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IP Court's view of patent contribution rate

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Introduction

The damages calculation for patent infringement litigation is determined by the IP Court pursuant to the calculation method claimed by the patentee – for example:

- the injury suffered and the interests lost;
- the difference between the profit earned through patent exploitation after infringement and the profit normally expected through exploitation of the same patent;
- the total profit;
- a reasonable licensing fee (Article 97 of the Patent Act); and
- evidence submitted by the parties.

Although there have been cases in the past in which infringers have claimed that the patent contribution rate should be used as the basis for determining damages, some IP Court judgments have ruled that using the patent contribution rate as basis to calculate damages lacked legal basis, while others acknowledged the calculation of damages based on the patent contribution rate or recognised the concept of the patent contribution rate but did not adopt it to calculate damages based on the facts of the relevant case.

Decisions

Patent contribution rate rejected

There have been a number of judgments in which the patent contribution rate was rejected as the basis for the calculation of damages due to lack of legal basis. In the IP Court's civil judgments 102-Du-Min-Zhuan-Zi 4 (October 17 2013) and 102-Di-Min-Zhuan-Shang-Zi 16 (November 28 2013), the infringer claimed that the court should take the patent contribution rate into consideration when calculating damages; however, the court rejected the claim by ruling that Article 85(2)(1) of the Patent Act did not require such a condition. Damages were therefore ultimately calculated based on the loss of profit as a result of the infringer's actions.

Patent contribution percentage recognised

There have been a number of judgments in which the patent contribution percentage was recognised as a factor to be considered when calculating compensation.

In civil judgment 99-Year-Du-Zhuan-Su-Zi 156 (February 22 2012), the IP Court considered how the profit and technology of the infringing product was affected by the patent's contribution when determining the reasonable royalty:

> *"The court has considered that the abovementioned estimated figures and facts can prove infringement. It has also considered the fact that the Plaintiff is a professional research institution and that the Defendant is an internationally-renowned mobile phone brand. Given that the patent at issue has not been licensed to others, and owing to its level of contribution to the profitability of the alleged infringing products and technology, as well as the alleged infringing products' market share and the Plaintiff's evidence with respect to difficulty in*

proving the quantum of its damages, the court agrees that the Plaintiff can at least demand that the Defendant be jointly liable for the reasonable royalty of NT$3 million."

In IP Court civil judgment 100-Year-Du-Min-Zhuan-Su-Zi 63 (November 28 2011), when calculating the damages suffered from the patent infringement, the court took into account the contribution of the product at issue (a tyre bead breaker) to the tyres. It also considered the fact that although ordinary consumers or retailers would not buy such a product on its own, all tyres generally come with a tyre bead breaker. As such, the latter would comprise an indispensable component when selling tyres (tyres cannot be easily transported or stocked without it). Therefore, the court held that after deducting the cost of the product, its contribution to each tyre would still be at least NT$5, based on which the court calculated the infringer's profit.

In IP Court civil judgment 102-Year-Du-Min-Zhuan-Shang-Zi 3 (November 14 2013) the court also considered the contribution of the patented technology to the profit or technology of the alleged infringing product when determining the damages suffered:

> "The court considered the royalty for similar technologies by adopting the equitable principles and deduced the licensing agreement's features and scope based on the facts of infringement as well as the market positions of the licensor and licensee, the contribution of the patented technology to the profit or technology of the infringing product and the infringing product's market share etc. to arrive at an appropriate and reasonable royalty. It also considered existing evidence when determining the damages to be awarded in the case."

Use of patent contribution rate on case-by-case basis

There have been a number of cases in which, even though the concept of the patent contribution rate was accepted, it was not used as the basis of calculating damages due to the facts of each case.

In IP Court civil judgment 100-Year-Du-Min-Zhuan-Su-Zi 61 (June 28 2012) the infringer argued that the patent at issue was one of 400 patents in DVD6C and that the patentee would be entitled to only 1/400 of its claimed amount. The court rejected the infringer's argument on the following grounds:

- The infringer failed to prove that it needed to use all 400 of DVD6C's patents to manufacture its DVD-R and the royalty percentage that the patent at issue and the remaining 399 patents accounted for.
- The patent at issue constituted a part of the DVD specifications. Its technological characteristics were integrated into DVD-R discs and could not be isolated. Further, without the technology of the patent at issue, DVD-R discs would be worthless. There was therefore evidence that the patent contribution rate was 100%, and the infringer's argument that the damages to be paid to the patentee should be based on 1/400 was groundless.

In IP Court civil judgment 101-Year-Du-Min-Zhuan-Su-Zi 34 (January 25 2013) the infringer claimed that when calculating the damages of patent infringement the court should be required to deliberate on the contribution of the patent technology to the profit of the alleged infringing products sold by the infringer, with market information duly investigated for support. The court held that since any such market survey would be unable to disclose the number of consumers who would consider the style relating to the patent at issue as their primary or secondary concern, such a survey would not reflect the true percentage of the style with respect to influencing a consumer's purchase of the machine. Therefore, the court did not adopt the approach of the patent contribution rate when determining damages.

In civil judgment 101-Year-Du-Min-Zhuan-Shang-Zi 7 (December 27 2012) the infringer argued that, based on the contribution of the patent, the overall price of the product at issue (a brassiere) should not be used for calculating damages. The court had determined that when selling the product the infringer had stressed in its product catalogue that it possessed an N-shaped supporting strip – a feature of the patent at issue – and that such a supporting strip could not be sold separately. As such, the profit

obtained by the infringer from its infringement should be assessed based on the overall price of the product at issue.

Patent Act

Although the Patent Act does not expressly provide for consideration of patent contribution with respect to damage calculation, there is still a legal basis for the court to use it when determining damages. If the parties are unable to calculate the damages suffered by the patentee under Article 97 of the act, or if there is significant difficulty in proving such damages, the court can determine the damages based on Article 222(2) of the Code of Civil Procedure by considering the relevant facts and evidence – for example:

- the royalties for similar technology and patents; • the features and scope of licence agreements deduced from facts of infringement; • the market positions of licensor and licensee;
- the contribution of the patented technology to the profit of infringing products or technology; and
- the infringing product's market share.

Comment

Based on the abovementioned IP Court judgments, when considering whether to accept the patent contribution rate as the basis for determining damages, the facts and evidence furnished by the parties play a key role. If the infringer can provide facts and evidence with respect to the contribution of the patented technology to the profit for the infringing product, the court would be more inclined to accept it instead of determining damages based on the overall profit of the infringing product. If the patentee can prove that the patent at issue has made a 100% contribution to the product at issue, it is likely to convince the court to determine the damages based on the entire amount of profit for the infringing product. The current practice of an infringer using the patent contribution as the basis for determining damages remains limited. It is yet to be seen what the court's specific standards for determining the patent contribution rate will be.

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