



## **Requesting Damages for Patent Infringement under the Unified Patent Court Agreement: A Stronger Position for Rightsholders?**

The expected legal implications for rightsholders in comparison to damage compensataion under the Enforcement Directive

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## Chapter 1 Introduction

In the course of 2020 the Unified Patent Court Agreement (hereafter: UPCA) is expected to enter into force. The UPCA has been created for several reasons.<sup>1</sup> European Member State cooperation in the field of patents will contribute to the integration of the internal market. Also, a fragmented market for patents and the significant variations in national court systems are detrimental to innovation. Especially for small and medium sized companies which have difficulties to enforce their patents against unfounded claims. The UPCA aims to: “Improve enforcement of patents and the defense against unfounded claims and patents which should be revoked and to enhance legal certainty by setting up a Unified Patent Court for litigation relating to the infringement and validity of patents”.<sup>2</sup> Two new features will be established when the UPCA enters into force: a Unitary Patent, and the Unified Patent Court. The Unitary Patent creates the possibility to get patent protection in 26 European Member States with one single request to the European Patent Office.<sup>3</sup> It removes complex and costly national validation procedures, by setting the European Patent office as the central registration office. Also the Unitary Patent does not require any additional translations of the patent and the renewal fee system is reformed into one procedure instead of the current fragmented system. The Unified Patent Court will be an international court established to deal with the infringement and validity of Unitary and European Patents.<sup>4</sup> Their ruling will apply in all Member States who have ratified the UPCA.

Within the competence of the Unified Patent Court will be, among other things, awarding for damages for patent infringements.<sup>5</sup> The award of damages is set in Article 68 of the UPCA. Since the UPCA has not entered into force yet, actions for damages are currently covered by the Directive 2004/48/EC on the Enforcement of Intellectual Property rights (hereafter: the Enforcement Directive). Damages under the Enforcement Directive are laid down in Article 13. Both articles under the UPCA and the Enforcement Directive seem similar. The main difference is that, under article 68(2) of the UPCA, is stated that: “the injured party shall, to the extent possible, be placed in the position in would have been in if no infringement had taken place. The infringer shall not benefit from the infringement. However, the damages shall not be punitive”.<sup>6</sup> In the Enforcement Directive, this prohibition is formulated less strictly. In recital 26 of the Enforcement Directive is stated that the aim for awarding damages is not to provide for punitive damages, but to allow for compensation based on objective criterion.<sup>7</sup> Despite of the similarities in the Articles, the UPCA and the Enforcement Directive are both different legal instruments, which may both create different legal positions for right holders with regard to requesting damages.

Damages under Article 13 of the Enforcement Directive can be awarded in three situations: to compensate lost profit, to compensate illicit gain for the infringer, and in the form of a lump sum

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<sup>1</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations 1 -2

<sup>2</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, consideration 5

<sup>3</sup> European Patent Office, ‘Unitary Patent’ < <https://www.epo.org/law-practice/unitary/unitary-patent.html>> accessed 4 May 2019

<sup>4</sup> European Patent Office, ‘Unified Patent Court’ < <https://www.epo.org/law-practice/unitary/upc.html#tab1>> accessed 4 May 2019

<sup>5</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 32(1) sub f

<sup>6</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68(2)

<sup>7</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recital 26

payment.<sup>8</sup> Damages for patent infringement have been acknowledged by the CJEU, and recently even have been taken a step further. In the case *Stowarzyszenie 'Olawska Telewizja Kablowa'* the CJEU stated that Article 13 of the Enforcement Directive must be interpreted as not precluding national legislation from allowing to ask twice or three times the amount of damages that he suffered, without him having to prove the actual loss.<sup>9</sup> How to calculate the amount of damages has been defined by the European Commission in their Guiding paper on certain aspects of Directive 2004/48/EC. The calculation can be done in two ways.<sup>10</sup> First, by taking into account all appropriate aspects, like negative consequences, lost profit etc. which the injured party suffered. This includes unfair profits made by the infringer, and elements such as moral prejudice caused to the right holder. The second option is setting lump sum based on elements such as the amount of royalties or fees which would have been due if authorization had been requested by the infringer. It is left to the discretion of judicial authorities to award damages set on a lump sum basis, when they consider this to be appropriate under the circumstances. In particular, in cases where it is difficult to set damages based on the first calculation method.<sup>11</sup> Under the UPCA, four approaches for calculating damages have been set out: calculating the right holder's economic loss, moral prejudice caused to the injured party, the infringer's economic gains, and lump sum damages equivalent to royalties or fees.<sup>12</sup> Under the UPCA a broad discretion is given to the Court in awarding damages and choosing which calculation method would be the best method under the circumstances. Methods for calculating economic consequences and moral prejudice are left for the Court to establish.<sup>13</sup>

Apart from the Articles on damages, it is also relevant to look at the proportionality and fairness test under the UPCA and the Enforcement Directive. This test applies for awarding remedies such as damages. Article 3 of the Enforcement Directive obliges Member States to provide measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights.<sup>14</sup> These measures and remedies are to be fair and equitable. Also measure should not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays. On top of that recital 31 of the Enforcement Directive requires that the principle of proportionality should be regarded.<sup>15</sup> The Commission established that the competent judicial authorities should assess this is on a case-by-case basis.<sup>16</sup> Similar requirements are made in the UPCA. Article 42 of the UPCA requires the Court to deal with matters in a proportionate manner, and that the remedies under the

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<sup>8</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13

<sup>9</sup> Case C-367/15 *Stowarzyszenie 'Olawska Telewizja Kablowa' v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 33

<sup>10</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 3

<sup>11</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 4

<sup>12</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (3)

<sup>13</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018) p. 6; W. Tilmann, 'The UPC Agreement and the Unitary Patent Regulation – construction and application' [2016] Journal of Intellectual Property Law & Practice, Vol. 11 No. 7, p. 549

<sup>14</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3 (1)

<sup>15</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recital 31

<sup>16</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 9

UPCA are used in a fair and equitable way.<sup>17</sup> It is left to the discretion of the Unified Patent Court to provide an interpretation of these principles.

Article 20 of the UPCA allows the Court to use European law in their decision making. It states that: “The Court shall apply Union law in its entirety and shall respect its primacy.”<sup>18</sup> The Unified Patent court is bound by decisions made by the CJEU.<sup>19</sup> In the considerations of the UPCA is stipulated that the CJEU is to ensure the uniformity of the Union legal order and the primacy of European Union law. The Unified Patent Court must apply Union law in collaboration with the CJEU to ensure a correct application and uniform interpretation of the law.<sup>20</sup> Interaction between the UPCA, European law, and the CJEU is thus inevitable. The Unified Patent Court has the competence to request an interpretation from the Court of Justice of the European Union (hereafter: CJEU).<sup>21</sup> These questions concern the interpretation of EU treaties and the validity and interpretation of acts of EU institutions, bodies, offices and agencies. This jurisdiction for the CJEU also extends to international agreements concluded by the Union and third countries or organizations. It can be seen in the wording of the UPCA that the authors took European law as an example. Especially the Enforcement Directive.<sup>22</sup> There is, however, a critical difference between the Enforcement Directive and the UPCA. The Enforcement Directive requires implementation into national law which will define the details of the Directive. Under the UPCA, there is no requirement for implementation. The Unified Patent Court will therefore have a difficult position in creating the definition which would normally be provided by national law.

Considering the above it is clear that there is uncertainty on how the Unified Patent Court will interpret and give meaning to awarding damages. This uncertainty does not just come from the conditions under which damages can be awarded, but also because the Court has to give an interpretation and provide meaning to the principles of proportionality and fairness. Also, the interaction between the UPCA and European law may cause for uncertainty. Which European laws will be incorporated by the Court and which will not be incorporated. Since the UPCA has not entered into force yet, there is no clarity on these points so far. This thesis will attempt to provisionally fill this gap in literature. The main research question this thesis will evolve around is: “What legal implication for patent right holders against direct infringers can be expected when requesting damages under the Unified Patent Court Agreement in comparison to damages under the Enforcement Directive? “

In order to formulate an answer to this question, several sub-questions will be addressed in this thesis. First, “What is understood by to be fair and proportionate under the Enforcement Directive, and what can be expected of these principles under the UPCA?” Secondly, with specific regard to damages as a remedy, “What are the requirements for requesting damages set in Article 13 of the Enforcement Directive and Article 68 of the Unified Patent Court Agreement? What differences can be found? Lastly, concerning the interaction between the UPCA and European law: “Which sources is the Unified Patent Court allowed to use when hearing cases, and what does that mean for the legal position of right holders?”.

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<sup>17</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 42

<sup>18</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 20

<sup>19</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 21

<sup>20</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations 9 -10

<sup>21</sup> C. Petersen, J. Schovsbo, ‘Decision-making in the Unified Patent Court: Ensuring a balanced approach’ [2016] SSNR 2799132, p. 5

<sup>22</sup> W. Tilmann, ‘The UPC Agreement and the Unitary Patent Regulation – construction and application’ [2016] Journal of Intellectual property Law & Practice, Vol. 11 No. 7, p. 549

For conducting this thesis, a combination of methodologies is used. Comparative legal analysis is used for comparing the proportionality and fairness and the two articles on damages. The necessary legislation, jurisprudence and literature to conduct the comparative legal analysis and provide an overview of the opinion in literature is found through dogmatic research. Approaching the research question is done through the perspective of right holder's position against a direct infringer of a patent. The focus is on the UPCA, especially on awarding damages under the UPCA. For reference and comparison, damages under the Enforcement Directive is assessed.

This thesis is divided in several chapters in order to provide an answer to the main research question and sub-questions. Chapter two assesses the Enforcement Directive and the UPCA, how both were established and the way they operate. It also discusses the general obligation of Article 3 of the Enforcement Directive, in which Member States are obliged to ensure effective enforcement of intellectual property rights<sup>23</sup>, against Article 42 of the UPCA which ensures proportionality and fairness. What is known to be fair and proportionate under the Enforcement Directive, and what we can expect to be fair and proportionate under the UPCA. Chapter three discusses the remedy damages under Article 13 of the Enforcement Directive and Article 68 of the UPCA. It looks into in how far both articles correlate, the application of damages under the Enforcement Directive, and what can be expected of damages under the UPCA. Chapter four is on Article 5 of the UPCA. The possible sources the Unified Patent Court can use are discussed and what implications the use of European law and case law may bring under the UPCA. Chapter five is an analytical summary. This chapter looks into possible legal implications for right holders that can be expected under the UPCA in comparison to the Enforcement Directive. Finally chapter six provides a conclusion to this thesis and an answer to the main research question.

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<sup>23</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3

## Chapter 2 The Enforcement Directive versus the Unified Patent Court Agreement

### 2.1 The Enforcement Directive

Before the Enforcement Directive saw the light at European level, several international frameworks were already in place with regard to intellectual property rights enforcement<sup>24</sup>: the TRIPS Agreement forms the common standards applicable and are implemented in all Member States. The Paris Convention, for the protection of Industrial Property. The Berne Convention, for the protection of Literary and Artistic Works, and the Rome Convention for the Protection of performers, producers of phonograms and broadcasting organizations. Despite these international frameworks, large differences were found between Member States in their application of for instance provisional measures for preserving evidence, the calculation of damages, or the application of injunctions.<sup>25</sup> These differences lead to a weakening of the substantive law on intellectual property and to a fragmentation of the internal market in this field.<sup>26</sup> Therefore, changes had to be made and the Enforcement directive was created.

The Enforcement Directive provides a minimum, standard set of measures, procedures and remedies allowing the enforcement of intellectual property rights.<sup>27</sup> Attempting to bring national legislative systems closer together in order to ensure a high, equivalent and homogeneous level of protection in the internal market, is the objective of the Enforcement Directive.<sup>28</sup> The Directive was not meant to replace the already existing international frameworks. It was developed to coexist and even incorporated some of the internationally established rules into the European framework. For instance, Article 15 of the Berne Convention, which established the presumption whereby the author of literary or artistic work is regarded as such if his name appears on the work.<sup>29</sup> The wording of Article 2 of the Enforcement Directive has almost literally been copied from Article 15(1) of the Berne Convention, especially the reference to 'literary and artistic works'.<sup>30</sup> However, Article 2 is less detailed compared to article 15. Therefore, the Enforcement Directive allows for the use of Article 15 Berne Convention, to further clarify Article 2 of the Directive.

Measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights are established by the Enforcement Directive.<sup>31</sup> The Directive applies to any infringement of intellectual property rights as provided for by the Union and/or by the national law of the Member State concerned. When measures in other EU or national legislation are more favorable for the rights

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<sup>24</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recitals 5 and 6

<sup>25</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recital 7

<sup>26</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recitals 8 and 9

<sup>27</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 1

<sup>28</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 3

<sup>29</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recital 19

<sup>30</sup> I. Stamatoudi, P. Torremans, EU Copyright Law (first published 2014, Edward Elgar Publishing Limited 2014), p. 561 - 562

<sup>31</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 22

holders, these rights will prevail over this Directive.<sup>32</sup> Which intellectual property rights are covered by the Directive is not specifically listed. Recital 13 of the Directive provides that: “it is necessary to define the scope of this Directive as widely as possible in order to encompass all the intellectual property rights covered by Community provisions / national law of the Member States concerned.”<sup>33</sup> In order to provide more clarity on recital 13, the Commission presented a list of intellectual property rights in 2005 which at least did fall into the scope of Article 2 of the Directive. This list included, among others: copyright and related rights to copyright, sui generis right of a database maker, trade mark rights and patent rights, including rights derived from supplementary protection certificates.<sup>34</sup> For these rights, the measures, procedures and remedies of the Enforcement Directive should be in any case available, according to the Commission.<sup>35</sup>

Article 3 of the Directive presents the general obligation for Member States to provide measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights covered by the Directive.<sup>36</sup> These must all be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays. Paragraph 2 of Article 3 adds that the measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.<sup>37</sup>

The Directive describes in Article 4 which persons are entitled to apply for the measures, procedures and remedies: the holders of intellectual property rights, all other persons authorized to use those rights, in particular licensees, intellectual property collective rights-management bodies, and professional defense bodies.<sup>38</sup> An example of a professional defense body would be the Patent Assertion Entities (PAE).<sup>39</sup> These entities assert infringement of patents “with the sole goal of generating revenues from licensing or settlements of litigation”. Article 5 sets the presumption of authorship or ownership. This presumption is set in favor of the person whose name appears on the work or protected subject in the usual manner.<sup>40</sup>

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<sup>32</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 2

<sup>33</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recital 13

<sup>34</sup> European Commission Statement (2005) concerning Article 2 of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights [2005] OJ L94/37, page 37 further included in the list of the Commission where: rights of the creator of the topographies of a semiconductor product, design rights, geographical indications, utility model rights, plant variety rights, trade names, in so far as these are protected as exclusive property right in the national law concerned.

