

Damages for “Endangering” of Patents?

New German case law with regard to contributory patent infringement

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Protection from contributory (or indirect) patent infringement plays an important role among the rights of the patent owner. Contributory infringement is often being put to use effectively against offers of exchange or spare parts. It can amount to particular importance if a direct infringement is being committed by a number of different persons, with the means to carry out such infringement coming only from one or a few manufacturers. In this case, it can be much more economic to proceed against the few suppliers with a prohibition of contributory infringement. Claims based on contributory infringement are even the only possibility of the patent owner to enforce his patent rights if the patent is used directly by private persons for non-commercial purposes. The scope of a patent does not cover actions in the private area for non-commercial purposes. Such actions are allowed, but not the shipping or the offering of the means for such (private) actions. If a contributory patent infringement is factually given, it is possible to take measures in advance of possible (direct) infringement. One can already take legal action against the so-called endangering of patents.

Because of the importance of contributory infringement as laid down in § 10 German Patent Act, German patent practitioners welcome a number of important decisions recently rendered by the Supreme Court and the most frequented appeal court of Germany, the Düsseldorf Court of Appeals, clarifying some central questions with regard to the enforcement of patents against contributory infringers.

The examination of the facts of contributory patent infringement raises many questions. In contrast to direct infringement, the question of contributory infringement and its legal consequences depends much more on the circumstance of the individual case. This is because

with contributory infringement, the shipping or offering is not directly infringing, but, as the case may be, merely the action of an additional person to whom the product is being shipped or offered. It often happens that the means shipped by the contributory infringer can be used not only in an infringing manner but also patent-free (legally). In such cases the courts are examining very closely whether a contributory patent infringement is given and how far the claims of the patent owner reach, that is whether he is being granted the right to ask also for cease and desist of the offering and shipping of means that can be used patent-free, or whether a warning on the products suffices, or an obligation of the recipient of the means for contributory infringement to pay a contractual fine in case he uses these means in a patent infringing way. It is also questionable whether damages can be claimed in cases in which the means offered or shipped may also be used patent-free. The new decisions of the Supreme Court and the Court of Appeals Düsseldorf are giving concrete guidelines to the instance courts to answer these questions in a consistent way.

As the author already explained in Patent World/November 2004, the facts in cases of contributory infringement, according to German Patent Law, are showing objective and subjective elements. In the above publication the author elaborated in detail on the Supreme Court decision “Flügelradzähler” which clarified that the objective requirements, that is the external circumstance, do not have to meet high standards.

The objective criteria are already met if the means refers to an essential element of the invention, i.e. if it is capable of interacting functionally with one or more features of the patent claim to implement the protected invention. Only if the feature is completely subordinate for the technical teaching of the invention can it be ignored as a non-essential element of the invention. These criteria set by the Supreme Court in “Flügelradzähler” can be fulfilled so easily that they are even met by many every-day products such as nails and screws etc. In consequence, the requirements for the subjective criteria must be high enough in order to reasonably contain the responsibility of suppliers and vendors to patent owners with regard to products that can also be used patent-free (outside of the patent protection).

The subjective requirement for contributory infringement – the determination of the means for use of the invention - is met without doubt if the recipient of the offer or of the shipment is

planning to apply the means for use of the invention (Supreme Court decision “Antriebsscheibenaufzug”). In principle, what matters in the realization of the subjective criteria for the corpus delicti is the will to act of the person (the recipient or buyer), since he/she has the sole authority to dispose over the shipped object, and consequently only he/she can make the decision to employ the use of the invention with the means offered or shipped to him/her. (Supreme Court decision “Antriebsscheibenaufzug”).

For the plaintiff carrying the burden of proof it is often difficult to prove that the recipient or buyer has planned to employ the means for the use of the invention. For this reason, according to § 10, 1st para. German Patent Act, it suffices that the determination of the means for use in a directly patent infringing manner are obvious according to the given circumstances so that for the determination of this criteria one can resort to life’s experience. In this way experience can speak for a means being determined by the recipient for the use of an invention if the supplier or vendor is recommending to employ the means in accordance with the patent-in-suit. The same can apply if a means, on the grounds of a technical characteristic or purpose, is being tailored to a patent infringing use and is being offered to be employed accordingly. This obviousness needs a high degree of predictability of the determination of the means for direct infringement on the part of the recipient or buyer of the means (Supreme Court in the decisions “Antriebsscheibenaufzug” and “Luftheizgerät”). Such determination is given, for example, if it is being pointed out in a manual to the recipient or buyer to employ the means in a manner that is in accordance with the patent-in-suit, since experience teaches that the recipient or buyer will act in accordance with such instructions or recommendations. This reasoning does not apply, however, if the manual describes also a patent-free use of the means (Supreme Court’s decision “Antriebsscheibenaufzug”). In the latter case it is recommended to wait with suing for contributory infringement until at least one direct infringement can be proven, since then it is sure in any case afterwards that the means had been determined for use of the invention.

