



## 2021 – Study Question

### Reasonable awareness in compensation for infringement of IP rights

**National Group:** Belgium

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#### I. CURRENT LAW AND PRACTICE

##### 1 Do:

- a. the objective or subjective knowledge of the infringer,
- b. the beliefs/opinions of the infringer, and/or
- c. the publication of the scope of the IP right in general or at a particular time (e.g., the publication of the claims of a patent amended in the course of litigation).

**play a part in relation to the assessment of damages? If YES, please explain.**

##### 1.a Infringer's objective/subjective knowledge

- (i) General principle: no impact of the infringer's knowledge on the assessment of damages

In the European Union, compensation for infringement of intellectual property rights (hereafter, "IP rights") must be implemented in accordance with Article 13 of Directive 2004/48 of 29 April 2004 on the enforcement of intellectual property rights (hereafter "Enforcement Directive"):

*"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; 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 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".*

When transposing Article 13 of the Enforcement Directive, the Belgian legislator did not retain the notion of “qualified fault” (i.e. “knowingly, or with reasonable grounds to know”) rereferred to in that provision, thus providing even more favourable protection to IP right holders as allowed by the Enforcement Directive.<sup>1</sup> Thus, in Belgium, the fact that the infringer may or may not be aware (i.e. have subjective or objective knowledge) that they are (likely to) infringing a third party’s IP rights is in principle without impact, not only on the right of the injured party to obtain compensation for the damage suffered, but also on the amount of damages that may be awarded in compensation thereof.

The absence of impact of the infringer’s knowledge of the (potentially) infringing nature of their activities on the assessment of damages is first of all apparent from the very wording of the provisions governing the possibility of obtaining compensation for the infringement of IP rights:

- Article XI.335, §1, of Belgian Code of Economic Law (hereafter, “CEL”):

*“[...] the injured party shall be entitled to compensation for any damage that they suffered as a result of the infringement of a right referred to in Article XI.334, §1, sub-paragraph 1 [2]”*

- Article 2.21 of the Benelux Convention on Intellectual Property (hereafter, “BCIP”)<sup>3</sup>:

*“1. [...] the exclusive right in a trademark shall allow its proprietor to claim compensation for any prejudice which he has suffered following use within the meaning of that provision.*

*2. The court which sets the damages:*

- a. 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 proprietor of the trademark as a result of the infringement; or*
- b. as an alternative to (a), it 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 authorization to use the trademark”.*

Pursuant to abundant doctrine and case law, these provisions enshrine a kind of “objective liability”<sup>4</sup> by virtue of which the mere infringement of an IP right is sufficient to justify the right to

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<sup>1</sup> In this respect, the Belgian legislator notes that *“the retention of this notion of fault that is more favourable to right holders is in line with the Directive, since, by virtue of its Article 2.1, the Directive is applicable without prejudice to the means provided or which may be provided for by Community or national legislation insofar as these means are more favourable to right holders”* (Bill of law on the civil aspects of the protection of intellectual property rights, *Doc. parl.*, Ch. Repr., sess. ord. 2006-2007, DOC 51-2943/001, p.29).

<sup>2</sup> Article XI.334, §1, sub-paragraph 1, CEL refers to the following IP rights: patent, supplementary protection certificate, plant breeder’s right, copyright, neighbouring right, databases producer’s rights and right to a topography of a semiconductor product. Unfair market practices are not covered by this provision (in this respect, we note more generally that in Belgium, unfair market practices are not covered by IP rights).

<sup>3</sup> This article concerns the right to compensation in case of infringement of a Benelux trademark. Article 3.17 BCIP reproduces this article almost verbatim in the case of Benelux design infringement.

<sup>4</sup> For the sake of good order, we note that some authors dispute the notion of “objective liability”, arguing that a fault is still required, and that it would be established in this case by the infringement of the legal provisions enshrining the exclusive rights of IP rights holders. This argument also finds support in the jurisprudence of the

obtain compensation for the damage resulting therefrom at the expense of the infringer, regardless of whether they were acting in good faith or, more particularly, whether they had (or could have had) knowledge of the infringement in question<sup>5</sup>. It is therefore not required under Belgian law to demonstrate any “fault” (negligence), knowledge (objective or subjective) and/or “intent” by the infringer in order to be awarded damages (or a certain amount thereof) before the civil courts. It is sufficient to prove that the IP rights have been infringed and that such infringement caused a prejudice in order to demand compensation thereof, thus avoiding the burden for the IP rights holder to have to prove infringer’s (subjective or objective) knowledge.

The absence of impact of the infringer’s knowledge on the assessment of damages is also confirmed by the general compensatory principle in force in Belgium. In this respect, we refer to the report drafted by the Belgian group in response to the AIPPI question Q279 relating to the “Quantification of monetary relief”<sup>6</sup>, in which it was recalled that, in Belgium, compensation of the prejudice suffered in case of IP infringement is based on the general rules of tort law, themselves derived by case law from Article 1382 of the Belgian Civil Code<sup>7,8</sup>. The main principle is that of “*restitutio in integrum*”, which means that the compensation should be equivalent to (no more and no less than) the actual prejudice suffered by the injured party, regardless of the infringer’s (objective or subjective) knowledge<sup>9</sup>. According to this principle, the compensation may not exceed a level necessary to properly compensate the injured party - so as to place them in the situation in which they would have found themselves had the harmful event not occurred -, as this would amount to punitive damages, which are not allowed under Belgian law<sup>10</sup>.

The failure to take into account the infringer’s knowledge is therefore inherent to the principle of *restitutio in integrum*: the aim is in fact “only” to repair the damage suffered by the injured party, and not to punish the infringer (as any possible punishment is a subject matter only for criminal law). The amount of damages awarded will therefore, in principle, only depend on the extent of the damage effectively suffered by the injured party, and not on the infringer’s behaviour (incl. “knowledge”).

(ii) “Adjustments” to the general principle in practice

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Belgian Supreme Court (in this sense, see Civ. Brussels, 9 March 2005, *Ing.-Cons.*, 2006, p.135; Supreme Court, 10 March 1994, *Pas.*, 1994, I, p.242; F. DE VISSCHER, *R.D.C.*, 1995, p.283 *et seq.*; B. De VUYST and M. DENYS, “Schade en schadeloosstelling in het auteursrecht”, note under Brussels Court of appeal, 18 April 1997, *A.J.T.*, 1997-1998, p.212; A. PUTTEMANS, “Quelles suites donner à la future directive en Belgique”, in M.C. JANSSENS (ed.), *Combattre les atteintes à la propriété intellectuelle*, Brussels, Bruylant, 2004, p.169 *et seq.*). They argue therefore that liability in IP infringement cases is still fault based and does not derive from the general regime of extra contractual liability under Belgian law. However, this clarification does not really matter in the context of this report. Indeed, whether liability is said to be objective or not, the principle remains the same: the infringer’s knowledge (subjective or objective) is in principle irrelevant to the assessment of damages.

<sup>5</sup> *E.g.*, for copyright: Ghent Court of appeal, 7 September 2020, *Ing.Cons.*, 2020, p.760-761; Antwerp Court of appeal, 14 May 2018, *I.R.D.I.*, 2018, p.126; Ghent Court of appeal, 10 January 2007, *I.R.D.I.*, 2007, p.13; Civ. Brussels, 1 September 2008, *A.M.*, 2010, p.266; Civ. Brussels, 1 September 2008, *A.M.*, 2010, p.268.

