

TRADEMARK INFRINGEMENT & DAMAGE CALCULATION



The Anatomy of a Trademark Dispute: Premium Chain vs. Local Shop

An educational case study on calculating infringement damages and applying discretionary reduction.

Source: Intellectual Property and
Commercial Court, 2022 Min Shang
Su Zi No. 28 Civil Judgment.

Date: 112020103

THE TWO PARTIES

THE PLAINTIFF: MALA

- **Industry:** Premium Spicy Hot Pot chain.
- **Status:** Registered trademark owner (Reg No. 01231917).
- **Scale:** High brand recognition, 8+ direct stores, multiple co-branded products.
- **Target Market:** High-end dining, premium ingredients, high average spend.

THE DEFENDANT: MA MA

- **Industry:** Local spicy boiled food / small hot pot.
- **Status:** Single independent shop (Capital: 190,000 TWD).
- **Scale:** Regional, localized footprint. Business closed in Oct 2021 due to pandemic losses.
- **Target Market:** Budget dining, limited ingredients, low average spend.

EXHIBIT A: VISUAL SIMILARITY



The Court's Observation: Both logos prominently feature a uniquely designed primary character. Despite the Defendant's added complexity, the degree of visual similarity remains remarkably high.

ESTABLISHING INFRINGEMENT

1. Identical / Similar Services

Both parties operate within Class 043 (Restaurants, Hot Pot).



2. High Visual Similarity

Defendant used an expanded, complex design, but the primary visual anchor remains confusingly similar to the registered mark.



3. Likelihood of Confusion

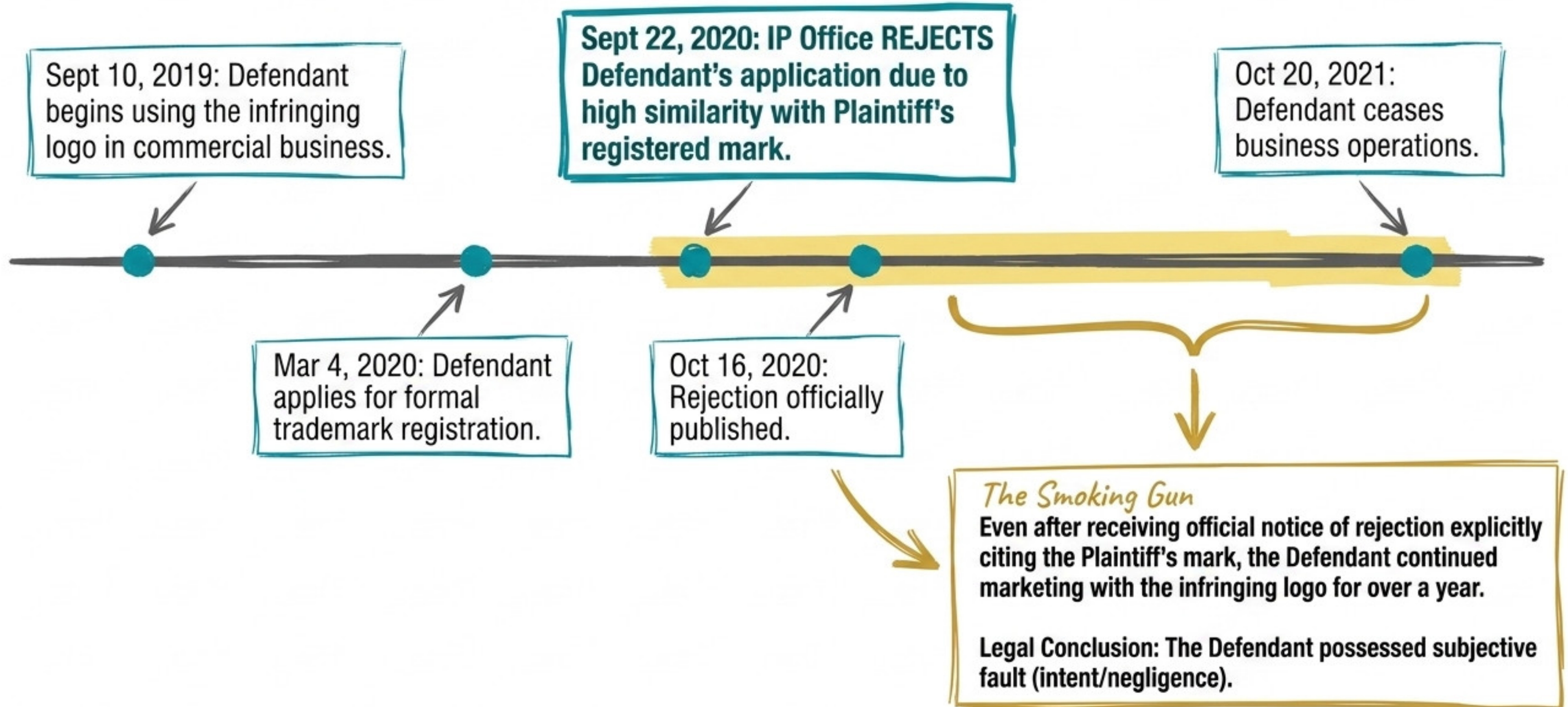
Consumers using ordinary care might misidentify the source or assume a franchise, licensing, or corporate relationship exists.



