

Status and implication of the implementation of the Enforcement Directive in France

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IP Enforcement Directive
in France

1. Implementation of the Enforcement Directive

- Entry into force of the IPED
- Perception of its impact on French rules

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2

1.1. Entry into force of the IPED

- Deadline for implementation of EC Directive No. 2004/48:
29 April 2006
 - ▶ If not implemented, the Directive is not directly applicable between private persons. However, national laws must be interpreted in the light of the Directive
- Implemented in France by act No. 2007-1544 of 29 October 2007
 - ▶ published in French Official Journal No. 252 of 30 October 2007
 - ▶ Entry into force: 31 October 2007
 - ▶ Decree still expected

French rules of conflict of law, in time

- New provisions regarding rules of civil procedure apply immediately provided a decree is not needed
 - ▶ In fact, a decree is needed for many provisions
 - ▶ Hence only few provisions apply

Example 1: *saisie-contrefaçon*

- A decree is necessary to set the time within which the action on the merits must be initiated
 - ▶ Saisie-contrefaçon for patents
 - New provisions immediately applicable because "orphan" decree exists
 - ▶ Saisie-contrefaçon for other IP rights
 - New provisions not applicable in the absence of decree

Example 2: preliminary injunctions

- A decree is necessary to set the time within which the action on the merits must be initiated
 - ▶ When requested after action on the merits is initiated, the new provisions are immediately applicable
 - ▶ When requested before action on the merits is initiated, the new provisions are not applicable
 - ▶ New provisions do not apply to pending preliminary proceedings (*Cour d'appel* of Paris, 21 December 2007)

Example 3: right of information

- New provisions are immediately applicable
- Controversy regarding whether it applies to alleged infringement or only to infringement

French rules of conflict of law, in time

- New provisions regarding the scope of rights granted (e.g. damages and other remedies) apply immediately
 - ▶ Acts performed before 31 October 2007
→ application of the old law
 - ▶ Acts performed after 31 October 2007
→ application of the new law

1.2. Perception of its impact on French rules

- Gathering of evidence:
 - ▶ No significant change, except the right of information
- Preliminary injunctions:
 - ▶ In theory, preliminary injunctions are easier to obtain (possible *ex parte* injunction, no need to start action shortly after first act of infringement, possible award of damages)
 - ▶ In practice, court will remain reluctant to grant preliminary injunctions
- Damages:
 - ▶ Important change regarding infringers' profits, which are now taken into consideration
 - ▶ Less important change regarding recall of products

2. Gathering information to establish a cause of action prior to starting litigation

- Available procedures before the IPED
- New opportunities arising from the IPED

2.1. Available procedures before the IPED

- Saisie-contrefaçon
 - ▶ The most efficient way to gather evidence of infringement
 - ▶ Used in 80% of infringement actions
 - ▶ 600 *saisies* ordered each year by the sole Court of Paris (probably 1500 in France each year)
 - ▶ Upon authorization granted *ex-parte*, a bailiff ("*huissier*") and a patent agent chosen by the patentee may enter any premises where proof of infringement might be found, to perform the authorized investigations and draw up a report handed to the patentee and later exhibited to the Court

2.2. New opportunities arising from the IPED

- Saisie-contrefaçon
 - ▶ No significant change
 - ▶ see annex 1 for a more detailed presentation of the French *saisie-contrefaçon*

3. Gathering evidence once litigation is commenced

- Available procedures before the IPED
- New opportunities arising from the IPED

3.1. Available procedures before the IPED

- Compulsory production of evidence
- Expert investigation

3.1.1. Compulsory production of evidence

- In theory, a party may request exhibits kept by another party to the proceedings or third parties
- However, in practice, the compulsory production of evidence is rarely ordered in France. It is considered that such compulsory production might only be requested when:
 - ▶ the patentee was unable to gather the evidence during the *saisie* (absent an attempt to get the document during a *saisie*, the compulsory production was usually refused)
 - ▶ the requested document is clearly identified and necessarily exists (no blind or general request is admitted)

- The Court (most often the judge in charge of the case management) has to decide whether the compulsory production of documents is appropriate and necessary, after hearing both parties

■ Article 10 of the French Civil Code

- ▶ *“Everyone is bound to collaborate with the court so that truth may come out. He who, without legitimate reason, eludes that obligation when it has been legally prescribed to him, may be compelled to comply with it, if need be on pain of periodic penalty payment or of a civil fine, without prejudice to damages.”*