*E.g.*, for trademark: Brussels Court of appeal, 17 February 2017, *I.R.D.I.*, 2017, p.42; Brussels Court of appeal, 7 November 2017, *R.G. 2010/AR/2008*, unpublished.

*E.g.*, for database: Brussels Court of appeal, 27 January 2014, *R.G. 2011/AR/2809*, unpublished.

<sup>6</sup> J. BUSSÉ, D. GLORIEUX, O. HOTTAT, D. KAESMACHER, S. LENS, C. RONSE, P.-Y. THOUMSIN, B. VANBRABANT and S. VANDEWYNCKEL, “Les travaux de l’AIPPI: Quantification of monetary relief”, *Ing.Cons.*, 2017, p.203-242.

<sup>7</sup> This well-known provision states that “*any act of man, which causes damages to another, shall oblige the person by whose fault it occurred to repair it*”.

<sup>8</sup> S. LENS and B. VANBRABANT, “La réparation du dommage résultant d’atteintes aux droits intellectuels”, in *Les droits intellectuels, entre autres droits*, Brussels, Larcier, 2019, p.59 *et seq.*; J. BUSSE, D. GLORIEUX, O. HOTTAT, D. KAESMACHER, S. LENS, C. RONSE, P.-Y. THOUMSIN, B. VANBRABANT and S. VANDEWYNCKEL, “Les travaux de l’AIPPI: Quantification of monetary relief”, *Ing.Cons.*, 2017, p.203-204.

<sup>9</sup> Ghent Court of appeal, 7 September 2020, *Ing.Cons.*, 2020, p.761.

<sup>10</sup> Comm. Antwerp, 12 December 2014, *R.G. A/14/02415*, p.8, available at [www.ie-forum.be](http://www.ie-forum.be).

While the infringer's behaviour (incl. "knowledge"<sup>11</sup>) is in principle inoperative in assessing the prejudice and damages to be awarded in compensation of IP infringement, in practice, however, the infringer's good or bad faith - and therefore, potentially, knowledge of the infringing nature of their activities is sometimes taken into account<sup>12</sup>. In this regard, we note that the infringer's knowledge is most often taken into account when the courts are to assess the amount of damages to be awarded *ex aequo and bono*<sup>13</sup>. Indeed, it appears that in order to assess the lump sums to be awarded, courts take into account *all* the specificities of the case, including, sometimes, the infringer's (supposed or apparent) knowledge. It is however questionable whether these deviations are not *contra legem* since they open the possibility of awarding damages in an amount above the damage actually suffered by the IP rights holder.

There are no clear criteria for determining when an infringer acts in good faith or not: it is always a case-by-case assessment<sup>14</sup>. Below are a few examples of cases in which the courts have considered, or at least referred to, the infringer's knowledge when assessing damages:

- In a classic case of possession and use of software without the required licences, the Antwerp Court of Appeal also convicted the managers of the company concerned, together with the company itself, on the grounds that they "*should and could have known*" that their company possessed illegal copies of software<sup>15</sup>.
- In a judgment of 1 September 2008, the Brussels Court of first instance ruled that: "*Every contracting party has the obligation to obtain sufficient information. [...] Simple enquiries on the part of the Flemish Region could have revealed the present problem, so that the error on its part is not excusable. [...] For the sake of completeness, this court points out that the Court of Appeal has also already noted that AB Creations and the Flemish Region do not make it plausible that they had no knowledge of the creation of Dream Team and Mr Stuyck, which is of an earlier date. In the present proceedings, too, they have not produced any evidence that would convince the Court in that regard*"<sup>16</sup>.
- In a judgment of 3 September 2019, the Brussels commercial Court held that the defendant's failure to mention the name of the author of the work while they were undeniably aware of it was evidence of their bad faith, as a result of which, among other things, the court held that the author's moral rights had been infringed, for which the Court awarded damages<sup>17</sup>.

Although, as indicated above, the infringer's knowledge is sometimes taken into account in practice, it is not clear to what extent this has a *real* impact on the assessment of the amount of damages to be awarded, since these remain in principle subject to the principle of *restitutio in integrum* (and should therefore only cover the prejudice *effectively* by the IP rights holder, no more and no less).

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<sup>11</sup> For the sake of good order, we note that in Belgian law there is no specific legal notion of "objective or subjective knowledge" of the infringer. The notion of "knowledge" is therefore not necessarily expressly identified as such by the courts in their assessment.

<sup>12</sup> S. LENS and B. VANBRABANT, "La réparation du dommage résultant d'atteintes aux droits intellectuels", *Les droits intellectuels, entre autres droits*, Brussels, Larcier, 2019 p.59.

<sup>13</sup> See Article XI.335, §2, CEL which provides that where the extent of the damage cannot be determined in any way, the court may, in a reasonable and fair manner, fix a lump sum as damages

<sup>14</sup> Comm. Antwerp, 12 December 2014, *R.G. A/14/02415*, p.9, available at [www.ie-forum.be](http://www.ie-forum.be) ("*good faith must be assessed in the light of the circumstances of the case and may possibly have an impact on the assessment of the damage (while not on the infringement as such)*").

<sup>15</sup> Antwerp Court of appeal, 14 May 2018, *I.R.D.I.*, 2018, p.126.

<sup>16</sup> Civ. Brussels, 1 September 2008, *A.M.*, 2010, p.266.

<sup>17</sup> Comm. Brussels, 3 September 2019, *I.R.D.I.*, 2019, p.103.

(iii) Legal “adjustments” to the general principle

Apart from a few deviations in case law from the compensatory principle of *restitutio in integrum* - which ignores the infringer’s behaviour/knowledge -, the Belgian legislator has expressly provided for two specific measures in which the infringer’s bad faith (and therefore, potentially, knowledge) is taken into account at the compensation stage: the transfer of the profit made by the infringer and the confiscation of the counterfeited goods (see below). Before examining the above-mentioned measures - and, more specifically, their potential impact on the assessment of damages - we will briefly look at the notion of “bad faith”, which is not defined by the Belgian legislator.

- Notion of “bad faith”: Although Belgian legislation does not provide a definition of “bad faith”, case law interprets this as “knowingly and willingly” infringing the IP rights, in the sense that the infringer should at least be aware of the existence, and scope, of the IP rights, and therefore have consciously infringed these rights<sup>18</sup>. Bad faith will be assessed on a case-by-case basis. Among the elements likely to be taken into account to assess bad faith related to the infringer’s knowledge are the following examples: the fact that the parties were in negotiations for the commercialization of the invention protected by a patent<sup>19</sup>; or the fact that a licensing agreement had expired and the infringer nevertheless continues exploiting the intellectual property<sup>20,21</sup>.
- Transfer of the profits made by the infringer: Where it is established that the infringer is acting in bad faith, the injured party is entitled to request the transfer of all or part of the profits that have resulted from the infringement. In this sense, Article XI.335, §2, sub-paragraph 3, CEL – which, for reminder, applies to all Belgian IP rights, with the exception of Benelux trademarks and designs (see footnote 2) -, provides that: “*in case of bad faith, the judge can, as damages, order the transfer of all or part of the profits that have resulted from the infringement*”<sup>22</sup>. As far as Benelux trademarks and designs are concerned, the BCIP provides that “*in addition to or instead of the action for compensation, the proprietor of a trademark may institute proceedings for transfer of the profits made following the use referred to in Article 2.20(2) [...]. The court shall reject the application if it considers that this use is not in bad faith or the circumstances of the case do not justify such an order*” (Art. 2.21(4) BCIP – see art. 3.17(4) BCIP for Benelux designs).

