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IPJA - EPLAW

CASE LAW ON DAMAGES: FRANCE

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The same legal texts for different infringements

1/ a) the same legal texts:

- TRIPs Agreement, art. 45
- EP Directive 2004, art. 13

b) for the same IP titles: the French Intellectual Property Code (IPC):

- author's rights L 331-1-3
- designs L 521-7
- patents L 615-7
- trademarks L 716-14

The same legal texts for different infringements (continued 1)

2/ for different infringements

a) Piracy to pass false goods for real goods:

- i.
 - deceiving consumers
 - health violations (medicinal products, toys ...)
 - safety violations (automotive parts ...)
- ii. Criminal sanctions must be punitive and dissuasive.
The injured parties benefit from it, sometimes generously as they receive more money.
[Supreme Court, Crim., January 13, 2016, Barrachin v. Hermes – trademark, abuse of trust]
[Supreme Court, Crim., September 25, 2012 Mubility – author’s rights on the Internet]

b) The breach or violation of the legal boundary between freedom of competition and monopoly.

- i. “good faith” and responsibility as of right (manufacturer, importer art, L 615-1 IPC).
- ii. the Civil Court is required for the purposes of equity :
 - to fully compensate the losses suffered by the injured party
 - without additional undue enrichment
 - without punitive or dissuasive damages.

The difficulties

- 1/ a) “to fully compensate for the damage... without losses or profits” (art. 1240 of the Civil Code)
[Paris Court of Appeals, December 9, 2016, Carrera Texas v. Muller]
[Paris Court of Appeals, June 27, 2017, Vorwerk v. Domar Taurus].

b) The punitive civil sanctions:
 - publications
 - confiscation, recall and destruction ...

- 2/ a) i. The injured party should be placed in the position it would have been in if no infringement had taken place (art. 68 2° of the UPC Agreement).

ii. Such a hypothesis, with its economic and financial consequences, is practically impossible to prove, except through indications that corroborate each other, and therefore convince the Court.

b) If the infringer must not benefit from the infringement (art. 68.2 of the UPC Agreement), it is because it must be considered that its profits are solely attributable to the infringement; nevertheless such a circumstance of fact is here again difficult to determine and above all to prove.

- 3/ Hence the second prong of the alternative (art. L 615-7 § 2 IPC):
 - the lump sum whose amount is not to be proven
 - however, the injured party must demonstrate the minimum threshold for the Court to set the amount.

The Court awarding compensation and the plaintiffs

1/ It is the same French Court as that ruling on the patent's validity and infringement:

- at the patentee's request
- or at the request of the exclusive licensee (art. L.615-2 IPC):
 - if its license does not prohibit it,
 - if after a formal notice sent by his licensee,
the patentee itself does not initiate the infringement action.

N.B. Procedural rule of access to French justice that is imposed on all licensees, regardless of the law that governs the license agreement.

The Court awarding compensation and the plaintiffs (continued 1)

- 2/ a) Before the Court awarding compensation for patent infringement, the following parties can claim compensation for their losses:
- the patentee, its exclusive licensee
 - its non-exclusive licensee
 - and potentially a wholesaler or retailer, whose sales allegedly dropped because of the infringement.

b) But no straw man !

The party cannot ask the Court for compensation for the losses caused to a third party, even when this third party is its wholly-owned subsidiary.
[Paris Court of Appeals March 2, 1971 Michelin v. Uniroyal]
[Paris Court of Appeals, December 9, 2016 Carrera v. Muller ...].

Considering good or bad faith in assessing the damages

1/ a) TRIPs Agreement:

- art. 45.2: if the infringer is in good faith, the damages are limited to the recovery of the infringer's profits (unfairly generated or attributable to the infringement)
- art. 45.1: if the infringer is in bad faith, it must compensate for the damage suffered by the injured parties.

b) Directive 2004/48 is not entirely consistent:

- art. 13-2: if the infringer is in good faith, the damages are limited to the recovery of the infringer's profits
- art. 13-1: if the infringer is in bad faith, it must pay "damages appropriate to the actual damage suffered by [the injured party]..."; here the Judge must take into consideration "the unfair profits..." (art. 13-1.a).

