

Belgium

Monetary compensation for trademark infringement

The EU IP Rights Enforcement Directive (2004/48/EC) requires EU member states to amend their national laws in accordance with the principles set out in the directive, with a view to harmonising the procedural rules and substantive law relating to the enforcement of IP rights across all member states.

The directive is intended to remove disparities between member states' systems in regard to measures, procedures and remedies relating to the enforcement of IP rights, including:

- measures for preserving evidence;
- the right to obtain information relating to purchases and sales of infringing goods;
- provisional and precautionary measures;
- corrective measures;
- injunctions;
- alternative measures;
- damages;
- legal costs; and
- publicity measures.

Most member states have implemented changes to their national laws in accordance with the directive.

With regard to damages, Article 13 of the directive provides that member states shall ensure that the competent judicial authorities, upon application of the injured party, can order an infringer who knowingly (or with reasonable grounds to know) engaged in an infringing activity to pay the rights holder damages appropriate to the prejudice that it suffered as a result of the infringement. It further specifies that in setting damages, the judicial authorities shall take into account all appropriate aspects, including:

- 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 rights holder by the infringement.

Alternatively, the authorities may, in appropriate cases, set the damages as a lump sum based on elements such as the amount of royalties or fees which would have been due if the infringer had requested permission to use the IP right at issue.

In addition, Article 13.2. of the directive states that member states may provide that where the infringer did not knowingly engage in infringing activity, the judicial authorities can order the recovery of profits or the payment of pre-established damages.

Article 14 of the directive provides that member states shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party are, as a general rule, borne by the unsuccessful party, unless equity does not allow this.

Although it is relatively straightforward for the national courts of member states to deal with most of these remedies, traditionally the national courts have handled the issues of damages and legal costs in different ways. Naturally, there has been little consistency in the ways in which the various courts have approached the award of damages and legal costs.

As a result, the European Communities Trademark Association (ECTA) Anti-counterfeiting Committee commissioned a survey on the way in which the courts of member states approach and deal with the issues of damages and legal costs resulting from trademark infringement. The survey was carried out by Joe Cohen of Collyer Bristow.

This chapter looks at the part of the study relating to Belgium. The survey relating to the courts of other jurisdictions was published in the *ECTA Gazette* No 56, Spring 2008, and is also available on the ECTA

website at www.ecta.eu under the Anti-counterfeiting Committee papers.

The chapter uses the broad term 'monetary compensation' (even though the directive uses the term 'pecuniary compensation') because:

- although Article 13 of the directive is simply entitled "Damages", the text of the article clearly envisages a broad interpretation of 'damages', such as negative economic consequences, including lost profits, unfair profits and, in appropriate cases, elements other than economic factors, such as moral prejudice or a lump sum on the basis of elements such as the royalties or fees which would have been due if the infringer had requested a licence; and
- with regard to legal costs, Article 14 of the directive provides that member states shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.

Legal basis for compensation

Trademark infringement and counterfeiting represent breaches of the law forbidding such acts. Trademark infringement is a tort under Article 1382 of the Belgian Civil Code, which requires a counterfeiter to compensate for the damage resulting from the tort it has committed. Compensation on this basis is governed by the principle that there should be equivalence between compensation and damages. It is generally accepted that the damage resulting from the counterfeiting of a trademark comprises two different components:

- the loss of profit for the trademark owner because of the sale of the infringing goods; and
- the damage suffered resulting from the extra costs incurred to protect the trademark.

In practice, it is difficult for the trademark owner to determine the exact damages resulting from the counterfeiting activity. However, it is generally accepted that, where a legal regulation independent of Article 1382 of the Civil Code exists to govern compensation for the damage suffered, that regulation should prevail.

In this respect, the Benelux Convention on Intellectual Property provides for various actions to compensate for damages suffered:

- Article 2.21.1 of the convention provides that ownership of the trademark allows the trademark owner to claim compensation for damages suffered

following a prohibited use as described in Article 2.20.1 of the convention.

- Article 2.21.4 of the convention allows the claimant to claim for the recovery of profits made by the infringer. However, if the infringer did not knowingly engage in the infringing activity, such claim will not be valid. The trademark owner can combine a claim for the recovery of unfair profits with a claim for damages.
- Article 2.21.3 of the convention provides that the trademark owner may claim the infringing goods, as well as materials used to produce the infringing goods, as compensation.

Since counterfeiting and trademark infringement affect not only the interests of the trademark owner, but also the general public interest, in Belgium, trademark infringements can be compensated at either civil level or criminal level. The Act on the Sanctioning of Counterfeiting (May 15 2007) sets down penalties for the use of a trademark that is considered an infringement under the Benelux Convention or the EU Community Trademark Regulation (40/94). The act entered into force on October 1 2007 and abolishes the previous act of April 1 1879.

