

CONSIDERATIONS ON THE CALCULATION OF DAMAGES IN INTELLECTUAL PROPERTY INFRINGEMENT CASES. RIGHT HOLDER'S LOSS AND UNFAIR PROFITS OF THE INFRINGER. CUMULATION

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Abstract

This short article deals with a specific problem of interpretation of Romanian law on the enforcement of IP rights, namely the possibility of having the court set damages to the right holder by taking into account both the right holder's loss and the infringer's unfair profits. The two criteria for the assessment of damages are specifically provided for by law and are also expressly provided for by the EU IP Rights Enforcement Directive which was implemented in Romania. While the possibility of referring to either of the two remains uncontested, the possibility of cumulating the two has been denied in some decisions of the Romanian High Court. In order to do so the High Court has interpreted Romanian law so as to comply with the provisions of the EU Directive read by taking into account one of the recitals to the directive which seems to only allow for the criteria to be used alternatively and not cumulatively.

The article examines this interpretation and concludes that the court ought not to have referred to the text of the EU Directive and that, even if it would do so, could not base its interpretation on the recital, as it did and should have come to the conclusion that the cumulation of the two criteria is possible. In order to do so the article examines the implementation of the Directive in Romanian law, the limitations that the CJEU has imposed on the interpretation of EU acts, the history of the enacting of the EU provisions at issue and the context of the provisions within the directive.

Keywords: Enforcement Directive, damages, cumulation, right holder's loss, unfair profits, infringement of intellectual property rights, calculation of damages, implementation, transposition, EU law.

1. Introduction

1.1. Prologue

The issue of damages, although traditionally "an afterthought", nowadays rises more and more to the forefront of the debate on IP law as the remedies are recognized to be "the big motivators" in IP litigation¹.

This is even more the case in IP litigation than in other civil litigation since there are special rules that govern the calculation of damages in IP infringement cases which supersede the civil law provisions generally applicable in tort cases.

These provisions have developed in Romanian law in time, together with efforts to harmonize Romanian law with international and EU law which Romania needed to transpose in order to comply with international obligations.

Since these provisions originate in a limited number of sources and since this same limited number of sources has led the development of provisions on IP damages in significant number of states, one is to expect a high level of homogeneity in the court practice of these states.

As this article will show, there are still numerous points of divergence on at least the issue here discussed and this divergence can be traced back to a possible equivocal reading of the relevant piece of EU law.

Nevertheless, the present article will propose a reading of the provision in question and a solution to the problem of cumulating right holder's loss and infringer's profits under Romanian law.

1.2. The provisions at issue

The main provision concerned is article 14 of the Romanian Government's Emergency Ordinance no. 100 of 14 July 2005² (hereinafter "GEO 100/2005"), which reads: "

On application of the injured party the competent court shall order the infringer who, with intent, has engaged in an infringing activity, to pay the right holder damages appropriate to the actual prejudice suffered by him as a result of the infringement.

1. When the court sets the damages it shall take into account:

- a) all appropriate aspects, such as the negative economic consequences, especially loss of benefit by the injured party, the unfair benefits accrued to the infringer of the protected industrial property right and, where appropriate, elements, other than economic factors, such as the moral prejudice caused to the right holder; or
- b) as an alternative, where appropriate, it will set the damages as a lump sum on the basis of elements such as at least the amount of royalties or the value of rights which would

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¹ "Fordham 25 (Report 5): IP Remedies", IPKat, accessed 21 April 2017, <http://ipkitten.blogspot.ro/2017/04/fordham-25-5-ip-remedies.html>.

² *Monitorul Oficial*, nr. 643/20.07.2005.

have been due, if the infringer of the protected industrial property right would have requested authorisation to use the intellectual property right in question.

2. When the infringer of the protected industrial property right has, with intent, engaged in an infringing activity the competent court may order the covering of benefits or the payment of damages, susceptible of being pre-established”.

Article 13 of the IP Enforcement Directive reads:“

1. 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 as a result of the infringement.

When the judicial authorities set the damages:

- a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the right holder by the infringement;
- b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.
2. Where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established”.