<sup>35</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 23

<sup>36</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3

<sup>37</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3(2)

<sup>38</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 4

<sup>39</sup> European Commission, ‘Support study for the ex-post evaluation and ex- ante impact analysis of the IPR enforcement Directive (IPRED)’ [2017] ISSN 978-92-79-73501-1, p. 45

<sup>40</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 25



Section 2 of the Directive discusses evidence (Article 6), and measures for preserving evidence. Member States must ensure that there are effective means to present and preserve evidence.<sup>41</sup> Section 3 sets the right of information. Judicial authorities may order that information on the origin and distribution networks of goods or services which infringe an intellectual property right be provided by the infringer.<sup>42</sup> Under the Directive, provisional and precautionary measures are allowed.

The Enforcement Directive furthermore entails possibilities for measures resulting from a decision on the merits of the case, and damages. The first is defined as: corrective measures (Article 10), injunctions (Article 11) and alternative measures (Article 12). Damages are defined in Article 13. Corrective measures allow the competent judicial authority to order recall from the channels of commerce of goods which have been found to be infringing an intellectual property right.<sup>43</sup> The definitive removal of goods from the channels of commerce or their destruction may be ordered. Injunctions may be ordered against the infringer which aims at prohibiting the continuation of the infringement.<sup>44</sup> Alternative measures can take the form of pecuniary compensation to be paid to the injured party. This measure may be applied if the infringing party acted unintentionally and without negligence, if execution of another measure would cause him disproportionate harm, and if pecuniary compensation to the injured party appears reasonably satisfactory.<sup>45</sup> Damages can be applied in cases where the infringer knowingly, or with reasonable grounds to know, engaged in an infringing activity.<sup>46</sup> Therefore damages differs from the alternative measures.

The Directive finishes with Articles on the publication of the judicial decision, sanctions by Member States and final provision on the implementation, entry into force and the addressees. These provisions are of less relevance for the analysis carried out herein and, therefore, will not be further discussed.

## 2.2 The Unified Patent Court Agreement

The UPCA establishes the Unified Patent Court and the legal framework around the court. The thought behind the development of the UPCA was that the cooperation amongst Member States of the European Union in the field of patents contributes significantly to the integration process in Europe.<sup>47</sup> National courts and authorities are currently competent to decide on the infringement and validity of European Patents.<sup>48</sup> When a patent holder wishes to enforce its patent in multiple countries, or when a third party seeks revocation of a European patent, this can lead to difficulties. It is costly to litigate your patent in multiple countries, and there is the risk of diverging decisions and a

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<sup>41</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 26

<sup>42</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 8

<sup>43</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 27

<sup>44</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 11

<sup>45</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 12

<sup>46</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13

<sup>47</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, p. 3

<sup>48</sup> European Patent Office, 'Unified Patent Court' < <https://www.epo.org/law-practice/unitary/upc.html#tab1> > accessed 17-10-2019

lack of legal certainty.<sup>49</sup> Especially smaller enterprises struggle to enforce their patents and defend themselves against unfounded claims and claims relating to patents which should be revoked.<sup>50</sup> Parties often seek to take advantages of the differences between national courts and their procedures. Forum shopping is therefore often inevitable. In addition to that, fragmented markets for patents are harmful for innovation.<sup>51</sup> Forum shopping presents the possibility for the plaintiff to select the court which would give the most beneficial outcome, in the plaintiff's perspective. This creates a lack of uniformity in judicial decision-making and eventually leads to fragmented markets and less innovation.<sup>52</sup>

The UPCA wishes to improve patent enforcement and the defense against unfounded claims, thus to improve legal certainty, by creating the Unified Patent Court for cases relating to infringement and the validity of patents.<sup>53</sup> Exclusive competence over European Patents with unitary effect and European patents granted under the EPC is granted to the Unified Patent Court. The Court of Justice will still ensure the uniformity of the Union legal order and the primacy of European Union law.<sup>54</sup> Under the UPCA, the Unified Patent Court is required to fully apply and respect Union law, and to ensure the judicial protection of an individual's rights under Union law. A cooperation between the Unified Patent Court and the European Court of Justice must be ensured. The Unified Patent Court has to rely on the case law of the European Court of Justice and must request preliminary rulings when necessary under Article 267 of the Treaty of the Functioning of the European Union (hereafter: TFEU).

The first part of the UPCA discusses the general and institutional provision. Chapter one states the general provisions. Article 1 describes the competence of the Unified Patent Court. Article 2 sets the definitions of the agreement. Article 3 determines the scope of application. The agreement applies to: European patents with unitary effect, supplementary protection certificates issued for a product protected by a patent, European patents which have not yet lapsed at the date of entry into force of the Agreement or were granted after that date, and European patent applications which are pending at the date of entry into force of this Agreement.<sup>55</sup> Article 4 discusses the legal status of the Court, and Article 5 gives the contractual liability of the Court.

Chapter two of the UPCA contains the institutional provisions establishing the Court. The Court will comprise a Court of First Instance, a Court of Appeal and a Registry.<sup>56</sup> On top of that, several committees will be founded as well: the Administrative Committee as an observer of the processes, the Budget Committee to monitor the budget, and the Advisory Committee to assist the Administrative Committee.<sup>57</sup> Chapter three sets the requirements and procedures concerning the judges of the court. Their eligibility, the appointment procedure, their judicial independence and impartiality, and their training.<sup>58</sup>

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<sup>49</sup> European Patent Office, 'Unified Patent Court' < <https://www.epo.org/law-practice/unitary/upc.html#tab1> > accessed 17-10-2019

<sup>50</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, p. 3

<sup>51</sup> F. Gaesler, Y. Lefouili, 'What to Buy When Forum Shopping? Analyzing Court Selection in Patent Litigation' [2017] TSE Working Paper No. 17-775. P. 34

<sup>52</sup> A. Galasso, R. Ziedonis, 'Patent Rights and Innovation: Evidence from the Semiconductor Industry' [2017] SSRN-id3019238, p. 20 - 21

<sup>53</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, p. 4

<sup>54</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, p. 4

<sup>55</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 3

<sup>56</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 6

<sup>57</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, articles 12 - 14

<sup>58</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, articles 15 - 19

Chapter 4 discusses the primacy of Union law, liability and responsibility of the contracting Member States. Union law has primacy over the UPCA, and the Court has to respect Union law and its primacy.<sup>59</sup> When Union law is infringed, there is a liability for the contracting Member States for the damages caused by this infringement.<sup>60</sup>

Chapter 5 states the sources of law and the substantive law. The sources include: Union law, including both regulations on the Unitary Patent; the UPCA itself; the European Patent Convention; other international agreements applicable to patents and binding on all Contracting Member States; and national law.<sup>61</sup>

Chapter 6 discusses the International jurisdiction and competence of the court. According to Article 31, the court shall have international jurisdiction over the competences set out in Article 32. Mediation and arbitration are also possible under the UPCA.<sup>62</sup>

Part 2 of the UPCA states the financial provisions of the UPCA. These provisions are not relevant for this research and will therefore not be further discussed.

Part 3 of the UPCA contains the organization and procedural provisions. Chapter 1 sets out the general provisions, the rules of the procedure, and the proportionality and fairness requirements.<sup>63</sup> “The Court shall deal with litigation in ways which are proportionate to the importance and complexity thereof. Also, the Court shall ensure that the rules, procedures and remedies provided for in this Agreement and in the Statute are used in a fair and equitable manner and do not distort competition.”<sup>64</sup> The parties to the proceedings and representation are also discussed.

Chapter 2 discussed the language of the proceedings. It sets the requirement that proceedings are done in an official European Union language (see below).<sup>65</sup> Chapter 3 describes the proceedings before the court. It discusses the means of evidence, and the burden of proof.

Chapter 4 states the powers of the court. This includes the power to produce evidence, orders to preserve evidence, freezing orders, and provisional and protective measures. It is also within the Court’s power to impose permanent injunctions, corrective measures, rule on the validity of a patent, and to award damages.<sup>66</sup> Chapter 5 concerns the Appeals. It states when an appeal can take place, the effects of an appeal, and the decision on appeal.

Chapter 6 sees on the decision of the court: the right to be heard, formal requirements, publication of the decisions, and the enforcement of decisions.<sup>67</sup> The UPCA ends with transnational provisions in chapter 7, and final provisions in part 5.

The legal framework of the Unitary Patent is established outside of the UPCA, in Regulations 1257/2012 and 1260/2012.<sup>68</sup> Regulation 1257/2012 implements enhanced cooperation in the area of

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<sup>59</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 20

<sup>60</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 22

<sup>61</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 24

<sup>62</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art 35

<sup>63</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, articles 41, 42

<sup>64</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 42

<sup>65</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 49

<sup>66</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, articles 63 - 68

<sup>67</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, chapter 6

<sup>68</sup> European Parliament and Council Directive 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1; Council Regulation 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361/89

the creation of unitary patent protection. Unitary patent protection should be achieved by attributing unitary effect to European Patents.<sup>69</sup> It seeks to foster the internal market by making access to the patent system easier, and to improve the level of patent protection by making uniform patent protection possible throughout the Member States.<sup>70</sup> Article 3 establishes the possibility to grant unitary effect to European Patents. The uniform protection is stated in Article 5: “protection throughout the territories of the participating Member States”.<sup>71</sup> Patents with unitary effect have to be treated as national patents within the participating Member States, and licenses to use the invention may be given.<sup>72</sup> The Regulation furthermore discusses administrative tasks, the financial aspects, and final provisions like the entry into force.

Regulation 1260/2012 sees on the applicable translation arrangements of the unitary patent. The translation arrangements should ensure legal certainty, create easier access to a European Patent with unitary effect, and make the procedure less costly.<sup>73</sup> Article 3 states that if a European Patent with unitary effect is published in the official languages of the European Union, no further translations are needed.<sup>74</sup> The official languages of the Union are defined in Article 14 of the European Patent Convention (hereafter: EPC). These languages are: English, French and German.<sup>75</sup> In case of dispute relating to an alleged infringement, additional translations of the patent have to be provided at the request of an alleged infringer.<sup>76</sup>

### 2.3 Article 3 Enforcement Directive vs. Article 42 UPCA

As discussed in paragraph 2.1, Article 3 of the Enforcement Directive sets the general obligation for Member States to: “provide for measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this directive. They shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.”<sup>77</sup> They must also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and provide for safeguards against their abuse.<sup>78</sup> Recital 17 adds to this that each measure, procedure and remedy should be determined in each case in a manner allowing the specific characteristics of that case to be taken into account.<sup>79</sup> This includes specific features of each intellectual property right and the

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<sup>69</sup> European Parliament and Council Directive 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1, recital 7

<sup>70</sup> European Parliament and Council Directive 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1, recital 4

<sup>71</sup> European Parliament and Council Directive 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1, art. 5

<sup>72</sup> European Parliament and Council Directive 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1, articles 7 -8

<sup>73</sup> Council Regulation 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361/89, recital 5

<sup>74</sup> Council Regulation 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361/89, art. 3

<sup>75</sup> Convention on the Grant of European Patents [2016] OJ EPO 4/2016, art. 14(1)

<sup>76</sup> Council Regulation 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361/89, art. 4

<sup>77</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3(1)

<sup>78</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3(2)

<sup>79</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recital 17

(un)intentional character of the infringement. Article 3 of the Directive, in combination with recital 17 requires a case by case assessment when considering measures, procedures or remedies provided for by the Directive. In its Guidance Paper, the Commission adds that Article 3 does not only set the general obligation for the Directive itself. It also sees on the interaction of the Directive and other legal frameworks, for instance the Fundamental Rights of the European Charter.<sup>80</sup> Due to this obligation under Article 3, the Directive must be interpreted in such a manner that not only specific fundamental rights concerning intellectual property, but also other fundamental rights must be considered and respected.<sup>81</sup>

The general obligations of Article 3 can roughly be traced back to the three principles of Article 3(2): effectiveness, proportionality and dissuasiveness.<sup>82</sup> Proportionality under the Enforcement Directive is a function of fairness and equity. A protection that would create barriers to legitimate trade and which would deny safeguards against abuse, for instance, would be disproportionate. Proportionality often clashes with effectiveness.<sup>83</sup> Effectiveness requires a straight forward approach towards the law, chose the most effective measure.<sup>84</sup> However, the most effective measure is not always proportionate under the circumstances of the case. An example of this can be found in the case *Nokia Corp. v. Joacim Wärdell*. The CJEU found that the Member State is obliged to provide in their national law for the most effective measure in order to prevent further infringement of a Community trade mark. However, the CJEU found, in this case, that an absolute requirement for Community trade mark courts to take such measures was in this case disproportionate.<sup>85</sup> Dissuasiveness grants the Court the opportunity to choose the measure which would be the most reasonable in the context of the case.<sup>86</sup> For instance, granting damages instead of a license fee may be more reasonable under certain circumstances. A penalty is only dissuasive where it prevents an individual from infringing the objectives pursued.<sup>87</sup> Decisive is not only the nature and level of the penalty, but also the likelihood of its being imposed. Dissuasiveness differs from effectiveness because its focus is on the infringer instead of the measure.<sup>88</sup> It takes the incentives of the infringer into account and tries to dissuade the infringer by making the infringement not profitable. Taking the differences of the three principles

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<sup>80</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, page 11

<sup>81</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 10

<sup>82</sup> A. Ohly, 'Three principles of European IP enforcement law: effectiveness, proportionality, dissuasiveness' [2009] SSRN 1523277, p. 1

<sup>83</sup> F. Gafaggi P. Iamiceli, 'The Principles of Effectiveness, Proportionality and Dissuasiveness in the Enforcement of EU Consumer Law: The Impact of a Triad on the Choice of Civil Remedies and Administrative Sanctions' [2017] European Review of Private Law Vol. 25 Issue 3, p. 617

