

Report Q203

in the name of the Chilean Group
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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.

Chilean law distinguishes between different kinds of infringement, counterfeiting and piracy of trademarks, but in different Laws and not necessarily using said expressions.

Conditions for liability for these infringements consists either on objective and subjective aspects.

- 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)?

A damage indemnity may be determined, at the choice of the plaintiff, according to the general rules (effective damages) or according to one of the following rules:

- 1) The profits that the holder would have not earned as a consequence of the infringement;
 - 2) The profits that the infringer would have earned as a consequence of the violation; or
 - 3) The price that the infringer would have paid to the holder of the right for the granting of a license, taking into account the commercial value of the infringed right and contractual licenses that have already been granted.
- 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?*
 - b) *Do the Courts take into consideration the investment made by the trademark owner in order to make the trade mark known?*
 - c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors profitability? If so, how?*

- d) Do the Courts take into account price erosion? If so, how?
- 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?
- f) Do the Courts treat parallel imports differently? If so, what is the legal basis for this differentiation?

Regarding factors taken into account in the assessment of damages, it is important to notice that Court decisions are freely arrived but based on admissible evidence, and according to general rules, which means, effective and demonstrated damages.

Unfortunately, our Courts and laws are not sufficiently developed or specialized enough as to consider factors such as distinctiveness and popularity of a trademark or price erosion in the assessment of damages.

- 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?
 - b) How are the profits defined and how are they calculated?
 - c) What shares of the profits are attributed to the trademark owner and any licensees?
 - d) Does the strength of the trademark come into play in apportioning the profits?

According to general rules, principles are that damages are assessed based on plaintiff arguments and demonstrable evidence during trial.

- 5) In case the monetary compensation is assessed on basis of a royalty,
 - a) How is the royalty rate fixed?
 - 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?

When monetary compensation is assessed on basis of a royalty, rate is fixed taking into account the commercial value of the infringed right and contractual licenses that have already been granted.

- 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.

Trademark owners can obtain as much information as they want and need during judicial proceedings, as per Courts or party request, and with the assistance of Police, for example, seizure of private accountant books and related documents.

- 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?

Diluting exclusivity is a specialized and developed concept not considered yet by Chilean law and Courts as a factor for their evaluation.

- 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?

The will to profit or gain from counterfeit activities is taken into consideration as to evaluate some fact as a crime or not, but it is not particularly relevant to evaluation of damages. This subjective factor determines whether and infringement case can be pursued by civil or criminal law.

- 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?*

- 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?*

Most problems or difficulties that trademark owners face in the assessment of damages are their own limitations to evaluate objectively their damages during judicial procedures.

- 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.

In our opinion, confiscation of the products bearing the illicit signs does influence the evaluation of the damages, in the sense that, since the moment goods are confiscated, damages are interrupted so the compensation of the prejudice should be counted until that date only.

- 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 should be in the future a useful source of information and comparison on the assessment of monetary compensation for the violation of the trademark rights.

- 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.*

Text

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.*

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

The international harmonization through an international treaty should be desirable to give Courts enough tools to evaluate damages, however, such an exercise will certainly cross with obstacles given the different general legal principles on which the law of the countries are based.