



2019 Study Question

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IP damages for acts other than sales

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I. Current law and practice

Please answer all questions in Part I on the basis of your Group's current law.

1 What non-sales infringing acts, i.e. infringing acts which do not involve sales, are recognised in your jurisdiction?

The Swiss **Trademark** Act ("TA"), **Patent** Act ("PA"), **Design** Act ("DA") and **Copyright** Act ("CA") all provide the IP owner with the following exclusive rights (in connection with commercial purposes):

- **Manufacturing goods**; whether the goods are thereafter placed on the market or not is irrelevant. [1]
- **Offering goods**; the offering can happen in the context of both public and private tenders, on flyers, classified ads and shopping windows for instance, regardless of the characterization of the underlying legal relationship (sales, loan, lease, etc.). Whether the goods are then sold (or loaned/leased) is irrelevant. [2]
- **Placing goods on the market.**
- **Importing, exporting or transiting goods** (under the TA and DA even for private purposes); the import of goods to Switzerland may be prohibited even if the same are not intended to be placed on the Swiss market. [3] Likewise, in principle, exporting goods from Switzerland may be prohibited regardless of whether it is IP protected in the country of export. [4]
- **Storing goods**: This refers to the possession for the purpose of commercialization and encompasses all actors of the distribution chain, such as warehouse keepers, freight forwarders, wholesalers and retailers. [5]

Apart from that, there are some particularities in the specific areas:

Trademarks: Art. 13 TA provides that trademark owners have the exclusive right **to affix** the mark to goods or their packaging; it is infringing irrespective whether such goods are thereafter placed on the market or not. [6] By granting trademark owners the exclusive right to use a mark on business papers, in advertising or otherwise in the course of trade, the law grasps the product related use of a mark, e.g. as a domain name, trading name or a company name. [7]

Patents: Any commercial use of the patented invention is prohibited. Carrying in transit may, however, only be prohibited if the patent owner is entitled to prohibit importation in the country of destination (art. 8[3] PA). Further, the patent owner may prevent any third party from removing the indication that said products are protected by a patent – or subject to a patent application – from products or their packaging (art. 66[c] PA).

Designs: Any use of the design for industrial purposes is prohibited (art. 9[1] DA). This can include the use of an object incorporating the protected design. [8] Further, art. 9(1) DA explicitly mentions the possession of an infringing design for infringing purposes.

Copyright: The CA lists a significant number of infringing acts that are rather copyright-specific (in particular, art. 9, 10, 11 and 39a CA) [9].

Footnotes

1. [^](#) E.g., *Thouvenin/Dorigo, Markenschutzgesetz, 2017, art. 13 TA N61.*
2. [^](#) E.g., *Thouvenin/Dorigo, art. 13 TA N66; P. Gilliéron, art. 13 TA N22.*
3. [^](#) E.g., *P. Gilliéron, art. 13 TA N26.*
4. [^](#) E.g., *P. Gilliéron, art. 13 TA N27; K. Troller, Manuel du droit suisse des biens immatériels, Bâle 1996, pp. 873-874.*
5. [^](#) E.g., *Thouvenin/Dorigo, art. 13 TA N73.*
6. [^](#) *Thouvenin/Dorigo, art. 13 TA N61.*
7. [^](#) *P. Gilliéron, art. 13 TA N30.*
8. [^](#) *R. Staub, Designrecht, 2003, art. 9 DA N 34.*
9. [^](#) E.g., *the infringement of the following exclusive rights: recognition of the author's authorship (art. 9[1] CA); to decide whether, when, how and under what author's designation the author's work is published for the first time (art. 9[2] CA); to recite, perform or present a work, or make it perceptible somewhere else or make it available directly or through any kind of medium in such a way that persons may access it from a place and at a time individually chosen by them (art. 10[2][c] CA); to broadcast the work by radio, television or similar means, including by wire (art. 10[2][d] CA); to retransmit works by means of technical equipment, the provider of which is not the original broadcasting organisation, in particular including by wire (art. 10[2][e] CA); to make works made available, broadcast and retransmitted perceptible (art. 10[2][f] CA); to rent out a computer program (art. 10[3] CA); to decide whether, when and how the work may be altered or be used to create a derivative work or may be included in a collected work (art. 11[1] CA). Furthermore, the circumvention of effective technological measures for the protection of works and other protected subject-matter is an infringement (art. 39a CA).*

