



2019 Study Question

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IP damages for acts other than sales

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I. Current law and practice

Please answer all questions in Part I on the basis of your Group's current law.

1 What non-sales infringing acts, i.e. infringing acts which do not involve sales, are recognised in your jurisdiction?

Here below, the Dutch Group lists all infringing acts, including those that are (closely) *related* to sales, but do not literally *involve* sales.

Copyrights:

- publication of an infringing work;
- reproduction of an infringing work;
- infringing the personality rights of the author

Trademarks

- affixing an infringing sign to goods;
- affixing an infringing sign to the packaging of goods, including labels, tags, security or authenticity features;
-

offering goods for sale;

- offering services under the sign;
- stocking goods and/or packages including labels, tags, security or authenticity features for putting the goods on the market or offering them for sale under the sign;
- importing goods under the sign;
- exporting goods under the sign;
- using the sign as a trade or company name or part of a trade or company name; - using the sign on business papers and in advertising;
- using the sign in infringing comparative advertising;
- registering the sign without consent of the proprietor of the trademark

Designs

- making
- offering for sale
- lending
- exposing
- importing
- exporting
- using
- a product in which the design is incorporated or to which it is applied;
- stocking such a product for those purposes;
- registering a design right with similar overall appearance without consent of the proprietor of the design right.

Patents:

- manufacturing
- using
- put into circulation
- lending

- delivering
- offering for someone else
- importing
- stocking
- licensing
- leasing of a product protected by a patent, or a product directly obtained as a result of use of a patented method
- using a patented method;[\[1\]](#)

Neighbouring Rights:

- infringing the personality rights of the performer;
- duplication of a phonogram or a reproduction;
- lending, renting, delivering or putting into circulation of a phonogram or reproduction;
- stocking, importing, or offering the phonogram or reproduction for one of these purposes;
- publication of a phonogram or a reproduction;
- duplication of the first recording of a movie or a reproduction;
- lending, renting, delivering or putting into circulation of the first recording of a movie or reproduction;
- stocking, importing, or offering the first recording of a movie or reproduction for one of these purposes;
- make the first recording of a movie available for the public;
- re-broadcasting programs;
- recording and reproduction of a program of a broadcasting company;
- lending, renting, delivering or putting into circulation of a recording of a broadcast or a reproduction;
- stocking, importing, or offering recording of a broadcasting or reproduction for one of these purposes;
- publication of programs in the event the public had to pay entrance fees;
- publication of recordings or programs or reproduction.

Database Rights:

- retrieval of a substantial part of the database;
- re-use of a substantial part of the database;
- repeated and systematic retrieval of non-substantial parts of a database.

Trade Names:

- use of a trade name that is confusingly similar to an older trade name;
- use of a trade name that is confusingly similar to an older trademark.

Integrated Circuit Topography Rights

- copying of the design

Seeds and Planting Materials Rights:

- reproducing cultivation material of plant varieties;
- cultivating cultivation material of plant varieties;
- treating cultivation material for propagation purposes;
- bring cultivation material into circulation;
- export cultivation material;
- import cultivation material;
- stock cultivation material for one of these purposes;
- all including harvested material of plant varieties obtained by using infringing cultivation material and/or products produced using infringing cultivation material.

Geographical Indications:

- any direct or indirect commercial use of a registered name;
- any misuse, imitation or evocation of a registered name;
- any other false or misleading indication as to the provenance
- origin, nature or essential qualities of the product;
- any other practice liable to mislead the consumer as to the true origin of the product.

Footnotes

1. [^] 1 A new article 53 under b ROW is proposed in legal proposal 35 187 of April 9, 2019, which will include as an act of infringement: any offering of a patented method if the party who offers it knows or is deemed to have known that this is not allowed without consent from the patent holder.

