

DIMENSIONS OF EXPERT REPORT COMPLEXITY IN INTELLECTUAL/INDUSTRIAL PROPERTY. CASE STUDY

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Abstract

The growing number of complex processes with the specific intellectual/ industrial property demonstrated the need for highly qualified experts called in solving technical problems in the court files. The expertise in such field obliges to detailed knowledge of domestic and international law. However, those processes have as conjugate subjects: counterfeiting inventions, trademarks, industrial design; unfair competition; calculating damage that leads to highlighting the economic benefits, the latter requiring economic assessment of an intangible asset using in formula, in addition to economic data, micro - and macro-economic risk factors. Conflicts arise in a specific space. It is therefore necessary detailed knowledge of company law, competition law, that relating to interest, insolvency and bankruptcy in their developments. It should be considered domestic and European legal practice, as well as the rapid evolution of the meaning of legal terms and concepts. Experts have to understand solutions given in the prior complaints for correct interpretation of the provisions of the agreements, laws and regulations derived. The paper refers to one of the most complex expertise reports, which forced expert to integrated legislation acquaintances on patents, on insolvency and interest - in their evolution. But fundamentally, the expert had to understand the phenomenon of engineering and how to measure economic efficiency in the case of a divided invention.

Keywords: law and economics, intellectual property, jurisprudence, business economics, intellectual capital.

JEL Classification: K30, K39, K40, M20, O34

I. Introduction

The paper intends to highlight the particularities of the Romanian Intellectual Property Law mainly from the perspective of the patent governing legislation.

An attentive assessment of the expert reports submitted to the Romanian courts highlights four major reasons for which the expert reports in the field of intellectual-industrial property (PII) are among the most complex these days:

- a) the subjects of rights infringements refer to the legislation before and after 1990;
- b) the legislation after 1990 has been and still is permanently changing; the modifications brought about following the harmonization with the European Union Directives after the accession of Romania to the European Union, do not justify the frequent adjustments in refinement and substance;
- c) the large variety of subjects in the field of intellectual property includes the rights and obligations of the holders and of third parties, the time value of PII assets, the value of damages caused by PII infringement, the influence of economic, social and political factors on the value of a PII asset in a given territory, the economic risks deriving from the poor performance of PII, etc;
- d) the endless inventiveness of those who violate the Law based both on the knowledge – often extremely poor – of the laws by those involved in the managerial and legal activity and on the lenient punishment, of little consequential effect as compared with the immense economic damages.

Therefore, concomitantly with the continuous perfecting of the legal system which called for the establishment of sections specialized in the Intellectual Property Law, experts training had to keep up the pace. The laws governing the profession of industrial property counselor is extremely lax^{2,3}. As a consequence, the procedure instated by OSIM for the authorization and confirmation of

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² Government Decision No.1294/13.12.1990, on the organization and functioning of the Central Bureau for Technical Expertise;

³ Ordinance No.2 of 21/01/2000 (updated), on the organization of the judiciary and extra-judiciary technical expertise, issued by the Government and published in the Official Monitor No. 26 of 25/01/2000.

counselors in Industrial Property is focused on numbers instead of quality. It is left to them to try to upgrade their skills and become members of an elite corps.

One problem that needs responsible approach is that of the experts who are licensed from the point of view of the Law and who – by the nature of the curricular training – do not master any of the engineering and/or economic instruments of paramount importance for an efficiency calculus applied to production.

The courts have the role of responsibly selecting and promoting properly trained experts considering that “*the legal expert is an, autonomous organ adjacent to the court held liable for objectivity, who – in his/her capacity as assistant – provides the courts with specialized knowledge from outside the field of expertise of the legal courts while the expert report – construed as piece of evidence – leads to establishing the facts*”⁴. Acting from this position and in order to assess the pieces of evidence the technical expert must master, beside the specific legal knowledge, wide and solid knowledge of engineering and economy in the absence of which the legal knowledge has no finality. „Whether an expert possesses the necessary specialized knowledge or not is therefore, a matter of proof assessment”⁵. In other words the pieces of evidence must be technically interpreted⁶.