■ Article 11 of the French Code of Civil Procedure

- ▶ *“The parties are held to cooperate for the implementation of the investigation measures, even if the judge notes the consequences of abstention or refusal to do so. Where a party holds evidence material, the judge may, upon the petition of the other party, order him to produce it, where necessary under a periodic penalty payment. He may, upon the petition by one of the parties, request or order, where necessary under the same penalty, the production of all documents held by third parties where there is no legitimate impediment to doing so.”*

3.1.2. Expert investigation

- Rare for patent validity or infringement
- Frequent for the calculation of damages

3.2. New opportunities arising from the IPED

- Compulsory production of evidence (Article 6 Directive)
- Right of information (Article 8 Directive)

3.2.1. Compulsory production of evidence

- Article 6 of the Enforcement Directive could have given new youth to existing provisions on compulsory production of evidence
- Because of the existing provisions, it has been considered that article 6 of the Enforcement Directive did not need to be implemented in French law

Recent case law

- TGI Paris, JME, 29 November 2005, Gyrax v. Gard:

The *saisie-contrefaçon* must be used in preference to compulsory production; the reversal of the burden of proof must remain exceptional, in particular when the infringement is still part of the debate.

- TGI Paris, JME, 11 July 2007, Schindler v. Otis:

The patentee could not obtain the accused product during the *saisie-contrefaçon* and the defendant refused to sell it. The judge in charge of case management ordered the defendant to sell two samples of the accused product to the patentee

Recent French case law (suite)

- TGI Paris, JME, 8 October 2007, Newdeal v. Wright:

The judge in charge of the case management refuses to order the defendant to exhibit a drawing of the accused product because the patentee decided not to perform a *saisie* and does not provide evidence that the product is sold in France

- TGI Paris, JME, 12 March 2008, Honda v. Wuxi Kipor, Narbonne Accessoires, Distri 24:

When the *saisie-contrefaçon* is possible, provisions of the Code of civil procedure, notably regarding the compulsory production of evidence, are not applicable !

3.2.2. Right of information

- New provision, unknown before
- New article L. 615-5-2 IPC

" If so required, the court hearing civil proceedings provided for by this title, shall order, under penalty of a daily fine if necessary, in order to determine the origin and the distribution networks of the infringing goods or processes which prejudice the claimant's rights, the submission of any document or data held by the defendant or by any person who was found in possession of the infringing goods or goods implementing the infringing processes or who provides services used in infringing activities or was reported to take part to the production, manufacturing or distribution of such products, the implementation of such processes or the supply of such services.

The submission of documents or data shall be ordered if there is not legitimate hindrance.

The documents or data sought relate to:

- a) The name and address of the producers, manufacturers, distributors, suppliers and other previous holders of the products, processes or services, as well as the recipient wholesalers or retailers;*
- b) The quantities produced, commercialized, delivered, received or ordered, as well as the price obtained for the products, processes or services at issue."*

Controversial application

- TGI Paris, 3rd chamber, 2nd section, 21 March 2008:
The new provisions apply to pending proceedings and the judge in charge of case management has jurisdiction.
The right of information can be exercised **before** a finding for infringement.
- TGI Paris, 3rd chamber, 1st section, 26 March 2008:
The right of information can only be exercised **after** a finding for infringement, because the new provisions refer to the counterfeited products and not to the alleged infringing products.

4. Availability of injunctions

- Preliminary injunctions
- Full injunctions
- Cross border effect

4.1. Preliminary injunctions

- Available procedures before the IPED
- New opportunities arising from the IPED

4.1.1. Available procedures before the IPED

- Preliminary injunctions can be granted only if two conditions are fulfilled:
 - ▶ An action on the merits has been initiated within a short time from the day the patentee became aware of the infringement (according to French case law, the "short time" requirement means within 6 months from the day the patentee became aware of the infringement)
 - ▶ The action on the merits is serious, *i.e.* the patent seems valid and infringed
- No *ex parte* injunction
- No damages can be awarded

4.1.2. New opportunities arising from the IPED

- Preliminary injunctions can be granted
 - ▶ If reasonably available evidence of the infringement is provided
 - ▶ ≠ serious ?
 - ▶ Is patent validity examined? Most likely, yes
 - ▶ **Before** or after initiating proceedings on the merits (New)
 - ▶ To prevent imminent infringement (New)
 - ▶ With or **without** the defendant being heard: *ex parte* (New)
 - ▶ No preventive measure by the defendant is contemplated (no *Schutzschrift*)
 - ▶ First *ex parte* preliminary injunction granted on 7 November 2007 for a registered design

