



ExCo Boston
Minutes of Plenary Session II (Q203)
Monday, 8 September 2008 (13.30 – 18.00)

Q203: Damages for infringement, counterfeiting and piracy of trademarks

Chair of Session:	Robert Sacoff (USA)
Chair of Working Committee:	Uli Widmaier (USA)
Co-chair of Working Committee:	Michael Edenborough (United Kingdom)
Co-chair of Working Committee:	Luiz Henrique O. do Amaral (Brazil)
Secretary of Working Committee:	Teresa O'Connor (Singapore)
Reporters:	Nicola Dagg (Assistant to Reporter General) Dariusz Szleper (Deputy Reporter General)

The Plenary Session was opened by Mr. Robert Sacoff (USA) who in his capacity of the chairman introduced the members of the Working Committee, Deputy Reporter General and Assistant to the Reporter General and Mrs Elizabeth Gutteridge of Deloitte who was invited to make a presentation on the practical aspects of the assessment of the damages from the perspective of accountants and financial experts.

Ms. Gutteridge who is a partner in Deloitte's Forensic and Dispute Services practice was first to deliver her presentation related to her experience in evaluation the damages for trademark infringement. In a very lively manner she managed to underline the complexity of the question implying various factors and illustrated them by specific examples. Her exposé was greatly applauded by the members

Ms. Nicola Dagg Assistant Reporter General presented in a concise way the work of the National Groups, the conclusions of the Summary report and the remaining issues that were to be discussed at the Plenary session..

Mr. Robert Sacoff introduced Mr. Uli Widmaier, Chair of the Working Committee on Q203, and noted that he would like to start with the “Resolves that” section. Mr. Sacoff pointed out that the draft resolution is structured in three major parts. Section 3 discusses general principles in an itemized manner. The question of double recovery, recovery of plaintiff’s loses and defendant’s gain, is discussed here. The showing of good faith is a factor to be considered. Reasonable royalties and their enhancement under certain situations are mentioned. Honest arms length negotiation should be considered with an option to enhance damages awards in other cases. The trademark holder may not be made whole with the recovery of calculable losses, but somehow the trademark owner should be made whole in a real sense. Section 4 provides two lists of evidence: one for evidence on injury suffered by the right holder and the other for evidence related to the infringer. Economic and empirical tools for developing amounts of damages are listed. These lists are not meant to be exclusive. Some details but not fine grain items are provided in the fear of having the lists almost endless. Any one or more of factors may be considered. Section 5 pointed out that discovery obligation is reciprocal between Plaintiff and Defendant. The importance of respecting procedural conditions is pointed out.

Mr. Robert Sacoff also mentioned that in the “Noting that” section, at items 4 and 5, it is noted that no definitions of infringement, counterfeiting and piracy are provided, but that infringement, counterfeiting and piracy are all included in this resolution. Also, at item 6, “trademark holder” is defined. He also noted that each amendment to the draft resolution will first be voted for, each paragraph will be voted for, and the resolution as a whole will then be voted for or against.

Mr. Robert Sacoff opened discussions on paragraph 1).

Mr. Mark Partridge of the US group emphasized fairness. In case of unintentional infringement – good faith or accidental infringement – any punitive or deterrence factor is not necessary. The deterrence factor is not needed for unintentional infringement, and proposed deletion of “*at least*” and also “*and deter the further violation of trademark rights.*”

Mr. Dariusz Szleper (Deputy Reporter General) pointed out that a full compensation may or may not include deterrence factors.

Mr. Widmaier , Chairman of the Working Committee expressed an opinion against the deletion.

Mr. Sergio Ellmann of the Argentinean group agreed with the US delegate and pointed out that additional elements are not required.

Mr. Robert Sacoff intervened and put the deletion of “*at least*” to a vote.

The vote was 56% yes, 44% no, with no abstention. The deletion was carried.

The proposal of the second deletion of “*and deter...*” was voted on with 39% yes, 59% no and 2% abstention. The deletion did not pass.

Mr. Robert Sacoff put paragraph 1) as a whole on a vote. The result was 80% yes, 13% no, and 7% abstention.

Mr. Robert Sacoff opened discussions on paragraph 2).

Mr. Dariusz Szleper commented that educational needs exist because of arbitrary nature of assessment of damages.

A French delegate pointed out that trademark violation should be assessed objectively, and damages may be subjectively considered because of moral nature of infringement. He proposed to add “*primarily*” after “assess on the basis of.”

A UK delegate proposed to delete “*economic*.”

Mr. Robert Sacoff summarized that now two alternative amendments are proposed.

