



## Study Question

Submission date: May 15, 2017

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### Quantification of monetary relief

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#### I. Current law and practice

Please answer all questions in Part I on the basis of your Group's current law.

**1** What rules and methods are applied when quantifying actual loss?  
In particular, please describe:

- a) the method used to determine the diversion of sales, i.e the part of the infringing sales that the rightholder would have made but for infringement;
- b) what level of profit margin is taken into account.

a. Article 170 of Panama IP Law (Law 35 of May 10, 1996), which contemplates as one of the criteria to quantify damages "the benefits that the rightholder would have foreseeably obtained had the infringement not occurred", does not establish how to calculate that sum of money. Therefore, the statute does not contemplate a rule or method to do so. However, the courts have accepted to use as basis for that calculation the wholesale price of the genuine product multiplied by the number of products that the rightholder was prevented to sell as a result of the infringement, and that number can be represented by the number of infringing products sold by the infringer. Another method that have been accepted by the courts is the comparison of the sales made by the rightholder within a fixed period of time before the infringement occurred in the same territory the infringement took place with the ones made during the infringement, and the difference would be the lost sales.

b. The statute does not specify anything in this regard and to our knowledge there has been no judicial precedent addressing this issue. In fact, the wholesale price of the genuine product in its entirety has been admitted by the courts as basis for calculation of lost sales without entering into the distinction of what portion represents costs and what portion represents profit.

**2** What rules and methods are applied when quantifying a reasonable royalty?

In particular, please describe:

- a) the royalty base;
- b) how relevant comparables among licence agreements are defined;
- c) how a reasonable royalty is quantified in the absence of relevant comparables;
- d) the nature of the royalty, e.g. lump-sum, percentage of revenues or profit, a mix?

a) the royalty base;

According to Article 170 of Panama IP Law (Law 35 of May 10, 1996) the royalty base would be the commercial value of the subject genuine product and contractual licenses already granted.

b) how relevant comparables among license agreements are defined;

Panamanian law does not contemplate any rule regarding comparables among licenses. However, courts give considerable weight to royalties fixed in previous license agreements in connection with similar goods and territories as the ones related to the infringement.

c) how a reasonable royalty is quantified in the absence of relevant comparables;

A reasonable royalty is quantified by the market value of the genuine product in the absence of license agreements previously granted.

d) the nature of the royalty, e.g. lump-sum, percentage of revenues or profit, a mix?

It can be either a lump sum, a percentage of revenues or profit or a mix.

**3** What rules and methods are applied when quantifying the infringer's profits, as part of quantifying damages?

In particular, please describe:

- a) the method to determine the profits resulting from the infringement, i.e. resulting from the use of the IP right;
- b) what level of profit margin of the infringer should be taken into consideration.

a) the method to determine the profits resulting from the infringement, i.e. resulting from the use of the IP right;

Since our law makes reference to the benefits received by the infringer, the total amount of sales of the infringing product are considered. Therefore, there is no need to calculate the infringer's profits.

b) what level of profit margin of the infringer should be taken into consideration.

According to our legislation, there is no profit margin of the infringer to be taken into consideration in cases of trademark and patent infringement.

However, regarding copyrights, in no case shall the damages, in accordance with the rules of calculation set forth in Article 175 of Panama Copyright Law ( Law 64 of October 10, 2012), be less than twice the fine that would be applied as a criminal penalty for the respective violation, in relation to each violation.

**4.a** What rules and methods are applied, both when quantifying actual loss and quantifying a reasonable royalty in relation to conveyed goods.

There are no rules in our jurisdiction that applies to conveyed goods. This is not regulated in our law.

**4.b** What rules and methods are applied, both when quantifying actual loss and quantifying a reasonable royalty where the infringing product forms part of a larger assembly.

If the infringing product is part of a larger assembly that is patented, then the rules mentioned in the replies above apply.

**4.c** What rules and methods are applied, both when quantifying actual loss and quantifying a reasonable royalty where the IP rights found infringed are routinely licensed together with other IP rights as a portfolio?

