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Calculation of damages

FRANCE

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Calculation of Damages

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In France, the issue of the calculation of damages is most often examined by the Court separately, after the issues of validity of the intellectual property right and of infringement have been decided.

The Court which finds an IP right infringed, usually appoints an expert to provide it with all the information necessary to assess the damages.

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)

Compensation can be obtained for any act of infringement committed during the life time of the IP right, namely from the publication of the application or registration until the expiry of the IP right.

Notably, for patent, the infringement of a patent application is compensated for in the same conditions as the infringement of a granted patent.

The only noticeable exception is for French Plant Variety Right which are not enforceable until the publication of the grant, unless a notice is sent.

The statute of limitations differs for patents and trademarks from copyrights and registered designs.

For patents and trademarks, the statute of limitations is three years.

For patents, Article L. 615-8 IPC provides: "*Infringement claims (...) have a statute of limitation of three years from the day the acts of infringement occurred.*"

For trademarks, the same rule is provided for by Article L. 716-5 IPC.

For copyrights and registered designs, there is no specific provision in the Intellectual Property Code.

Therefore, the general civil rules apply, notably Article 2270-1 of the Civil Code which provides that: "*Claims for tort liability are barred after **ten years** from the manifestation of the injury or of its aggravation*".

The infringer is therefore liable for all the acts which took place between 3 / 10 years before the summons, until the day the decision is rendered by the court.

When the statute of limitations applies in relation to given acts (i.e. when infringing acts have been performed more than 3/10 years before the summons), it is impossible for the right holder to seek any alternative compensation for the infringers' actions (notably on the basis of unjust enrichment).

Legal Grounds For Compensation

Article L. 615-1 IPC:
"Patent infringement triggers the civil liability of the infringer"

Similar provisions exist for trademarks
(Article L. 716-1 IPC)

There is no specific provision for copyrights or registered designs but it is clear that the general rule of civil liability apply

The IPC does not give any detail regarding the assessment of damages for patent or trademark infringement, but merely makes a cross reference to the principles set forth in the French Civil Code by referring to the notion of *"civil liability"*.

It is to be noted that patent, trademark or registered design infringement in France may give rise to criminal proceedings, but most right holders only turn to civil courts. Furthermore, criminal proceedings require showing the intent of the infringer which is more difficult to prove. It is noteworthy that no criminal case for patent infringement has been reported over the last twenty years.

This presentation is only focused on the damages in the civil trial.

Legal Grounds For Compensation

Principle of civil liability: the right holder gets compensation for all the losses personally suffered but nothing but the losses suffered.

- Article 1382 of the Civil Code

Any harmful wrongdoing must be compensated

- Article 1149 of the Civil Code

Compensation usually extends to:

- the "lost profit" (*gain manqué, lucrum cessans*); and
- the "loss suffered" (*perle subie, damnum emergens*)

Article 1382 of the Civil Code provides that "*Any action which causes a harm to a third party, binds the wrongdoer to compensate for the harm*". This principle of tortious liability is interpreted by French courts as entitling the plaintiff to get compensation for all the losses personally suffered and nothing but the losses suffered.

In France, damages for infringement therefore consist solely of compensatory damages to the exclusion of punitive damages. In this respect any damages awarded by the courts which do not enter the frame set by the Statute are deemed "punitive".

In infringement cases, the compensation may amount to the "*lost profit*" and the "*loss suffered*" pursuant to Article 1149 of the Civil Code.

As it will be said later, the test used by the Court is to assess what would have been the plaintiff's situation, but for the infringement.

Legal Grounds For Compensation:

No confiscation of infringer's profits

- The plaintiff cannot ask for the infringer's profit
- Only the actual loss of the plaintiff may be compensated (be it higher or lower than the infringer's profit)
- Exception for copyright, Article L. 335-6 IPC : " (...) *the court may order confiscation of all or part of the proceeds obtained by reason of the infringement (...)*"

A change is expected with the Enforcement Directive.

Contrary to the practice in other countries, claiming the infringer's profit is never an option for the plaintiff.

In a 1963 patent case concerning fishing reels embodying a process allowing an easy throw of the fishing thread, the Court of Appeal of Paris held that the loss of the plaintiff did not amount to the infringer's profit (Court of Appeal Paris, 4th chamber, 22 February 1963, Ann. P.I 1963, p. 377, TGI Seine, 3rd chamber February 1964, JCP Ed. G, 1965, 14334, note Plaisant).

