

# **EXECUTIVE SUMMARY OF EUIPO JUDGES' SEMINARS ON INDEMNIFICATION**

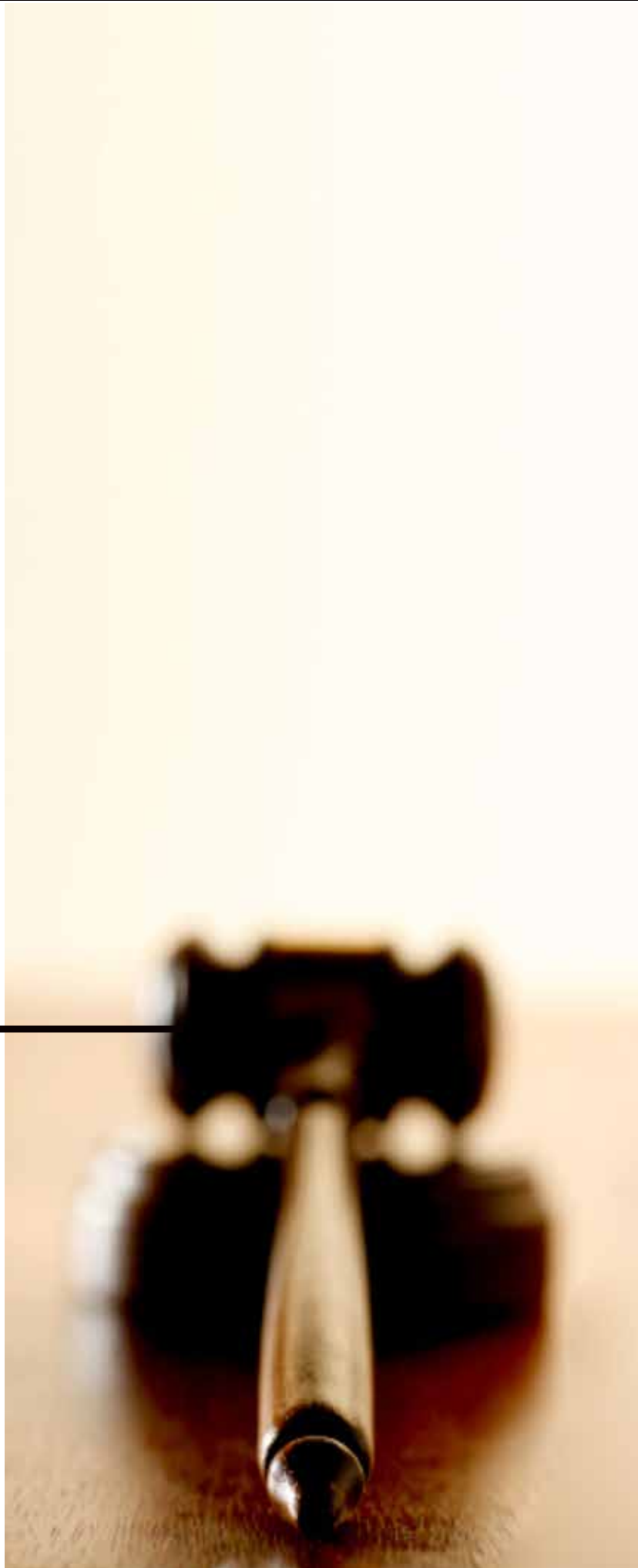
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Alicante, June 2016

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Since 2008, some 40 Judges' seminars have been organised – half of which dealt with issues related to procedural aspects of Intellectual Property Rights ("IPR") infringement cases, and covered, miscellaneous aspects related to indemnification from different angles. They addressed Directive 2004/48/EC of 29 April 2004 on the enforcement of Intellectual Property Rights (the "Enforcement Directive", "IPRED" or "Directive 2004/48"), as well as other topics (see list of questions addressed in Exhibit 1).

Over 800 participants from EU Member States attended or contributed to the seminars and many returned to complete their experience.

The format of the seminars invites Judges from EU Courts with jurisdiction over intellectual property matters to discuss practical legal questions in a confidential environment. This level of confidentiality allowed debates to be informal and to obtain responses which a Judge could/ should not give within an official open forum. During the seminars, debates take place at working tables composed of 10/12 seated Judges, and mixed according to their languages skills. The countries are mixed and so are the levels which meant that a Supreme Court Judge could sit with a Judge of First Instance. The Judges receive the questions posed in advance of the seminar and they are required to come duly prepared: the seminars require a high level of interaction by participants. Since the seminars addressed the implementation of Directive 2004/48, the Commission (DG GROWTH (formerly Markt)) was invited to the different meetings, in the role of "Expert" and "Observer", and offered very valuable inputs to the Judges.

Harnessing the opportunity to host Judges from most EU Member States, a pioneering approach was attempted in order to assess the efficiency of the Enforcement Directive within a practical Court context, outside its legal and philosophical concepts.

In order to achieve this, a mock case known as the *Max Case*, was imagined. The *Max Case* is based upon a real case which the organiser of the seminars handled during his former life as *avocat* in Paris, France. All procedural issues and possible discussions concerning whether the economic data was correct were cleared from the scope of debate. The general circumstances of the litigation remained, but the products were changed. Real economic data was used, and the litigation was located across the European Union in order to fit our purpose.

The exercise was two-fold, and developed in two stages, from 2008 through 2013 with indirect extensions in 2014, 2015 and 2016.

It started with *Max Case* 2008 (see Exhibit 2). In this case, the Judges were provided with all the necessary actual elements related to both the victim/claimant (*Max Co*) and the infringer/defendant (*Bastamark*). The situation would not occur in reality, but this set up served as the starting point.

Later on, *Max Case* 2011 was created (see Exhibit 3). The *Max Case* 2008 was simply converted into a more realistic litigation. All procedural issues were excluded in order to avoid pollution of the debates – but this time, only the information which is normally available in real life – namely, concerning the victim/claimant (*Max Co*), and very limited data concerning the infringer/claimant (*Bastamark*) was made available to the Judges.

The result of this exercise was a very interesting confirmation of what was suspected. Every participant (very often the same Judge) lowered, drastically, the level of damages awarded to the victim between *Max 2008* and *Max 2011*. The amount decreased from up to EUR 60 million (the total turnover made by the infringer/ more often the profit made up by *Bastamark* on the sale of fake products) in 2008, to EUR 0 in 2011.

