



PRACTICAL ASPECTS OF DAMAGES IN TERMS OF IPR

Debarati Mukherjee¹

ABSTRACT

Intellectual property right are exclusive monopolistic rights of the creator or the owner, solely designed for the purpose of deriving economic interests out of the protected property and exploit it for commercial gain. To protect this exclusive interest, the law also outlines penalties or measures to prevent and deal with infringement i.e. any attempt at violating the exclusive rights of the owner so as to unlawfully gain monetary benefits out of the protected property. The dichotomy arises when the processes to determine the loss which has been incurred by the owner of the protected property, so as to apply principles of restitution and derive an accurate measure of compensation, is vague and varying across jurisdiction. This paper attempts to analyse different methods adopted to calculate the quantum of compensation in cases of infringement across multiple jurisdictions and forums. It attempts to outline the theories or reasoning behind adopting such practices. It also makes the case for the fact that different measures of compensation calculation will be applied for different types of intellectual property i.e. copyright, trademark, patent etc. There is also a need to apply different kinds of measures to different kinds of cases based on their individual unique facts, necessities and pecuniary interests.

Keywords: IPR, Monopolistic Rights, Infringement, Right in rem, Damages.

Introduction

The biggest threat to any monopoly lies in the dilution of power – in the sense of economical control of the market's lion share as well as the exclusive control or rights over a product. At the core of its existence, Intellectual property rights create a monopolistic dichotomy wherein the owner enjoys an exclusive right in rem against the world for his creation but the said right puts an onus of protection against infringement, on the owner. Intellectual property disputes largely arise from matters of infringement of exclusive rights of the owner by acts or omissions

¹ B.Sc. LL.B. KIIT University.

which consequently dilute the value of the property or its exclusivity in the market. The question that has bothered jurists, legislators and experts is based on the appropriate method to ascertain that “value” so as to provide adequate justice to the owner and restore his monopolistic hold over the market. Experts are met with the issue of ascertaining in most cases the “lost profit” as a method of calculating the “monetary damages” or “compensation” in most cases of infringement. The law largely deals with the parts prior to damage calculation, encompassing methods to prove infringement and available defenses but leaves the process of damage estimation to the wit of the jurists. Therefore, precedents become the most important source while analysing the methods for estimating the right way to calculate damages. At the outset of the matter, it’s necessary to point out that there lie major differences between the methods of valuing an intellectual property for the purposes of sale and the process of calculating losses due to infringement for purposes of compensation. To throw some light on it, the expert would often rely on the future benefits accruing from an Intellectual Property to determine the sale price of it in the market or compare its value with the pricing of similar Intellectual property present in the market. The considerations for such a process would include the: “demand for the property in the market by the buyers” and “possibility of entrance of an alternate product in the market”. Alternatively, the expert would focus not on the future but on the past while ascertaining damages or compensation value. Prior existing data becomes extremely relevant in such scenarios. Such data are used to calculate the amount of value which could have been generated from the property but for the infringement, such profit was lost.

Taxing is an important factor of consideration when it comes to analysing the market value of an Intellectual property but in the course of damage calculation they do not have a significant role to play. In compensation cases, damages are analysed on a “pre-tax basis” because in most foreign jurisdictions “damages from IP disputes are taxed under ordinary income”.

Intellectual property cases are largely divided based on the “nature” of the disputed Intellectual property meaning the developed bodies of jurisprudence and precedents present for patents, copyrights, trademark etc. are all separate and distinct. However, certain laid out principles are applicable in uniform standards of cases covering all forms of intellectual property.

At the outset of any compensation measure, is the idea that it must fully recover the losses endured by the plaintiff and place him in a position that he would have been had the infringement not occurred. Restitution is at the core of such deliberations. “Market Value Measure” is one of the most sought after concepts in the realm. It implies that the courts must take into consideration the difference between the pricing or worth of the property as it is

present and as it would have been had the infringement not occurred to finally ascertain the value of compensation to be paid to the owner. The “Lost Opportunity Measure” also attempts to value the amount of compensation payable by calculating the money which the owner could have made by utilising the property to the fullest had he not been stopped by the infringement occurring.

The primary difference between the two lies in the fact that “market value” method assumes the “worth” of the property and replenishes the reduced worth but “lost opportunity” method calculates the “loss of income” and provides the same as damage payable. Even though both of these factors may seem to be similar, they are distinct in these above laid terms.

Another preferred alternative is the “unjust enrichment” theory wherein the courts do not focus largely on the loss of the plaintiff but rather on the gains made by the defendant based on the theory that such gains were availed through unlawful means and must be returned to the real owner of those gains i.e. the plaintiff.

Going forward in our discussion we shall look into all applicable methods in large detail and their suitable applicability in unique cases.

