

AIPPI Study Question - General - Reasonable awareness in compensation for infringement of IP rights

DRAFT: FINLAND

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Questions

I. Current law and practice

Please answer the below questions with regard to your Group's current law and practice.

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

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

- (a) **The objective or subjective knowledge of the infringer**

YES

Finnish law does not expressly refer to objective or subjective knowledge of the infringer but operates with the distinction between intentional acts and different degrees of negligence. However, although in general compensation is payable for infringement independent of knowledge or not, knowledge impacts the assessment of the quantum of the damages.

As a general rule under Finnish law, an infringer who has acted willfully or negligently shall be liable to pay compensation for all damage caused by the infringement, but the liability to pay damages shall not exceed the amount of actual damage. The burden of proof of suffered damage lies with the claimant, i.e., the holder of the IP right. In case of slight negligence, the compensation for damage may be adjusted accordingly. This applies to all IP rights (trademarks, patents, copyrights, design rights, trade names, utility models, and trade secrets).

In more detail, as regards copyrights, a person who exploits a work in violation of the Finnish Copyright Act (or imports a copy of work into Finland or brings a copy of work into the territory of Finland for the purpose of transportation to a third country) shall be liable to pay the author a reasonable compensation. However, the illegal reproduction of a work for private use shall be subject to compensation only if the reproducer knew or should have known that the copied material has been made available to the public in

violation of the Finnish Copyright Act. If the work is used wilfully or negligently, the infringer shall, in addition to compensation, pay damages for any other loss, including suffering and other detriment in accordance with the Finnish Tort Liability Act (Section 57, Subsections 1, 2, and 4 of the Finnish Copyright Act).

As regards patents, trademarks, trade names, registered designs and utility model rights, damages and compensation for use shall be awarded based on the infringer's willfulness/negligence as follows: An infringer of an IP right, who has acted wilfully or negligently, shall be liable to pay reasonable compensation for the exploitation of the IP right as well as compensation for any other damage caused by the infringement. In case of slight negligence, compensation may be adjusted. If the infringement is neither wilful nor negligent, the infringer is liable to pay compensation for exploiting the IP right to the extent deemed reasonable (Section 58, Subsections 1 and 2 of the Finnish Patent Act; Section 69 of the Finnish Trademark Act; Section 36, Subsections 1 and 2 of the Finnish Registered Designs Act; Section 23, Subsections 1 and 2 of the Finnish Trade Name Act; Section 37, Subsections 1 and 2 of the Finnish Utility Model Rights Act).

As regards trade secrets, in case of unlawful exploitation of trade secret, an infringer, who has acted wilfully or negligently, shall be liable to pay reasonable compensation for the exploitation of the trade secret as well as compensation for any other damage caused by the infringement. If the trade secret is obtained or expressed unlawfully an infringer, who has acted wilfully or negligently, shall be liable to compensate any damages caused by the infringement. In case of slight negligence, compensation may be adjusted. It is further worth mentioning that lack of knowledge of trade secret misappropriation may impact the selection between injunction/use compensation (Section 11, Subsections 1, 2 and 3 and Section 10 of the Finnish Trade Secrets Act).

Knowledge of the infringer is taken into consideration in assessing the willfulness and negligence. Willfulness requires that the infringer is aware of the unlawful nature of their act, *i.e.*, that the infringer has knowingly engaged in an infringing activity. The possible knowledge of the infringer also plays a role in assessing negligence: for example, in general, deliberate risk-taking constitutes negligent behavior.

In principle, the objective knowledge of the infringer is taken into consideration. However, the subjective knowledge may also be taken into consideration especially as a complementary ground. For example, in the judgment MAO:32/17 the Finnish Market Court stated that the infringer had to have been aware of the trademark that was well known in the industry already prior to the cease and desist letters, and the infringer had in any case become aware of the trademark at the latest when it had received the cease and desist letters. Similarly, in the judgment MAO 368/19 the Finnish Market Court considered that the infringer as a competing company had to have been aware of another company's trademark already prior to the cease and desist letters, and in any case at the latest when it had received the letters. In both cases, the knowledge of the infringer was considered to constitute at least negligent behavior by the infringer, *i.e.*, the requirements for awarding damages were fulfilled.

