

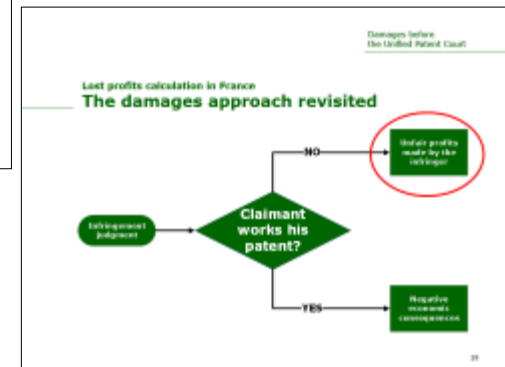
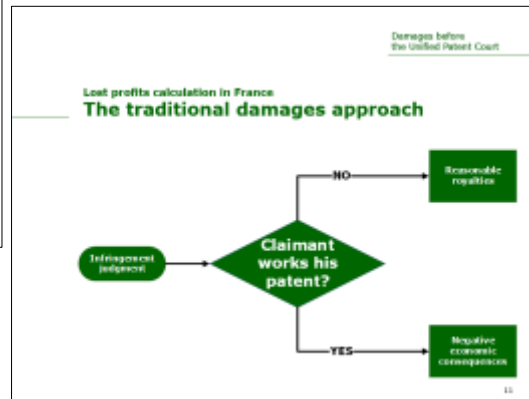
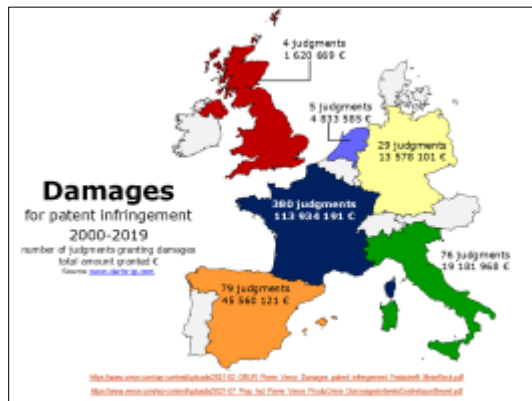
# How French case law on damages may inspire the Unified Patent Court

*European Patent Enforcement and the Unified Patent Court  
Luxembourg • 25 November 2022*

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Member of the Drafting Committee of the Rules of Procedure