- The presiding Judge may:
 - ▶ Enjoin from continuing the alleged infringing acts under a penalty (or authorize the continuation subject to the lodging of a bond)
 - ▶ Order the seizure of the goods suspected of infringement **(New)**
 - ▶ Grant provisional damages **(New)**
 - ▶ If the recovery of damages is compromised, order the precautionary seizure of the movable and immovable property of the alleged infringer (notably blocking bank accounts) **(New)**
 - ▶ Take measures against intermediaries whose services are used by a third party to infringe the right **(New)**

- Consequence of the new provisions:
 - ▶ The conditions to obtain a preliminary injunction are easier:
 - ▶ *Ex parte*
 - ▶ Reasonable evidence of infringement ≠ serious
 - ▶ Action on imminent infringement
 - ▶ In practice, the French judges will probably remain reluctant
- Change for pharmaceutical industry:
 - ▶ Start preliminary injunction proceedings earlier
 - ▶ The grant of a marketing authorisation is probably not enough

4.2. Full injunctions

- No change
- Injunction is a right, i.e. the judge cannot refuse to grant an injunction (no *eBay Inc. v. MercExchange*)

4.3. Cross border effect?

- So far in France, no preliminary injunction with cross border effect has been granted; but there is no obstacle to such injunction
- Conservatory measures may have cross border effect

5. Other available relief

- Damages
- Costs
- Seizure of infringing products
- Publication of the award/judgement
- Recall/destruction of infringing products
- Any other available relief?

5.1. Damages: before IPED

- Infringement triggers the civil liability of the infringer
- Principle of civil liability:
 - ▶ compensation of the whole prejudice but only the prejudice
 - ▶ No punitive damage
 - ▶ No consideration of infringer's profits

Basic principles for the calculation of damages

- Compensation of actual damages
 - ▶ **Lost profit** if patentee works its patent and had the industrial and commercial capacity to sell additional products / process
 - ▶ **Lost royalty** if patentee did not work its patent or could not sell additional product / process
 - ▶ Combination of both
- Other loss suffered
 - ▶ Price erosion
 - ▶ Depreciation of money
 - ▶ Moral prejudice
- Possibility for patentee to request only lost royalty or to set the profit margin at a level below the actual margin, when the actual profit margin is indecent!

Damages after the IPED

- Modified Article L. 615-7 IPC

*"To set the damages, **the court takes into account the negative economic consequences**, including lost profits, suffered by the injured party, **profits made by the infringer** and the moral prejudice caused to the right-holder by the infringement.*

The court, however, shall, as an alternative and upon the injured party's request, award a lump sum which cannot be lower than the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the right which it has prejudiced."

- Choice by the victim between two alternative methods of compensation:
 - ▶ compensation of the negative economic consequences (see above)
 - ▶ a lump sum

Compensation of the negative economic consequences

- Still no punitive damages
- Still no option to infringer's profit
- But the Court must increase the damages awarded, above the actual damages, according to the infringer's profit, to take into account all the negative economic consequences and make the damages dissuasive

Lump sum

- Alternative mode of determination of the damages
- Only on the request of the defendant
- Can this solution be adopted on the request of the Court? Probably not
- This sum must be, at least, equivalent to the price of the legal exploitation of the IP right

5.2. Costs

- Nominal court costs
- The party who loses the trial has to pay part (in practice 1/3 to 1/5) of the attorney's fees incurred by the other party (Article 700 French Code of civil procedure)
- No change resulting from IPED

5.3. Seizure of infringing products

- Confiscation of infringing products and of the instruments and means which allowed the infringement
- No change

5.4. Publication of the judgement

- Publication of the judgement may be ordered
- New Article L. 615-7-1 IPC

"[...]The court may also order any appropriate publicity measure of the judgement, in particular its display or its publication, in whole or in part, in such newspapers or over such in-line services of communication to the public it may designate, pursuant to the conditions it specifies.

The measures mentioned in the first two paragraphs are ordered at the cost of the infringer."