The same exercise was reproduced with two other groups of Judges during regional seminars in Portugal and Lithuania dealing with *Max Case 2008* in the morning, and with *Max Case 2011* in the afternoon. With no surprise, the same trend was obtained. The election offered by Article 13 of the Enforcement Directive between (a) the real damage and (b) the lump sum/ licence fees did not alter the outcome<sup>2</sup>.

Why such a result? The response was unanimous: Judges did not have sufficient evidence to rule on indemnification with regard to the *Max Case 2011*.

Keeping this key issue in mind, some conclusions on the issue of the costs and damages can be drawn without breaching the confidentiality of the debates or revealing names or country behind the discussions (**Part 1**), before addressing certain complementary issues related to indemnification which arose from the seminars (**Part 2**).

This Summary will not reveal any specific content of the debates and therefore not violate the confidentiality of the discussions, but will clarify the general trend that arose from the active and interesting exchanges.

## 1° COMMENTING ON THE COSTS AND DAMAGES

Three sets of measures will be contemplated:

- Measures aimed at ensuring that right holders are able to recover the totality of the losses sustained as a result of an infringement (1.1).
- Measures that enable right holders to recover their actual costs of investigating, taking legal action against, and rectifying an IPR infringement (1.2).
- Measures designed to ensure that infringers do not retain any economic benefit from their infringing activities (1.3).

1 - Ranging from EUR 840,000/1,740,000, depending on the Judges.

2 - Article 13(1) Damages states: "Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the right holder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.  
When the judicial authorities set the damages:

(a) they shall 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; or

(b) as an alternative to (a), they may, in appropriate cases, 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 authorisation to use the Intellectual Property Right in question."

### 1.1 Measures aimed at ensuring that right holders are able to recover the totality of the losses sustained as a result of an infringement

As mentioned above, the key issue regarding the determination of amounts of damages by a Court is intrinsically related to the question of what has been given in evidence by the victims, in support of their claims. However, in the context of world globalisation, where less products are being manufactured in the European Union and more are being sub-contracted, it is increasingly difficult for victims of the infringement (or the right holder) to gather adequate information. The ability to identify a fake product from a genuine one could be difficult within a world where official right holders are no longer able to control their manufacturing chains.

The preliminary issues to overcome are proving that the product is a fake: who is selling it; which Intellectual Property Right has been infringed and who is the right holder. This is a difficult hurdle to overcome, in addition to transnational procedural and prescription issues that may interfere and make the litigation more complicated.

In a classic Court the scenario, the victim approaches the Court to claim for the loss suffered, or for the profit made by the infringer. This is in line with the provisions of the Enforcement Directive, and seems to be a generally accepted and applied principle of law throughout all Member States.

However, is it easy to enforce at the level of a victim?

#### **(a) Evidencing the profits made by the infringers**

It could be very hard for the victim to have access to the number of fake products sold by the infringer. What is seized and identified is, very often, the tip of the iceberg. As a result, it is very difficult to determine the real profit made by infringers.

The *Max Case* is very educative in this respect as a gap was identified between the legal profit made by *Bastamark* through the sale of fake products, i.e. EUR 840.000 and the real profit made, i.e. EUR 10 million. One participant even said that s/he would pursue the full turnover of the infringer, although s/he admitted that it was not in line with his/ her current, national case-law. Most Judges did not agree with this solution as it was contrary to their traditional system of indemnification. But shouldn't the traditional indemnification system in this field be brushed away and upgraded?

#### **(b) Evidencing the loss incurred by victims**

Evidencing the loss suffered by the victim is not an easy task.

The sale of fake products may not always have a negative correlative impact on the victim's financial accounts. It does not follow that the victim will lose one sale for each sale of a fake sold by the infringer. Someone who buys a fake Rolex in the street will probably never buy a genuine one from an authorised dealer. Is there an economic loss, in the traditionally accepted meaning of the terms, suffered by the victim? This is not certain. However, the victim's image will certainly be affected - but how can, and will this be quantified?

### (c) Moral damages

The question of moral damages was raised in the *Max Cases*, and no consistent answers were given. The only common factor that guided the Judges' answers was a sense of justice in the light of the economic importance of the case. This was particularly true with regard to the Max Case 2011. However there was no tangible rule used to define the amount of moral damages to be awarded to the victims of the infringements.

### (d) Tackling new practices

Reverting to the issue of the identification of the prejudice incurred by the right owner, and the level of damages to be set, the Judges are faced with a new practice of infringers who (a) do not hold a stock of fake products, (b) send the products directly to customers from outside the European Union or (c) affix fake trade marks on the products at the very last moment of the transaction.

This issue was addressed for the first time during seminars held in 2013. The Judges were questioned on the issue of what they would do if they were asked to convict a person found in possession of 10,000 fake *Lacoste* crocodile labels.

The overwhelming response received was that this would be an act of infringement. However, when setting an amount of damages, responses became elusive – and even more so when it came to the legal and economic scenarios, regarding the assessment of the prejudice suffered by the right holder. This issue is worth further investigation. Taking advantage of the amendments of the EU and national trade mark legislations in 2016 that now expressly tackle the affixing a fake labels or tags on products, a complete seminar will be dedicated to the issue of fake labels in November 2016.

### (e) The Court practice of granting damages

The granting of damages by a Court is not always an automatic action.

It is common practice for the Court to set the amount of damages to be paid by infringers in France and in the Netherlands, but this is not the case in Germany or in the United Kingdom. In these two countries, damages are fixed by Judges only if the parties cannot come to an agreement between themselves.

### (f) The lump sum/ licence fee alternative

The question of the lump sum/licence fee has also been discussed. The question as to what it means and covers is not clear.

The way the question seems to be widely interpreted is that the Court would determine an amount of licence fee that the infringer would have paid the right owner, should it have been an honest licensee.

The results did not convert into a deterrent indemnification. The first hurdle to overcome is the difficulty to determine how many fake products were sold. Secondly, having access to the appropriate licence fee rates to be applied did not always prove to be an easy task. Finally, when a fee was identified, the question was to identify what type of fees should be considered.

