Article

Comment on the German Federal Supreme Court (Bundesgerichtshof, 14 May 2009 - Case No. I ZR 98/06)

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Copyright Act, Sec. 97(1) second sentence – "Tripp-Trapp Chair"

a) The infringer's profits following an infringement of copyright user rights pursuant to Sec. 97(1), Copyright Act, are only to be surrendered to the extent that they are based on the infringement of the rights. In the case of the infringing sale of a non-free adaptation, the decisive factor is the extent to which the purchaser's decision to acquire the contested embodiment is due precisely to the fact that the embodiment discloses the features on which the copyright protection of the work used is based. At least in connection with the infringement of the copyright in a work of applied art, it cannot automatically be assumed that the infringer's profits in the case of an identical imitation are based entirely on the infringement. On the contrary, in such a case other factors are also relevant for the purchase decision such as the functionality or the favourable price of the non-free adaptation.

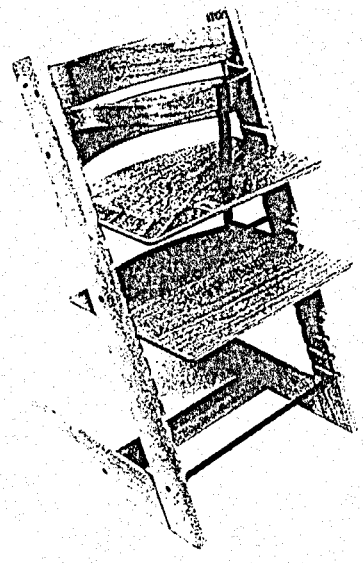
b) If a number of suppliers within a supply chain have infringed copyright user rights consecutively, the injured party is, as a matter of principle, entitled to claim damages from each infringer

within the chain of infringers in the form of the surrender of the profit it has obtained. However, the profits to be surrendered to the injured party by the supplier is reduced by the compensation paid by the supplier to its purchasers because of a claim brought against them by the injured party.

Decision of the Federal Supreme Court (Bundesgerichtshof)
14 May 2009 – Case No. I ZR 98/06

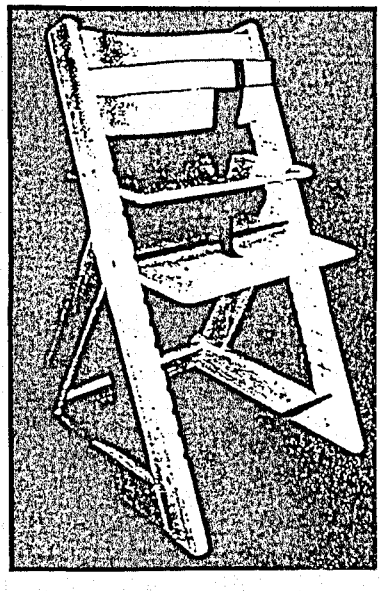
Facts:

1 The plaintiff is the holder of the exclusive user rights to the "Tripp-Trapp" children's highchair it manufactures and markets. From 1997 to 2002, the defendant marketed the "Alpha" children's highchair, which is similar in appearance to the Tripp-Trapp chair. The Alpha chairs were purchased by the defendant from Hauck Ltd. Hong Kong and Hauck GmbH & Co. KG. The two chairs are reproduced below:



Tripp-Trapp

2 The plaintiff is of the opinion that the defendant's marketing of the Alpha chairs infringes its user rights to the Tripp-Trapp chair. In preceding litigation, it brought a claim – which was largely successful – against Hauck GmbH & Co. KG and its general partner and the general partner's managing director for a cease-and-desist order, and additionally against Hauck GmbH & Co. KG for information and a finding of damages [citation omitted]. It claims damages in a separate action, in which the present Court has likewise rendered a decision today [citation omitted]. In the present case, it claims damages from the defendant in the form of the surrender of the infringer's profits.