- In practice, no change since publication existed in the past

5.5. Recall / destruction of infringing products

- Very rarely ordered before the IPED
- New Article L. 615-7-1 IPC

"In the case of civil liability for infringement, the court may order, at the injured party's request, the recall from the channels of commerce, the definitive removal from such channels, the destruction and the confiscation, in favour of the injured party, of the products recognised as infringing and of the materials and implements principally used in their creation or their manufacturing.[...]"

The measures mentioned in the first two paragraphs are ordered at the cost of the infringer."

- Could be a significant change

5.6. Any other available relief ?

- Stronger criminal sentence for infringement on goods dangerous for health or security of the animal or human being

- ▶ **Article L. 615-14 IPC**

"Any person who has knowingly infringed the rights of the owner of a patent as defined in Articles L. 613-3 to L. 613-6 shall be liable to a three-year imprisonment and a fine of €300.000. Where the offence was committed by an organised criminal group, or when the acts are committed on goods dangerous for health or security of human and animal, the penalties will be increased to a five-year imprisonment and a fine of €500.000."

- ▶ **Article L. 615-14-1 IPC**

"In the event of repetition of the offenses defined in Article L. 615-14, or if the offender is or has been contractually bound to the aggrieved party, the penalties involved shall be doubled."

The guilty parties may in addition be deprived, for a period not exceeding five years, of the right to elect and be elected to commercial courts, chambers of commerce and industry and professional chambers and to joint conciliation boards."

■ French judge refuses to order a moratorium

- ▶ ECJ accepted validity of moratorium: Laboratoire Smithkline & French / Generics, 9 July 1997
- ▶ *Tribunal de grande instance* of Paris Ethypharm / Fournier, 9 February 2007

"The ECJ decision handed down on 9 July 1997, cited by Ethypharm, is not relevant in the present case since it concerns the conformity with Article 36 of the EC Treaty of such a measure taken by the Dutch judge in connection with the market authorisation of a medicinal product."

**6. Patent decisions or changes
relevant to the Pharma industry**

- 19 decisions of infringement of Pharma patents issued by the *Tribunal de grande instance* and the *Cour d'appel* of Paris from 2000 to 2008

Recent decisions

- Arrow génériques, Eg labo laboratoires eurogenerics and Ratiopharm v. MSD somerset et Merck: Alendronate
(*Tribunal de grande instance* of Paris, 12 February 2008)
 - ▶ Supplementary protection certificate declared invalid because underlying patent invalid
 - ▶ UK, Dutch and German decisions invalidated the patent / SPC
 - ▶ Italian, Swedish and Belgium decisions granted preliminary injunctions
- Almirall v. Merck, Qualimed and Pharm'depo
(*Tribunal de grande instance* of Paris, 22 February 2008)
 - ▶ Supplementary protection certificate declared invalid because the SPC was requested by a company which, at the time of application, was no longer the owner of the patent on which the application is based

Compulsory licence

- Article L. 613-17-1 IPC

"The application for a compulsory licence, made pursuant to Regulation (EC) No. 816/2006 of the European Parliament and of the Council of 17 May 2006, on the compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems, shall be submitted to the governmental authority. The licence is granted in accordance with the conditions established by Article 10 of such Regulation. The order granting the licence fixes the royalties to be paid.

The licence shall take effect on the latest date the order is notified to the applicant and to the right-holder."

- Article L. 613-17-2 IPC

"Any violation of the prohibition in Article 13 of the Regulation (EC) No. 816/2006 of the European Parliament and of the Council, of 17 May 2006, previously mentioned and in Article 2 of the Regulation (EC) No. 953/2003 of the Council of 26 May 2003, to avoid trade diversion into the European Union of certain key medicines, constitutes an act of infringement which shall be punished by penalties provided for by Article L. 615-14 of this Code."

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**Annex 1
General presentation
of the *saisie-contrefaçon***

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What is a *saisie*?

- A *saisie* is a way of gathering evidence of infringement
- A *saisie* is not a seizure: the stock cannot be seized
 - ▶ the new wording of article L. 615-5 IPC is ambiguous in this respect
- A *saisie* is not an injunction

Summary

- Introduction
- The French *saisie-contrefaçon*

Introduction

- The plaintiff must prove that the defendant is infringing its rights and is liable for these acts
- If the plaintiff fails to bring such evidence, the action for infringement cannot prevail
 - ▶ In France, in 2006, approximately 5% of the actions for infringement was dismissed because insufficient evidence was provided to the Court

Introduction: How can one prove infringement?

- Infringement is a question of facts that can be proved by any means
 - ▶ Article L. 615-5 IPC as amended by Law 2007-1544 of October 29, 2007 "*Infringement can be proved by any means*"

Introduction: Most common evidentiary means

- *Saisie-contrefaçon*
- Ordinary exhibit (publicly available commercial or administrative document e.g. catalogue, samples)
- Bailiff reports:
 - ▶ purchase reports
 - ▶ Website reports
- Expert proceedings
- Reversal of the burden of proof for process patent
- Compulsory production of documents

A saisie can be performed on the basis of almost all IP rights

- Patent (L. 615-5 IPC)
- Plant variety right (L. 623-27-1 IPC)
- Trademark (L. 716-7 IPC)
- Design (L. 521-4 IPC)
- Copyright
- NEW : Topography of a semi-conductor product (L. 622-7 IPC)

A *saisie* cannot be performed on the basis of a foreign title

- French legal provisions seem to deny the possibility of performing a *saisie* on the basis of a foreign title
 - ▶ a Belgian Court authorized a *saisie*, in Belgium, on the basis of a French patent (CA Brussels, February 11, 1997; *Cour de Cassation*, September 3, 1999)
 - ▶ A French Court admitted such *saisie*, in Belgium, on the basis of a French patent (TGI Lille, June 4, 1980)
- European Regulation No. 44/2001 and the Brussels and Lugano Conventions may allow to request a search order, similar to a *saisie*
 - ▶ the President of the Court of Paris however refused to authorize such *saisie*-like procedure (articles 145 and 812 NCPC)

The legal basis for a *saisie*

- Article L. 615-5 Intellectual Property Code (amended by Law 2007-1544 of 29 October 2007) for patent matters:

"The infringement shall be proven by any means. For that purpose, any person who has authority to bring an action for infringement shall be entitled, by virtue of an order issued by the competent civil court, given on request, to direct any bailiff, assisted by experts of the claimant, to proceed in any place with the detailed description, with or without taking samples, or the effective seizure of the allegedly infringing goods or processes as well as of any related document.

The court shall order, for the same evidential purposes, the effective seizure of equipment and tools used to manufacture or distribute the goods or to implement the allegedly infringing processes.

It may condition the implementation of the measures it ordered to the furnishing by the claimant of guarantees to ensure, if necessary, the defendant's compensation if the infringement action is subsequently held unfounded or the seizure is cancelled.

If the claimant fails to institute legal proceedings on the merits, either by civil action or criminal action, within a period of time set by regulation, the entire seizure, including the description, shall be void upon the defendant's request, without its having to motivate its request and without prejudice to the damages which may be claimed."

- Articles R. 615-1 to -4 Intellectual Property Code
- Identical provisions exist for other IP rights, except copyright

The grant of the order: an *ex-parte* procedure

- The *saisie* must be authorized by the President of the local Court of first instance (“*Tribunal de grande instance*”)
- The petition is filed by the plaintiff’s attorney-at-law
- The defendant is not informed of the petition; it is informed only upon performance of the *saisie*

The grant of the order, a right for the owner

- If presented a valid title, the Judge **must** grant the order authorizing the *saisie*
- No *prima facie* evidence required
- However, the Judge may:
 - ▶ restrict the terms of the petition
 - ▶ subject his authorization to a security on the part of the petitioner

The performance: who may take part to the *saisie*?

- The *saisie* is performed by a bailiff ("huissier")
- An expert may help the bailiff to describe the infringing device:
 - ▶ independent from the parties
 - ▶ generally a patent attorney
 - ▶ his comments must be distinguished from those of the bailiff
- A police officer (or squad if appropriate)
- Any other person whose technical skills may be useful (e.g. accountant, photographer, locksmith)

- French case Law on the expert authorized to assist the bailiff in view of Article 6 of ECHR on the right to a fair trial:
 - ▶ *Cour de cassation*, 6 July 2000 (software): the employee of the plaintiff is not independent and is therefore not allowed to assist the bailiff
 - ▶ *Cour de cassation*, 8 March 2005 (trademark): The trademark attorney (*Conseil en propriété industrielle*) is considered as independent from his client and can therefore assist the bailiff
 - ▶ TGI Paris, 11 July 2007 (patent): an employee of the patent agent cannot attend the *saisie* because he is not subject to the obligation of professional secrecy (very disputable decision)

