Trademark Infringement & Damage Calculations

An Analysis of the TutorABC vs. HiTutor Legal Dispute

Educational Breakdown of Burden of Proof and Trademark Valuation

Source: Intellectual Property and Commercial Court, Civil Judgment 109 Min Shang Shang Geng (1) Zi No. 2 (112060102). Supreme Court Judgment 109 Tai Shang Zi No. 2161.

The Crux of the Dispute

Legal Focus: Trademark Act, Article 71, Paragraph 1, Subparagraphs 2 & 3.

The Formula:
Damages = Infringer's Profit

If an infringer cannot prove their exact costs, how much of their gross revenue legally belongs to the trademark owner?

The Marks in Question

PLAINTIFF

TutorABC

TutorABC TutorABC

TutorABC TutorABC
ENGLISH @NYTIME, ANYWHERE

Reg. Nos. 01278886, 01278887, 01281166, 01350634.

Classes: 35, 41, 42.

Status: Registered since 2006. Claimed as a highly recognizable, famous trademark.

DEFENDANT

HiTutor
Say Hi to the World !

Reg. No. 01679992.

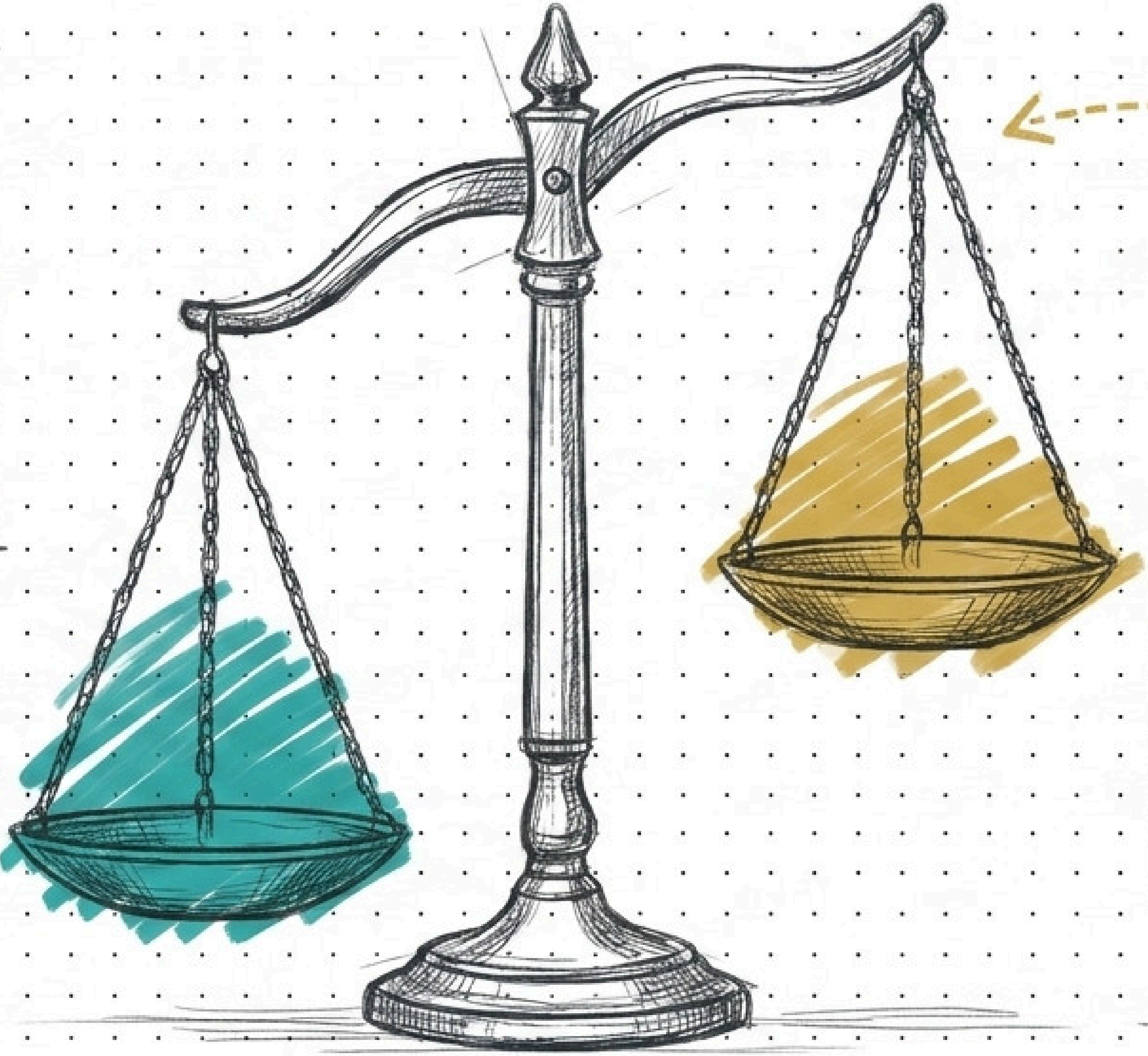
Class: 41 (Tutoring).