The Concept of Lost Profits and Its Availability

The right of the owner to retrieve lost profits in consequence to the behaviour of the infringer is a constant motif in the computation of damages for infringement. Although, if segments of the elements of the units were unprotected by the in-suit IP, the lost profits are determined on the basis of the owner’s profits that he would have reaped from selling of the components, “but for” the infringing activity. One or more factors, such as lost sales figures, reduced unit sales costs, high marketing costs due to increased production, lost revenue from ancillary and convoyed goods usually sold alongside the stolen goods, additional costs being trademark advertising costs, may be used to calculate damages for lost profit. A plaintiff in order to make himself eligible to claim lost profits, “must demonstrate that there was reasonable probability that, but for the infringement, it would have made infringer’s sales.” The holder of the patent has to provide evidence showing that there would have been lost profits "but for" the infringing act. The Federal Court opined in *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*² that after the owner of the intellectual property shows the rationality and legitimacy of this inference, it is the onus of the offender to demonstrate that the act of interfering is unjustified for a portion or totality of the lost profits. There are two accepted techniques for demonstrating “but for”

² *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152 (Sixth Cir. 1978).

causation i.e., the “Panduit test” and the “Two-supplier market test”. It has been made very evident by the Federal Circuit that there exists no one way for the patent owner to satisfy the burden and obligation of demonstrating lost profits. The ruling in *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.* is a recognized expert on calculating lost earnings in patent cases.³ The four-factor approach presented in this case has been recognized by the majority of courts as a practical, though non-exclusive, approach for a patent owner to demonstrate their right to lost revenues.⁴ Under Panduit, in order to entitle himself to lost profits, the patent holder must establish and justify the criteria i.e. during the infringement, there was demand of the infringing product; in the course of infringement, competent replacement products that are non-infringing were not readily accessible to meet the needs; the owner of the patent had the production and advertising resources to have given the item patented to the buyers purchasing the infringing item and the sum total that the owner of the patent would have obtained.

Earlier, the patent owner was not able to recoup lost revenues if any one of the four elements of the “Panduit test” was not demonstrated. These restrictions have been improved upon and in some ways reduced in later decisions. The first factor of Panduit test, for example, has been modified by case law to now necessitate requirement for the patented characteristics instead of the product itself. Regarding the second component, a patent holder does not have to completely rule out the likelihood that, in the absence of the infringement, the customer would not have bought any other product. The patent owner just needs to demonstrate that there existed a “reasonable probability” that it would have generated the sales “but for” the violation. The burden of establishing right to lost profits as a result of the unauthorized sales has been satisfied if the patent owner proves the rationality of this assumption by passing all four components of the Panduit test.

Establishing demand can be simple if the product has been sold regularly to informed buyers by the owner of the patent as well as the patent infringer. The patent owner should make an effort to demonstrate a linkage relating to the patented component and the business record sales of the product in order to demonstrate that there is market for the product and feature that is patented. For instance, *Gyromat Corp. v. Champion Spark Plug Co.*,⁵ it was opined that “the patented control features were advertised by Champion and while Champion has shown that painting systems could be made and sold without the patented features, the patented control

³ Id.

⁴ *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1577 (Fed. Cir. 1989).

⁵ *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 552 (Fed. Cir. 1984) .

system was obviously important enough to keep for 15 years on all of its short stroke reciprocating painting systems. If there was no demand for the patented system, Champion would not have run the risk of infringement.” Evaluating the rates and increase in sales of the product that is patented for owner of the patent as well as the infringer of the IP; mapping and analysing the differences in sales relating the patented commodity and its forerunner; examining the product literature and business strategies of the patent infringer which can provide evidence of the worth of the patented characteristic; displaying the sales of the alleged offender before and after the infraction and demonstrating how long the patent infringement has been occurring, are various facets that aid in showing the success which the patented feature has achieved in the commercial market.

Taking into account the requirement for the infringing product, an infringer of the patent may argue that their presence into the marketplace increased that size of the market to a level what it would have been in the absence of the entry of the infringer in relation to a patent owner proving and establishing the demand and need for the patented goods or feature. The patentee will also have trouble satisfying the primary prong of the “Panduit test” if the infringer of the patent is successful in demonstrating that there is no market for the patented component or that buyers who bought the infringing goods either were oblivious of the patent-protected attribute or that there is no significant factor in their decision to purchase.

Regarding non- infringing substitutes, the existence of suitable, non-infringing alternatives to the product which was patented in the course of the time of infringement, or the second Panduit element, is a highly contested issue. The fundamental justification for this condition is that even though the infringement had not been active in the marketplace, customers might have selected the acceptable non-infringing alternatives over the patent owner’s goods.⁶ The patentee typically has a limited understanding of what a buyer considers to be an acceptable alternative when striving to demonstrate the existence none or few suitable equivalents that are non-infringing within the subsequent Panduit criteria. The patentee may specifically try to demonstrate that any competing products are significantly inferior and lack the unique qualities and advantages of the product that is patented. The suspected infringer, on the other hand, frequently has a wider perspective of the market. For instance, the suspected infringer can make an effort to establish that there exist various acceptable substitutes in the marketplace, rendering it unfeasible to prove with any rational level of certainty and reliability that the patent owner would have realized sales of additional units if the alleged infringer was from such

⁶ Scripto-Tokai Corp. v. Gillette Co., 788 F. Supp. 439, 455 (C.D. Cal. 1992).

marketplace.