2. Content

2.1. A different approach in implementation

The preamble to GEO 100/2005 and article 21 thereof clearly indicate that the purpose of enacting this instrument was the transposition of Directive 2004/48/CE of 29 April 2004 on the enforcement of intellectual property rights³ (hereinafter “the IP Enforcement Directive”). However, the differences in the implementation of the directive and the subsequent legislative developments in Romania seem to have

diverged, at least to some extent, from this narrow purpose as will be seen below.

First of all, GEO 100/2005 clearly indicates that its scope is limited to “industrial property rights”. Article 1 of the act states that “(1) The present Government Emergency Ordinance provides for measures, procedures and reparation of damages meant to insure that industrial property rights are respected. (2) For the purposes of this Government Emergency Ordinance, the expression *industrial property rights* includes all industrial property rights provided for by national or EC law or by the international treaties and conventions in this field, to which Romania is a party”. This was confirmed by the authors having analyzed the text of GEO 100/2005⁴ who pointed at the clear distinction made by the Paris Convention for the Protection of Industrial Property of 20 March 1883 and the Convention for the creation of the World Intellectual Property Organization signed in Stockholm on 14 July 1967, Romania being a party to both these conventions and therefore bound by the distinctions there made.

This clearly goes against the purpose of the IP Enforcement Directive which has sought, as its title clearly indicates, that the measures provided therein apply to all intellectual property rights, including industrial property rights, copyright and related rights. For instance, ever since the first European Commission proposal, article 1 clearly indicated that the Directive was to apply to “intellectual property rights”⁵. Moreover, the text of the proposal clearly indicates that it was meant to deal with both industrial property rights and copyright and related rights, for example by listing the substantive law of intellectual property to include, among others, trademarks, designs, patents, copyright and related rights, by including within the measures in the *acquis communautaire* with regard to the enforcement of intellectual property rights references to both industrial property rights and copyright and related rights, by specifically referencing provisions concerning copyright in recitals 15, 18 and 26 and in articles 2 par. (2), 6 and 21 par. (1) as well as in the Annex containing a “List of provisions of Community and European law relating to the protection of intellectual property”. The fact that the IP Enforcement Directive concerned all intellectual property rights (and not just industrial property rights) was also acknowledged in the Romanian literature⁶.

Even though the second paragraph was amended by means of Law no. 280/2005 for the approval of Government Emergency Ordinance no 100/2005 on the enforcement of industrial property rights⁷, par. (2) of article 1 was changed as follows: “For the purposes of

³ OJ, L 157, 30.04.2004.

⁴ Bucura Ionescu, “Ordonanța de urgență nr. 100/2005 privind asigurarea respectării drepturilor de proprietate industrială. Nou instrument juridic de combatere a fenomenului de contrafacere în România,” *Revista Română de Dreptul Proprietății Intellectuale* 4 (2005): 73-74.

⁵ European Commission, “Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights,” COM/2003/0046 final.

⁶ Octavia Spineanu-Matei, “Apărarea drepturilor de proprietate intelectuală. Compatibilitatea legislației românești cu Directiva 2004/48/EC a Parlamentului European și a Consiliului din 29 aprilie 2004,” *Revista Română de Dreptul Proprietății Intellectuale* 2 (2005): 47-51.

⁷ *Monitorul Oficial*, nr. 897/7.10.2005.

this Government Emergency Ordinance; the expression *industrial property rights* includes all industrial property rights provided for by national or EC law or by the international treaties and conventions in this field; to which Romania is a party” (strikethrough added). While deletion of the last comma is a sensible amendment, deletion of the first comma is not and much less so the apparent enlargement of the scope of the provision to encompass “all rights provided for by” law, thus not only industrial or intellectual property rights but any rights, of any nature, provided by national, EC or international law. Such enlargement would defeat the purpose of indicating in the – still unamended – par. (1) of the same article, the scope as being limited to industrial property rights, now enlarged by par. (2) to encompass virtually any right provided by law.

The IP Enforcement Directive was also transposed in Romanian law in what concerns copyright, but was done so by means of a separate act, Government Emergency Ordinance no. 123 of 1 September 2005, concerning the modification and amendment of Law no. 8/1996 on copyright and related rights⁸, which clearly indicated, both in the Government’s Statement of Motives and in article 79, that the prime reason for its adoption was the need to implement this particular EU Directive.

