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Securing claims through civil proceedings

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Examining a civil law case requires time for explanations and decisions. During the course of the examination of a case by a court, changes can often occur in the parties' procedural situation which renders the court judgment unenforceable or can prevent it from having intended legal consequences. It may be that legal protection was granted too late, and thus failed to serve its purpose.

In order to avoid such adverse effects, the Industrial Property Law of June 30 2000 (*Journal of Laws* 2003, no 119, item 1117, as amended) has been supplemented with a range of legal instruments by which holders of exclusive rights can secure claims.

Claims aimed at the protection of IP rights vary in nature and provide for different outcomes. The claims included in the law relate to both monetary and non-monetary claims. Two types of claim play a special role in the protection of IP rights:

- claims to cease actions threatening to violate the law; and
- claims to cease actual violations of the law.

The legal protection granted to the holder of a patent (ie, protection rights, supplementary protection rights, registration rights) in IP matters is enforced by means of an option to request securing the claims – both monetary and non-monetary.

There are two types of security option:

- maintenance security – maintains the *status quo* in order to ensure that the rights holder can enforce a judgment effectively in

the future; and

- novation security – involves the temporary regulation of relations between the rights holder and the obliged party by creating an interim legal situation which remains in place until a final decision is issued in the case.

The primary objective of proceedings to secure non-monetary claims is the immediate cessation of illegal activities and anticipatory satisfaction of the claim, (ie, granting the same temporary protection to the rights holder as is to be guaranteed by the future court judgment). In relation to claims for removal of the effects of the violation, the purpose of these proceedings should not go beyond the feasibility and possible efficacy of the future judgment.

Claims to cease actions threatening violation of the law and actions actually violating the law play an important role in the protection available under the Industrial Property Law, as such claims interrupt unlawful actions threatening to violate or actually violating industrial property personal rights, and prevent the adverse consequences of violation.

If the subject of a security is not a monetary claim, the court can grant the security in such a manner as it considers appropriate, taking into account the circumstances of the case (excluding the methods provided for securing monetary claims). In particular, the court may:

- regulate the rights and obligations of parties or participants to the proceedings for the duration of the proceedings;
- prohibit the transfer of items or rights;
- suspend enforcement proceedings or other proceedings aimed at execution of the judgment; and
- order the entry of the relevant notice in the Land Register or in another relevant register.

This is not an exhaustive list; other options are available. Typical methods of securing non-monetary claims include a variety of orders and prohibitions to regulate rights and obligations of the parties to the proceedings for the entire duration of the proceedings. With regard to non-monetary claims, typical solutions include bans on further violations, the introduction of goods onto the market and storage of goods bearing trademarks or removal of the trademarks.

For monetary claims, when it is necessary to reverse potential damage or other adverse consequences, the rights holder can request novation security. The fulfilment of one of those conditions precludes the application of the rule according to which the security may not satisfy the claim, unless the law provides otherwise.

Securing monetary claims by means of a maintenance security maintains the obliged party's financial status, so that the execution of the monetary claim can be effectively carried out in the future. In IP matters it may be carried out through the following methods of protection:

- seizing movable property, remuneration for work, receivables from a bank account or other receivables or other property rights;
- mortgaging the obliged party's property under a compulsory mortgage;
- prohibition of the transfer or mortgaging of property with no entry in the Land Register or where the Land Register entry has been lost or destroyed;
- mortgaging a ship or a ship under construction under a maritime mortgage;
- prohibition of the transfer of cooperative ownership rights to premises; and
- establishment of administrative receivership over the obliged party's enterprise or farm or over a facility which is part or part thereof of the enterprise or farm.

The above list constitutes a complete catalogue of methods by which to secure these claims.

Information claim and claim for securing evidence

As a result of the transposition of the EU IP Rights Enforcement Directive (2004/48/EC) into the Industrial Property Law, the following instruments were introduced:

- proceedings to secure claims;

- proceedings to secure evidence; and
- proceedings to provide information that is necessary to assert claims.

When it comes to IP monetary claims, it is necessary to prove the amount of unjustly received profits or the existence and scope of the damage. However, it can be extremely difficult for the claimant to obtain such information, as it may not be able to determine the scope of the defendant's illegal activities or the number of goods manufactured or launched on the market.

The court competent to hear such cases examines the request for securing evidence. It may also require the infringer or a party other than the infringer to provide information that is necessary (eg, regarding the origin and distribution networks of infringing goods or services, if infringement of these rights is highly probable) in order to seek satisfaction of the claims and where it was determined that:

- the infringer is in possession of infringing goods;
- the infringer used services infringing the law;
- a party provided services that were used in activities infringing the law; or
- a party (indicated by the party mentioned above) is involved in the production, manufacturing or distribution of goods or providing of services infringing the law.

The obligation to provide information has also been imposed on parties other than the infringer, which may not itself have violated the exclusive rights and which, acting in good faith and without awareness of illegality, came into contact with infringing goods, provided that these activities are aimed at obtaining a direct or indirect profit or other economic benefits. The above does not apply to actions by consumers undertaken in good faith.

Parties competent to request a security include the rights holder, each of the rights co-holders and the exclusive licensee, if the licence is entered into the register, unless the licence agreement provides otherwise.

