

Report Q203

in the name of the Belgian Group
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Damages for infringement, counterfeiting and piracy of Trademarks

Questions

I) 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.

As for other intellectual property rights, a distinction is made in trademark law between criminal acts of counterfeiting or piracy and civil trademark infringements.

Criminal acts of piracy and counterfeiting are presently sanctioned by the Law of 15 May 2007 relating to the repression of counterfeiting and of piracy of intellectual property rights.

On the one hand, the Law of 15 May 2007 sanctions, in its Article 5, §1 so-called “Customs crimes” which are defined as any violation, or attempt to violate, the prohibition imposed under Article 16 of EC Regulation 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights.

On the other hand, Article 8, §1 of the Law of 15 May 2007 sanctions the crime of counterfeiting which infringes, with malicious or fraudulent intent, the rights of a trademark holder, as defined under Article 2.20, 1, a), b) and c) of the Benelux Convention of 25 February 2005 on intellectual property (trademarks and designs) (hereafter “the Benelux Convention”) or Article 9 of EC Regulation 40/94 on the Community trademark. Violations can be punished with between 3 months’ to 3 years’ imprisonment, and/or a fine of between €100 and €100,000. To be found guilty of such a crime, however, the malicious or fraudulent intention, i.e. the intention to harm or to defraud the victim, must be proved¹. If the crime of counterfeiting is established, the prejudiced trademark holder can in his quality as a “civil party”, claim compensation for the whole of his prejudice. Additional measures of confiscation and destruction can also be ordered². Anyone found guilty of counterfeiting a trademark or other intellectual property right can also be prohibited from exercising commercial activities on a permanent or temporary basis. The court can also order the definitive or partial closure of the guilty person’s business on a permanent or a temporary basis³.

¹ E. Cornu, «Les marques» in Guide juridique de l’entreprise, Kluwer, 2007, Vol. 2, n° 1.250; A. Braun, with the collaboration of E. Cornu, Précis des marques, Larcier, 4^{ème} Ed., 2004, p. 479, n° 437.

² Art. 12, § 2 and 13, in fine of the Law of 15 May 2007 ; Cass., 29 May 2001, Pas., I, p. 989.

³ Art. 15, § 2 of the Law of 15 May 2007.

Except for the requirement to prove malicious or fraudulent intent, the crime of counterfeiting is subject to the same material conditions as any other trademark offence. including the granting of damages, without prejudice to the specific sanctions applicable in cases where bad faith has been proved.

- 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)?

In Belgium, the violation of an intellectual property right (including a trademark right) is traditionally regarded as a tort, as a result of which the principle of tort liability under Articles 1382 and 1383 of the Belgian Civil Code will be applied when awarding damages.

In this respect, the traditional principle of the “integral reparation of the damage”, or, more precisely, the “equivalence between damage and reparation” is applied. The reparation will thus be sufficient to put the prejudiced person in the same situation as if no fault had been committed, which implies that the reparation must integrally compensate the victim for all aspects of the damage suffered, without enriching him⁴. This principle has recently been confirmed in general terms by the Belgian legislator in the Law of 10 May 2007 relating to the civil aspects of the protection of intellectual property rights, which purported to implement the provisions of EC Directive 2004/48 of 29 April 2004 on the enforcement of intellectual property rights (hereafter “Directive 2004/48”) into Belgian law.

However, this Law does not apply to trademarks which are subject to the Benelux Convention. Article 2.21 of that Convention, relating to the reparation of damages, provides that the exclusive right to the trademark allows the holder to claim reparation of any damage which he suffers as a result of any unlawful use of the trademark within the meaning of Article 2.20 of the Convention. Article 2.21, 2 of the Benelux Convention (in accordance with Article 13 of Directive 2004/48), requires the Courts to take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured has suffered, any unfair profits made by the infringer and, where appropriate, non-economic factors, such as the moral prejudice caused to the right holder by the infringement. Alternatively, where appropriate, the court can set the damages as a lump sum, at least based on the royalties or fees which would have been due, had the infringer requested authorisation to use the trademark.

- 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?*

Under Article 2.20, 1, c of the Benelux Convention, it is generally stated that, when the trademark has an excellent reputation in the Benelux, the damage suffered by the trademark owner can result from the mere fact that the use of that sign without due cause has taken unfair advantage of, or is detrimental to, the distinctive character or the reputation of the Benelux trademark. Therefore, the distinctive character of the trademark often influences the amount of damages granted.

