

## **Finland**

Finlande  
Finnland

### **Report Q203**

in the name of the Finnish 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 Finnish Trademarks Act (1964/7, as amended) does not distinguish between different kinds of trademark infringements. According to the Trademarks Act, a sole right to a trademark means that no one other than the proprietor of the trade symbol may use in his business any symbol liable to be confused with it for his goods, whether on the goods themselves or on their packaging, in advertising or commercial documents or in any other way, including oral use. This provision shall apply regardless of whether the goods are offered or intended to be offered for sale in Finland or abroad or are imported into the Finnish territory to be used, kept or stored for business purposes or to be forwarded to a third country.

The conditions for liability are that the infringer has acted deliberately or negligently, and even a defendant who is not found guilty of negligence may be liable for paying compensation. Further, regarding parallel imports the trademark owner may prevent the use of the trademark on goods that the proprietor or another person without his consent has placed on the market under his trademark within the territory of the European Economic Area. The said right to prevent parallel imported products applies in particular if alterations have been made to the goods or if they have deteriorated after having been placed on the market by the trademark owner.

According to the Trademarks Act, anyone who infringes the trademark owner's right to a trademark may be prohibited by a court order from proceeding with or repeating the offending act unless there are special reasons for not doing so.

If the infringement is intentional or due to negligence, the infringer is obliged to pay reasonable compensation to the trademark owner for the use of the trademark as well as to pay damages to the trademark owner for all suffered damages. If the negligence has only been slight, the court may adjust the compensation awarded at its discretion. Even if the infringer is not found guilty of negligence he is obliged to pay reasonable compensation to the trademark owner for the use of the trademark

*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 mentioned above, the Finnish Trademarks Act does not distinguish between different kinds of trademark infringements. However, it has an impact on the monetary compensation

whether the infringement has been intentional or due to negligence. The extent of negligence also has an impact on the monetary compensation, i.e. if negligence has only been slight, the monetary compensation may be adjusted by the court. If the infringer has intentionally infringed the trademark owner's right he shall be sentenced to a fine for a violation of trademark rights.

In praxis mostly in counterfeiting and piracy of trademarks the infringement is clearly intentional or at least due to negligence as the counterfeit nature of the products is in most cases so obvious. Thus in counterfeiting and piracy of trademarks there are seldom such circumstances that would cause the compensation to be adjusted.

If the trademark infringement takes place in a form of parallel import, the courts (i.e. Helsinki District Court as the sole competent court in all trademark infringements) assessing the monetary compensation may take into consideration the financial benefit sought by the infringer without the authorised license. Please see also section 3) f) regarding parallel imports.

- 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)?*

The assessment of damages for the violation of rights is based on civil liability. The principle of *full compensation* in the law of tort is applicable also in connection to trademark infringements. The trademark owner is entitled to receive compensation for damages from the infringer if the infringement is intentional or due to negligence. As a general rule the trademark owner is entitled to full compensation for all damages caused by the infringement. If the negligence has only been slight, the damage compensation may be adjusted by the Court. The trademark owner is obliged to indicate the damages caused and the causal connection.

- 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?*

As a general rule the Courts have the discretionary power to decide what they take into account in the assessment of damages. According to the Finnish Code of Judicial Procedure (1734/4, as amended), when the Court is assessing the quantum of damage caused and if no evidence is available or if evidence can only be presented with difficulty, the Court has the discretionary power to assess the quantum. This rule in the Finnish Code of Judicial Procedure is often referred to in trademark infringements because it is difficult to really prove the actual amount of the caused damages.

The strength and rather the reputation of a trademark are firstly taken into account by the court when the question of the infringement as such is evaluated. Namely according to the Trademarks Act, it is possible that the confusability of a trademark may be judged in favour of a trademark that has a reputation in Finland where the use of another's trademark without a due cause would constitute unfair exploitation of, or action detrimental to, the earlier trademark's distinctive character or popularity which is acquired through use and publicity.

However, also when assessing the damages the Courts take this into more indirectly especially when the loss of the good-will value of a trademark with reputation/a well-known trademark is considered as a part of the claimed damages. Thus the more reputed/known a trademark is, most likely also the good-will value and its loss can be considered bigger.