Alpha

3 At first instance the plaintiff claimed €576,053.75. The district court upheld the claim to the amount of €567,208.31. In its appeal, the defendant petitioned that the claim be dismissed in full, while the plaintiff in cross-appeal pursued its claim to the full amount. After expiry of the cross-appeal deadline, the plaintiff increased its claim to €679,114.15. The appeal court held the amended claim to be inadmissible

and upheld the award of damages to the amount of €357,253.52. Both parties were granted leave to appeal by the appeal court. The defendant petitions that the claim be dismissed in full while the plaintiff pursues its petition for payment to the extent that it was dismissed at the previous instances. Each party petitions that the opposing party's appeal on the law be dismissed.

Findings:

4 – I. The appeal court assumed that the amendment of the claim in the appeal instance was inadmissible. The defendant was ordered to pay the plaintiff damages to the amount of €357,253.52 according to the calculation method of the surrender of the infringer's profits as selected by the plaintiff on the grounds of the infringement of the plaintiff's user rights pursuant to Sec. 97(1) of the Copyright Act (old version)....

8 – II. The defendant's appeal on the law against this decision is upheld, the plaintiff's appeal on the law is upheld in part....

19 – 2. As the appeal court rightly assumed, the defendant is liable for damages to the plaintiff pursuant to Sec. 97(1) of the old version of the Copyright Act for having unlawfully and culpably infringed the plaintiff's exclusive user right to the copyright Tripp-Trapp chair....

32 – 3. The plaintiff is entitled to a claim for damages to the amount of up to €361,654.82 – without taking into account the amendment of the claim – against the defendant on the grounds of its marketing of the Alpha chairs purchased from Hauck Ltd. Hong Kong that infringed the plaintiff's exclusive user rights to the Tripp-Trapp chair pursuant to Sec. 97(1) second sentence of the old version of the Copyright Act, such damages being determined according to the calculation method of the surrender of the infringer's profits as selected by the plaintiff....

34 The plaintiff's appeal on the law unsuccessfully objects that the appeal court deducted marketing costs of €1 per chair from the total profits (see below, II 3 a). The appeal court's view that the lack of a causal relationship between the breach of copyright and the infringer's profit meant that a deduction of 10% was appropriate is, on the other hand, not free of errors in law (see below II 3 b). In calculating the claim for damages, the appeal court wrongly applied the discount for causality first and only then deducted the marketing costs; if calculated correctly, the claim for damages is justified to the amount of up to €361,654.82 (see below II 3 c).

35 – a) The appeal court rightly reduced the total profits by the costs of €44,013 (€1 per chair sold) as assumed by the plaintiff itself.

36 – aa) In order to determine the infringer's profits, the total profits are to be reduced by all costs that are directly ascribable to the production and marketing of the infringing objects [citations omitted].

37 – bb) From the profits obtained, the appeal court deducted a lump-sum of €1 per chair sold. This expenditure – confusingly referred to by the appeal court as overheads – is undisputedly a lump-sum cost for the carriage and marketing of an Alpha chair. Such costs are directly ascribable to the Alpha chairs that infringe the plaintiff's user rights and are therefore deductible as a matter of principle. The objections raised by the plaintiff against the amount of this deduction in its appeal on the law are unsuccessful....

40 – b) The appeal court's finding that a discount of 10% is appropriate on the grounds of a lack of a causal relationship between the copyright infringement and the infringer's profits is on the other hand not free of errors in law.

41 – aa) However, the appeal court rightly assumed that the infringer's profits are only to be surrendered to the extent that they are based on the infringement of the right [citation omitted]. In the case of the infringing exploitation of an adaptation, the decisive factor is the extent to which the purchaser's decision to acquire the contested embodiment is due precisely to the fact that the embodiment discloses the features on which the copyright protection of the work used is based. This is to be interpreted not in the sense of adequate causality but rather – comparable with the calculation of the extent of contributory negligence within the framework of Sec. 254 of the Civil Code – in the sense of a value-judgement-based attribution [citations omitted]. This is dependent not solely on the quantitative extent but even more on the qualitative value of the borrowed elements [citation omitted].