Choosing to separately implement the IP Enforcement Directive in respect of industrial property rights on the one hand and copyright and related rights on the other is not only a divergence in form but also in substance since, in what damages are concerned, these were added by point 62 of Government Emergency Ordinance no. 123/2005 to par. (2) of article 139 in Law no. 8/1996 with the following wording: “In setting damages the court takes into account: a) either criteria such as the negative economic consequences, especially loss of benefit by the injured party, the unfair benefits accrued to the infringer and, where appropriate, other elements than economic factors, such as the moral prejudice caused to the right holder; b) or damages set at the triple of sums that would have been legally due for the type of use corresponding to the infringing acts, where the criteria under a) could not be applied”.

While the complete disappearance of par. (3) can be attributed to the original faulty transposition of the Directive text, letter b) of article 139 par. (2) of Law no. 8/1996 is no mere transposition but the creation of a new regime, whereby in situations where the criteria under letter a) can’t be applied (which is stricter than an alternative, where appropriate, as used in GEO 100/2005), the infringer shall be obliged to three times the “sums that would have been legally due” (different than “a lump sum on the basis of elements such as at least the amount of royalties or the value of rights which would have been due” had proper authorization been sought).

The above serves to indicate that the Romanian legislator has diverged in the implementation of the IP Enforcement Directive from a pure transposition of the directive’s provisions and has enacted a regime for the enforcement of IP rights with some particularities.

2.2. The problem of cumulation in the calculation of damages

The problem in the practice of the Romanian courts stems from the reading of article 14 par. (2) of GEO 100/2005 and article 139 par. (2) of Law no. 8/1996.

The High Court has indicated, in three decisions⁹, that, in setting the damages, the court may not order damages having regard to both the right holder’s loss and the infringer’s unfair benefits. The court has indicated that the provisions in national law are “not clear and unequivocal, given the exemplifying character of the hypotheses, which arises from the use of the word “especially””. In order to interpret the national provisions the court has looked at the provisions of recital 26 of the preamble to the IP Enforcement Directive (transposed by the national provisions) which reads “With a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the right holder should take account of all appropriate aspects, such as loss of earnings incurred by the right holder, *or* unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the right holder” (emphasis added).

For the court, the use of the conjunction “or” in the enumeration in recital 26 indicates that the EU legislator has meant for the two criteria (even if given as examples) to be alternative and not cumulative.

Moreover the court has indicated that the right holder, as plaintiff, has the choice of which criteria to claim under (either of the two being susceptible of cumulation with moral damages), such choice pertaining to the litigation strategy envisaged by the right holder and by the anticipation of the evidentiary burden presupposed by any of the hypotheses and by the volume of the infringement.

Therefore the position of the Romanian High Court is that the right holder can only claim damages under one of the two criteria provided for in the national law: either as loss of his own benefit or as unfair benefits accrued to the infringer, but not both. In order to arrive at this conclusion the High Court has based its assessment solely on the provisions of recital 26 of the preamble to the IP Enforcement Directive.

⁸ *Monitorul Oficial*, nr. 843/19.09.2005.

⁹ ICCJ, s. I civ., Decision no. 531/14.02.2014, ICCJ, s. I civ., Decision no. 2072/27.06.2014 and ICCJ, s. I civ., Decision no. 1610/12.06.2015.

2.3. The limits of using the preamble of the Directive in order to interpret a provision of EU law

The first issue to be dealt with concerns determining the interpretative power than can be attributed to recital 26 of the preamble to the IP Enforcement Directive.

The CJEU has established that “the preamble to a Community act has no binding legal force and cannot be relied on either as a ground for derogating from the actual provisions of the act in question or for interpreting those provisions in a manner clearly contrary to their wording (Case C-162/97 *Nilsson and Others* [1998] ECR I-7477, paragraph 54, and Case C-308/97 *Manfredi* [1998] ECR I-7685, paragraph 30)”¹⁰.

It is therefore indisputable that recital 26 of the preamble to the IP Enforcement Directive on its own has no binding legal force and therefore can’t be relied on in order to (i) derogate from the provisions or to (ii) interpret those provisions “in a manner clearly contrary to their wording”.

Our argument is that the provisions in Romanian law are unequivocal and that a grammatical interpretation of the provisions clearly allows for both the loss to the right holder and the unfair benefits obtained by the infringer are to be taken into account by the court on setting the damages.