The request for granting a security consisting of obliging the infringer of the holder's exclusive rights to provide information must accurately define the scope of the

requested information. The right to information is intended as auxiliary to determining the scope of a civil liability for infringement of IP rights, and also to discovering the sources and means of distribution of goods infringing those rights.

The applicant may request only information that relates to:

- company names and addresses of producers, manufacturers, distributors, suppliers and other previous handlers or holders of the infringing goods or services, as well as wholesalers or retailers; and
- the quantities of produced, manufactured, sold, received or ordered infringing goods or services and the price that was paid for them.

The above prerequisites determine the possibility of asserting such claims not only against the infringer, but also against other entities. The court will require the infringer to provide information that is relevant to the claims holder for infringement of its rights. Such an obligation also arises in cases where the violation was not perpetrated on a commercial scale.

If the applicant seeks information beyond the above-mentioned scope, its request will be dismissed. In addition, the applicant must demonstrate that the request relates to information that is necessary in order to assert the claims in a situation where there exists a high probability of infringement. It is also necessary for the applicant to demonstrate that it is the exclusive rights holder.

Procedure for obtaining security

The request for a claim security may be filed before initiating or during the course of the proceedings (ie, before filing the lawsuit or during proceedings) under the general principle that stipulates that in any civil case to be considered by a common or arbitration court, a party may request a security.

The court competent to grant the security is the court competent to hear the case in the first instance (in IP matters, it is the regional court competent for the defendant). If it is not possible to determine such court, the competent court is the court in whose region the decision to grant a security is to be executed (ie, in the region where the

infringements have been perpetrated). In the absence of such legal basis or in cases where the decision to grant a security would be made by different courts, the Warsaw District Court is competent.

The request to grant a security filed during the course of the proceedings is recognised by the court of the instance where the proceedings are taking place, except when the court is the Supreme Court, which recognises the cassation complaint – the last-resort appellate measure. In such circumstances, the court of first instance rules on the security.

Requests to grant security, pursuant to the indicative term, should be examined promptly within three days from the date of placing a deposit in court or within seven days in a particularly complicated case, as it is vital for the effectiveness of the measures to be applied.

Formal requirements of the request

The request to grant a security must meet the requirements laid down for any procedural documents. Beyond that, it must bear an indication of the manner in which to secure the claim and, in matters relating to monetary claims, also the sum of the security, *prima facie* justification of the circumstances of the request. A request filed before the proceedings open should also contain a brief summary of the facts of the case.

The basis for a claim security are:

- *prima facie* justification of the claim; and
- proving the existence of the legal interest on the rights holder's part in obtaining the security.

Prima facie justification may not be based on mere statements made by the party, but must point to the facts of the infringement. The statements contained in the request must be supported by items of evidence (eg, copies of documents, photographs) that document the existence of goods produced in violation of a patent. Interest in obtaining a security exists when lack of security makes it impossible or gravely impedes the execution of the judgment, or otherwise prevents or gravely impedes the achievement of the proceeding's purpose.

While it allows evidence or hears requests to grant a security after the hearing, the court also guarantees the confidentiality of business

secrets and other secrets protected by law. This means that a case may be examined behind closed doors. In order to ensure the absence of public hearings, it is possible, in accordance with the general rules of civil procedure, to request that the proceedings be conducted behind closed doors.

The court may make the enforcement of the decision to grant security conditional on the rights holder placing a deposit to secure the obliged party's claims arising from the execution of the decision to grant security. A cash deposit is paid into the court deposit. The amount depends on the possible damage resulting from the granting of the security. The issuance of the enforcement title to the rights holder is conditional on receipt of the deposit.

The decision of the court of first instance in respect of security (ie, the decision to grant a security, dismiss the request, order payment of a deposit or revoke a security) is subject to challenge.

The obliged party may request at any time that the final decision granting security be revoked or amended if the reason for granting security disappears or changes (eg, if the party's legal interests disappear due to a changes of the facts of the case, or if the current manner of security has become overly burdensome for the debtor) and another manner provides adequate protection for the rights holder. This is subject to complaint. The filing of such a complaint suspends the execution of the decision.

If the decision on granting security is subject to enforcement, the provisions on the enforcement proceedings apply respectively. However, the court affixes *ex officio* an enforcement clause to the decision on granting security, and the holder receives a copy of such a decision with the clause. Most of the injunction relief options granted in IP matters are enforced in this way.

Enforcement of the decision on granting security carries a risk for the rights holder, in the form of its liability for damages. This is the case when:

- the rights holder failed to file the lawsuit within the period specified by the court;
- the rights holder withdrew the lawsuit;
- the claim was dismissed;
- the lawsuit was rejected;

- proceedings were discontinued; or
- the rights holder asserted only a part of the claim, or claims other than that which had been secured.

Under any of these circumstances, the obliged party is entitled to seek damages suffered as a result of the security's enforcement. The claim expires if it is not asserted within one year from the date when it arose.

Comment

The above-described amendments introduced into the law give the option to the rights holder whose exclusive rights have been violated to take immediate action to stop illegal activities of the infringing party, which will undoubtedly increase the promptness of proceedings. However, they also provide for adequate legal protection, thanks to the enforceability of court decisions. *iam*

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