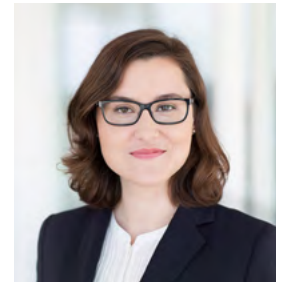

Claims for residual damages with respect to acts for which these claims are statute-barred – German Federal Court of Justice, judgment dated March 26, 2019 – docket no. X ZR 109/16 – Spannungsversorgungsvorrichtung [power supply device]
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In the aforementioned decision, the 10th Civil Senate of the German Federal Court of Justice ruled for the first time that, under patent law, a claim for residual damages with respect to acts for which this claim is statute-barred may also be calculated on the basis of the infringer's profit, and is not restricted to the license analogy method of calculating damages. Accordingly, even where the claim is statute-barred, the infringer is to render accounts with regard to the profit made, deductible costs and advertising carried out.

Facts of the case

The Plaintiff is the proprietor of a lapsed patent relating to a power supply device for providing a supply voltage for electrical devices. The Defendant supplies power supply devices, particularly for German manufacturers of airline seats.

The Regional Court of Mannheim had allowed the action for an injunction, information and rendering of accounts, recall and declaration regarding the obligation to pay damages. The obligation to render accounts also extends to information relating to advertising carried out, production costs and the profit made for acts committed prior to January 1, 2007, thus during the period for which claims are statute-barred.

The Defendant's appeal was largely unsuccessful. The Higher Regional Court of Karlsruhe merely restricted the obligation to pay damages for acts committed in the period for which claims are statute-barred to the restitution of the profit obtained, pursuant to the provisions of the law of unjust enrichment.

In the appeal on points of law, the Defendant opposed the order relating to the rendering of accounts, which included providing information on advertising carried out, production costs and the profit made for the acts committed in the period for which claims are statute-barred. It argued that the Plaintiff is not entitled to use the method taking into account the infringer's profits to calculate its claim for (residual) damages for acts committed in the period for which the claim is statute-barred and that the obligation to provide the aforementioned information is only owed where this method of calculation is also admissible.

The decision of the German Federal Court of Justice

The Senate found that, where the patent proprietor has a claim for residual damages with respect to acts for which the claim is statute-barred, the scope of this claim is not restricted to the method of calculating

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damages based on the license analogy approach. Instead, the patent proprietor may alternatively claim restitution of the infringer's profits. This has previously been disputed in case law and literature and, according to the opinion previously prevailing, claims for residual damages were exclusively calculated according to the license analogy method.

Consequently, the Senate also found that, in rendering accounts, an infringer is to provide information relating to the profit made, as well as production costs and advertising carried out, even for acts of infringement committed in the period for which the claim is statute-barred. According to the principle of accessoriness of the claim for rendering of accounts, the information to be provided is that necessary for enforcing the main claim, *i.e.* the claim for residual damages in this case. Information relating to the advertising carried out particularly ought to be necessary here for verifying the input value indicated by the party liable and for checking the plausibility of this value.

The fact that the infringer's profit is something that the latter has "obtained" at the expense of the party whose rights have been infringed and which the infringer is therefore to surrender, pursuant to the claim for residual damages, at the patent proprietor's option was justified by the Senate in an informative discourse involving systematic and teleological considerations relating to the legal nature of the claim for residual damages based on a compromise between a tortious cause of action and an obligation of restitution:

(1) The Senate initially confirmed its previous case law, according to which the legal nature of a claim for residual

damages under patent law, pursuant to Sec. 141 (second sentence) German Patent Act (PatG), is that of a claim in tort, even if it relates to the law of unjust enrichment in combination with Sec. 852 German Civil Code (BGB) with respect to the legal consequences. In practice, this claim for residual damages is significant, as it persists even when it is statute-barred and it is only in terms of the extent to which it is enforceable that it is restricted to the "profit obtained" as a result of the tort.

(2) In the Senate's view, the "profit obtained" that is to be restituted pursuant to the claim for residual damages is not confined to the use of the technical teaching, for the objective countervalue of which the infringer previously had to pay a reasonable royalty. Instead, the purpose of the claim for residual damages is to impose an obligation on the infringer to surrender their profit and prevent the latter from retaining the advantages they have obtained due to the tortious act and thus which they have obtained at the expense of the aggrieved party.

(3) The obligation imposed on the infringer to surrender the profit made based on acts of use for which the claim is statute-barred justly results in this obligation being imposed on the infringer for both direct and contributory patent infringement. If this obligation were limited to compensation for the value of the use of the protected subject matter, as was previously the case, residual damages would always be excluded for contributory patent infringement, as such infringement does not make use of the subject matter for which

protection is sought, nor does it satisfy the elements of the offense of infringing another's right under the law of unjust enrichment. However, there is no justification for excluding an obligation of restitution for contributory acts of use committed in the period for which the claim is statute-barred, as these acts also acquire a condemnatory disvalue of the subjective elements thereof, independent of the consequences, as a result of promoting and enabling the

use of the protected subject matter. By imposing an obligation on the infringer to surrender the profit they have made, the latter is prevented from retaining the fruits of their illegal acts, which would be contrary to the spirit and purpose of Sec. 141 German Patent Act. The same applies to aiding and abetting and to any patent infringement occurring as an incidental offense.

Comments

By (also) recognizing the method taking into account the infringer's profits to calculate residual damages for acts committed in the period for which a claim is statute-barred, the German Federal Court of Justice has significantly strengthened the position of patent proprietors. Firstly, when calculating compensation for loss, the patent proprietor is entitled to choose between the license analogy method or the method under which the infringer is to surrender their profits, the latter method frequently being the most profitable for the patent proprietor. Secondly, recognizing the infringer's obligation to surrender their profits justly results in the patent proprietor now also being able to claim compensation for loss arising from any contributory patent infringement committed in the period for which the claim is statute-barred, as well as from acts of aiding and abetting and from any patent infringement occurring as an incidental offense. The obligation to render accounts here explicitly also includes providing information on advertising

carried out, which gives the patent proprietor further leverage over the infringer.

In the light of the foregoing, patent proprietors will be under significantly less time pressure in the future to toll the Statute of Limitations, for example by submitting statements of complaint at an early stage. Thus, patent proprietors may now, for example, await the outcome of opposition or nullity proceedings brought against the infringed patent, or initially just bring proceedings against a single infringer, rather than all those infringers known to the patent proprietor, without the fear of any significant disadvantage. However, imposing an obligation on the infringer to surrender their profits requires the infringer to still be enjoying the benefits arising from the acts of use committed in the period for which the claim is statute-barred – in other words, the infringer has not been disenriched.