Once contributory infringement is established, this does not automatically result in a claim for damages of the patent holder. In cases in which the offered or shipped means can also be used patent-free, it is questionable whether the patent owner has suffered any damage. The damage having to be reimbursed in case of contributory infringement is only the one that arises out of

direct patent infringement of the buyer of the means. The prohibition of contributory patent infringement, according to § 10, 1st para. German Patent Act, is protecting the patent owner in advance of impending acts of infringement on the part of the recipients but does not expand the protected object of the patent in suit beyond the object defined in the patent claims, the use of which is exclusively reserved for the patent owner, according to § 9 German Patent Act. The limitation of the scope of protection of a patent by the patent claims, which is necessary for reasons of legal security, can not be circumvented by the patent owner being granted an exclusive right with the consequence of liability for damages with respect to objects that do not fall under the scope of protection as such (Supreme Court decision “Antriebsscheibenaufzug”). For this reason an “endangering” of the patent is not sufficient to trigger liability for damages of the contributory infringer. Rather, the court has to establish at least one case of direct patent infringement by the buyer or recipient of the offer, according to § 9 German Patent Act, for which the plaintiff carries the burden of proof (Supreme Court decision “Drehzahlermittlung”).

Up until now the question of whether compensation can be claimed for the time before grant of the patent in suit has been debated very controversially. According to Art II § 1 a I German International Patent Treaty Act the applicant of a published European patent application with which he is seeking protection in Germany can claim a compensation appropriate to circumstance of the person having used the object of the application even though this person knew or had to know that the invention uses was subject of a European patent application. For German patents, the liability for compensation for users of an invention of a published patent application is based on § 33 German Patent Act. The Düsseldorf Court of Appeals, in a decision which was also discussed by the author in Patent World, November 2004, was of the opinion that also contributory infringers fall under liability of compensation, because the acts that trigger a contributory infringement are usually only allowed against payment of a license fee.

However, the Supreme Court has rejected the above opinion. The Supreme Court views contributory patent infringement as a special form of participation in another one’s patent infringement which accordingly necessitates a direct infringement as an illegal “main act” (Supreme Court’s decision “Drehzahlermittlung”). However, the use of a patent application does not, in spite of the liability for compensation, constitute an illegal use. For applying the

criteria of “endangering”, as laid down in § 10 German Patent Act, there is no place here for lack of an illegal “main act”. The “endangering” of the rights of the patent owner against which § 10 is supposed to take effect, is excluded in advance.

Further to the claim for damages, another question is central to the patent owner, namely whether he can ask for unlimited cease and desist of the offering and shipping of all means that can be put to use in the patented product, or whether the patent owner has to content himself with a less painful measure against the contributory infringer for stopping further patent infringements by these means, such as the obligation to attach a warning onto the product not to use it in a patent infringing manner or, a little further, an obligation of the contributory infringer to oblige the buyer of the product to pay a contractual penalty if he uses the means in a patent infringing manner.

As a rule one can say that the more means are adapted to the invention, and the less possibilities there are to use the means in a non-infringing manner, the more painful will be the measures enacted by the courts. The courts do render, without hesitation, an unlimited order to cease and desist to the contributory infringer if the offered or shipped means can only be sensibly employed in a patent infringing manner. But also in cases in which the offered or shipped means can be used also in a non-infringing manner, the courts may exceptionally render an unlimited prohibition of supply.

In the (not final) decision “Rohrschweißverfahren” of the Düsseldorf Court of Appeals, which dealt with a particular welding apparatus that could also be employed in a non-infringing manner, the Court thought warning notices and obligations to pay contractual penalties not to be sufficient, because, in this case, it would be clearly discernable for the buyers that the patent owner could never ascertain and pursue any patent infringement committed by them, since the patent owner can not watch the welding operation by himself and from a finished welding connection it can not be detected whether it was achieved in a patent infringing manner or not. A warning notice or an obligation to pay a contractual penalty would not meet the goal to stop further patent infringements, so if the interest of the patent owner is balanced against the interest of the contributory infringer, an unlimited order to cease and desist is appropriate.

The balance of the interests between the supplier or vendor of also patent-free means, on the one hand, and the patent owner on the other hand, has led in an interesting new decision of the Düsseldorf Court of Appeals (“Kaffee-Filterpads”) to a new compulsory measure in addition to the known measures of cease and desist, warning notice and contractual penalty. The Court ordered the contributory infringer (who had infringed the patent by shipping coffee filter pads that could have been easily used also in a non-infringing manner), in addition to attaching a warning notice, to alter also the sizes of the filter pads in such a way that they be no longer compatible with the patented products of the patent owner. The obligation of the contributory infringer to agree for payment of a contractual penalty with each buyer in case the product was used in a manner according to the patent was held to be too drastic since the contractual penalty would substantially impair the business activities of the supplier. If the contributory infringer is a competitor of the owner of the patent in suit, it is likely, according to life’s experience, that the buyer will prefer the offer of the patent owner which is not burdened with the cease and desist order, even if business conditions are otherwise equal, and even if he does not think of a use according to the patent, just to evade, from his point of view, unnecessary complications, or to look for other, less dangerous sources to buy from.

Since, for these reasons, the imposition of a contractual penalty amounts economically to an unlimited prohibition, the Düsseldorf Court of Appeals in its decision “Kaffee-Filterpad” is of the view that only in very special circumstance can the supplier be ordered to ask his buyers for such an obligation. Only in cases when the buyers continue to infringe in spite of the warning notice, but can be stopped from infringing the patent by way of agreement to a contractual penalty, did the courts in the past render orders as to obligations to contractual penalties. However, in cases in which a warning notice seems to suffice, an order to unlimited cease and desist is appropriate, as rendered in the above mentioned decision “Rohrschweißverfahren”.

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