In the case of a patent, the assessment of a prejudice caused to a (former) employee by the employer who used an invention without any legal right the following aspects should be taken into account:

- i) Whether the (former) employer is declared insolvent or not. Reason: the insolvency procedure provides that salaries must be paid before the debts to the creditors⁷;
- ii) The year the application for a patent was submitted^{8,9,10,11,12,13,14,15,16,17};
- iii) If and when the initial invention was divided;
- iv) Number of inventors authoring the invention;
- v) Number of claiming inventors;
- vi) Special salary bonuses and allowances paid in connection with inventions provided for in the legislations before 1990 - 1991^{18,19,20,21};
- vii) Date to which the upholding fees are paid^{22,36,37,38,39,40,41,42,43,44,45,23}

⁴ Schiller Jürgen, Kicker Friedrich, Dreier Klaus, Tanczos Dalia, Colledani Gerald, *Ghid informativ privind expertiza tehnică judiciară*, published by the Ministry of Justice, July 2010, p.27; the document is available online at: <http://www.juridice.ro/wp-content/uploads/2010/11/ghid-expertiza.pdf>

⁵ Ibidem, p.20

⁶ Fântână R.S. - *Raport de expertiză în proprietate intelectuală*, the report and objections to the intellectual property expert report in case file no.242/P/2009 built by the Police Inspectorate of Prahova County - Fraud Investigation Department.

⁷ Art.122, Law No.64 of 22/06/1995 on the judicial reorganization and bankruptcy; published in: Official Monitor No.1.066 of 17/11/2004

⁸ Law No.62 of 30/10/1974 on inventions and innovations; published in: Official Bulletin No.137 of 02/11/1974

⁹ Law No.64 of 11/10/1991 on invention patents, published in: the Official Monitor No.212 of 21/10/1991, effective date: 21/01/1992

¹⁰ Decision No.152 of 27/03/1992 on approving the Implementing Regulations of the Law No.64 of 11/10/1991 on patents, published in: the Official Monitor No.79 of 30/04/1992

¹¹ Law No.64 of 11/10/1991 (modified, republished) on invention patents, published in: the Official Monitor No. 752 of 15/10/2002

¹² Decision No.499 of 18/04/2003 on approving the Implementing Regulations of the Law No.64/1991 on patents, published in: the Official Monitor No.348 of 22/05/2003

¹³ Emergency Ordinance No.100 of 14/07/2005 on ensuring the compliance of industrial property rights, published in: the Official Monitor No.643 of 20/07/2005, supplemented by provisions of Law No.214 of 24/10/2008 on completing the Emergency Ordinance No.100/2005, published in: the Official Monitor No.729 of 28/10/2008

¹⁴ Law No.64 of 11/10/1991 (modified, republished) on invention patents, published in: the Official Monitor No.541 of 8/08/2007

¹⁵ Decision No.547 of 21/05/2008 approving the Implementing Regulations of the Law No.64/1991 on patents, published in: the Official Monitor No.456 of 18/05/2008

¹⁶ Law No.83 of 24/06/2014 on invention at work, published in: the Official Monitor No.471 of 26/06/2014

¹⁷ Law No.64 of 11/10/1991 (modified, republished) on invention patents, published in: the Official Monitor No.613 of 19/08/2014

¹⁸ Law No.57 of 29/10/1974 on remuneration by the amount and quality of work, published in: the Official Bulletin No.59 of 23/07/1980

¹⁹ Decree No.93 of 1976 on the rules for calculating the rewards amount of compensation payable to the author of the patents applied in national economy, published in: the Official Bulletin No.38 of 27/04/1976

²⁰ Decree No.383 of 10/29/1984 on improving the stimulation of working people and enterprises in obtaining additional benefits, published in: the Official Bulletin No. 81 of 29/10/1984

²¹ Law No.4 of 29/06/1988 regarding the increase of the working staff retributions, published in: the Official Bulletin No.36 of 4/07/1988

- viii) Whether OSIM published or not the termination of rights;
- ix) Whether the invention is still valid or not;
- x) The evolution of interest calculation^{24,25,26,27};
- xi) The volume of the production of the patented product
- xii) The evolution of inflation.

It can be noted that the Romanian legislation referring to invention which is mandatory to be abided in case of a registered invention – for instance – in 1986 counted 3 laws of which one had three variants, each with its own enforcement regulations.

The calculation of the interest underwent major modifications imposed either by the Civil Code or by the Commercial Code and also by special laws.

All of the above on a market with permanent inflation, extremely high at times (2001/35%; 2002/28,9% etc.). Considering the fact that debts are reported to past years it is only obvious that the compensations and the debts are calculated retroactively being influenced by the inflation and the respective interests.

The paper is intended as a technical judiciary exercise for the enforcement of the law; it does not refer to the decision ruled by the court but only to the instrument of the technical expertise in intellectual property.

II. Case study

The actual facts

The case refers to the bankruptcy procedure of SC "S" S.A. in which the former employee intervened against the former employer SC "S" S.A., the latter being ordered – in the bankruptcy procedure – to pay compensations and salary rights due following the implementation of two inventions co-authored by the former employee.

