



KOHTUOTSUS

FOR THE REPUBLIC OF ESTONIA

[Unofficial Machine Translation]

Court	Tallinn Circuit Court
Composition of the Court	Kaija Piirmets, Iris Kangur-Gontšarov, Siret Siilbek
Time and place of making the decision	24.01.2025, Tallinn
Case number	Case 2-14-6942
:	c.v. [REDACTED]'s action against [REDACTED] to terminate the infringement of the rights of the trademark owner and to refrain from infringing it in the future and to compensate for damage
Judgment under appeal	Harju Maakohus 30.11.2021 decision U.H 30.12.2021 appeal
Value of the appeal	179,540 euros
Participants in the proceedings and their representatives in the district court	Applicant: c.v. [REDACTED] (Dutch registration number 34171875), represented by [REDACTED] and [REDACTED], attorneys-at-law Defendant [REDACTED] (personal identification code XXX), contractual representative attorney-at-law [REDACTED] Third party without an independent claim on the defendant's side [REDACTED] (foreign registry code 5512963), contractual representatives attorney-at-law [REDACTED] and attorney-at-law [REDACTED]
Type of procedure	Review of the matter at the court session on 28.11.2024 with the participation of the contractual representatives of the parties to the proceedings

RESOLUTION

1. To include in the file of a civil case a third party on the defendant's side without an independent claim
29.11.2024 annexes to the procedural document and to verify the civil legal capacity of a third party on the basis of them.

2. To amend the resolution of the judgment of the Harju County Court of 30.11.2021 with a decision on partial satisfaction of the action.
3. As to the remainder, uphold the resolution of the decision referred to in the preceding paragraph, but alter the grounds of the decision in part.
4. The appeal is dismissed.
5. Full wording of the current operative part of the judgment:
 - 5.1. To uphold c.v. [REDACTED]'s action for damages against [REDACTED] Partially.
 - 5.2. To order [REDACTED] to pay damages in the amount of EUR 106,000.41 in favour of [REDACTED].
 - 5.3. To return the following evidence submitted by the defendant on 01.11.2021: [REDACTED]'s cover letter of 11.06.2010; [REDACTED] 14.06.2010 service agreement; [REDACTED] 11.06.2010 invoice 19; U.H 28.02.2012, 30.03.2021, 18.05.2012, 24.06.2012, 30.07.2012, 25.08.2012, 25.09.2012 and 01.03.2013 confirmation letters, U.H and [REDACTED] 01.03.2013 letter of intent, [REDACTED] LIR user access, [REDACTED] Plc establishment confirmation, [REDACTED] confirmation letter metadata, Inter Connects 25.05.2015 warning letter to the applicant, 23.01.2012 ownership agreement, thewebexperts.net website 27.01.2007 Excerpt, TheWebExperts websiteEHE 18.07.2012 excerpt, overview of Turbovps.com and [REDACTED].com domains.
 - 5.4. To return the certificates submitted by the plaintiff on 19.09.2021(Annexes 4–7): U.H fraudster under different names, U.H fraudster under different names translation, U.H fraudster under different names vol 2 and U.H fraudster under different names vol 2 translation.
 - 5.5. To leave the defendant to bear 50% of the plaintiff's procedural costs and the defendant's procedural costsd to be borne by the defendant.
6. The costs of the proceedingsin the court are to be borne by the defendant.

Appeal procedure andcourt rulings

An appeal in cassation may be filed with the Supreme Court against a decision within 30 days of delivery of the decision to the appellant in cassation, but not after five months have passed from the date on which the decision was publicly announced.

In action proceedings, a participant may perform procedural acts in the Supreme Court and submit applications and applications only through an attorney-at-law. A participant in the proceedings may submit an application for procedural assistance to the Supreme Court, as well as submit positions and objections to the appeal or other application of another participant in the proceedings. If a participant in the proceedings applies for legal aid for filing an appeal in cassation, an appeal in cassation must also be filed in addition to the application for legal aid during the appeal period.

The applicant's claim and the facts on which it is based

1. c.v. [REDACTED] (the applicant) filed an action against [REDACTED] (the defendant) for an injunction to cease and desist from infringing the rights of the proprietor of the trade mark in the future and for damages.

2. After specifying the claims, the plaintiff filed the following claims in the action :

- order the defendant to cease using images of the marks Bogner, Burberry, Fitflop, Franklin & Marshall, G-star, New Era, Pandora, Parajumpers, Puma and Timberland on the 119 websites listed by the applicant;
- to oblige the consumer to refrain in future from using signs identical with the abovementioned trade marks or from allowing them to be published on the internet;
- order the defendant to submit an application to the various administrators of the top domains for the waiver of the 119 domain names listed in the application in favour of the applicant within two weeks of the date of entry into force of the judicial decision;
- in the event of failure to comply with the above-mentioned obligation, to replace the defendant's declaration of intent with a court judgment for the purpose of relinquishing the domains listed in the application and assigning them to the plaintiff;
- prohibit the defendant from registering in the future domain names that contain the sign d or are confusingly similar to the trademarks Bogner, Burberry, Fitflop, Franklin & Marshall, G-star, New Era, Pandora, Parajumpers, Puma and Timberland;
- order the defendant to pay the applicant the sum of EUR 179 540 in damages.

3. The applicant is a worldwide organisation representing trade mark proprietors. In the civil proceedings, the applicant represents the following trade mark proprietors: Willy Bogner GmbH & Co. KGaA, Burberry Limited, Name Drop Sarl, Franklin & Marshall S.r.l. a socio unico, Faction Ltd, New Era Cap Cp Inc., Pandora A/S, Ape & Partners S.p.A., Puma AG, TBL Licensing LLC, trading under the trade marks Bogner, Burberry, Fitflop, Franklin & Marshall, G-star, New Era, respectively, Pandora, Parajumpers, Puma and Timberland ('the trade mark proprietors'). All trademark owners are members of the plaintiff and have a trademark registered in Estonia, a European Community or an international trademark that is valid in the territory of Estonia. The trademark proprietors have not authorized, permitted or permitted the defendant to use their trademarks. According to the business model of trade mark owners, they market the goods marked with their trademarks themselves or through exclusive distribution arrangements.