In its judgment of 2 February 1994, the Court of Appeal of Brussels stated that “*the packaging of a product principally distributed in supermarkets has a certain attractive value and the damaging effects of a risk of association resulting from a similar packaging*

⁴ See Cass., 23 December 1992, Pas., I, 1992, p. 1406 ; Cass., 13 April 1995, J.T., 1995, p. 649.

for an identical product cannot be denied; however the claimant has not provided evidence which would allow the precise calculation of the damages, so they can only be calculated “*ex aequo et bono*”; therefore, the court reasonably evaluates them at 5,000⁵. The Commercial Court of Hasselt, following the same reasoning, also awarded €5,000 damages to the holder of the trademark “Esprit” for the counterfeiting of its trademark for clothes⁶. The Commercial Court of Brussels⁷, similarly awarded Dujardin, the owner of the famous trademark for pyjamas, €4,750 damages, evaluated “*ex aequo et bono*” since the trademark owner could not precisely assess the damages suffered or the profits lost.

Reference should also be made to the judgment which granted €620,000 damages to the owner of the trademark “Hard Rock Café” which he had claimed for the depreciation of his famous trademark⁸. In another case, the Commercial Court of Brussels awarded €100,000 damages, evaluated “*ex aequo et bono*” for the depreciation of the attractive character of the very famous luxury trademark “Veuve Cliquot Ponsardin”⁹. Similarly, Hugo Boss was awarded damages of €12,394.67 for the infringement of its trademark and the depreciation of its reputation¹⁰. Again, given the distinctive power of the trademark “Dior”, an infringer was sentenced to pay the trademark holder € 25,000 damages evaluated “*ex aequo et bono*”¹¹. The Commercial Court of Liège awarded €12,395 damages for the counterfeiting of the very famous trademark “Chanel”¹². The Commercial Court of Brussels also awarded €37,500 damages for the counterfeiting of the “Louis Vuitton” trademark, considering that it was unacceptable to let to the infringer keep the unfair profits he had made from this illegal use¹³. The Commercial Court of Mons awarded €10,000 damages to each trademark holder against someone who had sold counterfeit goods bearing the trademarks “Ferrari”, “Gucci”, “Porsche” and “Breitling”¹⁴. The same amount was awarded per trademark holder by the Criminal Court of Brussels for counterfeit use of the trademarks “Ferrari” and “AC Milan”¹⁵.

In another case, the Court of Appeal of Antwerp awarded €5,000 damages, evaluated “*ex aequo et bono*” for the infringement of the trademark “Vittel”, taking into consideration the diluting effect the counterfeiting had had on the brand’s exclusivity and on the financial investments made to promote the brand¹⁶. The Commercial Court of Brussels also awarded €12,500 damages to the owner of the trademark “Bâton de Berger” for a type of sausage that had been counterfeited by “Bâton des Fagnes”. The Court justified its award by referring to the high publicity costs incurred by the trademark owner and the risk of association for the public of the litigious trademark to the trademark of the owner¹⁷. In another case, the Commercial Court of Ypres granted €25,000 EUR of damages evaluated “*ex aequo et bono*” to the cheese manufacturer Passendaele for the counterfeiting of its trademarked six-sided cheese, due to its attractive power, the high publicity costs incurred by the trademark owner and, consequently, the risk of association

⁵ Brussels, 2 February 1994, Ing.-Cons., 1994, p. 41, with note E. Cornu.

⁶ Comm. Brussels, 4 January 1991, R.D.C., 1992, p. 522.

⁷ Comm. Hasselt, 17 May 1991, Ing. Cons., 1991, p. 458.

⁸ Comm. Antwerp, 14 January 1997, Ing.-Cons., 1997, p. 37.

⁹ Comm. Brussels (9^e ch.), 30 June 2005, R.G. n° 2005/4813, not published.

¹⁰ CA Brussels (8th ch.), 13 September 2005, Ing. Cons. 2005, p. 430.

¹¹ Comm. Brussels (23rd ch.), 7 September 2004, <http://www.darts-ip.com>.

¹² Pres. Comm. Liège, 23 March 1989, not published, confirmed by the Court of Appeal of Liège, 3 March 1994, not published, quoted by A. Braun and E. Cornu, op. cit., p. 466.

¹³ Comm. Brussels, 28 June 1988, not published, quoted by A. Braun and E. Cornu, op. cit., p. 466.

¹⁴ Crim. Mons (7th ch.), 25 October 2007, not published.

¹⁵ Crim. Brussels (61st ch.), 14 December 2006, not published.

¹⁶ Antwerp, 29 March 2004, 2003/AR/663, <http://www.darts-ip.com>.

¹⁷ Comm. Brussels, 7 January 1991, Ing. Cons., 1991, p. 361.

between the trademarks¹⁸. The Commercial Court of Brussels also sentenced the cosmetics manufacturer Helena Rubinstein to pay €22,250 damages to the owner of the famous mineral water trademark "Spa" for the application and use of a similar trademark, taking into consideration the dilution of its distinctive power and the decreased effect of the promotional investment made by the "Spa" trademark owner¹⁹.