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

The investments made by the trademark owner are, in general, not taken into consideration by the Courts. The investments can be taken into consideration *indirectly* by means of evaluating the strength of the trademark as described in section 3) a) above.

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

The Courts could consider that the trademark owner suffers loss of profits when consumers buy infringing products rather than the products of the trademark owner. Please, see also section 3) e) below.

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

The possible price erosion is difficult to prove and estimate and it is also dependant on whether it is a question of an expensive or an inexpensive product because price erosion is more likely e.g. in everyday consumer products rather than in expensive luxury products. As such the price erosion effect can be referred to in court proceedings but as it is difficult to prove, it is impossible to say whether and how the courts take the claimed price erosion into account and in the end it remains up to the court to consider such effects.

- 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?*

Prior to the amendment of the Trademarks Act in 2006 it was explicitly stated that the infringer could be ordered to hand over to the aggrieved party the profits it had made with the infringement during a period of not more than the three (3) preceding years. This was possible even if the infringer was not found guilty of negligence and the court deemed it reasonable in view of the infringer's financial and other circumstances.

In the changed and thus current wording of the Trademarks Act, the said provision of handing over the profits made with the infringement has been substituted with a provision according to which compensation/indemnification is to be paid to the trademark owner because of the infringement. It must be noted that the court can order compensation to be paid regardless of whether the infringement has been intentional or due to negligence, i.e. even if the defendant is not found guilty of negligence. In the evaluation of the compensation to be ordered, the estimated royalty rate is mostly used as a starting point to calculate the compensation. Please, see also section 5) a) below.

It is to be noted that the above referred rule in the Trademarks Act about the handing over the profits made with the infringement is still today applicable in any claims concerning infringement happened prior to the change, i.e September 1, 2006. If the infringement has continued or begun after August 31, 2006 then the current wording including compensation/indemnification to be paid to the right-owner is applicable. Thus in one infringement case both consequences can be applicable.

In addition to the said "automatic", i.e. without negligence, handing over the made profits and/or compensation/indemnification, the infringer can be ordered to pay damages in case the infringement has been intentional or due to negligence. In the evaluation of the amount of the damages mostly the estimated lost profits of the infringed trademark holder are referred to as the basis for the claimed caused damages. However, also the profits made with the infringement are often as well referred to, especially if evidence of the sales made with the infringement exists and on the other hand the infringed right-holder may not want to reveal its profit numbers because of business secrecy reasons.

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

As a general rule parallel imports are not treated differently in the assessment of damages. There is not much court praxis concerning the compensations awarded regarding parallel imports. When the Court awards compensation to be paid by the infringer to the trademark owner, it does not make a difference whether the infringement is related to parallel imports or other trademark infringement. Therefore, the obligation to pay reasonable compensation to the trademark owner as well as to compensate the caused damages is the same.

It must be noted that trademark infringement by means of parallel imports is most likely caused by intentional activity rather than due to negligence because the parallel importer has based on the ECJ praxis the burden of proof of the existence of the trademark owner's consent. Therefore, if the infringer has intentionally infringed the trademark owner's right, he shall be sentenced to a fine for a violation of trademark rights. The consequences in relation to intentional infringements and infringements due to negligence have been discussed in section 1) above.

- 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?*

If the infringement is deliberate or due to negligence, the aggrieved party shall be entitled to compensation from the defendant for all the damage (as full compensation) he has suffered. If the negligence has only been slight, the Court may modify the compensation at its discretion. The main bases of the compensation are the decrease of sales and/or the decrease of the good-will value of the trademark.

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

The profits are defined and calculated by the Court based on the facts of the case. It may be estimated based on the loss of sales of the trademark owner (the price per piece x number of the infringing products), the profits made with infringement by the infringing party or in some other way. In the end the Court has the discretionary power to assess the amount of damages. The Court can also order the defendant to furnish the basic information (sales volume, prices etc.) to the aggrieved party to calculate the profit. This information may also be ordered by the Court to be gathered already prior to initiating any infringement claim based on the special law concerning securing evidence in IPR-cases.

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

Shares of the profits are not usually attributed to licensees as mostly the complainants are the trademark owners. However, according to the Trademarks Act, also such exclusive licensees, who have registered their license in the Trademark Register, can act as complainants in trademark infringement cases.

