

Report Q203

in the name of the Venezuelan 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.

Article 238 of Decision 486 of the Andean Community Countries states "Article 238.- Owners of a right protected by virtue of this Decision may bring action with the competent national authority against any persons infringing upon their right and also against any persons performing acts that are extremely likely to result in the infringement of that right.

The competent national authority may, ex officio and if permitted by the domestic law of the Member Country concerned, initiate the proceedings for infringement stipulated in that legislation.

In case of the coownership of a right, any one of the coowners may bring action for infringement without need for consent from the other parties, unless there is an agreement to the contrary among the coowners".

- 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)?

This is based on a special law that regulates Industrial Property Rights.

- 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.*

Among others, the following elements are considered when calculating damages:

- the consequential damage and lost profits suffered by the right holder as a result of the infringement;
- the amount of profit obtained by the infringer as a result of the acts of infringement; or
- based on the commercial value of the infringed right and such contractual licences as may already have been granted, the price the infringer would have paid for a contractual licence.

- 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?*
To calculate the amount of damages NO.
- b) *Do the Courts take into consideration the investment made by the trademark owner in order to make the trade mark known?*
The consequential damage and lost profits suffered by the right holder as a result of the infringement.
based on the commercial value of the infringed right and such contractual licences as may already have been granted, the price the infringer would have paid for a contractual licence.
- c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors profitability? If so, how?*
See above.
- d) *Do the Courts take into account price erosion? If so, how?*
No.
- 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?*
See above.
- f) *Do the Courts treat parallel imports differently ? If so, what is the legal basis for this differentiation?*
No.
- 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?*
Foreseen and forceable lost of profits.
- b) *How are the profits defined and how are they calculated?*
Profits are defines as the gains of the trademark holder and those gains are calculated by the Venezuelan general principles of accounting.
- c) *What shares of the profits are attributed to the trademark owner and any licensees?*
They must be defined in their balance sheet and following the Venezuelan general principles of accounting.
- d) *Does the strength of the trademark come into play in apportioning the profits?*
To our knowledge there is no prior case to serve as a guideline to give an opinion.
- 5) *In case the monetary compensation is assessed on basis of a royalty,*
- a) *How is the royalty rate fixed?*
It is fixed by the parties and are free to fixed any rate.
- 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?*
To our knowledge there is no prior case to serve as a guideline to give an opinion.

- 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.*

In administrative proceedings it is impossible to recover damages. It is only possible in a judicial proceeding.

Among others, the following elements are considered when calculating damages:

- the consequential damage and lost profits suffered by the right holder as a result of the infringement;
- the amount of profit obtained by the infringer as a result of the acts of infringement; or
- based on the commercial value of the infringed right and such contractual licences as may already have been granted, the price the infringer would have paid for a contractual license.

- 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?*

To our knowledge there is no prior case to serve as a guideline to give an opinion.

- 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 owner can claim as stated before, the consequential damage and lost profits suffered by the right holder as a result of the infringement;

- the amount of profit obtained by the infringer as a result of the acts of infringement; or
- based on the commercial value of the infringed right and such contractual licences as may already have been granted, the price the infringer would have paid for a contractual

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.

It is an element frequently used by the infringer as a defence but it does not have any impact in the amount of damages to be awarded.

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?

No.

- 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?*

See above.

- 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 procedure to recover damages in Venezuela is very complicated. The owner can claim damages in a separate procedure before the Court. The procedure is subject to an appeal before the Court of Appeal and after at the Supreme Court.

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

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

No.

- 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.*

To our knowledge there is no case.

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.

There is no problem with the evaluation of damages. The problems is with the court proceedings.

- 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.*

Yes.

- 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.*

Our recent experience is that according with the current government it is very difficult to approve a 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.*