Belgian scholarship is divided regarding the nature of the mechanism established by Article XI.335, §2, sub-paragraph 3, CEL, and more particularly regarding the possibility for the awarded profits to exceed the loss of profits actually suffered by the IP rights holder. Some

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<sup>18</sup> J. BUSSÉ, D. GLORIEUX, O. HOTTAT, D. KAESMACHER, S. LENS, C. RONSE, P.-Y. THOUMSIN, B. VANBRABANT and S. VANDEWYNCKEL, “Les travaux de l’AIPPI: Quantification of monetary relief”, *Ing.Cons.*, 2017, p.234-235; Benelux Court of Justice, 11 February 2008, A 2006/4/9, §15, available at [www.courbeneluxhof.be](http://www.courbeneluxhof.be). In this sense, see notably Comm. Brussels, 14 May 2018, R.G. A/15/07724, p.19, available at [www.ie-forum.be](http://www.ie-forum.be).

<sup>19</sup> Civ. Brussels, 22 January 2001, R.G. 02/8487/A, unpublished.

<sup>20</sup> Brussels Court of appeal, 4 April 2007, A.M., 2007, p.470; Brussels Court of appeal, 24 September 2004, *Ing. Cons.*, 2004, p.417 *et seq.*

<sup>21</sup> We note that, depending on the circumstances of the case, these elements could also be considered as illustrating a “belief” and/or “opinion” of the infringer and, therefore, could be equally relevant to Question 1.b hereunder.

<sup>22</sup> Comp. Article 13(2) of Enforcement Directive, which provides that: “*Where the infringer has engaged in infringing activity without knowing or having reasonable grounds to know, Member States may provide that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established*”.

authors<sup>23</sup> and case law<sup>24</sup> have taken the view that, taking into account the wording of this provision (“as damages”) and the general principle of *restitutio in integrum*, which prevents the award of punitive damages, the transferred profits should be “capped” at the level of profits that the IP rights holder would have made but for the infringement<sup>25,26</sup>.

According to another viewpoint<sup>27</sup>, defended by several members of the Belgian group<sup>28</sup> as well as other case law, the transfer of profits in case of bad faith infringement is not a mere compensation for the prejudice suffered but a specific remedy, comparable to the traditional rule under property law entitling the owner of an estate that has been dispossessed thereof to claim the restitution (“revendicate”) not only of the estate but also of the fruits (including rents) produced by such estate, unless the unlawful possessor acquired such fruits in good faith (see Art. 547 to 550 of the Belgian Civil Code)<sup>29</sup>. Consequently, it would not be necessary to demonstrate the level of the prejudice actually suffered by the IP rights holder claiming transfer of the profits made by the bad faith infringer; it is only when the IP rights holder wants to obtain additional damages, on top of these profits, that they would have to demonstrate that their loss has not been fully compensated by the transferred profits<sup>30</sup>.

Whatever the approach defended, we note that in all cases, the infringer’s profits cannot simply be *cumulated* with the compensation awarded to repair the actual damage suffered<sup>31</sup>.

Contrary to Article XI.335 CEL referred to above (which expressly provides that the transfer of profits be made “as damages”), Articles 2.21(4) and 3.17(4) BCIP provide that the transfer of profits in case of bad faith infringement may be requested “*in addition to or instead of an action for compensation*”. This wording *a priori* seems to allow an accumulation of the infringer’s profits and the amount of profits missed by the injured

<sup>23</sup> See a.o. C. RONSE, “De andere herstelmaatregelen en in het bijzonder de schadevergoeding”, in F. BRISON (ed.), *Sancties en procedures in intellectuele rechten*, Brussels, Larcier, 2008, p.221 et seq.; V. FOSSOUL, “De afdracht van de winst gerealiseerd door de namaker als herstelmaatregel”, note under Civ. Dendermonde, 27 October 2008, *R.A.G.B.*, 2007, p.958-959.

<sup>24</sup> Brussels Court of appeal, 17 February 2017, *I.R.D.I.*, 2017, p.58; Brussels Court of appeal, 4 April 2007, *A.M.*, 2007, p.470; Comm. Antwerp, 3 October 2008, *A.M.*, 2010, p.282.

<sup>25</sup> J. BUSSÉ, D. GLORIEUX, O. HOTTAT, D. KAESMACHER, S. LENS, C. RONSE, P.-Y. THOUMSIN, B. VANBRABANT and S. VANDEWYNCKEL, “Les travaux de l’AIPPI: Quantification of monetary relief”, *Ing.Cons.*, 2017, p.218.

<sup>26</sup> According to some members of the Group, Article XI.335, §2, paragraph 3, CEL read in conjunction with Article XI.335, §2, paragraph 1, CEL (“*Where the extent of the damage cannot be determined in any other way, the court may in a reasonable and fair manner fix a lump sum as damages*”) would allow the claimant to argue that the extent of the suffered damage is equivalent to the profits made by the bad faith infringer. The possibility of transferring the profits as compensation for the suffered damage would thus have the effect of facilitating the proof of the extent of the claimant’s damage in case of bad faith infringement. According to this interpretation, the general principle of *restitutio in integrum* would in fact be respected since the claimant’s damage would be deemed to correspond to the profits obtained by the bad faith infringer.

<sup>27</sup> Comm. Antwerp, 27 April 2011, *I.R.D.I.*, 2012, p.173.

<sup>28</sup> B. VANBRABANT, *La propriété intellectuelle*, t. 2, *Régime patrimonial*, Brussels, Larcier, 2018, p.113-116.

<sup>29</sup> For further explanations, see B. VANBRABANT, *La propriété intellectuelle*, t. 2, *Régime patrimonial*, Brussels, Larcier, 2018, p.108-118.

<sup>30</sup> Several members of the Belgian group consider that the possibility for the IP rights holder to obtain the profits made by the bad faith infringer without having to establish the extent of their damage (unless, as indicated above, the holder considers that their damage exceeds those profits) could in some way be justified in that it would make the injured IP rights holder’s task easier by relieving them of the obligation to prove the extent of their damage, which may prove very difficult in practice (even when the very existence of the damage is not in itself called into question).

<sup>31</sup> T. GLADINEZ, “Winstafdracht in het intellectueel eigendomsrecht. The sky is the limit?”, note under Brussels Court of appeal, 7 February 2017, *Ing.-Cons.*, 2017, p.91. In this regard, also see Parliamentary works, *Doc. parl.*, Ch. repr., sess. ord. 2006-2007, DOC. 51-2943/001-2944/001, p.30.

trademark/design proprietor, independently of any prospect of compensation. However, several members of the Belgian group do not agree with this first reading (too literal in their view) and are of the opinion that, as in the case of Article XI.335 CEL, the injured trademark/design proprietor who obtained the transfer of the bad faith infringer's profits pursuant to Articles 2.21(4) and 3.17(4) BCIP will *only* be able to obtain additional damages if it is established that the loss they suffered exceeds the amount of the transferred infringer's profits, and only to the extent of this surplus.

- Confiscation of counterfeit goods: Article XI.335, §3, CEL provides that: "*In case of bad faith, the court may order the confiscation of infringing goods for the benefit of the plaintiff, [...] which are still in the possession of the defendant. If the goods, materials and implements are no longer in the possession of the defendant, the court may award a sum equal to the price received for the goods, materials and implements transferred. The confiscation thus pronounced shall absorb, up to the value of the confiscation, the damages*". The BCIP does not make a similar provision for Benelux trademarks and/or designs.