# Summary



# Damages

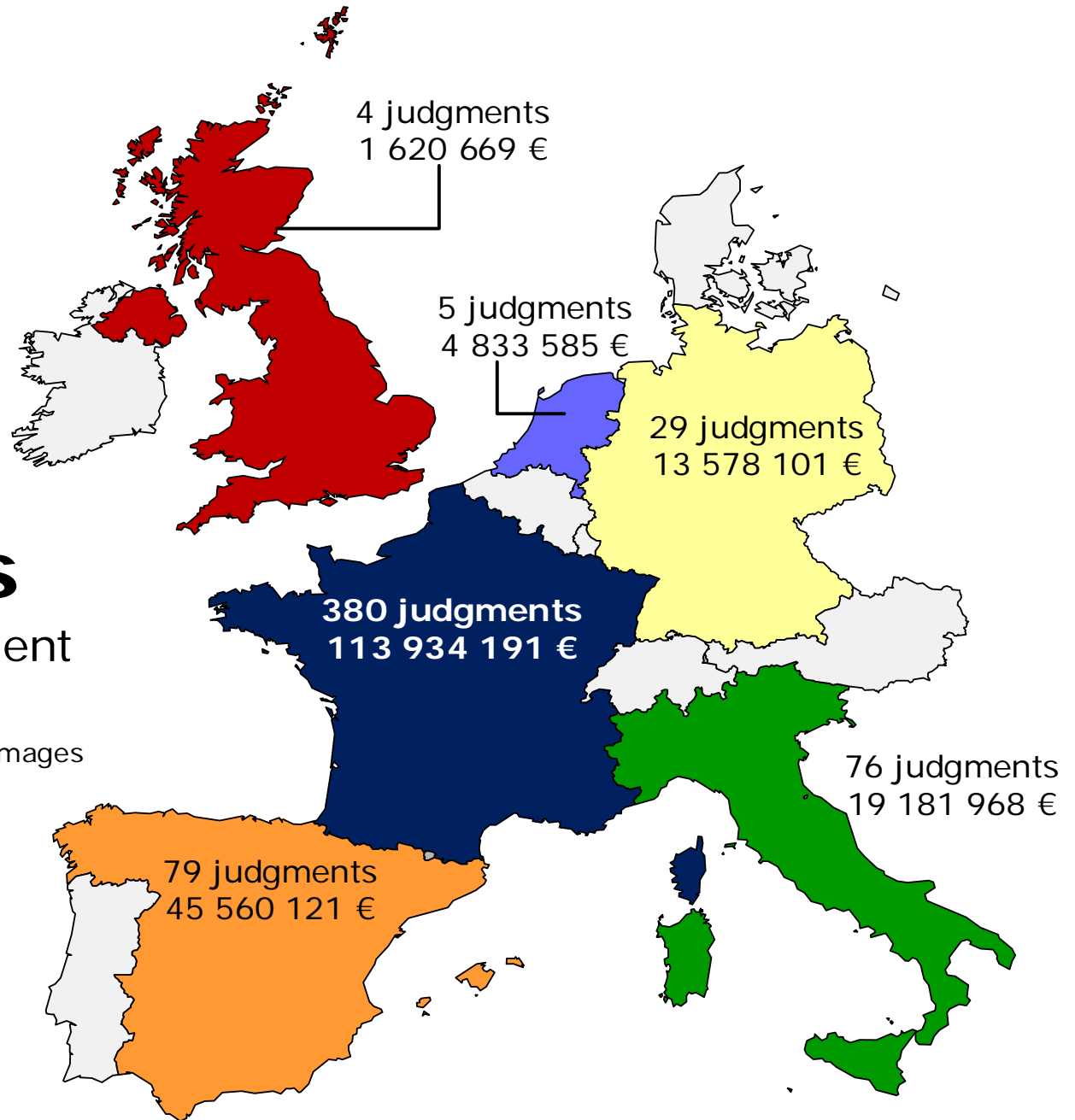
for patent infringement

2000-2019

number of judgments granting damages

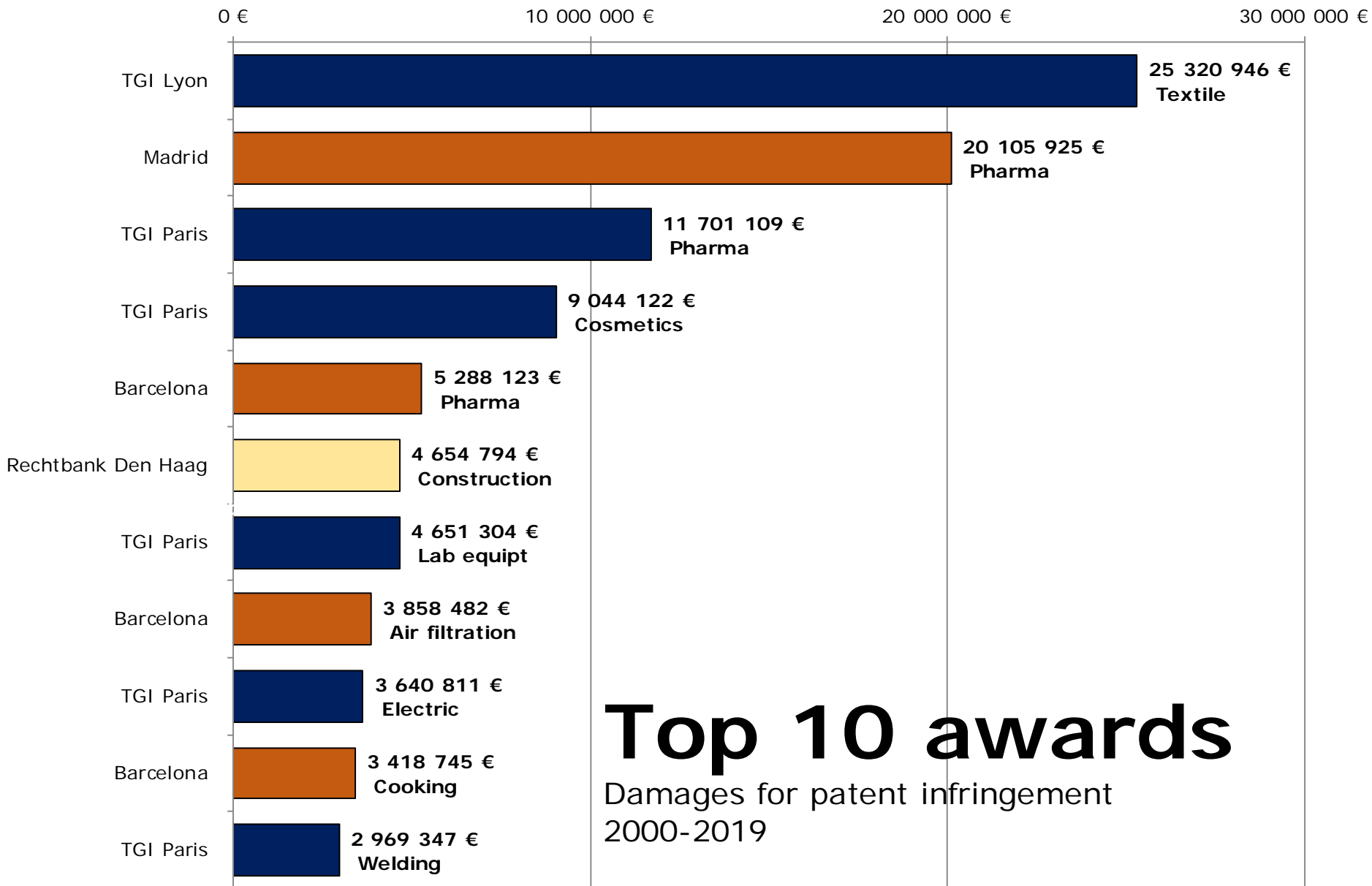
total amount granted €

Source [www.darts-ip.com](http://www.darts-ip.com)



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# Top 10 awards

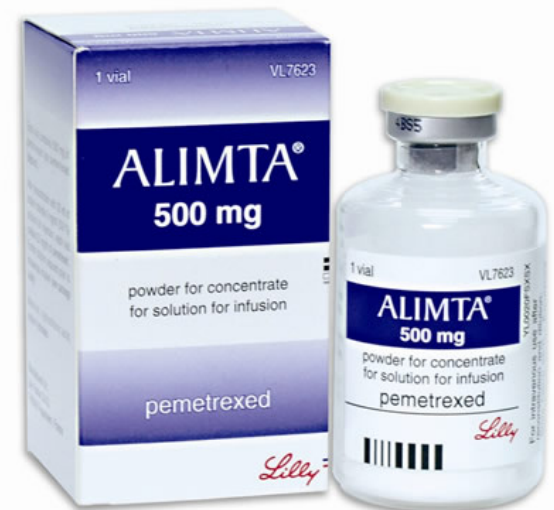
Damages for patent infringement  
2000-2019

