

letzungsgericht die Höhe des Schadensersatzbetrages herabsetzen, jedoch nicht unter den Betrag einer angemessenen Lizenzgebühr.

III. Prozessuale Erleichterungen bei der Bestimmung von Schadensersatz

Bereits nach § 248 der Japanischen Zivilprozessordnung (JZPO)^{19, 20} können die Gerichte bei erheblichen Schwierigkeiten der Schadensersatzbestimmung eine Berechnung im Rahmen ihres Ermessens vornehmen.

In Hinblick auf Patentverletzungsverfahren wurde zum 1.1.2000 durch Einführung von § 105^{ter} JPatG²¹ eine Präzisierung vorgenommen. Hintergrund hierzu ist, dass die Berechnung des Schadensersatzbetrages unter Verwendung der Methoden von § 102 JPatG schwierig sein kann, wenn der Preis des Produktes aufgrund der patentverletzenden Handlungen reduziert werden musste und/oder es schwierig ist, die Gewinnmarge und die Beiträge zur patentierten Erfindung zu berechnen. Außerdem kann die Beweisführung für Verkäufe in bestimmten geographischen Gebieten schwierig und mit hohen Kosten verbunden sein. Die Bestimmung des vollständigen Schadensersatzbetrages kann somit wegen der aufwendigen Ermittlung sämtlicher zur Stützung eines angemessenen Schadensersatzbetrages notwendiger Fakten (Verkaufsmengen etc.) äußerst schwierig sein. § 105^{ter} JPatG ermöglicht nun für solche Fälle eine Vereinfachung der Bestimmung von Schadensersatzbeträgen.

Das Verletzungsgericht kann zudem zur Festsetzung von Schadensersatz wie auch zur Erleichterung des Nachweises von Verletzungshandlungen auf Antrag einer der Parteien die Vorlegung von Dokumenten anordnen (§ 105(1) JPatG).

Eine zum 1.4.2005 in Kraft getretene Änderung von § 105 JPatG berücksichtigt, dass der Inhaber dieser Dokumente deren Vorlegung verweigern kann, wenn er hierfür einen guten Grund hat (§ 105(1) JPatG). Vom Gericht wird dies unter Ausschluss der Öffentlichkeit geprüft, wobei die Dokumente nur dem Gericht vorgelegt werden müssen (§ 105(2) JPatG). Die neue Bestimmung von § 105(3) JPatG sieht nun vor, dass das Gericht diese Dokumente der die Vorlegung der Dokumente beantragenden Partei und/oder ihrem rechtlichen Vertreter offenbaren kann, wenn es dies für nötig hält.

Zum Schutz des mutmaßlichen Verletzers vor dem Verlust von wertvollem Know-how wurden in das japanische Patentgesetz Bestimmungen zur Geheimhaltung durch den Rechtsinhaber sowie zur Beschränkung der Akteneinsicht und zum Ausschluss der Öffentlichkeit von der Gerichtsverhandlung aufgenommen (§ 105^{quater}-105^{septies} JPatG).

Zur erleichterten Bemessung von Schadensersatz wurde zum 1.1.2000 außerdem die Bestimmung von § 105^{bis} JPatG eingeführt, welche die Mitwirkung von Gutachtern zur Bestimmung der Schadenshöhe vorsieht²². Gutachter können danach die zur Berechnung von Schadensersatz erforderlichen Maßnahmen zusammenstellen, wobei die beteiligten Parteien zur Mitwirkung verpflichtet sind.

19 § 248 JZPO – Festlegung der Schadenshöhe: Ist darüber zu entscheiden, dass ein Schaden entstanden ist, dessen Höhe wegen der Art des Schadens äußerst schwer zu beweisen ist, kann das Gericht die angemessene Höhe auf der Grundlage des gesamten Inhalts der mündlichen Verhandlung und des Ergebnisses der Beweisaufnahme festlegen.

20 Hideo Nakamura und Barbara Huber, Die japanische ZPO in deutscher Sprache, Carl Heymanns, 2006.

21 § 105^{ter} JPatG: Wenn in einem Gerichtsverfahren erkannt wurde, dass in Hinblick auf die Verletzung eines Patentrechts oder einer exklusiven Lizenz ein Schaden verursacht wurde, kann das Gericht auf der Grundlage des gesamten Inhalts der mündlichen Verhandlung und des Ergebnisses der Beweisaufnahme einen angemessenen Schadensersatz gewähren, wenn es aufgrund der Eigenart der relevanten Tatsachen äußerst schwierig war, die zum Nachweis des Schadens notwendigen Tatsachen zu beweisen.