2

**Please explain how damages are quantified, under the laws of your Group, in relation to infringing acts which do not involve sales of infringing products.
(If the laws of your Group provided for different quantification of damages for different IP rights, please explain how damages are quantified for each type of IP right.)**

a. In general

With respect to monetary reliefs, Swiss intellectual property laws explicitly refer to the Swiss Code of Obligations (“CO”) (art. 55[2] TA; art. 35[2] DA; art. 62[2] CA; art. 73[1] PA; art. 9[2] of the Swiss Unfair Competition Act [“UCA”]). Actions for damages are therefore governed by the general provisions of art. 41 et seq. CO. Damages are defined as the involuntary decrease in net capital (reduction in assets, increase in liabilities or loss of profit), meaning the difference between the injured party’s hypothetical economic position in the absence of the wrongful conduct and its actual position (so-called “difference theory”).^[1]

The injured party is obliged to prove both the existence and the amount of the damage in a sufficiently determined and specific manner.^[2] Only where the exact amount of the damage cannot be quantified, the court shall estimate it at its discretion in the light of the normal course of events and the steps taken by the injured party (art. 42[2] CO). This provision is not only applicable if the numerical proof of the damage is impossible, but also if it cannot be strictly proven that damage has occurred at all.^[3] The injured party must, to the extent possible and reasonable, assert and prove all circumstances which indicate the occurrence of the damage and permit or facilitate its estimation.^[4]

However, in practice, without any sales by the infringer, the right holder regularly cannot substantiate the incurred damage or lost profit as required by law, or will be unable to prove the necessary “causal nexus” between the infringement and the suffered damage or lost profit.^[5] Given the legal uncertainties and current restrictive practice concerning remuneration claims in general, most claims for financial compensations on the grounds of IP infringement or unfair competition law are settled out of court. Further, in practice, claims for accounts for profits are usually more relevant than damage claims.

Costs for pre-litigation market surveillance regarding intellectual property rights are generally not regarded as reimbursable as damages.^[6] However, scholars recognize the legal costs necessary for remedying the infringement (e.g., warning letters, costs with regard to an out-of-court settlement or necessary pre-trial lawyer’s fees) as a reduction in assets, which should be reimbursed.^[7]

b. Patent law

The Swiss Federal Court (“SFC”) does acknowledge a remuneration of damages based on a hypothetical or notional licensing fee (“license analogy method”), however only under very restrictive conditions.^[8] Although recent decisions indicate, that the SFC might adapt a more lenient approach towards the license analogy method based on art. 62 CO^[9] in the future, substantial uncertainties remain in this regard.

c. Trademark law

The dilution of (in particular, famous) trademarks constitutes a damage which should be compensated. The value of the trademark after infringement has to be compared with the value it had prior to the infringement.^[10] The confusion of the market may also lead to damages to be compensated. In such case, the injured party has to specify either the costs for curing the market confusion or the actual loss of the value of the trademark.^[11]

d. Copyright law

In copyright law, the proof of damage and damage calculations cause great difficulties, since often no reduction in assets or increase in liabilities occurs and mostly the only possible damage is a loss of potential royalties.^[12] Furthermore, it is conceivable that a copyright infringement may lead to an erosion in reputation or a reduction of market potential, although this would be hard to quantify.^[13]

