



VI. International Balkan and Near Eastern Social Sciences Congress Series - Ohrid / Macedonia

October 28-29, 2017

IBANESS

**University "St. Kliment Ohridski" Faculty of Economics/Macedonia
University of Agribusiness and Rural Development/Bulgaria**

PROCEEDINGS

Editors

Prof.Dr. Dimitar NIKOLOSKI

Prof.Dr. Dimitar Kirilov DIMITROV

Prof.Dr. Rasim YILMAZ

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FOREWORD

International Balkan and Near Eastern Congress Series brings together many distinguished social and behavioral science researchers from all over the world. Participants find opportunities for presenting new research, exchanging information, and discussing current issues.

We are delighted and honored to host the IBANESS Congress Series in Ohrid / Macedonia. Presented papers have been selected from submitted papers by the referees. Sincere thanks to those all who have submitted papers.

We hope that through exchange of the presented researches and experiences, the Congress will enhance communication and dissemination of knowledge in Balkan and Near Eastern Countries.

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Punitive Damages and Publication of Judicial Decisions As Specific Requests For Protection of Industrial Property Rights

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ABSTRACT: Wide application of goods and services which are protected like some of the industrial property rights, means that the consequences of their violation can be felt not only by the holders of these rights but also by the large number of users of these services and goods and the large number of consumers. Industrial property rights have a great value for rights' holders, inventors, authors etc. and also for the users who are authorized to use the industrial property rights. The specific nature of industrial property rights is also reflected in the possible means for protection of these rights in a civil litigation. As a result, besides regular lawsuits the holders of these rights have at their disposal measures which provide protection and informing the general public such as publication of judicial decisions in means of public informing. The great value of industrial property rights and protecting the invested intellectual effort of inventors and authors of industrial property rights is shielded from the so called "free riders" – people who use the industrial property rights without authorization and the large profit realized without authorization and by the request for imposing a civil penalty. The paper will analyze the punitive damages and publication of verdict in means of public informing as specific institutes for protecting the industrial property rights in court procedures and concrete experience from cases of Macedonian court practice.

Keywords: industrial property, punitive damages, publication of judicial decisions, civil protection.

1. INTRODUCTION

In the contemporary world, the industrial property rights have a huge share in the value of a large number of businesses. Using the industrial property rights for commercial purposes by concluding contracts for licenses, contracts for mutual investments, know-how, franchising, business collaboration contracts etc., multiply the value of these rights even more. On the other hand, in that way, the possibilities for using these rights without authorization, violation or abuse of some industrial property rights increases. By society modernization, digitalization and globalization, the number of violations of industrial property rights increases. Internet violations are also more and more frequent, which vastly aggravate and complicate the protection of these rights.

Violation of industrial property rights always occurs when the content of someone's subjective rights changes based on illegal actions by a third party, so, that person appropriates rights which do not belong to them or makes individual authorizations of the content of the someone else's subjective rights without authorization. Another characteristic of the subjective industrial property rights is that the illegal action should refer to at least one of the exclusive authorizations of the subjective rights content; the action should be performed on the territory where the industrial property right had been recognized or protected and within the validity period of such protection of the right¹. Taking into consideration the content of the industrial property rights, as well as the fact that they represent exclusive rights of the industrial property right holder, any application of these rights without authorization by them, or in case of transferring the application of rights, application in a way different from the agreed one, represents a violation of the industrial property right.

¹ Zoran Miladinović, Subjective Rights of Intellectual Property – acquisition, content, limitations, protection. Publication Center of Faculty of Law in Nis, Nis 2004.

According to the Law on Industrial Property², the plaintiff can ask the following in the initial act of initiating litigation:

- 1) confirming that there is a right violation;
- 2) ban on actions stated in the lawsuit which violate the right;
- 3) compensation of damage incurred by rights' violation intentionally or by negligence;
- 4) taking over or destroying of products created or marketed by violating the right and the means applied for their production;
- 5) the defendant to give information about the identity of third parties involved in production or distribution of goods or services which violate the rights, as well as for their distribution channels;
- 6) delivering of documentation and data by the person who had violated the right;
- 7) punitive damages;
- 8) publication of judicial decisions at the expense of the defendant and
- 9) other requests³.

