
Higher Regional Court of Duesseldorf on financial compensation of joint proprietors of a patent (Higher Regional Court of Duesseldorf, judgment of March 15, 2018 – Case I-2 U 91/13) – “Sektionaltor III”.

Reported by Nadine Heiartz

Continuation of IP Report of August 24, 2017

When assessing whether a claim for compensatory payment of a joint proprietor of a patent 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 (cf. German Federal Court of Justice, case X ZR 85/14).

Criteria to be considered are the scope of the mutual use of the invention as well as the size of the respective shares in the invention. In addition, in case the joint proprietor of the patent is structurally able to use the invention, it must be considered whether using the invention is possible and reasonable.

Insofar as the reasonableness is concerned, litigation and liability risks have to be taken into consideration in particular.

Facts of the case

The parties are joint proprietors of two patents. The Plaintiff's share in the inventions is 5 % each, the share of Defendant is 95 % each.

In the present proceedings, the Plaintiff requests compensatory payment from the

Defendant for its use of the patented inventions. The Plaintiff itself does not use the inventions.

After the Higher Regional Court of Duesseldorf initially had found that the Plaintiff was entitled to a claim for compensatory payment, the German Federal Court of Justice set aside this judgment and referred the case back to the Higher Regional Court of Duesseldorf for renewed trial and decision, taking into consideration the principles found by the German Federal Court of Justice. One reason for this, *inter alia*, was that German Federal Court of Justice considers the joint proprietor's reasons for not using the patented invention itself as a relevant criterion for the existence of a claim for compensatory payment. However, necessary factual findings in this respect were missing.

Findings of the Court

Other than in its previous judgment, the Higher Regional Court of Duesseldorf now found that the Plaintiff had no claim for compensatory payment and dismissed the complaint.

When assessing whether a claim for equity compensation was available, the scope of the mutual use of the invention as well as the size of the respective shares in the invention must be considered. However, according to



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the findings of the German Federal Court of Justice, these two criteria may not form the sole decisive basis for the assessment. When the non-using joint proprietor in general is structurally capable of using the invention, it rather has to provide valid arguments why it did not use the invention. This particularly applies if – as in the present case – the shares in the invention differed significantly and the contribution of the joint proprietor of the patent requesting compensation was only marginal. In principle, it is up to each joint proprietor to primarily exploit the invention and obtain earnings by its own activities. Only if using the invention itself was impossible or unreasonable, non-usage of the invention may be justified.

In the context of reasonableness, the Higher Regional Court of Duesseldorf takes up the findings of the German Federal Court of Justice. The latter had found that a relevant criterion that must be considered is that the non-using joint proprietor of the patent, before clarification of its co-ownership, is exposed to the risk that claims for patent infringement may be asserted against it. This is because before the co-ownership is determined, the other joint proprietor of the patent may, based on its formal sole ownership, assert respective claims for patent infringement.

The Higher Regional Court of Duesseldorf clarified that the risk of being exposed to respective court proceedings for patent infringement as such do not constitute a sufficient justification for the non-usage of the invention. It rather analyzed in detail the degree of the actual litigation and liability risk. In doing so, it particularly took into consideration the status of the proceedings for grant of the patents as well as the

pending vindication proceedings. The better the chances for successfully proving co-authorization were, the smaller was the commercial risk related to a usage of the invention and the more reasonable was the personal use of the invention, with the consequence that claims for compensatory payment of the non-using joint proprietor of the patent were ruled out – as was the case here.

In addition, the Higher Regional Court of Duesseldorf clarified that considerations based on product strategy (for example non-usage of the invention due to improved techniques that are available in the meantime) were not per se relevant. An equity compensation came into question if the non-using joint proprietor had a significant (maybe equal) share in the invention and significant transactions and earnings were at issue. On the other hand, if the non-using joint proprietor only had a small share in the invention – as was the case here –, one had to assume that the commercial success and turnover of the using joint proprietor were mainly based on its predominant share in the invention. Therefore, in this case, a claim for compensatory payment was not necessary with respect to equity considerations.

Remarks

With the present decision, the Higher Regional Court of Duesseldorf takes up the principles established by the German Federal Court of Justice and further elaborates on them. The practitioner is provided with further specific criteria that must be considered in the individual case.

The judgment once again confirms that generally each joint proprietor of a patent is required to exploit the invention itself and, at the same time, to take the necessary and reasonable risks. A joint proprietor may not merely sit back and participate in the efforts of the other joint proprietor using the invention. In particular, the non-using joint proprietor, whose share in the invention is rather small compared to the share of the using joint proprietor,

has an increased burden of reasoning its decision to not use the invention while still profiting from the efforts of the other joint proprietor using the invention. This is because in case of a respective imbalance of shares in the invention it is assumed that the commercial success of the joint proprietor using the invention is mainly based on its predominant share in the invention.

Only if substantive reasons can be provided by the non-using joint proprietor that using the invention would have exceeded the limits of reasonableness, a claim for compensatory payment may be taken into account. In this context, the litigation and liability risks to which the joint proprietors of the patent are exposed to must particularly be assessed.