The third Panduit criteria, which concerns manufacturing and advertising ability and capacity calls for the patentee to demonstrate that infringing sales might have been generated by the patentee during the pertinent time span. Numerous methods can be used to demonstrate this factor. For instance, the patentee could prove manufacturing capacity by demonstrating that its infrastructures were capable of generating the required number of patented good and inventions or that they could also have been rendered capable of doing so, or by demonstrating that the production may have been outsourced to some other production facility.⁷ Usually, the patent holder will make an effort to show that they have the resources and managerial skills required to accomplish the extra units.

As far as quantifying and evaluating lost profits is concerned, the computation of lost profits is not required to be done with complete precision and accuracy, but instead with an acceptable degree of probability. In other terms, lost profits are an estimate rather than pure guesswork or unsupported speculative assertion. A patent owner typically has the right to recoup incremental profits that have been lost, which are calculated as the difference between gross earnings from recovering sales that were lost as a result to infringing activity and the additional cost of generating those sales. When the patent owner's "fixed costs" do not expand or only barely grow in relation to the rise in manufacture, this method of measuring profit loss is suitable. The profit that remains after deducting the costs involved in producing and selling the extra units that fall within the scope of an incremental spectrum is often referred to as the "incremental profit margin". According to the case of *Micro Motion, Inc. v. Exac Corp.*, "incremental costs are distinct from marginal costs in that marginal costs include only those costs that vary when producing one more unit, whereas incremental costs include any costs that increase as production expands over a relevant range".⁸

Reasonable Royalty

In patent lawsuits, once an infringement is confirmed, the patent holder is entitled to "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty".⁹ If lost profit damages for all alleged infringing sales cannot be demonstrated, the patent holder is entitled to fair royalties from the "use of the patented technology for the remaining units sold by

⁷ *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 554 (Fed. Cir. 1984).

⁸ *Micro Motion, Inc. v. Exac Corp.*, 761 F. Supp. 1420, 1429 (N.D. Cal. 1991).

⁹ 35 USC § 284.

the infringement”. In other words, “the patent holder is entitled to compensation for every infringing sale”.

A reasonable royalty is neither the basic case nor the minimal award in non-patent intellectual property disputes. It is, however, an alternate measure of damage that is available in proper circumstances. The Uniform Trade Secrets Act (as amended in 1985), for example, provides that “in lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriation’s unauthorized disclosure or use of a trade secret”.¹⁰

The cases on reasonable royalty for non-patent intellectual property litigation draws on a larger number of case law from patent disputes. As a consequence, unless otherwise specified, the discussion below relates to “the parameters and principles offered for appropriate royalties in the context of patent disputes and is generally applicable to other types of intellectual property infringement, unless otherwise stated”. Of course, the reasonable royalty to be compensated to the plaintiff by the defendant in all intellectual property disputes is regulated by the facts of the case.

An established royalty, the “amount paid by the parties for the intellectual property in a suit, is a starting point in assessing a reasonable royalty because it is based on the voluntary agreement of a licensor and a licensee”. When a pre-existing royalty does not exist or cannot be shown in sufficient detail, the analyst may “need to calculate a royalty based on a hypothetical negotiation between the parties”. These alternatives are covered in the sections that follow.

Established Royalty

To obtain an award for damages settled on an agreed royalty rate, the patent holder must show that “a licensing agreement covering the property was entered into with another party, often prior to the filing of a lawsuit or threat of a lawsuit”.¹¹ The patent owner may be required to prove that the royalty rate was considered to be acceptable by numerous parties.¹² Some courts have ruled that “a single licensing agreement may be insufficient and untrustworthy for establishing a royalty rate”.¹³ In general, the analyst should assess whether the royalty rate was accepted by a sufficient number of industry participants to be regarded as reasonable.

¹⁰ Uniform Trade Secrets Act with the 1985 Amendments, p. 11.

¹¹ *Sudiengesellschaft Kohle, m.b.h. v. Dart Indus.*, 862 F. 2d 1564, 1572 (Fed. Cir. 1988).

¹² *Trell vs. Marlee Electronics Corp.*, 912 F. 2d 1443, 1446 (Fed. Cir. 1990).

¹³ *Hanson vs. Alpine Valley Ski Area*, 718 F. 2d 1075, 1078 (Fed. Cir. 1983); *Wang Laboratories, Inc. vs. Mitsubishi Elec America, Inc.*, 860 F. Supp. 1448, 1452 (C.D. Cal. 1993).

Furthermore, the analyst should assess if existing licenses are actually comparable to the patent holder-infringer dispute.