2. PUNITIVE DAMAGES

Punitive damage⁴ is a new legal institute according to which if the right violation is done intentionally⁵ or by a gross negligence⁶, the damaged person has a right to compensation in the amount of the usual compensation increased by 200%. The punitive damages appeared in the Macedonian legislation for the first time in article 160 of the Law on Copyright and Related Rights (Official Gazette of RM no. 47/1996) and article 236 of the Law on Industrial Property (Official Gazette of RM no. 47/2002)⁷.

This institute has a long tradition in USA⁸ and Canada, so, under their influence, this institute has been included in the TRIPS Agreement⁹. In this way, the punitive damages have been accepted by all member states of World Trade Organization (WTO)¹⁰. Regarding the lump sum of damage, some of the member states such as (Austria, Belgium, Greece, Czech Republic, Lithuania, Poland, Romania, and Slovenia) have

2Law on Industrial Property -LIP (Off. Gazette of RM no. 21/2009, 24/2011, 12/2014, 41/2014 and 152/2015)

3 Art 294 of LIP.

4 Article 303 of the Law on Industrial Property (Off. Gazette of RM no. 21/2009).

5 Intentionally means conscious and willing action in order to cause right violation, as well as action for which the perpetrator is aware that can cause violation of someone's right, but they consciously agree with that consequence.

6 Negligence means action where the perpetrator does not show the obliged degree of attention which is necessary. Gross negligence means that the perpetrator was aware that as a result of their action or non action a harmful consequence can be caused, but they thoughtlessly believed that they can prevent it or that it will not be caused.

7 The Law on Industrial Property (Off. Gazette of RM no. 42/1993) did not include this institute.

8 The American law allows the judge or jury to increase the damage compensation up to three times under certain case circumstances. 35 US Code § 284 The perpetrator must have had an intention. The perpetrator, who knew that its action will cause damage to certain patent, has an obligation to refrain from such action, unless they believed in good faith, that such action will not cause patent violation or that the patent has not been valid. USA has the greatest practice in pronouncing punitive damage.

9 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) (1994). The second sentence in paragraph 2 of art. 45 of TRIPS agreement can be interpreted as leaving space for pronouncing punitive damage.

10 Dabovik, Pepeljugin. Right to Intellectual Property, Skopje: : Faculty of Law "Iustinianus I, Skopje, page 376.

also included provisions for multiple amounts for damage compensation¹¹. When deciding upon the request for paying damage and determining the amount, the court will take into consideration all circumstances of the case especially the degree of guilt of the defendant, the amount, the usual compensation, as well as the preventative purpose of the damage.

The intention or the gross negligence of the perpetrator can cause a greater compensation as a consequence, instead of cases when the damage had been done by an ordinary negligence. The subjective relation of the perpetrator towards the protected right which they had violated is of great importance when reaching the decision for punitive damage. The will of the perpetrator to violate the protected right and the awareness for the performed actions, in a situation when protection of intellectual property rights gets great significance, should be punished not only by compensating the caused damage, but also by increasing the compensation, so this measure will be aimed at teaching the offender that such action is not correct and deterring them from further similar actions. If the property damage is larger than the penalty, the right holder has the right to claim the difference until the full compensation.

By its characteristics, the punitive damage is more of a retributive measure than a restitutive¹² measure. The punitive character of this institute has a purpose to punish the perpetrator and to teach them that the violation of the industrial property rights is not worth it. Unlike the criminal law where the perpetrator of the act pays the punishment on the account of the country, the punitive damage is paid on the account of the damaged party. Therefore, this institute is by its nature a little bit controversial, because despite the criminal legal function it contains civil legal elements which prevail. The practice of the enforcement of the Law on Copyright and Related Rights so far has shown that this provision¹³ has not revived¹⁴. But, it is not the case with the industrial property disputes. So, in a dispute based on protection of industrial property right and protection of unfair competition held at Basic Court in Strumica, it was determined that the plaintiff had had a protected trademark PLEZER for Neapolitans with chocolate cream. The defendant used mark "Plezir" with a combination of red and white color for a same type of products – chocolate cream Neapolitans which were very similar to the trademark of the plaintiff and not just in terms of color combination, but also in terms of dimension, font and pattern of letters, as well as the position of the protected mark, tags and barcodes. Such similarity could create confusion with the average consumer because of the association between the sign of the defendant and the trademark of the plaintiff which differed only in one letter "E" and "I". Among the other claims, the plaintiff asked for a pronouncement of punitive damage in the amount of 120.000,00 MKD denars. The claim for the

11 Serbia has included up to 300% damage compensation. For example para. 2 art. 133 of the Law on Patents (off. Gazette of RS no. 99/2011) "If the right violation has been done intentionally and by gross negligence, the plaintiff can, instead of damage from paragraph 1 point 3 of this article, ask for compensation up to three times the amount usual for license for using the invention". More information in Triple compensation of damage in case of violation of industrial property rights, Popovic S., Pravni Zivot, no. 11, pages 793-801.