<sup>84</sup> A. Ohly, 'Three principles of European IP enforcement law: effectiveness, proportionality, dissuasiveness' [2009] SSRN 1523277, p. 8

<sup>85</sup> Case C-316/05 *Nokia Corp. v. Joacim Wärdell* [2006] ECR I-2083, para 57- 58

<sup>86</sup> A. Ohly, 'Three principles of European IP enforcement law: effectiveness, proportionality, dissuasiveness' [2009] SSRN 1523277, p. 14

<sup>87</sup> Joined cases C-387/02, C-391/02 and C-403/02 *Opinion of Advocate General Kokott* [2004] ECR I-03565, para. 89

<sup>88</sup> F. Gafaggi P. Iamiceli, 'The Principles of Effectiveness, Proportionality and Dissuasiveness in the Enforcement of EU Consumer Law: The Impact of a Triad on the Choice of Civil Remedies and Administrative Sanctions' [2017] European Review of Private Law Vol. 25 Issue 3, p. 608

into account, it can only be found that Article 3 requires a flexible approach to accommodate all principles to their satisfaction.<sup>89</sup>

Under the UPCA, proportionality and fairness have also been incorporated. Article 42 (1) UPCA states that: “The Court shall deal with litigation in ways which are proportionate to the importance and complexity thereof.” Paragraph 2 of this Article obliges the court to ensure that the rules, procedures and remedies provided for under the UPCA and in the Statute are used in a fair and equitable manner and do not distort competition.<sup>90</sup> Several important elements from this Article need to be highlighted. First, the importance of a case, which is referred to in paragraph 1 of Article 42, can be established in terms of political, economic, social or legal criteria.<sup>91</sup> For instance, a political controversial issue which needs to be clarified, the economic position of competitors on the market, politically debated issues of social importance, or the legal interest (fundamental issue) itself. Second, the complexity of a case. This can be determined in two ways: quantitative complexity, or complexity of the subject matter.<sup>92</sup> Quantitative complexity sees on the number of parties involved, or the number of claims made. The complexity of the subject matter may arise when the subject matter of a patent is difficult to understand due to the field of technology or due to the way the patent is drafted. Thirdly, the proportionality requirement. Proportionality is only used in the heading, not in the Article itself.<sup>93</sup> Proportionality is used to emphasize the importance and complexity criteria. Fourthly, fairness in paragraph 2 of the Article. The idea behind fairness here is ensuring the same opportunities for everyone.<sup>94</sup> The right to be heard forms the legal basis behind the fairness criteria. Finally, the balance requirement. What is meant with balance is ‘rendering to everyone his own’.<sup>95</sup> The way the in which proceedings are done by the Court must be so convincing that it creates acceptance for the decision.<sup>96</sup> This acceptance most not only be done by the parties to the case, but also by all contracting states.

Important to consider when comparing both the Enforcement Directive and the UPCA is that the scope of both articles is different. Both Articles address different entities. Article 3 of the Enforcement Directive specifically addresses the general obligations to the Member States<sup>97</sup>, whereas Article 42 of the UPCA specifically addresses the Unified Patent Court.<sup>98</sup> Regardless of their difference in scope, both Articles will be analyzed parallel in this thesis. Even though the scope of Article 42 UPCA is different from the scope of the Enforcement Directive, it can still provide an insight on what can be expected when the UPCA enters into force. When comparing both Articles, one can

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<sup>89</sup> <sup>89</sup> F. Gafaggi P. Iamiceli, ‘The Principles of Effectiveness, Proportionality and Dissuasiveness in the Enforcement of EU Consumer Law: The Impact of a Triad on the Choice of Civil Remedies and Administrative Sanctions’ [2017] *European Review of Private Law* Vol. 25 Issue 3, p. 616

<sup>90</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 42

<sup>91</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe* (first published 2018, Oxford University Press 2018), p. 250

<sup>92</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 252 - 253

<sup>93</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 253

<sup>94</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 254

<sup>95</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 255

<sup>96</sup> C. Petersen, T. Riis, J. Schovsbo, ‘The Unified Patent Court (UPC) in action’ [2015] SSNR-id2450945, p. 5

<sup>97</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3

<sup>98</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 42

establish the likenesses and differences and may make an estimation on how the application of the UPCA by the Unified Patent Court will turn out.

One of the differences that can be found is that under the Enforcement Directive, Article 3 is brought as a general obligation. The UPCA does not describe Article 42 as general obligations. Looking at the wording and formation of both Articles, several things stand out. For a start, Article 3 of the Enforcement Directive seems more extensive than Article 42 of the UPCA. Both Articles require proportionality, fairness and equitability of its rules / measures, procedures and remedies. However, Article 3 adds several more obligations than the UPCA: measures shall not be unnecessarily complicated or costly, no unreasonable time-limits or unwarranted delays.<sup>99</sup> Also measures must be effective, dissuasive, applied in a manner to avoid creation of trade barriers, and must provide safeguards against their abuse.

Despite being less extensive than the Enforcement Directive in its wording, the UPCA does cover most of the elements of the Enforcement Directive, by using a different wording. The UPCA speaks of “dealing with litigation in ways which are proportionate.”<sup>100</sup> By using litigation, the UPCA puts measures, procedures and remedies together. With adding the elements importance and complexity in paragraph 1, the UPCA creates room for itself to deal with what the Enforcement Directive calls: “unnecessarily complicated, costly or unreasonable time-limits or delays”.<sup>101</sup> Paragraph 2 adds the no distortion of competition requirement. By adding this, the UPCA also tackles the “creation of barriers to legitimate trade and safeguard against their abuse” from Article 3(2) of the Enforcement Directive. Therefore, the elements not incorporated into the wording of Article 42 are effectiveness and dissuasiveness. It is therefore to be seen if these principles will be used in the Unified Patent Court’s decision, and if so, how they will be applied by the Unified Patent Court.

Comparing the application of Article 3 Enforcement Directive and Article 42 UPCA is not yet possible. Since the UPCA did not enter into force yet, there is no case law which shows how Article 42 is applied by the Court. For the application of Article 3, however, many examples of the CJEU can be found. Especially for applying measures like injunctions and damages, the CJEU often refers back to Article 3.

For instance, when imposing injunctions, the CJEU refers back to Article 3(2) to ensure that measure must be effective and dissuasive.<sup>102</sup> Placing a general monitoring obligation on online service providers to actively monitor all data on its platform, would be incompatible with Article 3. Such a measure would be incompatible with the requirements of fairness, proportionality, and measure that should not be excessively costly.<sup>103</sup> The CJEU also recognized that issuing an injunction must ensure that this measure does not create a barrier to legitimate trade, as stated in Article 3.<sup>104</sup> Later on, the influence of Article 3 was extended further by the CJEU as to apply to any measure referred to by the Enforcement Directive, including all forms of injunctions.<sup>105</sup>

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<sup>99</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3

<sup>100</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 42(1)

<sup>101</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 250

<sup>102</sup> Case C-324/09 *L’Oréal v eBay* [2011] ECR I-474, para 136; Case C-70/10 *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)* [2011] ECR I-771, para 36 ; Case C360/10 *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV* [2012] ECR I-85, para 34

<sup>103</sup> Case C-324/09 *L’Oréal v eBay* [2011] ECR I-474, para 139

<sup>104</sup> Case C-324/09 *L’Oréal v eBay* [2011] ECR I-474, para 140

<sup>105</sup> Case C-494/15 *Tommy Hilfiger Licensing LLC and Others v Delta Center a.s.* [2016] ECR I-528, para 36

For awarding damages, the CJEU also refers to the general obligations of Article 3 in its case law. The general obligations for measures to be effective, proportionate and dissuasive, also applies for damages.<sup>106</sup> A more specific example for the calculation of damages can be found in the *Olawska Telewizja Kablowa* Case. In this case, damages were awarded for twice the amount of the hypothetical royalty. The CJEU found that is proportionate to do since the payment of only once the hypothetical royalties may not be sufficient to cover all the losses suffered by the rightsholder.<sup>107</sup> Also the Enforcement Directive lays down a minimum standard of harmonization, and does not prevent Member States from creating measures which are more protective.<sup>108</sup>

Since Article 3 also allows for the interaction of Fundamental Rights and the Enforcement Directive, numerous cases of the CJEU on this interaction exist. The CJEU ruled that “Member States must take care to rely on an interpretation of Directives which allows a fair balance to be struck between various fundamental rights.”<sup>109</sup> On top of that, such interpretation must not only strike a fair balance between fundamental rights, but may also not conflict with other general principles of Community law, such as the principle of proportionality.<sup>110</sup>

As said before, comparing Article 3 Enforcement Directive with Article 42 UPCA is not yet possible. However, after considering the wording of both Articles, their likeness, and seeing how the CJEU applied Article 3 in numerous cases, an estimation on the application of Article 42 UPCA can be made. Especially for awarding damages and imposing injunctions, it can be expected that Article 42 UPCA will be applied in a similar matter as Article 3 Enforcement Directive. On the interaction of Fundamental Rights, however, Article 42 UPCA may be of less importance. Since the interaction of Fundamental Rights with the UPCA is not ensured through Article 42 as it is with Article 3 Enforcement Directive.

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<sup>106</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 21

<sup>107</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 30

<sup>108</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 23

<sup>109</sup> Case C-275/06 *Productores de Música de España (Promusicae) v Telefónica de España SAU* [2008] ECR I-54, para 68

<sup>110</sup> Case C-275/06 *Productores de Música de España (Promusicae) v Telefónica de España SAU* [2008] ECR I-54, para 68



## Chapter 3 The Remedy Damages

### 3.1 Damages in general

Damages originate from private law. In law, damages mean money compensation for loss or injury caused by the wrongful act of another.<sup>111</sup> Between the Member States differences can be found in the acknowledges forms of damages and their application by the courts.

For instance, in the Netherlands, the injured party depends on Article 6:162 of the Burgerlijk Wetboek for obtaining damages in tort cases. This Article states the wrongful act in the Netherlands. Damages in the Netherlands are only mend to restore the injured party to the situation it was before the wrongful act occurred.<sup>112</sup> A punitive character to damages is not allowed in the Netherland.<sup>113</sup> Damages may, however, take different forms and therefore can have different functions.<sup>114</sup> For instance, an infringer can be awarded with damages in the form of handing over the wrongfully made profits. Damages here would be restitutive damages.<sup>115</sup> The sum of these damages is generally based on the missed royalties of the rightsholder. Under Dutch law this sum can, however, be increased according to the Dutch principle of 'redelijkheid en billijkheid', in English this translates into reasonableness and fairness.<sup>116</sup> This principles creates room for the Dutch Courts to increase the sum of damages, even to higher amounts than the missed royalties of the rightsholder.

Injured parties in Germany rely on Article 100 of the Urheberrechtsgesetz for obtaining damages caused by wrongful acts. Under German law, the defendant of a wrongful act is generally obliged to pay damages.<sup>117</sup> Under Article 139(2) of the Patentgesetz, the infringer must be compensated for "the loss caused to and suffered by the person whose patent rights have been infringed." This also applies if the infringement is caused by intentional or negligent acts. Damages under German law can, however, not be of a punitive nature.<sup>118</sup>

Damages in the United Kingdom can be done for past injuries, but also for future injuries.<sup>119</sup> The award of damages for future injuries is done by the courts to prevent future proceedings.<sup>120</sup> Here equitable compensation, as done in the UK, differs from common law damages for a wrongful act. Equitable compensation can be defined as "the monetary award granted for breach of an equitable /

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<sup>111</sup> <<https://www.britannica.com/topic/damages-law>> accessed 2 april 2020

<sup>112</sup> S.D. Lindenbergh, 'Doeleinden en Effecten van Civielrechtelijke Sancties' [2003] BW-Krant Jaarboek 9, p. 10; W.H. van Boom, 'Effectuerend Handhaven in het Privaatrecht' [2007] Nederlands Juristenblad 16 982, p. 986

<sup>113</sup> J.H. Spoor, D.W.F. Verkade and D.J.G. Visser, *Auteursrecht: Auteursrecht, Naburige Rechten en Databankrecht* (3th edition, Kluwer 2005), p. 498-499

<sup>114</sup> J.H. Spoor, D.W.F. Verkade and D.J.G. Visser, *Auteursrecht: Auteursrecht, Naburige Rechten en Databankrecht* (3th edition, Kluwer 2005), p. 497-505; S.D. Lindenbergh, 'Doeleinden en Effecten van Civielrechtelijke Sancties' [2003] BW-Krant Jaarboek 9, p. 10

<sup>115</sup> M. Frequin, *Auteursrechtgids voor de Nederlandse Praktijk* (SDU 2005), p. 214-215

<sup>116</sup> M. Frequin, *Auteursrechtgids voor de Nederlandse Praktijk* (SDU 2005), p. 214

<sup>117</sup> European Patent Academy, 'National approaches to damages' [2018] epo e-courses block 3, p. 15

<sup>118</sup> H. Koziol, V. Wilcox, *Punitive Damages: Common law and Civil Law Perspectives* (25<sup>th</sup> edition, Springer-Verlag Wien 2009), p. 76-77

<sup>119</sup> R. Lundie-Smith, G. Moss, 'Bard v Gore: To Injunct, or not to Injunct, what is the Question? Is it Right to Reward an Infringer for Successfully Exploiting a Patent?' [2013] Journal of Intellectual Property Law & Practice 8 (5), p. 359-361

<sup>120</sup> T. H. Ong, 'Equitable Damages: A powerful but Often Forgotten Remedy' [2000] Deakin Law Review 4(2), p. 61 and 65

future obligation”.<sup>121</sup> Under UK patent law, section 62(1) of the UK Patent Act 1977 specifically states that damages will not be awarded, nor an account of profits ordered, against a defendant who is able to show that, at the date of the infringement, he was not aware, and had no reasonable grounds for supposing, that the patent existed.<sup>122</sup> Also, under UK law, it is allowed to award damages above and beyond the loss suffered by the patentee.<sup>123</sup> Punitive damages are thus allowed in UK law.

From the above can be concluded that there are indeed differences in the existing forms of damages and their application by the courts. These differences are also present in the application of damages under the Enforcement Directive, which will be explained in the paragraph below. It is therefore not strange that there were some problems in finding a consensus among the Member States when drafting the UPCA.

