
German Federal Court of Justice on financial compensation of co-authorized persons with regard to patents
(BGH, «*Sektionaltor II*» judgment of May 16, 2017 – Case X ZR 85/14).
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When assessing whether a claim for financial compensation of co-authorized persons is necessary with respect to the principle of material justice, the reasons why the claimant has refrained from making use of the invention are also to be considered.

The amount of the claim for compensation is not necessarily calculated according to the principle of license analogy but may, in exceptional cases, also be calculated based on the profit of a co-authorized person using the invention.

The statutory period of limitation for the claim for compensation does not begin to run only once the co-authorization and the amount of the non-material share has been finally decided.

Facts of the case

The Defendant is the proprietor of two patents. A competitor of the Defendant had filed the complaint. In previous proceedings, the Plaintiff had been granted co-authorization to the patents concerned in the amount of 5 % each.

In the present proceedings, the Plaintiff requested payment of financial compensation from the Defendant who – in contrast to the Plaintiff – had used the patented inventions. The Higher Regional Court of Düsseldorf found that the Plaintiff was entitled to a

claim for compensation, that the amount of compensation was to be calculated according to the principles of license analogy, and that the Defendant had to render accounts on its sales activities and turnover.

Both parties appealed against the decision of the Higher Regional Court of Düsseldorf.

Findings of the Court

a) Relevant criteria for assessing the claim for compensation

It is established case law of the German Federal Court of Justice (BGH) that a person who is co-authorized with regard to a patent of another co-authorized person has a claim for compensation against the latter for its use and exploitation of the invention, to the extent to which this is equitable. It is a recognized fact that the specific circumstances of the individual case need to be considered in assessing whether a claim for compensation of a co-authorized person is equitable. In the present decision, the German Federal Court of Justice clarified that a relevant criterion in this respect is the co-authorized person's reasons for not using the patented invention itself.

The German Federal Court of Justice found that if the possibilities of the co-authorized persons are fundamentally different (for example, in case of an established company having the necessary resources for using and exploiting the invention facing an individual

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inventor), a duty of compensation would generally be equitable. It was stated that in this case, the non-using co-authorized person does not have to explain in more detail why it did not use or otherwise exploit the invention.

The German Federal Court of Justice stated that the case would be different if the co-authorized persons were competitors. In that case, the non-using co-authorized person would have to explain in detail why it was not able to use the invention or why it did not make use of the invention despite the fact that this would have been possible.

In the present case the German Federal Court of Justice decided that the Plaintiff could not reasonably be expected to use the invention before its co-authorization was determined, as the Defendant had acted unlawfully when unilaterally filing the patent applications. Therefore, the Plaintiff was said to have a claim for damages which, according to the German Federal Court of Justice, may include pro rata compensation for the advantages of use drawn by the Defendant. According to the German Federal Court of Justice, the Plaintiff did not have to be exposed to the risk of formal patent infringement, even if, as co-authorized person, it would have been substantively entitled to use the inventions.

b) Calculation of the claim for compensation

The Higher Regional Court of Düsseldorf had used an appropriate royalty as the basis for the claim for compensation. It had justified this by stating that the co-authorized person, when using the patented invention, had acted lawfully, and that under German law various

known claims for compensation are calculated based on an appropriate royalty.

The German Federal Court of Justice agreed with the Higher Regional Court of Düsseldorf in that the claim for compensation was usually to be calculated according to licensing principles. Nevertheless, the German Federal Court of Justice clarified that, in individual cases, a compensatory payment based on the profit might also be conceivable.

For the time up to the grant of the patents, the German Federal Court of Justice made it clear that a claim for compensation based on the profit and a respective claim for rendering of accounts for the profits did not exist, however, as the rules on the compensation for using the subject matter of an invention during the time before the patent grant applied, which were said not to include surrendering the profits made by using the invention. Accordingly, a claim for compensation of a co-authorized person was also said to be excluded.

c) Beginning of the statutory period of limitations

It is a prerequisite of the beginning of the standard statutory period of limitation that the claim has come into existence and that the obligee obtains knowledge of the circumstances giving rise to the claim or would have obtained such knowledge had it not shown gross negligence.

The German Federal Court of Justice held in the present decision that the grant of co-authorization to a patent application or granted patent is no prerequisite for the existence of a claim for compensation, stating that a claim for compensation can also exist if there is no

co-authorization to the patent. Accordingly, the German Federal Court of Justice ruled that the previously pending proceedings for clarifying the Plaintiff's co-authorization to the patents granted to the Defendant did not preclude the beginning of the limitation period. The same was said to apply with regard

to the determination of the amount of the Plaintiff's non-material share in the patents. This was said to be the cause for the reason alone that there is no compelling relationship between the size of the non-material share of the non-using party and its contribution to the advantages drawn by the using party.

Remarks

With the present decision, the German Federal Court of Justice clarifies some legal aspects in connection with the co-authorization in industrial property rights. In doing so, the German Federal Court of Justice essentially tightens the requirements to be imposed on those who request financial compensation of co-authorized persons.

With regard to the basic question as to when a claim for compensation may generally be requested, the German Federal Court of Justice clarifies once more that a co-authorized person may not merely sit back and participate in the efforts of the co-authorized person using the invention. Rather, the non-using co-authorized person will usually have to explain why it itself has refrained from using the invention. However, the German Federal Court of Justice strengthened the position of the non-using co-authorized person in that it does not have to expose itself to the – albeit ultimately unjustified – accusation of patent infringement if the using co-authorized person has unlawfully filed the patent application on its own. In this situation, the co-authorized person may refrain from using the invention until its co-authorization has been clarified, without precluding a claim for compensation.

On the other hand, in this situation, the non-using co-authorized person is required to assert its claims for compensation in parallel with a claim for the grant of its co-authorization; otherwise, it runs the risk that its claims for compensation may become statute-barred. The plaintiff has to put up with the additional cost burden resulting from this parallel prosecution and the respective increased cost risk in case the request for granting co-authorization is unsuccessful.

Calculation of the claim for compensation is no longer limited to the principle of license analogy; rather, in individual cases, the co-authorized person may also request compensation based on the profit made by the using co-authorized person. Unfortunately, the German Federal Court of Justice does not provide any information as to the circumstances under which such an exceptional case could be positively accepted, but merely states that a high profit margin of the using co-authorized person alone is not sufficient.

Finally, the German Federal Court of Justice makes statements about the requirements for the claim for presentation of evidence.