



PETOŠEVIĆ

EMBRACING CHANGE

Estimating the Value of Intellectual Property in Litigation

Slobodan Petošević
CEO

PETOŠEVIĆ Group

25 September 2012

petosevic.com

The logo for PETOŠEVIĆ features the company name in a bold, grey, sans-serif font. Above the 'Š' and 'V' characters, there are two blue chevron-like shapes pointing downwards, one above the 'Š' and one above the 'V'.

PETOŠEVIĆ

IP Value in Business

- Intangible assets (IA) and IP dominate the value of businesses today
- IA and IP make up between 80% and 90% of total value of successful companies regardless of the industry: Heinz H J Co. (82%); Johnson & Johnson (86%); Merck and Co. Inc. (82%); Microsoft Corp. (95%); Nike Inc. (82%); Phillip Morris Cos. Inc. (82%); Procter & Gamble (84%);
- Apple is a great example of excellent IP portfolio management – unique design of the products is their most important asset

IP Value in Business

- A company's IA & IP:
 - dictate premium selling prices
 - dominate the market share
 - build strong customer loyalty
 - are a solid barrier for the competitors
- The more IA & IP a company possesses, the higher the investment returns
- Too much is at stake to ignore infringement of IP

Various IP Rights

- Patents
- Trademarks
- Copyrights
- Technological Know – how
- Designs
- Formulae
- Trade Secrets

Infringement Damages Under the US Law

- Patent Infringement Damages: *the court awards the claimant damages adequate to compensate for the infringement; this amount is in no case less than a reasonable royalty including interest and fixed court costs*
- Trademark Infringement Damages: Recovery for violation of rights guarantees the plaintiff: 1) defendant's profits; 2) damages sustained by the plaintiff; 3) the cost of the action
- Copyright Infringement Damages: Remedies for infringement: Damages and profits: 1) actual damages and profits; 2) statutory damages

Reasonable Royalty

- Royalty Rates
- Damages
- Lost Profit
- Lost Business
- Other Factors

The Georgia Pacific Factors

- 15 Georgia Pacific factors for defining a reasonable royalty rate in patent lawsuits:
 - 1) royalties received by the patentee for the licensing the infringed patent, proving or tending to prove an established royalty
 - 2) rates paid by the licensee for the use of other similar patents
 - 3) the nature and scope of the license – exclusive or non – exclusive; restricted or non-restricted in terms of territory or customers

The Georgia Pacific Factors

- 15 Georgia Pacific factors are crucial for defining a reasonable royalty rate in patent suits:
 - 4) the licensor's policy of maintaining its patent monopoly by licensing the use of the invention only under special conditions designed to preserve the monopoly
 - 5) the commercial relationship between the licensor and the licensee: competitors in the same territory or business; inventor and promoter;
 - 6) the effect of selling the licensor's patented product in promoting sales of its other, non-patented products

The Georgia Pacific Factors

- 15 Georgia Pacific factors are crucial for defining a reasonable royalty rate in patent suits:
 - 7) the duration of the patent and the term of the license
 - 8) the established profitability of the patented product, its commercial success and current popularity
 - 9) the superiority of the patented product over previous versions, old models or devices
 - 10) the nature of the patented invention: higher royalties for product defining inventions as opposed to inventions that just improve existing products

The Georgia Pacific Factors

- 15 Georgia-Pacific factors for defining a reasonable royalty rate in patent infringement cases:
 - 11) the extent to which the infringer used the invention and any evidence probative of the value of that use
 - 12) the portion of the profit or selling price specific to a particular business or in comparable businesses
 - 13) the portion of the realizable profit that should be credited to the invention as distinguished from any non-patented elements, manufacturing process, business risks or significant features or improvements added by the infringer.

The Georgia Pacific Factors

- 15 Georgia-Pacific factors for defining a reasonable royalty rate in patent infringement cases:
 - 14) the opinion and testimony of qualified experts
 - 15) the amount that a licensor and a licensee would have agreed upon at the time the infringement began if they had reasonably and voluntarily tried to reach an agreement.

The 25% Rule

- A person or company selling a product based on the intellectual property of another must pay a 25% royalty to the owner of the intellectual property
- The 25% royalty is calculated as 33,3 % of the infringer's gross profit, before taxes
- This rule of thumb is useful as a general guide for deriving an adequate royalty rate on limited basis
- The 25% rule is difficult to apply as it is bound to omit many important factors. It is a rough estimation, which often needs a more precise analysis