4. There are domain names on the internet in which signs are identical to trade marks owned by members of the domain and websites on which goods bearing such signs are unlawfully sold. The defendant is the owner of the IP addresses corresponding to those domain names and websites. The defendant is responsible for the unlawful use of the signs in question in those domain names and on websites, which has been brought to its attention on several occasions. At the time of filing the action, the defendant did not register the products it had sold the infringing domain names on its websites (e-shops). The defendant provided internet services that were used to infringe the exclusive right of trademark proprietors, including the sale of counterfeit products. The defendant registered an estimated 38,000 IP addresses and leased them to persons who linked them to domain names. The service provided by the Defendant allows for a so-called intermediate layer, the purpose of which is to ensure anonymity for the registrant of the domain name and the end user of the online store.

5. With regard to IP addresses, the defendant's internet service was unavailable, as it was only possible to link IP addresses to domain names with the help and knowledge of the defendant. Subleasing IP addresses does not exclude the defendant's liability. The defendant's business model is structured in such a way as to enable persons engaged in counterfeit trade to operate safely and anonymously. No legitimate activity or trade is carried out through any IP address provided by the defendant.

6. The defendant was aware that the websites to which it provided services were the subject of illegal sales of counterfeit goods. The steadiness of the defendant's activities and their orientation towards persons engaged in counterfeit trade illustrate its intention to provide just such a service. A criminal complaint was filed against the defendant's activities, prior to which, starting from June 2013, the Hager and the defendant submitted repeated notices and requests for termination of the activity. In addition, the plaintiff has also contacted all persons related to domain names to report the infringement and ask for the infringement to be stopped.

7. As regards its claim for damages, the applicant explained, as a first alternative, that its damage consisted in loss of profits, since the harmful conduct of the trade mark had the effect of reducing the reputation of the trade marks and had deprived the proprietors of trade marks of the opportunity to sell original products to consumers. The defendant must compensate the plaintiff for the damage caused by the unjustified use of the property of the plaintiff's members. In addition to damage to property, the plaintiff has also incurred costs of at least 3000 euros in pre-trial proceedings. The websites referred to by the plaintiff, on which counterfeit goods were sold, were opened in Estonia at the time of filing the action. The possibility that they do not open at present does not preclude the claimant's claims.

Defendant's objections

8. The defendant disputed the claim.

9. The action is not brought against the correct defendant. In 2010, U.H FIE registered approximately 38,000 IP addresses in [REDACTED], which were rented by the Indian company Web Experts, which used the IP addresses and provided the service.

2013. In March, U.H FIE leased all registered IP addresses to the US business company Inter Connect Inc. None of the IP address servers were located in Estonia, but they were located in Sweden and the USA, as a result of which IP addresses were used outside Estonia. The defendant has never provided internet services for the disputed IP addresses. Until 14.01.2014, U.H FIE was involved in the disputed IP addresses, but as of 15.01.2014, the company Inter Connect Inc based in the USA took over all of U.H FIE's previous business activities and the latter has no purchase of these IP addresses since 15.01.2014.

10. Most of the websites mentioned in the application are closed. The claim for damages is unfounded and unproven. The defendant has not sold counterfeit goods or used the image of the trade mark. The defendant has not saved its taxes on the plaintiff's account and has not unlawfully caused the plaintiff any damage that could be regarded as loss of profit. The plaintiff has not proved that he has suffered damage. The fact that at some point the websites at issue offered for sale allegedly counterfeit goods does not prove that the applicant suffered damage. The cost of the aid of EUR 3000 is not justified and has not been proven.

11. The defendant had no obligation to monitor any information transmitted by the owners of domains who used IP addresses to access the public data communication network. The defendant has never set up the disputed websites, including initiating transmissions, has not chosen the recipient of the transmission, and has not selected or changed the information contained in the transmission. There was also no data storage. Therefore, the defendant cannot be held liable for the content of the information provided via the Internet sites. The defendant was not aware of the content of the internet pages and did not know who the provider of the web hosting service was. The plaintiff's claim that the use of IP addresses for the operation of e-shops selling counterfeit goods would have been possible only with the defendant's assistance and knowledge is false. The defendant could not verify what was done by the registrants or registrars of the websites at issue. The Consumer shall not be an accomplice to the direct infringement of trade mark rights.

Procedure

12.Harju County Court dismissed the action by its judgment of 27.10.2016.

13.The plaintiff filed an appeal requesting that the county court's judgment be partially annulled.

14.The Tallinn Circuit Court stayed the proceedings and referred questions to the Court of Justice for a preliminary ruling on the interpretation of Article 4(c) of Directive 2004/48/EC and Articles 12, 13 and 14 of Directive 2000/31/EC. On 26.11.2018, the Tallinn Circuit Court referred the case to the county for a new decision.

15.On 23.12.2019, the Harju County Court dismissed the action and ordered the plaintiff to bear the procedural costs.

16.The plaintiff filed an appeal against the county court's decision, requesting that the county court's judgment be annulled and a new decision be made in the matter, obliging the defendant to cease mediating any internet service for the purposes of the 119 pages specified in the subject matter of the appeal. Alternatively, if the circuit court agrees with the conclusion that the action has been partially satisfied during the court proceedings, the court may order the defendant to cease mediating any internet service for the 110 pages specified in the subject of the appeal. The applicant requested that the defendant be ordered to refrain from allowing the use on the internet in the future of signs identical with the trade marks Bogner, Burberry, Fitflop, Franklin & Marshall, G-star, New Era, Pandora, Parajumpers, Puma and Timberland and that the defendant pay compensation to the applicant in the amount of EUR 182 540. The plaintiff shall be ordered to bear the costs of the proceedings.

17.The defendant contested the appeal.

18.On 05.10.2020, the Tallinn Circuit Court terminated the proceedings due to the partial withdrawal of the action due to the plaintiff's claim to oblige the defendant to cease the intermediation of any internet service for the purposes of the 110 websites specified in clause 3.1 of the appeal. The circuit court annulled the county court's judgment to the extent that the county court dismissed the plaintiff's claim to oblige the defendant to cease the mediation of any Internet service for the pages in respect of which the plaintiff did not withdraw the action (9 websites), as well as with regard to the division of procedural costs. The circuit court made a new judgment in the annulled part, by which the plaintiff satisfied the plaintiff's claim that the court should order the defendant to cease the mediation of any Internet service for the purposes of which the plaintiff did not withdraw the action (9 websites). 20% of the plaintiff's county court procedural costs were borne by the defendant and 80% of the defendant's county court procedural costs were borne by the plaintiff. The procedural costs of the appeal were borne by the parties themselves. In other respects, the judgment of the county court remained unchanged, but the circuit court amended the reasoning of the county court's judgment.

19.The applicant also lodged a cassation appeal against the judgment of the Circuit Court, seeking to annul the judgment of the Circuit Court in part and to give a decision in favour of the action in so far as it was annulled, ordering the defendant to refrain from using signs identical with the marks Bogner, Burberry, Fitflop, Franklin & Marshall, G-Star, New Era, Pandora, Parajumpers, Puma and Timberland in the future and order the defendant to pay the applicant the sum of EUR 182 540. The plaintiff asks that the defendant be ordered to bear the costs of the proceedings.

20.The defendant contested the appeal in cassation, requesting that it be dismissed and that the plaintiff should bear the procedural costs.

21.By its judgment of 21.04.2021, the Supreme Court annulled the judgment of the Tallinn Circuit Court of 05.10.2020 and the judgment of the Harju County Court of 23.12.2019 to the extent that the courts dismissed the plaintiff's claim for compensation of damages in the amount of 179,540 euros to the defendant's defence, as well as in the part concerning procedural costs;

In other respects, the Supreme Court upheld the judgment of the Tallinn Circuit Court. In the annulled part, the Supreme Court sent the matter to the Harju County Court for a new hearing.

The decision of the county court and its reasoning

22. On 30.11.2021, the Harju County Court satisfied the plaintiff's claim for damages and ordered the defendant to pay damages in favour of the plaintiff in the amount of EUR 106,000.41. The county court left the defendant to bear 50% of the plaintiff's procedural costs and the defendant's procedural costs to be borne by the defendant himself.

23. The following factual and legal circumstances have been confirmed by the decision of the courts, which has entered into force:

- the plaintiff ors bring an action on his or her behalf;
- the websites covered by the action infringed the rights of trade mark proprietors;
- the websites mentioned in the action had a business connection with Estonia;
- the defendant provided the information society service within the meaning of § 2 clause 1 of the Information Society Services Act (InfoTS), and provided all the services specified in §§ 8-10 of the Information Society Act, but was not subject to the limitations of liability provided for in the same period(I);
- the defendant was informed of the infringement of the rights of the trademark proprietors before filing an action with the court, after which the defendant had a turnover obligation to do its best to put an end to the infringement on the websites indicated in the action;
- The defendant committed a breach of the turnover obligation, thereby causing damage to the members of the plaintiff and is jointly and severally liable for this damage with the direct infringers of the rights of the trademark owners.

24. Since, pursuant to §§ 658(2) and 693(2) of the Code of Civil Procedure (CCP), the county court is bound by the guidelines given by higher courts in the same case, nor is it possible for the county court or the county court to take a position on the claims in respect of which the judgment has entered into force, the county court cannot take a position on the plaintiff's request for abstention and the defendant's objections that it has already submitted to the circumstances. The county court can adjudicate the plaintiff's claim for compensation for damage and to decide on the division of procedural expenses.

25. The plaintiff bases his claim on § 1055 (1) of the Law of Obligations Act (LOA), arguing that on nine websites, the infringement of the rights of trademark owners continues also with the use of a trademark sign in the domain name or on some websites with the offer of counterfeit goods covered by the action. The defendant has not claimed or proven that it has notified the alleged purchaser of the company of the infringement of trademark rights related to domain names or taken steps to prevent the infringement. § 1043 of the LOA also allows the owner of the bean mark to demand compensation for the damage actually caused and proven to him.

26. The courts have established the preconditions for a claim for damages, i.e. the defendant's unlawful action, the occurrence of damage and the causal link between the defendant's actions and the occurrence of the damage. The courts have also established that the defendant's actions are not excusable and he is guilty of causing the damage. The defendant has knowingly and intentionally contributed to the unlawful conduct of the persons directly infringing the exclusive right of the proprietors of the trade mark and must be regarded as an accomplice to the infringement of the exclusive right of the proprietors of the trade marks.

27. The plaintiff submitted to the court five alternative calculations for the assessment of the amount of damage. In the opinion of the county court, the court can determine compensation for damages on the basis of the first alternative proposed by the plaintiff, according to which the amount of damage compensated to the plaintiff is 106,000.41 euros.

28. It is apparent from the evidence submitted to the court that counterfeit products were sold on the websites under the trade marks Bogner, Burberry, Fitflop, Franklin & Marshall, G-star, New Era, Pandora, Parajumpers, Puma and Timberland. Considering the number of goods sold, the court finds that it is a large-scale sale of counterfeit goods, because there has been a significant number of goods on offer, the prices of which are significantly lower than those of the original goods. The total cost of the goods is 179,540 euros, according to the websites. Thus, it is plausible for the court that the trademark owners have been deprived of the opportunity to sell their products to the extent of 179,540 euros. However, the total price of the products cannot be regarded as the profit which the proprietors of the trade mark would have made if they had been able to sell the same volume of the original goods. On the other hand, it is a well-known fact that the price of counterfeit products is lower than that of the original products and, in particular, the price of some products should be based solely on the potential revenue that the trademark proprietors have lost.

29. Evidence presented to the court Pandora 2014. a In the opinion of the court, the article characterising the gross profit margin of Estonia and the profit margin of counterfeit goods are appropriate evidence that can be taken into account when determining damages. Although Article(I) is not, as such, direct evidence for the purposes of assessing the infringement in the present case, there is no reason to doubt the scientific conclusions of that article. The defendant has filed a Pandora 2020 report. a consolidated annual report, which, according to the defendant's calculations, has a profit margin of 10.2%, calculated on a turnover of DKK 19,000 million and a profit of DKK 1,938 million. According to the Court, the consolidated report shows the costs and revenues of the entire group. The plaintiff has mentioned that Estonia's gross profit margin, not the net profit margin, was 61% in 2014. Thus, the consolidated annual report for 2020 submitted by the defendant does not prove the profit margin of the Estonian share in 2020. 2014. The economic situation in 2020 and 2014 will be different, and the profit margins of products may also differ in different countries. Thus, it can be considered proven that the profit margin of at least one trademark, Pandora, at the time of the infringement itself was 61% in Estonia.

30. It has been established by court decisions that the violation began on 14.06.2010 as of the conclusion of the [REDACTED] contract, an application for initiation of criminal proceedings was filed with regard to the defendant on 22.10.2013 and the violation lasted at least until July 2014. Consequently, the infringement has been committed for at least four years. Court decisions have established that the defendant provided information society services as a natural person, as a sole proprietor, as well as through the activities of two business associations, [REDACTED] and [REDACTED]. According to the annual reports, the activities of both companies are profitable. The fact that the defendant has operated under the name "[REDACTED]" has been proven and established in the proceedings. The courts have established that the violation continued even after the defendant had been notified of the unlawful activity. Consequently, the unlawful activity of the defendant was deliberate and intentional, with the intention of making an economic profit from it. All of the economic activity of the consumer consisted of the provision of information society services, infringing the right to act. Thus, it cannot be said that the defendant's actions were accidental or unknowingly infringing the trademark rights of the goods.

31. In the opinion of the court, the reduction of the compensation for damages is not justified in a situation where the defendant has acted intentionally. The fact that the defendant as a natural person has not declared business income in Estonia in the amount of 41,846.30 euros and 36,888.26 euros, respectively, in 2013 and 2014 is not automatically the basis for reducing the compensation for damages. A situation where the defendant has received economic benefits for the violation of the plaintiff's rights both as a natural person and through companies owned by the plaintiff and has continued the infringing activity despite the notification, is not unfair. In addition, the plaintiff has limited the claim for damages.

32. Taking into account the minimum price of the counterfeit goods on sale of EUR 179 540, the possible profit margin of between 20% and 50% and the defendant's average annual profit, the defendant's

profit margin of 59.04%, which is close to the profit margin of Pandora, the county court considers that the amount of compensation for damages is proportionate and fair in the amount of EUR 106 000.41, i.e. the price of counterfeit goods of 179 540 divided by the defendant's profit margin of 59.04 %. All of the defendant's economic activity was limited to aiding and abetting the offence. Thus, the compensation for damages, which is 56.46% of the defendant's profit in one calendar year, is moderate and fair, because the violation lasted for at least four years.

33. When deciding on the division of procedural costs, the county court took into account that the plaintiff had filed a claim in the original application for termination of the infringement as well as a claim for refrain from further infringement. The plaintiff withdrew its request for an injunction against some of the websites and the courts dismissed the request for injunction. The Hageja's actions in defending its rights have been successful, so it was justified to go to court. In the court's opinion, the defendant should be ordered to bear 50% of the procedural costs incurred by the plaintiff in all court instances and the defendant's procedural costs should be borne by the defendant himself, because the courts have partially satisfied the plaintiff's claims in summary.

Appeal

34. The defendant filed an appeal against the judgment of the county court, requesting that the judgment of the county court be annulled and a new decision be made by which the action was dismissed and the plaintiff was ordered to bear the costs.

35. The defendant is of the opinion that the county court has unjustifiably returned the evidence submitted by the defendant on 01.11.2021 on the basis of § 238(1)1) of the CCP. The defendant has submitted such evidence in order to prove the facts on the basis of which the reduction of compensation is based, and not the absence of the facts on which the claimant's claim for compensation is based.

36. In the defendant's opinion, the county court violated the obligation to state reasons for its decision by failing to state reasons for the plaintiff's main pecuniary claim (179,540 euros) and the first object's alternative (169,587.10 euros) in a situation where the plaintiff followed his claims at the court hearing on 09.11.2021 and applied for satisfaction of the primary claim of 179,540 euros together with the submission of a succession of alternatives, of which the plaintiff was satisfied by the judgment of 30.11.2021a, only the third claim in the order presented.

37. In accordance with the provisions of § 442(8) of the CCP, the court has not explained why it did not agree with the defendant's factual claims regarding the circumstances of granting and transferring IP addresses in 2012–2014, nor has the court analysed that the factual circumstances highlighted by the defendant justify the reduction of compensation for damage under § 140(1) of the LOA. In the defendant's opinion, it is not possible to understand from the court's reasoning how it can be a fair solution to award compensation for damage to a person who was not aware of the offence at the time the damage was allegedly caused and who did not have control over the IP addresses related to the infringement. The court has not assessed the role of the defendant in the violation of the plaintiff's rights and in causing damage. The court has also not relied on any evidence in emphasising the defendant's intent.

38. The defendant does not understand the calculation presented in the court's reasoning, in which e.g. the income tax of the defendant's income tax returns for 2013 and 2014 has been added together, but has not been taken into account.

2013. a cost and loss. In the defendant's opinion, it is obvious that if the person's income (excluding expenses) is on average 39,367.28 euros according to the data of the income tax returns for 2013 and 2014, then after calculating the expenses (loss) of 273,314.95 euros in 2013, it is not possible to conclude that the defendant operated profitably during that period. In addition, it is not possible to conclude on the basis of these data that compensation for damage in the amount of EUR 106 000.41 is reasonable in view of the defendant's average annual income of EUR 39 367.28.

39.When calculating the compensation for damages, the county court took into account the economic income of the companies in which the defendant has a shareholding, but the court did not take into account that the defendant is not the sole shareholder, nor did the court substantively justify why the economic results of [REDACTED] and [REDACTED] are appropriate at all. The defendant has emphasised in its opinion of 01.11.2021 and at the court hearing on 09.11.2021 that the association and attribution of the activities and financial results of companies that are not defendantsto the present case is not justified.

Position of the Respondent

40.The plaintiff contested the appeal and requested that the appeal be dismissed and that the defendant should bear the costs of the proceedings. The plaintiff agreed with the reasoning of the county court and stuck to his earlier positions.

41.In the plaintiff's opinion, the county court rightly failed to accept the defendant's evidence, as the circumstances that the evidence in question was intended to present have already been ascertained by the courts.

42.The applicant stated that it had not ranked its alternative claims, but was a single claim with alternative calculations. The plaintiff has numbered them to ensure traceability, but as the plaintiff confirmed to the court at the hearing, they are not in order for any other reason. However, the plaintiff presented his own opinion as to which the reasoning given by the court was appropriate and sufficient to satisfy the requirement of motivation.

Procedure

43.On 16.11.2022, [REDACTED] (third party) filed an application to allow it, as a third party without an independent claim, to intervene in the proceedings on the defendant's side. If the court orders the defendant to pay damages in favour of the plaintiff, the defendant may, on the basis of an agreement between Inter Conne cts Inc. and the defendant, in turn claim compensation from a third party for damages ordered from the defendant by a court decision. Thus, the third person has a legitimate interest in resolving the matter in favour of the defendant.

44.On 09.02.2024, the Circuit Court granted [REDACTED]'s application to intervene in the proceedings as a third party to the defendant without an independent claim and allowed [REDACTED] to intervene in the proceedings as an independent third party on the defendant's side.

OPINION OF THE CIRCUIT COURT

45. The circuit court supplements the operative part of the judgment of the rural municipality with a decision on partial satisfaction of the action and partially supplements the reasoning of the decision on the basis of § 657(1)2¹ of the CCP. As to the remainder, the contested decision remains unchanged. The appeal is dismissed and the defendant is ordered to pay all the costs of the proceedings in the district court.

46. On 28.11.2024, the plaintiff filed an application with the courts for the court to verify the legal capacity of a third party in civil proceedings. On 29.11.2024, a third party submitted documents by order of the court that, in his opinion, indicate the existence of legal capacity. The referenced documents must be included in the file.

46.1. § 204(1) of the CCP prescribes that the court verifies that the parties to the proceedings have civil procedural legal capacity and active legal capacity in civil proceedings and does not allow the person to participate in the proceedings in the absence thereof. Although the law does not link the corresponding inspection to the request of a participant in the proceedings,

It follows from the mandatory wording of the norm that upon receipt of a corresponding reasoned request, the court must carry out a review.

46.2. Pursuant to § 201(2) of the CCP, every person who has legal capacity under civil law has legal capacity in civil procedure. Foreign associations and institutions of persons and international organisations whose legal capacity is recognised in Estonia on the basis of the provisions of private international law also have legal capacity in civil procedure.

Subsection 14 (1) of the Private International Law Act provides that a legal person is subject to the law of the country under which it was established. Pursuant to § 15(3) of the LPA, this right also determines the right of a legal person. The plaintiff was incorporated under the laws of the State of Delaware on 08.04.2014. Pursuant to Section 106 of the Delaware Code, Corporation, General Corporation Law, after filing and registering the instrument of incorporation with the Secretary of State in accordance with Section 103 of this Act, the founders who have signed the document and their successors in title shall become legal persons from the date of its filing by entering in the documents the name indicated. These provisions refer to the Office of the Secretary of State of Delaware as the registrar of legal entities. According to the 07.11.2023 confirmation excerpt and translation of the confirmation of Jeffrey W. Bullock, Secretary of State of the State of Delaware, United States, as of 08.04.2014, the third party continues to be entered in the register and has the status of a legally valid company (XII, tl 152 and 157). It can therefore be concluded that a third party has legal capacity under the law of the State in which it is established. The circuit court ascertains the legal capacity of the plaintiff on the basis of the information submitted to the court as of 07.11.2023, but there is no information that the plaintiff would have lost legal capacity thereafter. The third party has further explained that in the United States, a legal person is assigned a file number

(*file number*), which carries the same meaning and function as a registry code in Estonian law. The third party also provided an extract from the official database of the State of Delaware, from which it appears that the name of the legal entity 5512963 file numbered is Inter Connect Inc (XIII, tl 62 and

64). Although it may be accepted by the applicant that the screenshot cannot be regarded as an official extract from the database, a free search carried out on the website <https://icis.corp.delaware.gov/Ecorp/EntitySearch/NameSearch.aspx> confirms that the name of the legal person 5512963 file numbered is [REDACTED]. The Chamber considers that, on the basis of the foregoing, the legal capacity of the third party has been sufficiently established and that no documents demonstrating the circumstances indicating that it would be abolished.

47. Next, the Chamber notes that the county court correctly determined the subject matter of the dispute. Supreme court

With the judgment of 21.04.2021, the judgments of the county court and the circuit court made in the present case were annulled to the extent that the courts dismissed the plaintiff's claim for compensation for damages, as well as in the part concerning procedural costs, and the matter was sent to the county court for a new hearing in the annulled part. As the judgment of the Supreme Court of 21.04.2021 upheld the judgment of the Court of Appeal of 05.10.2020 to the extent that it satisfied the plaintiff's claim to oblige [REDACTED] to cease the reduction of any internet service for the following pages: [REDACTED];

[REDACTED]; [REDACTED]; [REDACTED] and the applicant's application for an order requiring the defendant to refrain in the future from allowing the use on the internet of signs identical with the trade marks Bogner, Burberry, Fitflop, Franklin & Marshall, G-Star, New Era, Pandora, Parajumpers, Puma and Timberland have been dismissed, the decisions have become final in that regard. Thus, in accordance with §§ 658(2) and 693(2) of the CCP, the county court rightly found that the plaintiff's claim for compensation for damage and for deciding on the division of procedural expenses is still pending before the court, and the court cannot take a position on the plaintiff's claim for abstention.