On the other hand, the famous hotel company "Le Meridien" was only granted €1,240 damages for the infringement of its famous trademark and its distinctive power, given the limited character of the infringement (it occurred in a small town) and the fact that no evidence had been produced of actual harm²⁰.

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

Even if it is not a general rule, many Courts do take this into account. For instance, the Commercial Court of Mechelen ordered an infringer to pay €40,902 EUR damages, corresponding to 10% of the publicity costs incurred by the trademark owner during the three years preceding the infringement, as compensation for the infringement to the distinctive power of the trademark²¹.

However, in another case, the Court of Appeal of Mons refused a claim for damages of 30% of the publicity costs during the four years preceding the infringement and 10% of goodwill from a trademark owner. The Court considered that the immaterial damages could not be calculated mathematically since the actual harm suffered could never be demonstrated and that it should rather be evaluated "*ex aequo et bono*" at €7,500, instead of the €35,000 claimed²².

The Court of Appeal of Brussels also reopened the proceedings to allow Veuve Cliquot to specify the amount of damages claimed, stating that they should be evaluated "*ex aequo et bono*" taking into account the financial investment made to promote the products under the famous "Veuve Cliquot Ponsardin" trademarks²³.

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

Yes, the effect of the infringing activity on the trademark owner's profitability is taken into consideration, by assessing the lost profits suffered. Please see our answer to question 4 below.

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

We are not aware of a case in which the infringement has caused the trademark holder to reduce his prices to those of the infringing goods. Nevertheless, the lower prices of the infringing goods are often taken into account when assessing damages, since they give indications of the extent of depreciation of the trademark²⁴.

Besides, price erosion is taken into account through the compensatory and legal interest rates applicable to the damages awarded.

¹⁸ Comm. Ypres, 24 June 1996, Ing. Cons., 1999, p.442.

¹⁹ Comm. Brussels (18th ch.), 19 December 2003, R.G. 01/00867, <http://www.darts-ip.com>, confirmed in appeal by CA Brussels (9th ch.), 4 September 2007, J.T., 2007, p. 724, increasing the amount by € 7,450 to take into account the dilution occurred between the judgement in first instance and the judgment in appeal.

²⁰ CA Mons (1st ch.), 26 June 2006, IRDI, 2007, p. 67.

²¹ Comm. Mechelen, 22 April 1999, Ing.-Cons., 1999, p. 369.

²² CA Mons (1st ch.), 26 June 2000, J.T., 2002, p.135.

²³ CA Brussels (9th ch.), 24 June 2004, Ing. Cons., 2004, p. 285.

²⁴ See for instance: Comm. Hasselt, 17 May 1991, loc. cit..

- 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?*

In principle, Article 2.21, 2 of the Benelux Convention allows the Courts to take into consideration both of those aspects of the infringement. However, it is difficult to know which sales really count in the assessment of damages since, on the one hand there has been no new case law since the adoption of Article 2.21, 2 of the Benelux Convention, and on the other hand most judgments award a single amount of damages covering both the victim's lost profits and the infringer's unfair profits, without clearly indicating the amount for each component separately. In addition, since it can be difficult to calculate precisely lost sales, the Courts will often take sales made by the infringer into account. (Please see our answer to question 4).

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

In principle, there is no differentiation, although this has been somewhat mitigated by case law.

In two cases regarding the selling of parallel-imported "Nina Ricci" perfume from which the bar codes had been removed, the trademark holder was only awarded a limited lump sum as compensation for the damage to the trademark's reputation, and his claim for the recovery of the profits made by the infringer was refused. In both cases, the Courts considered that, since the perfumes were authentic and not counterfeit, a sentence based on Article 2.21, 4 of the Benelux Convention (which provides for the possibility for the trademark holder to claim the retro-cession of the profits realised by the infringer in case of bad faith) was not justified²⁵.

On the other hand, the Court of Appeal of Brussels refused to differentiate a claim for damages from Levi-Strauss for the sale of some of its parallel-imported jeans in a supermarket. The Court considered that it was not because the goods were authentic, that their sale was not detrimental to their brand image, which was the fruit of considerable investment²⁶. In the same sense, we should mention that the Court of Appeal of Brussels applied the provision applicable to bad-faith infringements (now, Article 2.21, 4 of the Benelux Convention) to the parallel importer²⁷.

- 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?*

Since it is very difficult to quantify lost profits and the exact impact of the sale of counterfeit goods on the sales of the trademark owner, Belgian Courts generally calculate lost profits "ex aequo et bono", taking into account the circumstances and some (or all) of the following criteria, sometimes assisted by an expert. Indeed, Article 2.21.2.a of the Benelux Convention expressly provides that the Courts shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused by the infringement. This Article transposes Article 13.1.a of Directive 2004/48.

There is no generally-accepted method for calculating the amount of compensation.

²⁵ Comm. Liège, 18 October 1999, R.D.C., 2000, p. 386, with note L. Van Bunnin; Comm. Liège, 4 February 2005, Ing.-Cons., 2005, p. 217.

