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IP, Entertainment Law & IT Specialist Group Newsletter Spring 2016

Member Reports

From six jurisdictions

Minutes: Spring Conference

Cape Town

Agenda: Spring Conference

Milan

Dates/Events

- IP, Entertainment Law IT Group Meeting in Milan 06.05.2016
- Next Newsletter Autumn 2016



A method of calculating compensation for copyright infringement - a multiple of the royalty as an equivalent of the loss occasioned by a copyright infringement.

PAGE 07

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Compensating for losses occasioned by the infringement of a copyright, as well as by the infringement of an industrial property right, entails difficulties in evidencing, especially regarding the amount of the loss incurred, owing to the diversity and intensity of the consequences of infringements, which are not always possible to establish or to discover. These phenomena and facts are elusive.

As far as estimating the value of the work to which the right has been infringed is concerned, there arises a discrepancy between basing the value of the lost interest on a hypothetical licence value and the principle of full compensation for the loss. However, basing it on a royalty may disrupt the principle of redressing only the actual damage. Consequently, a certain repressive element would be introduced into civil law.

An appropriate remuneration, or a multiple thereof, constitutes, along with compensation sought on the basis of general provisions, a form of compensation in the following Polish acts: in Article 289 of the Act on Industrial Property Law, and in Article 79 of the Act on Copyright and Related Rights. It is also included in Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157 p. 45). *An appropriate remuneration* equals the royalty which would have been due to the author if the infringer of the author's economic rights and the author had entered into an agreement on using the right in question. This constitutes a reference to the terms and conditions of licence agreements concluded between a given rightholder and other users of the rights.

The claimant is thus given a choice - the compensation can be sought on the basis of general provisions of the law or through the payment of an appropriate remuneration. Sometimes, however, even if the claimant decides to seek compensation on the basis of general

provisions, when taking evidence (the opinion of an expert witness on loss estimation), the loss is estimated on the basis of the hypothetical licence value, and the infringer is ordered to make a one-off payment of the value.

It must be noted that in the case of a copyright infringement a loss estimated exclusively on the basis of the licence value in principle causes that a claim based on general provisions does not compensate for the loss incurred. Given that the claimant may choose the way in which the damage shall be redressed and it would seem easier for him to seek compensation in the form of a multiple of the licence fee, a claim based on general provisions cannot reduce the loss to the value of the respective licence, calculated in the exact same way as when compensation in the form of a multiple of the licence value is sought. Compensation sought on the basis of general provisions when copyright is infringed must, therefore, constitute an effective measure of liability, as well as exert preventive influence on potential infringers. A compensation equal in amount to the appropriate remuneration that should have been paid by the infringer when infringing the right actually encourages copyright infringements, since the risk faced by the infringer in such cases is nothing more than a possibility of being forced to pay a "belated" licence fee.

The Polish Constitutional Tribunal ruled that the Polish provision stating that a copyright holder whose proprietary copyrights have been infringed may demand redress from the infringer in the form of a cash amount equivalent to - where the infringement is culpable - triple the appropriate remuneration which would have been due had the copyright holder previously consented for his work to be used, is not conformable to the Constitution of the Republic of Poland.

A constitutional complaint was filed by a substantial cable TV network operator, who, due to the lack of agreement on the amount of licence fees, for a certain

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PAGE 08

period after the expiry of a contract with an organization of collective copyright management had been rebroadcasting TV programmes without concluding a contract. The organization petitioned the court for the payment of damages totalling three times the amount of the licence fees due, and the complaint was admitted.

The Constitutional Tribunal found that the regulation constitutes a violation of the proportionality principle and a too far-reaching interference in the material freedom of the person committing a tort. It is unacceptable that the holder of a proprietary copyright be allowed the possibility of asserting such a claim for damages which would wholly diverge from the amount of damage incurred and be a multiple thereof. What is more, introducing lump-sum elements to a claim for damages may not entail a complete loss of proportion between the amount of damage incurred and the damages claimed. This is an excessively severe sanction.

Pursuant to Article 13 paragraph 1 b) of the Directive 2004/48/EC, Member States 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.

The foregoing shall, however, remain in accordance with the preamble to the Directive 2004/48/EC. 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 aforementioned has also been noticed by the Polish Supreme Court, which has requested a preliminary ruling from the Court of Justice of the European Union on the following question: *Is Article 13 of Directive 2004/48/EC of the European Parliament*

and of the Council of 29 April 2004 on the enforcement of intellectual property rights to be interpreted as meaning that the rightholder whose economic rights of copyright have been infringed may seek redress for the damage which it has incurred on the basis of general principles, or, without having to prove loss and the causal relationship between the event which infringed its rights and the loss, may seek payment of a sum of money totalling twice, or - in the case of a breach - thrice the appropriate remuneration, given that Article 13 of Directive 2004/48 stipulates that the compensation shall be decided in court, and the circumstances enumerated in Article 13 paragraph 1 a shall be considered; while only as an alternative, in certain cases, can it order for lump-sum damages to be paid, taking into account elements listed in Article 13 paragraph 1 b of the directive?

Is ordering, at the request of a party, for lump-sum damages to be paid in the amount established in advance, totalling twice or thrice the appropriate remuneration, admissible on the basis of Article 13 of the directive, having regard that paragraph 26 of the preamble thereof stipulates that the aim of the directive is not to introduce an obligation to provide for punitive damages? (Case C-367/15 - Stowarzyszenie Oławska Telewizja Kablowa).

The case has not yet been examined; nevertheless, its resolution is eagerly awaited as it constitutes an important legal issue, as of yet unexamined, whose practical dimension cannot be emphasized enough.