This landmark case contrasted with the former practice of the courts and was followed constantly ever since.

The only noticeable exception relates to copyright where Article L. 335-6 IPC provides that Courts may order the confiscation of the proceeds obtained by reason of the infringement.

The Supreme Court however made a restrictive interpretation of that provision since it decided that the confiscated proceeds which exceeded the actual damage should be returned to the infringer.

The rationale is that, following civil liability principles, the plaintiff may get compensation for his actual loss but nothing more than his actual loss.

A change is expected with the Enforcement Directive.

Legal Grounds For Compensation:

No punitive damages

- No punitive damages exist, even when the infringer acted in bad faith
- Criminal law provides the possibility to have the infringer condemned to pay a fine or to imprisonment, in addition to damages due to the patentee (not used in practice for patent, sometimes for others IP rights)

Under the civil rules, the good or bad faith is never taken into account.

Infringement of all the IP rights is a criminal offence.

The criminal action requires showing the intent of the infringer, which may be hard to prove.

For example, according to Article L. 615-14 IPC: "*Any person who has knowingly infringed the rights of the owner of a patent, as defined in Articles L613-3 to L613-6, shall be liable to a three-year prison term and a fine of 300 000 €.*"

Unlike in other countries (Germany or UK), plaintiffs in France are not entitled to choose between :

- the lost margin of the right holder; or
- the lost royalty; or
- the recovery of the infringer's profits.

This may change slightly with the implementation of the Enforcement Directive.

The only relevant test is what would have been the plaintiff's situation but for the infringement.

The assessment of compensatory damages will depend upon the actual situation of the right holder:

- when the right holder **works out his IP right himself** he may recover his **lost margin** ; or
- when the right holder **does not work out his IP right himself** (i.e. he did not put the IP right into practice or he licensed its exploitation) he may be entitled to a **reasonable royalty**.

The right holder will be entitled to ask for a further compensation due to distinct additional losses, if any.

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

The first question addressed by the Court is what is the scope of the infringement i.e. how many sales are related to the infringement.

Whatever the method of assessment, the French judge will first look at the determination of the so-called “total infringing sales” (*masse contrefaisante*).

The *masse contrefaisante* is the amount of infringing products manufactured (or the amount of performance of the process in case of a process patent), used, sold, put on the market or imported in France by the infringer through the time period during which the infringement took place and for which the infringer may still be held liable.

Any product reproducing the patent

The total infringing sales will include all products and/or process covered by the patent’s claims within the limit of what the judge held to be infringing.

If the plaintiff carried out a seizure (*saisie-contrefaçon*) to prove his case, the fact that the minutes of the seizure only relate to one specific embodiment of the patented invention does not prevent the plaintiff from claiming that modified machines manufactured after the seizure should be taken into account.

The Court of First Instance of Paris held that the “*fact that the court refers to the Minute of the seizure does not automatically limit the scope of its judgment to the precise kind of machine mentioned in the Minute but rather extends to all machines [...] copying on the claims*” (TGI Paris, June 27, 1997, PIBD 1997, 642, III, 578).

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)

Entire market value

The goal of the court being to understand what economic situation would have existed but for the infringement, it will use the “entire market value” theory to determine what the infringer has actually been able to market due to his infringement.

Most of the time, either the infringing product / process constitute only a part of a more general product / process sold by the infringer or the sale of the infringing means will induce the sale of accessories.

It would not make economic sense to ascertain solely the part of the sale that was covered by the IP rights.

Consequently, if the infringing means and the more general product or the infringing means and the necessary accessories, are commercially bound together, there is an entire market value and it is this entire market value which will be taken into account .

The Court of Paris decided that the “*entire market value*” theory may only be applied “*in cases where the infringed product and its accessories are actually a “whole”, that is, cases where the infringed product necessarily implies the sale of the accessory and where the accessory would not be sold independently from the infringed product*” (TGI Paris, February 24, 1984, PIBD 1984, 350, III, 169).

For example, in a case where patented stands were used to maintain specifically designed road signs, the Paris Court of Appeals held that “*The harm arising from the infringement cannot be fairly compensated if the fact that the sale of infringing stands lead to the sale of the content was ignored*” (CA Paris, April 24, 1986, PIBD 1986, 397, III, 309).