22 § 104^{bis} JPatG: In einem Gerichtsverfahren betreffend die Verletzung eines Patentes oder einer exklusiven Lizenz soll im Falle der Anordnung durch das Gericht auf Antrag einer Partei, dass ein Expertengutachten in Hinblick auf die für den Nachweis des Schadens, der durch die Verletzung hervorgerufen wurde, notwendigen Dinge abgegeben werden soll, die andere Partei dem Experten die zur Anfertigung des Expertengutachtens benötigten Dinge erklären.

Patent infringement damages in France

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Summary

In France, a well substantiated case as regards damages may lead to a significant award of damages by a court. This usually requires a sound economic analysis with evidence supporting the analysis.

There are no specific rules of assessment of patent infringement damages to be found in the French Intellectual Property Code (IPC) which merely makes a cross reference

to the Civil Code. Following these civil rules, the damages may only be compensatory (and not punitive) and amount to the lost profit of the patentee together with other additional losses. There is no possibility to recover the infringer's profit in France.

The way used to assess compensatory damages will depend upon the determination of the actual situation of the patentee.

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Whatever the assessment method, the French judge will first look at the determination of the so-called “total infringing sales” (*masse contrefaisante*). The “total infringing sales” is the amount of infringing products manufactured. If the infringing means and the more general product or the infringing means and the necessary accessories, are commercially bound together, the infringer may be liable based on such commercial value.

If the patentee works out his invention himself and was in a position to make all of the infringing sales, his lost profit will amount to his lost margin.

If the patentee did not work out his invention 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 rate will be applied to all or the remaining part of the “total infringing sales”.

Where a lost royalty is appropriate, French courts constantly increase the contractual rate which would have been reasonable.

Once the lost profit of the patentee has been assessed, distinct losses may also be proved, based on the harm done to what should have been for the patentee a factual monopoly on the patented invention. Such distinct harm may notably be characterized by the prices erosion, the depreciation of the patent, or the loss of a chance to license or assign the patent.

Finally, 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 part of attorney’s fees and court appointed experts fees.

Except in very straightforward cases, the French courts usually appoint an expert to assess patent infringement damages. The expert holds meetings with the parties and discusses his opinion with them before filing a report for the court. The court is not bound by the report of the expert but usually follows his findings.

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Introduction

Even if the French judicial system and the German one are both stemming from the Roman-German tradition, the way judges assess damages in each country reveals a number of differences, some of which are worth identifying for German practitioners willing to inform their clients on compensation obtainable abroad.

Before going into further details as regards patent infringement damages assessment, it may be useful to review:

- (i) the persons entitled to claim for damages,
- (ii) the time period to be taken into account for such assessment,
- (iii) the persons in charge of making such assessment, and
- (iv) the importance of proving the accuracy of the loss to be compensated.

(i) – Plaintiffs and defendants in patent infringement procedures

Plaintiffs

Under French law, the principle is that the action for infringement is brought by the owner of the patent only.

Pursuant to Article L. 615–2 IPC, the exclusive licensee will be entitled to bring such action only if the licence agreement sets it forth and after a prior written demand for the patentee to initiate such action.

The non exclusive licensee is never entitled to bring an action.

When a patentee initiates patent infringement proceedings, any licensee can however join the proceedings and seek compensation for his specific loss, distinct from that of the patentee; according to dominant case law¹, the licensee may only join the proceedings if its license is registered with the Patent Register held at the National Institute of Industrial Property (*INPI*).

Under this case law a licensee is entitled to claim damages only as from the date of registration of his license.

The German mechanism of the *Prozeßstandschaft* does not exist in France, where on the contrary it is not possible to initiate an action on behalf of a third party.

Defendants

As regards liability, under French law, any person unduly making, using, selling, putting on the market or importing in France a patented invention will be considered an infringer (provided, for the mere user or reseller, that they were aware of the infringement).

However, specific actions taking place outside of France may, in limited situations, also be considered as infringing by French courts: this is the case for exportation from another country, where French courts have decided

1 TGI Paris, December 21, 1988, PIBD 453, 196; Paris, September 26, 1991, PIBD 1992, 512, III, 61; TGI Paris, February 9, 2005, PIBD 2005, 809, III, 335.

that the exporter actively taking part into the importation and marketing of the infringing good in France should be considered an infringer.

