

# Kluwer Patent Blog

## Higher Regional Court Dusseldorf Grants a Patent Co-owner a Right to Compensation

Thorsten Bausch (Hoffmann Eitle) · Monday, September 29th, 2014

In its decision of 7 August 2014 (docket no. I-2 U 91/13 – ‘Garage Roller Door’), the Higher Regional Court Dusseldorf granted a non-using patent co-owner a right to compensation from the other co-owner that uses the patent and profits from this use. The parties are competitors in the field of manufacturing and selling garage roller doors. The Court granted the right on the basis of equity under Sec. 745 (2) German Civil Code, since the following conditions were fulfilled: (1) the co-owner’s contribution (5%) to the patented invention as laid down in claim 1 of the patent was actually used in the other co-owner’s products, (2) an explicit claim to compensation by the contributing co-owner was made and (3) the compensation to be calculated under the license analogy method could be based on equity, i.e. under consideration of the interests of the co-owners and legal fairness, payment of compensation could be justified since the scope of use of the patent was considerable (sale of about 56,000 patented garage doors annually).

For a quick review, please jump to the last paragraph.

Both parties to the case are active in the field of garage roller doors. In 2000, the defendant filed two European patent applications regarding so-called ‘sectional roller doors’, i.e. EP 1 176 279 and EP 1 176 280. The late Mr. L. W. approached the plaintiff and alleged that the rights to the inventions that are the subjects of the patents belonged solely to him and not to the defendant. He then assigned all his rights relating to the inventions to the plaintiff and agreed on being paid for this two lump sums in addition to a further payment based on turnover. At the beginning of 2003, the plaintiff then filed a “Patentvindikationsklage” [action suing for assignment of the right to a patent] against the defendant requesting that the European patents be assigned to plaintiff. In 2009, subsequent to the assessment of evidence, the plaintiff filed an auxiliary claim to obtain co-ownership to the patents. In 2011, the Higher Regional Court Dusseldorf decided that the plaintiff is a co-owner to the patents, at a co-owner share of 5 %. The defendant’s share thus amounts to 95 % (decision no. I-2 U 15/04).

In 2005, the plaintiff asserted in an out-of-court letter that it first of all claims sole ownership, but it also wishes to obtain additional information regarding the scope of use of the patent with regard to its rights under Sec. 745 (2) Civil Code, which allows a co-owner to demand ‘management and use according to reasonable standards, having regard to the interests of all the co-owners’.

On 28 November 2013, the Regional Court Dusseldorf rejected the claim to compensation. The Court decided that in the letter of 2005, the plaintiff had not claimed financial compensation from

the defendant. Furthermore, in court proceedings, plaintiff had only asked to become the sole owner of the patents. Furthermore, when plaintiff amended its legal action in 2011 to include a request to obtain a right to co-ownership, plaintiff did not ask for compensation. Rather, the agreement with Mr. L. W. on the turnover-related profit shows that plaintiff wanted to make use of the invention itself (and therefore has no right to compensation).

The Higher Regional Court Dusseldorf overturned this decision and granted plaintiff's claim to compensation.

The Higher Regional Court Dusseldorf decided, in line with a leading case of the Federal Court of Justice, that with regard to joint ownership of patents, the rules on joint ownership as set down in the German Civil Code are to apply. If co-owners do not conclude an agreement regulating to their internal relations, co-owners constitute what is called 'co-ownership by defined shares' pursuant to Secs. 741 et seq. Civil Code. The provisions in these sections of the Civil Code also govern the use of a 'commonly owned object'. Each co-owner may use the commonly owned object, but may not interfere with the interests of the other co-owner (Sec. 743 (2) Civil Code). The use of the patent by only one co-owner is always at the same time also the use of the other co-owner's share. If one co-owner is not using the patent (or, according to the HRC, using it very little), he is entitled to seek compensation under certain conditions (see FCJ, *ibid.*).