When evaluating established or otherwise existing royalty rates to determine the reasonable royalty that “an infringer should pay the patent holder, it frequently appears appropriate to suggest royalty adjustments to account for inherent differences between the existing agreement and the hypothetical negotiation (for example, the certainty regarding infringement and validity, or the perceived threat of litigation)”. Although such disparities may be significant and indicate the need for a change, the analyst should not overlook all of the inherent variations between actual and hypothetical discussions. Actual negotiations, for example, frequently include “the transfer of expertise and know-how, as well as documentation and, in certain cases, ongoing support”. These things, which are frequently valuable, are not usually transferred to infringers. When determining how to accurately measure the overall royalty adjustment, the analyst should use prudence.

Hypothetical Negotiation

A reasonable royalty analysis “attempts to calculate the royalty that the patent owner would have received in an arm's-length "hypothetical negotiation" between the patent owner (as a willing licensor) and the infringer (as a willing licensee) just prior to the infringement's beginning”. “This hypothetical negotiation analysis differs from a real-world negotiation in that it assumes both parties believe the patent is valid and the infringer's use of the invention is infringement. Because the hypothetical agreement is artificial, a patent owner is not required to establish the fair royalty and associated damages with absolute certainty, but rather as a matter of just and reasonable inference.”

The hypothetical negotiation implies that “both parties were willing and able to negotiate a licence agreement at the time of the first infringement, and that the negotiation took place at the time of the first infringement”. While the “hypothetical negotiation” is considered to take place “at the time of the first infringement”, it would be incorrect to imply that this timing should result in a “last-minute premium” being applied to the reasonable fee. “It may appear that, as with a valuation, the only facts available at the time of the alleged hypothetical agreement may be used to assess the royalty's value. Despite the fact that the hypothetical negotiation should be as of the date of the first violation, courts have used facts after the hypothetical negotiation date when assessing the damage judgement.”¹⁴ This information is commonly known as the “Book of Wisdom”.

¹⁴ Fromson vs. Western Litho Plate & Supply Co., 853 F.2d 1568 (Fed. Cir. 1988).

The analyst recognizes that “in an actual negotiation between a willing buyer and a willing seller, neither party is obligated to complete the transaction”. In a hypothetical negotiation, however, both sides must complete the transaction. As a result, the hypothetical negotiation must take into account the individual conditions of both sides, such as financial status, competitive strategies, and market position. “Georgia-Pacific Corp. v. US Plywood Corp.”¹⁵ is an important decision for deciding a reasonable royalty rate, identifying 15 factors that must be examined in calculating a reasonable royalty rate. Courts have commonly accepted these factors for use in determining a reasonable royalty rate in a patent dispute. Not all of the criteria will be examined in every case, nor will they all be of equal importance in every circumstance.

Other Damage Calculations

In addition along with the “compensatory damages” within the size of the shape of misplaced profits, “affordable royalties or unjust enrichment, augmented damages in extra of the compensatory degree of healing might also additionally be presented in suitable cases”. Augmented damages might also additionally encompass more “advantageous statutory damages and punitive damages. Certain laws regarding intellectual property actually enable the judge to impose higher fines”. For instance, if a patent case is found to implicate “intentional infringement, the court may grant up to treble damages in addition to attorneys' costs and expenses”. In trademark disputes, a court may award any proportion greater than the sum determined as actual damage, i.e. three times that amount to the maximum amount, depending on the specifics of the case. “If at all the court determines the portion of the relay protection on lost profits seems to be either insufficient or extreme, “the jury may enter judgement on the matter for any amount it deems just, relying on the facts of the case. In a copyright lawsuit, the dominating defendant may be awarded lawyer's fees and expenses against the plaintiff.”

Market Value (M.V.)

An infringing owner of the copyright may use the M.V. Test as a substitute method for determining actual damages if lost sales or a sensible royalty have had no evidential support. The market value test helps to calculate the proper price that a wanting seller would have received from a prospective buyer in exchange for the utilization of a work. A number of court system use the market value test to assess the valuation to the infringer for using the copyrighted work, as compared to the “value that a prospective buyer and wanting seller

¹⁵ Georgia-Pacific Corp. vs. United States Plywood Corp., 318 F. Supp. 1116 (S.D.N.Y. 1970), modified, 446 F.2d 295 (Second Cir. 1970), cert. denied, 404 U.S. 870 (1971).

would've have negotiated. Even though this distinction may appear to be conceptual at first glance”, it can significantly affect how value is determined.

