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# IMC

Academy of Intellectual Property  
Marketing and Competition Law



Juridiska  
fakulteten

## Calculating and Determining Damages (and Damage) in an Intellectual Property Context

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## About me

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# Legal framework

Directive 2004/48/EC

The Swedish IP Acts

- Copyright Act, Article 54
- Trademark Act, Chapter 8, Article 4
- Design Protection Act, Article 36
- Patent Act, Article 58
- (Marketing Act, Article 37)

Swedish Court Cases

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(Foreign Court Cases)



## Directive 2004/48/EC

### *Preamble*

(26) 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 rightholder should take account of all appropriate aspects**, such as loss of earnings incurred by the rightholder, or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the rightholder. As an alternative, for example where it would be difficult to determine the amount of the actual prejudice suffered, the amount of the damages might be derived from elements such as 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 is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the rightholder**, such as the costs of identification and research.



## Directive 2004/48/EC

### *Article 13*

#### Damages

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 rightholder damages appropriate to the actual prejudice suffered by him/her 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 rightholder by the infringement;

or

(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 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.



## Swedish Law (Example)

Trademark Act (2010:1877), Chapter 9, Article 4:

Anyone who wilfully or with gross negligence commits a trademark infringement, shall pay a reasonable compensation for the exploitation of the trade symbol and compensation for the further damage that the infringement has caused. When the amount of the compensation is decided, particular consideration shall be given to

1. lost profit,
2. profit that has been made by the party that committed the infringement,
3. damage caused to the reputation of the trade symbol,
4. moral damage, and
5. the interest of the right-holder in that infringements are not committed.

Anyone who without intent or negligence commits a trademark infringement shall pay a compensation for the exploitation of the trade symbol if and to the extent that this is reasonable.

*(translation of the 2009 revision)*



## My Research Is *Not* Primarily About...

- How should you calculate damages?
- How do you assess the value of IP rights?
- How much evidence should be required?

→All of the above issues will be addressed, but I will not try to answer them, per se.

→I will, however, assess in which ways the law, the parties and the courts deal with these questions...



## The Main Focus

*How do we view the concept of damage/damages and in which ways is this view expressed in the tort provisions and court rulings?*

E.g.

-Do the courts tend to rely on basic assumptions of what damage and damages is? What are the upsides and downsides of such fundamentals?

-Are the prerequisites in the tort provisions seen as helping guidelines which may be used in order unveil the actual damage – or are they seen as tools that shall be used when deciding the damages?





# Themes

- Damage vs. damages
- Calculating damages vs. determining compensation
- An empirical approach vs. a more deductive one
- Traditional/dogmatic view vs. "something else" / an "IP context-aware" approach



# Analytical Method

Traditional/dogmatic approach

"The X approach"



Causation

Preventive

Calculations

Value

Actual costs

Account of profits

Punitive

Statistical data

Hypothetical costs

Compensatory

Account of profits

Avoiding overcompensation /  
avoiding undercompensation

An overall assessment

Proving the actual damage /  
evidence relief

Determining a fair amount



## Example: NJA 2005 p. 180 (Formsprutarna)

- Supreme Court ruling.
- Infringement (willful) under the Swedish Design Protection Act.
- No evidence presented in relation to damage suffered.
- Damages claim: SEK 40 000 (reasonable compensation) + 95 000 (compensation for further damage).

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-The main goal is to ensure that the right holder is fully compensated.

-Difficult/impossible to present full evidence? → Evidence relief under chapter 35, section 5 of the Code of Judicial Procedure.

-The claimant must, regardless, present the evidence which may reasonably be achieved. → **No reasonable compensation / no compensation for further damage *via evidence relief*.**

-When determining the damages, the court shall also consider preventive interests and other than purely economic factors.

-This is only for making it easier to calculate the actual economic damage (!) → no compensation in excess of the economic damage (!) → therefore, damages must be decided with care/caution (!!!) → **SEK 10 000.**



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**Preventive**

Punitive



# De Sententia Ferenda

(*"Rulings as they should be"*)

Rather: *Law* to its [full] potential

After formulating the problem and analysing how our view of damage and damages shape the IP tort regime – how can the present provisions be applied in order to create a more appropriate/suitable and balanced IP regime overall.

- Guidance and *inspiration* from other EU countries and countries such as USA.



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# Questions / Discussion