A fees chart (see **Exhibit 4**) showed all kind of fees and revenues which a normal right holder could expect from the manufacturing and commercialisation of genuine products. For miscellaneous reasons, the revenues

can be split amongst the different Intellectual Property Rights, and can also include advertisement fees, and the commission on the purchase of products from official supplier/original equipment manufacturers (OEM). At the end of the day, the revenues paid by the licensee/franchisee to the licensor/franchisor might be several times the amount of the strict licence fee for an individualised IPR – for example, a trade mark.

In this context, which level of fee is to be taken by the Court to calculate the lump sum fee? This issue is not clear at all.

A complementary issue is the duration of the licence to be taken into consideration. Again, this is an issue of evidence. Realistically, except in very exceptional cases, the right holder is aware of the infringement only after it took place. The counterfeiting occurred before the right holder initiated legal proceedings against the infringer. Can the theoretical licence agreement have retroactive effect as from before the legal proceedings starts? This does not seem to be the case in every Member State.

Doubling or multiplying the theoretical commercial licence fee to be paid by a fair licensee, or granting damages higher than the proven prejudice will also raise the issue of punitive damages.

#### **(g) Punitive damages**

Recital 26 of the Enforcement Directive provides that:

*"The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the right holder, such as the costs of identification and research".*

The Court's response should be deterrent and ensure a high level of protection... Article 3(2) of the Directive 2004/48 states that:

*"Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse."*

It is obvious to all Judges that the level of damages must be deterrent and proportionate. Judges also understand that Recital 26 of the Directive prevents them from granting punitive damages. However, this restrictive interpretation of the Enforcement Directive does not seem to be the only existing one. Notably, discussions confirmed that the Directive indicates that there is no obligation to provide for punitive damages – but it does not say that punitive damages are prohibited.

This issue leads to the second aspect of the question. What is a punitive damage? This is outside of the scope of this Summary, but some Judges' reactions are worth mentioning.

Some examples. In a certain country, doubling the level of licence fees is accepted practice. In others, higher levels of indemnification will be awarded in cases of multiple violations of IPRs. In some situations, there seems to exist the possibility to pursue as many indemnifications as IPRs violated. In most countries, there is room for some freedom for the Courts to set the level of moral damages. Everywhere, complementary convictions are possible, including publication of the sentence at the infringers' expense and seizure of the equipment/ tools used in the counterfeiting. Repayment of lawyers' costs is an obligation. All these actions seem acceptable, not punitive. However, granting a triple licence fee lump sum does not seem possible in

some of the Member States. No solution as to the matter of punitive damages has arisen so far from the different discussions which occurred during the seminars.

### 1.2 Measures that enable right holders to recover their actual costs of investigating, taking legal action against, and rectifying an IPR infringement

It is admitted that infringement Court proceedings are expensive. It is also known that initiating proceedings before certain Courts are even more expensive than others.

The question of costs has been asked of the Judges, and it seems that Article 14<sup>3</sup> of Directive 2004/48 has had a very big impact in certain countries - although the situation is far from harmonised in practice, at European level.

The work carried out using the *Max Cases* identified discrepancies amongst the Member States. In certain countries, fees to be applied by lawyers to their clients are set in an official Bar tariff, and are used by the Court to determine the amounts of costs to be repaid by the infringer to the claimant. Sometimes, this amount is linked to the amount of the claims - which is not always a fair system, because the difficulty and time spent on a case is not always proportional to the amount of the claim. Sometimes, expert and investigation costs can be reclaimed. Every possible solution seems to co-exist throughout the European Union.

It appears that lawyers do not always disclose proper evidence of the fees they apply to their clients; this subject seems to be taboo. This situation could improve if the Judges were given detailed invoices of the costs to be paid by their clients. Educating the practitioners would be also very useful.

Additionally, bringing systematic law suits against infringers would be costly to the right holder because not all condemnation could be enforced, and the money recovered. This is why very few companies, and big ones, have a truly zero tolerance approach against infringement.

Initiating Court proceedings is not only expensive in terms of external costs (lawyers, experts and investigators), it is also costly in terms of internal resources (employees dedicated to the analysis of fake products and others who supervise the infringing actions). The latter costs are normally not taken into consideration by Courts.

3 - Article 14 - Legal costs; the Enforcement Directive states that: "Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this."



### 1.3 Measures designed to ensure that infringers do not retain any economic benefit from their infringing activities

Money is the only motor which runs the infringing business. With no surprise the Observatory Study on Damages in Intellectual Property Rights recommends that *"Member States should implement rules for awarding damages and costs in IPR cases that ensure that no economic benefit of an infringement remains with the infringer"*<sup>4</sup>. Take the money and the gain made by the infringer away and it will turn to a different kind of business.

This said, in reality, unless the infringer is very unlucky, he/she will not be caught during the first sale. This means that even if caught and asked to repay the profits made to the rightful owner of the IPRs, he/she would have lost money only on a specific deal. Overall, he/she would make money on his/her total business, either past or future. An analogy can be made using casinos. Even if one night someone wins the jackpot, casinos will make money over a longer period of time. The only way to stop the inflow of money would be to shut them down.

What would offer the most deterrent solution?

In the absolute, it would be for the Judge to remove all the direct, indirect and consequential profits unduly made by the infringer, and to add something else as a penalty or a punishment. This could work only in an ideal world where the Judge has access to all data related to the counterfeiting activity.

On top of this, there is also a psychological aspect that is not to be underestimated. When the amounts at stake become really high, there is a natural tendency for some Judges to limit themselves in the amount of damages they will award. This was experienced with the Max Case 2008. Awarding several million euros in damages through the sale of inexpensive sunglasses made the situation awkward for some of them.

Perhaps, one should admit that the determination of this amount should be an extrapolation of the information gathered by the claimant. Judges liked this idea, but were very reluctant to apply it. It conflicted with the tradition to set the amount of damages to be awarded in the light of the evidence submitted. Making such a determination out of the blue was not perceived well. On the other hand, the Judges had less reluctance in ordering the seizure of the stock of fakes products, or the tools used for manufacturing the fakes (when located within their jurisdiction). Unfortunately, this does not bring money to the right holder's pocket.

Is there really a best practice among the Judges? Are they all (or most of them) best practices? When it comes to the Max Cases 2011, the level of damages awarded by the different Judges was equally low across the European Union, independently of the legal traditions they came from.