The M.V. indicator of the owner's damage done which is typically used in one of two situations: “(1) when the defendant infringer or defendant's violation has negatively impacted the reputation or valuation of the protected content for a specific market; or (2) when (a) the defendant has managed to make no profits from the infringing activity (b) the owner of the copyright has not established any lost sales, and (c) the market conditions make the likelihood of a negotiated licence likely”. The scope in which the valuation of the copyright protected work at the point of infringement has been harmed or severely damaged by the violation may be taken in account during calculation of the owner of the copyright’s actual monetary damages. This present concept was applied as in the case of *Montgomery v. Noga* where, “based on the effect of the violation on the value of an unregistered version of the programme that had been derived from the copyrighted programme”, actual damages for infringement of a copyright protected computer programme have been awarded. The court decided that the “valuation of the protected programme could not be entirely determined by reference to the market value of the subject to copyright programme as a standalone product in determining the extent of the damage to the value of the registered copyright at the time of infringement”.

Statutory Damages for Counterfeit Trademarks

Prior to the court deeming final judgement in lawsuits alleging the “use of a counterfeit trademark, the plaintiff may choose to retrieve not less than \$500 nor more than \$100,000 per fraudulent mark for every type of products or services marketed, provided for sale, or distributed, as the court deems just”. Likewise, if the Hon’ble court determines that “the usage of the counterfeit mark was deliberate, the plaintiff may elect to recover approximately to \$1 million per counterfeit mark for every type of products or services marketed, provided for sale, distributed, as the court deems just”. The definition of counterfeit mark is: “(1) counterfeiting of a mark registered on the principal record of the United States Patent and Trademark Office for any such products or services being sold, available for sale or distributed “and being used irrespective of whether the person seeking relief was aware that the mark was “registered and protected”; or, “(2)a fictitious designation” that is the same as, or nearly identical to, a designation for which the remedies are presented under the statute.

In the case of domain names, the plaintiff may choose to, “even before to the court's arrival of final verdict, to recover statutory damages in lieu of actual damages or profits made, in the amount of not below \$1,000 and not exceeding than \$100,000 per domain name, as the court

deems just”.

Statutory Damages for Copyrights

If the “copyright holder” is unable to showcase his “actual loss” or “the defendant's profits”, the plaintiff may be able to seek “statutory damages under the Copyright Act”. The statutory minimum for damages is \$750, and the maximum is \$30,000, depending on what the court determines to be reasonable. If the owner of the copyright successfully needs to meet “the burden of proving intentional infringement and the court so finds, then the court may, at its discretion, increase the grant of statutory damages to a maximum of \$150,000”. The court at its discretion may, “lower the award of statutory damages to an amount of not less than \$200.248 in case scenarios where the infringer successfully meets the obligation to demonstrate that such Contributory infringement happened because infringer was not aware and didn't have any reason to believe that that his or her actions constituted a copyright infringement”.

Methods of Calculating Adducing Evidence

Many businesses international claim that it is impossible to enforce intellectual property rights, particularly patent rights, in China. This belief could be supported by the observation that compensation is not as high as anticipated. In China, there are now close to 10,000 patent infringement cases every year, and there are close to 100,000 IP infringement lawsuits per year. In reality, more cases are being filed with significant financial penalties. It is possible to learn how China calculates compensation for damages and how to present evidence in court to win comparatively substantial damages by using real-world examples of litigation situations.¹⁶

Damages Calculation Techniques

The core values of civil law, the major laws safeguarding intellectual property rights, and the relevant court interpretations are all Those were equal to both the actual quantity of offending devices offered for sale where it is challenging to calculate the overall reduction in the IP customer's units sold or the drastic reduction in the IP supervisor's units sold as a factor of the infringed.

Legitimate Costs

The owner may further request recompense for reasonable costs involved in enforcing the relevant right in addition to damages computed in the procedure outlined earlier. Regardless of how the law requirements establish the range of such statutory damages in order to avoid overly

¹⁶ The sales statistics of account if the allegedly infringing products are available online. In this circumstance, It's also a good idea to keep track of the internet business sales statistics and make notes on the supporting documentation.

broad prosecutorial independence, it is possible to go over the limit for statutory damages in some cases based on the facts.

The maximum amount for statutory damages in patent disputes has increased from RMB 500,000 (US\$76050) under the 2000 Patent Law to RMB 1,000,000 (US\$152,100) under the 2008-2009 Patent Infringement Law. Additionally, the Establishment Clause of the Chinese Patent Law's recently released Document for Review incorporates the following.

Providing Evidence

The above-mentioned algorithms are utilized sequentially to determine damages compensation. In other words, the amount of damages to be paid out will depend on the owner's real losses. When determining real losses is challenging, damages must be assessed based on the infringer's earnings. When deciding both is challenging

Nonetheless, as it is the owners' obligation to provide evidence to support a claim for damages compensation, businesses often choose for a computation technique that is backed up by facts.

Damages under the Law

The specific type of right, as well as the details surrounding the violation, may have a considerable effect on the amount of reimbursement even when statutory damages are implemented.