This makes it possible, for example, to have a foreign parent company held liable jointly with its French subsidiary, when this parent company actively takes part in the infringement.

Contrary to Germany, if a company is held to be infringing a third party's rights in France, its manager is not held personally liable for patent infringement, unless specific circumstances.

(ii) – Time of the infringement

France, like Germany, has a statute of limitation of three years provided for in Article L. 615–8 IPC:

“Infringement claims (. . .) have a statute of limitation of three years from the day the acts of infringement occurred.”

The infringer is therefore liable for all the acts which took place three years before the summons until the day the decision is rendered by the court.

Unlike in Germany, once the statute of limitation applies (i. e. when infringing acts date back more than three years), it is impossible for the patentee to seek any alternative compensation for the infringers' actions.

There is no ground of action comparable to the German unjust enrichment action which may be initiated by the patentee to be compensated for an additional 7 years.

(iii) – Patents courts and court appointed experts assessing patent infringement damages

Ten courts of first instance (*“Tribunaux de Grande Instance”*) have been statutory designated to handle patent cases; this leads to a specialization of a few courts among which Paris and, at a lesser extent, Lyons.

Contrary to the German system, questions of infringement and validity are examined by the same court, which avoids the potential delay due to a stay of infringement proceedings, waiting for a decision on the validity to be rendered.

In France, in patent infringement matters, the average length of first instance proceedings to reach a decision on the liability (is the patent valid and infringed?) is about two years.

Except in very straightforward cases, the French courts do not rule in the same judgment on the liability and on the assessment of damages; rather, they usually appoint an expert while giving injunctive relieves immediately enforceable and provisional damages in favor of the patentee.

The court appointed expert will provide the court with financial information and with an estimate of the compensatory damages at stake.

Although there is no finding of proof such as the American “discovery”, the court appointed expert has wide powers to request accounting documents.

During the expert's investigations, meetings will be held from time to time with both parties who may provide relevant documents to said expert together with their written submissions (known as *“dires”*) which he will have to take into account in his written report to the court.

When the expert believes that he has gathered enough information to provide the court with a report, he must inform the parties of his provisional conclusions (*“pré-*

rapport”); he generally holds a final meeting to hear the parties before filing his report.

The parties may oppose the findings of the expert and such findings are not binding upon the court, but as a general rule, the court will follow the expert opinion.

Where confidential information is disclosed to the expert, a protection is available, usually by limiting the access to confidential data to the parties' attorneys and certified accountants'.

(iv) – Proving the assessment of patent infringement damages

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.

This is however a heavy burden of proof on the shoulders of the patentee.

It should be noted that the French *“saisie-contrefaçon”* (search and seizure order) which usually takes place before the filing of the suit, may allow the patentee to seize invoices and accounting documents in the hands of the infringer; this can prove to be helpful in a later damages assessment.

The top-five damages awards in patent infringement cases are:

- 8.400.000 € (*Interphyto/Ciba Geigy*; Cass. Com., May 23, 1995, PIBD 1995, 592, III, 341)
- 2.888.000 € (*Heriaut/Franquet*; Paris, July 12, 1990, PIBD 1990, 490, III, 704)
- 2.378.000 € (*Mécafrance/Gachot*; Cass. Com., October 27, 1992, PIBD 1993, 537, III, 76)
- 2.245.000 € (*Moderne d'Electronique/Electrolux*; TGI Paris, November 16, 1989, PIBD 1990, 475, III, 205)
- 2.000.000 € (*Technogenia/Ateliers Joseph Mary*; TGI Paris, June, 22 2004, unpublished).

In light of the above general remarks, the French approach to calculation of damages will now be explained.

In this respect, after having set forth statutory grounds for damages (1.), the rules followed to calculate the lost profit (2.) and to estimate the other losses suffered (3.) by a patentee will be detailed.

1. Legal grounds for compensation

Pursuant to Article L. 615–14 IPC, patent infringement in France may give rise to criminal proceedings, but most patentees are looking for a monetary compensation and will therefore only turn to civil courts.

Furthermore, criminal proceedings will require a showing of the intent of the infringer which may be harder to prove.

It is noteworthy that no criminal case over patent infringement has been reported over the last twenty years.

This article is therefore only about the consequences of the civil trial and focused on civil statutory provisions and their application to patent infringement compensation.

1.1 Statutory provisions

Pursuant to Article L. 615–1 IPC: *“Patent infringement gives rise to the civil liability of the infringer.”*

The IPC does not give any further details as regards the assessment of damages for patent 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”.