42 The extent to which the profits obtained are based on the infringement of the rights is to be assessed by the trial judge at his discretion pursuant to Sec. 287 of the Code of Civil Procedure unless, in exceptional cases, there is no indication whatsoever for an estimate [citations omitted]. This Court is only required to examine whether the trial judge's estimate is based on fundamentally incorrect or obviously inappropriate considerations or whether essential facts have been neglected and, in particular whether facts underlying the estimate that have been submitted by the parties or result from the nature of the matter have not been assessed [citation omitted]. That is the case here.

43 – bb) The defendant's appeal rightly argues that the appeal court's assumption that the defendant's profits could not in the present case be apportioned according to the extent of the technical and design shares is based on errors in law.

44 – (1) In the light of the fact that the Alpha chair is an admittedly close but not identical imitation of the Tripp-Trapp chair, the appeal court considered that the deduction of 10% of the total infringer's profits was appropriate. Accordingly, it obviously assumed that if the Tripp-Trapp chair had been imitated identically the total profits achieved through the sale of the Alpha chair would be based on the infringement of copyright. However, this cannot be assumed automatically, at the least in the case of an infringement – as here – of copyright user rights to a work of applied art.

45 – (2) Works of applied art differed from works of "pure" art in that they serve a utilitarian purpose [citation omitted]. As the appeal court rightly assumed, the decision to buy a utilitarian object – such as a child's highchair in the present case – is as a rule not determined merely by the aesthetic design but also by technical functionality. It can therefore not be assumed automatically that the profits obtained through the identical imitation of a copyright utilitarian object are based to the full extent on the fact that each purchase decision – and hence the entire profits – are caused solely by the imitated appearance and not by other essential factors such as technical functionality or a lower price [citation omitted]. A specific justification is therefore needed as to why the decision to buy the non-free adaptation of a copyright work of applied art is solely or even merely primarily determined by the fact that this adaptation discloses features that form the basis of the copyright protection of the work used. The appeal court, logically from its point of view, did not adopt any findings on this point. It is a matter for the plaintiff, which bears the burden of presentation and proof for showing that the infringer's profits are based on the copyright infringement, to submit on this point.

46 Indications for a weighting of the aesthetic and functional features that are decisive for the purchase decision can in particular be derived from the type of utilitarian object. Thus in the case of

furniture, experience suggests that function will be of greater importance for the purchase decision than in the case of jewellery. Accordingly, the appeal court will have to examine the defendant's submission in the appeal instance, argued by the defendant in the appeal on the law as having been ignored, that the design element of a child's chair is by no means the only and not even the main motivation for the purchase of a specific chair, and that parents concerned about the well-being of their child place more attention on the function and safety of the chair, which are also the main reason for the purchase of a Tripp-Trapp or Alpha highchair.

47 – cc) The justification provided so far by the appeal court does not support its assumption that the different visual impression of the Alpha chair meant that a causality discount of 10% was sufficient....

49 – (2) These remarks by the appeal court do not show sufficiently clearly why a causality discount of only 10% should be sufficient in order to take account of the fact that the Alfa chair has not adopted the "L" shape of the Tripp-Trapp chair....

59 – 4. Contrary to the appeal court's view, the claims for damages derived from Sec. 97(1) second sentence of the old version of the Copyright Act asserted by the plaintiff against the defendant on the grounds on the marketing of the Alpha chairs supplied by Hauck GmbH & Co. KG cannot be dismissed on the grounds that the plaintiff has already successfully brought an action for damages against Hauck GmbH & Co. KG as supplier. The plaintiff is entitled to a claim against the defendant for damages according to the calculation method selected by it of the surrender of the infringer's profits to the amount of – without taking account of the amendment of the action – up to €156,545.39....

66 – bb) The injured party is, as a matter of principle, entitled to claim as damages from each infringer within a chain of infringers the surrender of the profits obtained by it....