### 3.2 Damages under the Enforcement Directive

Article 13 of the Enforcement Directive allows: “the competent judicial authorities to order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightsholder damages appropriate to the actual prejudice suffered by him as a result of the infringement.”<sup>124</sup> For setting the damages the judicial authority: “has to take into account all appropriate aspects such as: negative economic consequences, including lost profits, unfair profits made by the infringer, and when appropriate, other economic factors such as moral prejudice caused to the rightsholder.”<sup>125</sup> The judicial authority can take an alternative approach, by setting lump sum damages based on elements such as the amount of royalties or fees which should have been paid by the infringer in case he had requested authorization.<sup>126</sup> In case the infringer did not knowingly, or could have not known with reasonable grounds, engage in an infringing activity, the judicial authorities may order the recovery of profits or the payment of damages, by order of the Member State.<sup>127</sup>

In practice, however, the calculation of damages has proven to be a serious point of disagreement between the parties.<sup>128</sup> Should damages only be calculated based on the amount of lost royalties for instance, or is it appropriate to also take into account the negative economic consequences as discussed above? The Commission, in its guiding document on the Enforcement Directive, attempted to provide more clarity on this matter. First, the Commission starts off by stating that the aim of Article 13 of the Enforcement Directive is not to introduce an obligation to provide for punitive damages.<sup>129</sup> Article 13 allows for compensation based on an objective criterion while taking into

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<sup>121</sup> T. H. Ong, ‘Equitable Damages: A powerful but Often Forgotten Remedy’ [2000] Deakin Law Review 4(2), p. 63

<sup>122</sup> European Patent Academy, ‘National approaches to damages’ [2018] epo e-courses block 3, p. 2

<sup>123</sup> European Patent Academy, ‘National approaches to damages’ [2018] epo e-courses block 3, p. 2

<sup>124</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13

<sup>125</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13(1)a

<sup>126</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13(1)b

<sup>127</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13(2)

<sup>128</sup> B. Gaff, ‘Patent Infringement Damages’ [2015] IEEE Computer Society, p. 7; R. Ghafele, R. Kamstrup Bogetoft ‘Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court’ [2018] World Patent Information 52 (2018), p. 1

<sup>129</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 3

account the expenses incurred by the rightsholder. The objective criterion constitute the damage calculation methods as discussed above: lost profits of the injured party and unfair made profits by the infringer. Damages can be established in an objective manner according to numbers which are factual. The above discussed options of Article 13(1) are set in place for the applicant and the judicial authority to decide which of these two alternative methods would provide the best option to calculate damages in the given case.<sup>130</sup>

For lump sum damages, the Commission argues that a case by case approach should be used to assess whether lump sum damages are appropriate under the given circumstances.<sup>131</sup> For example, lump sum damages could be appropriate in cases where it would be difficult to determine the amount of actual prejudice suffered by the rightsholder. A lump sum damages does not have to be precisely proportional to the actual loss suffered. The CJEU found, in the case *Olawska Telewizja Kablowa*, that the mere payment of royalty itself would not be a reimbursement of any costs linked to researching and identifying possible acts of infringement.<sup>132</sup> Based on this judgement, the Commission found that the methods in calculating lump sum damages are by no means restricted to only once the amount of hypothetical royalties, and may constitute a higher amount.<sup>133</sup>

With regard to moral damages, the Commission affirms moral damages can be calculated over, for example, injury to the rightsholder's reputation, emotional distress, and suffering caused by the infringement.<sup>134</sup> The CJEU found that awarding compensation for moral prejudice is in fact required when calculating damages, in order to achieve the objective of providing full compensation for the actual prejudice suffered.<sup>135</sup> The wording of Article 13 of the Enforcement Directive states that: "the injured party" may claim moral prejudice damages in case of an infringement. It does not become clear of the wording if this only applies to private right holders or if companies may also apply for moral damages. In its guiding document, the Commission specified that: "Any party injured by an IPR infringement who brings a claim for damages to compensate for the prejudice suffered ... may be awarded not only compensation for material damage but also for the moral prejudice caused by that infringement."<sup>136</sup> How to calculate moral damages, is not specified by the Commission. The CJEU in the *Liffers* case found that courts must seek to compensate in full the 'actual prejudice suffered', including any moral prejudice.<sup>137</sup> Among Member States there are different views on how to calculate moral prejudice. For instance in France, moral prejudice is calculated over the lost goodwill of a company or the lower commercial value of the patent, as well as the possible undermining of the patentee's reputation.<sup>138</sup> In Italy the claimant must demonstrate moral prejudice. If he successfully

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<sup>130</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 4

<sup>131</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 4

<sup>132</sup> Case C-367/15 *Stowarzyszenie 'Olawska Telewizja Kablowa' v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 30

<sup>133</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 5

<sup>134</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 4

<sup>135</sup> Case C-99/15 *Christian Liffers v Producciones Mandarina SL, Mediaset Espana Comunicacion SA* [2016] ECR I-173, paras 15-27

<sup>136</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 5

<sup>137</sup> Case C-99/15 *Christian Liffers v Producciones Mandarina SL, Mediaset Espana Comunicacion SA* [2016] ECR I-173, para 25

<sup>138</sup> European Patent Academy, 'National approaches to damages' [2018] epo e-courses block 3, p. 7

does this, additional damages will be granted often calculated as 50% of the claimant's lost profits.<sup>139</sup> The Netherlands does not recognize moral prejudice claims in cases of patent infringement yet. It does recognize moral prejudice in copyright cases, for which it uses an ultimate remedy rule to calculate the amount of damages.<sup>140</sup> Under this rule, the Court is entitled to estimate the damages suffered by moral prejudice. Germany, as a final example, does recognize moral prejudice damages for patent infringement but it is not common under German law. The German Court may compensate losses suffered as a result of damage to the image or reputation of the patentee.<sup>141</sup> Such loss is calculated based on a lesser quality of the infringing product and consumers attributing the quality problem to the patentee.<sup>142</sup> Another indication may be that the patentee is forced to reduce his retail price, as a result of the infringement.<sup>143</sup>

As stated above, the calculation of damages has proven to be a serious point of disagreement between parties.<sup>144</sup> The various legal and economic methodologies for determining the reasonable royalty damages give inconsistent results.<sup>145</sup> Next to the Commission guidance paper discussed above, many possibilities for calculating damages have been presented in literature. For instance, calculating damages based on 'reasonable royalties'. This would constitute the royalty rate that the two parties would have hypothetically negotiated if a license agreement had been negotiated prior to the infringing activities.<sup>146</sup> Reasonable royalties can be calculated, for example, in either a percentage of the infringing item's price, or a fixed euro amount on every infringing item that has been produced.<sup>147</sup> A proposed option to provide more clarity in the calculation of reasonable royalties is by using a contract approach. In the United States, D. Spulber suggested that Courts draw up an 'informed contract' which is based on the evidence presented in the case.<sup>148</sup> When putting this information together in a contract form, this would provide more clarity in determining the damages. Another proposed option in calculating reasonable royalties is the hypothetical negotiation theory. This theory seeks to recreate the ex-ante licensing negotiation and therefrom draw the appropriate royalty that could have been established between the parties.<sup>149</sup>

Damages can also be calculated on the royalty base approach.<sup>150</sup> This approach entails that a single patent is the sole or predominant basis for consumer demand for a product. The royalty for this patent is the value of the entire market of the product. This approach is, however, not used often. Patents often cover components of a product, not the entire product.<sup>151</sup>

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<sup>139</sup> European Patent Academy, 'National approaches to damages' [2018] epo e-courses block 3, p. 10

<sup>140</sup> European Patent Academy, 'National approaches to damages' [2018] epo e-courses block 3, p. 14

<sup>141</sup> European Patent Academy, 'National approaches to damages' [2018] epo e-courses block 3, p. 18

<sup>142</sup> European Patent Academy, 'National approaches to damages' [2018] epo e-courses block 3, p. 18

<sup>143</sup> European Patent Academy, 'National approaches to damages' [2018] epo e-courses block 3, p. 18

<sup>144</sup> B. Gaff, 'Patent Infringement Damages' [2015] IEEE Computer Society, p. 7; R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 1

<sup>145</sup> D. Spulber, 'Finding Reasonable Royalty Damages: A Contract Approach to Patent Infringement' [2019] University of Illinois Law Review Vol. 3 Issue 2, p. 617

<sup>146</sup> R. Parr, *Intellectual Property: Valuation, Exploitation, and Infringement Damages* (first published 2001, John Wiley & Sons Inc. 2018), p. 168

<sup>147</sup> B. Gaff, 'Patent Infringement Damages' [2015] IEEE Computer Society, p.7

<sup>148</sup> D. Spulber, 'Finding Reasonable Royalty Damages: A Contract Approach to Patent Infringement' [2019] University of Illinois Law Review Vol. 3 Issue 2, p. 618

<sup>149</sup> P. Menell, *Patent Case Management Judicial Guide* (first published 2013, Clause 8 Publishing 2016), p. 8-34

<sup>150</sup> P. Menell, *Patent Case Management Judicial Guide* (first published 2013, Clause 8 Publishing 2016), p. 8-35

<sup>151</sup> J. Golden, 'Channeling Patent Damages' [2018] Texas Intellectual Property Law Journal Vol. 26 Issue 1, p. 7

Another option is setting damages based on lost profits of the patent owner. In this case it is up to the patent owner to prove his actual losses.<sup>152</sup> He will need to provide evidence of his losses because of customers buying the infringing item instead of his patented item. The focus of the evidence provided has to be on the market, the scope of the patent, and the profit.<sup>153</sup> Article 13 (1) of the Enforcement Directive states that damages should be awarded based on “the actual prejudice suffered by him/her.. “. This indicates that the patent holder could not use hypothetical numbers when calculating damages. The CJEU, however, does permit the use of a hypothetical royalty when calculating the appropriate damages. This was confirmed in the case *Olawska Telewizja Kablowa*, which will be explained later in this chapter.<sup>154</sup>

Another element which can play an important role in the calculation of damages are the profits made by the infringer. Recital 26 and Article 13(1)(a) of the Enforcement Directive state that unfair profits made by the infringer can be an appropriate aspect in calculating damages.<sup>155</sup> Profits made by the infringer are mostly made because of the sales being diverted to the infringer due to a price reduction for consumers.<sup>156</sup> An often used argument by infringers in their defense is that their consumers and products are not on the same market as the market on which the patent holder operates. This argument can be used as a claim to lower the unfair profits made. It does, however, not less the infringement made in the rights of the rightsholder.<sup>157</sup>

After discussing the legal basis and the conception of damages in literature, it is important to also discuss the application of damages by the CJEU. Several cases give a good illustration of how the CJEU applies damages in certain cases.

The CJEU established, in the *Hansson* case, that the Enforcement Directive lays down a minimum standard concerning the enforcement of intellectual property rights in general.<sup>158</sup> Damages must be determined in each case in such a manner as to take into account the specific characteristics of the case, and the aim for any compensation is not to introduce an obligation to provide punitive damages.<sup>159</sup> In the *Hansson* case the question arose whether an ‘infringer supplement’, an automatic flat-rate increase in the compensation, may be awarded.<sup>160</sup> The CJEU found that a flat-rate ‘infringer supplement’ should not be permitted. Such a supplement does not necessarily reflect the damage suffered by the holder of the variety infringed, even though the Enforcement Directive does not prevent the Member State from laying down measures that are more protective.<sup>161</sup>

However, according to the CJEU the situation is different with regard to damages twice the amount of the appropriate fee. This question arose in the case *Olawska Telewizja Kablowa*. The CJEU received a preliminary question from the Polish Supreme Court whether it is appropriate that a rightsholder whose economic right of copyright has been infringed may seek a payment of a sum of money,

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<sup>152</sup> B. Gaff, ‘Patent Infringement Damages’ [2015] IEEE Computer Society, p. 8

<sup>153</sup> P. Menell, *Patent Case Management Judicial Guide* (first published 2013, Clause 8 Publishing 2016), p. 8-33

<sup>154</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 30

<sup>155</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, recital 26, Article 13(1)(a)

<sup>156</sup> R. Parr, *Intellectual Property: Valuation, Exploitation, and Infringement Damages* (first published 2001, John Wiley & Sons Inc. 2018), p. 491

<sup>157</sup> R. Parr, *Intellectual Property: Valuation, Exploitation, and Infringement Damages* (first published 2001, John Wiley & Sons Inc. 2018), p. 492

<sup>158</sup> Case C-418/14 *Jorn Hansson v. Jungpflanzen Grünwald GmbH* [2016] ECR I-419, para 36

<sup>159</sup> Case C-418/14 *Jorn Hansson v. Jungpflanzen Grünwald GmbH* [2016] ECR I-419, para 37-38

<sup>160</sup> Case C-418/14 *Jorn Hansson v. Jungpflanzen Grünwald GmbH* [2016] ECR I-419, paras 21 - 24

<sup>161</sup> Case C-418/14 *Jorn Hansson v. Jungpflanzen Grünwald GmbH* [2016] ECR I-419, para 40

corresponding with twice the amount of appropriate fee. This without having to prove loss or the causal relationship between the infringement and the loss. Alternatively, the question also asked the CJEU whether, in the event of a culpable infringement, the infringer could request three times the amount of the appropriate fee.<sup>162</sup> Before the CJEU ruling on this case, the Polish constitutional court found that allowing three times the appropriate fee as a damage to be unconstitutional with the Polish constitution.<sup>163</sup> The question for the CJEU remained whether damages constituting twice the amount of the appropriate could be allowed. The CJEU found that the Enforcement Directive lays down a minimum standard concerning the enforcement of intellectual property rights, and does not prevent the Member States from laying down measures that are more protective.<sup>164</sup> Furthermore, the mere payment of a hypothetical royalty may not guarantee compensation for all the actual loss suffered.<sup>165</sup> Requesting damages on twice the amount of the appropriate fee is for the reasons mentioned before allowed by the CJEU.