Considering good or bad faith in assessing the damages (continued 1)

2/ The TRIPs Agreement EP Directive and UPC seem to be considered as less favorable than the French system.

- a) This is because, in accordance with article 1240 of the French Civil Code:
the injured party must be fully compensated for all its losses (lost profits, lost earnings...)
whether the party that caused the damage was in good or in bad faith
[Paris Court of Appeals, October 2, 2009, Heliance v. Une Ligne – author’s rights]

- b) Thus, regardless of the seriousness of the wrongful act,
the reckless driver going through a red light is required to compensate for the victim’s harm,
regardless of whether:
 - the victim is an old man with no heirs,
 - or he is a young husband having many children...

Considering good or bad faith in assessing the damages (continued 2)

3/ a) Patent infringement comes within the scope of such general law governing civil liability (art. L 615-1 IPC and 1240 Civ. C).

The French Courts rule that the manufacturer and the importer even in good faith are liable.

b) The French Judge must answer to each of the guidelines imposed by art. L 615-7 IPC, whether in the negative or in the affirmative, and the amount is sovereignly assessed by the lower Courts.

Among the negative economic consequences, the French Courts do not exclude any guidelines, or any claims made by the injured party [Supreme Court, Comm., December 6, 2016, Axelle v. Goupy and Puits – trademark].

The three main injured parties of the patent infringement

The patent is exploited

The legal monopoly should therefore also be found on the industrial and/or commercial market.

1/ The patent is exploited by the patentee who is entitled to:

- its lost profits (price erosion)
its lost earnings on the sales it would have made in the absence of infringement
- the price of the authorization on the sales it could not have made.

2/ The patent is exploited by the licensee :

i. The licensee is entitled to compensation:

- for its lost profits
- for its lost earnings on the sales it would have made in the absence of infringement

However, is the licensee entitled to the price of the authorization on the sales it could not make?

ii. The patentee is entitled to the royalties:

- that the licensee should have paid it on the sales it would have made in the absence of infringement
- or a lump sum without requiring proof
(as in the case of a subsidiary that exploits the patent of its parent company free of charge)
although it is still necessary to prove the threshold
above which the Court must set such authorization price.

The patent is not exploited:

1/ Because of the infringer,

the patentee will be entitled :

- to the earnings on the sales it could have made
- to the royalties it could have received from a licensee.

2/ Because the patentee or his licensee were not capable of exploiting the patent, the patentee is entitled to only the price of the authorization:

- indemnifying royalty as provided in art. L 615-7 §1 IPC
- lump sum as provided in art. L 615-7 §2 IPC.

Remarks

1/ The patentee cannot ask for the confiscation of the infringer's profits.

It cannot claim as moral harm "the investment savings made by the infringer"

[Paris Court of Appeals, December 9, 2016, Carrera Texas v. Muller].

2/ The moral harm of art. 13 1° a) of the 2004 EP Directive can be compensated in addition to the lump sum of art. 13 1 b)

[ECJ, March 17, 2016, Liffers v. Mandarinina - author's rights].

3/ The profits of the infringer can be taken into consideration to avoid increasing the pecuniary damages, and even to reduce their amount ...

[Paris Court of Appeals, September 25, 2009, Baccarat v. Delsey – trademark].

4/ a) The rate of a contractual royalty may be multiplied by three

[Paris Court of Appeals, June 27, 2017, Vorwerk v. Domar Taurus]

b) However it is an abuse of rights under art. 3 § 2 of Directive EP 2004/48, if the doubling of the hypothetical royalty "will exceed the loss actually suffered so clearly and substantially..."

[ECJ, January 25, 2017, Stowarzyszenie – author's rights].

The French Court and patent infringements outside France

French “privileges”

- 1/ a) art. 14 of the Civil Code allows French injured party to ask the French Court to order remedies for the infringement of:
 - its American patent by an American entity
 - under American law.

 - b) Conversely, art. 15 of the Civil Code allows American patentee to ask the French Court to order remedies for the infringement of:
 - its American patent by a French entity
 - under American law.
- 2/ Such French “privileges” are seldom used in the area of patent law.