The legal consequences an audit of the eight specific sorts of multi-parameter monitor merchandise available by the defendant all across the trial. The auditing agency conducted the audit using information such as the defendant's prospectus, the defendant's 2011 Annual Report, brought to light on the defendant's official website since the defendant refused to provide the necessary account book materials. The audit found that the defendant in total gross profits from April 2009 to April 2011 from eleven specific sorts of monitor products, including the eight types of infringing products that were the subject of the audit. The average gross profit per type. The overall operating profit and the ordinary operating profit was the excessive of first instance ordered the plaintiff costs for the misappropriation of trade secrets for something like the patent infringement.¹⁷

Costs

¹⁷ By showing that the plaintiff was fully aware of the infringement, the ill faith of the defendant can be demonstrated. The court will take into account various factors, such as whether the defendant engaged in additional infringements or whether the owner sent the defendant a cease and desist notice or other warning. It will also look at whether the appellant took any actions that implied full awareness of the complainant's intellectual property.

In most scenarios, a total sum is established after factoring in both compensation and justifiable expenditures. Therefore, the court has more often decided on the amount of damages compensation and reasonable costs independently.

For instance, danger to the company's respect based on the “reasonable profits Haitian Company should make within 16 days in the trade mark infringement and unfair competition dispute with both Foshan Haitian Haitian and Gaoming Weiji Weiji - 2012 For Preparatory Court IP Civil First No 352”.

Advice on Collecting Evidence

Duration and Scope of Infringement

The defendant's webpage frequently includes details about the product's sales area and occasionally also includes the date the product debuted on the market. We advise having the publicly accessible data on the defendant's homepage or other websites thoroughly notarized. Buying infringing goods at various times, locations, and by various means might also be helpful.

Product Information and Financial Information

It is vital to utilise additional information since it is typically difficult to gather data such being the amount of money sold of the counterfeit goods. For instance, in the case of Mindray v. Edan, In order to calculate the average profits of each type of monitor, the total profits of the monitors were divided by the variety of monitors. The total profits of the monitors were determined in accordance with the data regarding profits recorded in the annual report. This indicates that utilising a notary is advised to preserve the defendant's financial information and publicly available product information.

For some specialised sectors, the production of goods must be documented at the pertinent government agencies, and the annual report of the sector may include data on the yearly sales of the major corporations. In a lawsuit concerning patent infringement between Honda Company and Lifan Industry, the court of first instance endorsed the China Automobile Industry Yearbook and other industry yearbooks provided by the plaintiff.

The sales statistics of the online company can be taken into account if the allegedly infringing items are offered online. In this case, it's also a good idea to keep track of the internet business's sales statistics and make notes on the supporting documentation. We gathered sales information from the most well-known Chinese online marketplaces, T-mall, Alibaba, Taobao, and Jingdong, to demonstrate the defendant's substantial profits in the design patent case Panasonic

v. Jindao (2015) Jing IP Civil First No 266, in which we represented Panasonic. The court of first instance upheld our allegations, and it granted our client Rmb3, 000,000 (\$456.300) in compensation as well as Rmb200, 000 (\$30,420) in reasonable expenditures.

Profit Margin

There are several ways to calculate profit margin, including using the correct owner's annual report to calculate the owner's profit margin, using industry average profit margins to calculate the defendant's total profit margin, and using the defendant's annual report to calculate the owner's profit margin. One way to introduce evidence is to present the annual summary of the defendants or plaintiff's case, as well as newspapers or periodicals that detail the typical industry profit margin.

Bad Faith

Whether or whether the defendant has shown ill faith has no bearing on assessments of the validity of the claim or the computation of real damages or gains attributable to the infringement. However, it does relate to the type of violation, and the courts take it into account when assessing the appropriate amount of statutory damages.

By demonstrating the defendant's knowledge of the violation, the defendant's ill faith can be established. The court will take various factors into account, such whether or not the defendant acted in a way that indicated full awareness of the plaintiff's IP, whether or not the defendant committed additional acts of infringement or unfair competition in an effort to mislead the public, or whether the owner sent the defendant a cease and desist letter or other warning.

Value of IP

Another aspect that can affect the court's decision about statutory damages is the IP's worth. It is crucial to demonstrate the brand's worth and reputation in situations involving trademark infringement. The judge's assessment in patent infringement proceedings may be influenced by the level of invention, prizes received, and popularity of the patented items. The costs associated with the creation of the copyrighted technology and the associated royalties may be considered as well.

Reasonable Expenses

The court will often provide costs for the acquisition of infringing goods, costs for the notary's use in the preservation of evidence, and costs in order to translate court papers if legitimate invoices can be produced. The court normally grants a percentage of the attorney costs, based on the particulars of the case and the going rate. In order to demonstrate the costs incurred and

support a request for reimbursement of legal fees, supporting documentation should be provided additionally to the pertinent invoices, includes the trust agreement and industry standards and comprehensive guidelines regulating the attorney fees.

Advice on Evidence Preservation

The aforementioned information, which the owner independently gathered, can be used to determine the defendant's profits from the infringement as well as to establish the facts and circumstances surrounding it. As a result, the court's decision regarding the amount of statutory damages will be influenced. Another practical method of acquiring evidence to achieve substantial compensation is to request evidence preservation from the court.