This is because article 14 par. (2) letter (a) of GEO 100/2005 states: “*all appropriate aspects, such as the negative economic consequences, especially loss of benefit by the injured party, the unfair benefits accrued to the infringer of the protected industrial property right and, where appropriate, elements, other than economic factors*”, which would have one read that the court ought to take into account all aspects, among which (without being limited to) economic factors of which the court should especially look at the right holder’s loss of benefit, the infringer’s unfair benefits and, only where appropriate, factors other than the economic ones.

The same is true for article 139 par. (2) letter (a) of Law no. 8/1996 with the only difference that taking into account “all appropriate aspects” is not expressly mentioned.

Therefore the fact that there are two economic factors enumerated which the law requires courts to especially have in mind (without them being considered as alternatives being expressly provided for) indicates that the legislature’s intent was for the courts to have both factors, especially, in mind, without excluding the possibility that other economic factors could be considered.

This appears all the more true when one looks at another difference between the Romanian legal

provisions and those of the IP Enforcement Directive. Thus, article 13 par. (1) letter (a) of the IP Enforcement Directive makes no use of the word “especially”, as do the Romanian provisions. These provisions are therefore even less likely to be considered equivocal than their EU counterparts. Use of the word especially before the enumeration of lost benefits and unfair benefits can therefore only mean either that lost benefits are to be considered “especially” while unfair benefits are to be still taken under consideration but not “especially” (meaning that cumulation of the two is still possible) or that the two elements enumerated are to be considered foremost, with others possibly taken under consideration as well, depending on the case. Given the fact that the law clearly requires the court to take into account “all appropriate aspects” and there can be no discernible reason for the loss of benefit to be preferred to unfair benefits, we tend to favor the latter interpretation.

Either way, to our mind, there can be no reading of the Romanian provisions that can be considered equivocal on the possibility of the court taking into consideration both the loss of benefit and the unfair benefits when setting the damages to be awarded to the right holder.

If we were to consider that the Romanian provisions were indeed unclear and therefore called for an interpretation and that in such interpretation of the provisions the court were to seek guidance in the IP Enforcement Directive and, furthermore, in so doing, that the court would look at recital 26 of the preamble the question that needs to be answered is whether an interpretation to the effect that cumulation is not allowed would be “clearly contrary to the wording” of article 13 par. (1) letter (a) of the IP Enforcement Directive.

In *Tyson Parketthandel*¹¹ the CJEU has indicated that in order to assess whether an interpretation of a provision in light of the preamble would be “clearly contrary to the wording” of that provision one should first verify whether there was an error in drafting the provision in question¹². Then, one would need to see whether the provision, as read without the help of the preamble, “is consistent with the system established by” the EU act in question¹³.

If the answer is in the negative to the first inquiry and in the affirmative to the second, the recital cannot be relied on to interpret the provision in question since such interpretation would be “in a manner clearly contrary to the wording of that provision”¹⁴.

In our case the answer to the first inquiry is clearly in the negative since there is no point in the *travaux préparatoires* or the text of the IP Enforcement Directive as translated in the other languages that could

¹⁰ CJEU, *Deutsches Milch-Kontor GmbH v. Hauptzollamt Hamburg-Jonas* (C-136/04), Decision of 24 November 2005, ECLI:EU:C:2005:716, par. 32.

¹¹ CJEU, *Hauptzollamt Bremen v. J. E. Tyson Parketthandel GmbH hanse j.*, (C-134/08), Decision of 2 April 2009, ECLI:EU:C:2009:229.

¹² *Idem*, par. 17.

¹³ *Idem*, par. 18.

¹⁴ *Idem*, par. 19.

lead one to consider that the drafting of article 13 par. (1) letter (a) could be considered an error.

In respect of the second inquiry, this would require that the reading of the provision as is (i.e. as permitting cumulation) be looked at having regard to the context and the objectives of the IP Enforcement Directive as a whole, in order to determine whether such reading is consistent with the system thus established.

The CJEU has done so in *Liffers*¹⁵, holding that: “In that regard, according to the Court’s settled case-law, for the purpose of interpreting a provision of EU law, it is necessary to consider not only its wording but also the context in which it occurs and the objectives pursued by the rules of which it is part. [...]”