In calculating the *amount* of the damages, the level of knowledge of the infringer has not been explicitly mentioned in the Finnish Market Court's recent judgments which primarily concern trademark infringement (MAO 445/19, 368/19, 271/17 and 374/16) as a factor to be considered. Instead, the Court has stated that the damages have been

calculated based on the type, volume and duration of the infringement and in certain cases also based on the recognition of the trademark and the financial value of the infringement. However, this does not mean that the level of knowledge of the infringer must be excluded from the criteria which affect the calculation of damages in possible future cases.

Finnish case law in assessing awareness as a factor impacting the compensation for patent infringement is scarce. In case 08/38296 the District Court of Helsinki assessed a case where a generic manufacturer (infringer) of a pharmaceutical product had attempted to assess the probability of infringement, *i.a.*, by conducting a freedom to operate study. The Court, however, found that the behavior of the generic constituted negligent behavior taking into consideration the awareness of a company operating in the pharmaceutical field on the patent infringement risks inherent for generic products.

Further, contributory patent infringement requires under Finnish law objective or subjective knowledge ("knows or where it is evident from the circumstances").

B – The beliefs/opinions of the infringer

OTHER / YES (and NO); however, there are no express provisions.

If the beliefs or opinions are founded, they may be taken into consideration in assessing e.g. the level of negligence or potential good faith. In case of slight negligence, the damages may be adjusted (see in more detail below). If the infringer has not acted negligently, no damages would be awarded. With respect to the belief of the infringer that the existence of their own registered trademark prevents them from infringing an earlier trademark, the Finnish Market Court has stated (in case MAO 234/16) that a registration does not allow the proprietor to use its own IP right regardless of earlier rights.

C – The publication of the scope of the IP right in general or at a particular time (e.g. the publication of the claims of a patent amended in the course of litigation).

YES

The publication of the scope of the IP right is a factor that may be taken into consideration when assessing the objective or subjective knowledge of the infringer and, consequently, the level of negligence, which in turn affects the assessment of damages.

The publication of the scope of the IP right in general plays a part in the assessment of damages. Moreover, provisional patent protection is tied to the scope of the claims as published and as granted.

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

NO. Punitive damages are, as a general rule, not awarded in Finland.

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

YES.

Under Finnish law, the damages may be adjusted in case of slight negligence (e.g. Section 69 of the Finnish Trademark Act, Section 58 of the Finnish Patent Act), which in practice means reducing the awarded damages below the losses suffered by the IP right holder. Further, as explained in response to question 2 above, even if the infringer has not acted negligently and, consequently, no damages would be awarded, the infringer shall be liable to pay reasonable compensation for the exploitation of the IP right.

However, full compensation is a strong starting point and even in cases of slight negligence, damages may be adjusted only when the circumstances at hand give rise thereto. This means that damages are not automatically adjusted if the infringer has acted in slight negligence. For example, according to the preparatory work for the Finnish Trademark Act, damages for a trademark infringement may be adjusted only if the infringer has acted in slight negligence and, in addition, the full compensation is considered excessively burdensome taking into consideration e.g. the financial circumstances of the infringer and the IP right holder and other relevant circumstances.

Unlike other IP rights, where the adjustment is possible only if there has been slight negligence, the possible adjustment of damages subsequent to the infringement of a copyright is not dependent on the level of negligence of the infringer. Instead, the adjustment of damages in case of a copyright infringement is based on the Finnish Tort Liability Act. According to Section 1, Subsection 2 of the Finnish Tort Liability Act, the damages may be adjusted if the liability is deemed unreasonably heavy considering the economic circumstances of the infringer and the injured party, and other circumstances. However, if the damage has been caused willfully, full compensation shall be awarded unless specific reasons give rise to consider lowering the compensation.