47.1. The Chamber agrees that the claim for damages filed against the defendant is to be regarded as a single monetary claim and, alternatively, calculations of damages have been submitted, from which damages are claimed in the amount of EUR 179,540. Thus, these are not as such alternative claims within the meaning of § 370(2) of the CCP, which is why there was no need to assess the two based on each calculation separately, as the defendant finds.

At the same time, one of the alternatives mentioned (Alternative V, Harju County Court Minutes of 09.11.2021, time mark 00:39:06, alternative IV [XII vold, tl 66p]) is the claim for unjust enrichment of 123,984.39 euros (the infringer's income), which is formed from the proceeds of the defendant through the provision of domain and storage services. In the opinion of the Kol legium, it is possible to file a claim for unjust enrichment cumulatively with a claim for compensation for damages. In the present case, the monetary claim has been filed on both legal bases, due to which the plaintiff specified that the claim for unjust enrichment has not been submitted in addition and the plaintiff primarily seeks compensation for damage and, alternatively, an order for the offender's profit on the basis of the provisions on unjust enrichment (Vol. XIII, tl 59 p time mark

01:05:21). Thus, the action and the claim for the sum of EUR 123 984.39 can be regarded as alternative.

47.2. The county court satisfied the plaintiff's claim for damages in the amount of 106,000.41 euros. Thus, the county court dismissed the plaintiff's claim for damages in the amount of 73,539.59 euros (=179,540-106,000.41), which is why the action has been partially satisfied. For the sake of accuracy, the judgment of the county court must be supplemented with a corresponding decision. Only the defendant filed an appeal, i.e. to the extent referred to in the first sentence of clause 47.2, the contested judgment has entered into force without appeal on the basis of the second sentence of § 456(4) of the CCP.

48. The plaintiff considers that the defendant must compensate the trade mark proprietors for the damage caused (jointly and severally with the direct infringers of the exclusive right of the trade mark proprietors), given that the defendant provided internet services which were used to infringe the trade mark proprietor's right of inactivity. The Chamber agrees with the county court that the following factual and legal circumstances have been confirmed by the decision of the courts that has entered into force:

- the plaintiff ors bring an action on his or her behalf;
- the websites covered by the action infringed the rights of trade mark proprietors;
- the websites mentioned in the action had a business connection with Estonia;
- the defendant provided the services of an information society within the meaning of § 2 clause 1 of the Information Act, the defendant provided all the services specified in §§ 8-10 of the Information Act, but the limitations of liability provided for in the same period did not apply to him;
- the defendant was informed of the infringement of the rights of the trademark proprietors before filing an action with the court, after which the defendant had a turnover obligation to do its best to put an end to the infringement on the websites indicated in the action;
- The defendant committed a breach of the turnover obligation, thereby causing damage to the members of the plaintiff and is jointly and severally liable for this damage with the direct infringers of the rights of the trademark owners.

48.1. Thus, with regard to the question of whether the defendant is liable for the damage caused to the plaintiff, the Supreme Court considered the conclusion of the courts in paragraph 12 of the judgment made in the present case to be justified, that the defendant, as a provider of information society services, is jointly and severally liable for the damage caused to the proprietors of the trade mark in the present circumstances with the direct infringers of the exclusive right of the proprietors of the trade marks. In doing so, the Supreme Court proceeded from the facts established by the lower courts in finding that since the defendant did not sell counterfeit goods himself, the defendant was not a direct violator of the exclusive right of trademark property (§ 14 of the Trade Marks Act [KAMS])

)). At the same time, it has been established that the defendant provided internet services that were used to violate the exclusive right of trademark owners, including the sale of counterfeit products, and the defendant offers all the services specified in §§ 8-10 of the Information Society Act and is a provider of information society services within the meaning of the Information Society Services Act, and the defendant as a provider of information society services is not subject to liability

Restrictions. The Supreme Court also agreed with the courts that the defendant had a turnover obligation from the moment it was informed of the unlawful activities of persons directly infringing the exclusive right of its trademark to prevent the infringement of the rights of trademark proprietors on the websites indicated in the action, which would have limited the defendant's liability to the costs of eliminating the infringement. In summary, the Supreme Court found in the present case that the defendant is jointly and severally liable for the damage caused by the persons who have directly violated the exclusive right of the trademark owners on the basis of § 1045(1)(5) and § 1045(4) of the LOA and § 57(1)(1) and (2) of the LOA as of the violation of its turnover obligation. Pursuant to §§ 658(2) and 693(2) of the CCP, the county court has correctly proceeded from the guidelines of the higher courts in the same case when it found that it is not possible to take a position on the facts of life and law established in the same case with regard to the claims adjudicated by a judgment that has entered into force and the objections of the defendant. It has been established by court decisions that the violation began on 14.06.2010 from the conclusion of the [REDACTED] contract, an application for initiation of criminal proceedings was filed in respect of the defendant on 22.10.2013 and the violation lasted at least until July 2014. Consequently, the infringement has been committed for at least four years. In view of this, the circuit court has no basis to change the positions expressed in the contested decision regarding the defendant's breach of obligation and liability, and the defendant's claims regarding the extent of the damage can be assessed.