Status: Used since July 2010.

Opposing Stances

PLAINTIFF (TutorABC)
- Largest domestic online English platform.

- Malicious registration of ‘HiTutor’ by competitor.
- Demand: TWD 10 Million in damages.



DEFENDANT (HiTutor)
- Already ceased use (rebranded to ‘Hi Family Tutor’).
- Actual consumer confusion cases in the 'single digits'.
- Online education relies on free trials, not just trademarks.
- Defense: Profit was actually negative (-107 Million TWD) after costs.

- Demand: Total reduction of damages (Article 71(2)).

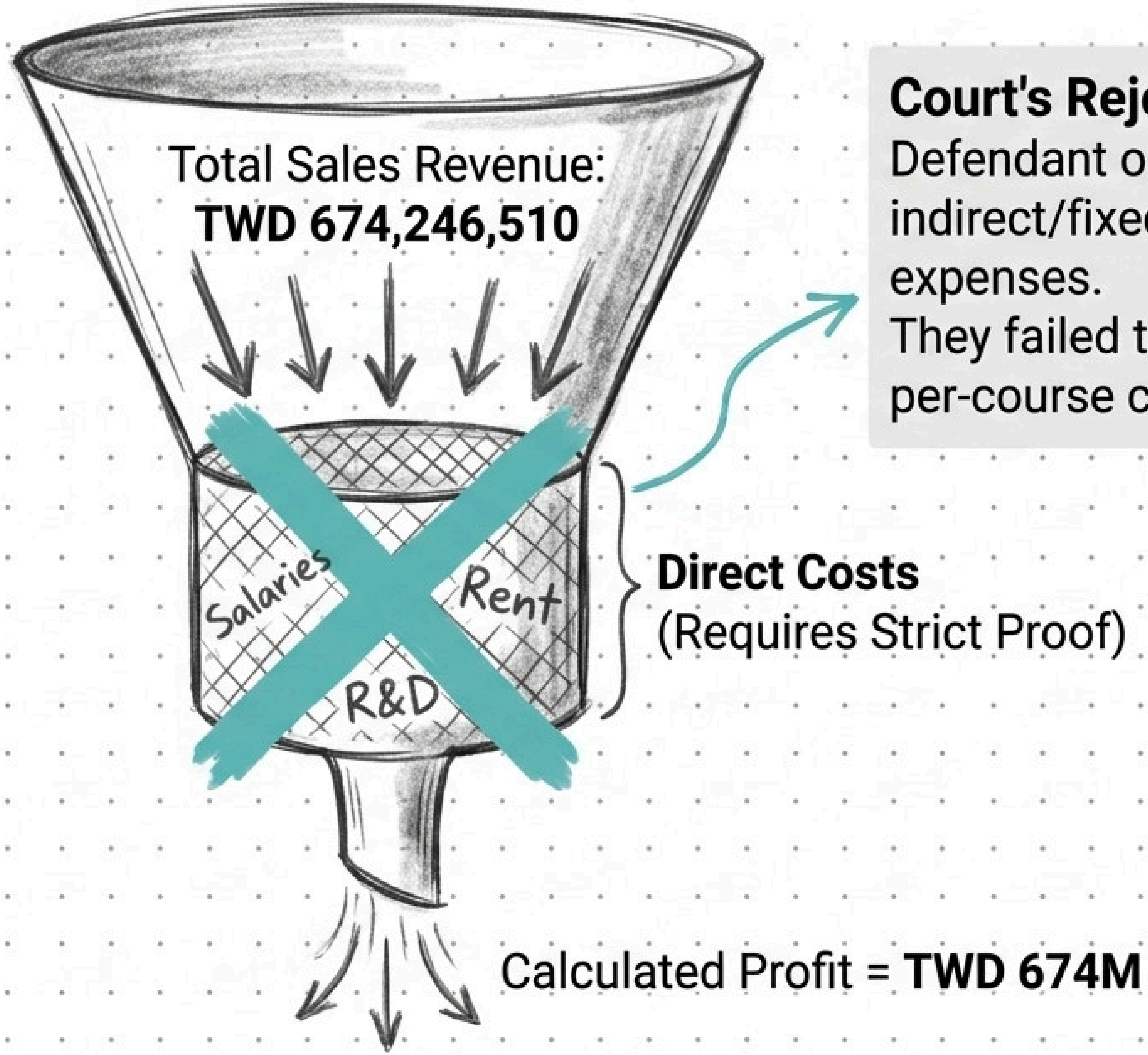
The Final Ruling

1. Strict Injunction:
Defendant is permanently prohibited from using identical or similar names, domains, and logos.

2. Financial Penalty:
Defendant must pay **TWD 10,000,000**

3. Accumulated Interest: Plus 5% annual interest starting retroactively from January 11, 2017.

Court Logic I: The Cost Filter Failed



Court's Rejection:
Defendant only submitted indirect/fixed operating expenses.
They failed to prove direct per-course costs.