The case is of interest due to the unusually large number of work hypotheses.

Thus:

- a) The subject being the payment of salary rights, the rights of the former employee are judged prior to the judgment of the entities with an interest in the statement of affairs.
- b) The inventor, P.I. co-authored the inventions RO 93004 and RO 101341 closely related to his regular activity in compliance with his work contract as provided for under Art. 14/ of Law No.62/1974, letter a).

A patent application was submitted to OSIM on July 10 1986 by a group of inventors, P.I. included. The invention was patent under No. RO93004.

On October 10 1988 the initial patent application was divided, the second one being registered under No. RO 101341, but the date of submission does not coincide with the date of submission of the first invention although the two inventions were to be applied together.

- c) The validity periods of the two patents are as follows in Graph 1:

²² Decree No.363 of 02/11/1976 on fees for patent applications and granted patents, published in: the Official Bulletin No.102 of 16/11/1976

²³ Decision No.227 of 5/05/1992 on fees for patent applications and granted patents; published in: the Official Monitor No.102 of 22/05/1992

²⁴ Civil Code of 26/11/1864, Official Monitor No.271 of 4/12/1864

²⁵ Decree No.311 of 9/08/1954 to establish the legal interest

²⁶ Ordinance No.9 of 21/01/2000 on the statutory rate for pecuniary obligations

²⁷ Ordinance No.13 of 24/08/2011 on remunerative and penalty legal interest for pecuniary obligations, and regulating certain financial and tax measures in banking, published in: the Official Monitor No.607 of 29/08/2011

Graph 1 – Validity periods of patents RO 93004 and RO 101341

Validity of patents RO 93004 and RO101341 as provided for by the Law	02.02.1975	10.07.1986	10.10.1988	20.01.1992	21.01.1992	10.07.2001	14.01.2003	15.01.2003	10.10.2003	07.08.2007	08.08.2007	18.08.2014	19.08.2014	present
Law No. 62 of 30 Oct. 1974	Black	Black												
Patent RO 93004/10.07.1986 (15 years, see. art.24/L.62.1974+ art.66/L.64-91, first variant)		Red	Red											
Patent RO 101341/10.10.1988 (20 years, see art.70+art.31/L.64-91, modified in 2002)		Blue	Blue											
Law No. 64 of 11 Oct. 1991 (var.1) effective date 21 Jan. 1992					Black	Black								
Law No. 64 of 11 Oct. 1991 (var.2 of 2002) modified 1, effective date 15 Jan. 2003							Yellow	Black	Black	Black	Black	Black	Black	Black
Law No. 64 of 11 Oct. 1991 (var.3 of 2007) modified 2, effective date 08 aug 2007											Black	Black	Black	Black
Law No. 64 of 11 Oct. 1991 (var.4 of 2014) modified 3, effective date 19 Aug. 2014													Black	Black

EXPLANATORY NOTES:

ART. 22/ L.62-1974 - The validity of a patent is 15 years starting from the date of filing. (...)
 ART. 66/L.64-1991, var.1/1991 - Patents granted before the entry into force of this law have validity under the law applicable at the date of issue. (...)

ART. 70/ L.64-1991, var.2/2002 - Patents, including those for improvement, granted before the entry into force of this law have the term of protection provided for in Article 31. (...)
 ART. 31/L.64-1991, var.2/2002 - The duration of protection of a patent is 20 years starting from the date of filing. (...)

For patent RO 93004 the validity duration is of 15 years (July 10 1986 – July 10 2001), as provided for under to Art.66, 1st paragraph/Law No.64-1991, the variant of 1991;

For patent RO 101341 the validity duration is of 20 years (October 10 1988 – October 10 2008), as provided for under Art. 70, 1st paragraph/Law No.64-1991, the variant of 2002;

- d) SC "S" S.A. provided a centralizing document to the expert confirming the execution and the use of the inventions in the period 1986-2000. The submitted materials also reveal that the bankrupt S.C "S" SA failed to compensate the inventor P.I., according to the invention law for either invention and made no mention of any compensation under the heading "Rewards" in the work record book.
- e) A notification from OSIM confirms that the organization "failed to publish in the Official Bulletin of Intellectual Property (BOPI) the termination of rights of the holder" for both patents, RO 93004 and RO 101341, thus violating the provisions under Art. 47 2nd paragraph / Law No.64-1991 – the variant of 1991;
- f) The Patent Register contains no mention of any date of termination of rights with reference to the two patents such a date being mentioned for all the other patents as revealed by the two copies from the Patent register submitted by OSIM. Such termination of rights is mentioned together with the number of the Official Bulletin and the date of publication (Figure 1).