49. The plaintiff may file a pecuniary claim as compensation for damages pursuant to § 57(1)(2) of the LOA and § 1043 of the LOA as well as on the basis of the provisions of §§ 1037 and 1039 of the LOA. The county court rightly pointed out that § 1043 of the LOA allows the holder of rights to claim compensation for damage actually caused and proven to him. The purpose of the compensation for damages awarded on this basis is to place the holder of the right in the situation he or she would have been in if the damage had not been caused to him or her

(§ 127(1) of the LOA). Subsection 127 (1) of the LOA provides for the principle of differential hypothesis, according to which all the damage actually caused is compensable and requires the identification and proof of all relevant aspects related to compensation for damage. The second sentence of § 127(6) of the LOA provides for a special provision on the award of compensation for damages in the event of infringement of intellectual property rights. On the basis of this provision, the court may alternatively award damages in a lump sum, assessing the likely amount of damage on the basis of relevant known factors. The referred provision allows the court to award an estimated fair compensation even in circumstances where the exact amount of damage cannot be determined and is relevant in the present case. According to the court's understanding, the purpose of the second sentence of § 127(6) of the LOA is to ensure that disproportionate evidentiary difficulties would not unjustifiably prevent the claim for damages. In such a case, the court decides the amount of damage pursuant to § 233(1) of the CCP on the basis of its inner conviction, assessing all evidence comprehensively, fully and objectively in accordance with the law, and the amount of compensation to be determined as a fixed amount must also be based on objective criteria. In the present case, the Supreme Court has explained that in a situation where it is not possible to calculate a specific damage, the loss of profit of the trademark owner can be calculated in the abstract, i.e. the trademark owner can proceed from the benefit that can usually be expected based on the circumstances. The circuit court is of the opinion that, in the case of the submitted claim, the purpose of applying § 127(6) of the VÕA is to assess what is the loss of income of the rightholder.

49.1. It appears from the material of the case that the plaintiff has submitted alternative calculations for assessing the amount of damage. The county court considered it justified to award damages on the basis of the plaintiff's proposal, which was defined as alternative I in the contested decision, and to satisfy the claim in the amount of 106,000.41 euros. The county court noted that when determining the amount of compensation, it takes into account the extent and duration of the violation, the turnover and profit of the offender, and the economic activities of the victims in Estonia at the time of the damage.

According to the reasoning of the contested decision, the county court took into account the minimum price of the counterfeit goods for sale of 179,540 euros, a possible profit margin of 20–50% and the average annual profit of the defendant's economic activity when determining the damages. The circuit court is of the opinion that, based on the above aspects, the county court has followed the guidelines given by the Supreme Court in the present case and the arguments of the defendant's appeal do not provide a basis for taking a different position regarding the amount of compensation.

49.2. The defendant has not disputed the facts established by the county court that counterfeit products under the trademarks Bogner, Burberry, Fitflop, Franklin & Marshall, G-star, New Era, Pandora, Parajumpers, Puma and Timberland are sold on various websites mentioned in the action: 40 Parajumper products, followed by 5 pages (Volume III, Pages 83-87); 36 Burberry products, followed by 10 pages (Volume III, Pages 96-97), 28 products, followed by 10 pages (Vol. III, TI 103-104), 12 items (Vol. III, TI 107), 38 items (Vol. 112-113); 36 items, followed by 10 pages (Vol. III, TI 117-118); 48 items (Vol. III, TI 122-125); 32 items (Vol. II, TI 130-133), 32 items (Vol. III, TI 137-140); Fitflops 138 products (Vol. III, TI 144-187); Franklin & Marshall 64 products (Vol. III, TI 188-201); G-star 70 products (Volume III, Volume 202-219), 107 products (Volume IV, Volume 3-29), new era 192 products (Volume 30-99), Pandora 220 products 100-157 Parajumper 155 products (Volume IV, Volume 158-222); Puma 28 products (Vol. V, TI 1-24

); Timberland 493 products (Vol. V, TI 83-216). The county court ascertained that the total cost of the goods is 179,540 euros, as indicated on the websites. The Chamber agrees with the county court that, based on the evidence, it is plausible that the trademark owners were deprived of the opportunity to sell their products to the extent of 179,540 euros. Given that it can be inferred from the evidence provided that the products of the contested marks were for sale on the websites, but it does not show how much of the product was sold, the value of the products identified at EUR 179 540 cannot be regarded as the turnover of the infringers of the rights of the proprietors of the trade marks. Secondly, the applicant has brought before the court and proved that, on the basis of the quantity and amount of goods sold under the trade mark Pandora, on the example of the website www.██████████, goods were sold for at least EUR 169 587.08 between 2014 and 2020 (Vol. IV, Vol. 124-125, Vol. XI, Vol. 26 and Vol. 26p). Given that consumers prefer cheaper alternatives, resulting in a high demand for counterfeit clothing, for example, it can be concluded that the sale of counterfeit products often replaces the sale of original products, resulting in a loss of sales revenue (see Eser, Z et al., Counterfeit Supply Chains; Procedia Economics and Finance, pp. 412-421, Vol. XI, TI 182p-187

). The conclusion of the county court that there has been a significant number of goods in the offer, the prices of which are significantly lower than those of the original goods, has not been disputed. Taking into account the above aspects, the Chamber is of the opinion that the trademark owners have lost the opportunity to sell their products in the amount of at least the above-mentioned units in the amount of 179,540 euros due to the infringement, which is the reason for the decrease in sales revenue in the respective part.

Since, in the case of the submitted claim, the aim of applying § 127(6) of the LOA is to assess the loss of income of the right holders, the county court rightly noted that the starting point should not be the cost of the products, but the potential income that the owners of the trade mark lost.

49.3. In the present case, the Supreme Court explained that in a situation where it is not possible to calculate specific damage, the loss of profit of the trademark owner can be calculated in the abstract, i.e. the trademark owner can proceed from the benefit that can usually be expected based on the circumstances. When selling trademarked products, earning income corresponds to the so-called normal course of things. It can therefore be concluded that if the trade mark proprietors had earned a sales revenue of EUR 179 540, part of the sales revenue would have remained with the trade mark proprietors after all expenses had been paid

profit and this is offset by the profit margin. The county court has considered it proven, without violating procedural rules, that the profit margin of at least one trademark, Pandora, was 61% in Estonia at the time of the infringement.

The above-mentioned article focusing on the analysis of the supply chains of counterfeit products (p. 416, Vol. XI, tl 182p-187) points out that in the clothing and footwear sector, profit margins range from 20% to 50% in the fake trade, even up to 70% for wholesalers, and watch retailers, for example, make a profit of 60-70%. Although, in the opinion of the Chamber, the profit margins in the case of the disputed marks are the most relevant in determining the damages awarded to the proprietors of the trade marks, and not the profit margins of the defendant companies, in the abstract assessment of the damage, it must be considered sufficient at the time of the infringement of the profit margin of the trade mark Pandora itself, which was 61% in Estonia and also in accordance with the conclusions of the cited article on the profit margins of retailers of jewellery products. As the profit margin of the defendant's companies of 59.04%, which was not contested by the plaintiff, which was not disputed by the plaintiff, the defendant's appeal does not provide a basis for revising it upwards and is more favourable to the defendant. In view of the above, it is possible to proceed from a profit margin of 59.04%, which is close to Pandora's profit margin, as noted by the county court.

49.4. According to the guidelines issued by the Supreme Court, the turnover and income earned by the infringer can also be taken into account when determining compensation for damages. Court decisions have established that the defendant provided information society services as a natural person, as a sole proprietor, as well as through the companies [REDACTED] and [REDACTED], whose activities are profitable according to the annual report (Vol. XI TI 164-181), as the county court rightly found. The fact that the defendant has operated under the name

"[REDACTED]" has been proven and established in the proceedings. What is not disputed is that the defendant had a 96% holding in [REDACTED] in 2011-2023 and a 100% holding in [REDACTED] in 2014-2015 (minutes of the hearing of the Tallinn Circuit Court of 28.11.2024, time sign 01:56:39, Vol. XIII, tl 60p). Thus, when considering the compensation for damages to be justified, the county court appropriately referred to the income earned by the defendant as a natural person as well as the companies related to him as the basis for calculating the profit margin. Taking into account the size of the defendant's shareholding in [REDACTED] and the fact that the defendant is the sole shareholder of [REDACTED], the defendant has not shown how the fact that the defendant is not the sole shareholder of [REDACTED] is of decisive importance and the defendant's claim is misleading with regard to [REDACTED]. It

is correct that the calculation made on the basis of the 2013 and 2014 income tax returns of the defendant of the county court did not take into account the expenses for the goods or services acquired from the business income or the income from the business. However, in the opinion of the Chamber, the exercise of the right to deduct expenses and carry them forward to the next year does not allow them to be considered unjustified in any case and does not change the fact that the defendant had a cash flow to the extent determined by the county court. Since the plaintiff has substantiated its claim for damages on the basis of the loss of profit of the trademark proprietors, i.e. that the income from the sale of the goods is equated with the loss of profit of the trademark proprietors, satisfaction of the claim does not require that the defendant has established that the defendant has earned such profit. Fulfilment of this presumption would be necessary in order to satisfy a claim on the basis of the condition of unjust enrichment, the verification of which, however, is not necessary according to the reasoning of paragraph 47.1 of this judgment.

49.5. The Chamber notes that in the present case it is in accordance with the objectives of Article 13 of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights to determine the amount of compensation for damages in such a way as to ensure that the amount awarded is as close as possible to the amount in which, objectively assessed, the damage was likely to have arisen in the circumstances presented by the plaintiff. However, this may be exactly equal to the amount of the damage actually suffered, which is in accordance with the Court's position that the compensation calculated in this way does not have to be exactly the same as the damage actually suffered C-367/15 OTK, paragraph 26 (see Trasberg, H; Estonian

Compliance of the Regulation of Compensation for Damages with European Union Law in the Case of Infringement of Copyright and Related Rights, Ministry of Justice, p. 15).

49.6. In summary, the circuit court notes that although the defendant considers the satisfaction of the claim for damages against it to be unfair, the defendant's complaint does not contain any claims regarding the calculation of damages that would allow a different conclusion to be drawn regarding the amount of damage.

50. The Chamber also remains of the opinion that in the present case, a violation of the defendant's turnover obligation has been established by a court judgment that has entered into force and that the defendant is liable as an accomplice to the person who directly infringed the exclusive right of the trademark owners and not jointly and severally, which is why there is no basis to change the conclusion of the judgment of the Tallinn Circuit Court of 05.10.2020 regarding the defendant's claim that the defendant has transferred IP addresses or the rights related to them by him (paragraph 17.2 of the above-mentioned judgment). The county court also did not err when it found that the defendant's knowingly and intentionally aiding and abetting the activities of persons who directly infringe the exclusive right of trademark proprietors does not allow for a reduction of damages pursuant to § 140 of the LOA. The Chamber agrees with the relevant reasoning of the county court and the claims of the appeal do not constitute a basis for taking a different position from the county court.

51. Due to the dismissal of the appeal, the defendant will also remain in the proceedings of the appeal instance on the basis of § 171(1) of the CCP.

Pursuant to § 174(4) of the CCP, if a county court does not determine procedural expenses in a judgment or a ruling terminating the matter, the county court adjudicating the civil matter shall determine the monetary amount of the procedural costs after the entry into force of the judgment or the ruling terminating the proceedings. In adjudicating an appeal, a higher court does not determine the monetary amount of procedural expenses in the case of a county court judgment or a ruling terminating the matter, by which the county court did not determine the procedural expenses.

52. Proceeding from § 654(2²) of the CCP, the circuit court shall present the full wording of the valid resolution of the judgment in the operative part of the judgment. Pursuant to the specification described in paragraph 47.2 of the judgment, the circuit court shall amend the wording of the resolution in the interests of clarity so that the content does not change.

(signed in the Digital Journal)