²⁶ CA Brussels, 8 May 2001, Levi-Strauss / Carrefour, Ing.-Cons., 2001, p. 265.

²⁷ CA Brussels, 24 September 2004, Delhaize/Dior, Ing. Cons., 2005, p. 320.

Before the introduction of the new Article 2.21, 2 of the Benelux Convention, implementing Article 13 of Directive 2004/48, the Courts generally took into account the quantity of goods that could have been sold by the trademark owner had the infringer not infringed the trademark owner's rights (lost profits). In order to do this, the Court had to (i) establish the quantity of the infringing goods sold and then (ii) determine the damage suffered by the trademark owner as a result of their sale. The extent of the infringement and its duration were almost always considered by the Court when determining the damages suffered by the trademark owner.

To establish the quantity of the infringing goods sold, case law took into account the quantity of goods manufactured (or imported) by the infringer, and how many of them were sold. In several cases, however, the Courts only took into consideration the quantity of goods sold²⁸.

In evaluating the damage suffered by the trademark owner, it would be preferable to also take into account the quantity of goods manufactured (or imported). Indeed, counterfeiting does not only involve selling the counterfeit goods but also making them, importing them, distributing them and offering them for sale. Hence, the Commercial Court of Brussels has awarded damages based on the amount of infringing goods held in stock, not only the goods sold²⁹.

It remains to be seen how case law will evolve in the interpretation of the new Article 2.21, 2 of the Benelux Convention.

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

Once the quantity of the infringing goods has been determined, one has to calculate the profits that the trademark owner could have made by selling that quantity of goods. In cases where the trademark owner sells the goods himself, it is generally accepted that the damages are equal to the profits that the trademark owner would have made. These "lost profits" can be more or less than the illicit profits made by the infringer.

It is important to note that the lost profits are not necessarily equal to the quantity of goods sold by the infringer, notably because there is usually a price difference, a difference in quality of the goods or other specific circumstances, such as the amount of competition on the market or the existence of similar products.

For instance, the Commercial Court of Nivelles refused a claim for damages for lost profits from a champagne producer because the infringer's product (beer) was considered too different from the trademark owner's product, and because there was a considerable price difference between the products³⁰.

However, it is difficult to know how lost profits as such are determined, since most judgments grant a single amount of damages for lost profits and for damages, without clearly indicating the amount for each component separately. Sometimes, a court can refuse to calculate damages precisely because it considers that the actual harm and lost profits suffered by the trademark holder could never be demonstrated³¹.

²⁸ For instance, CA Brussels, 27 November 1991, Ing.-Cons., 1992, p. 123; CA Antwerp 29 January 2001, IRDI, 2001, p. 327; CA Brussels, 8 May 2001, Levi-Strauss / Carrefour, loc. cit., p. 265.

²⁹ Comm. Brussels 24 January 2003, Levi Strauss/Gus, not published.

³⁰ Comm. Court Nivelles, 11 February 2003, Veuve Clicquot/De Landtsheer, IRDI, 2004, p. 85. On appeal, the Court of Appeal ruled that there is indeed a prejudice for the trademark owner, but limited to the "dilution" of his trademark. In other words, the Court did not consider lost profits. See: CA Brussels, 24 June 2004, De Landtsheer/ Veuve Clicquot, Ing. Cons., 2004, p. 285. By another judgement rendered between the same parties, the Court of Appeal of Brussels asked several prejudicial questions to the European Court of Justice. The judgment of the European Court of Justice of 19 April 2007 (ECJ, 19 April 2007, De Landtsheer/ Veuve Clicquot a.o., C-381/05, ECR, 2007, I-3115) could possibly challenge the aforementioned judgments according to which there is no question of lost profits since it left open the question whether beer and champagne are in a competitive relationship.

³¹ CA Mons (1st ch.), 26 June 2000, loc. cit.

In the specific case of infringements in bad faith (Article 2.21.4 of the Benelux Convention)³², the Belgian Courts have sometimes appointed experts to assist them to assess unfair profits, a process that is often easier than calculating damages. The *ratio legis* of Article 2.21, 4 of the Benelux Convention indeed agrees that it is easier to assess such profits than the profits that the trademark owner would have made if the infringement had not taken place. Furthermore, the trademark owner can ask the infringer to submit his accounts showing the profits made from the infringement to the Court. In this respect, the Benelux Court of Justice recently ruled that the profit made by the infringer had to be calculated as the net profit, after deduction of the purchase price, tax and distribution costs directly related to the sale of the products concerned³³.

In the “Hard Rock Café” case, the Commercial Court of Antwerp decided to appoint an expert to calculate the unfair profits, resulting in the complete acceptance of the trademark owner’s claim of €620,000 for unfair profits and bad faith Benelux trademark registrations³⁴.