However, such a claim can only be granted under the following conditions: (i) the non-using co-owner must have asked for compensation from the other co-owner pursuant to Sec. 745 (2) Civil Code (FCJ *ibid.*), (ii) the using co-owner is using the co-owner's contribution to the patented invention, i.e. should claim 1 of the patent be used, the contribution must be included in claim 1, (iii) the compensation must be justified under consideration of all circumstances of the case including consideration of the interest of all the co-owners. According to the Higher Regional Court Dusseldorf, particularly, the scope of the mutual use of the invention and the amount of co-owner's share to the invention have to be assessed.

The Higher Regional Court decided that even if a share is small, it must be considered to be reasonable to pay compensation if the using co-owner makes considerable use of the invention. Should, for instance, two co-owners both make use of the invention in a slightly different, moderate way, no claim to compensation need as a rule be granted. With regard to the grant of the claim to compensation, it must also be taken into consideration that the using co-owner has to render information to the other co-owner (who may well be a competitor). Therefore there must be a good reason for the claim to compensation which thus then imposes the obligation to provide information to the non-using co-owner. Much weight is attached to the scope of use of the patent by the using co-owner. Furthermore, it is of no relevance whether the non-using co-owner has voluntarily decided not to make use of the invention or if this co-owner was unable to make use of the invention, for instance due to a too small manufacturing site, etc. The Court decided in this case that the defendant was using the patents to a considerable extent and that therefore the plaintiff was entitled to compensation.

The Higher Regional Court further examined whether the defendant had used plaintiff's share to the patented invention. It therefore examined whether plaintiff's share to the invention had become a part of the patents' main claims. The Court decided that Mr. L.W.'s contribution to the invention had become part of the main claims of the patents at issue and that this share amounted to 5 %. Whenever defendant makes use of the patents when selling the garage roller doors, defendant also profits from Mr. W.L.'s contribution to the inventions.

According to the Court, evidence showed that defendant makes considerable use of the inventions. Plaintiff assessed that defendant had sold 56,000 to 57,000 patented garage roller doors annually. Since plaintiff is also a relevant player in the garage roller door market, plaintiff was able to make a realistic assessment. Defendant not only simply denied plaintiff's assessment, but also did not provide any figures for a long time. In the end, defendant's disclosed sales figures did confirm plaintiff's assessment. As a result, it had to be presumed that defendant was earning turnover each year of two-digit millions with the patented doors (about 28 million Euros per year). Even though plaintiff's contribution to the inventions amounting to 5 % is not very high, defendant must pay compensation to plaintiff considering that defendant achieves such a significant advantage from using the patents, i.e. also the contribution of plaintiff.

Plaintiff thus had had a right to compensation since September 2005, i.e. since the letter at that time must be understood as a claim to compensation for his contribution to the invention.

The Higher Regional Court further decided that even though plaintiff had claimed sole ownership of the patents, it cannot be assumed that plaintiff had intended to abandon its right to compensation based on co-ownership as claimed in the letter of 2005. Also plaintiff's amendment of its claims from sole ownership to co-ownership and its claim against defendant to accept the dissolution of co-ownership (by compulsory sale of the patents) in 2009 did not mean that plaintiff wanted to abandon its claim to compensation.

Finally, defendant may not claim here the statute of limitations applying to the right to compensation. The standard limitations period of three years which applies here would have commenced at the end of the year in which the claim arose and the obligee had obtained knowledge of the circumstances giving rise to the claim. Plaintiff obtained knowledge of its co-ownership right from said Higher Regional Court Dusseldorf decision in 2011. Prior to 2011, the ownership rights to the patents were unclear and not foreseeable. However, a claim to compensation could not be reasonably made prior to determination of the shares to the patent.

Compensation is to be calculated on the basis of the license analogy method since the parties did not agree on a different calculation method. Plaintiff has a right to information so as to be able to calculate the amount of compensation. Defendant must provide a uniform, ordered list with information as to individual deliveries, the quantities of the deliveries, the time of deliveries, prices paid for the respective products, type designations as well as the names and addresses of the customers. Since the parties are competitors, the highly confidential information on the customers may be made available to a certified public accountant.