It is the commercial dimension of the tie between the protected part and the non protected part that is relevant. The fact that the protected part and the rest of the product or the accessories are materially bound to each other or are combined to function in a certain way is irrelevant.

Scope of infringement:

springboard effect

Second extension of the “total infringing sales” by the “springboard” effect

First Instance Court of Paris, May 7, 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**”*

In an interesting patent case decided on May 7, 2001, the First Instance Court of Paris extended the “total infringing sales” by adding part of the sales which had occurred after the end of the infringement on non-infringing, but yet substitutable, products.

The Court indicated that *“It is beyond doubt that 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** due to the loyalty of the same customers concerning the substitute product which is presented to them by the defendants.”*

The court found that the infringer would never have reached the market share which he obtained if he had not, at one point, sold the infringing product.

The infringement allowed the infringer to derive market shares and clients.

After the end of the infringement, the infringer was able to sell a substitute to some extent only because some the unfairly gained clients bought the substitute.

But for the infringement, he would not have made such non-infringing sales.

Lost Profit – Lost Margin or Lost Royalty?

Lost margin and reasonable royalty: does the plaintiff actually directly work out his invention?

- If “yes”: he is at least partially entitled to his lost margin
- If “no”: he is only entitled to a royalty based on the infringer’s turnover on the “total infringing sales”

A change is expected with the Enforcement Directive

The second question asked by the Court is what damage did those sales caused to the right holder.

Once the “total infringing sales” have been quantified, the judge will determine if the right holder directly works out or worked out his IP right at the time when the infringement took place.

This determination will be the key to understanding in what form the plaintiff should be granted damages.

Right holder works out

If the right holder works out or worked out his IP right at the time when the infringement took place, he may be entitled to recover his lost margin on the sale he did not make due to the infringement.

Right holder does not work out

If the right holder is not working out the IP right he will only be entitled to a “lost royalty”.

As regards parent companies, the exploitation by a wholly owned subsidiary does not amount to the exploitation by the right holder/holding company.

In this respect, in a case where the patentee/holding company was trying to recover its lost margin on the sale of the infringing products, the Court of Paris (TGI Paris, February 5, 1982, DB 1982, VI, 6) decided that “As set by case law, when a patent is not worked out, the patentee bringing the infringement action can only be awarded damages assessed on the royalty he would have required to authorize the manufacture of the total infringing sales; the French affiliate which suffered the loss the holding company is trying to recover, is not a party to this proceeding whereas statutory law authorizes the licensee to join the action and ask for the compensation of his loss; the holding company can neither rely on concepts of control of an affiliate by a mother company, nor on economic unity to legitimate its action; indeed, the holding company and its French affiliate are, as regards French law, separate legal entities even if the former almost fully owns the share capital of the latter”.

Lost Profit – Sales Actually Derived

Would the plaintiff have made
100 % of the infringer's sales?

De facto presumption that "yes"

If the right holder works out or worked out his IP right at the time when the infringement took place, the next question asked by the judge is whether the right holder would have made 100% of the sales corresponding to the "total infringing sales".

Case law has constantly decided that the plaintiff is entitled to recover his lost margin only for the sales he would actually have been in a position to make. If said sales only amount to part of the "total infringing sales", then the remaining infringing sales only give rise to the payment of a reasonable royalty rate which the infringer would have had to pay to be authorized to work the IP right.

In this respect, the French supreme court held that it is possible for a lower court to assess a lost margin on 10 % of the total infringing sales and then to assess a lost royalty on the turnover of the infringer corresponding to the sale of the remaining 90 % of said total infringing sales (Cass. Com., October 27, 1992, PIBD 1993, 537, III, 76): "*After having quantified the total infringing sales and determined that the lost margin was to be calculated on only 10% of said mass, the Court of Appeals rightfully applied to the rest of the [infringing] turnover a 7% royalty rate representing the license rate the infringer should have paid to market the patentee's products*".

An advantageous determination for the plaintiff

It is to be noted that the process for determining the part of the sales the plaintiff would actually have been in a position to make is favorable to said plaintiff.

Indeed, once the "total infringing sales" has been determined, the presumption will be that the plaintiff would have made 100 % of the sales corresponding to said "total infringing sales".

It is for the infringer to prove that balancing factors should be applied to lower the part of the total infringing sales to be taken into account to calculate the lost margin of the plaintiff.