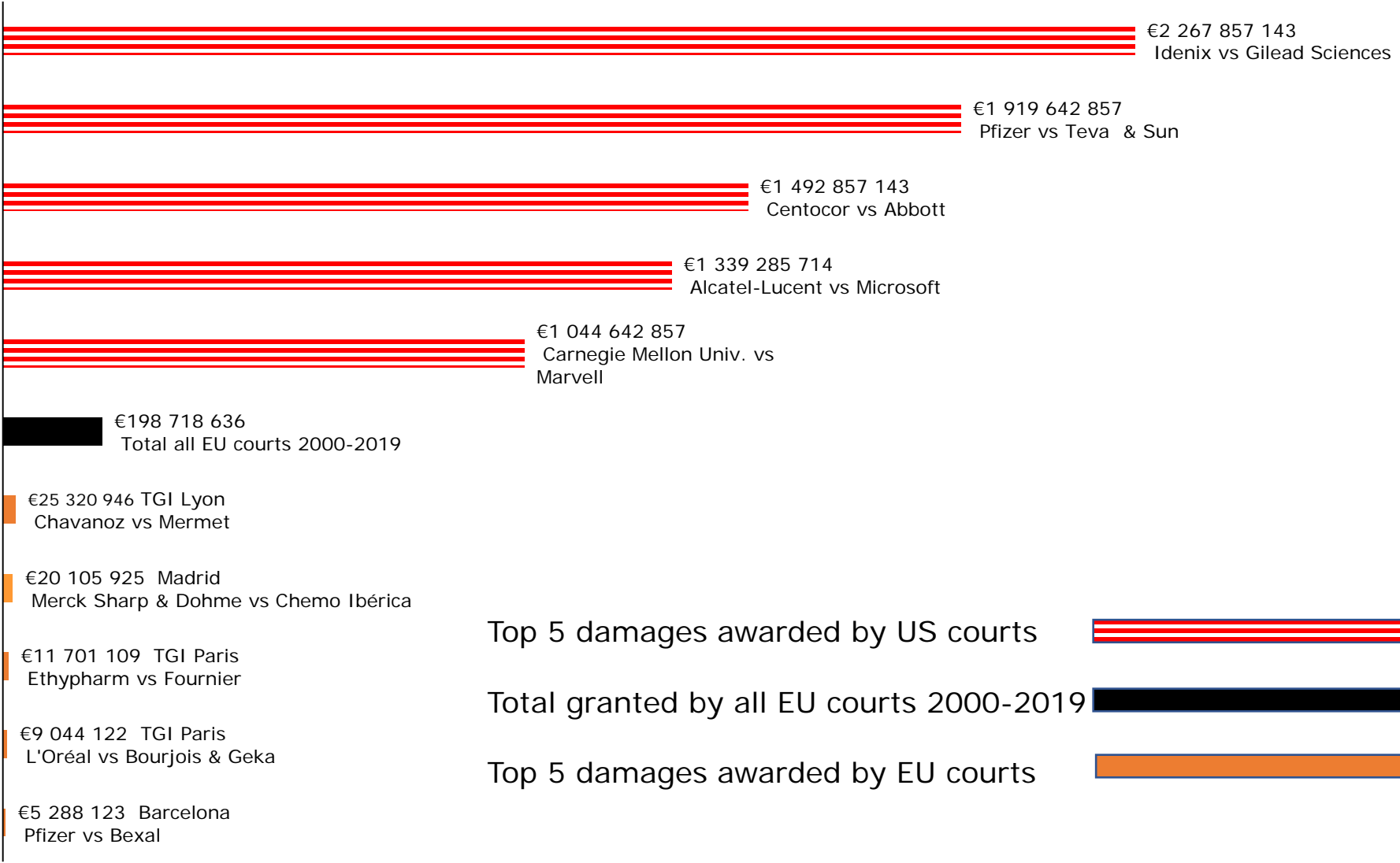
*Tribunal judiciaire Paris* 11 September 2020 Eli Lilly v. Fresenius Kabi  
**New EU record award: 28,000,000 €**

Siding with the vast majority of judges who have decided similar cases to date, the *tribunal judiciaire de Paris* held that Eli Lilly's EP 1 313 508, relating to a combined administration of pemetrexed disodium (marketed under the brand Alimta®) with vitamin B12 for the treatment of lung cancer, is valid and that the sale of Fresenius Kabi's pemetrexed diacid infringed the patent.

It has awarded the largest ever patent infringement damages award in Europe (28,000,000 €).

The case settled and this judgment is now final.





Top 5 damages awarded by US courts



Total granted by all EU courts 2000-2019



Top 5 damages awarded by EU courts



## UPC: an Eldorado?



## UPC: an Eldorado? Simpler and cheaper



- A single case for up to 27 countries
- May include countries in which patent litigation was exceptional before UPC
- A single law for the assessment of damages



## UPC: an Eldorado? Bigger



### ■ A wider market

- ▶ EU = 500,000,000 people
- ▶ DE + UK + FR = 200,000,000 people
- ▶ USA = 320,000,000 people