It is nevertheless worthwhile to apply for evidence preservation even though it might not be accepted. Applying for evidence preservation should be done in the following ways:

- Investigate the defendant's operating status in advance and make an effort to obtain and discover the specifics of any pertinent financial documents. Engage in open dialogue with the court, outlining the specifics of the case, the need to preserve the evidence, and the possibility of infringement.

- The owner may think about asking for the extraction of evidence held in state agencies, such tax departments, in addition to asking the court to preserve the financial records preserved on the defendant's property. However, there is a minimal likelihood that the court will approve this method of evidence gathering, and even if it does, getting this evidence will not be simple. In case the financial records of the defendant can be effectively maintain, a court audit should be conducted.

Owners of intellectual property may rely that China will uphold such rights. The owner could gather proof from all sources and attempt to maintain their own legal rights under the current court system in order to safeguard respecting the parties' legal rights and interest's fullest degree possible. The owners and their attorneys must work together to achieve a favourable lawsuit outcome, and they must have the attitude that infringement will not be allowed.

Compensation for Damages in Counterfeiting Cases: A Moroccan Perspective

According to Moroccan law and case law, including the majority of judgments rendered by commercial courts, a trademark owner may elect to seek "full compensation" for genuine losses experienced and profits made as a result of the illegal action. Even if the judge calls in a technical expert, the trademark owner will still need to prove the validity of their claim, which might be quite challenging. As a result, plaintiffs typically opt to assert the statutorily "pre-

established damages"¹⁸ in order to avoid having to demonstrate the full degree of their losses. The quantity of counterfeit items confiscated from the infringer's business is taken into consideration when a court determines the amount of compensation to be paid within the predetermined range for pre-established damages. Only where the infringement is a small "non-manufacturing" dealer can the judge consider the question of good and bad faith. On the other hand, regardless of their good intention, a manufacturing infringer is considered to be a counterfeiter and is subject to compensation. Last but not least, the Moroccan judicial system does not determine the conditions of compensation based on the worth of fictitious licencing agreements.¹⁹

Legal Framework for Compensation

From its first law on industrial property (June 23, 1916), which only provided for minor financial penalties, to Law No. 17-97 on the Protection of Industrial Property (IP Law), which grants the right to seek full compensation for damages incurred or to seek the pre-established damages set by the legislator, Morocco has made significant progress in addressing the issue of civil compensation in counterfeiting cases. Later, provisions under Laws Nos. 23-13 and 31-05 were added to and altered the pre-established damages clause in Article 224 of IP Law No. 17-97, raising the minimum and maximum pre-established damages, respectively, from MAD 5,000 and MAD 25,000 to MAD 50,000 and MAD 500,000.

Morocco has ratified a number of international agreements, including agreements with the World Trade Organization (WTO), such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), and treaties run by the World Intellectual Property Organization, such as the Trademark Law Treaty, which are in line with international standards.

Legal Basis for Assessing Compensation

The Moroccan IP Legislation No. 17-97's Article 224 sets a singular compensation provision that is unmatched by any other national law, namely that the trademark owner may select between two possibilities when they begin their proceedings:

- **FULL DAMAGES:** Subject to the court's discretion, the owner of the trademark may seek full compensation for losses brought on by the act of counterfeiting. This choice is subject to normal legal principles. The burden of evidence rests with the plaintiff, who must

¹⁸ S. A. Edelman and Terence P. Ross. *Intellectual Property Law Damages and Remedies: Updated through Release 4*, New York: Law Journal Press, p. 2-25, 2003.

¹⁹ *Montgomery v. Noga*, 168 F.3d 1282 (Eleventh Cir. 1999).

demonstrate the validity of his or her claim and show that the infringement caused genuine losses and a loss of profits. Although it would be quite simple to demonstrate a decline in sales volume by providing financial documents, this responsibility can be very tough. Given the low amount of fake products most infringers offer for sale owing to the possibility of "descriptive seizures,"²⁰ it is really still hard to prove that such a decline was caused by the infringement. Furthermore, it is difficult to estimate the number of fake items sold and the illegal earnings made because the majority of dealers who deal in counterfeit goods do not keep regular books of accounts.²¹

- **PRE-ESTABLISHED DAMAGES:** Alternately, the owner of the trademark may demand pre-determined damages for imitation specified by the legislature. Owners of trademarks who lack the resources to demonstrate the full extent of their losses and/or knowledge of the amount of lost income the infringement diverted will benefit from this privilege. It is a defined sum of money intended to make up for losses suffered by the trademark owner even in situations when there are no actual losses, such as when fake products are intercepted at a port before reaching the domestic market. Case law has shown that importers of fake products are accountable for significant damages even if the fake items in question were not offered for sale or distribution to the general public. The trademark holder is not required to provide evidence of damage under this option. The Casablanca Commercial Court of Appeal determined that the appellant's claim that the trial court failed to establish the extent of the loss suffered or the necessary reparation costs incurred by the trademark owner lacked merit in its decision no. 3280 of May 31, 2017, issued in case file no. 2017 8211-18450, given that pre-established damages are awarded as presumptive compensation without requiring the plaintiff to establish the extent of the damage. As a result, the Court rejected the case and upheld the trial judge's decision.