These measures were also ordered by the Commercial Court of Liege in favour of the perfume manufacturer Nina Ricci and against Best Sellers, who had sold parallel-imported goods from which the bar codes had been removed. The Court justified its action by the fact that Best Sellers had acted in bad faith by selling goods after the bar codes had been removed. However, the trademark owner was only awarded €2,500 compensation for the depreciation of the quality of the products³⁵.

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

According to Articles 2.32, 4 and 2.32, 5 of the Benelux Convention, the licensee is allowed to claim damages for a share of the profits made by the infringer, either by intervening in a case started by the trademark owner or by starting a case himself, with the approval of the trademark owner. Under Belgian case law, compensation can only be awarded for the prejudice that he himself sustained and this can only be a proportional part of the total compensation paid by the infringer³⁶.

Several factors are considered when evaluating the amount of such royalty compensation, including the quantity of infringing goods, the royalties generally paid to the trademark owner for using the trademark (or if necessary, the average royalties paid in the sector) and the reputation and/or appeal of the trademark. Indeed, on 13 September 1973, the Commercial Court of Brussels awarded €12,500 damages, calculated on this basis, to the owner of the famous “Laurier” trademark, and the same amount to Tricota, its licensee³⁷. In another case, the Commercial Court of Namur awarded a provisional amount of €3,750 to the owner of the trademark “Monchini”, and the same amount to its licensee³⁸.

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

As already mentioned in our answer to question 3a above, the strength of the trademark definitely influences the amount of damages awarded by the Court. It is however difficult to know how it exactly comes into play in apportioning the profits, since most judgments grant a single amount for lost profits and damages, without clearly indicating the amount for each component separately.

³² For this specific case, see our answer to question 8 below.

³³ C.J. Benelux, 24 October 2005, J.T., 2006, p. 42.

³⁴ Comm. Antwerp, 14 January 1997, Ing.-Cons., 1997, p. 37.

³⁵ Comm. Liège, 18 October 1999, R.D.C., 2000, p. 386, with note L. Van Bunnan.

³⁶ C.J. Benelux, 7 June 2002, “Adidas / Marca Mode”, Ing.-Cons., 2002, p. 153.

³⁷ Ing.-Cons., 1974, p. 88.

³⁸ Comm. Namur, 14 October 1980, Bull. B.M.M., 1981, p. 123.

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

a) *How is the royalty rate fixed?*

Article 2.21, 2 under b of the Benelux Convention, (implementing Article 13, 2°, under (b) of Directive 2004/48), expressly provides that the Courts can award damages equal to the royalties which the trademark owner would have obtained if the infringer had requested authorisation to use the trademark.

There has been no relevant case law on the application of this provision since its entry into force. In particular, there is no case law on the rate to be generally applied, since there is no usual rate of royalties for trademark licences.

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?*

In case where the trademark owner does not himself sell the goods, either because he has not yet started to sell them or because he sells them through a subsidiary or a licensee, it can be argued that he cannot have suffered lost profits on the sale of the goods as he has not sold them. The Courts have ruled that the damage suffered by the trademark owner corresponds to the amount of royalties or fees which he could have obtained, had the infringer requested authorisation to use the trademark³⁹.

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.*

Generally speaking, the trademark owner can oblige the (alleged) infringer to submit to the Court any relevant accounting information for determining the prejudice suffered by the trademark owner. This can include the quantity of products bearing the litigious trademark which have been manufactured, put on the market (i.e. distributed, offered for sale and sold) kept in stock, as well as, if required (cf. Article 2.21, 2, under a and 2.21, 4 of the Benelux Convention) the profits made.

This information may be obtained via an ex parte descriptive seizure expert (the “saisie en contrefaçon”/“beslag inzake namaak”) ordered by the President of the Commercial Court, who will appoint an independent expert charged to prepare a report describing the goods, documents and processes which combine to demonstrate the origins, scope and existence of the alleged infringement (Article 1369bis et seq. of the Belgian Judicial Code). This procedure can be ordered before or during proceedings for trademark infringement.

The information may also be obtained in the framework of the infringement proceedings themselves. The competent Commercial Court can order to the infringer to submit all relevant accounting and other documents (Article 877 of the Belgian Judicial Code). The Court may also appoint an expert to carry out any further investigations (Article 962 et seq. of the Belgian Judicial Code).

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?*

As already mentioned in our answer to question 3a above, it is generally accepted that trademark infringements often lead to a depreciation of the appeal or reputation of a trademark, and thus constitute an aspect of the damage suffered. Indeed, the monopoly and

³⁹ Civ. Brussels, 30 December 1993, Ing. Cons., 1994, p. 88.

the brand image of the trademark are both undermined by counterfeiting. If the claimant can prove the dilution of the trademark, which is always difficult, the Courts have granted compensation for the damages suffered⁴⁰.