### ■ HFCE (Household Final Consumer Expenditure)

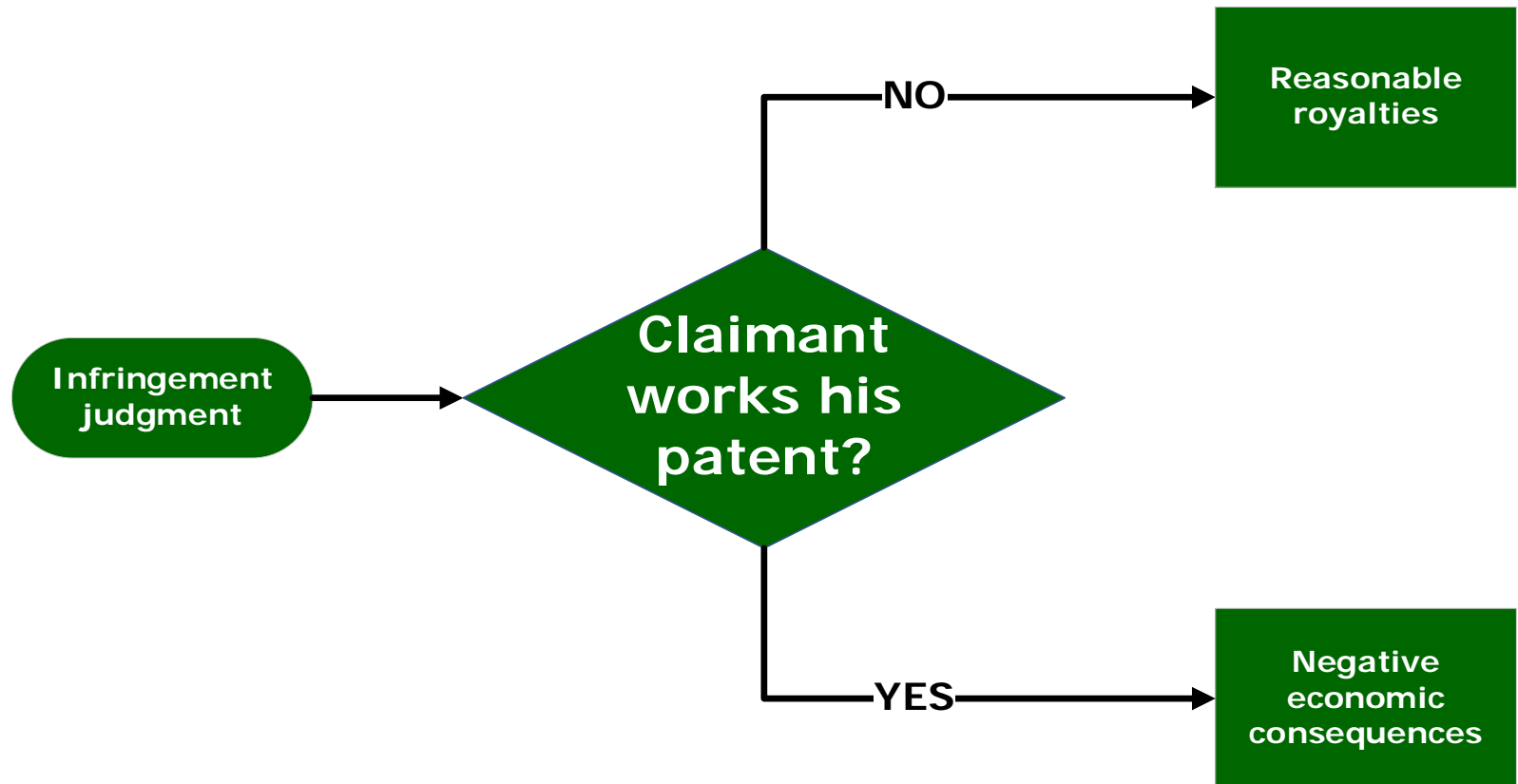
- ▶ EU M\$ 9,600,000
- ▶ USA M\$ 13,000,0000

## Calculation of patent infringement damages in France

- The traditional damages approach
- The damages approach revisited

Lost profits calculation in France

## The traditional damages approach



## Royalty calculation in France

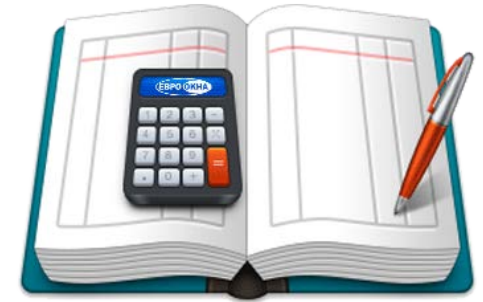
### Reasonable +

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- When they are required to do so, French courts appreciate that the royalty rate to be set **after** a judicial decision must be higher than the rate which would result from a commercial negotiation **before** any litigation about validity and infringement
- The reason is that the uncertainty on the validity and the scope of the patent no longer exists after an infringement judgment, which should lead to setting the judicial royalty to a higher rate than the contractual royalty negotiated before any litigation

A typical lost profits calculation in France

## Step 1: gathering information



1. The court orders defendant to lay open its books
2. The defendant should provide certified data relating to:
  - ▶ the number of infringing products sold
  - ▶ the turnover generated
  - ▶ the profit margin related to the infringing products
3. The claimant provides certified data relating to:
  - ▶ the number of original products sold
  - ▶ the turnover generated
  - ▶ the profit margin related to the original products
4. Both parties provide data about their market shares and any other marketing information useful for the court to assess lost profits

Confidentiality  
clubs  
available

A typical lost profits calculation in France

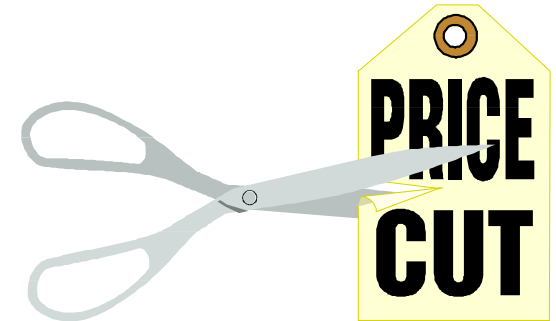
## Step 2: processing information



1. Define the entire market value (*masse contrefaisante*) of the infringing goods and convoyed sales (*tout commercial*): accessories, spare parts, maintenance service
2. Determine what fraction (between 0% and 100%) of this entire market value would have been made by the claimant, had the infringer not infringed (*taux de dérive* also known as *taux de report*)
3. Apply to that fraction the claimant's profit margin
4. For the remainder, apply reasonable royalties