Criteria for Assessing Compensation

Numerous decisions made by Moroccan commercial courts, most notably the Casablanca Commercial Court of Appeal, have included the quantity of counterfeit goods seized or sampled in the calculation of damages due to the wide range set for pre-established damages, i.e. between MAD 50,000 and MAD 500,000. Additionally, while determining compensation, the sort of dealer selling counterfeit items is also taken into consideration. In fact, the amount

²⁰ *Integra Lifesciences I, Ltd. v. Merck KGaA*, 331 F.3d 860 (Fed. Cir. 2003) and *Integra Lifesciences I, Ltd. v. Merck KGaA*, 2004 WL 2284001 (S.D.Cal. 2004).

²¹ *Nintendo of America, Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1010 (Ninth Cir. 1994), cert. denied, 515 U.S. 1107 (1995).

of compensation may differ depending on whether the defendant is a major professional dealer who sells big amounts of these counterfeit items or a small trader who only sells a little quantity. The majority of decisions in these situations have provided the MAD 50,000 in minimum pre-established compensation. In this context, it is important to remember that a court cannot grant a settlement below MAD 50,000 even if it does not deem it appropriate given the defendant's financial situation. This applies, for instance, when only a small number of fake goods were seized from the defendant's shop, which generated annual sales of no more than MAD 50,000.

Conclusion

In the modern world, IPR is a field of work that is continually expanding. The range of intellectual property rights (IPR) has significantly expanded since India became one of the principal signatories to the Trade-Related Aspects of Intellectual Property Rights (TRIPS). As a result of the cases' quick escalation, it is believed that IPR conflicts are numerous in number, as evidenced by the backlog analysis of the ongoing IPR litigation. When damages are fundamentally estimated incorrectly and result in an appeal to a higher court and ultimately the Supreme Court of India, they advance the IPR litigation. Given the current situation, every layperson today should spend some time investigating any prior registration of the aforementioned intellectual property rights before starting a business, patenting an invention, copyrighting an artistic creation, or registering a trademark or logo to avoid dealing with a lawsuit for infringement and ultimately having to pay the other party for the infringement. Therefore, damages are essential in IPR to resolve IPR disputes. The natural and direct repercussions of the infringement as well as any subsequent loss of goodwill and reputation are some of the factors to be considered when calculating damages in infringement cases. To seek punitive/monetary damages from the opposing party, it is crucial to present the proper legal proof of the damage and a valuation of it. Courts usually employ the more straightforward way when determining the harm caused by a loss of goodwill and reputation, even though it is easy to quantify the real loss caused by a loss of business and a loss of profit.

When determining damages in infringement situations, it is important to take into account the natural and immediate effects of the infringement as well as any eventual loss of goodwill and reputation. It is essential to provide the appropriate legal evidence of the damage and an assessment of it in order to demand punitive/monetary damages from the opposing party. Even while it is simple to calculate the actual damage caused by a loss of business and a loss of profit, courts typically choose the simpler approach when establishing the harm caused by a loss of goodwill and reputation. It has been highlighted that, in some instances, damages for

reputational or goodwill injury are not usually given, even when the court recognises an act of infringement and takes proper action to cease the violation of another person's rights. The only formula used by the court to determine damages for a loss of reputation or goodwill is known as the "Double and Treble Formula." For instance, in *Time Incorporated v. Lokesh Srivastava and Anr.*²² the High Court of Delhi just increased the punitive damages to reflect the loss of reputation and goodwill. However, not all situations need using this formula. It is essential that we have more nuanced and specific guiding principles or elements in order to evaluate the level of harm caused by a loss of reputation and goodwill. Currently, there is no system of accepted guidelines for determining damages in a wide range of difficult instances, particularly those including reputational and goodwill loss. What types of evidence must be shown in order for the court to determine the monetary damages to make up for the loss of reputation or goodwill is unclear from the standpoint of a practitioner? It might not be wise or suitable to simply multiply punitive damages by two or three times the real loss. It may take less, more, or even much less time, money, and effort to develop a reputation and goodwill than the assets are worth. Infringement or passing off can harm reputation and goodwill in a way that is proportional to their value. It is necessary to take these nuances into account in order to calculate damages correctly. This jurisprudence must develop, evolve, and meet the needs of the economy and society by applying intelligence to these varied difficulties. This area of law is still relatively undeveloped. A stringent set of criteria for estimating damages for reputational and goodwill loss should be established.

²² [1] 2006 131 CompCas 198 Delhi. <https://indiankanoon.org/doc/1152738/>