Apart from damages occurred by missed royalty payments, the CJEU recognizes other types of damages suffered by the injured party. For instance, damages occurring by moral prejudice. In this regard, in the *Liffers* case, the following question arose: “the party injured by an intellectual property infringement, who claims damages for pecuniary loss based on the amount of royalties that would be due ... cannot also claim damages for the moral prejudice suffered?”<sup>166</sup> The CJEU requires that for the purpose of interpreting EU law, it is necessary to consider not only its wording but also the context in which it occurs.<sup>167</sup> Article 13(1) of the Enforcement Directive specifically mentions moral prejudice as an element for the calculation of damages. This read in combination with recitals 10 17 and 26 of the Enforcement Directive sets that the objective of the Directive is to attain a high level of protection of intellectual property rights that takes into account specific aspects of each given case and is based on a method of calculating damages that addresses those specific aspects.<sup>168</sup> Therefore, the CJEU allows for compensation of any moral prejudice suffered by the rightsholder.<sup>169</sup>

### 3.3 Damages under the UPCA

Damages under the UPCA are covered in Article 68. In Article 68 (1) it is stated that: “ The Court shall, at the request of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in a patent infringing activity, to pay the injured party damages appropriate to the harm actually suffered by that party as a result of the infringement.”<sup>170</sup> Article 68 (2) adds to this that: “The injured party shall, to the extent possible, be placed in the position it would have been in if no infringement had taken place.” This sentence differs from Article 13 of the Enforcement Directive and hints that the principle of *restitutio in pristinum* / *restitutio ad integrum* may be incorporated in

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<sup>162</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 17

<sup>163</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 19

<sup>164</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 23

<sup>165</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 30

<sup>166</sup> Case C-99/15 *Christian Liffers v Producciones Mandarin SL, Mediaset Espana Comunicacion SA* [2016] ECR I-173, para 12

<sup>167</sup> Case C-127/14 *Andrjes Surmcs v. Finansu un kapitala tirus komisija* [2015] ECR I-522, para. 28

<sup>168</sup> Case C-127/14 *Andrjes Surmcs v. Finansu un kapitala tirus komisija* [2015] ECR I-522, para. 24

<sup>169</sup> Case C-127/14 *Andrjes Surmcs v. Finansu un kapitala tirus komisija* [2015] ECR I-522, para. 26

<sup>170</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (1)

the UPCA. In its literal translation, *restitutio ad integrum* means restoration to original conditions.<sup>171</sup> This principle is well known in many European Member states and is applied in different (legal) areas for the calculation of damages. On the European level, for instance, *restitutio ad integrum* is incorporated in the European Patent Convention under article 122. The principle here seeks to re-establish the rights of an applicant or the holder of a European patent who, “in spite of all due care required, was unable to observe a time limit vis-à-vis the European Patent Office.”<sup>172</sup> With re-establishment is aimed to recreate the situation as it was before the time limit was exceeded. Another example of the principle can be found in the Dutch law on damages for patent infringement. Article 70 of the Dutch Patent Code (Rijksoctrooiwet 1995) presents a broad foundation for rightsholders to request damages, with the aim to recreate the position in which the rightsholder would have been if the infringement would not have taken place.<sup>173</sup> When considering this application of the *restitutio ad integrum* principle, Article 68(2) UPCA seems to incorporate this principle into the UPCA. Compared to damages under the Enforcement Directive, which does not incorporate this principle, it can be expected that damages under the UPCA will be taken a step further than under the Enforcement Directive. The aim of the UPCA is to place the injured party in the position it would have been in if the infringement would not have occurred, instead of compensating the damage suffered by the injured party which is the aim of the Enforcement Directive.

Article 68 continues with: “The infringer shall not benefit from the infringement. However, damages shall not be punitive.”<sup>174</sup> When calculating damages, the Court has to take into account several aspects. First, it has to take into account the relevant aspects of a case, such as negative economic consequences, including lost profits of the rightsholder or unfair profits made by the infringer.<sup>175</sup> Second, elements other than economic factors, such as moral prejudice caused to the injured party by the infringement.<sup>176</sup> As an alternative point, the Court 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 patent in question.<sup>177</sup> If an infringer did not knowingly, or with reasonable grounds to know, engage in the infringing activity, the Court may order the recovery of profits or the payment of compensation.<sup>178</sup>

The UPCA wishes to improve the enforcement of patents and the defense against unfounded claims / patents which should be revoked, and to enhance legal certainty.<sup>179</sup> Therefore, the aim of Article 68 UPCA is for the Court to ensure expeditious and high quality decisions, striking a fair balance between interest of right holders and other parties.<sup>180</sup> In order to do so, the Court has to take into account the need for proportionality and flexibility in its decision making.<sup>181</sup> The Court, on the one hand, has to weigh whether a measure is in line with the infringement, is a measure is

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<sup>171</sup> Definitions.net, ‘*Restitutio ad integrum*’ <<https://www.definitions.net/definition/restitutio+ad+integrum>> accessed 19-03-2020

<sup>172</sup> European Patent Convention 16<sup>th</sup> edition [2016] OJ EPO 6/2016, art. 122(1)

<sup>173</sup> Rijksoctrooiwet [1995] BWBR0007118, art. 70

<sup>174</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (2)

<sup>175</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (3)(a)

<sup>176</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (3)(a)

<sup>177</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (3)(b)

<sup>178</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (4)

<sup>179</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, p.4

<sup>180</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, p. 4

<sup>181</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, p. 4

proportionate.<sup>182</sup> On the other hand, the Court must maintain room to be flexible in which measure to apply in a certain case.<sup>183</sup>

Since the UPCA has not entered into force yet, we cannot assess how the award of damages under the UPCA is put into practice. There is no case law yet to assess on the matter. However, in literature, quite some speculations are done about the possible application of damages under the UPCA.

The rightsholder's loss can centrally be found in economic loss of value due to the infringement.<sup>184</sup> The analysis required for assess the economic loss under article 68(2) UPCA is counterfactual.<sup>185</sup> Meaning that the rightsholder should be placed in the position she would have been in if not for the infringement. The core of economic loss is found in direct losses or loss of profit. In principle a straight forward theory, which, however, can get complicated under circumstances. For instance, when the rightsholder and the infringer operate on different markets.<sup>186</sup> The rightsholder's losses are then less clear to determine. Another problem in determining the rightsholder's losses can present itself when the patent is only a minor part of the rightsholder's total product.<sup>187</sup> It can then be argued that the rightsholder should only receive damages for the loss per missed sale that is attributed to the patent. Apart from the direct economic losses, plenty of indirect economic losses can occur as well. For instance, the decrease of sales as a result form the infringement, or the expense incurred as a result of the infringement.<sup>188</sup> An example of incurred expenses could be the increase of marketing costs which are necessary, provided that those costs can be directly related to the infringement.

As discussed above, the UPCA also offers damage compensation for moral prejudice. This could be the case when, for instance, the rightsholder is put in a bad light by the infringer and therefore loses (parts) of its sales to the infringer (damage reputation).<sup>189</sup> The calculation of moral loss is, however, difficult. It should be possible to identify a loss of for instance goodwill, but this loss would be covered under the economic losses.<sup>190</sup> Therefore, damages for moral prejudice are often set as a

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<sup>182</sup> F. Gafaggi P. Iamiceli, 'The Principles of Effectiveness, Proportionality and Dissuasiveness in the Enforcement of EU Consumer Law: The Impact of a Triad on the Choice of Civil Remedies and Administrative Sanctions' [2017] *European Review of Private Law* Vol. 25 Issue 3, p. 617

<sup>183</sup> F. Gafaggi P. Iamiceli, 'The Principles of Effectiveness, Proportionality and Dissuasiveness in the Enforcement of EU Consumer Law: The Impact of a Triad on the Choice of Civil Remedies and Administrative Sanctions' [2017] *European Review of Private Law* Vol. 25 Issue 3, p. 620

<sup>184</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] *World Patent Information* 52 (2018), p. 4

<sup>185</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] *World Patent Information* 52 (2018), p. 4

<sup>186</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] *World Patent Information* 52 (2018), p. 5

<sup>187</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] *World Patent Information* 52 (2018), p. 5

<sup>188</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] *World Patent Information* 52 (2018), p. 5

<sup>189</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] *World Patent Information* 52 (2018), p. 5; T. Cook, 'Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU' [2015] *Journal of Intellectual Property Rights*, Vol 20. p. 4

<sup>190</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] *World Patent Information* 52 (2018), p. 5; A. Lunze, J. Rektorschek, 'Can you afford to litigate in the Unified Patent Court' [2017] *Managing Intellectual Property* Vol. 252 Issue 2, p. 27



lump sum damage.<sup>191</sup> As discussed in the previous paragraph, moral prejudice is recognized and applied in damage calculation by many European Member States. The way in which moral prejudice is calculated differs throughout the Member States. It is to be seen how the Unified Patent Court will explain and apply moral prejudice when calculating damages.

Another possibility to calculate damages under the UPCA would be with regard to the infringer's economic gains.<sup>192</sup> The Court then has to take into account the infringer's unfair profits. Article 68(2) UPCA permits the Court to do this by using the phrase: "the infringer shall not benefit..."<sup>193</sup> This method can, for instance, be useful in situation where both parties operate on different markets. It can be unclear which loss the rightsholder suffers, but it can be very clear that the infringer is thriving on the other market.<sup>194</sup>

It is also possible for the Court to set a lump sum damage based on a hypothetical license.<sup>195</sup> Under the UPCA, lump sum damages are defined as royalties which would have been due if the infringer had requested authorization to use the patent in question.<sup>196</sup> The Court has to determine a price between what the rightsholder would have demanded ex ante and what the infringer would have been willing to pay ex ante. An important aspect for the Court to take into account when determining lump sum damages is that the lump sum may not become a punitive measure.<sup>197</sup> A measure would become punitive when it exceeds the character of compensating the losses suffered by the rightsholder due to the infringement. As discussed in the previous paragraph, the CJEU pointed out the fine line between compensational damages and punitive damages. Twice the amount of reasonable royalties would be acceptable as compensational damages, but no more.<sup>198</sup>

When considering the above, it is evident that the calculation methods for damages under the UPCA have been inspired by Article 13 of the Enforcement Directive.<sup>199</sup> The UPCA indicates the different applicable approaches which can be used for the calculation of damages. However, the methods on how to precisely calculate damages under the applicable approaches is not specified in the UPCA.<sup>200</sup> Linking patent valuation to the calculation of damages, as explained in the previous paragraph, is an

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<sup>191</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 5

<sup>192</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 5; T. Cook, 'Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU' [2015] Journal of Intellectual Property Rights, Vol 20. p. 4

<sup>193</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68(2)

<sup>194</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 5

<sup>195</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 5; T. Cook, 'Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU' [2015] Journal of Intellectual Property Rights, Vol 20. p. 5

<sup>196</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 5

<sup>197</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68(2)

<sup>198</sup> Case C-367/15 *Stowarzyszenie 'Olawska Telewizja Kablowa' v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 17 - 30

<sup>199</sup> T. Cook, 'Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU' [2015] Journal of Intellectual Property Rights, Vol 20. p. 267

<sup>200</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 6

often used practice in Europe.<sup>201</sup> With regard to the explanation above, it is clear that this practice might also influence the calculation of damages under the UPCA. Under European law, the income valuation approach has proven to be the most reliable approach for IP valuation.<sup>202</sup> As discussed, it is based on either the losses of the rightsholder, or the value gained by the infringer. Considering the influence of European law on the UPCA, it can be expected that the income valuation approach for the calculation of damages may also become the most reliable approach used under the UPCA.<sup>203</sup>

There is, however, a difference in the legal quality of the damages provisions in the UPCA and the Enforcement Directive. By adopting the wording of Article 13 of the Enforcement Directive in the UPCA, the implementation instruction of the Directive has become the implementation itself in the UPCA.<sup>204</sup> This means that Article 68 UPCA has a different legal quality than Article 13 of the Enforcement Directive. Article 68 UPCA is a directly applicable rule.<sup>205</sup> It is not merely a legal framework that has yet to be implemented and brought alive on the national level.<sup>206</sup> The interpretation has to be given by the Unified Patent Court directly instead of being inferred from previous court judgements as is done by the CJEU.

As said before, since the UPCA has not entered into force yet we cannot see how awarding damages is put into practice by the Court. However, given the above literary opinions, it is likely to expect a similar application as of damages awarded under the Enforcement Directive. The only main difference will be that the rules of the UPCA are directly applicable rules which are not subject to implementation by national states.

To provide some more clarity on all the information above, the table below sets out the main features of the damages provisions under the Enforcement Directive and under the UPCA:

<b>Damages under the Enforcement Directive</b>	<b>Damages under the UPCA</b>
Damages should be based on lost profits or unfair profits made by the infringer <sup>207</sup>	Damages are calculated to be appropriate to the harm suffered by the injured party. The injured party shall be, to the extent possible, placed in the position it would have been in if the infringement would not have taken place. <sup>208</sup>
Lump sum damages are allowed and could be applied in cases where the exact prejudice suffered is difficult to determine. <sup>209</sup> This must be assessed on a case by case basis.	Lump sum damages may be used by the Court as alternative approach. They are calculated over the least amount of royalties or fees the

<sup>201</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 6

<sup>202</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 267

<sup>203</sup> T. Cook, 'Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU' [2015] Journal of Intellectual Property Rights, Vol 20. p. 267

<sup>204</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 355

<sup>205</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 355

<sup>206</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 355

<sup>207</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 3

<sup>208</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (1) & (2)

<sup>209</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 4

	rightsholder would have received had authorization been requested. <sup>210</sup>
Moral damages are acknowledged and can be calculated injury to the rightsholder's reputation, emotional distress and suffering caused by the infringement. <sup>211</sup>	Moral damages are acknowledged and is calculated over moral prejudice and reputation damage caused by the infringement. <sup>212</sup>
Damages shall not be of a punitive nature. <sup>213</sup>	The infringer shall not benefit from the infringement, but damages shall not be punitive. <sup>214</sup>

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<sup>210</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (3)

<sup>211</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 4

<sup>212</sup> R. Ghafele, R. Kamstrup Bogetoft 'Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court' [2018] World Patent Information 52 (2018), p. 5; T. Cook, 'Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU' [2015] Journal of Intellectual Property Rights, Vol 20. p. 4

<sup>213</sup> European Commission and Parliament communication COM (2017) 708 Guidance on certain aspects of Directive 2004/48/EC on the enforcement of intellectual property rights [2017] SWD 431 and 432, p. 3

<sup>214</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (2)

## Chapter 4 The Interaction of Union law and the UPCA

### 4.1 European law incorporated in the UPCA

Since the UPCA will apply to European patents, both existing as well as new applications, the Unified Patent Court will form a part of the Member States judicial system and its ruling will have effect in the Member States territories.<sup>215</sup> Therefore, it is necessary to assess how the UPCA interacts with the existing European framework. The UPCA is open to accession of any Member States of the EU.<sup>216</sup> For states outside of the EU, however, it is not possible to assert to the UPCA.<sup>217</sup> The UPCA therefore is a purely European instrument.