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4 - [http://ec.europa.eu/internal\\_market/iprenforcement/docs/damages\\_en.pdf](http://ec.europa.eu/internal_market/iprenforcement/docs/damages_en.pdf) - see page 5

## 2° ADDITIONAL REMARKS ON THE ISSUE OF DAMAGES

All of the Judges who attended the different seminars were guided by a unique goal that was the sense of justice, although they were aware of the textual and conceptual limits of this idea.

Damages (and the necessary proof) are not the only factor to be taken into account in the judicial process.

In this type of litigation, especially when it relates to a purely criminal type of counterfeiting case, the victim and infringer do not have the same fear or expectation. The main goal of the victim is to stop, immediately, the counterfeiting and to remove the fake goods from the market – while the infringer is more concerned about the removal of his/her money (and assets).

This leads to three points<sup>5</sup> that deserve to be quickly addressed in this debate;

- The condemnation *in solidum* of infringers (2.1).
- The possibility to initiate Class Action against the infringers (2.2).
- The civil confiscation: the ultimate weapon against infringers (2.3).

### 2.1 The condemnation *in solidum* of the infringers

The question was asked whether all participants who contributed to the infringement would be condemned *in solidum* to pay damages to the victim. This idea was to be as deterrent as possible and pursue the defendant who was most easily caught, provided that it is possible to secure payment by them.

Globally, the Judges said they would condemn all contributors *in solidum*, without going much further into the details.

In the light of the possible discrepancies among the different EU practices, it might be a good idea to specifically address such a possibility in a future legal instrument and specify in which context such condemnation *in solidum* should occur.

### 2.2 The possibility to initiate Class Actions against the infringers

In complex cases, the following questions are always in the mind of a lawyer in charge of initiating and leading litigation. Who has the right to pursue the infringer? Is it the formal right holder or the actual victim of the infringement?

This is not always the same person. For instance, an independent franchisee may suffer from an infringement but may not have the legal right to initiate an action against the infringer, as per the applicable national IPR law.

Beyond the technical issues that will arise in case of distribution or franchise networks, chains of retailers or supermarkets, etc., the question of the possibility to initiate a Class Action emerges. Allowing this possibility (why not with different IPR owners sharing the same interest against an identified infringer) may answer, to a certain extent, the problem of suing small infringers – or for small victims to possess the capacity to

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<sup>5</sup> - The issue of enforcement of the Courts' decision and of limitations of statute will not be covered in this Executive Summary.

pursue the infringers. It will not solve all issues related thereof, but would definitely make a start in the right direction. It could be interesting if national administrative authorities such as Tax, Health and Social Authorities could join the action to claim unpaid taxes<sup>6</sup> from the infringers.

### 2.3 The civil confiscation: an ultimate weapon against infringers?

Various seminars on the issue of money laundering and the confiscation of the proceeds of crime in the field of IPR infringement opened new possible horizons for those that combat criminality in this area.

On both international and European levels, legislation was adopted which allow the seizure – directly or indirectly – of the proceeds and instrumentalities related to certain IPR crimes. The tools and instruments were not designed for the field of intellectual property, but they seem to be perfectly adapted for such purpose.

This results in a paradoxical situation where the general criminal route becomes more efficient and deterrent than the specifically dedicated civil route. It could be worth developing a system of civil or administrative confiscation in cases where it is obvious that the infringing activity has been carried out on a wilful, commercial level.

### CONCLUSION

The Enforcement Directive definitely reached its target of harmonising solutions throughout Europe.

To the next question, is the level of indemnification set at sufficiently high to be deterrent? The Directive may not have completely reached its goal yet. The Judges are aware of this. To achieve this, a little revolution may be needed. Possibly, the Court of Justice of the European Union could take a stand and support Courts which wish to proceed in this direction; if one interpreted Directive 2004/48 teleologically, in order to boost the level of indemnification, this is certainly possible.

Changing the Directive by upgrading it would also be a welcome move, knowing that the Commission will encounter hurdles along its road. Changing legal traditions will not be an easy task. Perhaps a formal reference to the sense of justice towards the victim of infringements by raising the level of damages could start a chain reaction throughout the Courts in Europe.

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6 – According to the Court of Justice (Judgment of 28 May 1998, Case C-3/97, John Charles Goodwin and Edward Thomas Unstead), counterfeit products cannot be regarded as *extra commercium*, since there can be competition between counterfeit products and goods which are lawfully traded.

## EXHIBIT 1

### Selected Questions Addressed During the Seminars

#### A Preliminary questions

- A1. In your country, can a single court deal with all aspects of protection i.e. Community trade marks, national trade marks, foreign trade marks, Community design rights, national design rights, foreign design rights, copyright protection and unfair competition?
- A2. In the case that your court issues cross-border jurisdictions, do you apply your national law and extend it to the different Member States in which counterfeiting has occurred? Or do you apply the national law of each country concerned?
- A3. In your country, might there be problems of courts having local but not national jurisdiction over the case?
- A4. Would you accept court evidence submitted in a language other than the official one of your country?
- A5. Can the claimant in this case initiate criminal proceedings? If so, would you advise it to? Why / why not?
- A6. Would your Court consider comparative law issues that could interfere with the litigation to be a matter of fact (a solution to be brought by parties) or a matter of law (to be investigated directly by the judge)?
- A7. How does the implicit jurisdiction to take "euro" measures, pursuant to Article 93(4) CTMR, work?

#### B Provisional Measures

- B1. Can interim relief ("provisional measures") be claimed to stop the sale of counterfeit goods? If so, what measures?
- B2. Who can claim such provisional measures: for example, the owner, the distributors, a licensee and/or a franchisee?
- B3. How long will it take to obtain an enforceable decision?
- B4. Will the proceedings be ex parte or inter partes?
- B5. Will an enforceable decision be difficult to obtain?
- B6. What evidence will need to be provided to the court to obtain provisional measures of this type? Please provide a detailed response.
- B7. Will the procedure be a written or an oral one?
- B8. Is there a pre-printed form to lodge with the court in order to obtain such provisional measures?
- B9. What impact will Directive 2004/48 have on your traditional practice?
- B10. What are the lawyer's fees likely to be for a case of this nature? Will they be reimbursed? If so, to what extent? Will the issue of costs be covered in the decision itself or will there be a separate decision on the taxation of costs? Are there any other costs to be contemplated? If so, please specify their nature, the likely amount and whether they are likely to be recoverable, Any specific advice on how to obtain the maximum of the costs actually incurred would be welcome.
- B11. By whom should this order be enforced: the Court through judicial cooperation, or the claimant through normal exequatur (enforcement) proceedings?
- B12. If a judgment taken in this case by a foreign court were to be enforced in your country, would it be preferable to use the normal exequatur (enforcement) proceedings or to have it forwarded through the EU-cooperation system?
- B13. How can enforcement be avoided by the losing party?
- B14. Does the system of provisional measures constitute an efficient deterrent to counterfeiting?
- B15. Is there a necessary judicial next step to be contemplated once a provisional measure has been granted?

