
Defendant's failure to disclose scope of infringement results in damages

20
JUN 16

Slovenia - Item doo

In *Coty Germany GmbH v Piskar Klavdija sp* (V Cpg 1615/2014, April 20 2016, released May 2016) the Ljubljana Higher Court awarded the full amount of claimed damages to the plaintiff. The court held that in infringement damages cases the burden of proof for the scope of infringement must be shifted to the defendant, and that the defendant had failed to meet this burden.

In April 2012 Coty Germany GmbH – the exclusive licensee of various prestigious beauty brands in the European Union – discovered that Klavdija Piskar was distributing Marc Jacobs Bang and Marc Jacobs Daisy perfumes to several stores in Slovenia. The infringing products' packaging had no barcodes or serial numbers; they had either been removed or covered by stickers of unknown origin.

After failed negotiations Coty sued Piskar, demanding:

- prohibition of further infringement;
- publication of the judgment; and
- payment of damages.

The first-instance court held that Coty's trademark rights had been infringed regardless of whether the products had been genuine, as Piskar had failed to prove that the products had been legally placed on the Slovenian or EU market (for further details please see “Court shifts

burden of proof to defendant in parallel import case"). This judgment became an important precedent and has been repeatedly cited in cases concerning counterfeit goods or parallel imports.

However, in its judgment the first-instance court refused most of Coty's damages claim, reasoning that Coty had failed to prove the scope of the infringement, which was necessary to calculate the appropriate damages amount. Although Coty had requested that Piskar provide the necessary evidence on the scope of infringement, the court held that – according to general damages provisions – the burden to prove the amount of damages always lies with the plaintiff.

Coty appealed to the Ljubljana Higher Court on the grounds that it was impossible for it to obtain information and evidence on the full extent of Piskar's infringement, and that such a burden should therefore not be imposed on it. Further, the first-instance court had overlooked the fact that the EU Enforcement of Intellectual Property Rights Directive and the Slovenian Industrial Property Act provide for a rights holder to demand from the defendant information and evidence about an infringement. In IP rights infringement cases, a rights holder usually has no access to information on the scope of the infringement. Conversely, information and documents concerning the infringement are an integral part of the infringer's business documentation and the burden of proof should therefore be shifted to the infringer.

In April 2016 the Ljubljana Higher Court upheld Coty's appeal and reversed the first-instance judgment, awarding Coty the full amount of claimed damages. The higher court upheld Coty's arguments and ruled that Piskar should have provided the court with reliable evidence on:

- when the infringement had begun;
- when the infringement had ended; and
- the amount of infringing products that had been imported or sold.

The Ljubljana Higher Court held that this shift in the burden of proof was necessary because otherwise infringers could easily evade the payment of damages simply by being passive in litigation. In *Coty*, Piskar had not provided the necessary evidence or substantially contested Coty's allegations about the amount of damages. Therefore, the court accepted Coty's estimation of the scope of the infringement and awarded it the full amount of claimed damages.

This judgment is significant because it represents a considerable shift from the traditional understanding of the allocation of the burden of proof in damages cases. This may simplify future damages cases concerning the infringement of IP rights, making damages actions one of the most effective remedies against infringers.

Igor Šetinc, Item doo, Ljubljana