69 In the case of an infringement of user rights, the mere encroachment upon the uses permitted only to the rightholder as such leads to damage in the sense of damages law [citations omitted]. Each infringer within a chain of infringers intervenes in the right of distribution reserved exclusively to the rightholder by putting the protected object into circulation without authorisation [citations omitted]. Contrary to the appeal court's point of view, the constellation at issue here is not to be assessed differently on the grounds that the infringements at all distribution stages were in terms of manner and scope identical in content in that both Hauck GmbH & Co. KG as manufacturer and supplier and the defendant as purchaser and vendor of the chairs each act for the purpose of putting them into circulation [citations omitted]. The joint and several liability of a plurality of infringers in a chain of infringers does not depend on whether the infringements are of the same kind or of the same effect but merely on whether they cause the same damage....

76 – (a) The claim to the surrender of the infringer's profits is not a claim to compensation for the specific damage incurred but instead aims differently at providing equitable compensation for the financial disadvantage that the injured rightholder has suffered. It would be inequitable to leave the infringer with profits based on the unauthorised use of the exclusive right. The confiscation of the infringer's profits also serves to punish the damaging conduct and in this way to prevent an infringement of intellectual property rights that deserve special protection [citations omitted].

77 It would be in conflict with this legal principle on which the compensation of damage through the surrender of in-

fringer profits is based if individual infringers within a chain of infringers should be allowed to retain the profits obtained through the unlawful and culpable infringement of a right if the injured party had already demanded the surrender of infringer profits from other infringers. The infringer of an intellectual property right has no claim worthy of protection to obtain or retain profits from acts that infringe intellectual property rights. Each infringer must therefore surrender his entire profits irrespective of whether the injured party could himself have obtained the profits achieved by the infringers [citations omitted].

80 – III. Accordingly, on appeal on the law by the parties, the appeal court's decision is set aside and the plaintiffs more extensive appeal dismissed to the extent that the appeal court ordered the defendant to pay €357,253.52 and dismissed the plaintiff's claims pursued in the cross-appeal including the amendment of the claim to the amount of €253,701.05 plus interest. The plaintiff is entitled to damages of up to €610,954.57. It can claim up to €361,654.82 on the grounds of the marketing of the Alpha chairs supplied by Hauck Hong Kong Ltd. and up to €156,545.39 on the grounds of the marketing of the Alpha chairs supplied by Hauck GmbH & Co. KG. In addition, the claims for damages pursued in the amendment of the claim for up to €92,754.36 are well founded (increase of the defendant's profits by up to €103,060.40 less a causality deduction of at least 10%). To the extent that the decision has been set aside, the case is returned to the appeal court for rehearing and a new decision.

Comment:

1. Deduction of the Costs

In German law, the amount of the profits is based on the net earnings, in other words the gross profit less expenses.[1] In decision I ZR 98/06, the Federal Supreme Court permitted the deduction of €1 per share, pointing out that such expenses represent a *lump sum and not overheads*. The decision is thus in conformity with recent judicial practice, particularly the *Gemeinkostenanteil* decision, in which the Federal Supreme Court accepted the deduction of expenses necessary for the production and distribution of the product (for example expenses for the acquisition of materials, distribution or transport) but rejected the deduction of overheads (for example salaries, administrative costs, insurance and rental costs).[2]

Moreover, the Federal Supreme Court laid down that the defendant could claim *at least* €1 per share and that this amount *did not necessarily cover* all the distribution costs. It thus seems to permit a greater deduction of costs. This approach recalls the *Steckverbindergehäuse* decision, in which the Federal Supreme Court permitted the deduction of numerous costs (costs for material, production, energy, personnel, depreciation, investments in packaging machines and marketing).[3]

2. Causality

a) Account Taken of Different Elements

According to the causality principle, it is only appropriate to surrender the profits

1 Decisions of the Federal Supreme Court, 2001 GRUR 329, 332 – *Gemeinkostenanteil*; 2007 GRUR 431 – *Steckverbindergehäuse*; J.B. NORDEMANN, "Urheberrecht: Kommentar zum Urheberrechtsgesetz, Verlagsgesetz, Urheberrechtswahrnehmungsgesetz", Note 80 to Sec. 97 (10th ed. 2008).