- B16. How long will it take to enforce a foreign decision in your country?  
B17. What are the obstacles that can be raised by your court to the enforcement of a foreign judgment?

### C Action on the merits and indemnification

- C1. How long will it take to obtain an enforceable decision?  
C2. Will the procedure be a written or an oral one?  
C3. What can be obtained in your country in the case at issue i.e. damages, jail, banning, seizure, destruction, free transfer of products, publishing of judgment, etc? Please specify.  
C4. What evidence will need to be provided to the court to obtain provisional measures of this type? Please provide a detailed response.  
C5. Would the fact that a company is composed of a chain of companies duly incorporated in different countries and cities modify the solutions which could be issued by your Court or your scope of jurisdiction?  
C6. If the Community trade mark or design is challenged before your Court, would you refer the parties to the OHIM or decide on your own? On what criteria would you decide?  
C7. If a company had already registered a national trade mark and there is a decision after previous litigation that there was no confusion, under what circumstances would your Court reopen the case (Articles 96(2) and 105 CTMR)? This might be the case if the earlier right falls under Article 8(4) CTMR and had not reached the threshold of more than "local significance" at the time of the first litigation.  
C8. Would the judge(s) aggregate the sanctions for infringement of national trade marks (and designs) and infringement of the Community trade mark (and design) or will the court consider a 'melting pot' of the overall prejudice thereby suffered by the claimant?  
C9. Will the judge(s) aggregate all the sanctions of all countries affected by the counterfeiting? For criminal proceedings, is there a limit or threshold which your Court cannot exceed?  
C10. If various actions were launched in parallel before different courts, how would the addition of sanctions or the rule non bis in idem work?  
C11. Which of the indemnification Max case scenario will be applied?  
C12. What impact will Directive 2004/48 have on your traditional practice as regards the levels of indemnification and costs?  
C13. How would you decide between option (a) and option (b) of Article 13(1) of Directive 2004/48? Is it the choice of the judge or of the parties (and, if so, which one)?  
C14. What will be the level of the licence fee deemed to have been due?  
C15. What are the lawyer's fees likely to be for a case of this nature? Will they be reimbursed? If so, to what extent? Will the issue of costs be covered in the decision itself or will there be a separate decision on the taxation of costs? Are there any other costs to be contemplated? If so, please specify their nature, the likely amount and whether they are likely to be recoverable? Any specific advice on how to obtain the maximum of the costs actually incurred would be welcome.

### D Enforcement

- D1. By whom should this order be notified or enforced: the court through judicial cooperation (i.e. EC Regulation 1393/2007 of 13 November 2007, ie not applying Articles 14 & 15), or the claimant through normal exequatur (enforcement) proceedings?

- D2. If a judgment taken in this case by a foreign court were to be notified or enforced in your country, would it be preferable to use the normal exequatur (enforcement) proceedings or to have it forwarded through the EU-cooperation system (i.e. EC Regulation 1393/2007 of 13 November 2007, ie not applying Articles 14 & 15)?
- D3. How long will it take to enforce a foreign decision in your country?
- D4. What are the obstacles that can be raised by your Court to the enforcement of a foreign judgment?

### E The Complementary Protection of CTMs by Other Pieces of Legislation

- E1. Is it customary for your court to deal simultaneously with a case on a trade mark right and a case based on another intellectual property right or other legal basis? In what context would this situation be customary?
- E2. Is it customary for your court to deal simultaneously with a case on a design right and a case based on another intellectual property right or other legal basis? In what context would this situation be customary?
- E3. For cases to be successful, must complementary protection be based on different elements than those on which the main action is based? If so, are you demanding as to what new elements are necessary? If not, can the elements constituting (or not) the counterfeit of the trade mark or design also result in sentencing under another legal basis?
- E4. Will success in a complementary case result in an additional complementary financial compensation, by virtue of this condemnable act or practice - or will the latter merge into the damages granted, on the basis of the main counterfeit action?

### F Miscellaneous of Legislation

- F1. Should the counterfeit of spare parts be more seriously convicted?
- F2. To fight counterfeiters who label products only at the point and time of sale to the customers, should better and broader complementary protection be given to the products via identical design rights, 3D marks or colour marks? Is the current ECJ case-law on shape and colour rights too strict in this respect? Does Patent Law have an advantage in this situation, or not?
- F3. What is the current level of sanctions regarding the violation of IPR on labels? Should the counterfeiting of labels be more seriously punished?

### T Internet

- T1 Do counterfeits violate Public Order, or is it rather a question of Private Interest? If Public Order is violated, what advantages does this bring?
- T2 In the different Max Case Internet scenarios, who is liable? What are they liable for? In solidum? What will the conviction be? Should we make a difference between the different scenarios?
- T3 In the Max Case Internet scenarios, is the client a victim or an infringer?
- T4 Are disclaimers acceptable?
- T5 In the case of a well-known trade mark for perfumes using a select distribution system consisting of establishments chosen specifically on the basis of their compliance with rigorous standards - does sale via the Internet by a third party, who does not belong to this select distribution network, constitute an exception to exhaustion within the meaning of Article 13(2) CTMR, in relation to goods identified with this trade mark? Must it be proven that such third parties, not belonging to the select distribution

network, sell these goods in a way which is damaging to the reputation or notoriety of the well-known trade mark? What form should the offer of these goods on the Internet take, in order to be regarded as damaging to the reputation or notoriety of the well-known trade mark?

- T6 What are the best methods to fight counterfeit? Is trade mark / IPR action the best route, if alternative legislations are also breached? Is it better to take the Civil, Criminal or Administrative route? Is it possible to combine them, and before the same Court?
- T7 Is it possible to initiate ex parte proceedings, or should inter partes always occur?
- T8 What is the current level of sanctions, with regard to the violation of IPR on labels? Should the counterfeiting of labels be more seriously punished?
- T9 In your country, what procedure must be adhered to, in order to shut down a website? Is it possible to seize a domain name? Is it possible to order the insertion of a warning message on a webpage itself? Who would/ should pay for it?
- T10 How is the conviction enforced? Can it be enforced if the situation stretches beyond The EU? What is lacking in enforcement procedures? What measures could be improved? Is a global solution best, or should there be different rules for different sectors?