This is a big difference with the German situation.

For this reason, in France, damages are very often assessed in terms of lost profits.

Lost Profit – Sales Actually Derived

Would the plaintiff have made 100 % of the infringer's sales?

- 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

Balancing factors depend on factual situations and there is no limitative list of these factors.

The main factors are :

- the industrial and commercial capacity of the right holder;

in the supreme court case above mentioned, the French supreme court held that the plaintiff can recover its lost margin only on the additional sales that he could have made and that he is entitled to a lost royalty for the manufacturing which he could not have done (Cass. com., October 27, 1992, PIBD 1992, 537, III, 76);

- the existence of substitutes and third parties competition

in this respect, courts apply a balancing factor (i) where a "*great number of manufacturers offer competing products on the French market*" (CA Paris, September 13, 1988, PIBD 1989, 447, III, 2) and (ii) where numerous substitutable solutions are offered for sale at an equivalent price (TGI Paris, November 16, 1989, PIBD 1990, 475, III, 205). As the First Instance Court of Paris once held in a matter concerning patent for home break-in alarms: "*The expert noted the existence of numerous solutions which, even if technically different, were competing with the patented radars, the important factor for customers being less the mean of detection than the cost-quality ratio of the system*".

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”

When the right holder works out his IP right, and after the “total infringing sales” have been assessed, the lost margin must be assessed.

The method for calculation of the lost margin of the plaintiff is rarely detailed by courts which are legally permitted (if not encouraged) to set an amount without going into details.

However, the First Instance Court of Paris has indicated (TGI Paris, May 7, 2001) that *“It is established practice to estimate the lost margin in relation with the profit made by the manufacture and the sale of the additional amount of product corresponding to the infringing volume sold and that this margin on direct costs does not take into account the fixed costs relating to the company activity, which are supported by the actual sales thereof”*.

The Court of Appeal also stated that only the proportional costs required for the manufacturing and the marketing of the products must be taken into account (CA Paris, February 9, 1995, 587, III, 41).

The French case law thus provides a similar solution as that resulting from the German Federal Supreme Court decision *“Gemeinkostanteil”* of 2001 (which however relates to account on profits).

For the assessment of the lost margin, variable costs for the manufacturing and marketing should be deducted, but not fixed costs such as rent and depreciation.

Once this margin has been assessed for one product, it must be applied to the “total infringing sales” possibly corrected with balancing factors.

Lost Profit – 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

Complement or replacement of the lost margin

If the right holder did not work out his IP right at the time of the infringement, or if only part of the “total infringing sales” was taken into account to assess the lost margin of the plaintiff, a lost royalty should be paid for the remaining part of the “total infringing sales” (Cass. Com., March 1, 1994, PIBD 1994, 567, III, 287).

Basis to which the royalty rate will be applied

In the previously mentioned French supreme court case, the judges have clearly indicated that “*the basis for the lost royalty should be the turnover of the infringer*”.

Once this basis has been determined, a rate must be set and applied by the court.

Lost Profit – 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: 30 to 50 %

Damages consisting of a lost royalty are assessed by applying a royalty rate to the infringer's turnover.

Courts will first look for the **usual market royalty rate**.

In this respect judges refer to the licensing royalties for similar IP rights in the same industry. E.g., in a case where relevant information was not accessible in France, the First instance court of Paris noted that *"the patentee was able to disclose a license agreement granted to a Swedish company for another similar patent, at a rate of 4%"* and then assessed the reasonable royalty rate of the case at stake at 5% (TGI Paris, October 18, 1989, PIBD 1990, 471, III, 70).

If no evidence of a relevant royalty rate is exhibited to the Court, the judges will assess the reasonable contractual royalty rate according to their own perception of the facts, usually 1/4 to 1/3 of the infringer's profit margin.

Courts also study the economic interest of the invention. In this respect, after having noted that the invention at stake *"had no significant economic or commercial interest"* the Court of Appeals of Paris held that a reasonable contractual royalty should be set at 2% due to the low economic value of the invention (CA Paris, May 22, 1986, Ann. P.I. 1987, p. 213).

Once the reasonable royalty rate has been determined, the **courts have developed the practice of increasing the rate**.