2 2001 GRUR 329, 331 – *Gemeinkostenanteil*; LEHMANN, 2004 GRUR Int. 762, 764. Subsequently, this decision has been regularly followed by the Federal Supreme Court and the lower courts; *cf.* J.B. NORDEMANN, *op. cit.*, Note 80 to Sec. 97, with further references.

3 Decision of the Federal Supreme Court, 2007 GRUR 431 – *Steckverbindergehäuse*.

based on the infringement.[4] This requires first of all that account is to be taken of the extent to which the characteristic traits have been adopted; in other words whether the case is one of an *imitation* or a *copy*, and, if appropriate, to ask what is the impact of the infringement (adoption of the aesthetic elements) on the purchase decision.[5] In the *Tripp-Trapp* case, the Supreme Court reproached the appeal court for not having justified why the visual difference should not lead to a greater reduction. Accordingly it is conceivable that it would have accepted a reduction greater than 10%. As an example, in a case concerning trademarks, the Court accepted a reduction that was considerably larger than that in the *Tripp-Trapp* case due to the fact that the infringing sign (a sign consisting of four lines) was similar but not identical to the original sign (Adidas), with the result that only 20% of the profits were deemed to be attributable to the infringement.[6]

In decision I ZR 98/06, the Supreme Court approved the 10% deduction but criticised the grounds provided by the appeal court, which had justified the reduction on the basis of the visual difference although it should equally have been based on other factors (functionality, price). The Supreme Court thus reiterated that causality requires account to be taken of a number of factors.

In the case of works of applied art, it is appropriate to take account of *functionality*, which plays an important role in the purchase decision. In the *Tripp-Trapp* case, it even seems to have been the main argument for buying, since the consumers, provident parents, buy the chair not only for its harmonious and light shape (aesthetic) but above all because of the possibility of adjusting the boards according to the size of the child (functionality).[7] Taking account of the importance of functionality, the reduction could, in our opinion, have been greater than 10%. It is interesting to observe that the Federal Supreme Court treats works of pure art and works of applied art differently, the former being analysed entirely from the point of view of individuality while the latter are also examined from the point of view of functionality. It also distinguishes the type of applied work of art, since for certain objects (for instance furniture) functionality is more important than for others (for instance jewellery). All in all, the greater the influence of functionality on the purchase decision, the more difficult it is to prove causality since the impact of the infringement takes second place to that of the functionality. Causal-

4 Decisions of the Federal Supreme Court, 2002 GRUR 532, 535; Frankfurt Superior District Court, 2003 GRUR-RR 274 – *Vier-Streifen-Kennzeichnung*; Federal Supreme Court, 2001 GRUR 329, 332 – *Gemeinkostenanteil*: "the infringer's profits are only to be surrendered to the extent that they are based on the infringement of the rights"; 1993 GRUR 55 – *Tchibo/Rolex II*; 1974 GRUR 53 – *Nebelscheinwerfer*; R. KRASSER, "Schadensersatz für Verletzungen von gewerblichen Schutzrechten und Urheberrechten nach deutschem Recht", 1980 GRUR Int. 259 *et seq.*, 264; H. EICHMANN & R.V. VON FALCKENSTEIN, "GeschmMG", Note 15 to Sec. 14 a (2nd ed. 1996); R. NIRK & H. KURTZE, "GeschmMG", Note 70 to Secs. 14, 14 a (2nd ed. 1997).

5 Decision of the Federal Supreme Court, I ZR 98/06 N 41. Similarly, *cf.* 2001 GRUR 329, 332 – *Gemeinkostenanteil*.

6 Decision of the Frankfurt Superior District Court, GRUR-RR 2003 274, 278 – *Vier-Streifen-Kennzeichnung*. It should be noted that according to the Federal Supreme Court the high price of the infringing products also influenced the purchase decision since it drew the purchaser's attention to the product's characteristics (quality and convenience).