The Verdict

Violation of Trademark Act, Article 68, Paragraph 3.
The Defendant infringed on the Plaintiff's trademark rights.

ESTABLISHING INTENT (MENS REA)



CALCULATING DAMAGES: GROSS VS. NET

Defendant's Argument:

We operated at a total loss due to the pandemic. Damages should be based on Net Profit (after deducting indirect costs and taxes).



The Court's Ruling:
Damages are strictly based on Gross Profit.

The Legal Standard (Trademark Act, Article 69 & 71)

To solve the inherent difficulty of proving exact financial damages, the law provides a special mechanism. The trademark owner only needs to prove the infringer's total revenue. The law relies on accounting Gross Margin, not Net Margin, specifically to prevent infringers from hiding behind poor business management or arbitrary cost deductions.

THE INFRINGEMENT REVENUE FORMULA

Monthly Revenue:
Acknowledged base
operational income.

80,000 TWD

Months: Annualizing
the revenue.

x 12

x 45%

Industry Gross Margin:
Based on the 2021
Taxation Bureau standard
for the Restaurant
Industry (Code 5611-15).

x 2.11

Duration: 2 years, 1 month,
and 10 days of infringement
(Sept 2019 to Oct 2021).

= 912,000 TWD

**Initial Calculated
Damages: 912,000 TWD**

ASSESSING COMMERCIAL REALITY



The Plaintiff's Reality:

- Premium national chain.
- High-end ingredients.
- Multiple direct locations.
- Massive marketing budget.

The Discrepancy

While the trademarks are similar, the business scales are **vastly different**. Consumers choose the Defendant's shop primarily for local convenience and low price, not just because of the logo.

Is it fair to attribute 100% of the Defendant's 912,000 TWD gross profit entirely to the power of the Plaintiff's trademark?



The Defendant's Reality:

- Single small shop.
- Low-cost ingredients (braised food).
- Capital of only 190,000 TWD.
- No geographical overlap with Plaintiff at the time.

APPLYING DISCRETIONARY REDUCTION

The Equitable Power

Under Trademark Act, Article 71, Paragraph 2, the court holds the power to reduce statutory damages to align with the principles of equity and fairness.

912,000 TWD
(Calculated Gross Profit)

*Reduced
to 15%*

136,800 TWD (Final Award)

The Court's Justification

The court recognized that holding a small, failed local shop liable for **nearly 1 million TWD based on the brand power of a massive premium chain** violates the principle of **proportionality**. The trademark infringement was only a **minor factor** in the Defendant's **local revenue generation**.

(Note: Interest applied at 5% annually from May 27, 2022).

FINAL TAKEAWAYS & STRATEGIC INSIGHTS



1. Ignoring Official Warnings is Costly

Continuing to use a mark after the IP Office issues a rejection notice instantly elevates your liability from accidental to intentional. Ignorance is no longer a valid legal defense.



2. Gross Margin is the Baseline

In infringement lawsuits, you cannot hide behind the excuse "we lost money". Courts will calculate financial damages industry-standard Gross Margins (e.g., 45%), ignoring your poor operational net profits.



3. Equity Saves the Small Player

Courts will actively exercise Discretionary Reduction (Article 71) if attributing all profits to the trademark violates common sense. Market scale, regionality, and price disparity matter heavily in final calculations.

A victory for IP protection, balanced perfectly by commercial realism.