

Report Q203

in the name of the Czech Group

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.

The national Czech Act on Trademarks No. 441/2003 Coll. 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. Third parties may not use without the consent of the proprietor of the trade mark in the course of trade, in particular affixing the sign to goods or the packaging thereof, offering goods for sale, putting them on the market or stocking them for those purposes under the sign, or offering or supplying services under the sign, importing or exporting goods under the sign and using the sign on business papers or in advertising.

These various forms of the violation of trademark rights have an impact on the monetary compensation to be provided to the trademark owner.

- 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)?

Should an infringement upon the rights occur, the authorized person may seek a judicial decision that the infringer refrain from acts by which the right is infringed or namely in particular endangered, and that the consequences of the endangering or infringement be removed by recall of products the manufacture or launch or storage of which resulted in endangering of or infringement upon the right, by permanent removal or destruction of products the manufacture or launch or storage of which resulted in endangering of or infringement upon the right or by recall, permanent removal or destruction of materials, tools or equipment intended for or used exclusively or mostly in the course of activities endangering or infringing the right.

- 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?*

In the framework of the Act No. 221/2006 Coll. on Enforcement of Industrial Property Rights the Courts take into consideration how strong the trademark is, both in terms of its inherent distinctiveness and popularity acquired through use and publicity and the investment made by the trademark owner in order to make the trade mark known. The Courts usually do not take into account consideration what direct effect the infringing activity has had on the trademark proprietors profitability and price erosion. They distinguish between actual lost sales and do not treat parallel imports differently.

- 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?*

The Courts in practice do not evaluate the compensation on the basis of lost profits of the trademark owner or an account of the profits arising from infringement. The monetary compensation is usually evaluated on basis of license analogue.

- 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?*

On the basis of the Act No. 221/2006 Coll. on Enforcement of Industrial Property Rights in the case of monetary compensation the Court may upon a motion assess damages, the amount of an unjust enrichment the infringer acquired as a result of the endangering of or infringement upon the Right, and the appropriate compensation in a flat amount not less than double the license fee. If in the course of his activities the infringer neither knew nor was able to know that his acts constitute an infringement upon the rights, the Court may upon a motion assess the damages, the amount of an unjust enrichment the infringer acquired as a result of the endangering of or infringement upon the right, and the appropriate compensation in a flat sum amounting to the license fee which would have been usual upon the acquisition of a license to use the Right at the time of the infringement. The royalty rate is as usually on the literature or experience fixed.

The Court shall take into consideration all relevant circumstances, e.g. the economic consequences including the loss of profits sustained by the Authorized Person, the infringer's ill-gotten gain and possibly also other than economic aspects, e.g. moral prejudice caused to the Authorized Person by the infringer.

- 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 trademark owner can obtain information in the case of unlawful activities causing the violation of the trademark usually in judicial proceedings only.

- 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?*

Should the infringement upon the Rights result in an immaterial prejudice, the Authorized Person shall be entitled to damages, to a surrender of the unjust enrichment the infringer acquired as a result of the endangering of or infringement upon the Right, and to an appropriate compensation. An appropriate compensation may consist also in a pecuniary fulfilment. However there is no Court experience how to evaluate the trademark owner damages in a reputational sense.

- 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?

If in the course of his activities the infringer knew that his acts constitute an infringement upon the Rights, the Court may constitute the appropriate compensation in a flat amount not less than double the license fee which would have been usual upon the acquisition of a license to use the Right at the time of the infringement.

- 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 damages is based on the same principles in cases where the infringement also constitutes a violation of a contractual obligation.

- 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?*

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 consist in a value of royalties and amount of the counterfeit goods.

- 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.

The Czech Act No. 221/2006 Coll. on Enforcement of Industrial Property Rights provides as a remedy for the violation of the trademark right, for the confiscation of the products bearing the illicit sign. This confiscation does not influence the evaluation of the 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.

Yes, the jurisprudence in our country is a useful source of information and comparison on the assessment of monetary compensation for the violation of the trademark rights. We are satisfied with the degree of certainty in our law on evaluation of the compensation, based on the above mentioned Act No. 221/2006 Coll., which implements Directive 2004/108/EC of the European Parliament and of the Council of April 29, 2004 on the enforcement of intellectual property 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.*

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.*

The evaluation of damages for violation of the trademark rights should be the subject of the international harmonisation and 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.*

The harmonised system for the evaluation of damages for violation of the trademark rights should be based on the European experience implied in above mentioned Directive 2004/108/EC.

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