The Legal Rule:

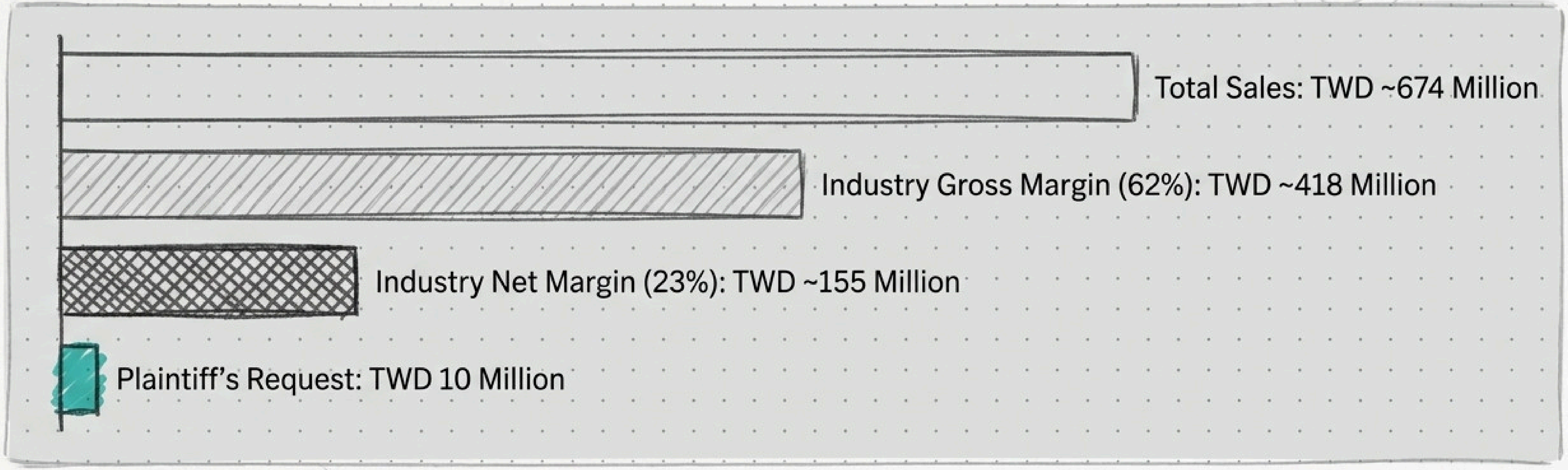
Under **Article 71(1)(2)**, if the infringer cannot prove direct costs, the burden inverts:

Total Revenue = Profit.

Baseline for damages becomes **TWD 674M**.