According to the members of the Belgian group, the wording of this article leaves no doubt that damages are no longer due as soon as the value of the confiscated infringing goods covers the compensation for the damage suffered *i.e.*, equals or exceeds the amount of that damage<sup>32</sup>. In this sense, the Brussels Court of Appeal has observed that "*the value of a confiscation must play a part in the overall assessment of the damage and is a minimum indicator for determining whether all the damage has been compensated for*"<sup>33</sup>.

In the light of the foregoing, it appears that even where the law expressly provides for it to be taken into account, the infringer's bad faith seems to have little, sometimes even no real impact on the assessment of damages, which remains subject to the principle of *restitutio in integrum*.

(iv) Special case: Community plant variety right

Another exception/adjustment to the general principle stated under section (i) is to be found in Article 94§2, of the **Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights (hereafter, "Regulation 2100/94")**, which provides that:

*"Whosoever acts intentionally or negligently shall moreover be liable to compensate the holder for any further damage resulting from the act in question. **In cases of slight negligence**, such claims may be reduced according to the degree of such slight negligence, but not however to the extent that they are less than the advantage derived therefrom by the person who committed the infringement"* (emphasis added).

This article as interpreted by the European Union Court of Justice (hereafter, "ECJ") seems to authorize an increase in compensation *only* in the event of bad faith of the infringer. If the latter can prove however that he was acting in good faith, the compensation for the damages suffered should thus be limited to the fee that would normally be payable for licensed production if the infringer had applied for authorization to use the considered plant variety right<sup>34</sup>. Article 94 Regulation 2100/94 must be interpreted as meaning that the right to compensation which it establishes for the holder of a plant variety right that has been infringed encompasses all the damage sustained by that holder, although that article cannot serve as a basis either for the

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<sup>32</sup> In this sense, see also B. VAN REEPINGHEN and L. VAN REEPINGHEN, "Les droits intellectuels renforcés : la contrefaçon en point de mire", *J.T.*, 2008, p.159.

<sup>33</sup> Brussels Court of appeal, 4 April 2007, *A.M.*, 2007, p.467.

<sup>34</sup> ECJ., 9 June 2016, C-481/14, *Jörn Hansson v. Jungpflanzen Grünwald GmbH*, ECLI:EU:C:2016:419.

imposition of a flat-rate “infringer supplement” or, specifically, for the restitution of the profits and gains made by the infringer.

The Antwerp Court of Appeal applied the reasoning adopted by the ECJ in a case concerning the unauthorized reproduction of potatoes<sup>35</sup>. In this case, the Court calculated the fee that would normally be payable for licensed production and, as the offender was found guilty of culpable negligence (recklessness), the Court allowed extra compensation for the prejudice due to the costs engaged by the breeder to research, establish and manage the infringement of their rights, as well as the loss of exclusivity and the resulting loss of reputation.

### 1.b Infringer’s beliefs/opinions

The same principles (both general principle and “adjustments” thereto) as the one stated in Question 1.a above apply *mutatis mutandis* to this section. Consequently, the infringer’s beliefs/opinions - even if they are in principle not relevant considering the general principle of *restitutio in integrum* - may also be taken into account to establish the infringer’s bad faith, whether they are invoked by the courts as part of their sovereign assessment of the facts (independently of any legal provision to this effect) or in application of the specific measures provided for by law in the event of an infringement (cf. Question 1.a(iii)).

Below are a few examples of cases in which the courts have considered, or at least referred to, the infringer’s beliefs/opinions<sup>36</sup> when assessing damages:

- *“There is intentional or deliberate infringement of the trademark if the person whose acts are recognized as infringing by the judge was aware, at the time of committing them, of their infringing nature. This will not be the case when the alleged infringer raises defences that cannot reasonably be considered as doomed in advance to failure, namely in particular the absence of a likelihood of confusion, use of the sign justified by contractual relations with the trademark owner and the invalidity of the trademark registration or the extinction of the trademark right”<sup>37</sup>.*
- *“The claimant does not prove that the infringements were committed in bad faith, i.e. wilfully; rather, it is apparent from the parties’ submissions that numerous competitors on the market offer similar products bearing the protected sign, which, on the part of the defendant in the counterclaim may have created an appearance of lawfulness. There is no bad faith if the infringement has been contested with a defence which in all reasonableness cannot be reasonably regarded as being without any foundation in law. Moreover, there is nothing to prove that the first respondent was aware of the trademark proprietor’s objections at the time it launched its products under the prohibited sign, and by bringing a declaratory action it is expressing precisely its concern to obtain a ruling as soon as possible on the lawfulness of its market conduct. In these circumstances, therefore, the court does not have the necessary substantiating tools that would allow it to judiciously form a picture of the extent of the damage. Failing this, one provisional euro can be awarded as compensation for material and moral damages can be awarded one provisional euro”<sup>38</sup>.*
- *“Belgian positive law does not enshrine objective liability in the field of copyright and it cannot be asserted that any infringement of copyright necessarily constitutes a civil fault,*

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<sup>35</sup> Antwerp Court of appeal, 2 May 2017, *Ing.-Cons.*, 2017, p.623.

<sup>36</sup> For the sake of good order, we note that in Belgian law there is no specific legal notion of “beliefs/opinions” of the infringer. These notions are therefore not necessarily expressly identified as such by the courts in their assessment.

<sup>37</sup> Brussels Court of appeal, 17 September 2013, *Ing. Cons.*, 2013, p.811

<sup>38</sup> Comm. Ghent, 15 December 2016, *R.G.A/15/04049*, p.22-23, available at [www.ie-forum.be](http://www.ie-forum.be).



*within the meaning of article 1382 of the Civil Code<sup>39</sup>. This is particularly true in the advertising sector, where advertisers must be able to rely on the information provided by the advertising agencies they use and cannot be compelled to systematically conduct an investigation to determine who is the natural or legal person who owns the copyright and whether that person has validly assigned his or her rights<sup>40</sup>.*

- *“Carrefour mistakenly believes it can invoke its ignorance. Trademark registers are public. Trademarks are entered in a register so that third parties could learn of their existence. Carrefour could find out from Diesel, as trademark holder, whether or not Mithra had lawfully sold the shoes at issue to Carrefour, not having sufficiently informed the trademark holder of its consent<sup>41</sup>.*
- *“The claim that NV Vancia Car Lease assumed that it was free to use the articles, and was not aware of any wrongdoing, is not very serious. As an entrepreneur, Vancia Car Lease NV should have known better, or at least it should have taken note, before copying the articles, of the terms and conditions of use that are posted on the Auto55.be website [...]*

*Moreover, the compensation that NV Vancia Car Lease owes for the copyright infringement that was committed [...] in bad faith cannot be equal to the royalties that NV Vancia Car Lease would have had to pay if it had applied for and obtained the required permission to reproduce the disputed contributions. To rule otherwise would be to equate an infringement situation with one in which a lawful permission had been requested and obtained. Without thereby prejudicing the compensatory function of the compensation, this increase [...] also has a dissuasive effect on possible infringers<sup>42</sup>.*

Other elements sometimes taken into account by the courts could also be interpreted as referring to a certain belief/opinion on the part of the infringer, as for example the fact that other competitors are offering similar (infringing or seemingly infringing) products and services<sup>43</sup>; the fact that the counterfeiter had a commercial relationship with the holder of the infringed IP rights<sup>44</sup>, etc.

### **1.c Publication of the scope of the IP right in general or at a particular time**

In Belgium, there is no specific provision regulating the question whether the publication of an IP right or the publication of a change in the scope of that IP right once granted (e.g., publication of patent claims amended in the course of proceedings, limitation/clarification of the goods and/or services covered by a trademark after registration, etc.) is likely to have any impact on the owner's right to obtain compensation for the loss suffered and/or on the amount of damages due. Nor are the members of the Belgian group aware of any case law decisions in this respect.