Based on the preparatory works of the Finnish Trade Secrets Act, in case of slight negligence, the adjustment of damages should be assessed only if the liability is deemed unreasonably heavy considering the economic circumstances of the infringer and the injured party, and other circumstances (HE 49/2018 vp, p. 104).

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

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

YES. The current law could be further improved and there is also very limited case law on the interpretation thereof.

In terms of improvements, Finland is a member of the European Union ("EU"). The Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights ("Enforcement Directive") stipulates that damages for infringement shall be set forth by taking into account *"all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement"*. In implementing the Enforcement Directive, Finland has not expressly implemented in law the right to claim damages for all the listed negative economic consequences; e.g., unfair profits made by the infringer are not mentioned in Finnish IP laws.

Further, in terms of interpretation, there could be further guidance on how knowledge in particular in IP cases impacts the assessment of negligence and, e.g., whether there is a difference in the assessment depending on whether the IP right is a registered right or not.

As an example, it is unclear what the effects of conducting freedom to operate (FTO) searches are. For example, if FTO searches can have the effect of reducing compensation sums, there should be some kind of objective criteria against which the appropriateness of such searches is assessed. However, if FTO searches are to be assessed, the need for risk management by the companies should be also considered in balance.

Further, it could be considered whether profits made by the infringer could be recoverable (by the rights holder or by the state).

Additionally, Finnish practice could be improved as the infringer's level of knowledge should, based on general principles of liability law, have an impact on the amount of damages the infringer is entitled to be awarded with. Whether the infringement has been committed intentionally or negligently could be one of the criteria to be taken into account when assessing the amount of damages. If Finnish case law proves not to recognize explicitly the infringer's knowledge in the said assessment, it could be considered whether the Finnish IP laws should be amended to include a non-exhaustive list of criteria that the courts may take into account while assessing the amount of damages.

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

NO; should not depend.

The knowledge of the infringer should not affect the ability to recover damages per se.

However, in case there was knowledge of infringement, this should be a pronounced reason to order at least full compensation of all damage. Potentially, even the profit gained from the infringement could be ordered to be paid to the right holder in case the profit exceeds the shown damage. This could be the case especially in a situation where the damage is hard to quantify (e.g., changes in market situation) but it is clear that the infringer has profited from the infringement.

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

(a) an infringer, when a court has established infringement and awarded an injunction against that infringer,

Yes. The infringement has already been established so it would be appropriate to elevate the damages; however, taking into consideration any changes in circumstances (such as potential alterations made to the infringing activities with the attempt to avoid the infringement).

(b) an infringer, when a court has established infringement but not awarded an injunction against that infringer,

This would be case dependent. The starting point is that the situation is the same as above at (a) and thus full compensation should be ordered. However, in case the injunction was not granted due to a compulsory license or a similar important public policy reason, there could be grounds not to apply this principle, i.e., if the point of not granting the injunction was to allow the infringing activity to continue. As an example, this could be the case where a patent protects a socially valuable product and there is no non-infringing alternative available; naturally in such cases the continuation of such use should be arranged through agreement between the rights holder and the infringer.

(c) third parties, when a court has not yet established infringement by such third parties or the existence of any potentially relevant third parties.

We understand this refers to a situation where infringement has been established against one party but not against the third party engaging in the same activity. In this case the answer is yes, but only if the third party is/should be aware of the established infringement and does not have good grounds to oppose the grounds of the initial infringement ruling (i.e., the circumstances involving the third party are sufficiently analogous with the circumstances of the established infringement). This should be considered by the court case-by-case taking into account access to justice (right to have your own case heard by a court) as well as the potential good faith of such third party.

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

N/A

III. Proposals for harmonisation

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

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

YES.