In the early 20th century, French Courts “cancelled”:

- a Greek trademark
- a Spanish importation patent.

The European conventions on jurisdiction and the powers of the Courts

1/ a) Brussels 1968 – REG 44/2001 – Lugano October 30, 2007: CH, NO ...
REG 1215/2012 : art 4 1°, 7 2°, 8 1°, 24 4°, 30 and 35.

b) The national Court has jurisdiction if it is:

i. that of the defendant's domicile

[ECJ May 18, 2017, Hummel v. Nike – trademark:
certain real and stable presence from which commercial activity]

ii. the place where the harmful event occurred

iii. the domicile of one of the defendants, in case of related actions:

- ECJ July 13, 2006, Roche v. Primus
no related actions (absence of intra-community trade)
- ECJ July 12, 2012, Solvay v. Honeywell
connection because of the same product at issue,
purchased and sold by the same parties between at least two EU countries.

The European conventions on jurisdiction and the powers of the Courts (continued 1)

2/ The powers of the national Court

- a) The question of the nullity of a patent is under the exclusive jurisdiction of the Court of the State considered as having “recorded” the patent, whether the invalidity of the patent is put forward as an action or as a defence, [ECJ July 13, 2006, Gat v. Luk - art. 24 4° REG 1215/2012].
- b) A way for avoiding forum shopping?
- i. • ECJ March 7, 1995, Shevill v. Presse Alliance (defamation):
the Court can award pecuniary damages to the injured party :
- full damages if it is the Court of the defendant’s domicile
- limited to its own country if it is only the Court of the place of the harmful event
- ECJ September 27, 2017, Nintendo v. Bigben (Community design REG 6/2002) :
The national Court can order community and national remedies, even when it is not the Court of the main defendant’s domicile:
- French infringer manufacturing in France and reselling in Benelux and in Germany to its subsidiary German subsidiary reselling in Germany and Austria
- jurisdiction of the German Court.
- ii. It would be preferable to give a single EP Court full powers, only when it is the Court of the main defendant’s domicile, the defendant that originates the infringement or that is the center of the web in EP:
- EP manufacturer
- EP importer.

The European conventions on jurisdiction and the powers of the Courts (continued 2)

3/ a) The French Court has jurisdiction:

- to examine the infringement, even by equivalence, in France, in Germany, Italy and the United Kingdom
- to order a prohibition, even if it is provisional in summary proceedings.

[Presiding Judge, Paris First Instance Court, July 3, 1998, Iomega v. Syquest).

b) The jurisdiction and powers of the French Court are not disputed by the defendants to apply the foreign laws to the foreign infringements and to the foreign losses:

The French manufacturer of parts supplied to implement the patented invention:

- in France
- in Germany
- in Italy... (2012 – 2017).

The applicable laws

The same national Court can assess the damage resulting from both national and foreign infringements.

However, such an assessment shall be made under various national laws (REG 864/2007 Rome II).

- 1/ Art. 4 1° Rome II generally provides that the applicable law is that of the country when the damage occurred:
 - regardless of the country in which the event giving rise to the damage occurred
 - regardless of the country or countries where the indirect consequences of such event occur.

- 2/ Rome II provides, for infringements of IPR (article 8), that the applicable law is the law of the country for which protection is claimed, or the law of the country in which the act of infringement was committed (in the absence of an applicable Community instrument) (article 8 2.).

The applicable laws (continued 1)

3/ In the case of the example of parts manufactured in France and sold in Europe:

- a) i. In the context of Brussels (REG 1215/2012) and Rome II (REG 964/2007):
 - French law will be used for the assessment of the damage caused by the parts manufactured and sold in France,
 - Italian and German law will be used for the parts sold in Italy and Germany.
 - ii. In the context of the Lugano Convention, the French Court can also assess the damage caused by the infringing parts sold in Norway and Switzerland, according to the law of Norway and of Switzerland.
 - iii. In the context of art. 14 Civ C., the French Court will assess the damage caused by the infringing parts sold in “England-Brexit”, according to the English law...
- b) As concerns infringing sales and purchases over two countries, the injured party cannot claim the same losses twice (lost profits, lost earnings, etc.).

Thank you for your attention

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