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Effects under Procedural Law if Patentee and Exclusive Licensee Claim Damages as "Essential Joint Litigants"

Thorsten Bausch (Hoffmann Eitle) · Friday, April 27th, 2012

At the beginning of this year, the German Federal Court of Justice ("FCJ") rendered in "[Tintenpatrone II](#)" ("[Ink Cartridge II](#)") (Docket No. X ZR 94/10) a decision of interest concerning the relation of patentee and exclusive licensee with regard to the claim of damages, following its decisions "[Ink Cartridge I](#)" and "[Cinch-Plug](#)".

Plaintiff (1) is the owner of a utility model concerning an ink cartridge. Plaintiff (2) is his exclusive licensee in Germany. Subsequent to court decisions confirming infringement and (laborious) proceedings to obtain information and rendering of accounts, plaintiffs claimed in new proceedings the payment of damages according to the calculation method infringer's profit. The first-instance court decided that only the exclusive licensee is entitled to damage payment.

Defendants appealed the first instance decision on the amount of damages. The appeal court did also dismiss the action of the exclusive licensee, since he had not specified the internal distribution of loss between patentee and exclusive licensee. This decision is based on an obiter dictum of the FCJ in its decision "[Ink Cartridge I](#)" in which the court ruled, if patentee and and/or its exclusive licensee sue individually for damage payment, they must disclose that loss turnover or loss income incurred due to the infringement.

The exclusive licensee appealed to the FCJ. The FCJ set aside the decision and remanded the case to the Court of Appeal.

The FCJ did not deviate from its obiter dictum but pointed out that if patentee and exclusive licensee jointly assert damage payment, they will become "essential joint litigants" pursuant to Sec. 62(2) CCP. Therefore, any court decision has to be identical regarding patentee and exclusive licensee. This is what the first and the second-instance courts had not realized.

The FCJ explained that "essential joint litigants" means that a right can only be claimed by several parties and must be determined uniformly. A party which is an "essential joint litigant" will necessarily have to remain participant in the proceedings, even though it abstained from appeal. Further, one of the parties cannot decide afterwards to pursue only its own claim of damages.

The other option to claim damage payment without the necessity to disclose the internal position of losses is that the patentee assigns its claims to the exclusive licensee or vice versa.

It seems a good practical solution for patentee to assign its claims of damages to exclusive licensee

for litigation purposes or vice versa.

Parties should preferably agree on details, for instance, what kind of calculation method shall be chosen or how to internally share the damage payment, in a written contract.

Holger Folz

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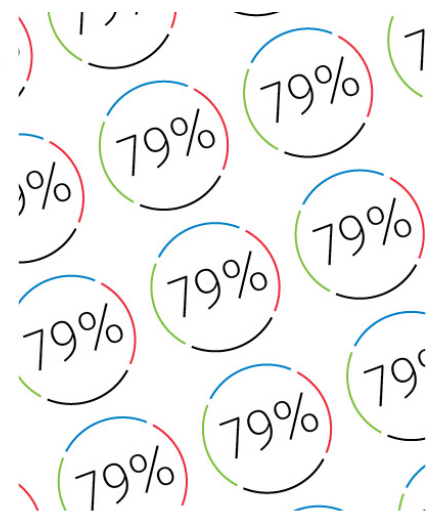
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