Information to be gathered during the *saisie-contrefaçon*

- Description of the accused device in the bailiff's report
- Seizure of samples
- Seizure of equipment and tools to manufacture, distribute or implement the product or process
- Photographs of the accused device
- Copy of technical and commercial documents
- Accounting data regarding the scope of infringement;
- Information on the chain of liability

- The seized samples can be:
 - ▶ photographed
 - ▶ analyzed by experts (plaintiff expert or Court expert)
 - ▶ dismantled
- A sample is usually left with the Clerk of the Court



Confidentiality issues



If an objection about the confidentiality of some documents is raised, the bailiff usually places said documents in a sealed envelop that is not handed to the plaintiff (the bailiff engages its liability by performing the seizure)

The plaintiff's attorney-at-law often asks the bailiff to redact documents (name of clients) and place documents in a sealed envelop (e.g. Marketing authorization)

In such case, the Court usually appoints an expert to sort out the documents, even confidential, useful to prove the infringement, which are handed to the plaintiff from the documents which are not related to the alleged infringement, which remain with the bailiff

- ▶ Court of Lyon, 11 May 1998, Rhône Poulenc / Monsanto

An action on the merits must be initiated after the *saisie*



- One or several *saisies* can be performed:
 - ▶ before starting an action
 - ▶ when the action is already pending
- A *saisie-contrefaçon* must be followed by the launch of an action on the merits, or by written pleadings, within 20 working days or 31 calendar days, to be valid (this time period will be soon set by a French Decree)
- Otherwise: the whole *saisie* is null and void
 - ▶ note a change because, under the old law, in patent litigation, only the actual seizure of products or samples is void, not the description

Possible use of the bailiff's report

- The report drafted by the bailiff during the *saisie-contrefaçon* can be used:
 - ▶ for one or several French procedures regarding the same IP right (TGI Paris 18 January 2006; CA Paris, 24 November 2000)
 - ▶ for parallel foreign proceedings
 - ▶ for a unique foreign procedure? Despite the absence of case law, it seems possible to start the action on the merits abroad, *e.g.* if the defendant is based abroad

- Few defendants challenged the use of documents gathered during a French *saisie*, for foreign proceedings:
 - ▶ Monsanto vs. Merck (*President TGI Paris, 24 November 1997*); documents which are useful to prove the infringement and that are not confidential may be used freely for proceedings in other countries
 - ▶ Rhône Poulenc Rorer vs. Bristol Myers Squibb (*TGI Paris, 30 September 1998*); the use in foreign proceedings of confidential documents useful to prove the infringement cannot be restricted by a preliminary order
 - ▶ Quickturn Design vs. Meta System (*President TGI Paris, 14 May 1999; President CA Paris, 26 July 1999*); non confidential documents useful to evidence the infringement can be used freely by the parties, in current or future proceedings, be they domestic or foreign, but confidential documents useful to evidence the infringement can be used in other proceedings only after a final judgment on the merits has recognized the infringement

The validity of the *saisie* is often disputed

- The defendant very often disputes the validity of the *saisie*, namely:
 - ▶ challenge the grant of the order before the Judge who authorized the *saisie* ("*action en rétractation*")
 - ▶ challenge the validity of the *saisie* before the court on the merits ("*action en nullité de la saisie*")
- Courts are increasingly (and exaggeratedly?) strict

Annex 2 Calculation of damages

Calculation of Damages

- 1. Period of compensation
- 2. Scope of infringement
- 3. Option for the calculation of damages
 - ▶ 3.1. Compensation of the negative economic consequences
 - ▶ 3.1.1. Lost profit
 - ▶ 3.1.2. Moral prejudice
 - ▶ 3.1.3. Infringer's profits
 - ▶ 3.2. Lump sum
- 4. Other losses suffered
- 5. ancillary matters

1. Period of Compensation

- Compensation can be requested for any act of infringement performed during the life time of the IP right (including before grant for patent)
- Statute of limitations
 - ▶ 3 years for patent (Article L. 615-8 IPC) and trademark (Article L. 716-5 IPC)
 - ▶ 10 years for copyright and registered design (Article 2270-1 of the Civil Code)
- The right of the patentee or its licensee must be registered with the patent office

2. Scope of infringement: total infringing sales

- The lost profit is based on "total infringing sales" (*"masse contrefaisante"*)
- The total infringing sales include any product or process held infringing