2

**Please explain how damages are quantified, under the laws of your Group, in relation to infringing acts which do not involve sales of infringing products.
(If the laws of your Group provided for different quantification of damages for different IP rights, please explain how damages are quantified for each type of IP right.)**

As regards specific IP rights, provisions regarding the quantification of damages can be found in:

- the Dutch Copyright Act ([art. 27-29](#));
- the Dutch Neighbouring Rights Act ([art. 16](#));
- the Benelux Convention on Intellectual Property ([art. 2.21-2.22](#) for trademarks; [art. 3.17-3.18](#) for designs);

- the Dutch Patent Act ([art. 70-73](#));
- the Dutch Database Act ([art. 5c-5e](#));
- the Dutch Trade Names Act ([art. 6c](#));
- the Dutch Integrated Circuit Topography Act ([art. 17](#));
- the Dutch Seeds and Planting Materials Act ([art. 70-71](#));
- the Dutch Agricultural Quality Act ([art. 14](#)).

The Dutch acts that govern the specific IP rights have all been amended in follow up of the Directive 2004/48/EC concerning the enforcement of intellectual property rights (the "Enforcement Directive"). Under [art. 13](#) of the Enforcement Directive, damages are either quantified (a) taking all the appropriate aspects into account; or (b) on the basis of a lump sum. As the quantification method under (b) was not in the different Dutch IP acts before, these have been amended accordingly (in 2007).

With respect to the quantification method under (a) the typical "appropriate aspects" would be: losses suffered by the IP holder or, alternatively, surrendering of profits by the infringing party, damages for market erosion by the infringing party; but also, as the case may be, reputation damages and/or damages due to loss of exclusivity. As regards the quantification method under (b), as a minimum the lump sum would be the royalty rate that would normally have been paid, should the infringing party have requested for a license.

3

Please explain what approach your current law takes in relation to "franking": if damages are paid in relation one infringing act (e.g. manufacturing) for specific infringing goods, can those goods then be circulated freely subsequently, or does their subsequent circulation amount to a fresh infringement in relation to which an injunction or damages may be available?

The Dutch jurisdiction does not have a 'franking' system.

II. Policy considerations and proposals for improvements of your Group's current law

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Are there aspects of your Group's current law or practice relating to the quantification of damages for non-sales infringements that could be improved? If YES, please explain.

Yes

Please Explain

The Netherlands is not known for very high damage rewards. The legal grounds are more general rather than specific for non-sales. Non-sales damages that have been granted are:

- dilution
- erosion
- for photography, damages are *inter alia* based on rates drafted by *Stichting foto anoniem*

In a case before the Court of Appeal of the Hague (2-11-2010, ECLI:NL:GHSGR:2010:BO4380, confirmed by the Supreme Court in its decision of 22-06-2012, ECLI:NL:HR:2012:BW4006) damages were awarded for a registration of a generic drug in the so-called G-standard where the registration was made with the proviso that the drug would only be available for purchase as from a certain date (i.e. a date after the date of expiration of the patent). The court considered that since the registration was done at a time the patent was still in effect it constituted an infringing act, more specifically an act which affected the behavior of users of the G-standard (potential purchasers of the drug) resulting in a loss of sales for the patentee. Quantification of damage was to be based on the quantity of lost sales.

The Dutch Group is of the opinion that, whilst the current system for the quantification of damages is sufficient (since in theory it allows for non-sales infringement), it could be further improved by means of guidelines or clear case-law on how such damages are to be calculated and which aspects should be taken into account.

5 What policy should be adopted generally in relation to non-sales infringements?
Should:

Both damages and an injunction should be available.

Please Explain

The Dutch Group opts for c). However, it notes that a distinction must be made between pre-sales and sales infringement.

6 What policy, in relation to franking, would best promote a uniform recovery of damages in relation to infringements in a number of jurisdictions in relation to the same goods?

Not applicable, since we do not have a franking system in the Netherlands. The case law of Dutch courts is reluctant in awarding damages. If 'franking' were to be applied in our jurisdiction, courts will be cautious and try to avoid double dipping as much as possible.

7 Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

It has been over ten years since the basis for the quantification of damages (as per art. 13 of the Enforcement Directive) has been implemented in Dutch law (in short: either a) taking into account all aspects; or b) lump sum approach). See response under question 2).

