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Who pays what?

Repartition of damages under German law

Henrik Holzapfel, May 11, 2009



Calculation of damages

Enforcement Directive

- a) take into account lost profits which the patentee has suffered, and any unfair profits made by the infringer; alternatively
- b) royalties which would have been due had the infringer requested authorisation to use the patent

Sec. 139(2) German Patents Act

- a) lost profits of the patentee, or
- b) profits made by the infringer, or
- c) hypothetical royalties



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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**

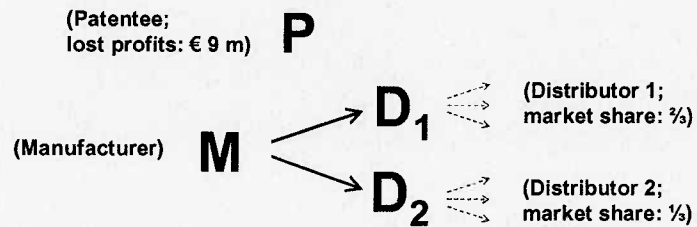
(Supplier;
profits: € 5 m) **S**



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

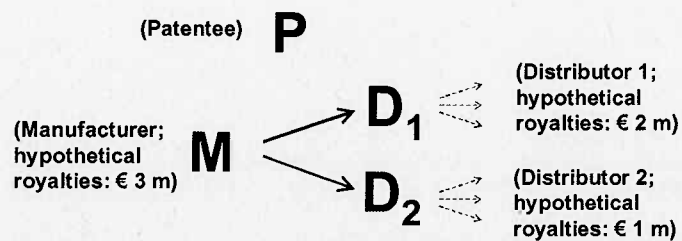
- S and U jointly liable for P's lost profits (€ 9 m) and U's hypothetical royalties (€ 2 m)
- S liable for his profits (€ 5 m)
- S and U liable independently for their profits?

Distribution chain – lost profits



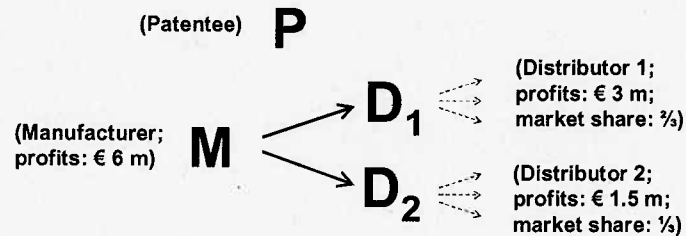
- M liable for P's full lost profits (€ 9 m)
- M and D₁ jointly liable for 2/3 of lost profits (€ 6 m);
M and D₂ jointly liable for 1/3 of lost profits (€ 3 m)

Distribution chain – hypothetical royalties



- 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



- 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 [⅓ of € 6 m])

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Practice Areas

Patent litigation, unfair competition.

Languages

German, English.

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Thank you for your attention

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