As regards, lastly, the objectives pursued by Directive 2004/48, it must first of all be pointed out that, according to recital 10 thereof, the objective of that directive is to ensure, inter alia, a high, equivalent and homogeneous level of intellectual property protection in the internal market.

Next, recital 17 of that directive indicates that the measures, procedures and remedies provided for therein should be determined in each case in such a manner as to take due account of the specific characteristics of that case.

Finally, recital 26 of the directive states, inter alia, that, with a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer, the amount of damages awarded to the holder of the intellectual property right should take account of all appropriate aspects, including any moral prejudice caused to the right holder.

It thus follows from recitals 10, 17 and 26 of Directive 2004/48 that the objective of that directive is to attain a high level of protection of intellectual property rights that takes into account the specific aspects of each given case and is based on a method of calculating damages that addresses those specific aspects” (citations omitted).

Therefore, the system that the IP Enforcement Directive seeks to create is one that provides “a high level of protection of intellectual property rights that takes into account the specific aspects of each given case and is based on a method of calculating damages that addresses those specific aspects”.

Moreover, in *OTK*¹⁶ the CJEU has held that “It should be noted, first of all, that, as is apparent from recital 3, Directive 2004/48 seeks to ensure that the substantive law on intellectual property is applied effectively in the European Union. Thus, Article 3(2) of the directive requires the measures, procedures and remedies provided for by the Member States to be effective, proportionate and dissuasive.

Whilst recital 10 of Directive 2004/48 refers, in this context, to the objective of ensuring a high, equivalent and ‘homogeneous’ level of protection, of intellectual property in the internal market, the fact remains that, as is apparent from Article 2(1), the directive applies without prejudice to the means which are or may be provided for, in particular, in national legislation, in so far as those means may be more favourable for right holders. It is quite clear from recital 7 of the directive that the term ‘means’ that is used is general in nature, encompassing the calculation of damages.

Consequently, as the Court has already held, Directive 2004/48 lays down a minimum standard concerning the enforcement of intellectual property rights and does not prevent the Member States from laying down measures that are more protective” (citations omitted).

Thus, in both *Liffers* and *OTK*, the CJEU has made clear that the system envisaged by the IP Enforcement Directive is one ensuring a high, equivalent and homogenous level of protection of intellectual property rights, including from the point of view of calculation of damages, such system needing to be effective, proportionate and dissuasive, while not precluding application of any more favorable terms to the right holder.

Therefore, reading article 13 par. (1) letter (a) in a manner that would restrict the manner of calculation of damages that can be sought by the right holder appears to be contrary to the system that the IP Enforcement Directive seeks to impose.

This is all the more true when taking into account the fact that the equivocal reading of the provision seems to stem more from the different wording used in recital 26 than from the wording of the provision at issue itself.

2.4. A look at the enactment of the EU provision at issue

The EU Commission’s “Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights”¹⁷ provided, in article 17, that

1. Member States shall lay down that the judicial authorities shall order an infringer to pay the right holder adequate damages in reparation of the damage incurred by the latter as a result of his intellectual property right being infringed through the infringer having engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement.

¹⁵ CJEU, *Christian Liffers v. Producciones Mandarina SL, Mediaset España Comunicación SA, formerly Gestevisión Telecinco SA* (C-99/15), Decision of 17 March 2016, ECLI:EU:C:2016:173, par. 14, 21-24.

¹⁶ CJEU, *Stowarzyszenie „Oławska Telewizja Kablowa” v. Stowarzyszenie Filmowców Polskich* (C-367/15), Decision of 25 January 2017, ECLI:EU:C:2017:36, par. 21-23.

¹⁷ European Commission, “Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights”, 30 January 2003, COM/2003/0046 final.

To this end, the competent authorities shall award, at the request of the prejudiced party:

- a) either damages set at double the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question;
- b) or compensatory damages corresponding to the actual prejudice (including lost profits) suffered by the right holder as a result of the infringement.

In appropriate cases, Member States shall lay down that the prejudice suffered can also be deemed to include elements other than economic factors, such as the moral prejudice caused to the right holder by the infringement.