However, the amount of compensation for depreciation of the appeal or reputation of a trademark is often difficult to determine. This is why the Belgian Courts generally award a lump sum "*ex aequo et bono*", to cover lost profits and other damages. Some factors, such as the poor quality of the infringing products or their low prices, can give an indication as to the extent of depreciation of the trademark.

Whereas the poor quality of the infringing goods can limit the damages granted for lost profits, it can, however, increase the compensation for the damage suffered because of the depreciation of the trademark⁴¹.

- 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?*

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.

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?

Under the Benelux regime, bad faith is not a condition for a trademark infringement. Following well-established case law, the infringer's good faith does not exclude him from the trademark violation⁴².

Accordingly, ignorance of the existence of prior trademark rights, or the infringing nature of the use of a sign with regard to prior trademark rights, has no effect on the evaluation of the damages, which is done in conformity with Article 2.21, 2 of the Benelux Convention as recently modified in view of the transposition of Article 13, §1, 2° of Directive 2004/48.

This being said, the Benelux Convention provides for specific sanctions against bad faith which can be combined with (or substituted for) other compensation measures.

Accordingly, in case of a bad faith violation of a trademark right, Article 2.21, 4 of the Benelux Convention allows the holder of the trademark to begin proceedings for the retrocession of the profits made as a result of the trademark infringement. This action will be accompanied by a request to give account of the profits. The Court will reject the demand if it considers that the infringement has not been committed in bad faith, or if the circumstances of the case do not justify such measure (even if bad faith has been demonstrated)⁴³.

The Brussels Court of Appeal has ruled on several occasions that the action for retrocession of the profits made should ensure that the authors of intentional infringements to trademark rights do not make profits from their unlawful activities, despite their obligation to compensate the damages suffered by the trademark holder. This can occur if the illicit profit is more than the damages shown to have been sustained by the trademark holder. The Courts frequently

⁴⁰ Corr. Antwerp, 17 May 2004, not published and confirmed by Antwerp, 19 November 2004 as well as the case-law quoted in answer to question 3, a).

⁴¹ CA Antwerp, 29 January 2001, IRDI, 2001, p. 327; CA Brussels, 24 June 1999, Ing.-Cons., 2002, p. 35.

⁴² A. Braun, with the collaboration of E. Cornu, op. cit., p. 437, n° 396; E. Cornu, op. cit., n° 1.250.

⁴³ See e.g. CA Mons, 22 January 2007, Ing.-Cons., 2007, p. 31.

respond favourably to such demands for retro-cession of benefits if the amount claimed is more than the amount allocated for compensation of the damages suffered as a result of the trademark infringement⁴⁴.

If the Court agrees to the retro-cession of the profits, the amount will be calculated using the method set out by the Benelux Court of Justice in its judgment of 24 October 2005⁴⁵.

The profit is defined as the net profit made by the infringer, and is calculated by deducting from the sales price the purchase price of the goods, plus tax and other costs directly related to the sale of the goods. The infringer's general business costs cannot be taken into account.

Moreover, irrespective of the possible bad faith of the infringer and without prejudice to the possible award of damages, the Court can also impose additional measures, such as the definitive removal from the channels of commerce or the destruction of the infringing products (cf. Article 2.22 of the Benelux Convention). These measures are not considered as compensation, and are thus without influence on the damages awarded to the trademark holder. When requested to impose such measures, the Court enjoys a large degree of discretion. It can take into account the proportionality between the nature of the infringement and the requested measures, as well as the interests of third parties. The measures should primarily lead to the cessation of the infringement, and can only be imposed within this limit. They are particularly appropriate in cases involving violations committed in bad faith, acts of piracy or slavish copies.

The Benelux Court of Justice, in its judgement "*Ondeo Nalco/Michel Company*" of 11 February 2008 has ruled that bad faith is not limited to the case of piracy, and that bad faith can only exist in cases where an infringement has been committed intentionally.

According to the Benelux Court, an infringement is committed intentionally if the person whose acts have been recognised as infringing by the Judge, was aware at the moment of committing those acts of their infringing nature. It follows from this that anyone who uses a trademark in his professional or economic activity, is expected to be aware of the Trademark Register. However, this condition will not be met if the person invokes a defence against the accusation of infringement which could not reasonably be held as lacking any merit. According to the Benelux Court, this could be the case when a defence is raised based on the absence of any risk of confusion, the use of a sign justified by contractual relations with the trademark holder or the nullity of the trademark registration or the extinction of the trademark right⁴⁶.

- 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?*

The evaluation of the damages will take place in accordance with the same principles when the trademark infringement also constitutes a violation to a contractual obligation.

