

Resolution

Question Q203

Damages for infringement, counterfeiting and piracy of Trademarks

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AIPPI

Noting that:

- 1) In previous questions, AIPPI has studied issues relating in part to monetary sanctions for violations of trademark law, leading to the adoption of
 - a) the resolution of the Executive Committee of Lisbon in 2002 (Q169) on criminal law sanctions with regard to the infringement of Intellectual Property Rights; and
 - b) the resolution of the Executive Committee of Berlin in 2005 (Q186) on punitive damages as a contentious issue of Intellectual Property Rights.
- 2) The Resolution on Q186 noted that awards of enhanced damages in civil cases may be justified where laws do not otherwise provide a practical deterrent against deliberate infringement.
- 3) The present Resolution sets forth general principles for assessing monetary damages for infringement, counterfeiting, and piracy of trademarks, independent of the specific theoretical foundation for awarding such damages that may be applied in any specific jurisdiction.

Considering that:

- 1) There is broad agreement on the overarching principles governing monetary damages for infringement, counterfeiting, and piracy of trademarks, namely that assessment of such damages should be fact-based and should be made on the basis of economic considerations, and that such damages should be awarded with the goal of remedying the prejudice or injury suffered by the trademark holder as a result of the violation.
- 2) The majority of countries also agree that an infringer should not be relieved from its obligation to pay damages to the trademark holder merely because that infringer acted in good faith.
- 3) There is a considerable diversity of approaches when it comes to the specific economic and other factors that are actually taken into account when trademark damages are assessed. However, these differences do not reflect a fundamental lack of consensus, but are predominantly based on differing legal practices that exist in different countries (such as the availability, extent, and timing of fact discovery).
- 4) This resolution does not address issues related to the legal definitions of infringement, counterfeiting, and piracy of trademarks.

- 5) Infringement, counterfeiting, and piracy of trademarks are jointly referred to in this resolution as the “trademark violation” or “violation”, irrespective of the definitions that may exist in the national laws.
- 6) The term “trademark holder” includes all persons having a right to maintain a legal action for the violation of a trademark.

Resolves that:

- 1) An award of damages for trademark violations should compensate the victim of the violation for all its injuries in order to remedy all such injuries and deter the further violation of trademark rights.
- 2) The evaluation of damages for trademark violations should be assessed primarily on the basis of objective economic considerations.
- 3) The following principles should also be applied:
 - a) It shall be presumed, subject to rebuttal, that the trademark holder has suffered injury. The extent of monetary damages should be calculated in accordance with fair and objective methodologies.
 - b) Proof of intent of the infringer should not be required to recover damages. Good faith on the part of the infringer should not prevent the imposition of damages.
 - c) In appropriate cases, the need to create economic deterrents for future trademark violations should be taken into account in assessing the amount of damages.
 - d) The trademark holder may be permitted to recover the infringer’s financial gains obtained as a result of the violation. However, the trademark holder should not be allowed to recover both its own loss of income and the infringer’s financial gains caused as a result of the violation, save for the situations contemplated in point (f) below.
 - e) If damages are assessed through a royalty calculation, the award may be enhanced in appropriate cases so that (1) the trademark holder is fully compensated for its injury and (2) future violations are deterred.
 - f) In situations of grossly negligent or bad faith violations, damage awards may be appropriately enhanced. The same is true for certain especially serious types of violation that are highly likely to inflict substantial injury on the trademark owner and the consuming public. Wrongs of this nature may be appropriately addressed by statutory damages or statutory multipliers of actual damages.
- 4) In general, all relevant economic information should be taken into account in determining damages awards in trademark cases. This includes the following types of evidence, any one or more of which may contribute to the determination of the damages award, depending on the facts of each specific case:
 - a) Evidence showing injury suffered by trademark holder as a result of the violation, such as evidence of the following:
 - i) Lost profits;
 - ii) Lost or diverted sales;
 - iii) Price erosion;

- iv) Loss of market share and pricing advantage;
 - v) The extent of likelihood of consumer confusion or of consumer confusion that is actually occurring in the marketplace;
 - vi) Harm to consumer goodwill associated with the mark, including tarnishment and other reputational harm, such as harm resulting from the inferior quality of the violator's products;
 - vii) Cost of reasonable corrective or preventive measures taken by the trademark holder in relation to the violation;
 - viii) Loss of commercial opportunities caused by the violation.
- b) Evidence of damages related to the infringer:
- i) The infringer's financial gains obtained as a result of the violation;
 - ii) The extent of advertisement, marketing, distribution, and sales of violating goods or services;
 - iii) Quality of violating goods or services (if the quality is substantially below that provided by the trademark holder, the injury to the trademark holder may be greater);
 - iv) Infringer's bad faith.
- c) If damages are assessed through a royalty calculation, reasonable royalties in analogous situations.
- 5) Since determining appropriate damages in trademark cases depends on empirical evidence, each of the parties should be able to gather such evidence in the course of the proceeding. This should include the evidence set forth in Section 4.a to c of this Resolution. Subject to the protection of trade secrets and other commercially sensitive information as discussed in point 6) below, the infringer should be under a duty to disclose its sales and profit figures, as well as in appropriate cases information on the infringer's supply and distribution channels as they relate to its use of the violating mark.
- 6) Trade secrets and other commercially sensitive information should be protected from disclosure to the receiving party or the public by protective orders or other procedural devices that restrict access to such information to (1) specified personnel of the receiving party, (2) the receiving party's outside counsel, or (3) the court or experts appointed by the court or the parties.
- 7) In those countries where plaintiff must elect the method to be used to calculate monetary compensation, all relevant evidence should be available to the parties prior to effecting such election.