In a 1984 case, the First Instance Court of Paris held that *"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"* (First instance court of Paris, July 6, 1984, PIBD 1985, 360, III, 18). However, at that time, some courts took the opposite view, basically indicating that civil liability did not give rise to punitive damages and that only the plaintiff's loss should be compensated. Notably, the Court of Appeals of Paris decided that *"because of its compensation and not penalty nature, the indemnification that must be granted to the plaintiff can only be measured by the loss which is an immediate and direct consequence of [...] the infringement"* (CA Paris, May 11, 1989 DB 1989, II, 4).

Finally, the French supreme court clearly stated that *"As regards the infringer, by setting a royalty rate higher than that which would have been set by parties chosen by the patentee, the Court has freely assessed the amount of the loss actually caused by the acts of [the infringer]"* (Cass. Com. February 19, 1991, Ann. P.I. 1991, p. 4).

In practice, when the standard market rate would be 5%, then the Court will set the royalty to 7% or 8% on the ground that the infringer did not negotiate with the patentee and therefore should not benefit from the average royalty rate but a worse royalty rate.

From theory to practice: Lost profit

- Five highest awards of lost profit (patent infringement cases):
 - ▶ 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)

It is often said that right holders cannot recover satisfying damages in patent infringement cases in France.

This is not always true and a well substantiated case as regards damages may lead to a significant award of damages by a court. **This will usually require a sound and accurate economic analysis with accounting documents to support the analysis.**

It often requires working on damages through out the duration of the proceedings. Gathering evidence on market shares, prices, etc.

It should be noted that the French “*saisie-contrefaçon*” which takes place at the beginning of the proceeding, may allow the right holder to seize some invoices and accounting documents in the hands of the infringer. This can prove to be helpful in a later damages assessment. The account on damages awarded in the Technogenia matter is a good example of that.

The following amounts have been awarded in patent infringement cases :

- 8 400 000 € (Interphyto / Ciba Geigy) (Cass. Com., May 23, 1995, PIBD 1995, 592, III, 341)
- 2 888 000 € (Heriaut / Franquet) (CA Paris, July 12, 1990, PIBD 1990, 490, III, 704)
- 2 378 000 € (Mécafrance) (Cass. Com., October 27, 1992, PIBD 1993, 537, III, 76)
- 2 245 000 € (Electrolux) (TGI Paris, November 16, 1989, PIBD 1990, 475, III, 205)
- 2 000 000 € (Technogenia) (TGI Paris, 3e ch., 3e sect, June 2004)

A significant amount was awarded in the registered design matter Berchet / Smoby (CA Paris, March 21, 2001) 1 830 000 €

From theory to practice: Lost royalty

The highest reported royalty rate: 12.5%

Court of Appeal 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"

Other Losses Suffered (distinct from the lost profit)

- Compensate the loss of advantages usually inherent to the exclusive right:
 - ▶ Price erosion
 - ▶ Depreciation of the IP right
 - ▶ Lost licenses or assignments
 - ▶ Moral prejudice
 - ▶ Any other distinct loss

Once the lost profit of the patentee has been assessed, pursuant to Article 1149 of the Civil code mentioned earlier, said right holder may also be in a position to demonstrate distinct losses due to the harm done to what should have been for him a factual monopoly on the IP right.

A damages award based on the ground of breach of the right holder's monopoly must theoretically result from a harm which is different from the harm which gives rise to the lost profits.

Such distinct harm is frequently characterized by:

- prices erosion,

It is interesting to note that, in France, the Supreme court has indicated that the fact for the right holder to have been forced to limit the increase of his product's price constitutes a distinct loss (Cass. com. May 23, 1995, 592, III, 341). Therefore, *"the Court of Appeals, after having noted that due to the competition of the infringer, the patentee had to limit the increase of its prices in order to maintain its market share"*, was right in *"adding this erosion of prices"* to the damages already assessed.

- depreciation of the IP right,

The infringement lessens the value of the IP right. French courts could grant damages for the depreciation of the IP right without giving any details in this respect. Such damages for depreciation are often awarded by French courts in trademark or registered design infringement cases (obviously, a trademark or registered design infringement will often reduce the distinctiveness thus the value of such title).

- loss of a chance to license or assign the IP right

On a case by case basis, the right holder may be able to prove that due to the infringement, he lost opportunities to conclude agreements concerning his IP right. Thus, in a case involving a car body repair machinery, a court held that the infringement *"made it almost impossible for the patentee to sell or license his patent"* and awarded specific damages for this loss (e.g. Cass com, January 16, 1996, PIBD 1996, 608, III, 175).

