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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
([/government/organisations/hm-revenue-customs](#))

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## CIRD220240 - Patent Box: relevant IP profits: relevant IP income: heads 4 and 5: infringement income, damages, insurance proceeds or other compensation: example

### Example

A UK company discovers that a rival has been manufacturing and selling products in the UK and the US using a process which is protected by patents in both countries which it owns.

It takes action in the courts in each jurisdiction alleging that its patents have been infringed and agrees an out of court settlement under which it receives £10 million compensating for lost sales in both countries.

All of the damages will be relevant IP income. The UK element will qualify under head 4. The US element would not fall within head 4 because the US infringement would not have been in relation to a qualifying IP right. However, because the compensation relates to lost sales and those sales would have come within head 1; the US compensation will fall under head 5.

There is no need to determine the proportion attributable to each head separately.

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