

In order to create a deterrent for preventing infringements of plant variety rights, parties not uncommonly agree or claim that the infringer should pay double (or even higher) the amount of the license fee payable for the licensed exploitation of the protected variety. In as far as such a double license fee surpasses the actual loss of the injured party this may be regarded as punitive damages. It is questionable whether such an 'infringer supplement' is allowed under Community law.

Are punitive damages allowed in Europe?

Enforcing plant variety rights can be very time-consuming and costly. Often, commensurate time and money is spent in identifying the infringement, carrying out investigations, plant (dna) comparison research and in the extra-judicial and judicial pursuit of injunctions and compensation claims. In order to create an adequate deterrent for preventing future infringements, parties not uncommonly agree to or claim that the infringer should pay a licence fee which surpasses the amount of the damages actually incurred by the rightholder. In a case currently pending before the Court of Justice of the European Union¹, questions have been referred as to whether such a punitive 'infringer supplement' is allowed or not under Regulation (EC) No. 2100/94 on Community plant variety rights (the Regulation). The Appeal Court in The Hague rejected such claims for punitive damages in a recent judgment, while considering that the remedies currently available for claiming damages would already have sufficient deterrent effect.

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Remedies for compensation of damages under the Regulation

On the basis of Article 94(1) of the Regulation, whosoever infringes a Community PVR may be sued by the holder to pay reasonable compensation. In order to determine reasonable compensation, it is appropriate to base the calculation on the amount of the fee payable for the licensed production of plant material of protected varieties of the species concerned in the same area². Whether or not the infringer



was aware of the infringement is irrelevant. No liable conduct by the infringer is required.

However, if the infringer does act intentionally or negligently he shall, in addition to reasonable compensation, be liable to compensate the PVR holder for any further damage resulting from the infringing act, on the basis of Article 94(2) of the Regulation. The purpose here is to provide compensation for the wrong inflicted by the infringer. For calculating these damages, often the following three options are used, as the Regulation does not provide for any rules in this regard. First of all, it can be argued that the infringer should pay an amount that equals the licence fee he should have paid if he had obtained a licence before committing the infringement. Secondly, the infringer can be requested to surrender all of its unfair profits made by selling the infringing plant material. Thirdly, the rightholder can claim reimbursement of its own lost profits. While the calculation of the last two damage approaches may involve considerable problems from a legal and evidential point of view, the licence fee approach can be quite

unsatisfactory, since it treats the infringer as if he had acted legally.³

Oberlandesgericht Düsseldorf

To overcome this, and in order to create an adequate deterrent for preventing future infringements, parties not uncommonly agree or claim that the infringer should pay double (or even higher) the amount of the licence fee. In as far as such a double licence fee surpasses the actual loss of the injured party this may be regarded as punitive damages, i.e. damages that are awarded as a means to punish the infringer rather than to compensate the PVR holder for the actual loss caused by the infringement. Recently, the Oberlandesgericht Düsseldorf referred questions to the Court of Justice of the European Union (CJEU) about the possibility of, in addition to reasonable compensation and/or the further damage resulting from the infringing act, claiming an 'infringer supplement' applied on a flat-rate basis in every case. This case is still pending before the CJEU at the date of publication of



this article. However, on 17 February 2015, the Court of Appeal in The Hague, Netherlands, rendered judgment in an infringement case in which the holder of a Community PVR for a potato variety claimed payment of a quadruple (or at least double) licence fee, while explicitly emphasizing the intended punitive character thereof.

The plaintiff based this claim, amongst others, on Article 94 of the Regulation. While referring to case law of the CJEU, the Appeal Court ruled that Article 94(1) of the Regulation cannot provide a basis for a quadruple licence fee. The CJEU has ruled that subsection 1 does no more than provide for reasonable compensation in the event of unlawful use of a plant variety, but does not provide for compensation for damage (other than that connected to the failure to pay that compensation)⁴.

Furthermore, the plaintiff invoked Article 13 of the Enforcement Directive⁵ which stipulates that the judicial authorities of the Member States when assessing the damages may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

However, in paragraph 26 of the preamble of the Enforcement Directive, it is also explicitly stated that the aim of the Directive is not to introduce an obligation to provide for punitive damages but to allow for compensation based on

an objective criterion while taking account of the expenses incurred by the rightholder, such as the costs of identification and research.

The Appeal Court did not see any reason why it would allow an amount which is higher than the actual amount of the damages suffered by the PVR holder and/or the profits made by the infringer.

UPOV's Explanatory Notes are not binding

The plaintiff also relied on the Explanatory Notes on the Enforcement of Breeders' Rights under the UPOV Convention, in which it is found appropriate for the UPOV Member States to take measures to provide adequate damages to compensate the loss suffered by the holder of the breeder's right and to constitute a deterrent to further infringements. It is questionable if this means that such measures may also have a punitive character. The Appeal Court considered that the Explanatory Notes are not binding and can thus not set aside the applicable articles, including those included in the Regulation. Furthermore, and more interestingly, the Appeal Court ruled that the allowance of the claim for compensation of full damages in itself has a deterrent effect. According to the Appeal Court, the measures included in the Enforcement Directive (such as surrender by the infringer of all unfair profits made, reimbursement of legal costs including reasonable and proportionate lawyer's fees) are also meant to have a deterrent effect, even though the Directive

does not include the possibility of non-compensatory measures, such as punitive damages.

No punitive damages in the Enforcement Directive

When preparing the Enforcement Directive, the European Commission at first wanted to introduce the concept of punitive damages. However, the proposals of the Commission in this respect have been withdrawn in the final version. Paragraph 26 of the preamble of the Enforcement Directive now reads:

With a view to compensating for the prejudice suffered as a result of an infringement committed by an infringer who engaged in an activity in the knowledge, or with reasonable grounds for knowing, that it would give rise to such an infringement, the amount of damages awarded to the rightholder should take account of all appropriate aspects, such as loss of earnings incurred by the rightholder, or unfair profits made by the infringer and, where appropriate, any moral prejudice caused to the rightholder. As an alternative, for example where it would be difficult to determine the amount of the actual prejudice suffered, the amount of the damages might be derived from elements such as the royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question. The aim is not to introduce an obligation to provide for punitive damages but to allow for compensation based on an objective criterion while taking account of the expenses incurred by the rightholder, such as the costs of identification and research.

Given that the purpose of the Enforcement Directive is to harmonise, amongst others, damage awards within the European Union, it is not to be expected that the CJEU will allow any form of compensation, such as a punitive 'infringer supplement', which surpasses the amount of the damages actually incurred by the PVR rightholder as a result of the infringement. However, we will have to await the CJEU's decision to see if this assessment will indeed be upheld. III

- 1 *Case C-481/14. Jörn Hansson v Jungpflanzen Grünewald GmbH.*
- 2 *CJEU 5 July 2012, C-305/10 Geistbeck(s)/STV.*
- 3 *See also: European Community Plant Variety Protection, Würtenberger et al. Oxford, 2006.*
- 4 *CJEU 5 July 2012, C-305/10 Geistbeck(s)/STV.*
- 5 *Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights*