

2017 AIPPI World Congress – Sydney
Adopted Resolution
October 17, 2017

Resolution

2017 – Study Question (General)

Quantification of monetary relief

Background:

- 1) This Resolution concerns the quantification of monetary relief in relation to the infringement of intellectual property (*IP*) rights. This Resolution is not concerned with statutory damages, or accounts of profit and other relief in which the unlawful profits of the infringer are rendered to the right holder.
- 2) Specific issues in relation to FRAND (fair, reasonable and non-discriminatory) royalties in the context of standard essential patents are outside the scope of this Resolution, other than to the extent that reasonable royalties are relevant to the quantification of damages more generally.
- 3) The primary objective of this Resolution is to formulate methods of quantification of damages to assist with a more harmonised and consistent recovery of damages. A purpose of this Resolution is to determine how monetary damages should be calculated in accordance with fair and objective methodologies.
- 4) In this Resolution:
 - the term *IP rights* includes patents and supplementary protection certificates, petty patents and utility models, trade marks, rights to prevent unfair competition or passing off, copyrights, semiconductor topography rights, database rights and design rights, but excludes trade secrets, rights of confidence and rights in know-how;
 - the term *damages* refers to monetary relief as provided for in relation to IP rights, including but not limited to i) actual loss suffered by the right holder as a result of the infringing activity, e.g. loss of sales or price erosion; ii) the “injury proven” as referred to in paragraph 6(a) of AIPPI’s Resolution on Q134 – “Enforcement of Intellectual Property Rights – TRIPS” (Rio de Janeiro, 1998); and iii) reasonable royalties awarded when actual loss is not proven;
 - the term *IP rights in suit* refers to those IP rights found infringed in respect of which the court will need to quantify damages;
 - the term *price erosion* refers to sales of products or services that implement the IP right in suit made at a lower profit margin than the right holder would have made but for the infringement;

- the term **convoyed sales** refers to sales of products or services not protected by the IP rights in suit that are in fact sold together by the infringer with the products or services that implement the IP rights in suit, regardless of whether or not those products are sold together by others or customarily.
- 5) It is a premise of this Resolution that quantification of damages should proceed from the starting point that damages compensate for the loss suffered by the right holder.
 - 6) Due to the obvious fact-sensitivity of the enquiry, and the inevitable lack of critical facts (e.g. the right holder's lost sales that never happened), estimation mechanisms and proxies may need be employed. Rather than leaving a right holder without any relief, the court should be prepared to make a judgment based on the evidence that is available, but not go outside the bounds of that evidence. The court is entitled to assess and give the appropriate weight to the evidence that is available.
 - 7) By increasing the possibilities for obtaining evidence in relation to quantum, and providing for effective methods of maintaining confidentiality in the right holder's confidential information (and also in the infringer's confidential information), better quality financial evidence on losses may become available to courts.
 - 8) 40 Reports were received from AIPPI's National and Regional Groups providing detailed information and analysis regarding national and regional laws relating to this Resolution. These Reports were reviewed by the Reporter General Team of AIPPI and distilled into a Summary Report (see below links).
 - 9) At the AIPPI World Congress in Sydney in October 2017, the subject matter of this Resolution was further discussed within a dedicated Study Committee, and again in a full Plenary Session, following which the present Resolution was adopted by the Executive Committee of AIPPI.
 - 10) The study leading to this Resolution focused on the consequences of infringing sales. Quantification of monetary relief in relation to infringing acts other than sales should be considered for future study by AIPPI

AIPPI resolves that:

- 1) Damages should compensate the right holder:
 - a) for its lost profits in respect of sales of products or services that the right holder would have made but for the infringement; and/or
 - b) for its lost profits in respect of price erosion; and/or
 - c) by a reasonable royalty in respect of infringing sales that are not proved to have been lost sales of the right holder,

save that the right holder cannot recover twice for the same loss.
- 2) In assessing lost profits, courts should recognise that the task is by its nature one of estimation and be prepared to make a judgment based on such evidence as is available, seeking to ensure that the right holder is fully compensated in respect of its loss.
- 3) Lost profits should be assessed taking into account relevant circumstances including, without limitation:
 - a) the similarities and differences between the parties' competing products or services (e.g., design, quality, price, sales channels);