When reading the UPCA it is clear that the Union law and the CJEU play a significant role in the agreement. In its considerations the UPCA expresses that “the Unified Patent Court should be a court common to the Contracting Member States and thus part of their judicial system, with exclusive competence in respect of European patents with unitary effect a European patents granted un the provisions of the EPC”.<sup>218</sup> However, the CJEU is to ensure the uniformity of the Union legal order and the primacy of Union law.<sup>219</sup> The CJEU thus has the position to review decisions of the Unified Patent Court in order to ensure the uniformity of the decision and Union law, as well as to ensure the primacy of EU law. A collaboration between the Unified Patent Court and the CJEU is required, in which the CJEU acts as the guardian of Union law.<sup>220</sup> When in doubt on the interpretation of Union law, the Unified Patent Court has to request clarification through the preliminary ruling procedure of article 267 TFEU.<sup>221</sup> Infringement of Union law, including the failure to request a preliminary ruling from the CJEU, done by the Unified Patent Court, are directly attributable to the Contracting Member States.<sup>222</sup> Immediate action can be brought against any Contracting Member State to ensure respect of the primacy and proper application of Union law.<sup>223</sup> The primacy of Union law applies to a wide range of EU legislation sources.<sup>224</sup>

Next to the considerations in which the uniformity and primacy of Union law is already clearly stated, the UPCA has a separate chapter on this matter.<sup>225</sup> Article 20 of the UPCA states that: “The Court shall apply Union law in its entirety and shall respect its primacy”.<sup>226</sup> The obligation for the Unified Patent Court to ensure a correct application and uniform interpretation of Union law by using the preliminary reference method of article 267 TFEU is stated in article 21 UPCA.<sup>227</sup> Within Article 21 is

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<sup>215</sup> Unified-Patent-Court, ‘About the UPC’ <<https://www.unified-patent-court.org/>> accessed 15-04-2020

<sup>216</sup> Unified-Patent-Court, ‘About the UPC’ <<https://www.unified-patent-court.org/>> accessed 15-04-2020

<sup>217</sup> Unified-Patent-Court, ‘About the UPC’ <<https://www.unified-patent-court.org/>> accessed 15-04-2020

<sup>218</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations p. 4

<sup>219</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations p. 4

<sup>220</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations p. 5

<sup>221</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations p. 5

<sup>222</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations p. 5

<sup>223</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations p. 5

<sup>224</sup> Including: The Treaty on the European Union, The Treaty on the Function of the European Union, the Charter of Fundamental Rights of the European Union, the general principles of Union law as developed by the Court of Justice of the European Union, the right to an effective remedy before a tribunal and a fair and public hearing within a reasonable time by an independent and impartial tribunal, the case law of the Court of Justice of the European Union, and secondary Union law.

<sup>225</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, Chapter 4 “Primacy of and respect for Union law”

<sup>226</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 20

<sup>227</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 21

also added that decisions of the CJEU are binding upon the Unified Patent Court.<sup>228</sup> As stated above, the liability damages as a result of an infringement of Union law by the Unified Patent Court lies with the contracting Member States.<sup>229</sup> They can both be held jointly and separately liable for such damages. Member States are also directly liable for the actions of the Court.<sup>230</sup>

The primacy of Union law can also be found in the sources the Unified Patent Court is allowed to use when hearing cases. Article 24 UPCA provides an overview of the applicable law: (i) Union Law, (ii) the UPCA, (iii) the European Patent Convention, (iv) other international agreements applicable to patents and binding on all Contracting Member States; and (v) national law.<sup>231</sup> Within the article, Union law as a source is placed before the agreement itself. This indicates that Union law has primacy over the UPCA.

#### 4.2 Article 5 UPCA and the Role of the CJEU within the Unified Patent Court

The conclusion that can be drawn from the previous paragraph is that European Law is firmly integrated into the UPCA. On some points it even prevails over the agreement itself. The CJEU also plays a significant role with respect to the Unified Patent Court, with its case law being binding upon the Unified Patent Court.<sup>232</sup> The question then arises, what can be expected of the CJEU's influence in the decision making of the Unified Patent Court? Since the UPCA and the Unified Patent Court have not entered into force yet, we do not have clear view on the influence of the CJEU within the Unified Patent Court, but some hypotheses can be advanced based on the existing provisions.

Article 5 of the UPCA plays an important role in predicting the influence of the CJEU within the Unified Patent Court. This article governs the contractual liability of the Unified Patent Court, as well as the non-contractual liability of the Court in respect of any damages caused by it or its staff in the performance of their duties.<sup>233</sup> Paragraph 3 adds that "The court with jurisdiction to settle disputes under paragraph 2 (the non-contractual liability of the Court) shall be a court of the Contracting Member State in which the damage occurred."<sup>234</sup> This article indicates that the CJEU, being the competent body in terms of the interpretation of Union law, has jurisdiction to interpret articles of the UPCA and jurisprudence of the Unified Patent Court to check their conformity with Union law. In doing so, Article 5 UPCA creates room for the CJEU to pass its opinion in cases before the Unified Patent Court.

Within the existing literature on the matter, different opinions can be found about which position exactly the CJEU will have within the decision making procedure of the Unified Patent Court. One hypothesis on the role of the CJEU is that a close cooperation between the CJEU and the Unified Patent Court should exist in order to reach a coherent view of the Unitary Patent.<sup>235</sup> Achieving this coherence is only possible if the CJEU sees its interpretative competence broadly, and the Unified Patent Court, on the other hand, actively refers questions to the CJEU.<sup>236</sup> The key aspects of the

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<sup>228</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 21

<sup>229</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 22(1)

<sup>230</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 23

<sup>231</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 24

<sup>232</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 21

<sup>233</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 5(1), 5(2)

<sup>234</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 5(3)

<sup>235</sup> J. Pila, C. Wadlow, *The Unitary EU Patent System* (first published 2014, Hart Publishing 2015), p. 82

<sup>236</sup> M. Headicke, 'The Legislator's Fear of the CJEU in the Unified Patent System' [2017] *Recht in Ostasien* vol. 17, p. 615; J. Smits, W. Bull, 'European Harmonisation of Intellectual Property Law: Towards a Competitive

European Patent with Unitary Effect (hereafter EPUE), i.e. the patentability and the scope of protection, are regulated by the European Patent Convention (hereafter EPC).<sup>237</sup> The Unified Patent Court and the CJEU should interpret these norms as part of the unitary patent package and ensure uniform and equal effects to these patents.<sup>238</sup> Over both the European Patent and the Unitary Patent, the Unified Patent Court has the same jurisdiction.<sup>239</sup> This approach can also be desired in reviewing the UPCA and national norms. Because the CJEU cannot review decisions of the EPC directly, conflicting interpretations by the EPO Boards of Appeal and the CJEU exist.<sup>240</sup> In these cases, the Unified Patent Court has to decide in favor of the CJEU interpretations due to the primacy of Union law and the binding nature of the CJEU decisions.<sup>241</sup> This has been confirmed within the UPCA itself, as discussed above.<sup>242</sup> In sum, the unitary patent package should accordingly be interpreted based on the EPC and UPCA.<sup>243</sup> On top of that, due to the primacy of Union law and the duty for the Unified Patent Court of a consistent interpretation of Union law, the unitary patent package has to be in conformity with Union law as well as Union fundamental rights.

In line with the view above, a comparison can be made between the interaction of the CJEU and the European Patent Office (hereafter EPO).<sup>244</sup> The relationship between the two is of great significance. The EPC is not an EU treaty and EPO is not an EU body.<sup>245</sup> However, the two have played a prominent role within the EU patent system for quite a while now. Still, the CJEU's role in matters concerning patenting has been quite limited. Therefore, it is not foreseen that the CJEU will have an oversight role towards the Unified Patent Court primary on matters of validity and infringement of European and Unitary patents.<sup>246</sup> Where the Unified Patent Court, however, differs from the CJEU is that the Unified Patent Court is constructed with the legal status of a national court in order to be able to trigger preliminary reference procedure.<sup>247</sup> It is, therefore, inevitable that the CJEU will have some judicial input within the Unified Patent Court system. However, the Unified Patent Court has only

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Model and a Critique of the Proposed Unified Patent Court' [2012] Maastricht European Private law Institute Working Paper No. 2012/16, p. 17

<sup>237</sup> H. Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' [2012] Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 12-03, p. 50

<sup>238</sup> J. Pila, C. Wadlow, *The Unitary EU Patent System* (first published 2014, Hart Publishing 2015), p. 82; J. Smits, W. Bull, 'European Harmonisation of Intellectual Property Law: Towards a Competitive Model and a Critique of the Proposed Unified Patent Court' [2012] Maastricht European Private law Institute Working Paper No. 2012/16, p. 17

<sup>239</sup> H. Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' [2012] Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 12-03, p. 50

<sup>240</sup> M. Headicke, 'The Legislator's Fear of the CJEU in the Unified Patent System' [2017] *Recht in Ostasien* vol. 17, p. 612

<sup>241</sup> M. Headicke, 'The Legislator's Fear of the CJEU in the Unified Patent System' [2017] *Recht in Ostasien* vol. 17, p. 612

<sup>242</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 21 "Decisions of the CJEU shall be binding upon the Court".

<sup>243</sup> J. Pila, C. Wadlow, *The Unitary EU Patent System* (first published 2014, Hart Publishing 2015), p. 82

<sup>244</sup> L. McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court* (first published 2016, Edward Elgar Publishing Limited 2016), p. 88

<sup>245</sup> M. Brandi-Dohrn, 'Some Critical Observations on the Competence and Procedure of the Unified Patent Court' [2012] *IIC- Int. Review of Intellectual Property and Competition Law*, vol. 4, p. 376

<sup>246</sup> L. McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court* (first published 2016, Edward Elgar Publishing Limited 2016), p. 88-89; M. Brandi-Dohrn, 'Some Critical Observations on the Competence and Procedure of the Unified Patent Court' [2012] *IIC- Int. Review of Intellectual Property and Competition Law*, vol. 4, p. 375

<sup>247</sup> L. McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court* (first published 2016, Edward Elgar Publishing Limited 2016), p. 89

limited jurisprudence over certain acts of EPO relating to the Unitary Patent.<sup>248</sup> Excluded, for instance, is the grant of the patent. The Unified Patent Court cannot review these actions, neither does the CJEU hold the competence to do a last resort second check.<sup>249</sup>

Opponents to the cooperating relationship between the CJEU and the Unified Patent Court argue that domestic laws of the Member States should be avoided as much as possible for they would provide tension at the underlying teleology of the unitary patent package.<sup>250</sup> Only if no other source of law mentioned in Article 24 of the UPCA can provide and answer, the Unified Patent Court should apply the national law of Member States.<sup>251</sup> The Unified Patent Court will, in many cases due to the primacy of Union law, be forced to ask the CJEU in a preliminary reference how to balance national measures and still be in uniformity with Union law.<sup>252</sup> On this basis the CJEU will be able to develop uniform criteria based on which the Unified Patent Court is allowed to use national laws of Member States. This does not only apply for national laws but also for the use of other EU instruments and non-EU instruments but which form a part of the EU legal order, like the TRIPS agreement.<sup>253</sup> On the one hand, this will put the CJEU in a position to prevent further fragmentation of the rules applicable to European and national patents.<sup>254</sup> On the other hand, this will create a position for the CJEU to have significant influence in the Unified Patent Court's decision making.

The text of the UPCA contains many provisions on substantive patent law. This reflects the intention of the drafters to limit the jurisdiction of the CJEU over the substantive law of the UPCA.<sup>255</sup> Within the agreement the acts which constitute infringement and the limitations of the effects of a patent are named. It also provides the possible remedies which the Unified Patent Court can award and it contains an autonomous body of law which consists of the Statute of the Court and the Rules of Procedure.<sup>256</sup> This ensures that the Unified Patent Court can act autonomously and limiting the jurisdiction of the CJEU.

Another reason why the UPCA has a limiting effect on the jurisdiction of the CJEU is that the UPCA was concluded by only 26 Member States instead of all the Member States.<sup>257</sup> Within the country who did not join the UPCA (Spain) the CJEU will have limited jurisdiction over those patents. Spain

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<sup>248</sup> T. Jaeger, 'Reset and Go: The Unitary Patent System Post-Brexit' [2017] IIC – International Review of Intellectual Property and Competition Law vol. 48, p. 262

<sup>249</sup> T. Jaeger, 'Reset and Go: The Unitary Patent System Post-Brexit' [2017] IIC – International Review of Intellectual Property and Competition Law vol. 48, p. 262

<sup>250</sup> J. Pila, C. Wadlow, *The Unitary EU Patent System* (first published 2014, Hart Publishing 2015), p. 82

<sup>251</sup> J. Brinkhof, A. Ohly, *Towards a Unified Patent Court in Europe* (first published 2013, Oxford Scholarship Online 2014), p. 212

<sup>252</sup> R. Romandini, A. Klicznik, 'The Territorial Principle and Transnational Use of Patented Inventions – The Wider Reach of a Unitary Patent and the Role of the CJEU' [2013] SpringerLink Issue 44, p. 538

<sup>253</sup> R. Romandini, A. Klicznik, 'The Territorial Principle and Transnational Use of Patented Inventions – The Wider Reach of a Unitary Patent and the Role of the CJEU' [2013] SpringerLink Issue 44, p. 537 - 538

<sup>254</sup> T. Jaeger, 'Reset and Go: The Unitary Patent System Post-Brexit' [2017] IIC – International Review of Intellectual Property and Competition Law vol. 48, p. 261; R. Romandini, A. Klicznik, 'The Territorial Principle and Transnational Use of Patented Inventions – The Wider Reach of a Unitary Patent and the Role of the CJEU' [2013] SpringerLink Issue 44, p. 538

<sup>255</sup> J. Brinkhof, A. Ohly, *Towards a Unified Patent Court in Europe* (first published 2013, Oxford Scholarship Online 2014), p. 212; J. Pila, 'The European Patent: An Old and Vexing Problem [2013] The International and Comparative Law Quarterly Vol. 62 No 4, p. 936 - 937

<sup>256</sup> J. Brinkhof, A. Ohly, *Towards a Unified Patent Court in Europe* (first published 2013, Oxford Scholarship Online 2014), p. 212; p. 212

<sup>257</sup> J. Pila, C. Wadlow, *The Unitary EU Patent System* (first published 2014, Hart Publishing 2015), p. 60

remains outside the enhanced cooperation.<sup>258</sup> Therefore the EU in its whole does not participate.<sup>259</sup> Furthermore, creating a new 'European' patent community, different from both the EU and EPC patent communities, and further increasing the system's complexity will inevitably limit the CJEU's jurisdiction within the Unified Patent Court.<sup>260</sup> In particular because there will be no general right of appeal from the Unified Patent Court to the CJEU, and no general jurisdiction for the CJEU in respect of the UPCA substantive patent law.<sup>261</sup>

The conclusion that can be drawn from the above is that indeed many different views on the influence of the CJEU in the Unified Patent Court can be found in literature. It is evident from the above that the CJEU will indeed have a certain degree of influence within the Unified Patent Court. What the position of the CJEU will be exactly is yet to be seen when the Unified Patent Court enters into force.