Slovenia

- In accordance with Article 121a of the Slovenian Industrial Property Act, the general provisions of the Civil Code (articles 131 –189) are applied when awarding damages. Alternatively, license analogy may be used (in the amount of usual or agreed license fee).
- According to article 132 of the Civil Code, the damage is defined as reduction of assets (ordinary damage) or inability to increase assets (lost profit) as well as (physical or mental pain and fear) or damage to the reputation of the legal entity (immaterial damage). The person suffering damage may claim payment of ordinary damages and lost profit at the same time. According to the Civil Code provisions, lost profit is a profit, which could have been expected under normal or special circumstances and which was not realized because of acts committed by the defendant.
- According to the available court practice, the Slovenian courts prefer to determine the amount of damages by applying license analogy. The amount is usually determined either with the help of documents relating to similar license agreements or by appointing a financial expert.
- Regarding unfair profit ("unjustified enrichment" according to the Civil Code): Pursuant to article 190 of the Civil Code, whoever is enriched (with advantages or profit) on account of someone else and without legal basis, must reimburse the profit to the rightful owner. In addition, article 198 prescribes, that whoever uses someone else's thing for own advantage, must reimburse all profit gained by such unjustified use, regardless of the right to claim damages or even if there was no damage caused. There is no court practice that would confirm that the word "thing" can relate to trademarks, however due to similar cases relating to copyright law, it is safe to assume that this article applies also to trademark infringement. License analogy may be applied to determine the scope of unfair profit as well.
- Unlike with unfair profit or even establishment of infringement and prohibition, the damages are affected by the conduct of the person infringing rights. In case the defendant is able to prove that the damage did not occur due to his negligence or fault (burden of proof is on him) the damages will not be awarded.
- The court may award to the legal entity damages (in case of degradation of reputation or good name) for immaterial damage in addition to material damage or even if material damage did not occur, but only when the court establishes that special circumstances justify such damages. Whether trademark infringement does degrade reputation or good name of the trademark holder is debatable and would need to be determined on case to case basis. No court practice was found which could clarify this question.
- When there are no lost sales (using TM on goods not commercialized by the claimant) the unfair profit claim would be the most appropriate in my opinion. In case any other damage occurs (like damage to reputation or reduction of assets as a consequence) the claim may also be based on this kinds of damages if they can be proved.

Slovenia

- Before entering the market, the goods cannot cause any damage mentioned above on the market, but the claimant may request reimbursement of costs related to preventing the goods entering the market. When goods are destroyed under simplified customs procedure for example, the trademark holder may request reimbursement of costs relating to storage and destruction.
- As mentioned above, the damages are determined using documentary evidence (such as similar license agreements) and by appointing financial experts. The expert is appointed by the court.
- There are no aspects that are specific for trademarks (there are some for patents – before the holder obtains a full grant decision by providing examination report, the damages for patent infringement will be reduced by the court).
- These cases are in principle very rare in Slovenia due to the difficulties related to proving the amount of damages. License analogy was officially introduced only with the new IP Act in 2006. A few court cases show that the license analogy was applied even before the new IP Act of 2006. That such means of calculating damages of unfair profit is and was the most appropriate and is generally accepted by the courts was confirmed by the Supreme Court judgment No. III Ips 126/2007 of June 16, 2009.
- In the mentioned decision, the Supreme Court refused the interpretation in the revision that using the license analogy for infringement occurred prior to 2006 would present a retroactive effect of the law. The Supreme Court simply explained, that license analogy is the best way to determine the amount of unfair profit or damages which were already regulated by the previous IP act, so using this method was not a wrong application of material law but was simply a financial method of determining amount of damage or unfair profit. The court only warned, that the amount of license which would be paid, must correspond to the damage caused and/or unfair profit gained (without elaborating on this statement).
- It is interesting to add, that in this case the first instance court used the license analogy to determine the amount of damage caused, while the second instance court used the same analogy to determine unfair profit (where guilt or negligence is not relevant). The Supreme Court determined that this was not a breach of procedural or material laws by any of the courts.
- The Supreme Court emphasized that unfair profit (or damages) can be determined by calculating the amount of the usual license paid for placing a trademark on one product, multiplied by the number of products and time during which the infringement took place. The court also explicitly said that unfair profit is not only increase in profit, but also any savings or even maintaining the same amount of assets which occurred due to unjustified use of someone else's trademark.