The same rules and methods mentioned above applies for IP rights that are licensed together.

**4.d** What rules and methods are applied, both when quantifying actual loss and quantifying a reasonable royalty when the damage suffered by the rightholder is related to competing goods which do not implement the infringed IP rights?

In that case, there would be no infringement; thus, no damages.

**5** Are any of the rules and methods addressed in your answers to 1) to 4) above different when considering the damage suffered by the rightholder or by its licensee?

No, because under our law the rightholder is the only person entitled to claim damages.

**6.a** What kinds and types of evidence are accepted for proving the quantum of actual loss.

Accounting expert testimonies supported by sales invoices, inventories, and price lists.

**6.b** What kinds and types of evidence are accepted for proving the quantum of reasonable royalties.

Accounting expert testimonies based on previous license agreements granted for the use of the infringed IP rights in connection with the same type of goods and the same territory.

**6** For example, is expert accounting evidence on past licensing practices accepted?

Yes, it is.

**7** What mechanisms (e.g. discovery) are available to the rightholder to assist with proving the quantum of actual loss or reasonable royalties?

Ex parte inspection of infringer's premises and warehouses.

Ex parte examination of the infringer's relevant business records by accounting experts.

**8** How, if at all, does the quantification of damages for indirect/contributory infringement differ from the quantification of damages for direct infringement?

It does not differ under Panamanian Law.

**9** Are forward-looking damages (e.g. damage in relation to an irreversible loss of market share) available

b) only if an injunction has not been granted

Please explain your answer

This is not expressly regulated by our law. Therefore, our answer is based only on how we believe a court would accept a claim for forward-looking damages, as in our opinion, there would only be justification to claim forward-looking damages if the infringement continued because an injunction was not granted.

**10** Is the bad faith of the infringer taken into account in the assessment of the damage?

No

Please Explain

Because our law does not contemplate punitive damages. The calculation of damages is based only on an accounting examination of the rightholder's sales, the infringer's sales, the market value of the genuine products, and royalties established in past license agreements.

**11** How do courts take into account the damage suffered between the date of the infringing acts and the date of the award of damages?

Payment of Interests based on the damages awarded and accruing between those dates are ordered to be paid in all cases of IPR infringement. That is how the rightholder is compensated for that period of time.

## II. Policy considerations and proposals for improvements of your Group's current law

**12** Are there aspects of these laws that could be improved?

Yes. The law should include specific rules on how to calculate the benefits the rightholder could have foreseeably obtained had the infringement not occurred, which we are interpreting as lost sales or actual damages, and how to calculate the benefits obtained by the infringer as a result of the infringement. Our law just sets forth the different criteria that can be used to assess damages, but leaves to the judge's interpretation the determination of the right method or formula to calculate damages.

The law should also establish how damages can be assessed when the infringement takes place at the time the infringing products are introduced into the country, but are seized before being sold to wholesalers or retailers or consumers.

Additionally, concerning damages resulting from a patent infringement, the law is very poor, as it does not contemplate anything about products that are part of a larger assembly and anything about how to calculate loss royalties in the absence of previous licenses.

**3.a** If the Court determines a reasonable royalty by reference to a hypothetical negotiation, should the Court's assessment of the hypothetical negotiation be under an assumption that all the IP rights in suit are valid and infringed?

No

Please Explain

Under our law, it cannot be presumed that all the IP rights in suit are valid and infringed. Both issues must first be proven.

**3.b** If the Court determines a reasonable royalty by reference to a hypothetical negotiation, should the Court first be required to find that all the IP rights in suit are valid and infringed?

Yes

Please Explain

Because our law requires proof of the validity of the IP right and that it has been infringed, as essential conditions to award damages.

**14** If the Court does not determine a reasonable royalty by reference to a hypothetical negotiation, what factors and what evidence should be relevant in that determination?

The past sales made by the rightholder in the same territory the infringement occurred and the price of the genuine product.