In compliance with the provisions under Art.47/ Law No.64 of October 11 1991, the initial variant, the termination of holder’s rights following failure to pay the upholding fees shall be published in order to allow all the interested persons and entities to challenge the decision of OSIM within 3 months from communication; in this case the termination of rights had been first mentioned only after expiry of the legal validity period of both inventions; hence the mention had no relevance whatsoever.

Neither the provisions under Art.40, 1st and 2nd paragraphs of Law No.64/1991, the initial variant, nor the provisions under Art.41, 4th paragraph (“(4) *The Invention or part of the invention for which a waiver of protection was declared can be freely exploited by third parties*”), could be applied for a use in good faith of the inventions because the termination of rights had not been published and, therefore, the third parties had no knowledge of the termination of rights of the holder.

- j) Under Art.47/Law No.64/1991, first variant, "Defaulting from the payment of the upholding fees leads to the termination of the holder's rights over the invention patent". Therefore, "leads to" does not mean that the rights are terminated automatically; such termination must be ascertained by O.S.I.M. who makes the final decision which is subsequently published in the Official Bulletin. For example, in the case of patent RO101341, even though the defendant failed to pay the fees, O.S.I.M. could not take any decision before receiving the approval of the Central Research Institute from the holder, counterclaim defendant. O.S.I.M. did not have and did not request such an approval.
- a) Under Art.61, pt.10 and pt.13 of the Enforcement Rules of Law No.64/1991, the variant of 2007 (Government Decision HG No.547/2008), the legislator established that willingly defaulting from the payment of the upholding fees which leads to the termination of rights of the patent holder, is construed as waiver to the patent because the patent could have been revalidated only if S.C."S" S.A. had proven to O.S.I.M. that they had advised the inventors about their intention to waive the patent. It results that defaulting by intent from the upholding fee payment obligations is construed as waiver to the patent.

Compensation due to the inventor

1. The calculation of the damages (compensation) due shall be based on the periods of use of the patents: patent RO93004 was used between 1986 and 2000 and patent RO101341 between 1988 and 2000, as follows:

1.1. In the period between 1986-1991 (Law No.62/1974 in force) the defendant holder of the two valid patents used the invention in production without any compensation to the inventor.

In this situation, the damages (compensation) shall be calculated on grounds of Art.14, 2nd paragraph, letter b) of the Government Emergency Ordinance OUG No.100/2005 which establishes that at least the rights due shall be granted, such rights being of a salary nature, according to Art.14, letter a), 1st paragraph of Law No.62/1974 and to Art.8 of Decree No.93/1976.

Such outstanding rights shall be determined on grounds of:

- a) Art.66, 2nd paragraph of the initial variant of Law No.64/1991, alin.2, now Art.71, pt.3 of Law No.64/1991, republished in 2007;
- b) Rule 53, Annex II of the Government decision HG No.152/1992;
- c) Art.37, Art.38 of Law No.62/1974,
- d) Decree No.93/1976
- e) Decree No.383/1984

Although the two inventions, RO93004 and RO101341, resulted upon the request of O.S.I.M. from the division of a grinding device and have been used concomitantly in the same ball joints (bearings) and the legislation in force at the time did not provide for a single submission term for divided inventions (see Law No.64/91, Art. 19, republished in 2007), the calculation of the outstanding rights shall be done for different periods for the two inventions by considering the dates of registration (10 July 1986 for patent RO93004 and 10 October 1988 for patent RO101341).

Under Art.66, 3rd paragraph of Law No.64/91, (Art.70/Law No.64/1991 (republished) on invention patents, Official Monitor No.752 of 15 October 2002, in effect as of 15 January 2003; subsequently turned into Art.71 of Law No. 64 of 11 October 1991 (republished) on the invention patents, Official Monitor No.541 of 8 August 2007, in effect as of 8 August 2007; last modified into Art.68/ Law No.64 of 11 October 1991 (republished) on the invention patents, Official Monitor No.613 of 19 August 14, in effect as of 19 August 2014): "The monies due to inventors for applied patented inventions(...) which were not compensated till the date of the enforcement of this law shall be subject to negotiations between the inventor and the enterprise using the respective invention. In such cases, the negotiation shall commence from the maximum moneys due to the inventor, as provided for by the applicable law at the time of the patent application. In case of non

agreement between the parties, the moneys due shall be established according to the provisions under Art. 63.”

After the enforcement of Law No.64/91, according to Government Decision HG No.152/1992, Annex 2, Part II, NEGOTIATION MINUTES, 1st paragraph, line 2, *”When the invention continues to be applied in the present day a new agreement must be signed”*.