2. In the case provided for in paragraph 1, point (b), Member States may provide for the recovery, for the benefit of the right holder, *of all the profits made by the infringer which are attributable to that infringement and which are not taken into account when calculating the compensatory damages.*

For calculating the amount of the profits made by the infringer, the right holder is bound to provide evidence only with regard to the amount of the gross income achieved by the infringer, with the latter being bound to provide evidence of his deductible expenses and profits attributable to factors other than the protected object” (emphasis added).

Recital 24 of the preamble to the proposal was even more explicit: “With a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who has engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the right holder should be set either at a fixed rate equal to double the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question (the aim being to allow for compensation based on an objective criterion while taking account of the expenses incurred by the right holder, such as the costs of identification and research), or according to the actual prejudice (including loss of earnings) suffered by the right holder (compensatory damages), *to which must be added the profits made by the infringer, which are not taken into account in calculating the compensatory damages.* It must also be possible to take into account other elements, such as the moral prejudice caused to the right holder” (emphasis added).

This was also included in the EU Commission’s explanatory memorandum: “Article 17 on damages supplements the provisions of Article 45 of the TRIPS Agreement. Paragraph 1 confirms the principle that the damages are intended to compensate for the prejudice suffered because of an infringement committed

intentionally or by mistake. Paragraph 1 accordingly lays down that the prejudiced party is entitled either to fixed-rate damages equal to double the amount of the royalties or fees which would have been due if the infringer had requested authorisation (the aim being to provide for full compensation for the prejudice suffered, which is sometimes difficult for the right holder to determine. This provision does not constitute punitive damages; rather, it allows for compensation based on an objective criterion while taking account of the expense incurred by the right holder such as administrative expenses incurred in identifying the infringement and researching its origin) or to compensatory damages (corresponding to the losses suffered by the right holder, including loss of earnings). It is further laid down that elements other than economic factors may be taken into account in calculating the damages, such as the moral prejudice caused to the right holder by the infringement. Paragraph 2 provides that, in appropriate cases, *profits made by the infringer which are not taken into account in calculating the compensatory damages may be added.* The idea is to provide a deterrent against, for example, intentional infringements perpetrated on a commercial scale. For calculating the aforementioned profits, the right holder is bound to provide evidence only with regard to the amount of the gross income achieved by the infringer, with the latter being bound to provide evidence of his deductible expenses and profits attributable to factors alien to the infringement” (emphasis added).

This proposal was not significantly altered in the Draft European Parliament’s Resolution on the proposal for a directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights (COM(2003) 46 – C5-0055/2003 – 2003/0024(COD)), amendment 38, which concerned article 17, solely inverting the order of the two existing sub-paragraphs of par. (1) and inserting the possibility of awarding pre-established damages, where available¹⁸.

However, on 9 March 2004, when the proposal was put to a vote in the European Parliament, one EMP has stated that “In December, the Committee on Legal Affairs and the Internal Market voted for a text, which is not going to be approved today, but rather certain amendments are going to be approved which differ radically from what was voted for in that meeting of the committee”¹⁹.

In fact, the consolidated text of the Council of the European Union of the Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights issued on 19 December

¹⁸ EU Parliament, “Report of the Committee on Legal Affairs and the Internal Market on the proposal for a directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights”, 5 December 2003, PE 332.524, A5-0468/2003.

¹⁹ “Debates on Tuesday, 9 March 2004, Strassbourg”, European Parliament, accessed 21 April 2017, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+CRE+20040309+ITEM-003+DOC+XML+V0//EN&language=EN>.

2003²⁰ (only two weeks after the Report of the European Parliament's Committee on Legal Affairs and the Internal Market) provided, in article 17, that "The damages shall be set by the judicial authorities: (a) either by taking into account all appropriate aspects, such as negative economic consequences, including lost profits, which the injured party has suffered, *as well as any unfair profits made by the infringer*" (emphasis added). The consolidated text also provided for the deletion of paragraph (2) as it existed in the Commission's proposal.

Therefore, even by taking into account developments in the Council, the view was that all profits unfairly made by the infringer were to be taken into account, together with negative economic consequences to the right holder (including lost profits) in the calculation of damages.

