General – Option 2

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 diverted sales.

This issue was not addressed in detail in the study leading to the Resolution on "Quantification of monetary relief" (Sydney, 2017). Accordingly, that Resolution did not resolve how monetary relief should be quantified in relation to infringing acts other than sales. This important area therefore remains to be studied. Very few jurisdictions have case law in this area, yet infringement arising from acts other than sales is commonly alleged in IP infringement litigation.

The damage attributable to infringement for acts other than sales could be notional. This may be so as to avoid double recovery in situations where there is also a proven act of infringement arising from acts of sale, e.g. an advertisement/offer to sell followed by a sale. However, 'pure' non-sales infringements that have no associated act of sale in the same timeframe can involve a more 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. This approach has found favour in some U.S. cases: *City of Aurora v. PS Sys.*, 720 F. Supp. 2d 1243 (D. Colo. 2010); *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.*, 699 F.3d 1340, 1358-59 (Fed. Cir. 2012)

(b) whether extensive offers for sale can 'smother' the patentee's own marketing efforts and detract from the patentee's own sales.

The damages appropriate for different types of infringing acts other than sales may also require different considerations. For example, 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?