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

In some cases it may have some effect because if the trademark in question has reputation/ is well-known, then also the good-will value and its loss are likely to be bigger.

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

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

The royalty rates truly used can be informed by the trademark owner. However, the royalty rates are not necessarily precisely given e.g. because of business secrecy reasons, but

then rates may be estimated by the Court or the aggrieved party may express some estimated average royalty rates on that business area.

- 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?*

Even if the mark in question is not available for licence, the estimated average rates on that business area are usually used by the Court to estimate the compensation on the basis of the royalties.

- 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.*

Already prior to initiating infringement proceedings the trademark owner may, based on special law on securing evidence in IPR-cases, file a precautionary measure claim in order to gather evidence of the infringement (samples) and its extent (sales volume, prices etc). The Court may also during the infringement proceedings order, based on the Procedural Code, the defendant to show proof of sales prices, sales volume, purchase price etc.

- 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?*

Courts may consider claims regarding the damage of reputational sense (i.e. good-will value) but the main problem is how to prove that the good-will of the mark has suffered damages and what would be the proper compensation. The reputation of the mark is a relevant factor. The infringement is more obvious and the damages to the good-will value are higher if the mark is widely known i.e. is a trademark with reputation.

- 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 the goods do not originate from the trademark proprietor or are not marked with his consent, it should be obvious that the infringement is at least due to gross negligence or intentional. Thus the infringer is to be obliged to pay reasonable compensation to the trademark owner for the use of the trademark as well as to pay damages to the trademark owner for all suffered damages.

*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?*

Firstly, it should be noted that in Finland the Trademarks Register is public and every person has an access to the said Register. Therefore, a person has a duty to investigate whether a trade mark is registered. Thus a person doing business with products with trademarks can not just ignore the trademarks or otherwise he is at least negligently infringing a trademark. If the infringer is using identical trademark as registered and for identical goods or services, the infringement should be considered at least negligent.

The full compensation of actually caused damages is always the basic principle and also the maximum compensation despite of the scale of the counterfeiting and piracy. However, a large scale of counterfeiting and piracy may effect on what is considered as reasonable compensation and the amount of the caused damages.

- 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 rulings are based on the same trademark law principles and contractual obligations don't have any direct effects. However, in practice it is always easier to prove the infringement in case a contractual relationship exists between the parties. Furthermore, the infringer can not successfully claim *bona fide* grounds.

- 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?*

In practice, the most difficult is to prove the exact amount of actually caused damages because it is normally more difficult to assess the amount of financial damages caused by the infringement of the intellectual property right than for example property damage. Also the good-will value of a trademark and its loss because of the infringement as a part of the suffered damages are difficult to estimate and to prove.

- 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.*

According to the Trademarks Act, upon the infringed trademark owner's request the Court may order that, if practicable, a symbol placed on goods, their packaging, leaflets, commercial documents or the like without authorization shall be erased or altered in such a way as to ensure that it will no longer be misused. If this can not be done in any other way, the Court shall order that the material so marked must be destroyed or changed in a specified manner. The Court may also, on request, order that the material must be surrendered to the plaintiff against payment.

The removing of the infringing sign, the destruction of the product with the infringing sign or the surrendering of the product against payment to the infringed trademark owner do 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.*

Normally the right owner refers to what has been judged in previous infringement cases. Looking to similar cases helps the right owner to assess the amount of the claimed monetary compensation for the violation of the trademark rights. Also Courts refer to previous Court decisions and most importantly, of course, to the decisions of the appeal Courts and especially the precedents of the Supreme Court.

*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.*

No certain formula to calculate or evaluate the amount of compensation exists. All cases dealing with an infringement of trademark rights are concentrated in the sole competent Court that is the Helsinki District Court and from which the appeal Court is the Helsinki Court

of Appeal. This should bring more certainty to cases and uniformity to judgements compared for example with cases dealing with the infringement of copyrights which are handled in different county Courts. However, there are not many trademark infringement cases handled in the Court yearly. Consequently, only few cases have been brought to upper Courts and, thus, no certainty in that sense has been developed.

