Who pays what?
Repartition of damages under German law
Henrik Holzapfel, May 11, 2009

Calculation of damages

<table>
<thead>
<tr>
<th><strong>Enforcement Directive</strong></th>
<th><strong>Sec. 139(2) German Patents Act</strong></th>
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</thead>
<tbody>
<tr>
<td>a) take into account lostprofits which the patentee has suffered, and any unfair profits made by the infringer; alternatively</td>
<td>a) lost profits of the patentee, or b) profits made by the infringer, or</td>
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<tr>
<td>b) royalties which would have been due had the infringer requested authorisation to use the patent</td>
<td>c) hypothetical royalties</td>
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</tbody>
</table>
Infringements – German Patents Act

Direct infringement (sec. 9)

making, offering, putting on the market or using the product which is the subject-matter of the patent, or importing or stocking the product for these purposes

Indirect infringement (sec. 10)

supplying or offering to supply in Germany to a person, other than one entitled to exploit the patented invention, with means, relating to an essential element of that invention, for putting it into effect in Germany, when the third party knows, or it is obvious in the circumstances, that these means are suitable and intended for putting that invention into effect

Direct and indirect infringement

(Patentee; lost profits: € 9 m) P

(Supplier; profits: € 5 m) S

(User; hypothetical royalties: € 2 m; profits: € 3 m) U

- S and U jointly liable for P’s lost profits (€ 9 m) and U’s hypothetical royalties (€ 2 m)
- S liable for his profits (€ 5 m)
- S and U liable independently for their profits?
Distribution chain – lost profits

(Patentee; lost profits: € 9 m) P

(Manufacturer) M

(Distributor 1; market share: %) D1

(Distributor 2; market share: %) D2

• M liable for P's full lost profits (€ 9 m)
• M and D1 jointly liable for 3/4 of lost profits (€ 6 m); M and D2 jointly liable for 1/4 of lost profits (€ 3 m)

Distribution chain – hypothetical royalties

(Patentee) P

(Manufacturer; hypothetical royalties: € 3 m) M

(Distributor 1; hypothetical royalties: € 2 m) D1

(Distributor 2; hypothetical royalties: € 1 m) D2

• Basic principle: hypothetical royalties only once for chain (M-D1 / M-D2)
• Exception: royalties cover additional types of use on one level of chain (€ 2 m from D1 for sale + € 1 m from M for manufacture)
**Distribution chain – infringer’s profits**

(Patentee) \( P \)

(Manufacturer; profits: €6 m)

\[ M \]

(Distributor 1; profits: €3 m; market share: %)

\[ D_1 \]

(Distributor 2; profits: €1.5 m; market share: %)

\[ D_2 \]

- Approach 1: Profits independent on each level of chain
  (€6 m from M + €3 m from D₁ + €1.5 m from D₂)
- Approach 2: Joint liability for highest profits in chain
  (€6 m from M; €4 m jointly from M and D₁ [⅔ of €6 m];
  €2 m jointly from M and D₂ [⅔ of €6 m])

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**Your contact**

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Member: German Association for the Protection of Intellectual Property and Copyright (GRUR)

**Practice Areas**

Patent litigation, unfair competition.

**Languages**

German, English.
Thank you for your attention