However, it must be noted that, under Belgian law, the damages resulting from the violation of a contractual obligation will have to comply with the conditions and possible causes of exoneration under Articles 1146 et seq of the Belgian Civil Code, while damages resulting from a tort will be subject to the specific regime of Articles 1382 and 1383 of the Belgian Civil Code. In this respect, there could sometimes be a concurrence of tort liability and contractual liability. In any case, the damages cannot exceed the amount of the prejudice which has actually been suffered, without prejudice to the particular sanctions which can be imposed in case of bad faith violation of a trademark right (see our answer to question 8 above).

⁴⁴ CA Brussels, 24 September 2004, Ing.-Cons., 2004, p. 417 ; CA Brussels, 24 September 2004, Ing.-Cons., 2005, p. 320 ; E. Cornu, op. cit., n° 1.410.

⁴⁵ C.J. Benelux, 24 October 2005, aff. A-2004/5, « Delhaize / Parfums Christian Dior », Ing.-Cons., 2005, p. 339.

⁴⁶ C.J. Benelux, 11 February 2008, aff. A-2006/4, « Ondeo Nalco / Michel Company », not yet published.

Moreover, the contract, such as a licence agreement, may contain clauses providing remedies in case of a breach by one of the parties. The parties are free to determine these remedies and their amount, subject to the prohibition of “penal clauses” (“clauses pénales”/“strafbedingen”). In other words, the parties may freely determine that any breach of the contract will be indemnified, and may freely determine the amount of the remedy, as long as the amount is what could be reasonably determined to indemnify the breach of contract. However, this amount may be changed by the competent Court, which can reduce it if it deems it to have a penal rather than an indemnificatory character, i.e., it is a fine rather than mere compensation (Article 1231 of the Belgian Civil Code).

- 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?*

It is often difficult to quantify with accuracy the lost profits of the trademark’s owner as well as his moral prejudice. Consequently, as mentioned above, the Courts often make an evaluation *ex aequo et bono* of the damages suffered by the trademark’s owner.

- 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.

Article 2.21.3 of the Benelux Convention states:

“Moreover, the Court may, at the trademark owner’s request, order as damages the release to the trademark owner of the goods infringing a trademark right, as well as, in appropriate cases, of the materials and implements mainly used to manufacture those goods; the Court can order that the release will only happen versus payment by the applicant of an indemnity specified by the Court”⁴⁷.

This “sanction” is to be added to the compensation owed to the trademark owner, but cannot replace it. It does not influence the assessment of the damage suffered by the trademark owner.

Moreover, it has to be stressed that the competent court may oblige the trademark owner to pay compensation for the release of the products bearing the illicit sign and/or of the machinery used to manufacture the products, which lessens the “confiscating” character of this “sanction”.

- 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.

As the Benelux legislator has limited himself to determining the applicable principles, it is useful and necessary to study and compare case law relating to the assessment of compensation for the violation of trademark rights. Although the amounts awarded by the Belgian Courts tend to vary substantially depending upon the circumstances of each case, there is a clear trend to award higher amounts of damages and motivate the reasoning behind these awards in more detail. We welcome these developments.

⁴⁷ Free translation of : “En outre, le tribunal peut, à la demande du titulaire de la marque, ordonner à titre de dommages-intérêts la délivrance au titulaire de la marque des biens qui portent atteinte à un droit de marque, ainsi que, dans des cas appropriés, des matériaux et instruments ayant principalement servi à la fabrication de ces biens; le tribunal peut ordonner que la délivrance ne sera faite que contre paiement par le demandeur d’une indemnité qu’il fixe.”

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.*

There is already a harmonisation of the applicable principles, at the international (TRIPS, especially Articles 45 and 46), EU (aforementioned Directive 2004/48/EC) and Benelux levels. We see no requirement to extend harmonisation at the international level any further.

Summary

The damages for infringement to trademark rights are usually assessed on the basis of the principle of “equivalence between damage and reparation”, as it derives from Articles 1382 and 1383 of the Belgian Civil Code. However, the new Article 2.21, 2, of the Benelux Convention on Intellectual Property requires the Courts to take into account all relevant aspects. It remains to be seen in future case-law whether this new provision may be considered as going beyond the aforementioned principle.

Since all the relevant factors may be taken into consideration for the assessment of damages, the strength of the distinctive character of the trademark, the investments made by the trademark owner, the dilution of the trademark, the lost profits and the moral prejudice of the trademark's owner are all to be considered as relevant factors. The lost profits themselves are equal to the profits the trademark's owner would have made if no infringement had taken place, and can, depending upon the circumstances at stake, be more or less than the illicit profits made by the infringer. If need be, the prejudice suffered by the licensee is also indemnified, being a proportional part of the total compensation paid by the infringer.

The infringer's good faith does not exclude him from his liability for the trademark infringement and the obligation to indemnify the trademark owner. The infringement committed in bad faith entitles the trademark owner to request – in addition to or in lieu of the indemnification of the damages suffered - the retrocession of the profits made by the infringer, unless the circumstances of the case do not justify such measure.