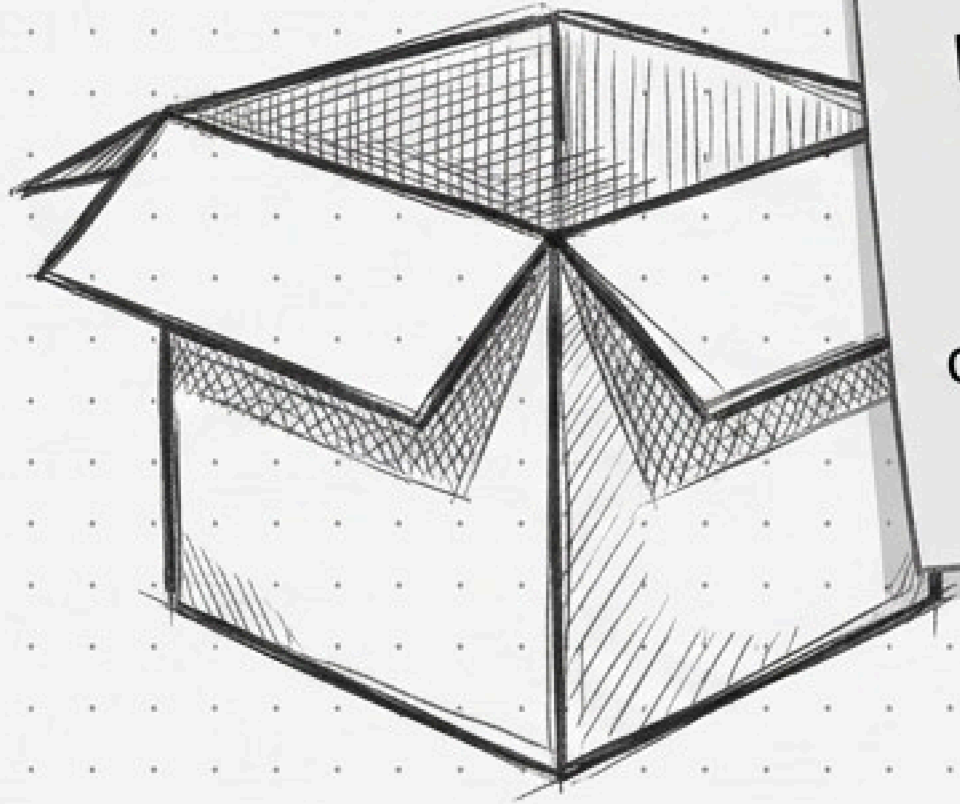
Court Logic II: The "Even If" Scenario

What if we applied the Ministry of Finance Industry Standards for Educational Services (Code 857999)?



The Takeaway: Any realistic profit calculation yields an amount massively exceeding the TWD 10 Million requested.

Court Logic III: Branding in the Digital Age



Defendant's Myth: Trademarks don't matter much for online tutoring; consumers only care about free trials.

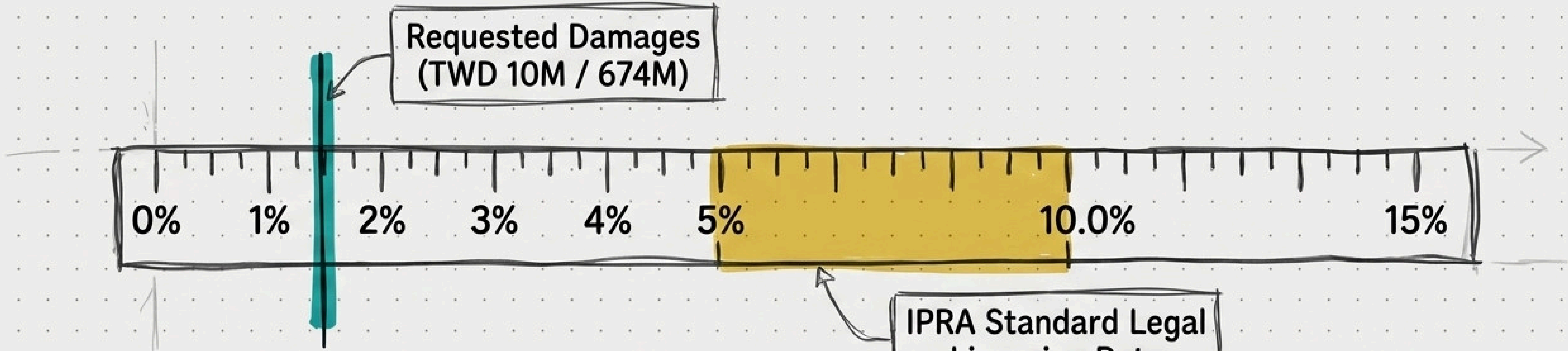
Court's Rebuttal: **Intangible services rely exponentially more on brand trust precisely because there is no physical product to inspect beforehand.**

Can inspect quality before buying.

Trust relies 100% on the **Brand Name.**

Legal Precedent: It is factually impossible to cleanly separate 'brand revenue' from 'product revenue' in digital services. Therefore, the law assigns all infringing revenue to the trademark owner.

Court Logic IV: Preventing the "Infringement Discount"



Intellectual Property Research Associates (IPRA) sets standard trademark licensing rates at 5-10% of net sales.

If the financial penalty for illegal infringement (1.4%) is cheaper than the cost of a legal license (5-10%), the law essentially encourages trademark theft.

Therefore, TWD 10M is highly reasonable.
No reduction granted under Article 71(2)

Final Verdict: Key Takeaways & Business Implications

- **1. Strict Proof for Direct Costs:** Infringers cannot deduct general operating expenses (rent, salaries). Only direct service costs count, requiring strict evidentiary proof.
- **2. The Gross Revenue Threat:** Failing to prove direct costs triggers a legal "burden inversion"—your total gross revenue becomes the baseline for damages.
- **3. Digital Brand Supremacy:** Courts recognize online services rely heavily on brand trust. "Trademark contribution" arguments rarely succeed for digital products.
- **4. The Licensing Floor:** Courts will not award damages lower than standard legal licensing fees (5-10%), to prevent incentivizing IP theft.

Protect your IP; respect the rights of others.