In copyright law, the damages can be calculated on the basis of the remuneration tariffs customary in the industry for the use of the copyrighted work, such as tariffs of collecting societies or according to industry agreements.^[14] Many tariffs of collecting societies provide for a doubling of the remuneration for uses for which the necessary authorization was not obtained.^[15] However, the SFC rejects the doubling in a tariff of a collecting society as an inadmissible form of punitive damages.^[16]

e. Design law

In most of the design cases, it is hard to precisely calculate the damage that occurred.^[17] Scholars recognize the following types of damages: If the injured party’s prices had to be reduced because of the infringing goods or if the injured party suffered a decline in turnover, the loss of profit suffered as a result shall be compensated in the form of lost profit.^[18] Market confusion costs shall also be reimbursed; this includes the costs of increased information and advertising, which are necessary to counteract the resulting uncertainty in the market.^[19] Furthermore, the dilution or depreciation of the design – i.e., the associated reduction in the value of the design and the damage to the reputation of the design owner – caused by the infringing act should also be covered by the compensation for damages.^[20]

In determining the damage according to a license analogy, a fictitious license fee, which the infringer would have had to pay if he had concluded a lawful license agreement with the design right holder, is assumed. The amount of the fictitious license fee should be based on what would normally and reasonably have been agreed between the parties to the license agreement. The customary tariffs, other already concluded and comparable license agreements and the scope of protection of the design right shall also serve as further indications for the calculation.^[21]

f. Unfair competition law

In a decision concerning unfair competition law, it was recognized that the injured party may claim compensation for damages resulting from market confusion^[22] or price erosion and claims for lost profits may include remuneration for lost follow-up sales (e.g., wear and spare parts or consumables), add-on sales or other business opportunities.

Footnotes

1. [^ BGE 129 III 331 E. 2.1.](#)
2. [^ BGE 127 III 365 E. 2b.](#)
3. [^ BGE 95 II 481 E. 12a.](#)
4. [^ BGE 134 III 306 E. 4.3; BGE 133 III 153 E. 3.5; BGE 122 III 221 E. 2a.](#)
5. [^ BGE 122 III 219 E. 3a; BGer 4C.468/2004; BGer 4C.52/2007 E. 3.3.](#)
6. [^ SHK DesG-Stutz/Beutler/Künzi, Art. 35 N 127.](#)
7. [^ Jermann, in Staub/Celli, Art. 35 DesG N 48; Benhamou, N 470 f.](#)
8. [^ BGE 132 III 379, E. 3.3.3 – Milchschaumer.](#)
9. [^ BGE 129 III 425 E. 4; BGer 4C.290/2005, E. 3.1 – Rohrschelle.](#)
10. [^ Commercial Court Zurich, sic! 2011, 39, 42 – Wunderbaum; SHK MSchG-Staub, Art. 55 N 90; BSK MSchG \(2nd edition\)-David, Art. 55 N 34, 36](#)
11. [^ Cantonal Court Wallis, sic! 2013, 300, 302 – Tara Jarmon.](#)
12. [^ Haftpflichtkommentar-Schwenninger, Art. 62 URG N 12; SHK URG-Müller, Art. 62 N 12; Barrelet/Egloff, Art. 62 URG N 13.](#)
13. [^ SHK URG-Müller, Art. 62 N 12.](#)
14. [^ BGE 122 III 463 E. 5.](#)
15. [^ Barrelet/Egloff, Art. 62 URG N 13; David, SIWR I/2, 117; SHK URG-Müller, Art. 62 N 14 f.](#)
16. [^ BGE 122 III 463 E. 5.](#)
17. [^ SHK DesG- Stutz/Beutler/Künzi, Art. 35 N 123.](#)
18. [^ Haftpflichtkommentar-Schwenninger, Art. 35 DesG N 15; OFK DesG-Heinrich, Art. 35 N 35.](#)
19. [^ Jermann, in: Staub/Celli, Art. 35 DesG N 48; Haftpflichtkommentar-Schwenninger, Art. 35 DesG N 15; David, SIWR I/2, p. 114; SHK DesG- Stutz/Beutler/Künzi, Art. 35 N 37.](#)
20. [^ Jermann, in: Staub/Celli, Art. 35 DesG N 48; Haftpflichtkommentar-Schwenninger, Art. 35 DesG N 15.](#)
21. [^ SHK DesG- Stutz/Beutler/Künzi, Art. 35 N 130; Haftpflichtkommentar-Schwenninger, Art. 35 DesG N 16.](#)
22. [^ BGer 4C.468/2004; BGer 4C.52/2007 E. 4.3 f.](#)