- 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.*

There are a lot of so called transit cases in Finland, which means that the counterfeit and infringing products are transported e.g. from China via Finland to Russia. In many of these infringement cases, the question of getting monetary compensation is not often materialized because the products are not brought to the Finnish market. Instead in such cases most important is to prohibit the infringing products coming into the market anywhere.

## **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.*

International harmonisation of the evaluation of damages for violation of the trademark rights could be very good in theory, but difficult in practice because the local conditions should always be taken into account when evaluating the damages. It could be useful if there would be certain principles or rules regarding the matters, which should be taken into consideration when evaluating the damages. However, the using of these principles or rules should always be based on a case-specific consideration and decision.

- 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.*

According to what has been stated above, an example list (not exhaustive) of the matters to be taken into consideration when evaluating the damages would be useful.

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

## **Summary**

The report deals with the conditions of civil liability of the trademark infringement in Finland showing that the existence and degree of negligence most importantly influence the assessment of compensation and damages caused with the infringement. The full compensation of damages is the basic principle in all situations. However, as there are obvious difficulties in proving the exact amount of damages caused with the infringement, finally the amount of the compensation and damages remains upon the courts to estimate.

The Finnish group finds that there is not yet enough court praxis in Finland on the evaluation of the caused damages in trademark infringement cases and especially in parallel import situations. No legal rules or instructions exist for the evaluation of the amount of compensation and damages. Thus it is difficult to estimate the compensation and damages that will be ordered by court. Agreeing on an international basis on certain principles and/or rules jointly to be applied in the evaluation of compensation and damages could harmonise the legal praxis in a welcome way.

## **Résumé**

Le rapport traite des conditions de responsabilité civile de la contrefaçon des marques de fabrique en Finlande en montrant que l'existence et le degré de négligence influent de la manière la plus importante sur l'estimation de l'indemnisation et des dommages causés par la contrefaçon. L'indemnisation totale des dommages est le principe fondamental dans toutes les situations. Toutefois, comme il y a des difficultés évidentes pour prouver le montant exact des dommages causés par la contrefaçon, le montant de l'indemnisation et des dommages est finalement laissé à l'appréciation des tribunaux.

Le groupe finlandais constate qu'il n'y a pas encore suffisamment de pratique judiciaire en Finlande sur l'évaluation des dommages causés dans les cas de contrefaçon des marques de fabrique et en particulier dans les situations d'importation parallèle. Il n'existe pas de dispositions légales ni d'instructions sur l'évaluation du montant de l'indemnisation et des dommages. Il est donc difficile d'estimer l'indemnisation et les dommages-intérêts qui seront ordonnés par le tribunal. Un accord sur une base internationale sur certains principes et/ou règles à appliquer conjointement pour l'évaluation de l'indemnisation et de dommages pourrait harmoniser la pratique judiciaire d'une manière convenable.

## **Zusammenfassung**

Dieser Rapport behandelt die Verhältnisse der zivilrechtlichen Verantwortlichkeit der Warenzeichenverletzung in Finnland. Der Rapport erweist, dass die Existenz und der Grad der Fahrlässigkeit den grössten Einfluss auf die Abschätzung der durch die Verletzung verursachte Entschädigung und Schäden haben. Der volle Schadenersatz ist das Grundprinzip in alle Situationen. Trotzdem es offenbare Schwierigkeiten in der Beweisung der genauen Zahl der durch die Verletzung verursachten Schäden gibt, schätzen die Gerichte schliesslich den Betrag der Entschädigung und der Schäden.

Die finnische Gruppe findet, dass es noch nicht genug Gerichtspraxis über die Abschätzung der verursachten Schäden in den Warenzeichenverletzungsfällen und besonders in entsprechenden Importfällen in Finnland gibt. Es gibt keine gesetzlichen Regeln oder Instruktionen für die Abschätzung des Betrags der Entschädigung und der Schäden. Es ist also schwierig die Entschädigung und die Schäden, die das Gericht bestimmen wird, zu schätzen. Wenn man international über die bestimmte Richtlinien und/oder Regeln gemeinsam, die in der Abschätzung der Entschädigung und der Schäden gelten sollten, übereinkommen würde, könnte die Gerichtspraxis auf eine willkommene Weise harmonisiert werden.