The UK's delegation to the Council's proposal of 26 January 2004²¹, which offered a version more closely resembling the final wording of the provision, consolidated the two subparagraphs of par. (1), maintained the deletion of par. (2) and read "The damages, which shall be of a non-punitive nature, may take into account all appropriate aspects, such as the foreseeable negative economic consequences which the injured party has suffered, including lost profits and any royalties or fees which would have been due if the infringer had requested authorization to use the intellectual property right in question, or any unfair profits made by the infringer, and may include elements other than economic factors".

Interestingly enough, the justification indicated in the UK delegation's proposal was that "the level of damages must be determined by the judicial authorities of the Member States. The judicial authorities must retain discretion to take into account all the circumstances of the individual case in assessing damages". Therefore, even in this proposal, the objective was not to impose a limit on the possibility of cumulating criteria in the calculation of damages but rather to keep open to the courts all possibilities in using and combining these criteria when setting damages, all with the taking into account of the specific circumstances of each individual case.

The Council proposal for the amendment of the recitals on 3 February 2004²² provided itself in recital 24 that "the amount of damages awarded to the right holder should be set up either as a lump sum [...], or according to the actual prejudice (including loss of

earnings) suffered by the right holder [...], *to which must be added any unfair profits made by the infringer*" (emphasis added).

An important change has occurred in the 9 February 2004 Council proposal in preparation of agreement at the first reading²³, where recital 24 was amended to the wording of what is now recital 26 ("the amount of damages awarded to the right holder should take account of all appropriate aspects, such as loss of earnings incurred by the right holder, *or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the right holder*") but article 17 par. (1) provided that "When the judicial authorities set the damages, they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, *as well as 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" (emphasis added).

This is particularly relevant because it shows that the wording of the recital as amended was either thought to reflect or at least not affect the possibility of the unfair profits being taken into account together (by use of "as well as any unfair profits") with the negative economic consequences (including lost profits) to the right holder.

In the text agreed by the Permanent Representatives Committee on 16 February 2004²⁴ recital 24 was maintained as in the preparation and article 17 was amended to the current wording of article 13 in the IP Enforcement Directive.

The cumulation of these criteria in the setting of damages was envisaged all throughout the complicated EU legislative process and was provided for expressly, in plain words, even when the recital (now 26) was amended to its current form. In the absence of any express indication to the contrary, this seems like a strong indication that the proposed rewording in recital 24 (now 26) and, subsequently, article 17 (now 13) – such rewording for both the provisions having been finally approved in accordance with the text agreed by COREPER 1 in February²⁵ – has not altered this intention.

²⁰ Council of the European Union, "Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights - Consolidated/annotated text", 19 December 2003, ST 16289 2003 INIT.

²¹ Council of the European Union, "Proposal for a directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights - Suggestions for drafting amendments to 16289/03", 26 January 2004, ST 5657 2004 INIT.

²² Council of the European Union, "Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights - Consolidated text:Recitals", 3 February 2004, ST 5802 2004 ADD 1.

²³ Council of the European Union, "Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights - Preparation of agreement at the first reading", 9 February 2004, ST 6052 2004 INIT.

²⁴ Council of the European Union, "Proposal for a Directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights - Text agreed by the Permanent Representatives Committee", 16 February 2004, ST 6376 2004 INIT.

²⁵ See Council of the European Union, "Proposal for a Directive of the European Parliament and of the Council on the measures and procedures to ensure the enforcement of intellectual property rights - Outcome of the European Parliament's first reading (Strasbourg, 8 to 11 March 2004)", 10 March 2004, ST 7012 2004 INIT.

2.5. The effect of the EU provision on the interpretation of the national provisions at issue

As has been shown above, there is strong evidence that article 13 par. (1) letter (a) in the IP Enforcement Directive should be read and/or interpreted as allowing the cumulation of the right holder's loss of benefit and the infringer's unfair profits as criteria for the setting of damages in IP infringement cases and this irrespective of the provisions of recital 26 of the preamble to the directive.

There is moreover a question as to whether the Romanian courts should, as the High Court has, base their interpretation of the relevant provisions of Romanian law solely on the interpretation of the IP Enforcement Directive, i.e. whether the Romanian courts ought to consider the boundaries set by (or derived from) the IP Enforcement Directive as definitive boundaries that may not have been exceeded by the Romanian legislator on the implementation of the directive.