In our case, S.C. ”S” did not negotiate and did not pay the moneys due to the inventor P.I. prior to the enforcement of Law No.64/91 nor did they sign a new agreement after the enforcement of the said law according to Government Decision HG No.152/92, to pay the inventor for making use of the inventions after 1991.

Prior to the enforcement of Law No.64/91, the compensations were calculated on grounds of Art. 37/Law No.62/1974: *”The authors of inventions used in the national economy shall be morally and materially compensated by the award of scientific titles, orders and medals, professional promotion, prizes and other pecuniary compensations established depending on the calculated economic and social benefits.*

The moneys due shall be calculated for each and every invention based on norms approved by the Council of Ministers, on the proposal of the National Council for Science and Technology, the Ministry of Finances and the Ministry of Labour .

The size of the compensation to be paid for each invention shall be approved by the National Council for Science and Technology and by the Ministry of Finances on the proposal of the patent holding organization subject to the approval of the central research institutes, science academies or central supervising body.

The payment shall be made by the enterprise which used the invention from the savings gained following the use of the invention calculated annual based on the norms provided for under the 2nd paragraph.”

The norms are established under Art.4 of Decree No.93/1976.

These are supplemented by the provisions under Art.7 of Decree No.383/1984.

The calculation of the economic benefits over the five years of consecutive use indicates the amount of 690,965 ROL.

To determine the economic advantages and the compensation due to the inventor P.I. the fact the the two inventions have different submission dates and also the fact that they are the result of an invention division and were implemented concomitantly, in the same ball joint processing operation. Therefore the economic efficiency shall be equally split between the two inventions.

The inventions were not use during the year 1988 for lack component parts demand.

The annual compensations for P.I. are calculated according to Decree No.93/1976 -Table 4, for a period of 5 years of consecutive use chosen for a post-calculation for each separate invention and considering the quotas established as per the transfer statements (patent RO 93004 – 25%; Patent RO 101341 – 50%).

Total compensation (damages) = 1,442.88 + 2,831.07 = 4,273.95 ROL²⁸

1.2. The compensation (damages) representing 50% of the post-calculated saving of the first year of use and 25% of the post-calculated saving of the second year of use (according to Decree 383/01 November 1984): Total compensation_{1.1 +1.2} : 4273.95 +93410 = 97683.95 ROL

1.3. The compensation and moral rights (damages) representing the pecuniary compensation equivalent to a superior job position as well as the management allowance for the respective position of seniority, both calculated for the period of time since the date payment had been due until the actual payment date shall be calculated on grounds of Art. 66, 2nd paragraph, Law No.64/91 and the Government Ordinance No.152/92, Annex II, Part I, pts. 8, 10 and Art, 37, Law No.62/74.

²⁸ ROL - short name of Romanian currency denomination - LEU before July 1, 2005; after the denomination it took the name of RON; 1 RON = 1 ROL/10,000;

Pt.8 of the Government Decision HG No.152/1992 refers to the payment of the compensation up to the date of the negotiation, to the value of the salary class difference between the salary of the inventor and the next professional level which the inventor did not benefit from, as well as the management allowance corresponding to the next seniority job position of the inventor, both from the date the payment fell due up to the date of the negotiation.

Pt. 10 of the Government Decision HG No.152/1992 refers to a transfer agreement which is non-existent in this case.

In compliance with the lawful provisions mentioned above, such rights are granted irrespective of the work place of the inventor, them being statutory payment obligations. In other words, the inventor could be employed by one enterprise while the invention could be used by another enterprise which, if so, would be declared invention patent holder by the Ministry.

On the other hand, on the date of enforcement of Law No.64/1991 the rights of the inventors, including those retired or even deceased who had not been compensated, were reinstated. However, the law provided that the rights should be calculated and declared due because they constituted statutory payment obligations to the charge of the party in debt in favor to the transferor inventor the calculation being done from the date the payment was due to the date of negotiation which, in our case, was October 2013, the date when the insolvency procedure was started.

The total professional class value and allowance = 626,910 ROL

The total compensation (damages) value $_{1.1+1.2+1.3}$ (1986-1991) =

$4,273.95 + 93,410 + 626,910 = 724,593.95$ ROL

The updating of the amounts with the inflation was done with the formulae offered monthly by the National Institute of Statistics and Consumption Price Index (IPC)²⁹. The rate shall be applied to the total income from sales and shall be corrected with the inflation index of every year.

According to INS, the annual Consumption Price Index measures the overall evolution of the price of the purchased goods and of the tariffs of the services to the population during the current year as compared to the previous year (or other year chosen for reference) and is based on the inflation index.