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<sup>39</sup> This statement contradicts the majority of doctrine and case law, according to which the provisions on compensation for infringement of IP rights establish an objective liability according to which the mere infringement of an IP right is sufficient to justify the right to obtain compensation for the resulting damage (see section 1.1 and footnotes 4 and 5).

<sup>40</sup> Civ. Brussels, 9 March 2005, *Ing.-Cons.*, 2006, p.135; in the same sense, see Supreme Court, 10 March 1994, *Pas.*, 1994, I, p.242.

<sup>41</sup> Brussels Court of appeal, 7 November 2017, R.G. 2010/AR/2008, unpublished - This case had the peculiarity that the disputed products had been put on the Spanish market by a former official distributor of the brand “Diesel”. The sublicense of this distributor had, however, been terminated as a consequence of the bankruptcy of its co-contractor (i.e., Diesel's direct licensee for the Spanish and Portuguese markets). The sub-licensee had been warned by the licensee that it no longer had the right to use the brand, but it still presented itself to third parties, particularly on international markets or at international trade fairs, as the official distributor.

<sup>42</sup> Ghent Court of appeal, 7 September 2020, *Ing.Cons.*, 2020, p.758, 759 and 761.

<sup>43</sup> Comm. Ghent, 15 December 2016, R.G. A/15/04049, p.22-23, available at [www.ie-forum.be](http://www.ie-forum.be).

<sup>44</sup> Brussels Court of appeal, 17 September 2004, *Ing.Cons.*, 2004, p.367 *et seq.*

However, in certain specific cases, the publication of an IP right (*i.e.*, patent, plant variety and trademark) may entitle the IP right owner to obtain “reasonable compensation” from the person who, during the period between the publication of the IP right application and its effective granting (also published), has performed an act which, after that period, would be covered by the exclusive rights of the IP right owner:

- Article XI.35 CEL: “§1. Reasonable compensation, determined according to the circumstances, may be demanded by the patent applicant from any third party who, between the date on which the patent application was either made available to the public under Article XI.24, §3, or copied to the interested third party, and the date of grant of the patent, has made an exploitation of the invention which, after that period, would be prohibited under the patent [...]”

§(4) After the grant of the patent, the third party may request the return of the compensation paid insofar as the final drafting of the claims has restricted the scope of the claims which served as a basis for fixing the compensation”.

- Article XI.82 CEL: “§3. The European patent application does not provide the protection referred to in Article 64 of the European Patent Convention. Nevertheless, reasonable compensation, fixed according to the circumstances, may be demanded from any person who has exploited in Belgium the invention which is the subject of the application, from the date on which the claims were made available to the public at the Office or were handed to that person in one of the national languages”.
- Article XI.157 CEL: “The holder may demand reasonable compensation from any person who, during the period between the publication of the application for the breeder’s right and the grant of the breeder’s right, has done any act which would have been prohibited to him after the said period under the breeder’s right”.
- Article 2.21(6) BCIP: “The proprietor of a trademark may require reasonable compensation from a party which has carried out acts such as those mentioned in Article 2.20 (2) during the period between the date of publication of the filing and the date of registration of the trademark, insofar as the proprietor of the trademark has acquired exclusive rights in this regard”.
- Article 3.17(6) BCIP: “With effect from the filing date, reasonable compensation may be required from a party which, being aware of the filing, has engaged in acts such as those mentioned in Article 3.16, insofar as the holder has acquired exclusive rights in this regard”.
- Article 11 Regulation 2017/1001: “1. The rights conferred by an EU trade mark shall prevail against third parties from the date of publication of the registration of the trade mark.  
2. Reasonable compensation may be claimed in respect of acts occurring after the date of publication of an EU trade mark application, where those acts would, after publication of the registration of the trade mark, be prohibited by virtue of that publication”.

Although no explicit reference is made to the notion of knowledge, these provisions seem to be relevant in this case. Indeed, although not stated in so many words, the publication of the application for registration of the IP right in question – the actual registration of which will then also

be published – seems to establish a “presumption of knowledge”<sup>45</sup> on the part of the third party, justifying that they may be held liable for reasonable compensation.

In addition to the above, some case law decisions seem to take into account whether an IP right has been subject of specific publication measures in order to award damages. In this respect, reference can be made to a decision of the Brussels Court of First Instance of 9 March 2005<sup>46</sup> and a decision of the Brussels Court of Appeal of 7 November 2017<sup>47</sup> (extracts of which have been reproduced in section 1. 2) which, read together, suggest that compensation will almost inevitably be due in the event of infringement of a trademark because of the publicity resulting from its publication in the trademark register, whereas *a contrario*, the absence of specific publicity measures for copyright could legitimize ignorance of the existence of such a right and/or of its owner and, therefore, justify the absence of compensation.

## **2 Are punitive damages awarded and if YES, in what circumstances?**

No. In principle, punitive damages are not awarded under Belgian law.

Under Belgian law, the main principle regarding damages, in case of IP infringement like in other tort situations, is that of “*restitutio in integrum*”, which means that the compensation should be equivalent to (no more and no less than) the actual prejudice suffered by the injured party. The purpose is to place the injured party back into the situation where it was prior to the harmful event. This principle has been reiterated by the Act of 9 May 2007<sup>48</sup> - transposing the Enforcement Directive into Belgian law.

According to this principle, damages are compensatory in nature and punitive damages are in principle not allowed<sup>49</sup>.

However, all aspects of the prejudice should be taken into account. Belgian case-law considers that following elements must be taken into account when assessing the damage suffered:

- the loss of profit, which amounts to what the right holder would have earned but for the infringement;
- other losses suffered, which include moral prejudice, the breach of the right holder’s “monopoly”, the harm caused to the image and attractiveness of a trademark, as well as all costs and care of the proceedings, including any costs of technical and trademark attorneys or any destruction and storage costs of the counterfeited material.

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<sup>45</sup> This is evidenced by the fact that, absent such publication, the same reasonable compensation may be obtain from a particular third party who received a specific notification of the application. In the latter case, there is actual knowledge, while in the case of publication of the application there is an assumption of knowledge.

<sup>46</sup> Civ. Brussels, 9 March 2005, *Ing.-Cons.*, 2006, p.135.

<sup>47</sup> Brussels court of appeal, 7 November 2017, *R.G. 2010/AR/2008*, unpublished.

<sup>48</sup> Law of 9 May 2007 on the civil aspects of the protection of intellectual property rights, Belgian official journal 10 May 2007, p. 25704.

<sup>49</sup> The Explanatory Memorandum of the Law of 9 May 2007 does refer to Article 13.1 and recital 26 of the Enforcement Directive as excluding punitive damages (See discussion of Art. 2, bill of law on the civil aspects of the protection of intellectual property rights, *Doc. parl.*, Ch. Repr., sess. ord. 2006-2007, DOC 51/2943-1-2-2944/1, p. 28-29: As regards the reparation of the damage caused by the infringement of an intellectual property right, reference should also be made to the settled case law of the Supreme Court according to which the judge must ensure that all damage actually suffered by the injured party is compensated (see references of the Supreme Court cited by P. Van Ommeslaghe, *Droit des obligations*, Vol 2, PUB 3rd edition, 2002-03/14, p. 671; J. Ronse, "Schade en schadeloosstelling" in *A.P.R.*, Ghent, Story-Scientia, 1984, 251-252). Thus, **it is not the intention to provide for punitive damages** subject to what will be said below about civil forfeiture. This approach is consistent with that of the Enforcement Directive. Article 13.1(2)(a) provides that the compensation to be paid to the rightful claimant must be appropriate to the damage suffered by the rightholder.