An example of court practice for pronouncing a punitive damage in England is the case *Rookes vs Bamard* [1964] AC 1129). Luis-Alfonso DURAN, Jochen E. BÜHLING and Ian KARET, Dariusz SZLEPER, Thierry CALAME and Nicolai LINDGREEN, Question Q186, Punitive damages as a contentious issue of Intellectual Property Rights, page 4.

EU Directive for enforcing the intellectual property rights (2004/48/EC) in article 13 stipulates that the damage compensation should compensate i.e. match to the caused damage. This directive does not stipulate the possibility for pronouncing civil penalty.

12 The restitutive character of the damage compensation provides returning back to a condition as there had not been any harmful action at all, thus the damaged party does not suffer any loss or profit.

13 Art. 170 para. (1) of LCRR "If a right determined by this law has been violated intentionally or by gross negligence, the individual from article 160 of this law can claim payment of agreed or usual compensation for that type of usage, increased up to 200%, independent whether they had suffered a property damage (civil penalty) by the violation."

14 Dabovik, Pepeljugoski. Right to Intellectual Property page 376.

pronunciation of punitive damage was adopted by the Basic Court in Strumica and later on, even after defendant's appeal, the sentence in the part of the pronounced punitive damage was confirmed¹⁵.

3. PUBLICATION OF JUDICIAL DECISIONS

As an additional means of deterring the future perpetrators of violations and in the interest of contribution towards raising the awareness of the wider public, the Directive of the EU for enforcing the intellectual property rights (2004/48/EC) also stipulates an obligation for publication of judicial decisions¹⁶. According to art. 304 of LIP "The plaintiff can ask for publication of the final judicial decision in the public informing media at the expense of the defendant even if it partially recognizes the claim. The court, within the claim, will decide in which public informing media it will publish the judicial decision as well as whether it will publish full or part of the judicial decision. If the court decides to publish only part of the judicial decision, then at least the dispositive is published and if necessary the part of the judicial decision which makes it obvious what is the type of the violation and who the person who had violated the right is." While interpreting this provision, the claim should specify the media, the manner of publication etc., so that the court can decide whether the publication of the judicial decision complies with the judicial decision and whether it is justified. We believe that, when it comes to larger violation, causing greater damage, material and nonmaterial, the judicial decision can be published in several media. Such defendant's obligation provides a moral satisfaction for the rights holders as a compensation for the caused nonmaterial damage. Certain authors consider that the publication of the judicial decisions in the public informing media which confirms the violation should be done anyway, and not just for the moral satisfaction of the right holder, but also for informing the public, i.e. the consumers as the weakest and the most ignorant link in the production-trade chain¹⁷. This way prevents the cases of further misleading of consumers but it also influences on the improving the rating of the violated right holder, for whom the consumers unfoundedly had acquired the impression that they had worsened the quality of goods or services.

There was a position in the court practice that when adopting the claim the best effect will be obtained if the judicial decision is published in the public informing means which "are published in the territory of residence of the defendant because only in that way the right of the plaintiff can be fully protected."¹⁸ We believe that this position is already surpassed because regardless of the residence of the defendant, it can act on a wider territory, so the users of the services or goods in places different from the residence of the defendant and in places where the means for public informing are not published would remain uninformed.

From the courts' practice in the Republic of Macedonia, we have chosen several judicial decisions such as judicial decision of the Basic Court in Strumica TS. No. 56/12 dd. 14.01.2013, confirmed by the judicial decision of the Appeals Court in Stip TSZH – 197/13 dd. 24.04.2013, where an obligation was imposed on the defendant to publish the judicial decision at their expense so within 15 days of the effectiveness of the judicial decision, to publish the content of the judicial decision at their expense in the daily newspaper "Dnevnik" and within that term to publish it in the time before the news at 7.00 pm on Sitel TV, while the request for publication of the introduction and explanation of the effective judicial decision by the defendant at their expense to be published in the daily newspaper "Dnevnik" and to publish them in the

15 Judicial decision in Appeals Court in Shtip TSZ-197/13 dd. 24.04.2013.

16 Art. 15 of the Directive. The Directive also stipulates a possibility for member states to provide other measures for publication of judicial decision which correspond to the case circumstances, including various commercials.