This index is established as a ratio expressed in percentages, between the average price index of the current year and the average price index of the previous year (or any other year chosen for reference).

Considering the fact that the appraised products are industrial goods, the inflation between 1990 and the present day is reported to Consumption Price Index of non food products.

$\text{Inflation}_{1986\text{-Sept.}2013} = I_{1986-1990} \times I_{1991\text{-Sept.}2013} = 4,904.83$.

The total compensation (damages) (1) updated with the inflation over the period of use of the inventions 1986 - 1991 = $4,904.83 \times 724,593.95 = 3,554,010,100$ ROL = 355,401 RON (1)

2. During the period January 1992 - 2000 (after the entry into force of Law No.64/91), respondent used the two inventions in its production activities aimed at manufacturing the spherical rolling joints without paying the inventors or entering into contracts with the same.

Throughout this entire period, according to the latest data reported by OSIM and according to the legal provisions in force, as already shown above, both patents were in force.

Therefore, respondent owes for the two inventions damages representing lost salary income calculated pursuant to art.14, par.2, letter b) of OUG No.100/2005 (Government Emergency Ordinance No.100/2005), as per art.5, letter a) of Law No.64/1992 – original form and Rule 52, HG No.152/92 (Government Ordinance No.152/92), depending on the economic benefits (economic efficiency).

Considering that Law No.64/91 in its original form and HG No.152/92, valid until 2003, do not provide for a methodology for calculating the economic benefits derived from the use of inventions patented before 1991 and continuing to be used after 1991, such economic benefits will be calculated in accordance with art.1, par.2 of the new Civil Code, by applying legal provisions

²⁹ <http://statistici.insse.ro/shop/?page=ipc1>

regarding similar situations, as follows: economic benefits will be calculated as per art.1 and art.7 of Decree No.93/1976 after the methodology applied before 1991, depending on the production volume in the summary filed by Respondent.

The rights of the inventor shall be calculated by applying a royalty coefficient to the economic benefits (HG No.152/92, Rule 52, par.2). We deem it reasonable to apply the same coefficient resulting from the determination of the I.P. rights for the period 1986-1991.

For the purpose of calculating the compensation (damages) for the period 1992 – 2000, we have determined the economic benefits.

Calculation of the royalty coefficient C_R (%):

- Economic benefits $_{1986-1991}$ = ROL 690,965.42;

- I.P. compensation (1.1 + 1.2) = ROL 97,683.95 (without moral rights).

C_R value (%) = $97,683.95 / 690,965.42 = 0.1413 = 14.1\%$

Compensation value = ROL 190,900

Compensation value increased by the inflation rate corresponding to the period in which the inventions were used, *i.e.* 1992 - 2000: ROL 190,900 x 4,904.83 (inflation) = ROL 936,332,047 = RON 93,633 (2)

3. Damages (compensation) for the "to do" obligations undertaken under a positive covenant

Even though the Respondent did not use the inventions after 2000, it is still liable to pay compensation on account of the obligations undertaken under a positive covenant, since it has failed to notify to the inventors its intention to surrender the patents by not paying the patent maintenance fees.

Such damages are calculated according to the provisions of art.14, par.3 of OUG No.100/2005, and their amount will be calculated so as to cover the benefits (economic advantages).

Furthermore, considering that no agreement has been executed, the unauthorized use of the patented inventions constitutes counterfeiting, and may be subject to the provisions set forth under art.11 and art.13 of OUG No.100/2005, which would amount to other compensation.

The appointed expert has undertaken to calculate the monetary value of the obligation undertaken under a positive covenant, given the wilful infringement of the industrial property rights and taking into consideration the provisions of art.14, par.3 of OUG No.100/2005 (failure to notify the inventors and to enter into a new agreement).

The expert considers that, for the purpose of calculating the damages for the obligation undertaken under a positive covenant during the period 2001 – until the expiry of the patents (last patent, 2008), it is fair to take into consideration for each year the annual average value of the compensation corresponding to the period 1992 – 2000 calculated for the I.P. inventor.

Thus: RON 93,633 / 9 years = RON 10,403.67

Calculation period: 1 January 2001 - 03 September 2008, *i.e.* 7 years and 9 months = 7.75 years.

Compensation calculation (obligation undertaken under a positive covenant) = $10,403.67 \times 7.75$ years = RON 80,628.4425. It shall be rounded down to RON 80,628.