Assessment of damage suffered

Damages are often awarded *ex aequo et bono* (according to what is right and good). However, most Belgian case law takes into account the quantity of goods that could have been sold by the claimant if the defendant had not infringed the claimant's rights (ie, lost profits), or the amount of royalties or fees which would have been due if the defendant had requested permission to use the trademark. In order to calculate these losses, two steps must be taken:

- The quantity of the infringing goods is established; and
- The claimant's consequential loss is determined.

The severity of the infringement and the duration thereof are nearly always considered when determining the damages suffered by the claimant.

In order to evaluate the amount of lost royalties, several factors are taken into consideration, including:

- the quantity of infringing goods;
- the royalties generally requested by the claimant to use the trademark (or, if necessary, the royalties requested in the sector); and
- the reputation and/or appeal of the trademark.

In criminal cases, the Belgian courts usually take into consideration the amount of goods seized by the police or other competent authorities. If many counterfeited items are seized, the damages awarded may be significant. However, this approach may not be satisfactory where only small quantities of infringing goods are seized.

Award of unfair profits

Article 2.21.4 of the convention allows the claimant to ask for the recovery of profits unfairly obtained by the defendant. However, unfair profits will not be awarded if the claimant did not act in bad faith or where the circumstances of the case do not justify the award. In accordance with Article 2.21.2 of the convention, the claimant can claim unfair profits instead of, or in combination with, claiming compensation for lost profits. The claimant may ask the defendant to present its accounts relating to the profits resulting from the infringement.

Commercialisation

When the claimant does not commercialise the goods, either because it has not yet commenced commercialisation or because it commercialises the goods through a subsidiary or a licensee, it could be argued that it lost no profits on the sale of the goods. In such case the damage suffered by the claimant corresponds to the amount of royalties or fees that it could have obtained if the defendant had requested authorisation to use the trademark.

Knowledge of infringement

The courts cannot award unfair profits if the defendant did not act in bad faith. However, the fact that the defendant unknowingly infringed the trademark cannot be used as an argument to limit the damages when the claimant is seeking lost profits.

Where the defendant acted in bad faith the Belgian courts may increase the compensation due to the claimant. The material fact of counterfeiting generally constitutes a presumption of bad faith.

Good faith is not established where the only grounds are the defendant's ignorance of the existence of registration of the trademark. Good-faith circumstances include the fact that the circumstances led the defendant to believe reasonably that the trademark was in the public domain, or that it used the trademark in a way which it sincerely believed was different from that of the claimant.

Award of costs incurred by claimant

The Belgian courts have sometimes taken into consideration the claimant's costs in protecting the trademark. Legal and expert fees and costs relating to a

bank guarantee can influence the amount of compensation finally granted. More generally, all court costs are usually reimbursed by the infringer. These costs are either calculated separately or included in the total amount evaluated *ex aequo et bono*. On January 1 2008 new provisions of the Belgian Judicial Code entered into force, providing that the courts must award payment of the claimant's legal costs, but these are limited – usually to between €150 to €15,000, with an absolute maximum of €30,000 – depending on the amount of the claim at stake.

Punitive damages

Punitive damages are not allowed under Belgian law. However, in some cases damages have been awarded beyond actual compensation for the harm done, although these awards have been heavily criticised.

Criminal penalties

The Act on the Sanctioning of Counterfeiting punishes an infringer that knowingly or fraudulently infringes Article 2.20.1(a), (b) or (c) of the Benelux Convention or Article 9 of the EU Community Trademark Regulation. Punishment may be a prison sentence of three months to three years, and/or a fine of €500 to €500,000. Article 15 provides that the court can also order the publication of the judgment. Furthermore, the counterfeited goods or tools used to manufacture the counterfeited goods can be seized and given to the claimant, with the value of such seizures forming part of the compensation (Article 13). Alternatively, the courts may order the destruction of the counterfeit goods.

Compensation *ex aequo et bono*

The Belgian courts often calculate the monetary compensation *ex aequo et bono* in accordance with Article 2.21.2(a) of the Benelux Convention, which expressly provides that the courts shall take into account all appropriate aspects of the case, including the negative economic consequences (eg, lost profits, any unfair profits made by the infringer) and, where appropriate, non-economic elements, such as moral prejudice caused by the infringement.

In most cases it is not possible to determine exactly the amount of lost profits and/or damages suffered. For example, such instances can occur when the quantity of infringing goods is unknown or when the infringing goods have been stopped and destroyed by the customs authorities and thus have never been sold. In such cases the Belgian courts may grant compensation to cover the costs borne by the trademark owner (or even a symbolic award of €1). However, recent case law has shown a trend of awards of between €2,500 and €12,500 in such cases.

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