If distinct losses suffered have been assessed, they will come on top of the assessment of the lost profit.

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
 - ▶ Article 700 of the French Code of Civil Procedure
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)

Depreciation of money

The goal of the civil judge is to put the parties back in the situation that would have been but for the infringement. However, damages themselves are assessed on the day the decision is rendered and not on the day of the infringement.

Consequently, the courts compensate monetary depreciation by reviewing damages “*as of the date of the decision, based on the retail price index (INSEE)*” (First instance court of Paris, October 5, 1989, PIBD 1990, 448, III, 34).

Sometime, more favorable rates can be applied if the plaintiff demonstrates that he had a high remuneration ratio of its bank account.

Costs of proceedings

There are no court costs in France (no fee is paid to the court or the clerk).

Under Article 700 of the French Code of Civil Procedure, the losing party may be ordered to pay all or part of the legal costs which were incurred by the prevailing party. These costs mainly consist of attorneys fees and court appointed experts fees.

Court expert fees are set by the Court.

For attorneys fees, the Court grants a lump sum, usually in the range of €10 000 to €200 000.

Main Characteristics of the actual Rules

- Damages compensate all losses personally suffered by the plaintiff and nothing but the losses: the test is what would have been the right holder's situation but for the infringement.
- No confiscation of the infringer's profit is possible
- No option between lost margin and lost royalty is possible
- The good or the bad faith of the infringer makes no legal difference

Changes expected from the Enforcement Directive

- Provisions of Article 13 of the Enforcement Directive regarding the calculation of damages will be implemented into the French Intellectual Property Code
- The latest draft considers including provisions of Article 13-1 a) and b) in the IPC

Article 13 of the Enforcement Directive is to be implemented in the French IPC. A draft Act has been accepted by the inter-Minister committee and is currently on the desk of the Prime Minister.

It is uncertain whether it can be submitted to the Parliament before July 2007 (most likely end of 2007).

The latest draft only considers including provisions of Article 13-1 a) and b) in the IPC.

Neither article 13-1 itself nor articles 13-2 or 14 will be implemented.

Changes expected from the Enforcement Directive

- First improvement (Article 13-1 a) of the Enforcement Directive):
 - ▶ *“for the assessment of the damage caused by the infringement, the Court 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.”*
- French courts will thus have to take into consideration the infringer’s profit
- No option available to request the infringer’s profit
- It should only play in favor of the right holder

The latest draft implementation Act implements (article 13-1 a) of the Enforcement Directive in the French IPC.

The judges assessing damages will thus be invited to take into consideration the infringer’s profit.

The reference to the infringer’s profit does not seem to be an option opened to the right holder to assess its damages in view of its lost profit or in view of the infringer’s profit as it exists in some countries (Germany or UK).

It is one further information taken into consideration by the Court to assess damages.

Reference to the infringer’s profit is mentioned as an improvement of the right holder’s position.

It should thus only be construed to increase the damages awarded when the infringer made important profits; it should not be used to limit the right to recover compensation for the actual damages, when the infringer made no profit.

But the text is ambiguous and could be interpreted differently (see what happened to the French provisions for confiscation of profits for copyright).

The AFPPI (*association française pour la protection de la propriété industrielle*) and other groups are favorable to the award of the infringer’s profits and support the idea that it should be an option for the right holder.

Changes expected from the Enforcement Directive

- Second improvement (Article 13-1 b) of the Enforcement Directive)

The right holder can decide to assess the damages in terms of lost royalty:

- ▶ *“The Court may, as an alternative and in appropriate cases, at the right holder’s request, set the damages as a lump sum on the basis of elements such as, at least, the amount of royalties or fees which would have been due if the infringer had requested authorization to use the intellectual property right in question.”*

According to the latest draft implementation Act, the provisions of article 13-1 b) of the Enforcement Directive are implemented in the French IPC.

The damages can thus be assessed, in appropriate cases, as a lump sum corresponding at least to the royalties that should have been paid.

These appropriate cases refer to situations where the right holder’s lost profits are difficult to assess or are very low.

The draft transposition Act specifies that this provision is an option opened to the right holder: only the right holder can decide to exercise this option, not the Court or the defendant.

The two improvements (pages 24 and 25) will bring French law closer to German and British law.

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