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<sup>258</sup> T. Jaeger, 'Reset and Go: The Unitary Patent System Post-Brexit' [2017] IIC – International Review of Intellectual Property and Competition Law vol. 48, p. 266

<sup>259</sup> T. Jaeger, 'Reset and Go: The Unitary Patent System Post-Brexit' [2017] IIC – International Review of Intellectual Property and Competition Law vol. 48, p. 262

<sup>260</sup> J. Pila, 'The European Patent: An Old and Vexing Problem [2013] The International and Comparative Law Quarterly Vol. 62 No 4, p. 397

<sup>261</sup> J. Pila, 'The European Patent: An Old and Vexing Problem [2013] The International and Comparative Law Quarterly Vol. 62 No 4, p. 397



## Chapter 5 Analytical Summary

### 5.1 The expected role of fairness and proportionality under the UPCA

Proportionality and fairness are incorporated in the UPCA in Article 42. Paragraph 1 of Article 42 states that: “The Court shall deal with litigation in ways which are proportionate to the importance and complexity thereof”.<sup>262</sup> Paragraph 2 of Article 42 adds to this that: “The Court shall ensure that the rules, procedures and remedies provided for in this Agreement and in the Statute are used in a fair and equitable manner and do not distort competition”.<sup>263</sup> Since the UPCA has not entered into force it is yet to be seen how these principles will be applied by the Court. In order to provide some insight on how these principles may be applied by the Court, one can regard the application of proportionality and fairness under the Enforcement Directive.

As discussed in paragraph 2.3 of this thesis, the scope of application of the Enforcement Directive is different from the scope of the UPCA. The general obligations of the Enforcement Directive are addressed to the Member States, whereas the UPCA addresses the Unified Patent Court. Nevertheless the application of the Enforcement Directive can provide helpful insights on how the UPCA may be applied by the Court. Chapter 4 established the importance of EU law within the UPCA. Since the Enforcement Directive and the CJEU case law may be used as sources by the Unified Patent Court it can be expected that they will play a guiding role for the judges of the Unified Patent Court on how to rule on cases. Therefore, it will be likely that the Unified Patent Court will interpret fairness and proportionality in a similar way as the CJEU does.

Article 3 of the Enforcement Directive sets the general obligations for the Member States, which is discussed in Chapter 2 of this thesis. It obliges Member States to provide measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights covered by the Directive.<sup>264</sup> These measures must be fair and equitable, and shall not be unnecessarily complicated or costly.<sup>265</sup> They must also be effective, proportionate and dissuasive.<sup>266</sup> As pointed out in paragraph 2.3, when comparing Article 3 of the Enforcement Directive with Article 42 of the UPCA some differences can be found. For a start the way of presenting the Article is different. Article 3 of the Enforcement directive is brought as a general obligation for Member States. Article 42 UPCA, on the other hand, is set as an obligation for the Unified Patent Court in order to: “ensure expeditious and high quality decisions, striking a fair balance between the interests of right holders and other parties and taking into account the need for proportionality and flexibility.”<sup>267</sup> Also, the wording of Article 3 of the Enforcement Directive is more extensive than the wording of Article 42 UPCA. Both Articles require proportionality, fairness and equitability of its measures, rules and procedures. Article 3, however, adds more obligations than the UPCA does. For instance the obligation that measures shall not be unnecessarily complicated or costly, without unreasonable time-limits or unwarranted

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<sup>262</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 42(1)

<sup>263</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 42(2)

<sup>264</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3

<sup>265</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3

<sup>266</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3(2)

<sup>267</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, p. 4

delays.<sup>268</sup> Also the requirement that measures must be effective and dissuasive is missing in Article 42 UPCA.<sup>269</sup>

However, when focusing on proportionality and fairness both these principles are covered under the Enforcement Directive and the UPCA. Even though the UPCA is less extensive in its wording, it does cover most elements of the Enforcement Directive by cleverly phrasing Article 42. For instance by adding the elements of importance and complexity in paragraph 1, the UPCA creates the liberty to deal with what the Enforcement Directive calls: “unnecessarily complicated, costly or unreasonable time-limits or delays”.<sup>270</sup> By using several more of these phrasings, Article 42 UPCA and Article 3 Enforcement Directive are fairly similar in their requirements. Therefore an application similar to the application of Article 3 Enforcement Directive can be expected of Article 42 UPCA.

When considering the CJEU case law on proportionality and fairness it is evident that both principles are often used. Especially when the CJEU decides on awarding damages, both principles play a significant role. Most European legal systems insist in damages having a compensatory nature.<sup>271</sup> This means that the claimant should receive full compensation for the losses caused by the infringement. He should, however, not benefit from the award of damages. Proportionality and fairness are both used to ensure this approach as much as possible.<sup>272</sup> When awarding damages, the CJEU carefully balances the damages that are to be awarded against both principles to ensure they award the correct amount of damage compensation. A good example of this can be found in the *Olawska Telewizja Kablowa* case, as discussed in chapter 3. In this case the CJEU debated whether requesting twice the amount of hypothetical royalties as damage compensation would be proportionate. The CJEU found that double royalties are proportionate to ask since the payment of only once the hypothetical royalties may not be sufficient to cover all the losses suffered by the rightsholder.<sup>273</sup> Also the Enforcement Directive lays down a minimum standard of harmonization, and does not prevent Member States from creating measures which are more protective.<sup>274</sup>

Proportionality and fairness do not only play a role when awarding damages. Also when imposing injunctions the CJEU affirms it has to be proportionate and faire.<sup>275</sup> Even in cases dealing with fundamental rights fairness and proportionality play a role. For instance, the CJEU found that Member States must ensure a fair balance between various fundamental rights, but may not conflict with the other general principles of Community law such as the principle of proportionality.<sup>276</sup>

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<sup>268</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3

<sup>269</sup> The UPCA also does not require for measures, remedies or procedures to be applied in a manner to avoid creation of trade barriers, and must provide safeguards against their abuse, which is required under Article 3(2) of the Enforcement directive.

<sup>270</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 250

<sup>271</sup> A. Ohly, ‘Three principles of European IP enforcement law: effectiveness, proportionality, dissuasiveness’ [2009] SSRN 1523277, p. 14

<sup>272</sup> A. Ohly, ‘Three principles of European IP enforcement law: effectiveness, proportionality, dissuasiveness’ [2009] SSRN 1523277, p. 15

<sup>273</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 30

<sup>274</sup> Case C-367/15 *Stowarzyszenie ‘Olawska Telewizja Kablowa’ v. Stowarzyszenie Filmowców Polskich* [2017] ECR I-36, para 23

<sup>275</sup> Case C-324/09 *L’Oréal v eBay* [2011] ECR I-474, para 139

<sup>276</sup> Case C-275/06 *Productores de Música de España (Promusicae) v Telefónica de España SAU* [2008] ECR I-54, para 68

When considering the above, an impression of how the principles fairness and proportionality will be interpreted under the UPCA can be made. There is a large similarity between Article 3 Enforcement Directive and Article 42 UPCA. They both incorporate the same general principles. The Enforcement Directive itself, as well as CJEU case law, may be used as a source and reference by the Unified Patent Court. Based on this, a similar interpretation and application of the principles of proportionality and fairness as that of the CJEU can be expected of the Unified Patent Court. The main difference will be that before the Unified Patent Court the principles will be directed at rightsholders and infringers directly, instead of applying for Member States which is the case under the Enforcement Directive.

## 5.2 Requesting damages under the UPCA

Damages under the UPCA are governed by Article 68 UPCA, as discussed in chapter 3. Article 68(1) states that: “The Court shall at the request of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in a patent infringing activity, to pay the injured party damages appropriate to the harm actually suffered by that party as a result of the infringement.”<sup>277</sup> Paragraph 2 adds to this that: “The injured party shall, to the extent possible, be placed in the position it would have been in if no infringement had taken place. The infringer shall not benefit from the infringement. However, damages should not be punitive.”<sup>278</sup> When calculating damages, the Court has to take several aspects into account: the relevant aspects of the case such as negative economic consequences including lost profits and unfair made profits, other economic factors such as moral prejudice caused by the infringement, and the possibility to set a lump sum damages.<sup>279</sup> Damages may only be awarded to an infringer who acted knowingly, or with reasonable grounds to know.<sup>280</sup>

Damages under the Enforcement Directive are covered by Article 13: “the competent judicial authorities are allowed to order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightsholder damages appropriate to the actual prejudice suffered by him as a result of the infringement.”<sup>281</sup> When calculating the damage compensation, the judicial authority: “has to take into account all appropriate aspects such as: negative economic consequences, including lost profits, unfair profits made by the infringer, and when appropriate, other economic factors such as moral prejudice caused to the rightsholder.”<sup>282</sup> As an alternative approach a lump sum damages may be set based on elements such as the amount of missed royalties or fees which should have been paid by the infringer.<sup>283</sup> When an infringer did not act knowingly, and had no reasonable grounds to know, the judicial authorities may order the recovery of profits or the payment of damages.<sup>284</sup>

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<sup>277</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (1)

<sup>278</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (2)

<sup>279</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (3)

<sup>280</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 68 (4)

<sup>281</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13

<sup>282</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13(1)a

<sup>283</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13(1)b

<sup>284</sup> European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 13(2)

When comparing the wording of both articles, they appear to be similar. Both Articles are directed against an infringer who acted knowingly, or had reasonable ground to know. They incorporate similar grounds that the Court has to take into account when setting damages. Punitive damages are not allowed under both Articles, neither is awarding damages against an infringer who did not know, or had no reasonable ground to know of the infringement. The main difference in the wording of the two Articles is that Article 68 (2) UPCA: “The injured party shall be, to the extent possible, placed in the position in which it would have been in if no infringement had taken place” has been added. With this sentence the UPCA incorporated the *restitutio in pristinum / restitutio ad integrum* principle, which is well known in many EU Member States and often used for the calculation of damage compensation. This principle seeks to re-establish the rights of a rightsholder of a patent to what it should have been if the infringement had not taken place.<sup>285</sup> The incorporation of this principle may present a possibility for damages under the UPCA to be taken a step further than under the Enforcement Directive.

The difference in scope of application, which was discussed in the previous paragraph, creates a difference in the legal quality of both Articles. The Enforcement Directive is addressed to the Member States with instructions to implement the provisions in their national legislation. Because the wording of Article 68 UPCA is so similar to Article 13 of the Enforcement Directive the UPCA has more or less adopted the wording of the Enforcement Directive. This causes that the implementation instruction of the Directive has become the implementation itself in the UPCA.<sup>286</sup> Article 68 UPCA has now become a directly applicable rule instead of a legal framework that has to be implemented at the national level in order to be applicable.<sup>287</sup> The Unified Patent Court has to give a direct interpretation to the rule instead of referring the question to the CJEU, as has been done by the courts of the Member States. This would be a time saving element for the Unified Patent Court. A judgement could be reached sooner which ultimately benefits the rightsholder. However, the direct interpretation is limited to primacy and a uniform interpretation of Union law, for which the CJEU is responsible. Therefore, it is possible that the Unified Patent Court still has to refer preliminary questions to the CJEU and may not be that much quicker in delivering a judgement as would be expected.

Within the literature numerous ways can be found on how damages might be calculated under the UPCA. As discussed in chapter 3, the rightsholder’s loss can be found in the loss of economic value due to the infringement.<sup>288</sup> Meaning that the loss is found in the loss of profit. Damages can also be offered as compensation for moral prejudice, which entails for instance the loss of sales due to reputation damage.<sup>289</sup> Another option is to base the damage compensation on the economic gains of the infringer obtained by the infringement.<sup>290</sup> These are based on the infringer’s unfair profits. As a

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<sup>285</sup> Rijksoctrooiwet [1995] BWBR0007118, art. 70

<sup>286</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 355

<sup>287</sup> C. Plassmann, W. Tilmann, *Unified Patent Protection in Europe: A Commentary* (first published 2018, Oxford University Press 2018), p. 355

<sup>288</sup> R. Ghafele, R. Kamstrup Bogetoft ‘Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court’ [2018] *World Patent Information* 52 (2018), p. 4

<sup>289</sup> R. Ghafele, R. Kamstrup Bogetoft ‘Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court’ [2018] *World Patent Information* 52 (2018), p. 5; T. Cook, ‘Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU’ [2015] *Journal of Intellectual Property Rights*, Vol 20. p. 4

<sup>290</sup> R. Ghafele, R. Kamstrup Bogetoft ‘Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court’ [2018] *World Patent Information* 52 (2018), p. 5; T. Cook, ‘Enforcement

final option it is also possible for the Court to set a lump sum damage based on a hypothetical royalties which would have been due if the infringer had requested authorization to use the patent.<sup>291</sup> All of these options find their legal basis in article 62 UPCA.