## Y Money Laundering

- Y1 What is the composition of the financial intelligence unit (FIU) as per Article 21 of Directive 2005/60?
- Y2 What is money laundering? What are the constitutive elements of the infraction (material, moral, intent)?
- Y3 Is Directive 2005/60 applicable to the Max Case? Does the sale of counterfeit/ substandard products fall within this category?
- Y4 Who has the power to refer a suspected money laundering case to the FIU? Could it be Max Co in this case?
- Y5 Who shall be sued alongside the counterfeiter? Can a supporting financial institution, such as a bank be sued as well? Are they accomplices? In which order?
- Y6 What are the available sanctions for money laundering (civil, administrative, criminal)? Can you seize assets of the counterfeiter/ financial establishment? Could there be condemnation in solidum? If so, what the conditions for a condemnation to be passed in solidum?
- Y7 What additional evidence should be presented to support money laundering claims, in comparison to IPR infringement claims? Must the evidence be national level/ EU level, or beyond? Who should be able to prove which facts?
- Y8 In this case, is it necessary to prove IPR infringement in order to successful prove money laundering? Or is the existence of IPR infringement having no impact on the infraction of money laundering? Is it an aggravating factor?
- Y9 What defence can be raised in order to escape conviction of money laundering? What evidence is needed to successfully defend against conviction?
- Y10 Which Courts have jurisdiction for money laundering cases? Is there one Court that can impose all types of sanctions? Should money laundering be dealt with separately and by different Courts? Can the same Court hold jurisdiction for IPR infringements and money laundering?
- Y11 In practice, is there an advantage for the victim/ Public Prosecutor to pursue a claim for money laundering instead of/ in addition to IPR infringement? Please answer the question from a legal standpoint and from a political/ psychological standpoint?
- Y12 What is your experience regarding money laundering claims within counterfeit cases? What could be improved in the system? Do the sanctions operate as an efficient legal tool?

## Z Civil versus Criminal Proceedings

- Z1** When does the countdown for the limitation of statute to initiate an IPR lawsuit start? Does it start with the actual infringing act? Or the discovery of the infringing act? Or is there a different triggering event? When the criminal offence is repeated over a certain period, through a series of counterfeit acts, does the limitation of statute start at each of the acts or from the date of the last offence?
- Z2** Are there different limitations of statute for different offences (such as IPR infringement, money laundering, possession of counterfeit, etc.) or to order measures (such as confiscation of proceeds of crime, etc.)? If so, what are they?
- Z3** Does the limitation of statute only affect the capacity to initiate a lawsuit? Does it affect the time limit in which a Court decision must be issued? Does it affect all Court decisions?
- Z4** If the limitation of statute affects the time period to issue a Court decision, does (i) an appeal or (ii) a further recourse affect the time period? Is there a limitation of statute for the enforcement of the conviction?
- Z5** When behaviour leads to successive offences (for instance, an infringement followed by money laundering or possession of counterfeit goods), is the pursuit of the second offence subordinated by the fact that the first offence has not been affected by the limitation of statute? Can you confiscate proceeds of crime if the money is connected to an offence which has benefited from a statute of limitation?
- Z6** In the event of transnational IPR offences, does the initiation of proceedings in a country abroad affect/suspend/interrupt the countdown of the limitation of statute in your country? If so, under which conditions? Please explain.
- Z7** It is assumed that to tackle an IPR infringement before a Civil Court, the claimant must simply be able to show that the alleged infringer has violated the different elements of protection of the IP right. For instance, that the infringer has reproduced the same sign for the same products, without the authorisation of the right holder. Is this assumption correct?
- Z8** If the same action is brought before a Criminal Court, are there supplementary elements to be proven, such as the criminal intention (*intentio delicti*) of the alleged infringer? If so, of what does the additional requirement/s consist? How can it be proven? Is it difficult to prove, in particular when the "counterfeiting item" is not an exact reproduction of the IPR rights (and their scope of protection), but an imitation?
- Z9** Is it possible that the action of the alleged infringer is not subject to a criminal conviction, but could be condemned at a civil level? Must the two actions be brought (i) simultaneously or (ii) successively? Must the Civil Judge stay the proceedings until the Criminal Court reaches its conclusion? Does the result of said criminal action, (with regard to the existence of an infringement), be binding upon the Civil Court? If so, would the situation be the same if the criminal action is brought and the sentence is issued in a different country?
- Z10** Can the opposite situation occur? Namely, that the same behaviour is not subject to a civil conviction, but condemned at a criminal level? Must the two actions be brought (i) simultaneously or (ii) successively? Can the Criminal Judge stay proceedings until the Civil Court reaches its conclusion? Does the result of said civil action, (with regard to the existence of an infringement), be binding upon the Criminal Court? If so, would the situation be the same if the civil action is brought and the sentence is issued in a different country?

## Z Confiscation of the proceeds of crime

- Z11** In your country, does the system of confiscation of proceeds of crime apply to IPR infringement as a standalone crime? Will the implementation of the Directive 2014/42 change the situation?
- Z12** In your country, do you have a system of confiscation of proceeds of crime at a non-criminal level? Do you have measures that constitute a criminal or civil consequence of criminal activities (safety