Bosnia

- Article 82 of the new Trademark Law prescribes that the general rules on damages will be applied in the trademark infringement cases. The same article further regulates that, in the proceeding of determining the amount of damages, general civil law rules will be applied, or, alternatively, the amount that would have been paid if the trademark use was lawful (usual license fee for that particular business). However, the law also regulates that in the cases of purposeful infringement or infringement done in gross negligence, the amount can be increased to threefold agreed or usual license fee.
- Copyright and Related Rights Law has identical provisions on damages. Both Laws are in force as of January 1, 2011, however, we still have not had a single court decision decided on the grounds of the new laws.
- The old law had the same, only less elaborate provisions. We have a couple of court decisions on damages. Surprisingly, they are pretty uniform. The damages awarded to the plaintiff are 10% of the gross sales, not only profits. Landmark case in this regard is General Tobacco, in which a court applied this rule for the first time. Later on, this case was always submitted to the courts as some sort of guideline and the courts did not oppose using it. Gross sales are always calculated on the basis of an appointed court expert's opinion.
- However, in a really curious copyright case recently, the court decided that valid evidence is the fact that the defendant had added to his album an inscription "8 times platinum album". It was simply argued that according to the business customs, in order to be platinum, an album has to be sold in over 50000 copies and we just multiplied it by 8. It was also requested the above mentioned penalty (threefold license agreement) is applied, since the infringement was obviously purposeful and very blatant (authorship was accredited to someone else). The court accepted all arguments and evidence, however, this cannot be taken as an example case, since the court in this case issued a judgment by default, since the defendant decided to ignore the proceeding. However, the awarded amount is legitimate, since the court is entitled to refuse excess claims and claims without appropriate legal ground even in a judgment by default. Usual license fee model is used in practically all the court action, since it is much easier to assess.
- It was impossible to locate a case where the infringer was using the TM on a product not commercialized by the claimant, but we believe that the grounds would be unfair competition, since all 3 Trade Laws of Bosnia and Herzegovina (Federation of BiH, Republic of Srpska and Brcko District) uniformly regulate that use of another's' company name, trademark, mark or other identifier is an act of unfair competition. Regarding damages, we don't think it would be possible to receive it, for the same reasons explained below.
- We also haven't had a single case of damages awarded in the case when the infringing goods were seized and destroyed before entering the market, nor would any court in Bosnia award it, as none of the requirements of damage have been fulfilled. The Civil Code defines damage as decrease in someone's property (so called "plain" damage), prevention of it's enlargement (lost profits) or suffered psychological or psychical fear or pain (immaterial damage). The latter requirement, immaterial damage, seems to be solely reserved for natural persons, since legal entities are unable to experience fear or pain. Detriment to the company reputation cannot be a ground for awarding immaterial damages. It could be subject to damage awards only if it manifests as "plain" damage or lost profits.

Croatia

- The legal basis for awarding damages is Article 78 of the Croatian Trademarks Act (“CLAIM FOR DAMAGES, USUAL COMPENSATION AND UNFAIR PROFITS”). The holder of a trademark may take a legal action against any person who has caused him damage pursuant to the general rules on the legal redress laid down in the Croatian Civil Obligations Act.
- The holder of a trademark can also claim:
 - payment of remuneration in the amount that he would have claimed, given the circumstances, in the license agreement, if concluded
 - the recovery or compensation of unlawful benefits of the infringer pursuant to the general rules on unjust enrichment laid down in the Civil Obligations Act
- The above mentioned claims are not be mutually excluding and if the claims are filed cumulatively, the court will decide according to the general principles of the Civil Obligations Act.
- GENERAL PRINCIPLES for the compensations of damages are set forth in the Article 1045 of the Civil Obligations Act prescribing that a person who has caused damage to another person must compensate for this damage, unless he has proven that the damage has not occurred as a result of his own fault.
- **Damage** (Article 1046) is a loss of a person’s assets (pure economic loss), halting of assets increase (loss of profit) and violation of privacy rights (non-material damage). Article 19(2) stipulates that each individual or legal entity has the right to protect its personal rights. Subsection 2. of this Article also defines that the personal rights include the right to reputation (goodwill, honor, dignity, name, etc.). Provisions of Article 19(3), explicitly determines that a legal entity has the right to goodwill, honor, company name, etc.
- **Redress for Material Damage** (Article 1085) - responsible person has to make restitution for the damage occurred and the injured party shall have a right to a compensation for both pure economic loss and a loss of profit (Article 1089). The amount of damage shall be determined with respect to the prices at the time of delivery of court judgment, unless otherwise provided for by the law. In assessing the amount of profit lost, a profit which could have reasonably been expected under the normal or special circumstances shall be taken into account, the realization of which has been prevented by acting or failing to act on the part of the defendant. These damages are determined with documentary evidence and always by the expertise of the financial experts (appointed by the court).
- **Redress for Non-Material Damage - Just Pecuniary Compensation** - (Article 1100) In the event of violation of personality rights, the court shall, where it finds that this is justified by the seriousness of the violation and circumstances, **award a just pecuniary compensation**, irrespective of the compensation for material damage and in the absence of the latter. In the event of compromised reputation and other personality rights of a legal person, the court shall, if it assesses that this is justified by the seriousness of the violation and the circumstances, **award to that legal person a just pecuniary compensation, irrespective of the compensation for material damage and in the absence of the latter**. The court may determine the amount of such compensation entirely at its own discretion but the plaintiff suggests the amount (approx. 5.000 – 10.000 EUR)