Under Dutch civil law, in the quantification of damages, the affected party may advocate the quantification of its damages in an abstract or objective manner (versus a concrete or subjective manner, in which all documentation regarding the damages are submitted). The question that remains to be answered is whether abstract damage calculation is equally possible under option a). The affected party may prefer this route over option b), as assessment under b) might run the risk of certain aspects relating the affected party's damages being not taken into account.

III. Proposals for harmonisation

Please consult with relevant in-house / industry members of your Group in responding to Part III. For the purposes of this div III, please assume that the following acts are infringing acts, even if they are not infringing acts under the current laws of your Group:

- (a) Manufacturing;***
- (b) Selling;***
- (c) Offering whether for sale otherwise;***
- (d) Importing; and***
- (e) Keeping and warehousing.***

8 Do you believe that there should be harmonisation in relation to damages for non-sales IP infringement?

Yes

Please Explain

The answers to the questions in this part III are given having only patents in mind. They do not necessarily extend to other forms of IP.

Yes. Generally, in today's global economy, for reasons of amongst others legal certainty and costs of doing business, harmonisation is preferable. This is particularly preferable in regard of damages for acts other than sales because, in relation to a single item, several infringing acts may occur in different countries.

On the other hand, it should be realised full harmonization of damages for non-sales IP infringement is rather difficult to achieve, as the concept of damages varies from one jurisdiction to another (from specific regimes of damages tailored to IP with over-compensatory functions, to the general tort law principles with a strict limitation to compensatory functions) and as such conceptually deeply enshrined in each jurisdiction's legal system. However, it should at least be possible to achieve a minimum harmonization in the sense that courts shall award at least (minimum) damages based on the royalty method in case of wilful or negligent infringement, in order to take into account the specific nature of IP and to comply with the TRIPS Agreement (in particular art. 45.1 TRIPS and art. 41.1 TRIPS)

If YES, please respond to the following questions without regard to your Group's current law or practice.

Even if NO, please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

9 Manufacturing of patented products: How should damages be quantified in relation to the manufacturing of infringing products?

If a product is manufactured in a country where this is protected by a patent, but then also marketed abroad in countries where there is no patent protection, it should be possible to claim damages for all sales based on that infringing manufacturing globally, regardless where the sales happen. However, it is not possible to provide a general rule for the calculation of damages, as this will depend on the specific circumstances of the case at hand.

10 Should the subsequent export and sale of manufactured infringing goods change the quantification of damages?

No. This follows from the answer to question 9).

11 Importing and warehousing of patented products: How should damages be quantified in relation to importing and keeping or warehousing?

The reasoning articulated in the answer to question 9) applies *mutatis mutandis* to importation and warehousing. It applies to the owner of the goods, not the custodian. A custodian that does not own the infringing products, such as a transportation company or a warehouse owner, should not be liable for damages, unless such custodian is a wilful or negligent infringer, in order not to unduly limit normal trade.

12 Series of infringements in relation to patented products: In the situation where there is a series of infringing acts, such as manufacturing, followed by warehousing, followed by a sale, should damages be quantified, for each individual infringing product?

2.a On the basis of a sale alone, if that infringing product was eventually sold?

Yes

Please Explain

The basis for quantification for all acts of infringement should be the basis for quantification of damages associated with the sale, even if the products have not yet been sold. At the time of a pre-sale infringing act, such as manufacturing and warehousing, it is not yet known where and when (if at all) the infringing product will be sold. Accordingly, the basis of quantification of damages should be the law of the country in which the infringing pre-sale act takes place. The situation of "never sold" is rare. One can deal with that with a rebuttable presumption of sale.

2.b On the basis of each infringing act in the chain?

2.c If the infringing product was never sold?

2.c On some other basis?

13 Services/operating patented processes: please explain how damages should be quantified in relation to infringements that consist of carrying out infringing processes. e.g. a patented manufacturing process?

According to the Dutch Group, one needs to distinguish between an infringed (i) method of manufacture, (ii) method of use and (iii) product directly obtained from a patented method of manufacture.

