

London Study Question – 2019 – Explanatory Note

IP damages for acts other than sales

If damages are asserted in relation to sales of infringing products, the quantification of damages would generally be based on the lost profits/sales of the rightholder, which can be estimated from the sales diverted from the rightholder to the infringer. However, where there has been no act of sale by the infringer, there may be no diversion of sales. The quantification of damages for acts other than sales, e.g. keeping / warehousing (stockpiling) infringing product, importing infringing product, offer for sale separate from sale itself (advertisements, tenders etc), will need to be based on data other than the price of sales.

This issue was not addressed in detail in the study leading to the Resolution on “Quantification of monetary relief” (Sydney, 2017). Infringement arising from acts other than sales is commonly alleged in IP litigation – possibly so that continued non-sales infringements can be enjoined, but should an injunction be the only remedy for such infringements?

‘Pure’ non-sales infringements that have no associated act of sale in the same timeframe can involve a complex damages analysis. For example:

- (a) how is a reasonable royalty to be calculated? One solution might be to analyse market practices relating to upfront licensing fees unconnected to anticipated sales;
- (b) whether extensive offers for sale can ‘smother’ the patentee’s own marketing efforts and thereby cause a reduction in the patentee’s own sales; and
- (c) if the infringing act is importation, how should the analysis proceed if only some of the imported products are sold in the jurisdiction and others are to be exported?