As the CJEU has held in *OTK*²⁶, "as is apparent from Article 2(1), the directive applies *without prejudice to the means which are or may be provided for, in particular, in national legislation, in so far as those means may be more favourable for right holders*. It is quite clear from recital 7 of the directive that the term 'means' that is used is general in nature, encompassing the calculation of damages. Consequently, as the Court has already held, *Directive 2004/48 lays down a minimum standard concerning the enforcement of intellectual property rights and does not prevent the Member States from laying down measures that are more protective*" (emphasis added).

Therefore, even if the High Court's conclusion that the IP Enforcement Directive precluded the cumulation of the right holder's loss of benefit and the infringer's unfair profits as criteria for the setting of damages in IP infringement cases, in order to hold that the Romanian legal provisions did not allow such cumulation, it should have verified whether such provisions were not "more favorable for right holders" or "more protective" and thus exceeded the limits of the IP Enforcement Directive and, consequently, could not be narrowed down to fit that scope.

Since, as the CJEU has held in *OTK*, "It is quite clear from recital 7 of the directive that the term 'means' that is used is general in nature, encompassing the calculation of damages"²⁷, the possibility of using cumulatively the two criteria for the calculation of damages appears as "more favorable to right holders" than the lack of such a possibility, the narrowing down of such more favorable provisions to match that of the IP Enforcement Directive seems to run counter to the provisions and objectives of that very directive.

The conclusion that the High Court's analysis has not so taken into account the limits of the IP Enforcement Directive's scope is further enforced by the fact that the High Court has held that the IUP Enforcement Directive, having been transposed in national legislation, takes precedence in its application over the provisions of article 45 par. (1) of TRIPS²⁸. In fact, recital 5 of the preamble to the IP Enforcement Directive states that "This Directive should not affect Member States' international obligations, including those under the TRIPS Agreement" and, article 2 par. (3) letter (b) provides that "This Directive shall not affect: [...] (b) Member States' international obligations and notably the TRIPS Agreement, including those relating to criminal procedures and penalties".

Therefore, even when considering the provisions of TRIPS, or other international legislation, the provisions of the IP Enforcement Directive (as implemented in national law) should not be taken to affect Member States' obligations under these international acts and, where overlaps exist, the conflict should be solved by reference to article 2 par. (1) of the directive (since this would be a conflict of internal legal provisions, all such acts being taken to be part of internal law), by application of the means more favourable to right holders.

Moreover, the interpreting of these provisions should not be narrowed down by application of other, general provisions of national law since, as the High Court has stated²⁹, these are provisions of special law, which apply with precedence over those of general law, following the principle *specialia generalibus derogant*. Therefore, as indicated by the High Court³⁰, traditional limits on the calculation of damages in tort do not apply where calculating damages for IP infringement, the latter being regulated with precedence by the legal provisions at issue.

3. Conclusions

Since, as shown above, the provisions of article 14 par. (2) letter (a) of GEO 100/2005 and article 139 par. (2) letter (a) of Law no. 8/1996 cannot be taken to bar cumulation of the right holder's loss of benefit and the infringer's unfair profits as criteria for the setting of damages in IP infringement cases, since not even by reference to article 13 par. (1) letter (a) of the IP Enforcement Directive cannot be read nor interpreted as imposing such ban and since such provisions might even exceed (if taken as more favorable to the right holders) the scope of the IP Enforcement Directive, such cumulation should be allowed.

More research is to be conducted in order to determine how such criteria are to be applied in

²⁶ CJEU, *Stowarzyszenie „Oławska Telewizja Kablowa” v. Stowarzyszenie Filmowców Polskich (C-367/15)*, Decision of 25 January 2017, ECLI:EU:C:2017:36, par. 22-23.

²⁷ *Idem*, par. 22.

²⁸ ICCJ, s. I civ., Decision no. 2072/27.06.2014.

²⁹ *Idem*.

³⁰ *Idem*.

practice, the High Court indicating in one of its decisions³¹ that, although the phrase “unfair benefits” is an independent concept, exceeding economic profits alone, the determination of such must take account of

the part of the benefits that could be attributable to the infringer’s licit activity and therefore not attributable to the infringement at issue.

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³¹ Idem.