A typical lost profits calculation in France

## Possible topping 1: price depression



When the fierce competition of the defendant forced the claimant to cut its sales prices to keep its market shares, the claimant may obtain a compensation based on its volume of sales multiplied by the price depression

Note that this is dependant on the volume of the claimant's sales; it is not dependant of the volume of the infringer's sales (even a cheap small hammer can cause a big damage to a costly chinaware collection)

A typical lost profits calculation in France

## Possible topping 2: springboard effect



- In certain economic circumstances, the consequences of the infringement may extend after the end of the infringement (patent expiration, or change of the previously infringing product)
- Often, the launch of a new product requires some time before reaching the running level: when the product is launched and the running level is reached before the expiration of the patent, this creates a springboard to a higher sales volume when the patent expires



Court appeal Paris, 5 October 2011

## Springboard effect



*"In the compensation for the global damage suffered from the consequences of infringement acts, **the "springboard effect" is intended to take into account the fact that (defendant) would not have sold as many modified products, marketed as of (the end of infringement), if it had not sold the infringing products beforehand...***

*The clientele's loyalty to a supplier in matters of (high technology) apparatuses gives credit to the existence of the "springboard effect", from which (defendant) could benefit after (the date) when it replaced the infringing products by modified products, marketed with the same references as those previously withdrawn from the market."*

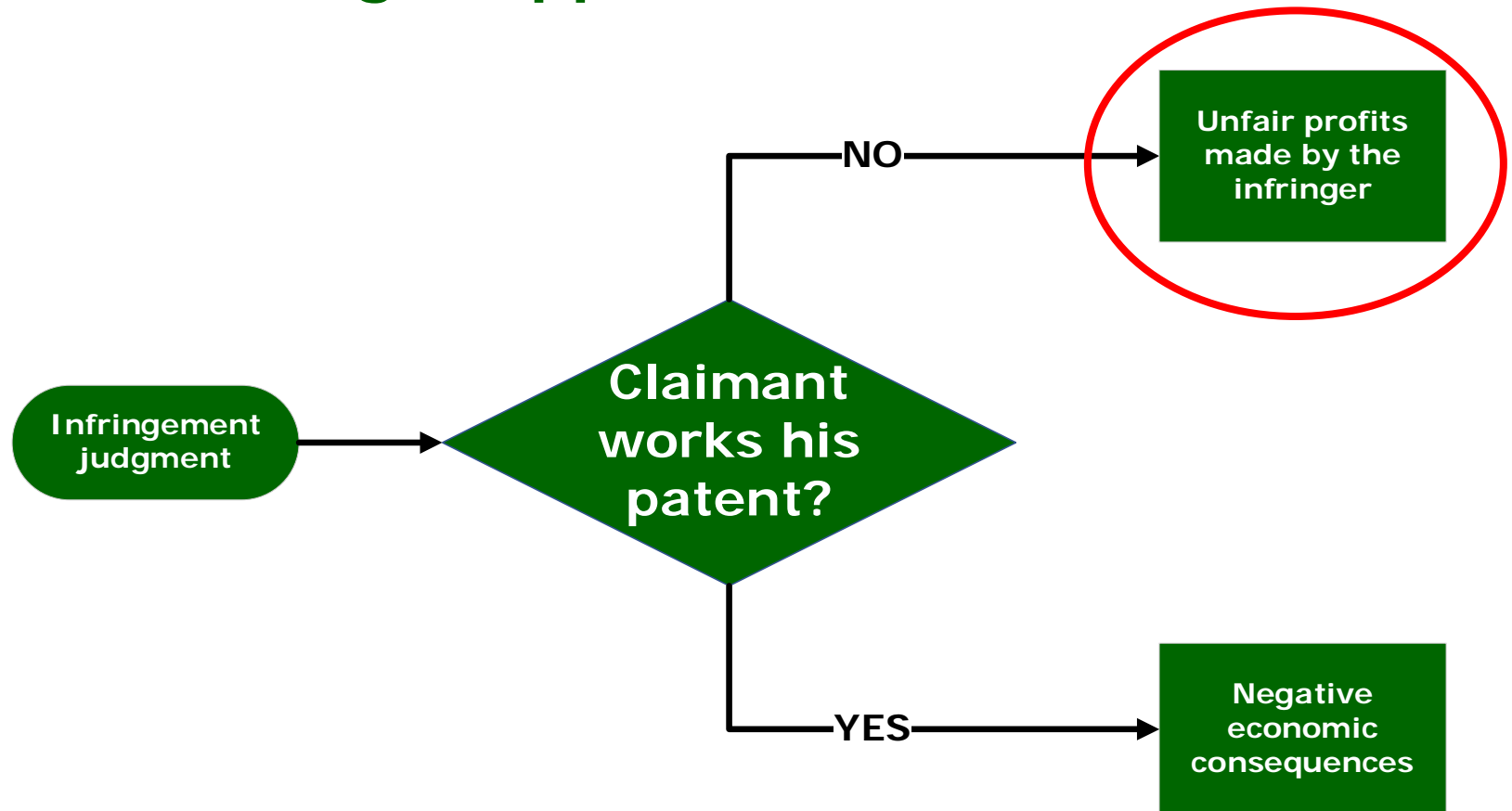
A typical lost profits calculation in France