Mr. Uli Widmaier, Chair of the Working Committee, accepted the French proposal. The UK delegate withdrew the proposal because the UK group intended reinforcing the French group's proposal.

A point of order was raised as to the translation of "*notably*" or "*primarily*" as an English translation. Mr. Dariusz Szleper noted that the proposal was accepted using "*primarily*".

Then, paragraph 2) as a whole was put to a vote, with the result of 74% yes, 24% no, and 2% abstention.

Mr. Robert Sacoff opened discussions on the main sentence of paragraph 3).

Mr. Mark Partridge of the US group proposed to delete "*at least*" in line with the deletion of the same term in paragraph 1).

This proposal was put to a vote with the result of 73% yes, 27% no, and 0% abstention. The main sentence of paragraph 3) was passed.

Mr. Robert Sacoff opened discussions on paragraph 3a). With no show of hands, he took a vote on paragraph 3a), with the result of 94% yes, 5% no, and 1% abstention.

Mr. Robert Sacoff invited discussions on paragraph 3b).

Mr. Uli Widmaier commented that in some jurisdictions, no presumption of damages exists. In other jurisdictions, presumption exists but does not go beyond nominal damages. Presumption is rebuttable and what is left would be something less than nominal damages.

Mr. Bo Davidson of the Swedish group questioned the use of a term "prejudice." He noted that "prejudice" reminded him of "Pride and Prejudice" and that it is an unknown legal word for a non-English speaking person.

Mr. Robert Sacoff agreed that this is unusual use of the term, but commented that he would give the committee benefit of doubt. Mr. Uli Widmaier proposed replacement of “prejudice” by “injury.

Mr. Robert Sacoff opened a vote for the proposed amendment, with the result of 84% yes, 10% no and 6% abstention.

Mr. Robert Sacoff opened discussions on paragraph 3c).

There was no show of hands.

Mr. Robert Sacoff opened a vote for paragraph c), with the result of 92% yes, 7% no and 1% abstention.

Mr. Robert Sacoff asked for comments or interventions on paragraph 3d).

Ms Anna Lakits of the French group noted that this paragraph no longer discussed deterrent damages, but punitive damages, and asked how they are different and what differentiates gross negligence from bad faith.

Mr. Robert Sacoff invited comments from Mr. Uli Widmaier, and noted that there was no proposed amendment.

Ms Anna Lakits agreed.

Mr. Uli Widmaier commented as follows: Gross negligence is willful blindness trying not to see intentionally legal consequences. Bad faith is the infringer’s knowledge of illegal acts. Counterfeit brake pads are harmful for the trademark holder and also consumers. Tarnishment harms trademark holders, but also harms consumers with low quality of products. Enhanced damages and punitive damages are difficult to differentiate. A multiplier is allowed. In some jurisdiction only enhanced damage is allowed. In that situation, the trademark holder should be made whole. This is what is behind this paragraph.

Mr. Mark Partridge of the U.S. group proposed that “should” be replaced by “may.”

Mr. Robert Sacoff asked Mr. Uli Widmaier if he accepts this proposal.

Mr. Uli Widmaier agreed.

Mr. Uli Widmaier said the substitution of “injury” by “harm” is acceptable.

Mr. Michael Edenborough, Co-chair of the Working Committee, pointed out that the paragraph addressed three public policy points

Mr. Dariusz Szleper noted that complex issue had been raised and suggested that this paragraph should be left as it is and some other parts of the resolution should be modified.

A delegate from the French group suggested voting on the replacement of “injury” for “harm.”

Mr. Dariusz Szleper noted that the paragraph as a whole could be voted.

The delegate from the French group expressed disagreement with Mr. Dariusz Szleper.

Mr. Robert Sacoff decided to vote on the amendment. The result was 45% yes, 52% no, and 3% abstention. The amendment was rejected.

Mr. Robert Sacoff put the whole paragraph on a vote. The result was 89% yes, 5% no, and 6% abstention.

Mr. Robert Sacoff declared that the discussions will move on to paragraph 3e)..

Mr. Neil Smith of the US group noted that mere infringement may not warrant strong countermeasures and proposed to replace “each” with “appropriate”

Mr. Robert Sacoff put this amendment on a vote with the result of 81% yes, 17% no, and 2% abstention.

Mr. Robert Sacoff put the whole paragraph 3e) on a vote, with the result of 88% yes, 11% no, and 1% abstention.

Mr. Robert Sacoff moved discussions to paragraph 3f).

Mr. Jeremy Brown of the UK group noted that reasonable royalty is reasonable royalty and cannot be “enhanced”.