It had long been in dispute whether a patent co-owner has a right to compensation against the co-owner using the patent. In its decision 'Gummielastische Masse II', the FCJ basically denied a right to compensation, with the exception if the non-using co-owner has explicitly asserted a claim to compensation against the using co-owner and if the duty to pay a compensation is fair and reasonable with regard to all circumstances of the case. Compensation claims between co-owners are therefore case-by-case decisions. For the Higher Regional Court Dusseldorf it was decisive for the grant of the right to compensation that the co-owner was using the patents to a considerable extent (and probably that the contributing co-owner was unable to use the patent due to the unclear ownership situation). The result of a court's equity considerations is therefore basically hard to foresee. Since under Sec. 745 (2) a fair and reasonable compensation under consideration of the interests of all co-owners is owed, it must be taken into consideration why the contributing co-owner did not make use of the patent and other circumstances. Such circumstances can have the

effect that the amount of license fee is to be reduced or that payment must be renounced entirely.

As a consequence, if co-ownership cannot be avoided, parties should enter into a contractual agreement on conditions of use of the patent(s), the modes of payment and they should exclude as far possible the right to ‘dissolve co-ownership’ i.e. the right of one co-owner to claim consent to the compulsory sale of the patent. Furthermore, companies should check whether they have properly obtained the rights to any patents, in particular with regard to those they are using. For instance, should an external engineering firm have made the invention or with regard to its own employees or employees from foreign company group members. Prior to 1 October 2009, companies sometimes lost their rights to an invention under the German Act on Employees’ Inventions, even if the company had filed the application for the patents, since the company had not properly claimed the rights vis-à-vis the inventor. The rights then belonged to the employee who is permitted to sell the rights to a competitor. The new redrafted Act stipulates an automatic transfer of rights to the employer and thus prevents this happening. The ‘old’ cases can only be solved by a contractual solution. It must be noted that an Inventor not registered as co-owner also has a right to Claim compensation (FCJ, Zylinderrohr).

With regard to a claim to compensation, the following conditions must be observed:

- (1) Claiming pursuant to Sec. 745 (2) Civil Code ‘management and use according to reasonable standards, having regard to the interests of all the co-owners’, preferably making clear that a financial compensation shall be paid (FCJ, *ibid*)
- (2) The share to the invention of the non-using co-owner must be actually in use (e.g. claim 1 is used by the products and the contribution is laid down in claim 1)
- (3) The compensation must be justified under equity considerations (FCJ, *ibid*) (case-by-case decision, no compensation among competitors with deviating output as a rule, but possibly if the use of only one of the co-owners is considerable, etc.)
- (4) Statute of limitations: three years

As a result, the claiming of a co-owner’s (co-inventor’s) share is not easy, but possible. Whether a court will grant the claim depends on its equity considerations. However, the decision of the Higher Regional Court Dusseldorf has now provided a certain guideline with regard to which considerations could be of relevance.

Anja Petersen-Padberg

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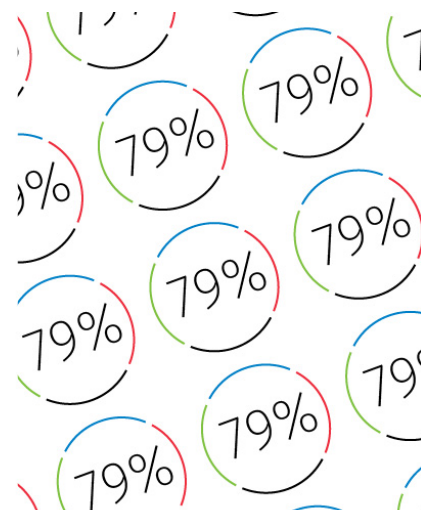
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