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

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

9.

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

YES. The Finnish AIPPI Group finds that the knowledge of the infringer should be taken into account when assessing the recovery of damages with respect to the amount recoverable.

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

- subjective x (YES)
- objective x (YES)

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

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

Please note that the above answers are based on the assumption that the question "how should" refers to the possibility that a court may take such evidence into account if brought to its the attention.

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

The Finnish AIPPI Group finds that the knowledge should affect the amount of damages compensated to the right holder. For example, it could be considered whether intentional acts or infringement based on negligence that is long-lasting or continued following the establishment of infringement by the Court should give rise to loss of infringer's profit (and/or punitive damages, if a rule for such damages were introduced). However, in such a case it should be further specified what is the significance of the infringer's beliefs/opinions in assessing such level of intent/negligence.

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

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

NO, please see answer to question 5 above.

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

YES.

The Finnish AIPPI Group finds that damages to compensate the right holder should be awarded independent of the knowledge. However, knowledge could

affect the level of compensation. Nevertheless, what constitutes knowledge giving rise to different levels of damages should be further specified.

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

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

The Finnish AIPPI Group finds that the lack of subjective knowledge prior to the litigation of the existence of the IP rights, *as such* should not change the level of damages or the assessment of damages (in particular if the alleged infringer has not examined the relevant IP registers etc.) to the detriment of the IP holder. The aforesaid applies in particular with respect to registered IP (i.e., potentially different approach regarding unregistered copyright and trade secrets).

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

The Finnish AIPPI Group finds that the language skills of the infringer should not have an impact on the assessment of damages. Instead, the impact of the language should be based on the language/translation requirements stipulated by the applicable law in the jurisdiction in which the IP right is valid and in which the dispute arises.

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

NO; should not affect in particular if the amendment is due to limiting, e.g., patent claims.

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

The Finnish AIPPI Group finds that depending on the overall relevant circumstances of the case, the subjective belief of the alleged infringer could be taken into account to some degree, in particular if such subjective belief is based upon legal advice by reputable attorneys, patent attorneys and/or other patent experts and the expert opinions have been obtained prior to litigation and they are deemed authoritative and objective. However, for example, if the infringer believes that the IP right is not valid, active measures to challenge the validity should be taken. Moreover, the assessment should be case specific.

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

The Finnish AIPPI Group finds that not undertaking searches prior to launching should at least result in the infringer not being capable of seeking lowest level of damages.

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

The Finnish AIPPI Group finds that depending on the overall circumstances of the case and the reasons behind such erroneous indication of non-infringement, could be taken into account in the assessment of damages and level of damages determined by the court. However, this assessment would be very case specific and should take a close look on the reasons having led to such erroneous conclusion as well as the breadth and depth of the analyses made.

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

Please see answer to 9d above. Should a rule concerning such damages be introduced, the knowledge of the infringer should play a part in the consideration. The Finnish Group finds that subjective knowledge of the infringer should be required for punitive/exemplary damages to be awarded. It should be noted, however, that the Finnish AIPPI Group is not in favor of reversing AIPPI's view on punitive damages.

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

- (a) when the infringer had some intention/knowledge of the objective of making the profit?
- (b) when the infringer had no intention/knowledge of making the profit, and the profit was made "accidentally"?
- (c) regardless of the knowledge of the infringer?

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

Should a rule concerning punitive/exemplary damages be introduced (which the Finnish AIPPI Group is not advocating for), the infringer's intention/knowledge to make a profit greater than those required to compensate the right holder should play a role in the consideration. If it can be established that the infringer had an intention of making such a profit, this should weigh in favor of awarding punitive/exemplary damages at least to the amount of the profit actually made. If the mentioned profits were made "accidentally" or regardless of the knowledge by the infringer, this alone should not play any material role when considering the amount of the punitive/exemplary damages.

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

N/A

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

Chemical/process industry.