3

Please explain what approach your current law takes in relation to “franking”: if damages are paid in relation one infringing act (e.g. manufacturing) for specific infringing goods, can those goods then be circulated freely subsequently, or does their subsequent circulation amount to a fresh infringement in relation to which an injunction or damages may be available?

In principle, any damage unlawfully and willfully or negligently caused shall be compensated (art. 41 CO). Therefore, multiple infringing acts may result in multiple damage claims. Liability law requires both a natural and an adequate causal link between the infringing act and the damage claimed. The natural causal link is given if a conduct is an indispensable condition for the damage and must be demonstrated with a predominant probability.^[1] An adequate causal link is established if, according to the ordinary course of things and the experiences of life, the

action is capable of leading to such damage. [2]

Furthermore, it has to be considered that, in Swiss liability law, the **prohibition of over-compensation** is recognized as a fundamental principle. [3] Over-compensation occurs if the same person is awarded different compensation payments for the same event during the same period of time and if the sum of the payments exceeds the actual damage. [4]

The Swiss Group is not aware of any IP related cases where courts would have dealt with “franking” issues. However, based on these general principles, if the injured party can show that, with predominant probability and according to the ordinary course of things and the experiences of life, the second infringing act (e.g., a sale) and not the first infringing act (e.g., the manufacturing) caused a certain damage, the infringed party is entitled to sue the infringer again for compensation of damages. If such additional damage is caused by the second infringing act, there is no over-compensation of the claimant. Therefore, if damages have been paid in relation to goods that have been manufactured, those goods will not be “franked” and the infringer or any acquirer of the goods can be liable again for any damages causally and additionally occurring from the fact that the same goods are subsequently sold. However, for the claimant, it might be difficult to prove that additional market disturbance occurred through the sales of goods if the manufacture of the same goods already became publicly known causing initial market disturbance.

The payment of a compensation for damages does not mean that the infringing goods are no longer infringing and can be freely circulated subsequently. The subsequent circulation amounts to a fresh infringement.

Footnotes

1. [^ BGE 128 III 174.](#)
2. [^ BGer, 6B_ 183/2010, 23.4.2010, E. 3.](#)
3. [^ BGE 71 II 86 E. 4.](#)
4. [^ BGE 131 III 12 E. 7.1.](#)

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

4 Are there aspects of your Group's current law or practice relating to the quantification of damages for non-sales infringements that could be improved? If YES, please explain.

Yes

Please Explain

The Swiss damage restitution system is not balanced, especially with regards to damages for infringements of IP rights: Proving such damages requires a substantial effort resulting in high court costs and attorney fees. Several aspects are hard to prove. First, it is often difficult to prove the mere existence of damage. Further, there are no sufficiently developed concepts to quantify damages for non-sales infringements. Moreover, court practice on the necessary causal link between damage and infringement is very strict. Swiss courts only grant low compensation, which is usually not covering the actual damage resulting from the IP infringement.

In the Swiss Group's view, the courts' practice should take into consideration the specific problematics and circumstances of infringements of IP rights, such as the difficulty to prove and quantify damage resulting from the dilution of a trademark or market confusion. From this perspective, lowering the burden of proof in quantification of damages for non-sales infringements would be worth considering.

5 What policy should be adopted generally in relation to non-sales infringements?
Should:

Both damages and an injunction should be available.

Please Explain

The assertion of claims for damages should not result in the goods being allowed to circulate freely, as there was no consent of the IP owner to place the product on the market. This would encourage infringers to commit non-sales infringements, as it would allow them to purchase a *de facto* compulsory license to freely trade IP-protected products.