Croatia

- Unjust Enrichment/Unfair profit: The legal basis is the Article 1111 of the Civil Obligations Act prescribing that where a portion of assets of a person is transferred in any manner to the assets of another person and such a transfer is not based on a legal transaction, decision of a court or another competent authority or law, the acquirer shall return that portion of assets, or if this is not possible, compensate for the value of the benefit conferred.
- The important change in the Croatian legislation concerning enforcing IP rights through the courts, was the adoption of the Law Amending the Law on Obligations (the new Law) that came into force on 1 January 2006. Pursuant to the Trademark Act and the new Law, a plaintiff (any individual and/or legal entity) can now claim material and non-material damages (injury to reputation, goodwill etc.) in a claim for trademark infringement. During the 1990s, despite this omission in the old Law on Obligations, the Commercial Courts in Croatia issued many decisions ordering the defendant to pay the round sum of US\$ 5000 for non-material damages where the plaintiff was a legal entity. However, in most cases such verdicts did not survive appeals before the High Commercial Court with respect to damages. The High Commercial Court strictly enforced the current Law on Obligations and was of the philosophy that it was impossible for a legal entity to suffer non-material damages such as pain, fear and injury to goodwill (former Law).
- Although an order for material damages, was, and is, much easier to obtain than non-material damages, the value of material damages can be a very contentious issue in the proceedings. It usually requires the involvement of a financial expert, which can seriously extend and increase the cost of the proceedings. The claim for non-material damages, however, does not require such proof and the amount awarded is completely within the judge's own discretion without any need for the submission of evidence to help quantify the damages.
- The damages in general will not be awarded only if the defendant is able to prove that the damage did not occur due to his negligence or fault.
- When there are no lost sales (using TM on goods not commercialized by the claimant) the material damages cannot be claimed at all.
- Before entering the market, the claimant may request reimbursement of the storage costs and the costs of the destruction of the goods seized by the Customs.

Serbia

- A person that infringes a trademark application or the rights arising from a trademark application is liable for damage indemnification under provisions of the Law on Obligations (Articles 154-209) concerning damage indemnification.
- This is supported by the provision of Article 71 paragraph 2 of the Trademark Law, prescribing that a trademark infringer is liable for damages under general provisions concerning damage indemnification (the articles mentioned above).
- The Law on Trade also provides that a trader is entitled to damage indemnification in case of unfair competition (article 50 paragraph 3).
- The Law on Obligations (in Art. 155) defines damage as reduction of assets (ordinary damage) or prevention to increase assets (lost profit) or causing physical or psychological pain or fear (immaterial damage).
- As regards the general conditions for damage indemnification, the Law on Obligations prescribes that a person who causes damage to another person is obliged to reimburse it, unless it proves that the damage occurred without his fault. The fault will exist in cases where the damage has been caused on purpose or due to negligence.
- Intentional infringements have been specifically sanctioned by the Trademark Law, prescribing that, in these cases, a plaintiff may, instead of remuneration of the pecuniary damage, request from defendant the compensation amounting up to three times of usual license fee.
- Unfortunately, there is no significant Court practice, which could be used to see how the competent authorities interpret the above provisions in practice (concerning the methods for assessing the size of damages).
- It is important to mention that the provision of Article 232 of the Civil Procedural Code prescribes that the it is at discretion of the Court to determine the size of damages in cases where it is certain that a party is entitled to indemnification but that its size could be determined only with disproportionate difficulties.
- Nevertheless, it would be safe to say that a Plaintiff could count to indemnification of the damages that have been well evidenced in the Court proceedings or subject to opinion of the financial expert appointed in the proceedings.
- As regards immaterial damage, the recent Court practice stands at the position that it cannot be awarded in cases of trademark infringement. According to opinion of current case law, compensation for non-pecuniary damages can be granted only to those recognized as such by the law, and not for any pecuniary loss. In other words, immaterial damage assumes causing physical or psychological pain or fear, and therefore cannot be related to cases of trademark infringement.

Serbia

- This should not be confused to an entitlement to claim material damages caused to business reputation of a trademark holder due to unauthorized use of its trademarks or unfair competition. In these cases, the holder would be entitled to claim damages provided that he proves reduction of an existing number of customers, absence of the new ones, reduction of number of the existing business partners etc. Nevertheless, it would indeed be difficult to substantiate such claim to the extent that would guarantee positive chances of success.
- Contrary to the position of the practice where immaterial damage cannot be awarded to a legal entity in cases of trademark infringement or unfair competition, there are also opposite approaches. In these cases the Courts have awarded immaterial damages by calling upon the aforesaid provision of Article 232 of the Civil Procedural Code, justifying it with a need for satisfaction of a trademark holder due to an infringement it has suffered. Nevertheless, these examples are from earlier practice.