The royalties set forth by past license agreements concerning the same type of product infringed and the same territory where the infringement took place.

**15** Should the quantification of damages depend on whether injunctive relief is granted, e.g. should forward-looking damages for a loss of market share be available if an injunction is also being granted or only if an injunction is not granted?

Only when dealing with a claim for forward-looking damages for a loss of market share.

### III. Proposals for harmonisation

**16** Is harmonisation of the quantification of damages desirable?  
*If yes, please respond to the following questions without regard to your Group's current law.  
Even if no, please address the following questions to the extent your Group considers your Group's current law could be improved.*

Yes

Please Explain

**17** Please propose the principles your Group considers should be applied when quantifying actual loss

Damages should not be limited to loss profits. They should encompass lost sales as a whole, that is, the gross amount of lost sales.

The wholesale price or value of the genuine product if the infringer is an importer or wholeseller.

The retail price or value of the genuine product if the infringer is a retailer.

The number of infringing products imported or sold by the infringer.

**18 Please propose the principles your Group considers should be applied when quantifying reasonable royalties**

The royalties established in previous license agreements involving the same type of product as the one infringed and the same territory as the one where the infringement occurred.

If there are no previous license agreements involving the same type of product or the same territory, then, the royalties established by license agreements involving similar goods and similar territories.

**8.a Explaining in particular the relevance, if any, of a hypothetical negotiation and whether the hypothetical negotiation should be under the assumption that the IP rights being negotiated were or were not found valid and infringed;**

Hypothetical negotiations should be applied in the absence of previous license agreements, but under Panamanian Law assessment of damages can only be considered if it has been proven that the concerned IP right was valid and was infringed.

**8.b Explaining in particular the relevance, if any, of prior licensing practices or prior going rates for licensing the IP rights in suit**

Prior licensing practices or prior going rates for licensing the IP rights in suit should be given a high weight because they show how the IP rightholder commercially exploited the infringed IP right and, therefore, how the IP rightholder should be compensated by the infringer.

**8.c Explaining in particular the relevance, if any, of prior licensing practices or prior going rates for licensing other IP rights of third parties that may or may not be similar to the IP rights in suit**

Only the ones involving similar IP rights should be considered.

**9.a Please propose, in relation to actual loss and reasonable royalties how conveyed goods should be dealt with**

It is not possible to adopt any regulation on conveyed goods in our jurisdiction because our law does not protect unpatented goods.

**9.b Please propose, in relation to actual loss and reasonable royalties how competing goods of the rightholder, not making use of the patent, should be dealt with**

It is not possible to adopt any regulation on competing goods not making use of the patent in our jurisdiction because our law does not recognize entitlement to claim damages if a patent is not infringed.

**9.c** Please propose, in relation to actual loss and reasonable royalties how damages should be determined when the infringing product forms part of a larger assembly

Since it is not possible to assess actual loss or lost royalties resulting from an infringed component of a finished brand or patented product, we propose to use the price or royalty that the IP rightholder would have received for at least the cheapest genuine product that could have been formed by the infringed component.

**20** Please propose principles your Group considers should be applied when quantifying the damages for indirect/contributory infringement in circumstances where there is no direct infringement of the IP rights in suit.

Our law does not make any distinction between direct infringement and contributory infringement. In our opinion, it should remain as is.

**21** Please comment on any additional issues concerning any aspect of quantification of damages you consider relevant to this Study Question.

We do not have any additional comments.

**Please indicate which industry sector views are included in part "III. Proposals of harmonization" on this form:**

We did not consult any representatives of industry sectors. The proposals hereby made reflect the views of our Group (IP practitioners).

Please enter the name of your nominee for Study Committee representative for this Question (see Rule 12.8, Regulations of AIPPI). Study Committee leadership is chosen from amongst the nominated Study Committee representatives. Thus, persons not nominated as a Study Committee representative cannot be in the Study Committee leadership.  
Audrey Williams