The updated total amount of the salary type compensation = Total compensation (damages) increased by the inflation rate corresponding to the period in which the inventions were used, *i.e.* 1986 - 1991 (1) + Compensation (damages) value increased by the inflation rate corresponding to the period in which the inventions were used, *i.e.* 1992 – 2000 (2) = RON 355,401 (1) + RON 93,633 (2) = RON 449,034

Therefore, the updated total compensation without interest is (1) + (2) + (3) = $355,401$ (1) + $93,633$ (2) + $80,628$ (3) = RON 529,662

Interest calculation

The penalty interest for failure to fulfil the obligation to timely pay the sums due and the obligation undertaken under a positive covenant are set forth in sections 1081, 1082, 1084, 1088,

and 1089 of the old Civil Code, Ordinance No.9/2000 (in force since 25 January 2000), Ordinance No. 13/2011 (in force since 01 September 2011) and Annex II, Part II, item 3 of HG No.152/1992.

Such penalty interest is calculated as follows:

- a) For the period 1986-December 1999, the calculation will be done according to the provisions of the old Civil Code, with capitalisation of interest, and of the Commercial Code;
- b) For the period January 2000 - 31 August 2011, the calculation will be done according to the provisions of Ordinance No.9/2000 - in force since 25 January 2000, sections 2, 3 and 8;
- c) For the period 1 September 2011 – 30 September 2013, the calculation will be done according to the provisions of Ordinance No.13/2011, in force since 1 September 2011, art.1, item 3, art.2, art.3, item 2, and art.8.

4. Calculation of the compensation (interest) corresponding to the period 1986 – 30 September 2013 due on account of the use of the inventions during the patent validity period, i.e. July 1986 – December 2000.

For the purpose of calculating the interest, the penalty interest determined taking into account the reference interest rate or the discount rate coefficient of the National Bank of Romania shall be used.

The interest rate coefficient is applied to the value of the annually due amounts and, in case of capitalisation, also to the capitalised interest.

Calculation of the interest corresponding to the period 1986 – 30 December 1999

- i) Considering that the obligations are of a commercial nature, for the outstanding amounts corresponding to the period 1986 – December 1991, the interests will be calculated taking into account:
 - a) The provisions of art.363 of the Commercial Code, in force from 23 August 1940 until 30 December 1990. (art.363 – In commercial bonds, liquid and exigible debts consisting of money are interest-bearing debts by right)
 - b) The provisions of art.43 of the Commercial Code, in force from 31 December 1990 until 25 June 1995 (art.43 – Liquid commercial debts payable in money are interest-bearing debts by right as from the moment they become exigible)
 - c) The provisions of art.1 of Decree No.311/1954 (art.1 – When according to the law or some contractual provisions an obligation is interest-bearing, without the amount thereof being stated, an interest rate of 6% (six per cent) shall be paid on an annual basis)

Calculating the outstanding amounts

The outstanding amount obtained by summing up the annual bonuses related to the professional degrees and executive bonus corresponding to the two inventions.

The value of the interest corresponding to the period 1986-1991 updated with the inflation rate is: $ROL\ 27,002.5515 \times 4,904.83$ (inflation) = $ROL\ 132,442,924.673745$ = $RON\ 13,244.29$

- ii) Considering that the obligations are of a commercial nature, for the outstanding amounts corresponding to the period January 1992 – December 1999, the interests will be calculated as follows:

Due to the liberalization of the market and of the contractual conventions, and the Romanian LEU exchange rate variation / high inflation, during this period there was no unified judicial practice³⁰. Decree No.311/1954 became obsolete and tacitly ceased to apply for commercial obligations; the market interest rate started instead to be taken into consideration (reference interest rate of the National Bank of Romania/ discount rate coefficient of the National Bank of Romania). The trade relations were governed by the provisions of the Commercial Code and those of the Civil Code regarding interest, which provided for interest capitalisation.

³⁰ Sauleanu, L., Ponea A.C., *Reguli speciale privind executarea obligatiilor comerciale – curgerea de drept a dobanzilor*, p.67 (<http://drept.ucv.ro/RSJ/images/articole/2005/R SJ34/0109SauleanuCalota.pdf>, consulted on October 15, 2016).

Considering that the respondent did not execute an agreement with the inventors, which would have entitled it to use the inventions after 1991 as per the provisions of HG No.152/1992 and art.39 of Law No.64/1991 (the original variant), Ordinance No.100/2005, which provides for the reinstatement of inventor's rights, permits to claim compensation to cover to the maximum extent the damage caused by the infringement of the industrial property rights (art.14, par. 3 of Ordinance No.100/2005).

Therefore, in accordance with the provisions of art.1089 of the old Civil Code, the interest accrued during the period January 1992 – December 1999 shall be capitalized, and the penalty interest coefficient is equal to the reference interest coefficient of the National Bank of Romania.

The legal interest coefficients shall be applied to the outstanding annual amounts.