FYR Macedonia

- Macedonian Industrial Property Law (OJ no.: 21/2009 and 24/2011) in article 299 par. 1 prescribes that the infringer of industrial property rights is liable for damages under the general provisions for indemnification of damages set in the Law on Obligations. Paragraph 2 from the same article introduces the license analogy and prescribes that the damages may be in the amount of possible royalty fee that can be set in the licensee agreement if the same was agreed. Paragraph 3 prescribes that in case unlawful profit was made by infringement of industrial property rights, a remuneration of the same may be asked under the general provisions of the Law on Obligations. Furthermore, same article 299 in paragraph 4 prescribes that the above claims can be cumulatively set.
- Law on Obligations:
- According to the art. 142 of the Law on Obligations damage may be reduction of assets (ordinary damage) or prevention to increase assets (lost profit) as well as infringement of personal rights (immaterial damage).
- According to the art. 174 one that caused the damage is obliged to remove the damage and to reinstate the conditions as they were before the damage. In case this is not possible a financial reimbursement should be made.
- According to the art. 178 damaged is entitled to remuneration of the ordinary damage as well as to the remuneration of the lost profit. The amount of the lost profit is calculated according to the possible gain that could be reached in regular business.
- With respect to the damages for moral prejudice the spirit of Law on obligations is only for damages to the natural persons. Namely, art 187 prescribes that one that will ruin dignity by publication of lays for the past, knowledge or capacity of another person will be liable for damages. We understand that the above provision may and should be used for legal persons with respect of damages for moral prejudice in trademark infringement cases.
- In cases where the infringer was using the trademark on a product not commercialized by the claimant (so that there are no lost sales) we understand that damages for moral prejudice may be claimed, or damages for potentially lost profit when calculation should be subject to special expert witness opinion. Same applies for the damages when the infringing goods were seized and destroyed before entering the market. There are a couple of cases where the local courts have ruled remuneration of damages for moral prejudice in cases where goods are seized and destroyed by customs.
- Last year a Methodology for valuation of industrial property was adopted (OJ 178/2011) and the same is in force from December 30, 2011. This methodology should be used in valuation of industrial property rights in cases of : assignment, mergers and acquisitions, bankruptcy and liquidation, loans, offsets, expropriation, taxation, investment consulting, financial reporting and other cases prescribed by law. Three general methods for valuation are to be used: method of direct market comparison; method of costs, and revenue method.
- This methodology is for use of the licensed expert witnesses in the field of intellectual property. However up to the moment there is no official list of such expert witnesses. It is expected for the Ministry of justice will publish the list of licensed expert witnesses in the IP field in the near future. We are not sure if the existing expert witnesses listed for IP are using this methodology in practice or they are following only general rules for financial assessment for valuation of IP.

Kosovo

- The law on Trademarks No. 04/L-026, specifically Article 98, parallel with Law on Obligations Law No. 04/L-077, articles 134-194, provide the applicable general provisions when awarding damages.
- Damages, as per Article 137 of the Law on Obligations, are defined as the diminution of property (ordinary damage), prevention of the appreciation of property (lost profits), the infliction of physical or mental distress or fear on another person, and encroachment upon the reputation of a legal person.
- The provisions include both, real damage and lost profit. Article 173 regulates the real damage and lost profit by stipulating that the injured party shall have the right to the reimbursement of ordinary damage and the reimbursement of lost profit. The reimbursement of damage shall be levied according to the prices when the court ruling is issued, unless stipulated otherwise by law. In the estimation of lost profit the profit that could justifiably have been expected given the normal course of events or given the special circumstances but could not be achieved owing to the injurer's action or omission shall be taken into consideration. If an object was destroyed or damages intentionally the court may levy compensation with regard to the value the object had for the injured party.
- There are two types of compensation: full compensation and reduced compensation. With regards to full compensation, Article 174 provides that when considering the circumstances arising after the infliction of damage the court shall award the injured party compensation in the amount necessary to restore the injured party's financial situation to what it would have been without the damaging act of omission.
- Further, Article 175 clarifies that reduced compensation will be awarded, having taken the injured party's financial situation into consideration the court may order the liable person to pay a compensation sum lower than the amount of damage if the damage was not inflicted intentionally or out of gross negligence, the liable person is in a weak financial situation and the payment of full compensation would entail great hardship for the liable person. If the injurer inflicted the damage when acting for the benefit of the injured party the court may levy reduced compensation; in so doing the court shall take the diligence shown by the injurer in the injurer's own matters into consideration.
- Despite material damages, the law covers also immaterial /moral damages. As provided by article 183, the reimbursement of immaterial damage can be justified with a monetary compensation for defamation of good name or reputation even if there was no material damage. Upon the decision on the request for the compensation of immaterial damage, as well as for the amount of the compensation, the court shall evaluate the importance of the violation of goods and the purpose to which this compensation shall serve, also in order not to support the tendencies that are not compatible with the nature and the social purpose thereof.
- As far as it concerns the methods and sources for assessing evidence and also for determining the amount of damages, the current court practice consists mainly of the documents presented by parties, or in cases when it is necessary the court will appoint an expert.
- The Law on Obligations under its provisions includes unfair profit as unjust acquisition. According to Article 194, any person that without a legal basis becomes enriched to the detriment of another shall be obliged to return that which was received or to otherwise compensate the value of the benefit achieved. The term enrichment also covers the acquisition of benefit through services. The obligation to return or compensate shall also arise if a person receives something in respect of a basis that is not realized or subsequently disappears.