7 *Cf.* decision of the Federal Supreme Court, I ZR 98/06 N 46; arguments raised by the lower courts.

ity thus seems more difficult to prove with respect to works of applied art than with respect to works of pure art, and also according to the type of work of applied art. One could ask whether this differentiation is justified and whether the concept of causality should not be uniform with respect to all works protected by copyright.

Account must also be taken of the *price*[8] and the use of *other rights* (for instance trademark, patented invention).[9] In the case at issue, these elements had no impact whatsoever on the purchase decision since the price of the two chairs was almost the same and the Alpha trademark was apparently not particularly well known. On the other hand, account must not be taken of the *entrepreneur's own activity* (special commercial activities, marketing and communication policies, company organisation, distribution network, privileged commercial relationships).[10] The surrender of the profit does not require proof of damage or proof that the plaintiff would have obtained the same profit as the defendant.[11]

In conclusion, the examination of causality requires account to be taken of a number of factors that influence the purchase decision and the profit to be determined as a function of these different factors. In the case at issue, this examination ought, in our opinion, to have justified a deduction greater than 10% since Alpha was simply an imitation and not a copy of the Tripp-Trapp, and since functionality plays an important role in the purchase decision.

b) Difficulties of Proof and Proposal of a Method

The analysis of causality raises the question of how to set the amount of the reduction. In the *Tripp-Trapp* decision, the Federal Supreme Court and the lower instances did this in a global manner, namely by accepting a lump-sum reduction of 10%. This decision, however, shows that such an operation is difficult. Why should one buy a Tripp-Trapp chair and not an Alpha chair? Is it because of its aesthetic aspect (impression of lightness, L-shaped) or rather because of its functionality (possibility of adjusting the boards according to the size of the child), the trademark or the price? The lower instances based their decisions essentially on the extent to which the characteristic features were adopted, while the Federal Supreme Court took the object's functionality as its basis.

8 Decision of the Federal Supreme Court, GRUR 1993, *55 et seq. – Tchibo v. Rolex II* (trademarks).

9 W. TILMANN, "Gewinnherausgabe im gewerblichen Rechtsschutz und Urheberrecht – Folgerungen aus der Entscheidung *Gemeinkostenanteil*", 2003 GRUR 647 *et seq.*, 651. This is an important factor in patent law since the copied invention is often integrated in an overall device.

10 Decision of the Federal Supreme Court, 2001 GRUR 329 *et seq.*, 332 – *Gemeinkostenanteil.*

11 Such as the cases where the injured party is a natural person who could not have made the same use of the work as the infringer, or where the plaintiff is a small enterprise operating on a local market while the defendant is a major company operating at international level. Similarly, cf. decision of the Federal Supreme Court, 2001 GRUR 329 *et seq.*, 332 – *Gemeinkostenanteil*: "without the infringer being able to argue that the injured party could not himself have obtained the profits obtained through the unauthorised use of his right." *Cf. also* 1973 GRUR 478 – *Modenheit*; W. TILMANN, *op. cit.*, 651; H. EICHMANN & R.V. VON FALCKENSTEIN, *op. cit.*, Note 15 to Sec. 14 a; NIRK & KURTZE, *op. cit.*, Note 67 to Secs. 14, 14 a; P.W. HEERMANN, "Schadensersatz und Bereicherungsausgleich bei Patentrechtsverletzungen", 1999 GRUR 625, 627.