## **Possible topping 3: other side effects**

- Immaterial damages (lost on investments, lost of appeal, trivialization )
- Moral damages

Lost profits calculation in France

## The damages approach revisited



Lost profits calculation in France

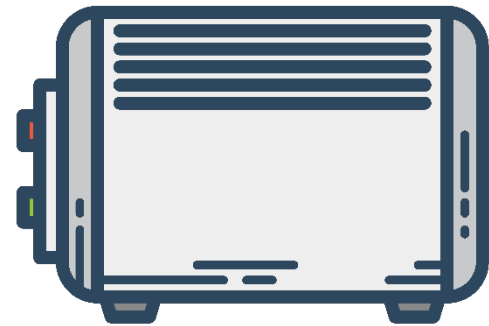
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## The damages approach revisited

The FR *Cour de cassation* now decides that the patent holder who does not work his patent may claim for unfair profits made by the infringer

## The patent holder who does not work his patent may claim for unfair profits made by the infringer

- FR Cour de cassation,  
23 January 2019  
Carrera and Texas v.  
Muller
- FR Cour de cassation  
17 March 2021  
TimeSport v.  
Decathlon and Knauer



## FR Cour de cassation, 23 January 2019 Carrera and Texas v. Muller

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*"by refusing to take into consideration the request for compensation based on one of the evaluation criteria ... (of the Directive 2004/48/EC) which takes into account the specificities of each case and is based on a method of calculating damages tending to meet these specificities... the choice of which is up to the injured party, and that thus, **the existence**, for the holder of a patent, **of an economic loss resulting from the infringement is not subject to the condition that he personally engages in its exploitation**, the Court of Appeal violated the aforementioned texts"*

On remand

## Court of Appeal Paris 5-1, 11 May 2021 Carrera and Texas v. Muller

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*"Article L. 615-7 of the Intellectual Property Code requires the judge to take into consideration the profits made by the infringer without ordering their confiscation and allocation to the benefit of the injured party, a part of these profits which may result not of counterfeiting, but of the counterfeiter's own efforts.*

*In this case, as the companies Carrera and Texas have rightly pointed out, the patent in dispute is a process patent relating to the manufacture of the heating element of a heating device, protecting a method of casting cast iron around of an electrical resistance. If this process is used to manufacture an important element of the counterfeit appliances, namely the heating element of the radiator, it should however be taken into account that **the use of this protected process** is not advertised to consumers on the packaging or on any another mode of promotion, so that it **does not constitute a decisive element in the choice of consumers**, whose purchase will be conditioned by the other elements highlighted on the packaging, relating for example to programmers, to additional heating modes , design and ease of installation, which have no connection with the disputed patent, so that **the profits made must be weighted at around 25%.**"*

## FR Cour de cassation 17 March 2021 TimeSport v. Decathlon and Knauer

*“By refusing to take into consideration the claim for damages based on one of the assessment criteria provided for in Article L. 615-7, paragraph 1, of the Intellectual Property Code and **by allocating the amount of royalties which would have been due to the company TimeSport in the event of authorization to use the patent, while it was not seized of a request for an increased royalty, the Court of Appeal violated the text referred to above by refusal to apply paragraph 1 and false application of paragraph 2.**”*



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## Proceedings

The proceedings for the award of damages are set out in the Rules of procedure

## Rule 10 ROP

# Stages of the proceedings

*“Proceedings before the Court of First Instance shall consist of the following stages:*

*a) a written procedure;*

*b) an interim procedure, which may include an interim conference with the parties;*

*c) an oral procedure which, subject to Rules 116.1 and 117, shall include an oral hearing of the parties where necessary;*

***d) a procedure for the award of damages, which may include a procedure to lay open books;***

*e) a procedure for cost decisions.”*

## Damages assessment “bifurcation”

Rule 118 – Decision on the merits

*“ 1. In addition to the orders and measures and without prejudice to the discretion of the Court referred to in Articles 63, 64, 67 and 80 of the Agreement **the Court may, if requested, order the payment of damages or compensation according to Article 68 and 32(1)(f) of the Agreement. The amount of the damages or the compensation may be stated in the order or determined in separate proceedings [Rules 125-143].”***

## Options for the Court

- Decide on infringement and damages in the same judgment ("*short tour*")
- Decide only on infringement and decide on damages at a later stage
  - ▶ on the basis of the parties' submissions only ("*medium tour*"); or
  - ▶ after having ordered the infringer to open its books to the claimant ("*long tour*")

## "Short tour"

when damages assessment is straightforward

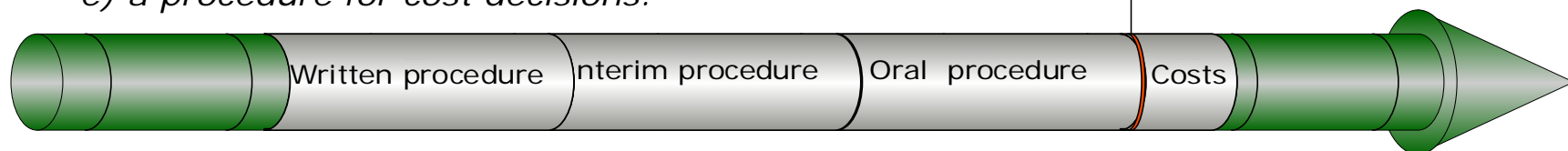
### Rule 10 – Stages of the proceedings (*inter partes* proceedings)

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- e) a procedure for cost decisions.*