Montenegro

- Trademark law provides that in case of a trademark infringement, an infringer is responsible for damages under the general provisions on damage indemnification. The Law on obligations of Montenegro provides that those who cause the damage will be obliged to reimburse it, unless he proves that the damage occurred without his fault. The law recognizes an ordinary damage (reduction of assets), lost profit (prevention to increase assets) and immaterial damage (causing physical or psychological pain or fear as well as violation of personal rights and reputation of legal entity).
- Those who caused the damage willingly or by the act of negligence will be responsible for reimbursing the same. A general rule is that indemnification comprises the actual damage (i.e. ordinary damage) and the lost profit. The size of damage is assessed through documentary evidence and by the financial expert appointed by the court. We did not have experience with a case of this kind in Montenegro. Also, I do not know of the appropriate court practice that could be taken as a guideline in this type of matter.
- As regards the immaterial damage, being that the Law on obligations provides that the same can relate to reputation of legal entity, in my understanding, immaterial damage could be a subject to trademark infringement dispute. This type of damage is usually awarded in addition to material damage.
- In connection with the unfair competition, the Law on internal trade provides penal provisions for the acts of unfair competition. The amount provided by the law is 7500-45000 EUR.

Bulgaria

- Art. 76, Para 1, item 3 of the Bulgarian Law on Marks and Geographical Indications (LMGI) prescribes for a claim of damages. This provision is an implementation of the general principle in Art. 45 of the Bulgarian Obligations and Contracts Act (OCA) in the field of trademark law. It is the so called tort. The prerequisites for awarding damages are: infringement of the trademark right; infringer's liability; damage caused by the infringement; causal link between the infringement and the suffered damages;
- Suffered damages must be proven. The burden of proof is on the right-holder. Compensation can be sought for both pecuniary and non-pecuniary damage. Damages can include both actual lost and lost profits. However, in all cases, damages must be direct and proximate consequence of the infringement.
- Art. 76a LMGI is applied when determining the amount of damages. In most of the court cases the judge appoints a court assessment expertise (a financial expert) and the court decision usually is based upon the expert's conclusion. However, according to the Bulgarian Civil Procedure Code (CPC) the judge is not bound by the expert's conclusion. Therefore, when determining the amount of damages the court takes into account also all circumstances of the infringement, as well as the infringer's profits. (Art. 76a(2) LMGI). The court shall rule in turn a fair compensation that is to have a deterrent effect on the infringer and the rest of the society (Art. 76a(3) LMGI).
- **There are Special Cases of Compensation recognized by LMGI, namely:** Where an action for damages is well founded, but there is no sufficient information as to its amount, the claimant may request the following compensation: BGN 500 to 100 000, the concrete amount being fixed at the discretion of the court, subject to the provisions of Article 76a(2) and (3), or the equivalent in money of the infringing products at retail prices of legally produced articles which are identical with or similar to the infringing goods. When determining the compensation referred to in the preceding paragraph, the infringer's profits are taken into account and under what conditions unfair profits of the infringer can be awarded to the claimant.
- **Regarding unfair profit ("unjustified enrichment" according to the OCA):** Pursuant to Art. 55-59 OCA, whoever is enriched (has received "something") at the expense of someone else without grounds is obliged to restore the same to the right-holder. How damages are affected by whether the infringement is willful/negligent or innocent – According to Art. 45 OCA, which is applicable in the present issue in all cases of tortious, liability is presumed until proven otherwise. In a pending litigation the position of the right-holder is relieved because he does not have to prove that the infringer is liable. It is the infringer who has the burden to prove his innocence. If he fails, it is considered that liability is present. In words each case has to be dealt with separately and with regard to its particularities.
- Pursuant to Art. 76a (1) LMGI the right-holder is entitled to claim moral damages. Notwithstanding this provision, according to the settled Bulgarian case-law moral damages ("moral prejudice") can be awarded to a natural person only. A legal entity cannot be awarded moral damages.
- In cases when damages have incurred when the infringer was using the TM on a product not commercialized by the claimant (so that there are no lost sales), the unfair profit (unjustified enrichment) claim would be the most appropriate.

Bulgaria

- In cases when the infringing goods were seized and destroyed before entering the market (so that there are no lost sales), the claimant may request reimbursement of costs related to preventing the goods entering the market. When goods are seized and destroyed (e.g. under customs procedure), the right-holder may request reimbursement of all costs relating to storage and destruction.
- The sources of evidence for assessing damages – described in detail above. In respect to royalties kindly note that the court sometimes awards damages on the basis of royalties. In these cases the court appoints expertise as described in paragraph 3 above. These cases are in general very rare in Bulgaria due to the difficulties related to proving the causality between the actions done by the infringer and the suffered damages and the amount of damages as well.