Turning to the Civil Code, Article 1382 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.

French patent infringement damages therefore consist solely of compensatory damages to the exclusion of punitive damages.

In this respect, in France, any damages awarded by the courts which do not enter the frame set by the Statute are deemed “punitive” and are not allowed.

The provisions of Article 1382 on tortious liability have been combined by case law with those of Article 1149 on contractual liability, the latter stating that compensation usually extends to the “lost profit” (*gain manqué* or *lucrum cessans*) and the “loss suffered” (*perte subie* or *damnum emergens*).

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

1.2 Application of civil law provisions to patent infringement damages

Unlike in Germany, plaintiffs in France are not entitled to choose between :

- the lost margin of the patentee; or
- the lost royalty; or
- the recovery of the infringer’s profits.

The method used to assess compensatory damages will depend upon the determination of the actual situation of the patentee.

Actually under the appellation “lost profit”:

- if the patentee works his invention himself, he will recover his lost margin, or
- if the patentee does not work his invention himself (i.e. he did not put the invention into practice at all or he only licensed his rights), he will be entitled to a reasonable royalty.

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

1.3 No recovery of the infringer’s profit

Contrary to German practice claiming the infringer’s profit is never an option for a plaintiff.

In a 1963 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 profit² but exclusively to the actual loss of the plaintiff (be it higher or lower than the infringer’s profit).

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

The rationale is that, following civil liability principles, the plaintiff may get compensation for his actual loss but

nothing more than his actual loss, i.e. the profit he would have made but for the infringement and the other losses he would not have suffered but for the infringement.

There is however a trend to reinstate the possibility of claiming infringer’s profit, notably in view of the Enforcement Directive 2004/48 of 29 April 2004.

2. Calculation of the lost profit

The lost profit amounts to the lost margin on sales, or a reasonable royalty, or even a mix of both of these.

In any case, the French court will first look at the determination of the so-called “total infringing sales” (*masse contrefaisante*) which represents the extent of the infringement.

2.1 Total infringing sales

The *masse contrefaisante* is the amount of infringing products manufactured, 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 with regard to statute of limitation.

2.1.1 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 relates 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.

As the Court of First Instance of Paris³ held, the “fact that the court refers to the minutes 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”.

2.1.2 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” (*tout commercial*) theory to determine what the infringer has actually been able to market due to his infringement.

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

It would not make economic sense to try ascertaining solely the part of the sale that was covered by patent 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.

2 Paris, 4th chamber, 22 February 1963, Ann. P.I 1963, p. 377, TGI Seine, 3rd chamber February 1964, JCP Ed. G, 1965, 14334.

3 TGI Paris, June 27, 1997, PIBD 1997, 642, III, 578.

As the First Instance Court of Paris⁴ put it, 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 sell independently from the infringed product*”.

E.g. in a case where patented stands were used to maintain specifically designed road signs, the Paris Court of Appeals⁵ 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 road signs is ignored*”.

Only the commercial dimension of the tie between the patented part and the non patented part is relevant. The fact that the patented 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.

2.1.3 The “springboard effect”

In an interesting case decided in 2001, the First Instance Court of Paris⁶ 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.

As the Court indicated:

“It is beyond doubt that the sale of the infringing product for 18 months gave 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 of the unfairly gained clients bought the substitute.

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

Therefore, the Court held that:

“It should be considered that a part of the sales realized after May 31, 1997 and until December 31, 1997 of the defendants corresponds to sales missed for [the plaintiffs].”

2.2 Does the lost profit amount to the lost margin or to the lost royalty?

Once the “total infringing sales” has been quantified, the judge will determine if the patentee directly worked his patented invention 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.

As the Paris Court of Appeals once said, the exploitation in France is usually characterized by the “*sale, offer for sale and marketing of the manufactured product*”⁷.

If the patentee worked his patented invention at the time when the infringement took place, he will be entitled to recover his lost margin on the sales he did not make due to the infringement.

If the patentee did not work the invention 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 patentee/holding company.

In this respect, in a case where the patentee/holding company was trying to recover its lost profit on the sale of the infringing products, the First Instance Court of Paris⁸ 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 although 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;

The reason is that, 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”.

2.3 The patentee’s lost profit

If the patentee worked out his patented invention at the time when the infringement took place, he will be entitled to claim for the profit he has lost.

The next determination for the court to make is then whether the patentee would have made 100 % of the sales corresponding to the “total infringing sales”.