The Swiss Group would only consider an exception from that principle where the IP owner received full compensation as if the infringer had obtained a license. In that case, the legal interest of the IP owner in future injunctions could be questioned and it would possibly amount to an abuse of rights to continue to enforce the IP rights. However, since Swiss courts regularly do not grant full compensation (i.e., a compensation comparable to the royalty which would have been possible in license negotiations) such a situation will rarely be given.

6 What policy, in relation to franking, would best promote a uniform recovery of damages in relation to infringements in a number of jurisdictions in relation to the same goods?

In principle, the Swiss Group is of the opinion that franking and cross-border franking in particular should not be admissible.

If franking was admissible, a court awarding damages should take into consideration the compensation already awarded in other jurisdictions. The court should compare the damage regimes of the different jurisdictions, especially the reasonably achievable amount of compensation in those jurisdictions. Regarding quantification, the prohibition of overcompensation is very important. The awarded compensation shall not put the IP owner in a more favorable position than without any infringement. However, it should also be remembered that the IP owner shall not be undercompensated, which is a risk if franking is admissible.

Finally, it should be noted that the Swiss Group's proposal of taking into consideration compensation awarded in other jurisdictions shall not imply that a foreign court decision stating that a certain product is franked in that country is binding for a Swiss court when assessing whether the product is franked from a Swiss law's perspective or even lead to an exhaustion of the IP right.

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?

There are no other proposals within the scope of the Study Question.

III. Proposals for harmonisation

Please consult with relevant in-house / industry members of your Group in responding to Part III. For the purposes of this div III, please assume that the following acts are infringing acts, even if they are not infringing acts under the current laws of your Group:

- (a) Manufacturing;***
- (b) Selling;***
- (c) Offering whether for sale otherwise;***
- (d) Importing; and***
- (e) Keeping and warehousing.***

8 Do you believe that there should be harmonisation in relation to damages for non-sales IP infringement?

No

Please Explain

As IP rights often are dealt with in a cross-border context and IP protected goods circulate in different jurisdictions, there is a certain need for common grounds or harmonization in order to reduce efforts in cross-border law enforcement.

Non-sales IP infringements are however of minor interest in practice. Therefore, as long as franking is not permitted, there is no need for

harmonization in relation to damages for non-sales IP infringements. However, the Swiss Group takes the view that the question of whether franking is admissible or not should be harmonized.

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 Manufacturing of patented products: How should damages be quantified in relation to the manufacturing of infringing products?

The mere manufacture of infringing products without any subsequent sale or offering for sale does not lead to any damage for the IP owner. The only hypothetical damage which could be considered is a potential market confusion (namely if the public became aware of the ongoing manufacture of the products).

If damage occurs from additional subsequent infringing acts, these acts should be the decisive element for the quantification of damage. The calculation should be different in the case where the infringing product is used by the manufacturer himself (e.g., where a patented machine is used to manufacture goods) as if in the case where the product is subsequently sold.

If the infringer uses the infringing product himself, the right to only manufacture the product may have a value. This would be best calculated according to a hypothetical license fee for the mere manufacture of the product and the benefits resulting from that.

If there is a subsequent sale, the quantification of the damage should be based on the methods developed for the calculation of damages for sales. The manufacturer should be liable if there is a sufficient causal link between the manufacture and the damage occurring from the sale of the infringing product, e.g. if the subsequent sale was foreseeable. If the manufacturer and the later seller cooperate – if the manufacturer acts at least as an accomplice – they should be jointly liable to the IP owner for the whole damage (see also below, Question 12).

10 Should the subsequent export and sale of manufactured infringing goods change the quantification of damages?

Yes, see the principles outlined in question 9 above.

Damages should be quantified according to the methods developed to quantify damages occurring from sales. The manufacturer should be liable if there is a sufficient causal link between manufacturing the goods and the damage occurring from selling or exporting the infringing goods.