Albania

- To get started, the case law related to this issue has not been established yet. The Law is relatively new, entered into force in 2008; the number of cases is very small, statistically speaking, in 2011 only 25 cases were being processed before the First Instance Court of Tirana (all TM cases fall under this jurisdiction); last but not least, the holder of IP rights are very reluctant to ask for damage indemnification, because it implies more time, more efforts in proving that the defendant has acted deliberately, submitting more documentary evidence, and some additional official fees, etc.
- Therefore, our opinion is based on our understanding of the law:

1. The legal basis for awarding damages

The Albanian IP Law, is effective since 1 November 2008, article 167/4. It settles the criteria under which the damages indemnification should be awarded. However, we do not think that other provisions (that are general and cover all situations related to damage indemnification) should be left aside. As we are going to treat this issue below here, we are definitely of the opinion that the legal frame for awarding damage consists of the above mentioned provision of the Albanian law and the general provision of the Civil Code, article 608- 652.

2. Methods of assessing the amount of damages

The criteria under which damages should be estimated are provided in the article 167/4 of the AL IP Law. Here is the provision extracted from the law.

The infringer is responsible for all damage that has been caused to the plaintiff. In conformity with the provisions of the legislation in force, the court determines the compensation of damages, except when it is otherwise specified and based on the case as appropriate:

- a) take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the right holder by the infringement;*
- b) set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorization to use the intellectual property right in question.*

Regarding the method of awarding the damages, damages related to the first point (item a) are estimated by a financial expert appointed by the Court. As to the “moral prejudice”, from a careful analysis of the provisions of the AL IP law (article 167/3) and that of provided by the Civil Code we think that it is safe to say that this kind of damage has to do with the right of the plaintiff to ask for publication of the final court decision in the public (i.e. media, or the like) at the expense of the defendant in the manner determined by the court (article 167/3/last item).

For the second point (b) just submitting to the Court similar license agreements well documented would suffice, without having a need for expert opinion. We think that it is safe to say that the similar license agreements are those the plaintiff uses in countries that have the same/similar features, for example an license agreement that the plaintiff uses in Macedonia, Montenegro, Kosovo, or the like can be a good reference to Albanian jurisdiction.

Albania

3. Under what conditions unfair profits of the infringer can be awarded to the claimant?

The plaintiff should prove that the defendant has been acting guiltily, or deliberately. Although the provision of the AL IP Law does not provide this condition as one of the condition that should be fulfilled, we are of the opinion that in any case the guiltiness of the defendant should be proved. This for the following reason: The provision of the AL IP Law in itself is related to that of other laws. The wording (I am quoting the provision) “*The infringer is responsible for all damage that has been caused to the plaintiff. In conformity with the provisions of the legislation in force, the court determines the compensation of damages, except when it is otherwise specified and based on the case as appropriate*” implies that it is related to Civil Code (which is the law that prevails over the AL IP Law). And referring to the Civil Code (article 608 the first article that treats this issue) it can be easily concluded that the damage indemnification is inexorably related to guiltiness of the defendant. Please note that the Civil Code does not define the concept of “*being guilty*”, there is on specific provision that defines it, but it is well specified by provisions of the Criminal Code, and the court practice applies this definition even to civil matters.

Here is the said provision:

Article 14; Guilt

No one shall be sentenced for an action or inaction that is provided for by law as a criminal offense if the latter is not guilty of committing the action or inaction. A person is guilty if he commits the criminal act intentionally or because of negligence.

Article 15; Intention

A criminal act is committed intentionally when the person foresees the consequences of the criminal act and wants them to occur or, although he foresees but does not want them, consciously allows them to occur.

Article 16: Negligence

A criminal act is committed because of negligence when the person, although he does not want its consequences, foresees the possibility of their occurrence and with light-mindedness hopes to avoid them, or when he does not foresee the consequences, but according to the circumstances, he should and could have foreseen them”

Please note that if the plaintiff asks for damage, an amount of 3% of the whole amount of money the plaintiff is going to ask for should be frozen initially by the plaintiff.

4. How damages are affected by whether the infringement is willful/negligent or innocent?

Acting innocently, within the meaning of the above-mentioned provisions, does not make the subject liable for damage indemnification.

Acting willfully is the gravest situation, thus we are of the opinion that the Court should apply all possible damages that the provision sets.

As regard the situation of being negligent, it remains to be seen what the court practice will rule. However, in our opinion, given that this situation is less grave, the Court might not apply all the possible damages that the provision sets.

Albania

5. Damages for "moral prejudice".

Please refer to explanation given in point 3.

