

2019 AIPPI World Congress - London
Adopted Resolution
September 18, 2019

Resolution

2019 – Study Question

IP damages for acts other than sales

Background:

- 1) This Resolution concerns the quantification of damages for acts of infringement that do not include a sale, such as importing, warehousing, manufacturing, using and offering. It also addresses the issue of ‘franking’. Franking means that there should be no further liability for infringement in relation to dealings in specific products found to infringe, once damages have been awarded in respect of those goods, and such goods are considered to have been “franked”.
- 2) The quantification of damages for infringement was addressed generally in AIPPI’s Resolution on “Quantification of monetary relief” (Sydney, 2017), referred to as the **Sydney Resolution**. The Sydney Resolution focussed on the quantification of damages by reference to sales of products by the infringer and/or the right holder.
- 3) This Resolution is aimed at assessing and quantifying the damage suffered by the right holder caused by the infringing acts, and not at assessing the unlawful profit made by the infringer. This Resolution is not concerned with statutory damages, punitive damages, or accounts of profit and other relief in which the unlawful profits of the infringer are rendered to the right holder. Specific issues in relation to FRAND (fair, reasonable and non-discriminatory) royalties in the context of standard essential patents are also outside the scope of this Resolution.
- 4) The Sydney Resolution established that where damage has been suffered but there is no causal nexus between the damage and the infringement, that damage should not be recoverable.
- 5) However, where such a causal nexus does exist between a non-sales infringement and damage, that damage should be recoverable and quantified despite there being no infringing sale which would establish a benchmark sales price for the quantification of damages.

6) 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 **non-sales infringement** refers to acts of infringement that do not include a sale, including but not limited to importing, warehousing, manufacturing, using and offering; and
- the term **IP rights in suit** refers to those IP rights found infringed in respect of which the court will need to quantify damages.

7) 37 Reports were timely received from AIPPI's National and Regional Groups and Independent Members 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 links below).

8) At the AIPPI World Congress in London in September 2019, 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.

AIPPI resolves that:

- 1) Regardless of whether injunctive relief is available, damages should be available as a potential remedy for non-sales infringements.
- 2) Damages for all types of infringing acts (including both sales and non-sales infringements) should be determined using the same principles.
- 3) The right holder has the right to receive full compensation for all damage caused by the infringing acts. A causal nexus between the infringing act(s) and the damage must be established. As a minimum, the holder of the infringed IP right should be entitled to a reasonable royalty for the established infringement.
- 4) The principles stated in the Sydney Resolution should be followed in the quantification of damages, as applicable. When quantifying damages for

infringing non-sales acts relating to specific products, any *potential subsequent sales* of the same specific products (whether infringing or non-infringing, and whether in the same jurisdiction or not) could be used as a benchmark for the quantification. The objective is to determine the economic effect of the non-sales infringement on the right holder.

- 5) The court should apply its normal fact-finding procedures and standard of proof to determine the extent of any potential subsequent sales. It is not necessary that there have been actual subsequent sales, but if actual subsequent sales were made then such sales would be a relevant factor to be taken into account.
- 6) When assessing damages for non-sales infringements in relation to a process that is protected by a patent, the court should, in addition to the principles stated in the Sydney Resolution, take into account the economic effect on the right holder of both (a) use of the process and, when relevant, (b) the products that may (or may not) result from the process:
 - a) In relation to patented processes (regardless of whether they result in the creation of a relevant product by the infringer), the court should *inter alia* consider:
 - whether the use of the process by the infringer produces an economic advantage to the infringer or a disadvantage to the right holder;
 - the turnover and potential sales associated with the use of the process as long as, in respect of the potential sales, the right holder proves a causal nexus between the infringement and the right holder's loss;
 - the frequency of use of the process.
 - b) In relation to products obtained by the patented process, regardless of whether those products infringe, the court should, take into account *inter alia* the following:
 - potential sales to be made by the infringer of any products manufactured using the process, as long as the right holder proves a causal nexus between the infringement and the right holder's loss;
 - whether the product resulting from the process is protected by the patent in question, directly or indirectly;
 - whether that product competes with products not produced using the patented process;
 - any timing advantage in launching the products given to the infringer through the use of the process (i.e. a springboard advantage).

- 7) Without prejudice to the court's power to award injunctive relief, and subject to the limitation on double recovery in paragraph 8 below, the court should award damages in respect of each infringing act. This may validly result in recovery of multiple awards of damages for corresponding multiple infringing acts that concern a single product. The court may make one award of damages covering all of the multiple infringing acts.
- 8) While full compensation of the right holder is desired, “double recovery” should be avoided. The term “**double recovery**” in this context means recovering more than once in respect of the same loss suffered by the right holder. For example, if a right holder loses sales because an infringer has imported, kept and sold infringing products, the right holder may recover only once in relation to the lost sales caused by the infringing sales, even though those lost sales may have been caused at least in part by all three infringing acts (importing, keeping and selling).
- 9) Effective and proportionate procedures, including relevant disclosure by the right holder, should exist to reduce the risk of double recovery with respect to multiple infringements concerning a single product.
- 10) Without prejudice to any rules in relation to exhaustion and *res judicata*, there should be no ‘franking’.

Links:

- [Study Guidelines](#)
- [Summary Report](#)
- [Study Reports page](#)