Up to now, there is a tendency in the case law to make an evaluation *ex aequo et bono* of the damages suffered by the trademark owner because of the difficulty to quantify with accuracy the lost profits of the trademark's owner as well as his moral prejudice, and to set one amount of damages to be paid, covering all the relevant factors to be taken into account. However, the quantifiable elements (number of products bearing the litigious sign which have been manufactured and/or put on the market, profits made by the infringer) are elements used in assessing such *ex aequo et bono* damages. Evidence of these elements can be gathered through the procedure of seizure-description as well as, in the course of the infringement proceedings themselves, through an order of the Court to produce relevant documents and/or through an expert's intervention.

As the Benelux legislator has limited himself to determining the applicable principles, it is useful and necessary to study and compare case law relating to the assessment of compensation for the violation of trademark rights, especially since the case law will now have to take into account the new relevant provisions of the Benelux Convention on Intellectual Property. Although the amounts awarded by the Belgian Courts tend to vary substantially depending upon the circumstances of each case, there is a clear trend to award higher amounts of damages and motivate the reasoning behind these awards in more detail.

Since there is already a harmonization of the principles applicable to the assessment of damages for infringement of trademark rights (TRIPS, EU, Benelux), the Belgian Group does not see the need to extend harmonization at the international level any further.

Résumé

Les dommages et intérêts accordés pour une atteinte aux droits à la marque sont évalués sur base du principe de l'équivalence entre le dommage et la réparation découlant des articles 1382 et 1383 du Code Civil. Cependant, le nouvel article 2.21, 2 de la Convention Benelux en matière de propriété intellectuelle permet au tribunal de prendre en compte tous les éléments pertinents. La jurisprudence future permettra d'apprécier si cette nouvelle disposition va au-delà du principe susmentionné ou non.

Puisque tous les éléments pertinents doivent être pris en compte pour évaluer les dommages, le caractère distinctif plus ou moins fort de la marque, les investissements consentis par le titulaire de la marque, la dilution de la marque, le manque à gagner et le dommage moral du titulaire de la marque doivent être considérés comme des éléments pertinents. Le manque à gagner est égal aux bénéfices que le titulaire de la marque aurait réalisés si l'atteinte n'avait pas eu lieu et peut, en fonction des circonstances, être plus ou moins élevé que les bénéfices réalisés illicitement par le contrefacteur. Si nécessaire, le préjudice subi par le licencié peut également être indemnisé, en tant que partie proportionnelle de l'ensemble des dommages-intérêts dus par le contrefacteur.

La bonne foi du contrefacteur n'empêche pas qu'il ait commis une atteinte à une marque et qu'il soit dans l'obligation de payer des dommages-intérêts. Si l'atteinte est commise de mauvaise foi, le titulaire est en droit de réclamer – en complément ou alternativement à l'indemnisation du dommage subi – la rétrocession des bénéfices réalisés par le contrefacteur, sauf si les circonstances de l'affaire ne justifient pas une telle mesure.

Jusqu'à présent, la jurisprudence montre une tendance à évaluer *ex aequo et bono* le dommage subi par le titulaire de la marque, et ce en raison de la difficulté à évaluer avec précision le manque à gagner et le préjudice moral subis par le titulaire de la marque ainsi qu'en raison de la difficulté de fixer le montant des dommages couvrant tous les éléments devant être pris en compte. Cependant, certains éléments quantifiables (quantité de produits portant le signe litigieux ayant été manufacturés et/ou mis sur le marché, bénéfices réalisés par le contrefacteur) sont utilisés pour baliser l'évaluation *ex aequo et bono* des dommages. Les preuves concernant ces éléments peuvent être obtenues par le biais de la procédure de saisie-description ainsi que – dans le cadre de la procédure en contrefaçon même – par l'injonction du tribunal ordonnant la production des documents pertinents et/ou par une expertise judiciaire.

Puisque le législateur Benelux s'est limité à déterminer les principes applicables, il est utile et nécessaire d'étudier et de comparer la jurisprudence en ce qui concerne l'évaluation des indemnisations pour l'atteinte aux droits à la marque, d'autant plus que la jurisprudence devra désormais prendre en compte les nouvelles dispositions de la Convention Benelux en matière de propriété intellectuelle. Même si les montants accordés par les tribunaux belges tendent à varier fortement selon les caractéristiques de chaque affaire, lesdits tribunaux ont tendance à accorder des montants plus élevés qu'auparavant et à motiver leurs décisions de façon plus détaillée.

Puisqu'il existe déjà une harmonisation des principes applicables pour l'évaluation des dommages-intérêts accordés en cas d'atteinte aux droits à la marque (ADPIC, UE, Benelux), le Groupe belge estime qu'il n'est pas nécessaire d'étendre encore l'harmonisation au niveau international.