The possible ways in which damages under the UPCA can be calculated are similar to how damages are calculated under the Enforcement Directive, as discussed in Chapter 3. Since both Articles are also similar in the requirements based on which damages may be awarded, and in the fact that the Enforcement Directive and CJEU case law may be used by the Unified Patent Court, it is likely that the ways in which damages will be calculated by the Court are similar to. The main difference may be that damages under the UPCA may be more extensive than under the Enforcement Directive. Article 62 of the UPCA is formulated more broadly and holds the possibility for the Unified Patent Court to create more extensive damages due to the *restitutio ad integrum* principle.

### 5.3 The sources used by the Unified Patent Court and the legal position of rightsholders

In Chapter 4 it has been established that Union law plays a significant role in the UPCA. Article 20 UPCA states that: “The Court shall apply Union law in its entirety and shall respect its primacy.”<sup>292</sup> Article 21 UPCA adds that the UPCA is obliged to ensure a correct application and uniform interpretation of Union law by using the preliminary reference method of Article 267 TFEU.<sup>293</sup> Also in Article 21 UPCA it is expressed that the decisions of the CJEU are binding upon the Unified Patent Court.<sup>294</sup> Union law has primacy over the UPCA, with the CJEU as its guardian to ensure this position and the uniform interpretation.<sup>295</sup> The CJEU has the authority to review decisions of the Unified Patent Court to ensure that Union law is has its uniform interpretation and is applied with primacy.

Regarding the sources which may be used by the Unified Patent Court, the primacy of Union law is also evident. Article 24 UPCA provides an overview of the applicable law which includes: (i) Union Law, (ii) the UPCA, (iii) the European Patent Convention, (iv) other international agreements applicable to patents and binding on all Contracting Member States; and (v) national law.<sup>296</sup> Union law is placed as a source itself within the UPCA. This entails that the Unified Patent Court is allowed to use the Enforcement Directive directly as a source in its decision making process. Stating Union law before the UPCA itself in Article 24 can be seen as a manifestation of the primacy of Union law.<sup>297</sup>

The influence of the CJEU in the UPCA and the Unified Patent Court is, however, taken a step further than the general competence of ensuring primacy and a uniform interpretation of Union law. Article 5 UPCA plays an important role in this. Under Article 5, the contractual and non-contractual liability of the Unified Patent Court is governed. In paragraph 3 it is stated that: “The Court with jurisdiction to settle disputes (on non-contractual liability) shall be a court of the Contracting Member State in

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Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU’ [2015] Journal of Intellectual Property Rights, Vol 20. p. 4

<sup>291</sup> R. Ghafele, R. Kamstrup Bogetoft ‘Using Patent valuation methods to assess damages in patent infringement cases under the Unified Patent Court’ [2018] World Patent Information 52 (2018), p. 5; T. Cook, ‘Enforcement Directive and Harmonisation of Remedies for Intellectual Property Infringement in the EU’ [2015] Journal of Intellectual Property Rights, Vol 20. p. 5

<sup>292</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 20

<sup>293</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 21

<sup>294</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 21

<sup>295</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, considerations p. 4

<sup>296</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 24

<sup>297</sup> J. Lembke, ‘Legal Order in the Unified Court’ [2014] SSRN 2496617, p. 5

which the damage occurred.”<sup>298</sup> This indicates that the CJEU, being the competent body in terms of interpretation and primacy of Union law, has jurisdiction to interpret articles of the UPCA and the jurisprudence of the Unified Patent Court to check their conformity with Union law. Article 5 UPCA creates room for the CJEU to pass its opinion on cases pending before the Unified Patent Court. In doing so, the CJEU has been granted the possibility to decide on cases before the UPCA, since the CJEU’s case law is binding upon the Unified Patent Court.

The exact position of the CJEU within the Unified Patent Court is yet to be seen. In literature, however, many different opinions can be identified. One opinion is, for instance, that a close cooperation between the Unified Patent Court and the CJEU has to exist in order to reach a coherent view of the Unitary Patent.<sup>299</sup> This should be a cooperation in which the CJEU sees its interpretative competence broadly, and the Unified Patent Court actively refers questions to the CJEU.<sup>300</sup> A comparison is made between the interaction of the CJEU and the EPO, who’s relationship is of great significance.<sup>301</sup> The CJEU’s role concerning the European patent has been quite limited. Therefore it can also be expected that the CJEU will have an oversight role towards the Unified Patent Court.<sup>302</sup> However, the Unified Patent Court is constructed with the legal status of a national court in order to be able to refer preliminary questions to the CJEU.<sup>303</sup> It is, therefore, inevitable that the CJEU will have some judicial input within the Unified Patent Court. The CJEU, due to the preliminary reference procedure, will even have the ability to develop uniform criteria based in which the Unified Patent Court is allowed to use EU (and non-EU) instruments.<sup>304</sup> On the one hand, this can be seen as desirable. The CJEU has the power to prevent further fragmentation of the rules applicable to European and national patents.<sup>305</sup> On the other hand, this does give the CJEU a position in which it has significant influence in the Unified Patent Court’s decision making. A limiting effect on the jurisdiction of the CJEU is that the UPCA was only conducted by 26 Member States.<sup>306</sup> Spain did not join the UPCA, therefore, the CJEU will only have limited jurisdiction over Italian patents.<sup>307</sup> Also, the UPCA does not have a general right of appeal to the CJEU, and no general jurisdiction for the CJEU towards substantive patent law.<sup>308</sup>

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<sup>298</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 5(3)

<sup>299</sup> J. Pila, C. Wadlow, *The Unitary EU Patent System* (first published 2014, Hart Publishing 2015), p. 82

<sup>300</sup> M. Headicke, ‘The Legislator’s Fear of the CJEU in the Unified Patent System’ [2017] *Recht in Ostasien* vol. 17, p. 615; J. Smits, W. Bull, ‘European Harmonisation of Intellectual Property Law: Towards a Competitive Model and a Critique of the Proposed Unified Patent Court’ [2012] *Maastricht European Private Law Institute Working Paper No. 2012/16*, p. 17

<sup>301</sup> L. McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court* (first published 2016, Edward Elgar Publishing Limited 2016), p. 88

<sup>302</sup> M. Brandi-Dohrn, ‘Some Critical Observations on the Competence and Procedure of the Unified Patent Court’ [2012] *IIC- Int. Review of Intellectual Property and Competition Law*, vol. 4, p. 376

<sup>303</sup> L. McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court* (first published 2016, Edward Elgar Publishing Limited 2016), p. 89

<sup>304</sup> R. Romandini, A. Klicznik, ‘The Territorial Principle and Transnational Use of Patented Inventions – The Wider Reach of a Unitary Patent and the Role of the CJEU’ [2013] *SpringerLink Issue 44*, p. 537 - 538

<sup>305</sup> T. Jaeger, ‘Reset and Go: The Unitary Patent System Post-Brexit’ [2017] *IIC – International Review of Intellectual Property and Competition Law* vol. 48, p. 261; R. Romandini, A. Klicznik, ‘The Territorial Principle and Transnational Use of Patented Inventions – The Wider Reach of a Unitary Patent and the Role of the CJEU’ [2013] *SpringerLink Issue 44*, p. 538

<sup>306</sup> J. Pila, C. Wadlow, *The Unitary EU Patent System* (first published 2014, Hart Publishing 2015), p. 60

<sup>307</sup> T. Jaeger, ‘Reset and Go: The Unitary Patent System Post-Brexit’ [2017] *IIC – International Review of Intellectual Property and Competition Law* vol. 48, p. 266

<sup>308</sup> J. Pila, ‘The European Patent: An Old and Vexing Problem [2013] *The International and Comparative Law Quarterly* Vol. 62 No 4, p. 397

What does this all mean for the legal position of rightsholders under the UPCA? The exact legal position of rightsholders under the UPCA is hard to determine, since the UPCA has not entered into force yet. However, based on the above an estimation can be made. An important change in the legal position is that under the UPCA rightsholders will have the Unified Patent Court to turn to. Whereas under the European Patent, rightsholders were obliged to proceed before national courts. Also, Union law will become directly applicable before the Unified Patent Court. Especially for awarding damages given the similarity in Article 68 UPCA to Article 13 Enforcement Directive. However, the CJEU will remain the competence to ensure the primacy and uniform application of Union law. Because of the binding nature of the CJEU decisions upon the Unified Patent Court, and the primacy of Union law over the UPCA, the question arises whether the decision making of the Unified Patent Court will be dominated by the CJEU. From the above it is evident that the CJEU will have influence in the decision making of the Unified Patent Court. This creates a situation under which rightsholders are subject to two Courts reviewing their cases: The Unified Patent Court on the subject matter of the case, and the CJEU on the conformity and primacy of Union law. For Italy, however, this does not apply. Since Italy did not ratify the Unified Patent Court Agreement the Italian rightsholders will not be able to apply for a Patent with Unitary effect. This creates a gap in the jurisdiction of the CJEU, since the CJEU needs the Unified Patent Court as stepping stone to have indirect jurisdiction on patents Patent's with Unitary effect.<sup>309</sup> For Italian rightsholders, and for rightsholders from different Member States who have a claim against an Italian, the main option for litigation would be before a national Italian Court. The position of these rightsholders will be similar to the position they have now when enforcing a European Patent.

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<sup>309</sup> M. Headicke, 'The Legislator's Fear of the CJEU in the Unified Patent System' [2017] *Recht in Ostasien* vol. 17, p. 612

## Chapter 6 Conclusion

With the above being said, it is now possible to answer the research question: “What legal implications for patent right holders against direct infringers can be expected when requesting damages under the Unified Patent Court Agreement in comparison to damages under the Enforcement Directive?” The answer required focusing on several aspects.

With regard to the use of the principles fairness and proportionality it is evident that there is a large similarity between Article 3 of the Enforcement Directive and Article 42 of the UPCA. Fairness and proportionality are incorporated in both articles, as well as other important principles.<sup>310</sup> This provides legal certainty for the rightsholders that they will maintain the protection of these principles under the UPCA. What further increases the legal certainty of the rightsholder under the UPCA is the difference in scope of application of the UPCA. Because the UPCA can be invoked directly the rightsholder is assured of the rights that can be drawn from the UPCA, instead of being dependent on the implementation of Member States which was required under the Enforcement Directive. In terms of what kind of application of the general principles can be expected by the Unified Patent Court, a possibility would be that the Unified Patent Court follows the reasoning of the CJEU. This, however, does not necessarily need to be the case. The formulation of Article 42 of the UPCA is similar, but not identical to Article 3 of the Enforcement Directive. Any deviation in the wording of Article 42 of the UPCA presents a new legal uncertainty for rightsholders in which it is to be seen how the Unified Patent Court will rule in this matter. An example of a deviation in Article 42 of the UPCA can be found in the *restitutio in pristinum / restitutio ad integrum* principle. This principle, which seeks to re-establish the rights of a rightsholder to what it should have been if the infringement had not taken place, cannot be found in the Enforcement Directive. By adding this principle in the UPCA the Unified Patent Court creates room for itself to take damage compensation a step further than the Enforcement Directive does. Ultimately this principle gives rightsholders a stronger position in the case of awarding damages. How this principle will be applied in practice by the Unified Patent Court, however, still presents a legal uncertainty.

Similarities are, for instance, found in the way damages can be calculated under the UPCA. Both Articles under the UPCA and the Enforcement Directive are similar in their wording and have a similar focus on the level of knowledge of the illegality of the actions of the infringer. Except for the *restitutio in pristinum / restitutio ad integrum* principle discussed above, there is no difference between both Articles. On top of this, the Enforcement Directive itself and the case law of the CJEU may be used as a source by the Unified Patent Court. Rightsholders can therefore expect that damages will be awarded by the Unified Patent Court in a similar manner and on similar grounds as is done by the CJEU. There will be no changes in the legal position of rightsholders under the UPCA when requesting damages.

The primacy of Union law and the binding nature of the CJEU’s decisions upon the Unified Patent Court hint in the direction of a similar approach in awarding damages under the UPCA. Since Union law takes primacy over the UPCA, and the CJEU has the competence to ensure a uniform interpretation of Union law and the UPCA, it is likely that awarding damages under the UPCA will not deviate much from awarding damages under the Enforcement Directive.<sup>311</sup> With the exception of the differences in wording and the openness of terms, as discussed before. These are open to

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<sup>310</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 2; European Parliament and Council Directive 2004/48/EC on the enforcement of intellectual property rights [2004] OJ L195/16, art. 3

<sup>311</sup> <sup>311</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 20 and 21



interpretation and may cause a difference in the award of damages under the UPCA. The chances of this happening are, however, slim due to the primacy of Union law and the obligation for the CJEU to ensure a uniform interpretation. Nevertheless this creates legal uncertainty for the rightsholders.

The influence of the CJEU within the decision making of the UPCA is even taken a step further under the UPCA, by awarding the CJEU the competence to interpret articles of the UPCA and to check the conformity of the Unified Patent Courts decisions with Union law.<sup>312</sup> For the legal position of the rightsholders, this has some implications. Proceeding before court will become easier for them. They now have only one Court to go to, the Unified Patent Court, instead of having to proceed before the national Courts of Member States. Union law will become directly applicable before the Unified Patent Court, especially for awarding damages given the similarity between the UPCA and the Enforcement Directive. The CJEU will, however, have a certain degree of influence on the decision making of the Unified Patent Court. To what extent this influence will be is yet to be seen. Based in the afore mentioned, it seems, however, unlikely at this point that this will waken the legal position of the rightsholders under the UPCA.

What can be concluded from the above is that the UPCA, in many ways, provides a stronger position for rightsholders when requesting damages for patent infringement. However, legal uncertainty for rightsholders remains. There are no guarantees that the Unified Patent Court will follow the established ways of the CJEU. Especially in cases where the UPCA differs in wording and uses terms which are open to interpretation of the Court, there is no way to predict how the Unified Patent Court will rule. Therefore, it will be interesting to see how the predicted stronger position of rightsholders under the UPCA will turn out when the UPCA actually enters into force, but also what the actual influence of the CJEU in the decision making of the Unified Patent Court will be. Even though the influence of the CJEU is not the actual topic of this thesis, it does present interesting food for thought.

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<sup>312</sup> <sup>312</sup> Agreement on a Unified Patent Court [2013] OJ EPO 5/2013, art. 5

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