Scope of infringement: entire market value

- First extension of the "total infringing sales" by the theory of the "entire market value" (*"tout commercial"*)
 - ▶ when the infringing means constitute only a part of a more general product sold by the infringer, or
 - ▶ when the sale of the infringing product will induce the sale of accessories (convoyed sales)

Scope of infringement: springboard effect

- Second extension of the "total infringing sales" by the "springboard" effect

▶ First Instance Court of Paris, 7 May 2001

*"the sale of the infringing product for 18 months gave to the defendants a competitive advantage acquired illegally for a part of its customers, **an advantage which remains after the termination of the infringement acts**"*

3. Option for the calculation of damages

- 3.1. Compensation of the negative economic consequences
- 3.2. Lump sum

3.1. Compensation of the negative economic consequences

- 3.1.1. Lost profit
- 3.1.2. Infringer's profits
- 3.1.3. Moral prejudice

3.1.1. Lost profit

- Lost turnover when the patentee works its patent and had the capacity to make additional sales
- Lost royalty when the patentee does not work its patent or did not have the capacity to make additional sales

Lost Profit

Sales Actually Derived

- Would the plaintiff have made 100% of the infringer's sales?
 - ▶ *De facto* presumption that "yes"
- Application of balancing factors
 - ▶ When the plaintiff was not in a position to make all the sales corresponding to the "total infringing sales" and/or
 - ▶ When other competitors or substitutes are on the market

Lost Profit – Lost Margin

- The lost margin is the plaintiff's incremental profit margin:
 - ▶ Based on the turnover the plaintiff would have made on the additional products
 - ▶ Deduction of the "proportional costs" but not the "fixed costs"

Lost Royalty

- Determination of the lost royalty of the plaintiff:
 - ▶ In complement or replacement of the lost margin
 - ▶ Basis to which the royalty rate will be applied: the infringer's turnover

Lost Royalty

- Judicial increase of the reasonable contractual rate:
 - "An infringer must pay more than a licensee to reach an equivalent position because he is not in a position to refuse the conditions imposed on him"*
 - Extent of the increase: 20 to 30%

From theory to practice: Lost profit

- Five highest awards of lost profit (patent infringement cases):
 - ▶ 10 000 000 € Ethypharm / Fournier (account on damages)
 - ▶ 8 400 000 € Interphyto / Ciba Geigy
 - ▶ 2 888 000 € Heriaut / Franquet
 - ▶ 2 378 000 € Mécafrance
 - ▶ 2 245 000 € Electrolux
 - ▶ 2 000 000 € Technogenia (account on damages)

From theory to practice: Lost royalty

The highest reported royalty rate: 12.5%

Cour d'appel of Paris 24 April 1998
L'Oréal v. Estée Lauder

"The court expert mentioned that the standard royalty rate in the industry of fine chemicals varies between 10% and 15%; the royalty rate should therefore be set in taking in account the fact that the infringer is not a licensee who was in a position to discuss arm's-length; the royalty rate of 12.5% suggested by the court expert is not excessive."

3.1.2. Infringer's profits

- New provision resulting from the Enforcement Directive
- Does not create an option to infringer's profit
- But the Court must increase the damages assessed according to previous rules, in view of the infringer's profit, to make the damages dissuasive

3.1.3. Moral prejudice

- Notion of "commercial disturbance" already used before the Enforcement Directive
 - ▶ *"It is undeniable that it suffered from placing on the market of infringing models creating a commercial disturbance by adversely affecting the value of its model rendering it commonplace."*
(Cour d'appel de Paris, 2 April 2003)

3.2. Lump sum

- In practice, the victim will chose this compensation when it will not have enough elements to prove and assess the “negative economic consequences”
- This sum must be, at least, equivalent to the price of the legal exploitation of the IP right
 - ▶ This reference is now a minimum whereas, before the Enforcement Directive, it was a maximum

4. Other Losses Suffered

- Compensate the loss of advantages usually inherent to the exclusive right:
 - ▶ Price erosion
 - ▶ Depreciation of the IP right
 - ▶ Any other distinct loss

5. Ancillary Matters

- Compensation assessed until the day the decision is rendered by the court
(depreciation of money taken in account)
- Costs of the proceedings:
 - ▶ No Court cost in France
 - ▶ The losing party will be ordered to pay all or part of the attorneys fees and court appointed experts fees (€10 000 to €200 000)

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**Thank you
for your attention**