6. Damages when the infringer was using the TM on a product not commercialized by the claimant (so that there are no lost sales);

We think that in this case, the holder can ask for royalty payment. The plaintiff can claim it arguing that the defendant has prevented the plaintiff from licensing properly his rights to other parties. We think that it is a strong argument and the Court should take into account.

7. Damages when the infringing goods were seized and destroyed before entering the market (so that there are no lost sales);

Because the concept of bearing the damage is related to the "real damages" we do not think that this situation makes the importer liable for damages. Of course, in this case the importer can be prosecuted because he/she has committed a criminal offense (thanks to the recent changes in Criminal Code – April 2012, trading counterfeit constitutes criminal offense), but the importer is not liable for damage indemnification. However, the plaintiff has the right to request reimbursement of costs relating to storage and destruction, but it should be requested through a court proceedings.

9. Any aspects that are specific to TMs (as opposed to other types IPRs) (for instance it seems that it is only recently that some courts have begun to accept notional royalties as a basis for damages in TM cases;)

As stated above, the case law is missing, thus, we cannot point out anything in particular. However, we are of the opinion that the Court should accept notional royalties as a basis for damages in TM cases, based on the similar license agreements. It is what the Law provides, consequently the Court is obliged to take this provision into account, and we believe that the Court will apply this.

Croatia - Judgment Example:

THE REPUBLIC OF CROATIA
THE DEFAULT VERDICT

File No.: **P-4222/07**

The Commercial Court in Zagreb, by the judge of this Court Dunja Tripalo Kontić, in the legal matter of the Claimant Hard Rock Limited, 47, Esplanade, St. Helier, Jersey, JE1 OBD, Channel Island, Great Britain, represented by the attorney-at-law Vanja Caratan Krenedic, from Zagreb, Ferde Kovacevica 7, against the Respondent BARECA d.o.o., Zagreb, Gajeva 10, for copyright infringement, out of hearing, on the day November 28, 2007, has rendered the verdict:

I. The following claim is being accepted:

It is hereby established that the Respondent, Bareca d.o.o., from Zagreb, Gajeva 10, has infringed the copyright of the Claimant Hard Rock Limited, 47, Esplanade, St. Helier, Jersey, JE1 OBD, Channel Island, Great Britain, to graphical and visual identity of the company and brand HARD ROCK CAFÉ and the right to the trademarks registered by the State Intellectual Property Office. Ž932646, Ž932649, Z2006067, Z2006068 and Z2006069, and committed the act of unfair competition, by using the copyright and the registered trademarks of the Claimant in the Republic of Croatia, namely:

- by giving the name to its' cafe HARD ROCK CAFFE
- by using the logo and design HARD ROCK CAFFE in front of and in the café
- by using the mark HARD ROCK CAFFE on the invoices, price list and other business documents

2. The Respondent is prohibited to use the same or similar name to HARD ROCK CAFFE and Claimant's logo in the future.

3. The Respondent is ordered to change the name of the café in a way that it will not consist of the words HARD ROCK CAFÉ/CAFFE.

4. The Respondent will pay to the Claimant non-material damages in the amount of HRK 75.000,00.

This final Decision shall be published in the following newspapers:
Jutarnji list.

6. The Respondent shall reimburse the Claimant for the costs of this litigation.

1. 2007 the Writ of Claims and Petition for a Preliminary Injunction for copyright and trademark infringement on behalf of as the Claimant and the party proposing preliminary measure vs. Bareca d.o.o., the Respondent.

Croatia - Judgment Example:

Explanation:

- The Claimant cites that he is the holder of the copyright for the graphical and visual identity of the company and brand HARD ROCK CAFE registered before the Office for copyrights of the United States of America.
- The Claimant is the holder of the following trademarks registered by the State Intellectual Property Office of the Republic of Croatia: Ž932646, Ž932649, Z2006067, Z2006068 and Z20060609.
- The Respondent, without permission, uses in his cafe the marks that are almost identical to the Claimant's trademarks and copyright, the only difference is two letters F in the Claimant's mark (HARD ROCK CAFFE). This difference is of no importance because the average customer of the café cannot notice it and the pronunciation of the words is the same.
- The writ of claim was delivered to the Respondent together with the invitation to give the answer to it within 15 days and although the Respondent received the writ of claim, he didn't give and send the answer to the Court.
- Since the justification of the claim is in the reasons mentioned in the Claimant's arguments, and they are not contrary to the evidences submitted by the Claimant, nor they are well-known circumstances that would justify the reasons for the Respondent not to send the answer to the claim according to the article 331b of the Civil procedure Act, the Court has rendered this verdict. (article 338/5).

Thank you for your attention

Recommended literature: Intellectual Property Infringement Damages by
Russel L. Parr

PETOŠEVIĆ
GROUP

petosevic.com

PETOŠEVIĆ