- measures)? If so, of what do they consist? Do they concern IPR infringement? Please describe the legal framework of the following measures in your country; confiscation of the proceeds of crime, third party confiscation, extended confiscation; non-conviction based confiscation and civil confiscation.
- Z12 In your country, do you have a system of confiscation of proceeds of crime at a non-criminal level? Do you have measures that constitute a criminal or civil consequence of criminal activities (safety measures)? If so, of what do they consist? Please describe the legal framework of the following measures in your country; confiscation of the proceeds of crime, third party confiscation, extended confiscation; non-conviction based confiscation and civil confiscation.
- Z13 Can you confiscate bitcoins?
- Z14 What are the consequences of non-implementation of a confiscation order, for instance by a banking establishment? Please detail.
- New Z14 In your country, what criminal offences related to IPR crimes can lead to a confiscation orders? Is there a threshold in terms of penalties for confiscation to apply? Is there a list of criminal offences subject to confiscation?
- Z15 Can confiscation of criminal proceeds be applied to offences committed before the law (providing means for confiscation) entered into force? Please explain.
- Z16 Can a property affected by a mortgage/security/lien or part of insolvency proceedings (the "secured assets") be subject to a freezing/confiscation measure? Can the beneficiary of the secured assets oppose its rights on the secured assets to impede confiscation? In this situation, can the Judge confiscate the proceeds of crime by directly applying the rule "nemo plus", in order to ensure the "crime does not pay"? Would it rest on the beneficiary of the secured assets to file a subsequent claim against the perpetrators of the crime (who provided the means to secure the assets)? Please detail.
- Z17 Can a Criminal Court confiscate proceeds of crime in a country other than its own? If your country were designated to enforce a confiscation ordered by a Court of another country, would you implement this measure? How does Council Framework Decision 2006/783/JHA work in practice, with regard to the application of the principle of mutual recognition orders? Which are the conditions, in your country, pursuant to which you will actually refuse to recognise and execute a confiscation order of another Member State?
- Z18 Provided that confiscation apply to IPR infringement and that confiscation must take place in another Member State, does Article 8(2)(f) of Council Framework Decision 2006/783/JHA mean that it will be more appropriate for the CTM/ Community Design Judge to "deal" only with the infringements that took place in Member States other than the ones in which enforcement of the confiscation may be required?
- Z19 Which Intellectual Property Rights (trade mark, design, patent, utility model, copyright, related right, semiconductor topography, database, geographical indication, violation of secrets, plant variety, passing off and unfair competition) are subject to criminal actions in your country?
- Z20 What are the main penalties for these violations (jail sentence, fine)? Are the penalties affected if the acts are committed by organised crime entities? Are there differences between individual and legal entities?
- Z21 Are there complementary penalties that automatically derive or can be imposed by the Judge (please specify), in addition to the main criminal condemnation (i.e. confiscation, prohibition to run a company, to vote, to be elected to a public mandate...)? Are they applied in practice?
- Z22 Can the fact that a licensee continues to use an IPR after illegal termination of its licensing agreement by the licensor be an IPR violation from a civil standpoint, or from a criminal standpoint?

## EXHIBIT 2

### he Case of 'Max' Spectacles 2008<sup>8</sup>

#### Established Facts

Max Co is a famous designer and manufacturer of fashionable spectacles. Its spectacles are distributed under the trade mark "Max", which is a trade mark registered at the OHIM as a CTM for spectacles, but also at EU Member State level as national trade marks. In addition, the shape of the spectacles is protected by Community and national design rights, and the originality of the spectacles' designs also enjoys copyright protection.

Max spectacles are known to be fashionable products and are commercialised in the EU through networks of opticians or through Max Co's own network of franchised shops.

Genuine Max spectacles are manufactured in China and imported for the entire EU by Max Co, which then manages the logistics from its warehouse.

One day, Max Co's attention is drawn to the fact that Max spectacles are offered for sale in various EU countries by the aggressive chain of supermarkets "**Bastamark**".

According to the investigation made by the private detective hired by Max Co:

- The Max spectacles sold by Bastamark stores are counterfeit.
- Bastamark imports these counterfeit Max spectacles from China.
- The counterfeit Max spectacles enter the EU via France, Italy and England.
- The counterfeit Max spectacles are then commercialised in these countries but also in Spain, Ireland, Greece, Germany, The Netherlands, Belgium and Poland. They are distributed through affiliates, franchises and wholly-owned shops.

#### Economic Facts

##### 1) Market Information

- Importation of genuine Max spectacles by Max Co at its warehouse costs EUR15 per item.
- The Max spectacles are sold to distributors at EUR 45 per item.
- The normal resale price to the customer is EUR 90.
- 500 000 Max spectacles are sold per year in Europe.

<sup>8</sup> - The facts and circumstances of the case are invented by the author. However, most of the elements are extremely close to cases he experienced. Also the economic facts are not that far from real ones. Only the legal setting has been somewhat simplified for the purpose of the workshop.

## 2) Counterfeiting Information

- Bastamark imported 30 000 counterfeit Max spectacles at EUR 10 per unit, for a specific promotional operation.
- The counterfeit Max spectacles were offered to customers at EUR 33 each.
- Stocks of counterfeit Max spectacles ran out after two weeks.
- The average amount spent on a shopping trolley-load of purchases is EUR 200, with a net profit of EUR 15.
- The immediate profit of the fake Max spectacles for Bastamark is EUR 450,000, but probably much more, perhaps 10 times that amount if one takes into account the clients who came to Bastamark because of the promotion, and left with a trolley-load of products but without Max spectacles. In other words, looking at the total return on Bastamark's publicity for the promotion which targeted, *inter alia*, new clients who will come back to the stores, etc...

### Max Co's Claims

Max Co is furious with this counterfeiting, and explains to its lawyer the different courses of actions it wants to initiate:

- It wants the offer for sale of these counterfeits to stop immediately, to the extent that there is any remaining stock of products and advertising materials.
- It wants Bastamark to be declared liable for infringement of its rights, and for this finding to be publicized at Bastamark's cost.
- It wants to receive proper compensation from Bastamark.
- It wants Bastamark to be deterred from engaging in such an operation again.
- It wants to access Bastamark's accounting documents to identify better the profits really made over the period of this promotional offer.

### The Lawyer's Preliminary Questions & Reflections

- What is the prejudice suffered by Max Co and its distribution structure?
- What is the benefit received by Bastamark?
- Preliminary actions (preliminary measures/interim measures/warrants) must be taken (i) to stop the counterfeiting and (ii) to collect and secure counterfeiting evidence. The main concerns are speed, efficiency, and cost.
- An action on the merits must be lodged to obtain an enforceable finding of infringement. The main concerns are speed, efficiency and cost.

After discussing all these points with Max Co, the lawyer will then have to take various actions and explain them to his/her client.

Yes, legal proceedings will have to be initiated.

### What kind of proceedings? Where? When? How?....

Max Co is not interested in the legal concepts. It only wants results from its lawyer which respond to its concerns, *i.e.*:

- To stop the counterfeiting operation as quickly as possible,
- To get as much as money as possible back from Bastamark, including its lawyer's fees.
- **To enforce the judgment** (A nice non-enforced Court judgment to be framed on the office wall is not a satisfactory solution.)
- To dissuade Bastamark and others from doing this again. In this respect, criminal proceedings might be an option.