This appears in line with article 13.1.a) of the Enforcement Directive, which provides 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, any unfair profits made by the infringer<sup>50</sup> and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement<sup>51</sup>.

In the past, some Belgian courts<sup>52</sup> had awarded “double damages” on the basis of the consideration that a strict application of this principle is not of a sufficient nature to discourage infringers. Courts asserted that awarding the (even augmented) royalty fee has a perverse effect in that it stimulates infringers to speculate on the right holder either not noticing the infringement or remaining passive after discovery<sup>53</sup>.

However, in a decision of 13 May 2009<sup>54</sup> the Belgian Supreme Court confirmed the exclusion of punitive damages. In that case, the Court had to deal with the question whether when calculating damages on the basis of lost royalties, the rightholder can be awarded more damages than the royalties which it would have received if he had granted license had been entered voluntarily by the parties, at least as far as the compensation for loss of profits (*lucrum cessans*) is concerned. The Court decided that it is not permitted to award damages above the actual royalties if these damages are intended to compensate the rightholder for the general costs made to combat counterfeits and/or to have a deterring effect on IP infringers. The judgment which had justified in such a way the application of the “200%” tariff had violated the principle of “*restitutio in integrum*” and was therefore quashed by the Supreme Court.

Even if “punitive damages” are prohibited, the decision of the Supreme Court allows nevertheless for “multiple damages” whereby the actual damages granted can be higher than the fee that would have been due to the IP holder. Such expansion of damages may, however, not be motivated by a deterrent purpose or by motive to compensate for costs attached to the general battle against counterfeit goods<sup>55</sup>.

In that context, it is still possible, in some cases, to quantify the damages by taking into account more than, and even 200% of, the lost royalties. This was demonstrated in a later case before the Supreme Court in 2012<sup>56</sup>. On the basis of that latter decision, it appears that it depends mostly upon the justification used by the courts and the prejudice that is actually (or seemingly)

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<sup>50</sup> One may question whether this element, related to the situation of the infringer, not the harmed party, is indeed in line with common principles of damage compensation under Belgian law.

<sup>51</sup> In the *Liffers* case -, the ECJ clarified that a right holder can request compensation for moral prejudice (calculated in accordance with Article 13, par. 1(a) of the Enforcement Directive)<sup>51</sup>, in addition to the compensation due for the infringement upon the exploitation rights amounting to the royalties that would be have been paid under a license (according to Article 13, par. 1(b)), ECJ, 17 March 2016, C-99/15, *Christian Liffers v. Producciones Mandarina - Mediaset España Comunicación*, EU:C:2016:173.

<sup>52</sup> Ghent Court of appeal, 19 January 2009, *A&M 2009*, p. 384 with note J. Keustermans and T. De Maere; Antwerp Court of appeal, 13 October 2008, *A&M 2009*, p. 391, with note J. Keustermans; Civ. Leuven, 2 May 2006, *A&M 2006*, p. 457.

<sup>53</sup> C. Vanleenhove, « Punitive damages in intellectual property law – a private international law outlook » in *Handhaving van intellectuele rechten in België/Respect des droit intellectuels en Belgique*, Ghent, Larcier, 2017, p. 203-221; C. Ronse, “De andere herstelmaatregelen en in het bijzonder de schadevergoeding”, in *Sancties en procedures in intellectuele rechten – Sanctions et procédures en droits intellectuels* (F. Brinson ed.), Brussels, Larcier 2008, p. 232.

<sup>54</sup> Supreme Court, 13 May 2009, *AM 2009*, p. 384

<sup>55</sup> *Ibid.*

<sup>56</sup> Supreme Court, 13 February 2012, R.G. n° C.11.0432.N, *All Asphalt Werken e.a. c. Autodesk e.a.*, available at [www.cass.be](http://www.cass.be).

compensated by these damages. If the 200% royalties are intended to compensate only the loss of profits (*lucrum cessans*), or other prejudice suffered by the rightholder without any link to the infringer acts, then it is not justified. However, if that sum is intended to cover not only the loss of profits, but also the moral prejudice, the harm to reputation or a 'loss of monopoly' (*damnum emergens*)<sup>57</sup> it is permitted to grant such increased damages, even if as a side effect, this would have a deterring effect on other infringers. The ECJ<sup>58</sup> also confirmed that Article 13 of the Enforcement Directive does not preclude courts to award damages in the amount of 200% of the applicable royalty rate.

Some authors in the Belgian legal literature have raised the question in a recent article whether the justification of an award of damages higher than the lost royalties on the basis of the 'loss of monopoly' or 'loss of exclusivity' is not an artificial way to provide for punitive damages without being explicit about it<sup>59</sup>.

### **3 Are damages reduced below the level required to compensate the loss suffered by the right holder, and if YES, in what circumstances?**

*A priori*, and in principle, no: the damages should generally not be reduced below the level required to compensate the loss suffered by the right holder. The principle is that the right holder has the right to claim full compensation for any damage they have suffered and proven (*restitutio in integrum*). The lack of awareness of the infringer of the violation of the IP right, should have no impact.

However, the **burden of proof** of the existence and extent of the damages suffered lies with the right holder. Where the extent of the damage cannot be determined in any way, the court *may* reasonably and equitably fix **a lump sum for damages** (article XI.335, §2,1, of the CEL). Such lump-sum will be determined at the sole discretion of the court, taking into account the elements of the case. However, in theory at least, such lump-sum is meant to compensate the entire loss suffered by the right holder. In practice, there may have discrepancies (most often negative for the right holder) between the loss suffered and the damages awarded (for instance, where there is moral or reputational damage).

Statutory damages do not exist under Belgian law.

Regarding copyrighted works, the tariffs of several collective management societies enshrine the principle of increasing the amount of a basic royalty rate in the event of reproduction without prior authorization, in the event of infringement of the author's paternity rights, in the event of reproduction of the work with a false signature or in the event of infringement of the integrity of the

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<sup>57</sup> And therefore, serving as an *ex aequo et bono* assessment of all prejudice suffered by the rightholder.

<sup>58</sup> The ECJ also confirmed that Article 13 of the Enforcement Directive does not preclude courts to award damages in the amount of 200% of the applicable royalty rate. ECJ, 25 January 2017, C-367/15 - *Stowarzyszenie "Oławska Telewizja Kablowa*, ECLI:EU:C:2017:36.

<sup>59</sup> S. LENS and B. VANBRABANT, « La réparation du dommage résultant d'atteintes aux droits intellectuels » in J. CABAY and A. STROWEL, *Les droits intellectuels, entre autres droits : intersections, interactions et interrogations*, Brussels, Larcier, 2019, (49) 66.

work.<sup>60</sup> The courts validate very often the application of such tariffs<sup>61</sup>, but they can only do so as long as it is justified by the necessity to fully compensate the loss suffered.<sup>62</sup>

It cannot be excluded that, in some circumstances, the courts reduce the amount of the damages below the level that would compensate the right holder for the loss caused by an infringement of their IP right.

General principles of law, such as the duty of the victim of a tort, in this case the right holder, to take measures to limit its prejudice, can always be asserted by the infringer to try to reduce the damages owed. However, these notions are usually not related to the infringer's knowledge.