As to (i) an infringed method of manufacture:

(a) if the method's patentability solely derives from the patentability of the product directly obtained from the method, the quantification of damages is the same as the quantification when a product patent is infringed by the act of manufacturing it;

(b) if the method is patentable per se (i.e. not deriving its patentability from the product directly obtained from the method) then the quantification of the damages should be based on the benefits associated with the method, rather than those associated with the product. The damage base can be the frequency of use of the method, which is typically the number of products manufactured using the method.

For (ii) a method of use: a direct method of use infringement would be, e.g. a service provided in exchange for a fee, where the service provider would be performing the infringing act. Accordingly, the damages associated can be quantified based on the frequency of use which can be calculated as a percentage of the associated turnover of the service provider.

On the other hand, an indirect method of use infringement is a post-sale activity. However in the case the defendant is the seller (and not the user) of the goods the damages could be quantified based on the amount of sales, as it would be less appropriate to assess damages on the frequency of use.

As regards (iii) a product directly obtained from a patented method of manufacture see the answer to question 14) below.

14 Please explain how damages should be quantified for subsequent post-manufacturing activities in relation to the products of a patented process, e.g. the offering for sale of a product made using a patented process?

As to damages in relation to a patented method of manufacture, it does not make a difference whether a product itself is infringing a patent claim or whether the product is directly obtained from a process that is infringing a patent claim. The process patent must

exist and be infringed in the country where the product is sold and under the assumption that it was manufactured in the same country.

15 **Simultaneous single infringing acts: In the situation where there is a single act, such as an offer for sale on the internet, which amounts to an infringing act simultaneously in a number of jurisdictions, how should damages be quantified in each of those jurisdictions? For example, one single offer to sell products is made on the internet and that single offer is considered to infringe by the courts of two jurisdictions A and B. If court A awards damages for that single act which compensate for the loss suffered by the right holder, should court B also award damages and how should those damages be quantified so as to eliminate or reduce double recovery?**

The Dutch Group considers relevant how the damages were quantified in the initial jurisdiction A, in particular which jurisdiction was taken into account in terms of the loss suffered by the right holder as a result of the infringing act, both in terms of possible sales volumes and effects on the reputation of the relevant product/trademark/design as these might differ significantly from one jurisdiction to another. In many jurisdictions it is not possible/expected to award damages for infringement outside their own authority.

Accordingly, for the quantification of damages in jurisdiction B, if court A has not awarded full damages for the infringement of the IP owner's rights, also in B, court B should award the IP owner damages for at least those incurred in jurisdiction B

16 **Franking: If damages have been paid in relation to goods that have been manufactured but the further circulation of those goods has not been restricted by injunction, should the infringer (or the acquirer of the goods) be liable again for damages if those same goods are subsequently sold?**

No

Please Explain

No. If the IP owner has been fully compensated for the infringing manufacturing act as well as for the infringing sale as proposed above, then the manufacturer will be deemed to have obtained an implied licence to sell.

However, if the IP owner has not been fully compensated, e.g. because the corresponding sales have not yet occurred and (therefore) not been taking into account, then the infringing seller should be indeed liable for the damages incurred by the actual sales.

6.a **If the answer to Question 16 is NO, does that mean that the right holder can recover twice in relation to the same goods?**

6.b **If the answer to Question 16 is YES, does that mean that the infringer has a de facto licence to sell the manufactured infringing goods?**

17 **Please comment on any additional issues concerning any aspect of quantification you consider relevant to this Study Question.**

See the answer under part II, question 7).

Also, the Dutch Group wishes to express its concerns that the Dutch IP courts are generally (too) modest in their quantification of damages relating to infringement. The focus of the Dutch IP courts appears to be on just ceasing infringement (as if that were already a sufficient form of compensation). However, the Dutch Group is also aware of the fact that Dutch Courts would perhaps be less reluctant if the IP lawyers' quality of arguments would improve

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Please indicate which industry sector views provided by in-house counsel are included in your Group's answers to Part III.

Consumer electronics and health tech