Mr. Uli Widmaier pointed out that awards do two things: recovery of an amount that would have paid as a license fee and remedy to the suffering of trademark holders.

Mr. Clark Lackert of the US group proposed that “*should*” be replaced with “*may*”.

Mr. Michael Edenborough, Co-chair of the Working Committee on Q203, observed that in many cases, reasonable royalty is not adjusted to compensate trademark holders well enough.

Mr. Jeremy Brown of the UK group suggested that an “*award*” of reasonable royalty should be enhanced.

Mr. Robert Sacoff confirmed the proposals are to amend to read: “*the award may.*”

A member of the Swedish group proposed to take away “*reasonable.*”

Mr. Clark Lackert objected to this deletion because the proposed deletion takes away the meaning from the whole term “reasonable royalty”.

A member of the German group suggested to add “*in appropriate cases*” as in other paragraphs.

Mr. Robert Sacoff decided to vote on the deletion of “*reasonable.*” The result was 55% yes, 42% no, and 3% abstention. The amendment passed.

The proposed amendment to “*an award may*” was then voted, with the result of 91% yes, 4% no, and 5% abstention. The amendment passed.

The deletion of “*reasonable*” was voted on, with the result of 63% yes, 36% no, and 1% abstention.

The addition of “*appropriate cases*” was voted on, with the result of 67% yes, 31% no, and 2% abstention.

Mr. Uli Widmaier, Chair of Working Committee, pointed out double appearance of “*appropriate*”.

Mr. Robert Sacoff decided to defer this issue to a later time as a drafting question.

Mr. Robert Sacoff put the whole paragraph on a vote. The result was 83% yes, 17% no, and no abstention. The paragraph passed as amended.

Mr. Robert Sacoff put paragraph 3g) to discussions. Mr. Robert Sacoff amended “*profits*” by “*financial grains*”

Mr. Robert Sacoff put the whole paragraph g) on a vote. The result was 86% yes, 11% no, and 3% abstention.

Mr. Robert Sacoff put the preamble clause of paragraph 4) for discussions, but there was no show of hands.

Mr. Robert Sacoff put it to a vote. The result was 99% yes, 0% no and 1% abstention.

Mr. Robert Sacoff proposed to put 4a) (i)-(viii) to discussions.

Mr. Robert Sacoff put the whole subparagraphs (i)-(viii) on vote.

One person questioned the propriety of expression “preventative”.

Mr. Robert Sacoff took it as a drafting point and put the paragraph in question on a vote. A great majority accepted it.

Mr. Robert Sacoff pointed out that paragraph 4b) is a standard list and put it on a vote as a whole. The result was 93% yes, 3% no, and 5% abstention.

Mr. Robert Sacoff put paragraph 4c) on a vote as a whole. The result was 95% yes, 4% no, and 1% abstention.

Then, Mr. Robert Sacoff put paragraph 4) as a whole to a vote by show of hands instead of machine voting. The paragraph 4) was unanimously approved.

Mr. Robert Sacoff opened discussions on paragraph 5).

Mr. Jim Slattery of the US group suggested that "*profit*" should be changed to "*gross income*."

Mr. Robert Sacoff noted that "*sales*" is equal to gross income.

Mr. Jim Slattery pointed out that "*sale and profit*" should be replaced by "*gross income*" and then withdrew the proposed amendment.

Mr. Robert Sacoff put the whole paragraph 5) on a vote. The result was 93% yes, 5% no, and 2% abstention.

Mr. Robert Sacoff declared to move discussions on paragraph 6). There were no comments from the floor. Mr. Sacoff put this paragraph to a vote. The result was 91% yes, 3% no, and 6% abstention.

Mr. Robert Sacoff opened discussions on paragraph 7).

Mr. Sergio Ellmann of the Argentinean Group noted that the election of a calculation method does not apply in his jurisdiction and some other jurisdictions are the same. Mr. Ellmann proposed to amend this paragraph to read: "*In those countries where plaintiff must elect the method to be used in calculating monetary compensation, all relevant evidence should be available to the parties*"

prior to effecting such election," and delete the rest.

The amendment was then put to a vote, with the results that 75% yes, 22% no, and 3% abstention.

No further discussions were presented.

Paragraph 7) as a whole was put to a vote. The vote was 93% yes, 6% no, and 1% abstention.

Mr. Robert Sacoff put the whole resolution as amended to a vote by show of hands.

The whole resolution was unanimously approved.

Mr. Robert Sacoff thanked, and pronounced the adjournment of the session.

Shoichi Okuyama
Assistant Reporter General
September 8, 2008