For instance, the right holder may be partly responsible for their loss. The infringer has the burden of proof regarding the partial responsibility of the right holder. In such case of shared liability, the loss will be attributed to both the right holder (the victim) and the infringer based on their respective responsibility for the acts that caused the damage.<sup>63</sup> Therefore, the damages awarded may be reduced below the level required to compensate the full loss suffered by the right holder, but not below the level of the loss caused by the infringer (the principle remaining that of full compensation by the infringer for the loss they caused). Moreover, the infringer's knowledge will play no part in the determination of the damages.

Compensation of the loss to an amount lower than that suffered could happen in case of a statute of limitation ("**prescription**").

For some rights, such as patents, there are specific statutes of limitation. Article XI.61 of the CEL provides that infringements will be time barred after five years after they were made. If the right holder does not act within five years, they will not be compensated for their full loss.

## II. POLICY CONSIDERATIONS AND PROPOSALS FOR IMPROVEMENTS OF YOUR GROUP'S CURRENT LAW

### 4 Could your Group's current law or practice relating to the role of knowledge in relation to damages be improved? If YES, please explain.

According to the group, knowledge should not be taken into account in order to establish liability of a party who has infringed an IP right. The group considers that the current system of "objective"

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<sup>60</sup> S. LENS and B. VANBRABANT, « La réparation du dommage résultant d'atteintes aux droits intellectuels », in *Les droits intellectuels, entre autres droits : intersections, interactions et interrogations*, sous la direction de J. Cabay et A. Strowel, Larcier, Brussels, 2019, pp. 83-84.

<sup>61</sup> Brussels Court of appeal, 25 September 2001, *A.&M.*, 2004, p. 327; Brussels Court of appeal, 15 September 2004, *A.&M.*, 2005, p. 240; Brussels Court of appeal, 27 April 2007, *J.L.M.B.*, 2007, p. 1774; Liège Court of appeal, 10 April 2008, *Ing.-Cons.*, 2008, p. 631; Brussels Court of appeal, 2 June 2008, *A.&M.*, 2009, p. 405; Antwerp Court of appeal, 13 October 2008, *A.&M.*, 2009, p. 391; Ghent Court of Appeal, 19 January 2009, *A.&M.*, 2009, p. 384; Brussels Court of appeal, 23 June 2009, *A.&M.*, 2010, p. 253; Liège Court of appeal, 10 January 2011, *R.G. n° 2006/RG/201*, available at [www.ie-forum.be](http://www.ie-forum.be); Mons Court of appeal, 7 March 2011, *A.&M.*, 2014, p. 517; Comm. Ghent, 6 juin 2015, *R.G. n° 5074/13*, p. 13, available at [www.ie-forum.be](http://www.ie-forum.be); Comm. Ghent, 12 January 2017, *R.G. n° A/15/06576*, unpublished, p. 14. *Contra*: Ghent Court of appeal, 22 April 1998, *I.R.D.I.*, 1998, p. 232; Brussels Court of appeal, 4 February 2005, *A.&M.*, 2006, p. 186; Brussels Court of appeal, 3 May 2005, *A.&M.*, 2005, p. 419; Civ. Brussels, 20 April 2006, *A.&M.*, 2007, p. 356; Civ. Brussels, 28 March 2007, *Ing.-Cons.*, 2007, p. 357; Brussels Court of appeal, 24 May 2012, *Ing.-Cons.*, 2012, p. 373; Liège Court of appeal, 16 September 2014, *Ing.-Cons.*, 2014, p. 772, cited by S. LENS and B. VANBRABANT, *op. cit.*, p. 84.

<sup>62</sup> Supreme Court., 13 February 2012, *R.G. n° C.11.0432.N*; Supreme Court. 13 May 2009, *Pas.*, 2009, I, p. 1167.

<sup>63</sup> B. DUBUISSON et al., *La responsabilité civile. Chronique de jurisprudence 1996-2007. Volume 1: Le fait générateur et le lien causal*, Larcier, Brussels, 2009, pp. 350- 352.

liability<sup>64</sup> should be maintained to the benefit of IP right holders. If the infringement of an IP right is established, the right holder should be entitled to compensation for incurred costs and loss of profits resulting from the infringement. The principle of “*restitutio in integrum*”, *i.e.* that the compensation should be equivalent to, but not exceed, the actual prejudice suffered by the right holder, should be maintained.

However, according to several members of the group, it should still be possible to take into account in some way the infringer’s knowledge in the quantification of the damages following the infringement of an IP right.

If the infringer can show they have acted diligently and in good faith, but were unaware of the existence of the right or the infringing nature of their acts, the loss of profits should be calculated preferably based on the royalties or fees that would have been due if the infringer had applied for authorisation to use the IP right in question. In these cases, it seems fair to treat the infringer as any ordinary licensee when calculating loss of profits<sup>65</sup>. In addition, the infringer will also have to compensate the incurred costs (incl. legal costs) suffered by the right holder.

The infringer’s knowledge could also be taken into account when awarding damages for any moral harm suffered by the IP right holder. This harm is already often difficult to quantify, causing courts to generally use an *ex aequo et bono* determination. Therefore, the infringer’s good or bad faith could lead either to a decrease or increase of the damages awarded for moral harm. Due to the nature of the *ex aequo et bono* calculation of these damages, this may in fact already be an element which judges (unconsciously) take into account when fixing the amount of the compensation. An open justification, in this respect, would, according to some members of the group, be preferable in terms of policy (in order to fight against wilful infringement).

Even though, as described above, some members of the group believe the infringer’s knowledge should play a role in the quantification of damages, they recognize that this may be difficult to apply in practice. Establishing proof of knowledge of the infringing character of certain acts is often quite difficult. One of the main advantages of the current system is the legal certainty which it provides by avoiding these types of discussions in proceedings which frequently are already quite intricate.

The group is also satisfied with, and recommends to keep, the system of transfer of profits in case of bad faith infringement, stressing that this should be considered as a specific remedy, to be distinguished from mere compensatory damages.

**5 Should the recovery of damages depend, or not depend, on the knowledge (subjective or objective) of the infringer? Please explain.**

No. The IP right holder should at least be entitled to compensation for any incurred costs and loss as well as for lost profits, regardless of the knowledge of the infringer. Lack of knowledge of the infringer should not be used in order to safeguard them from any recovery of damages by an IP right holder. The extent of damages though, could slightly vary based on the knowledge of the infringer (see question 4).

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<sup>64</sup> As described in section 1.1 (see also footnote 4 regarding the criticism certain authors have on this concept).

<sup>65</sup> S. Lens & B Vanbrabant, « La réparation du dommage résultant d’atteintes aux droits intellectuels », *op. cit.* section 2.

**6 Should damages be elevated so as to discourage future infringement by:**

- a. an infringer, when a court has established infringement and awarded an injunction against that infringer,
- b. an infringer, when a court has established infringement but not awarded an injunction against that infringer,
- c. third parties, when a court has not yet established infringement by such third parties or the existence of any potentially relevant third parties.

Damages should not be elevated for the sole purpose of discouraging future infringements by the infringer or third parties in any of the situations described under a, b or c. This would in essence amount to punitive damages being awarded for IP infringements, which is not desirable according to the group (without prejudice however to the transfer of profits, as a distinct remedy).

Any discouraging effect for infringers or third parties should instead be achieved by sanctions as provided under criminal law. This, in combination with the publication of judgements including such measures and sanctions, should be used in order to achieve the same purpose.

If an infringer, through their knowledge of an earlier judgement, knows or should reasonably have known that their acts were also infringing upon an IP right, this may of course be relied upon in order to establish the infringer's bad faith. This in turn could be used by the IP right holder to request additional measures in case of bad faith provided under the current legislation or those proposed in the response to question 4.