In reality, in a case such as this it is very unlikely that anything material can be obtained against the manufacturer of the counterfeit Max spectacles, which is located outside of the EU.

### YOU ARE IN CHARGE OF THE FILE

#### WHAT DO YOU DO?

## EXHIBIT 3

### The Case of 'Max' Spectacles 2011<sup>9</sup>

#### Established Facts

Max Co is a famous designer and manufacturer of fashionable spectacles. Its spectacles are distributed under the trade mark "Max", which is a trade mark registered at the OHIM as a CTM for spectacles, but also at EU Member State level as national trade marks. In addition, the shape of the spectacles is protected by Community and national design rights, and the originality of the spectacles' designs also enjoys copyright protection.

Max spectacles are known to be fashionable products and are commercialised in the EU through networks of opticians or through Max Co's own network of franchised shops.

Genuine Max spectacles are manufactured in China and imported for the entire EU by Max Co, which then manages the logistics from its warehouse.

One day, Max Co's attention is drawn to the fact that Max spectacles are offered for sale in various EU countries by the aggressive chain of supermarkets "Bastamark".

According to the investigation made by the private detective hired by Max Co:

- The Max spectacles sold by Bastamark stores are counterfeit.
- Bastamark imports these counterfeit Max spectacles from China.
- The counterfeit Max spectacles enter the EU via France, Italy and England.
- The counterfeit Max spectacles are then commercialised in these countries but also everywhere in Europe. They are distributed through affiliates, franchises and wholly-owned shops.

#### Economic Facts

##### 1) Market Information

- Importation of genuine Max spectacles by Max Co at its warehouse costs EUR15 per item.
- The Max spectacles are sold to distributors at EUR 45 per item.
- The normal resale price to the customer is EUR 90.
- 500 000 Max spectacles are sold per year in Europe.

##### 2) Infringement Information

- Bastamark imported counterfeit Max spectacles for a specific promotional operation.
- The counterfeit Max spectacles were offered to customers at EUR 33 each.

We do not have more information on the infringement activity.

<sup>9</sup> - The facts and circumstances of the case are invented by the author. However, most of the elements are extremely close to cases he experienced. Also the economic facts are not that far from real ones. Only the legal setting has been somewhat simplified for the purpose of the workshop.

## Max Co's Claims

Max Co is furious with this infringement, and explains to its lawyer the different courses of actions it wants to initiate:

- It wants the offer for sale of these counterfeits to stop immediately, to the extent that there is any remaining stock of products and advertising materials.
- It wants Bastamark to be declared liable for infringement of its rights, and for this finding to be publicized at Bastamark's cost.
- It wants to receive proper compensation from Bastamark.  
It wants Bastamark to be deterred from engaging in such an operation again.  
It wants to access Bastamark's accounting documents to identify better the profits really made over the period of this promotional offer.

## The Lawyer's Preliminary Questions & Reflections

- What is the prejudice suffered by Max Co and its distribution structure?
- What is the benefit received by Bastamark?
- Preliminary actions measures (i.e. an interim injunction) must be taken (i) to stop the counterfeiting and (ii) to collect and secure counterfeiting evidence. The main concerns are speed, efficiency, and cost.
- An action on the merits must be lodged to obtain an enforceable finding of infringement. The main concerns are speed, efficiency and cost.

After discussing all these points with Max Co, the lawyer will then have to take various actions and explain them to his/her client.

Yes, legal proceedings will have to be initiated.

What kind of proceedings? Where? When? How?...

Max Co is not interested in the legal concepts. It only wants results from its lawyer which respond to its concerns, *i.e.*:

- To stop the counterfeiting operation as quickly as possible,
- To get as much as money as possible back from Bastamark, including its lawyer's fees.
- **To enforce the judgment** (A nice non-enforced Court judgment to be framed on the office wall is not a satisfactory solution.)
- To dissuade Bastamark and others from doing this again. In this respect, criminal proceedings might be an option.

In reality, in a case such as this it is very unlikely that anything material can be obtained against the manufacturer of the counterfeit Max spectacles, which is located outside of the EU.

YOU ARE IN CHARGE OF THE FILE

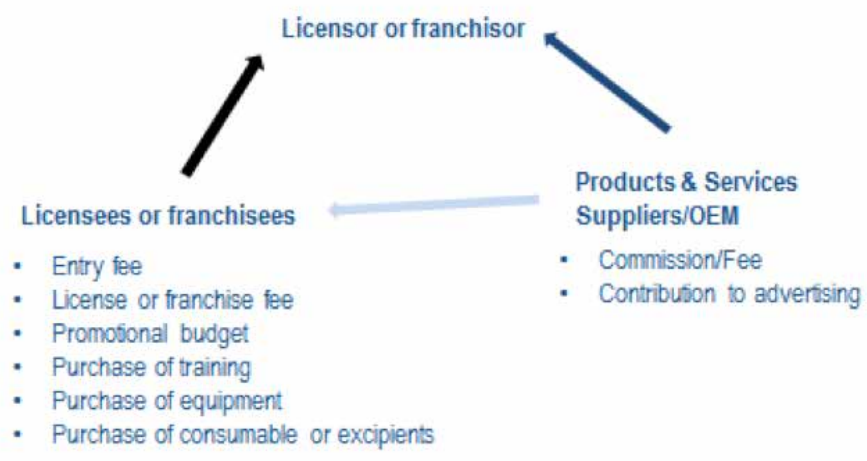
WHAT DO YOU DO?

Please support your answers with specific references to legal texts, case-law and doctrine.

During the previous cycle of seminars, the Court had an improbable unchallenged complete set of real economics information regarding the infringer's environment. This time, the discussion will concern the same Max case scenario although containing only a limited number of data on the infringement environment, i.e. the one a victim can reasonably gather.

**EXHIBIT 4**

**The fee structure as experienced in real life**







**EXECUTIVE  
SUMMARY OF  
EUIPO JUDGES'  
SEMINARS ON  
INDEMNIFICATION**

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Alicante, June 2016





# **EXECUTIVE SUMMARY OF EUIPO JUDGES' SEMINARS ON INDEMNIFICATION**

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Alicante, June 2016