Decision  
on the merits  
and on damages  
R 118 §1



## "Medium tour"

when damages assessment is complex  
but basic information is available

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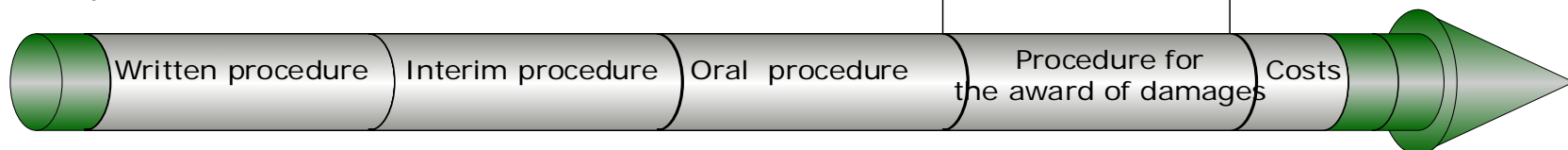
- a) *a written procedure;*
- b) *an interim procedure, which may include an interim conference with the parties;*
- c) *an oral procedure which, subject to Rules 116.1 and 117, shall include an oral hearing of the parties where necessary;*
- d) a procedure for the award of damages**, which may include a procedure to lay open books;
- e) *a procedure for cost decisions.*



Decision  
on the merits  
R 118



Decision  
on damages  
R 125--140



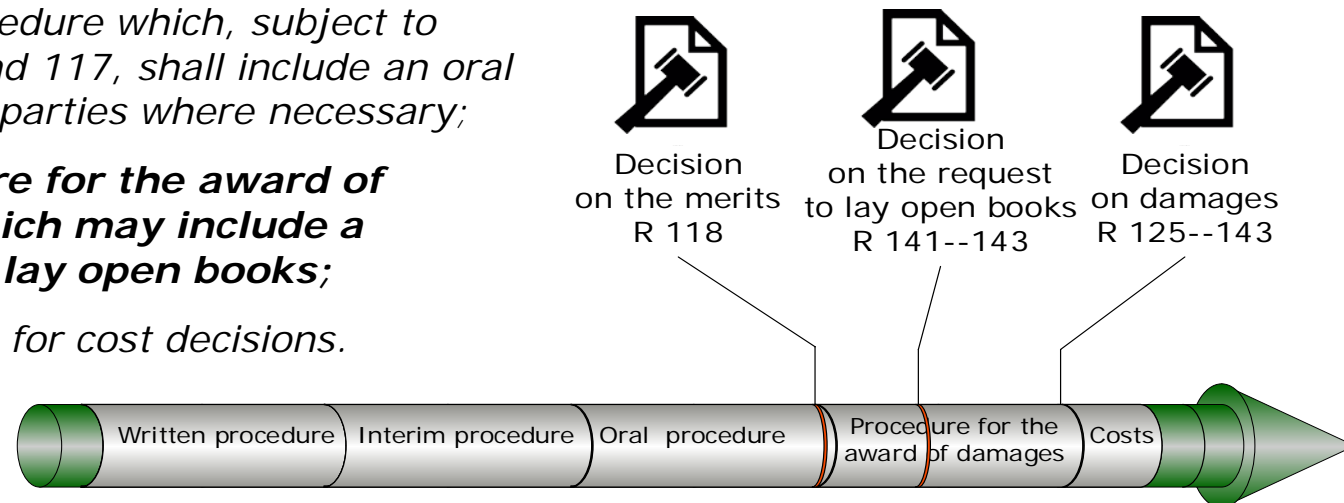
## "Long tour"