17 Dabovik, Pepeljgoski. Right to Intellectual Property page 356.

18 Judicial Decision of the Supreme Court in Serbia, Gz 991/85 dd. 21.10.1985. Newsletter of the District Court in Belgrade 11-12/86.

time before the news at 7.00 pm on Sitel TV within 15 days from the date of judicial decision effectiveness, was denied as unfounded.¹⁹

The judicial decision in the dispute TS. No. 3/12 dd. 22.05.2012 reached by the Basic Court Strumica²⁰ obliges the defendant according to the effectiveness of the judicial decision to publish it at their expense in the daily newspapers and in at least one daily newspaper which is published in Macedonian language and in newspapers published in the language spoken by min. 20% of the citizens who speak an official language different than Macedonian, within 15 days from the effectiveness of the judicial decision. Unlike stated judicial decisions by the Basic Court Strumica where

one judicial decision specifies the daily newspaper and the TV and the time when the judicial decision should be published, and the other specifies that the judicial decision should be published in at least one daily newspaper in Macedonian language and in newspapers published in the language spoken by at least 20% of the citizens who speak official language different than Macedonian, in the judicial decision in dispute TS. no. 259/11 dd. 11.06.2013 reached by Basic Court Veles²¹ the defendant is obliged to publish the judicial decision in public informing media only at their expense, without specifying the informing media or time of publishing.

In practice, there are cases where the plaintiff requests that the judicial decision be publicly published in the Official Gazette of the Republic Macedonia also, but taking into consideration the nature and purpose of the Official Gazette, which is not a daily newspaper, but an official gazette of the Republic of Macedonia, we believe that the courts' decisions not to accept such claims are correct.²²

According to LIP courts decide within the range of the claim. For better protection of the plaintiffs, we believe that it is the best for the plaintiffs to specify the public informing media in their claim and manner of publication also, taking into consideration the rating, circulation and the readability or the viewability of the informing media, in order to more expediently and more efficiently realize the purpose of public publication of judicial decisions or part of them.

CONCLUSION

The wider range of measures for industrial rights protection which the violated rights' holders can claim in a court procedure is in accordance with the Directive of EU for enforcing the intellectual property rights (2004/48/EC), TRIPS agreement and they are in accordance with the specific nature of the industrial property rights. By adopting the Law on Industrial Property in 2009, the conclusion is that the Republic of Macedonia has normatively fully implemented all novelties stipulated by the Directive as a minimal but standardized tool for combating the violations of the intellectual property rights. It can be concluded that the normative frame on which the protection i.e. the enforcing of protection of industrial property rights

19 In the dispute it was determined that the defendant, by using mark PLEZIR violated the trademark right of the plaintiff which was recognized by decision no. 10-1742/3-2010 dd. 31.05.2010 of the State Institute of Industrial Property, after registering trademark TM 2009/147 dd. 24.02.2009 with right to priority dd. 24.09.2009 for trademark PLEZER (in appearance) - colored mark i.e. combination of orange and white color for class 29,30 and 35 and such right is entered in the trademarks register under no. 17015.

20 It is about protection of rights of protected three dimensional trademark for packaging for bottles, bottle sleeves, bottles), 32 (fruit and fruit juice drinks) and 33 (alcohol drinks, wine) of the international classification of products and services.

21 It is about a dispute for protection of the trademark NIKE which was violated during transit of 332 pairs of sports sneakers with marks similar to the plaintiff's trademark.

22 Judicial Decision of Basic Court Prilep dispute TS 94/2008 dd. 30.09.2009 in dispute based on violation of protected trademark right.

in the Republic of Macedonia is based on, is basically a well conceived, adjusted and harmonized with the EU law.

The punitive damage and the publication of judicial decisions in the public informing media are aimed at providing certain satisfaction for the industrial property rights holders whose rights had been violated without authorization, but also deterring the future possible violators of industrial property rights.

From the practice of the Macedonian courts, it can be concluded that the punitive damage as an institute is still not widely applied. Unlike that, requesting that the effective judicial decision which even partially recognizes the claim is published in the public informing media at the expense of the defendant has wider application, but the application of this measure is diversified, it is not unified and depends on the manner in which the claim has been filed.

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