It is well settled case law 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 get the right to make and sell the patented invention.

In this respect, the *Cour de cassation* (the highest French court for civil cases)⁹ 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.

As the Court indicated:

“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”.

4 TGI Paris, February 24, 1984, PIBD 1984, 350, III, 169.

5 Paris, April 24, 1986, PIBD 1986, 397, III, 309.

6 TGI Paris, 3rd ch. 3rd sect., May 7, 2001, RDPI 2002, No. 133, p. 21.

7 Paris, May 10, 1990, Ann. P.I. 1990, p. 53.

8 TGI Paris, February 5, 1982, DB 1982, VI, 6.

9 Cass. Com., October 27, 1992, PIBD 1993, 537, III, 76.

2.3.1 An advantageous determination for the plaintiff

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.

In fact, 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 the infringer’s burden 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.

Balancing factors depend on the factual situation and there is no limitative list of these factors, the main ones being:

- the industrial and commercial capacity of the patentee; in this respect, where only part of the manufacturing would have been possible on the side of the plaintiff, the *Cour de cassation*¹⁰ held that the plaintiff would recover its lost margin on the potential additional manufacturing but that he would only be entitled to a lost royalty for the part which he could not have done;
- the existence of commercial 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*”¹¹ and (ii) where numerous substitutable solutions are offered for sale at an equivalent price; as the First Instance Court of Paris once held in a matter concerning 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*”¹².

When the patentee works out his invention, once balancing factors have or not been applied to the “total infringing sales”, the applicable lost margin must be assessed.

2.3.2 The calculation of the margin lost

The formula to reach 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 Paris¹³ has indicated 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*”.

Consequently, as the Court of Appeals of Paris¹⁴ once stated, only the “*proportional costs required for the manufacturing and the marketing of the products*” must be taken into account.

At this point it is of interest to draw a parallel between this situation in France and the German assessment of the infringer’s profit.

Actually, even if the legal context is different (damages based on the patentee’s lost profits in France, transfer of infringer’s profit in Germany) the problem at stake is identical: what costs may the manufacturer deduct?

Based on the German Federal Supreme Court Decision “*Gemeinkostanteil*” of 2001, it appears that judges of both countries follow the same rule: variable costs for the manufacturing and marketing should be deducted, but not fixed costs such as rent and research expenses.

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

2.4 The lost royalty

The lost profit of the patentee may amount totally or partially to a lost royalty where the patentee did not work out his patented invention at the time when the infringement took place, or where the patentee worked his invention but would not have made 100 % of the sales corresponding to the “total infringing sales”.

2.4.1 Complement or replacement of the lost margin

If the patentee did not work out his invention 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”.

In this regard, the *Cour de cassation*¹⁵ has, in a case concerning medical devices, noted that the “*patentee did not manufacture nor sell the infringing goods in France but had a subsidiary manufacture them in Ireland and sell them to a Dutch importer which marketed the devices in Europe through affiliates, one of them being responsible for the marketing in France*”; consequently, the *Cour de cassation* decided that a Court of Appeal was right in deciding that use of the patented invention outside of France does not amount to the required use, with the result that a plaintiff working out the invention outside of France will only be entitled to recover for its lost royalty.

2.4.2 Basis to which the royalty rate will be applied

In the previously mentioned *Cour de cassation* case, the judges clearly indicated that “*the basis for the lost royalty should be the turnover of the infringer*”¹⁶.

Because damages consisting of a lost royalty are assessed by applying a royalty rate to the infringer’s turnover, once this basis has been determined, a rate must be set and applied by the court.

2.4.3 Finding the contractual royalty rate

As in Germany, courts will first search for references allowing them to have an estimate of what a contractual royalty rate on the market would have been.

In this respect, judges consider the licensing royalties for similar inventions in the same industry.

10 Id.

11 Paris, September 13, 1988, PIBD 1989, 447, III, 2.

12 TGI Paris, November 16, 1989, PIBD 1990, 475, III, 205.

13 TGI Paris, May 7, 2001, unpublished.

14 Paris, February 9, 1995, 587, III, 41.

15 Cass. Com., March 1, 1994, PIBD 1994, 567, III, 287.

16 Id.

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 %*”¹⁷.

If no evidence of a relevant royalty rate is presented to the Court, the judges will assess the reasonable contractual royalty rate according to their own perception of the facts.

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 invention¹⁸.

2.4.4 Increasing the rate

The French courts usually order the infringer to pay a royalty rate higher than the reasonable royalty.