In order to determine the lump-sum deduction, we must recall that the plaintiff benefits from a relief of the burden of proof, the probability of the causality relationship being sufficient,[12] and that the judge has considerable discretionary power (Sec. 287, Code of Civil Procedure).[13] In order to evaluate the impact of the different elements on the purchase decision, it is possible to imagine the following solution: it would be appropriate to determine the influence (in percentage) exercised by each factor on the purchase decision (aesthetics, functionality, price, other rights). In the case at issue, account could be taken of the fact that the purchase decision is motivated according to the following split: 70% for aesthetics, 30% for functionality and 0% for trademark and price. On the basis of this split, only 70% of the profits should be surrendered.

3. Chain of Infringers

a) Reiteration of the Principles of the Surrender of the Profits

The Federal Supreme Court reiterated that the surrender of the profits is attached to an action for damages (Secs. 249 et seq. of the Civil Code) but is based on a fiction according to which the rightholder would have obtained the same profits as the infringer in the absence of the infringement.[14] This approach is similar to the method of the licence analogy, since it is irrelevant whether the rightholder would have effectively obtained such a profit.[15] Both the method of the surrender of the profits and that of the licence analogy depart from the principle of the specific damage, a reason why they are often qualified as an abstract calculation of the damage, objective damage or normative-abstract damage.[16]

The Federal Supreme Court likewise reiterated that the surrender of the profit is not aimed at providing compensation for specific damage but instead constitutes equitable compensation while also serving as a punishment for the infringement and as a deterrent against the infringement. While this approach departs from the pure principle of compensation, it complies with the established judicial practice which justifies the surrender of the profits on the grounds of the compensation's equitable, punitive and deterrent functions.[17] It is likewise in conformity with European law, specifically Directive 2004/48/EC,[18] which seems to encourage the departure from the specific damage:[19] On the one hand, the Directive lays down the compensation principle (Art. 13.1 "appropriate to the

12 W. Bernhardt & R. Krasser, "Lehrbuch des Patentrechts" 631 (4th ed., Munich 1986).

13 BGHZ 150, 32, 43 – *Unikatrahmen*; decision of the Federal Supreme Court, 2006 GRUR 419 – *Noblesse*; BGHZ 119, 20, 30 – *Tchibo/Rolex II*.

14 Decisions of the Federal Supreme Court, 2001 GRUR 329, 331 – *Gemeinkostenanteil*; 2007 GRUR 431, 433 – *Steckverbindungsgehäuse*; 1973 GRUR 480 – *Modeneuheit*; P. Meier-Beck, "Damages for Patent Infringement According to German Law – Basic Principles, Assessment and Enforcement", 35 IIC 113, 120 (2004); W. Tilmann, *op. cit.*, 648–649.

15 J.B. Nordemann, *op. cit.*, Note 75 to Sec. 97.

16 A. Zaiin, "Die Herausgabe des Verletzergewinnes" 10 (Cologne 2005).

17 Decisions of the Federal Supreme Court, 1972 GRUR 189 – *Wandsteckdose II*; 1977 GRUR 539, 542 – *Prozeßrechner*; 1959 GRUR 379, 383 – *Gasparone*; BGHZ 34, 320, 321 – *Vitasulfal*; BGHZ 82, 299, 308 – *Kunststoffhohlprofil II*; 2001 GRUR 329, 331 – *Gemeinkostenanteil*.

18 Directive 2004/48/CE on the enforcement of intellectual property rights, OJ L 157 dated 30.4.2004, 45.

19 A. Wandtke & T. Bodewig, "Die doppelte Lizenzgebühr als Berechnungsmethode im Lichte der Durchsetzungsrichtlinie", 2008 GRUR 220 *et seq.*

actual prejudice", and Recital 26),[20] while on the other hand it leaves considerable scope for discretion to the Member States[21] and establishes the principle of dissuasion (Art. 3.2).[22]

In addition, the Supreme Court confirmed that in the event of an infringement of a user right, there is a damage that results from the fact of the encroachment on the possibility of use, in other words from the simple fact of the infringement. Directive 2004/48/EC pursues the same approach by providing for a lump sum in Art. 13.1 b intended to facilitate the proof of the prejudice to the extent of a presumption that such has occurred, and applying independently of the opportunities to conclude a licence contract.[23]

b) Infringer Chain

The decision deals with the surrender of the profits in the case of a chain of infringers and the question of whether the plaintiff can claim the profits from all the infringers. The appeal court held that the plaintiff could only claim the profits resulting from the infringement once if the infringements were of the same nature.[24] The Supreme Court rejected this approach because the joint and several liability of a plurality of infringers in the distribution chain presumes that the infringers had caused the same damage. However, in the case in question, each infringer within a distribution chain infringed the rightholder's exclusive right.

