvantages of the infringer compared to a licensee have to be taken into consideration as well as the general economic value of the trademark. The remuneration is usually considered to be "reasonable" if it equals the amount to be paid for a similar license in advance, ie the amount which reasonable contracting parties would have agreed upon taking into account all relevant circumstances.

In case of negligent or intentional behaviour damages may be awarded instead of a adequate compensation.

- b) *Do the Courts consider whether the mark in question is one which is or was available for licence? If so, how does this affect their analysis?*

Austrian case law stated that it is not to be considered whether the mark in question is or was available for licence.

- 6) *The Groups are asked to summarise what information in relation to the unlawful activities causing the violation of the trademark can be obtained by the trademark owner in administrative or judicial proceedings in order to assess the level of monetary compensation.*

The adequate compensation is usually determined by obtaining a expert's opinion. Furthermore, the trademark owner may request the rendering of accounts of the infringer so that the basis for the calculation of the damages has to be revealed.

- 7) *One of the forms of the prejudice suffered by the trademark owner through the infringement is the damage to the trademark in a reputational sense (diluting exclusivity). The Groups are invited to report if this form of prejudice is considered by the Courts and what are the factors that are used in their evaluation?*

There is only little guidance from Austrian courts in this respect so far. Generally, the owner of a trademark is also entitled to a reasonable consideration for all non-pecuniary loss if the trademark infringement has been caused by negligent or intentional behaviour and if the specific circumstances justify such consideration.

- 8) *The Groups are also asked to indicate if the moral/wilful element of the violation of a trademark right, and particularly the will to profit or gain from counterfeit activities (where the goods do not originate from the trademark proprietor or are not marked with his consent) is taken into consideration in the evaluation of the damages and/or the account of profits. If so, what are the consequences?*

In case of severe infringements the trademark owner may also be entitled to a reasonable consideration for all non-pecuniary loss if the trademark infringement has been caused by negligent or intentional behaviour and if the specific circumstances justify such consideration. There is not an express system of punitive damages. However, the award of the double amount of adequate compensation in case of gross negligence or intent may have a punitive effect.

*The Groups are also asked to indicate if ignorance of the trademark and/or ignorance of the infringement is taken into consideration in the evaluation of damages or the account of the profits.*

In this respect research could be an issue, although there is no respective case law guidance. As regards the adequate compensation, ignorance of the trademark and/or ignorance of the infringement is not taken into consideration. However, when requesting damages the infringer must have acted negligently or intentionally.

*Finally, is the scale of the counterfeiting or piracy an additional element which influences the assessment of damages and/or account of the profits? If so, what are the consequences?*

The scale will anyway be a parameter in the assessment of payment.

- 9) *Is the evaluation of damages based on the same principles in cases where the infringement also constitutes a violation of a contractual obligation, for example, a violation of a licence?*

Usually the same principles apply. However, in case of a violation of a contractual obligation the trademark owner does not have the burden of proof of the intentional or negligent behaviour of the infringer.

- 10) *The Groups are also invited to explain the problems and practical difficulties that the trademark owners face in the assessment of the damages and/or account of the profits for the violation of trademark rights?*

If the award of damages instead of an adequate compensation is requested, the owner of the trademark must provide evidence of the actual damage incurred. Furthermore, the trademark owner must prove that the damage has been caused by the infringer and usually also that the infringer has acted negligently or intentionally. In practice, this leads to the result that damages are seldomly specified and awarded in court actions as it is very difficult for the trademark owner to provide evidence of the actual damage incurred. Often the owner of the trademark might be forced to reveal its own basis for calculation to calculate damages.

In practice, often the payment of damages is dealt with as a flat amount in overall settlements of trademark infringement cases.

- 11) *In some cases the national law may provide, as a remedy for the violation of the trademark right, for the confiscation of the products bearing the illicit sign.*

*If this applies in their national law, the Groups are asked to indicate, if this confiscation influences the evaluation of the damages.*

No, in Austrian practice there is no indication that the confiscation has an influence on the evaluation of damages.

- 12) *The Groups are asked to indicate if the jurisprudence in their countries is a useful source of information and comparison on the assessment of monetary compensation for the violation of the trademark rights.*

*In this context, the Groups are invited to indicate if they are satisfied with the degree of certainty in their laws on evaluation of the compensation.*

Jurisprudence in Austria is only a very limited source of information, as there is only very little case law in Austria in this respect so far.

- 13) *The Groups are finally asked to explain any other issues related to the topic which would appear useful in the examination of the question.*

None.

## **II) Proposals for the future harmonisation**

- 1) *The Groups are requested to indicate if the evaluation of damages for violation of the trademark rights should be the subject of the international harmonisation and if this harmonisation should be undertaken through an international treaty.*

Harmonisation seems to be difficult, as there is obviously no generally applicable method of evaluation in trademark law.

- 2) *The Groups are requested to indicate what should be, based on their national experience, the harmonised system for the evaluation of damages for violation of the trademark rights.*

N/A.

- 3) *The Groups are invited to make any other suggestions about possible future developments of the present question.*

None.