It seems that this practice is close to the German practice where courts are trying to distinguish the imaginary license agreement from an ordinary one, by adding a markup to be paid by the infringer.

In France, in a 1984 case, the First Instance Court of Paris¹⁹ 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*”.

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 compensated²⁰.

To unify the practice of the courts, the *Cour de cassation*²¹ 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]*”.

It is now common practice for the courts to increase the reasonable contractual rate by an average 50 %.

This means that when the standard market rate would be 5 %, then the Court will set the royalty to 7 % or 8 %.

E.g. in a case setting a record royalty rate, the Court of Appeals of Paris²² held that:

“*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*”

Because the lost profit is proportional to the extent of the infringement, in most cases, it constitutes the major part of the compensatory damages awarded to the patentee.

Nevertheless, some additional losses may be proved by the patentee and compensated.

3. Other losses and ancillary matters

Once the lost profit of the patentee has been assessed, pursuant to Article 1149 of the Civil code, said patentee 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 patented invention (3.1.).

Furthermore, courts will compensate the money depreciation that occurred from the time when the infringement began until the day when the decision was rendered (3.2.).

Additionally, the costs of the proceedings may be partially supported by the losing party (3.3.).

3.1 Price erosion and other losses

A damages award based on the ground of breach of the patentee’s monopoly must theoretically result from a harm which is different from the harm which gives rise to the lost profit.

Such distinct harm is frequently characterized by:

- the price erosion: compared to the German practice where the reduction of his own price by the patentee can be included in the lost profits of the patentee, it is interesting to note that the *Cour de cassation*²³ held that the fact for the patentee to have been forced to limit the increase of his product’s price constitutes a distinct loss; 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.
- the depreciation of the patent; the infringement lessens the value of the patent; French courts frequently grant a flat amount of damages for the depreciation of the patent.
- the loss of a chance to license or assign the patent; on a case by case basis, the patentee may be able to prove that due to the infringement, he lost opportunities to enter into agreements concerning his invention or the patent itself; 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 loss²⁴.

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

3.2 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)*”²⁵.

17 TGI Paris, October 18, 1989, PIBD 1990, 471, III, 70.

18 Paris, May 22, 1986, Ann. P.I. 1987, p. 213.

19 TGI Paris, July 6, 1984, PIBD 1985, 360, III, 18.

20 Paris, May 11, 1989 DB 1989, II, 4.

21 Cass. Com. February 19, 1991, Ann. P.I. 1991, p. 4.

22 Paris April 24, 1998, *L’Oréal v. Estée Lauder*, RDPI 1998, No.86, p. 11.

23 Cass. com. May 23, 1995, PIBD 1995, 592, III, 341.

24 Cass. Com., January 16, 1996, PIBD 1996, 608, III, 175.

25 TGI Paris, October 5, 1989, PIBD 1990, 448, III, 34.

3.3 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's 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.

Closing remark

The determination of adequate damages to be awarded to the patentee in patent infringement cases involves a so-

phisticated assessment process and can be time consuming. It nevertheless allows a patentee to be satisfactorily compensated for the loss he actually incurred, even if some patentees would of course favour the award of more dissuasive amounts of damages which would render infringement financially unsound. However, even in the absence of punitive damages, the French damages system is currently in line with the requirements of Article 13 of Directive 2004/48/EC following which: "*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*"²⁶.

26 Directive 2004/48/EC, April 29, 2004, OJEU April 30, 2004, L 157.

An Overview of Patent Infringement Damages in the United States

Erik R. Swanson and Jason T. Christiansen*

Patent infringement remedies in the United States generally take two forms: monetary damages and injunctive relief. Determining the amount of any monetary damage award can be a difficult task for both the parties and the court. The courts have wide discretion in tailoring a monetary award to the specific facts of the case in an attempt to put the patentee in as good a position as he would have been "but for" the infringement. Comparatively speaking, the granting of injunctive relief in patent infringement cases is often much less complicated. This article will provide an overview of the monetary damages that can be recovered by patent owners in an infringement action in the United States. Finally, some of the proposed changes to U.S. patent law as they relate to monetary damages will be presented.

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I. Introduction

In the United States, determining the amount of money that will compensate a patent owner for patent infringement is often more difficult and complicated than the underlying infringement determination. Because each party typically bears its own attorney fees in the U.S., it is important to understand the maximum monetary reward available from a successful infringement lawsuit in order to develop a strategy for pursuing an infringer.

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