when damages assessment is complex  
and basic information not available

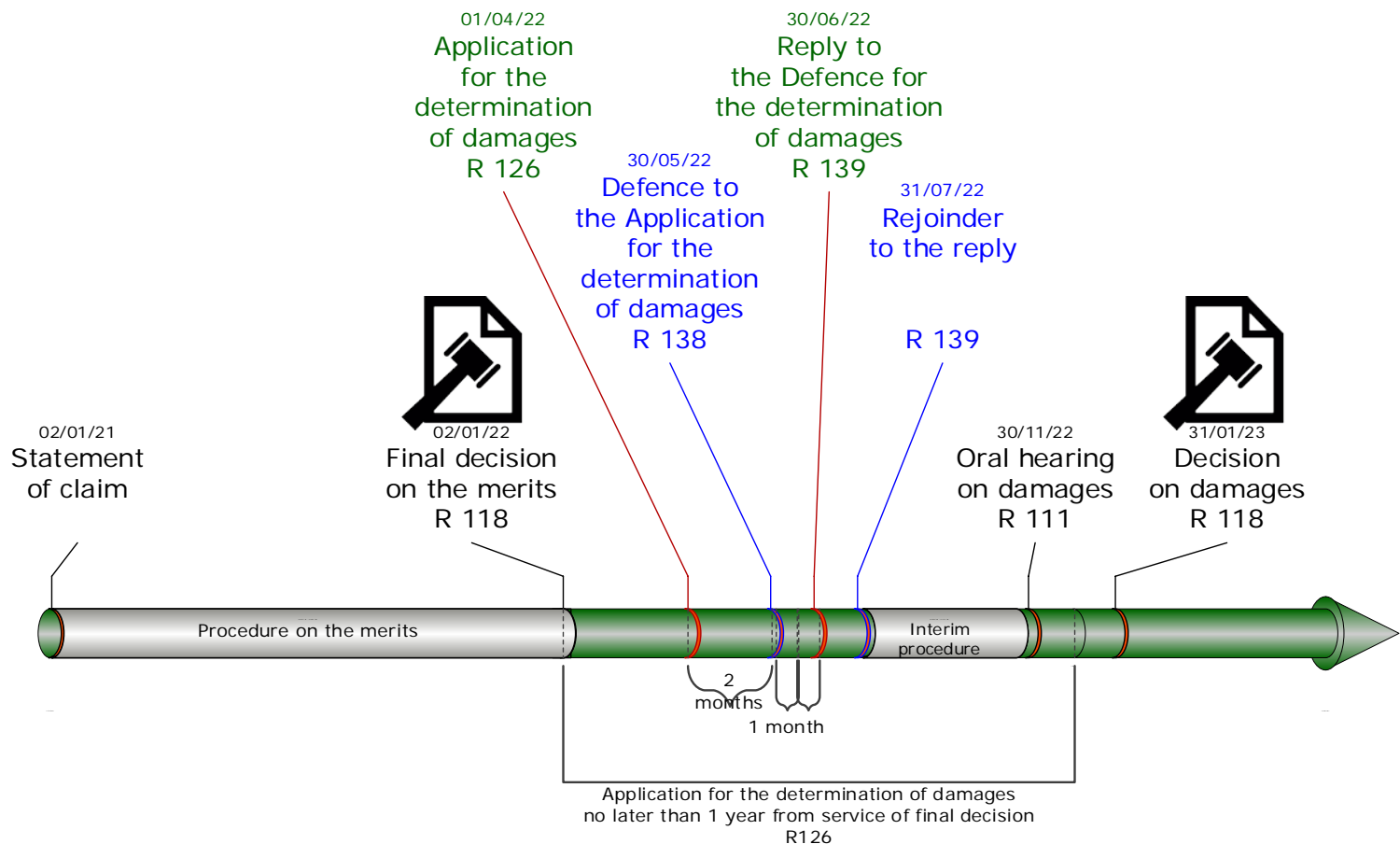
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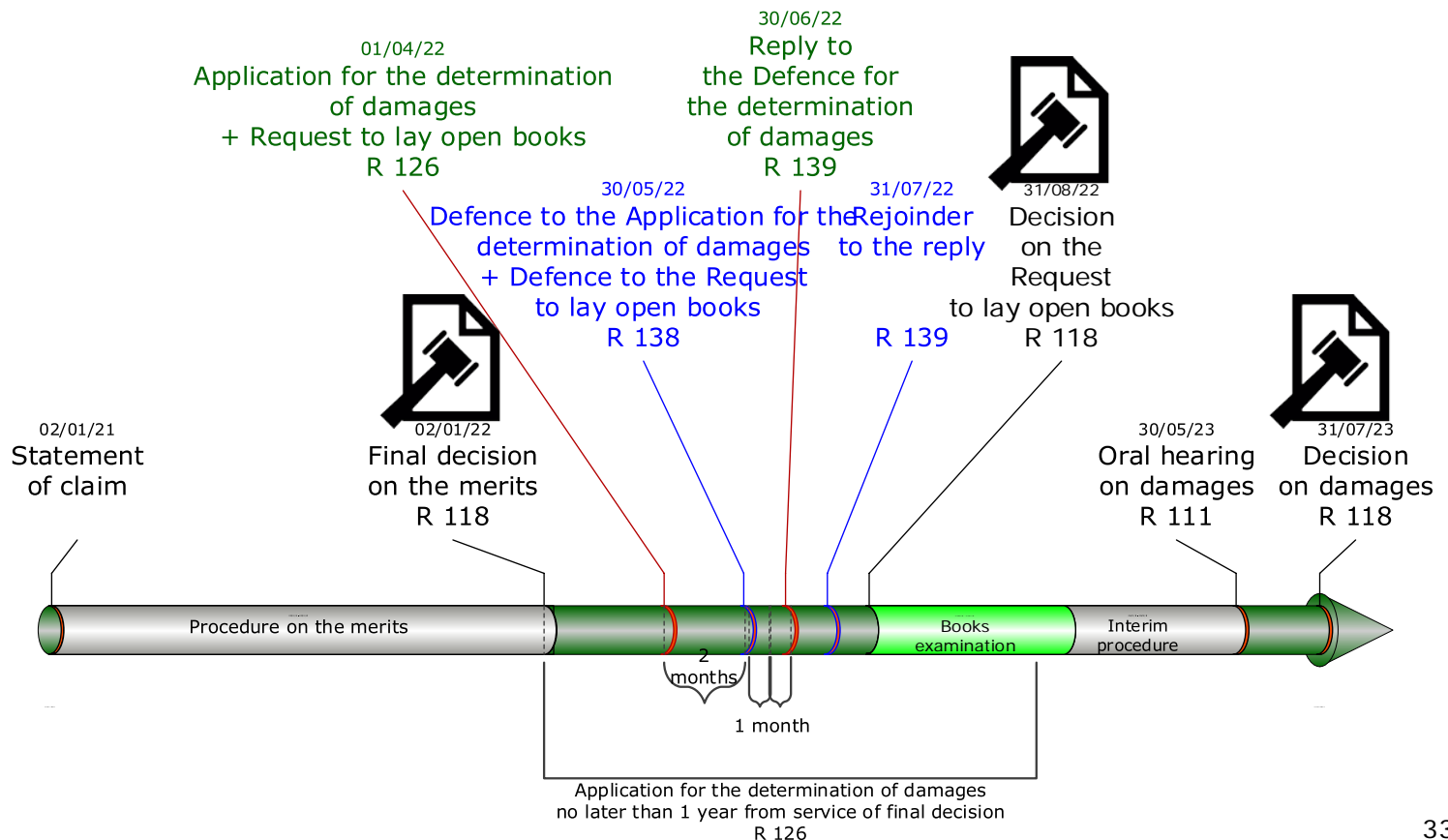
# "Medium tour" Procedure for the determination of damages







# "Long tour" Procedure for the determination of damages



**Pierre Véron**

**Thank you**



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