This approach conforms to judicial practice and the teaching[25] that allow the plaintiff to claim the surrender of the profits at all the stages of the distribution chain, in other words from all the infringers (for instance the manufacturer and the distributor). In effect, each infringer in the distribution chain infringes the rightholder's right and should be required to surrender the unlawful profits.[26]

The consequence of this approach is that the rightholder could claim a profit greater than that which he would have obtained himself. According to the Federal Supreme Court, this leads to a certain departure from Sec. 249 of the Civil Code that is justified by the principles of punishing the infringer and the prevention of future infringements.[27] It is thus likewise in conformity with Directive 2004/48/EC and German judicial practice, which has recourse to the principles of punishment and prevention to depart from the traditional common law principles.

20 A. WANDTKE & T. BODEWIG, *op. cit.*, 221; N. JANSEN, "Konturen eines europäischen Schadensrechts", 2005 JZ 160 *et seq.*, 162; C. HERRESTHAL, "Kompensation von Verletzungen des geistigen Eigentums – Die Förderung von Markttransaktionen als Leitprinzip", in: HILTY, JAEGER & KITZ (eds.), 123 *et seq.*, 124–125.

21 J.-C. GALLOUX, "Propriétés incorporelles – propriétés industrielles. Chroniques", 2004 RTD com. 698 *et seq.*, 705–706.

22 A. WANDTKE & T. BODEWIG, *op. cit.*, 222.

23 J.-C. GALLOUX, *op. cit.*, 153; C.-H. MASSA & A. STROWEL, "La proposition de directive sur le respect des droits de propriété intellectuelle : déchirée entre le désir d'harmoniser les sanctions et le besoin de combattre la piraterie, Communication Commerce électronique", February 2004, No. 2, 9 *et seq.*, 15.

24 Decision of the Hamburg Superior District Court, 2007 ZUM-RD 13, 24 – *Tripp-Trapp*.

25 Decision of the Federal Supreme Court, 2001 GRUR 329, 331 – *Gemeinkostenanteil*; W. TILMANN, *op. cit.*, 653; J.B. NORDEMANN, *op. cit.*, Note 76 to Sec. 97.

26 For an in-depth discussion of this question, *cf.* W. TILMANN, *op. cit.*, 653, which deals with the *Gemeinkostenanteil* decision.

27 *Cf.* Comment on the Federal Supreme Court decision: Surrender of the infringer's profits means that the injured party can obtain more than he could have if he had exploited his right in the normal way, comment by SCHOENE on the decision dated 14 May 2009 – I ZR 99/06, 2009 FD-GewRS 287238.

Conclusion

In German law, the causality principle requires only the part of the profits that derives from the infringement to be surrendered. Although there are many decisions on the subject matter, they rarely specify the contours of the concept of causality. Decision I ZR 98/06 reiterates that, according to the principle of causality, it is appropriate to take account not only of the aesthetics of the work (adoption of the aesthetic elements; copy or imitation) but also of other factors such as functionality and the price of the object. It also illustrates the fact that copyright law does not necessarily provide adequate protection with respect to works of applied art where functionality plays such an important role in the purchase decision and where it is so difficult to prove causality.

Decision I ZR 98/06 also reiterates that all infringers in a distribution chain are required to surrender the unlawful profits and that the plaintiff can as a result obtain a profit greater than what he would have obtained. If such a result departs from the traditional principles of actions for damages, it is justified by the principles of the penal and preventive nature of the compensation.

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