- b) the availability of other substitutable products or services in the market;
 - c) the capacity of the right holder to meet demand;
 - d) sales, service and warranty offerings of the parties;
 - e) geographic reach;
 - f) reputation of the parties in the market;
 - g) advertising spend;
 - h) price of the products or services;
 - i) the change in turnover of the right holder following the commencement of infringing sales.
- 4) For the purpose of assessing lost profits, evidence in the possession, custody or control of the infringer relevant to the circumstances referred to in paragraph 3 above should be made available to the right holder and the court.
 - 5) For the purpose of the quantification of damages, the right holder's lost profits should be calculated as the net revenue from the right holder's sales (i.e., after discounts and rebates) less the right holder's costs directly attributable to those sales.
 - 6) Damages should also be recoverable where sales of goods or services of the right holder that compete with the infringement but do not embody the IP right have been lost because of the infringement, as long as the right holder proves a causal nexus between the infringement and the lost sales. The court may take the degree or strength of causation into consideration when considering the appropriate quantum of damages.
 - 7) Mechanisms should be available to preserve the confidentiality of a party's commercial and financial information relevant to assessing damages from disclosure to the public or the other party.
 - 8) Paragraph 7 above is not intended to prevent disclosure of evidence in the possession, custody or control of the infringer in accordance with paragraph 4 above, where appropriate confidentiality protection measures are in place.
 - 9) In assessing a reasonable royalty, a court should have regard to factors including, without limitation:
 - a) other licence agreements of the same IP right as the IP right in suit (but taking due account of the circumstances in which any such other licence agreement was negotiated and, in particular, but not limited to, whether infringement and/or validity of the IP right in suit had been determined);
 - b) other licence agreements of similar IP rights to the IP right in suit;
 - c) the cost of non-infringing alternatives;
 - d) advantages of the IP right in suit when compared with alternatives (including any applicable licence fees for alternatives);
 - e) profitability of the products or services encompassing the IP right in suit;

- f) development costs of the IP right in suit; and
 - g) the absence and/or circumstances of prior licensing discussions between the parties.
- 10) In assessing a reasonable royalty, the parties should be considered as if they were willing licensor and licensee respectively, with the attributes of the actual right holder and infringer, but disregarding the fact that one or both parties would not in practice have agreed to license the IP right in suit.
 - 11) A reasonable royalty should be assessed on the basis that the IP right in suit is valid and infringed where validity and infringement have been determined in the same proceeding or, otherwise, if warranted in the circumstances.
 - 12) In assessing lost profits, compensation should be available in respect of convoyed sales made by the infringer to the extent that such sales are found to result from the lost sales of goods or services that implement the IP right in suit.
 - 13) Where the IP right in suit relates to a part of a multi-component product or service sold by the infringer, the value to be attributed to the IP right in suit (and the compensation available by way of lost profits or reasonable royalty) should be assessed having regard to the extent to which the infringing component provides the basis for customer demand for that multi-component product or service.
 - 14) In assessing lost profits, regard should be had to the present value of future losses that will be sustained by the right holder after the date of the damages award. The mere fact that an injunction is also granted in addition to damages does not mean that there will be no future losses.
 - 15) Where an injunction is granted, future losses may include the effects of:
 - a) price drops; and/or
 - b) lost market share; and/or
 - c) the time necessary to restore the market to pre-infringement profits.Where no injunction is granted, future losses may include the effects of a) and b), but not c).
 - 16) In assessing a reasonable royalty where no injunction is granted, the royalty should include a royalty in respect of future infringements, if any.
 - 17) The principles in relation to the quantification of damages expressed in this Resolution should apply to claims for infringement made by an IP owner and any licensee of the IP owner, provided such licensee has standing to sue for infringement or to intervene in an action for infringement. However, where the interests of the IP owner and any such licensee are different, the quantification of any resulting damages should reflect that fact.

Links:

- Study Guidelines

<http://aippi.org/wp-content/uploads/2017/01/FINAL-website-version-Quantification-of-monetary-relief.pdf>

- Summary Report
http://aippi.org/wp-content/uploads/2017/08/Summary-Report-Quantification-of-monetary-relief_16August2017.pdf
- Reports of National and Regional Groups and Independent Members
<http://aippi.org/committee/quantification-of-monetary-relief/>