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Ukraine: Seeking Damages For Trademark Infringement In Ukraine: Quirks And Trends

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On the surface recovery of damages for trademark infringement may seem a forgotten remedy. It is not that often claimed and awarded mostly because the odds of getting money damage are usually long and it is not an easy thing to prove their amount before the court. In practice a plaintiff usually prefers claiming only cessation of unlawful use of a trademark. Nevertheless, successful satisfaction of money claim seems the only convincing argument to actually stop unlawful use of the trademark and without doubt has a deterrent effect on others. Upcoming amendments to Trademark Law with respect to recovery of statutory damages and implementation of a methodic for computing damages are expected to be additional reasons to review efficiency of this remedy.

This article explains local current quirks pertaining to seeking damages for trademark infringement, as well as outlines long-awaited amendments to the Trademark Law and other regulations to facilitate the recovery of damages.

Overview of current legal framework for recovery of damages

The current Trademark Law still does not provide for extensive regulation pertaining to recovery of damages for trademark infringement. It only stipulates that the infringer must recover damages incurred by trademark owner. This scope of legal regulation actually refers the trademark owner to general provisions of both the Civil and Commercial Codes of Ukraine to prove the amount of incurred damages. Today, Ukrainian laws permit the trademark owner to claim recovery of actual damages, lost profit and / or moral damages (goodwill).

While claiming damages, the trademark owner should remember that they can be recovered provided that (i) there is a fact of unlawful use of the trademark; (ii) there is a damage suffered by him; (iii) there is a causal connection between unlawful use of the trademark and the damages suffered; and (iv) there is a fault of the infringer. Another legal issue to remember is that recovery of damages is of compensatory and deterrent nature, rather than punitive one.

Recovering lost profit

Lost profit constitutes the profit which a trademark owner would have earned if a bad faith trademark user would not infringe its rights. The civil laws stipulate that where a profit is gained by the infringer the amount of lost profit must not be less than such profit.

The High Commercial Court of Ukraine recently explained that for calculation of lost profit the court should take into account those indicators describing profit of trademark owner (e.g., retail price of a genuine product, price for the relevant use of a trademark, other similar indicators). It was also recommended for the courts to consider one counterfeit product as excluding out one genuine product from the market.

In *NIKE International Ltd. v. UA Private Entrepreneur*, the court actually followed the above explanations and ruled on recovery of the damages. The amount of damages was calculated according to the formula where quantity of the confiscated counterfeit goods was multiplied by retail price for similar original goods. The calculated amount was

confirmed by the results of the court expertise ([forensic enquiry](#)). Such approach was utilized for calculation of the lost profit in other court cases. There is also judicial practice where the calculation of the lost profit amount was based on past sales of the infringer.

The above notwithstanding the court practice is still under development. While building up a lost profit recovery position based on the above formula and approach, it is necessary to take into account other high-profile court rulings. For example, in one *Adidas-related* case, the court ruled that for deciding on recovery of damages a trademark owner must prove that (i) he could sell that quantity of goods that is similar to the quantity of the confiscated and sold counterfeit goods; and (ii) the fact of sale of counterfeit goods impeded the sale of genuine goods.

Alternatively, as noted above, the amount of lost profit may be based on a reasonable value of a trademark license that an infringer should have paid. The fact of existing licensing relations between trademark owner and infringer is not decisive. In *Upstar Continental Ukraine LLC v. UA Private Entrepreneur* case, the court laid damages at infringer based on hypothetical royalty calculation, i.e., common value of trademark license according to licensing relations between trademark owner and third parties. Other qualifications for computing lost profit based on reasonable royalty are (i) territory where such licensing relations with third party takes place (i.e., more or less similar populated area); (ii) same time period (e.g., a year) within or for which the lost profit is claimed.

Another practical example of the lost profit can be a fact of unilateral termination of the relevant agreement with trademark owner by its client and conclusion of the similar agreement between such client and the infringer.

It needs to be pointed out that the amount of the damages must be mathematically precise and cannot be based on assumptions of the trademark owner with respect to infringer's profit. In *VIA Gra LLC v. Caribbean Club LLC* the court held that it is not sufficient for trademark owner to substantiate damages just based on actual amount of seats for audience and tickets price if there are no supporting documents evidencing the infringer's profit.

If the measure of lost profit is difficult to calculate for trademark owner at the date of bringing a lawsuit to the court, it can initially claim a certain reasonable amount which can be then specified. For computing such reasonable amount a trademark owner may engage an expert who would compute it based on existing official methods. As soon as the lawsuit is brought, a plaintiff has the right to submit a motion asking the court to request the relevant financial and accounting documents from infringer. Such documents may be then used for calculation of an exact amount of the lost profit.

Recovering actual damages

For the purpose of this article, actual damages can be defined as expenses which trademark owner has made or needs to make to redress the infringed intellectual property rights in its trademark.

To compute and prove actual damages trademark owner requires appropriate evidence that should represent reasonable amount of expenses borne by the trademark owner. When seeking actual damages it is important to prove that incurring the relevant expenses was unavoidable, otherwise the court is unlikely to award recovery of damages.

Recovery moral damages (goodwill)

Moral damages amount to any negative consequences caused by unlawful use of the trademark (e.g., discrediting business reputation, decreasing goodwill, [erosion of trademark owner credibility](#)). The moral damages can be recovered separately from and in addition to actual damages or lost profit and may have either monetary or other form. While claiming the recovery of moral damages it is important to prove before the court that trademark owner and infringer are competitors on both the same product and geographical markets.

According to judicial practice moral damages (goodwill) are the easiest damages to prove and recover but their amount is usually lower as compared to the claimed amounts of both actual damages and lost profit.

Statutory damages

Parliamentarians recently initiated lawmaking process with respects to long-expected amendments to the Trademark Law in order to set up a legal instrument for trademark owners to recover statutory damages (penalty), instead of actual damages.

The amount of the statutory damages is expected to range from 10 to 50,000 minimum statutory salaries (currently UAH 1,218 which is about USD 100). Key qualifications for judges to consider a particular amount of statutory damages are suggested to be (i) scope of infringement; and / or (ii) intentions of an infringer. The initial Draft Law on Amendments to the Ukrainian Trademark Law does not suggest specific qualifications and specific ranging of the statutory damages for domain disputes or other regulations to facilitate calculation of the damages (e.g., calculation per counterfeit mark per type of goods or services sold, offered for sale, or distributed).

Method of computing damages

In 2007, the Ukrainian Government approved national standard for appraisal of property rights in intellectual property. This national standard is also suggested for use for the purpose of calculation of damages for trademark infringement. The national procedure sets out that measure of damages should be calculated on the basis of accumulated profit approach, i.e. a profit which a trademark owner has not gained because of unlawful use of its trademark, depending on the volume of production and / or sale of counterfeit goods.

However, such volume of legal regulations may be of help for computing the measure of the lost profit leaving aside other form of damages. To solve this issue, there are currently public discussions and initiatives to elaborate a separate official methodic for computing amount of damages for infringement of intellectual property rights.

Conclusion

Currently, a trademark owner may claim recovery of actual damages, lost profit, and moral damages (goodwill), taking into account local aspects of substantiation of each type of damages. Adoption of a separate official methodic for computing the amount of damages for infringement of intellectual property rights will be of support for trademark owners and their lawyers to correct calculation. The long-awaited adoption of the amendments to the Trademark Law with respect to statutory damages undoubtedly will become a powerful tool for trademarks owners to successfully recover damages from the infringer.