**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?**

No.

**III. PROPOSALS FOR HARMONISATION**

*Please consult with relevant in-house / industry members of your Group in responding to Part III.*

**8 Do you believe that there should be harmonisation in relation to the role of knowledge in relation to damages? Please answer YES or NO.**

*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.*

Yes.

For the avoidance of doubt, the Belgian group has the following understanding of objective and subjective knowledge:

- Objective knowledge: the infringer is reasonably expected to know about the existence of the IP rights in question. This would for example be the case if the IP rights in question are registered and the infringer could have consulted this register.



- Subjective knowledge: the infringer actually knows about the existence of the IP right. For example, if the infringer is a former licensee of or has been made aware of the existence of the IP rights through a cease-and-desist letter from the right holder.

**9 a) Should the knowledge (subjective or objective) of the infringer affect the recovery of damages? Please answer YES or NO.**

Yes, but only to a limited extent (see d)

**b) If the answer to 9)a) is YES, should the knowledge be (you may tick one or, if you think either suffices, both boxes):**

- subjective
- objective

**c) How should such knowledge (for example) be established? Please tick all that apply:**

- by the right holder?
- by the infringer?
- by evidence of the circumstances of the infringement?
- by evidence of the state of mind of the infringer?
- referring only to facts available to any person?
- referring to information available only to the infringer?

**d) How should such knowledge affect the recovery of damages?**

As described in the response to question 4, the injured party should always be able to recover damages equivalent to the costs it incurred and profits it lost as a result of the infringement. This irrespective of the knowledge of the infringer.

Nevertheless, some members of the group believe that the knowledge of the infringer may still, to an extent, be taken into account when quantifying the amount of the damages awarded to the right holder:

- when calculating loss of profits: in case the infringer can demonstrate that they had no objective or subjective knowledge of the infringing nature of their acts, damages awarded for loss of profits should preferably be based on the royalties or fees that would have been due if the infringer had obtained a license from the right holder.
- when awarding lump sum (*ex aequo et bono*) damages for moral harm: the infringer's (lack of) objective or subjective knowledge can be used to decrease or increase the damages awarded to the right holder.

**10 Can or should damages to compensate the right holder:**

- a. **only be awarded where the infringer has the level of knowledge specified in Article 45(1) TRIPs**

No.

- b. **nevertheless be awarded if the infringer did not have the level of knowledge specified in Article 45(1) TRIPs.**

Yes, the fact that the infringer has subjective or objective knowledge that they engaged in infringing activity is in principle without impact on the right of the injured party to obtain compensation for the harm suffered.

**11 What, if any, change in the level of damages or the assessment of damages is appropriate, if the infringer:**

- a. had no subjective knowledge, prior to the litigation, of the existence of the IP rights that were found infringed,**

In this situation, the compensation for loss of profits allocated to the right holder should be calculated based on the royalties or fees that would have been due if the infringer had been an ordinary licensee of the right holder. Besides, the infringer should also compensate the right holder for any costs it incurred as a result of the infringement.

Furthermore, as no bad faith is established in this case, the right holder should not be entitled to the transfer of the profits made by the infringer.

- b. had no subjective knowledge, prior to the litigation, of the scope of the IP rights that were found infringed because the IP right was not published in a language which is (or should be) understood by the infringer,**

If such a situation would occur, the calculation of damages should be done as described in the response to question 11, a. above. The group however assumes that the language in question is either an official language of the country where the infringement occurs or a language that is generally understood in such country; otherwise, the IP right should not be enforceable in such country, as it would be contrary to basic requirements of legal security.

- c. had no subjective knowledge, prior to the litigation, of the scope of the IP rights that were found infringed because the IP right was amended in the course of litigation resulting in its scope changing,**

Whereas this normally should not cause any change in the level of damages awarded to the right holder, it cannot be excluded that in some rare cases, this could lead to a (limited) decrease of such damages. For example, if the scope of the IP rights in question would be amended so significantly that the infringer could not reasonable have foreseen that their acts would be infringing upon these rights (although this seems unlikely to occur in practice).

- d. had a subjective belief prior to the litigation (whether gained through legal advice or otherwise) that the IP rights in question would or would not be infringed,**

If the infringer had a subjective belief that the IP rights in question would be infringed, this could be used to establish bad faith and entitle the IP right holder to the normal remedies resulting thereof (e.g., transfer of profits).

Depending on the circumstances (e.g., source, extent and quality of the advice or other reason leading to the subjective belief), this could have some limited effect on the level of damages awarded for moral harm (calculated as a lump sum). It could lead to a minor increase or decrease, depending on whether the infringer had the subjective belief that their acts would or would not be infringing upon the IP rights in question.

- e. **had not undertaken searches prior to launching a new product, to determine if the new product would or might infringe,**

In general, this should not have any effect on the amount of damages which are awarded to the right holder. This unless it can be established that every reasonable person in the same situation would have conducted searches prior to launching a new product (e.g., for large actors in selected industries such as pharmaceuticals). If this is the case, it could be taken into account and lead to an increase in the damages awarded for moral harm suffered by the right holder. Furthermore, this could be relevant in order to determine bad faith.

- f. **had undertaken searches prior to launching a new product, to determine if the new product would or might infringe, and those searches erroneously indicated no infringement.**

If the searches erroneously indicated no infringement, the level of damages should be calculated as described in the response to question 11, a. above.

**12 If the grant of punitive or exemplary damages (being damages greater than those required to compensate the right holder) is permitted, please indicate whether such damages should depend on the knowledge of the infringer, and if so, what objective or subjective knowledge should be required?**

As a reminder, the Belgian group does not believe that punitive damages should be awarded to right holders in case of an infringement of an IP right. Any penal or exemplary function should instead be achieved through sanctions and proceedings as provided under criminal law.

If the grant of punitive damages would nevertheless be permitted, they should only be available as a remedy in case the infringer had subjective knowledge about the existence of the IP right in question, for example due to a cease-and-desist letter received from the right holder. Even in these instances, punitive damages should not be awarded if the infringer had significant reasons to challenge the authority of the element causing knowledge.

**13 Should the conduct of the infringer, e.g., setting out to make profit from infringement which exceeds the compensatory damages payable to the right holder, justify punitive/exemplary damages greater than those required to compensate the right holder:**

- a. **when the infringer had some intention/knowledge of the objective of making the profit?**
- b. **when the infringer had no intention/knowledge of making the profit, and the profit was made “accidentally”?**
- c. **regardless of the knowledge of the infringer?**

**(This question does not concern compensation based on the unlawful profits of the infringer)**

In none of the above cases, nor any other situation, should the conduct of the infringer justify awarding punitive damages which exceed the prejudice suffered by the right holder. As described above, any punitive or exemplary objective should instead be achieved by sanctions as provided under criminal law.

If bad faith is established, a transfer of profits can be ordered, but this would not be considered as a form of punitive damages.

Finally, if punitive/exemplary damages had to be foreseen in a context of harmonization, they should certainly be limited to the circumstance under (a) and in not be extended to the circumstances under (b) or (c).

**14 Please comment on any additional issues concerning any aspect of the role of knowledge in relation to damages you consider relevant to this Study Question.**

N/A.

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

The following industry sector views provided by in-house counsel are included in the Group's answer:

- In case the infringer had no objective or subjective knowledge of the existence of the IP rights, compensation for loss of profits should be based on the royalties payable if the infringer had been an ordinary licensee of the right holder.
- No punitive damages should be awarded, irrespective of the situation.