11 Importing and warehousing of patented products: How should damages be quantified in relation to importing and keeping or warehousing?

The quantification of damages depends on the specific circumstances of the individual case. If the infringing goods are only imported or warehoused without any subsequent sale or offering for sale, no damage occurs.

If the goods are subsequently sold, damages should be quantified on the basis of the methods to quantify damage occurring from sales. The import or warehousing company should be fully liable if there is a sufficient causal link between the import or the warehousing and the damage occurring from the sale of the infringing product. With respect to joint liability/contributory infringement see also Question 12 below.

12 Series of infringements in relation to patented products: In the situation where there is a series of infringing acts, such as manufacturing, followed by warehousing, followed by a sale, should damages be quantified, for each individual infringing product:

2.a On the basis of a sale alone, if that infringing product was eventually sold?

Yes

Please Explain

2.b On the basis of each infringing act in the chain?

Yes

Please Explain

2.c If the infringing product was never sold?

Yes

Please Explain

2.d On some other basis?

If the product is eventually sold, damages should be quantified on the basis of the methods to quantify damage occurring from sales.

If the product was never sold, damages should be quantified on the basis of each infringing act in the chain.

As a matter of principle, the aggrieved party is entitled under Swiss law to claim the entire loss from both the direct author(s) and the contributory infringer(s), such as the instigator(s) and accomplice(s), the court then having to determine whether and to what extent they have a right of recourse against each other (art. 50 of the Swiss code of obligations; for further details, see the Report issued by the Swiss Group in 2015 on the "Liability for contributory infringement of IPRs (Q204)" AIPPI Study Question).

13 Services/operating patented processes: please explain how damages should be quantified in relation to infringements that consist of carrying out infringing processes. e.g. a patented manufacturing process?

The quantification of damages should reflect the specific circumstances of the infringement at hand including eventual material products directly obtained/produced by the manufacturing process. The group further is of the opinion that the infringed party should generally be allowed to quantify the damage occurred on the basis of a license analogy, even if the parties would ex ante not have agreed to such licensing agreement.

14 Please explain how damages should be quantified for subsequent post-manufacturing activities in relation to the products of a patented process, e.g. the offering for sale of a product made using a patented process?

Please refer to the Swiss Group's answer to Question 13.

15 **Simultaneous single infringing acts:** In the situation where there is a single act, such as an offer for sale on the internet, which amounts to an infringing act simultaneously in a number of jurisdictions, how should damages be quantified in each of those jurisdictions? For example, one single offer to sell products is made on the internet and that single offer is considered to infringe by the courts of two jurisdictions A and B. If court A awards damages for that single act which compensate for the loss suffered by the right holder, should court B also award damages and how should those damages be quantified so as to eliminate or reduce double recovery?

Yes.

Court B should also award damages. In doing so, court B should take into consideration damages already awarded by other courts, so that no over- or undercompensation of the IP owner occurs.

16 **Franking:** If damages have been paid in relation to goods that have been manufactured but the further circulation of those goods has not been restricted by injunction, should the infringer (or the acquirer of the goods) be liable again for damages if those same goods are subsequently sold?

Yes

Please Explain

The infringer should be liable again for all damages *additionally* caused by the subsequent sale or circulation of the product. However, observing the principle of the prohibition of overcompensation, the awarded compensation shall not put the IP owner in a more favorable position than without any infringement.

6.a **If the answer to Question 16 is NO, does that mean that the right holder can recover twice in relation to the same goods?**

No

Please Explain

6.b **If the answer to Question 16 is YES, does that mean that the infringer has a de facto licence to sell the manufactured infringing goods?**

No

Please Explain

17 **Please comment on any additional issues concerning any aspect of quantification you consider relevant to this Study Question.**

The quantification of damages for non-sales infringements is an interesting but rather exotic topic. As questions regarding this topic do not really arise in practice, there is almost no case law.

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

The Swiss Group did not include an in-house counsel.