Accrued interest corresponding to the outstanding amounts due for the period January 1992 – December 1999 (4) = ROL 7,309,148

5. Calculation of the interest corresponding to the period January 2000 - December 2010 (Ordinance No.9/2000)

During this period, the interest was calculated by applying the legal interest coefficient to the total outstanding amount due at the end of each year.

Considering that Ordinance No.9/2000 (art.8) stipulates that “interests may be capitalized and bear interest on the grounds of a special agreement executed for this purpose”, and given that no such agreement has been executed, the expert considers that, pursuant to the provisions of Ordinance No.9/2000, the capitalisation of the interest may not be operated, since it is a possibility rather than an obligation.

The legal interest is equal to the reference interest of the National Bank of Romania, as per the provisions of Ordinance No.9/2000.

Interest accrued up until 2011 (5) = ROL 1,108,791.17

6. Calculation of the interest corresponding to the period 01 January 2011 - 30 September 2013 (Ordinance No.13/2011)

During this period, the interest was calculated by applying the legal interest coefficient to the outstanding amount due at the end of each year.

The legal interest is equal to the reference interest of the National Bank of Romania increased by 4 % (art.3, par.2, OUG No.13/2011):

- Outstanding amount due at the end of year 2011: $849,164.84 + 24,120 = \text{ROL } 873,284.84$

- Outstanding amount due at the end of year 2012: $873,284.84 + 24,120 = \text{ROL } 897,404.84$

Accrued interest corresponding to years 2011 and 2012 (6) = ROL 150,655

Total penalty interest due for the failure to pay the compensation for using the inventions = $4 + 5 + 6 = \text{ROL } 7,309,148$ (Interest accrued for the outstanding amounts due for the period January 1992 – December 1999) + ROL 1,108,791.17 (Interest accrued up until 2011) + ROL 150,655 (Accrued interest corresponding to years 2011 and 2012) = ROL 8,568,594.17 = ROL 8,568,594 (rounded down)

Adjustment for inflation:

Total $4 + 5 + 6 = \text{ROL } 8,568,594 \times 4,904.83 / 10,000 = \text{RON } 4,202,750$

Total penalty interest due for the failure to pay the compensation for using the inventions.

7. The calculation of the interest (on the compensation) for defaulting from the "to do" obligation in the period between January 2001 and 2008.

The interest calculation was done in accordance with the procedure under pt. 4 depending on the outstanding amounts.

7.1. Interest calculation for the period January 2001 and December 2010 (Order No.9/2000)

For this period the value of the interest is established by applying the legal interest coefficient to the total amount resulting at the end of every year (see point 3. Damages (compensation) for the "to do" obligation). The legal interest is equal to the reference interest of BNR.

Establishing the outstanding amounts:

The outstanding amount at the end of year 2001 is of 10.403,67 RON

The calculation of the interest value for the to do obligation over the period between 2001 and 2010 (7.1), gives the following result: total interest compensation for the "to do" obligation in the period 2001 – 2010 (7.1) = 52.336 RON

7.2 Interest calculation over the period January 1 2011 and 30 September 2013

The interest calculation gives the following result: total interest 1 January 2011 and September 30 2013: (7.2) = 13.886 RON.

Total compensation (interest) 7 = 7.1 + 7.2 = 52.336 + 13.886 = 66.222 RON

(Interest / compensation for defaulting from the to do obligation over the period January 2001 and 2008)

Total compensation

- i. Total compensation (damages) updated with the inflation over the period of use of the inventions 1986 - 1991 = 355.401 RON
- ii. The value of the compensation updated with the inflation over the period of use of the inventions 1992 - 2000 = 93.633 RON
- iii. Damages (compensation) for the "to do" obligation = 80.628 RON

Total updated compensation (interests excluded) i + ii + iii = 529.662 RON

The total value of the paid interest for defaulting from compensation payment for the use of inventions = 4.202.750 RON

The total interests/compensation for defaulting from the to do obligation in the period January 2001 and 2008 = 66.222 RON

- iv. Total interests = 4.202.750 RON + 66.222 RON = 4.268.972 RON

Total compensation/indemnification: i + ii + iii + iv = 355.401 RON + 93.633 RON + 80.628 RON + 4.268.972 RON = 4.798.634 RON

III. Conclusions

The paper is just a summary of an expert report with a lesser mathematical importance but a with a more applied analysis of the multitude of laws which have to be dealt with by judges and experts alike; it gives the necessary analysis steps for a calculation which the experts usually wish not to reveal and are even more reluctant to publish. It is for this reason that we consider the paper of good value for the judiciary act.

The paper highlights the immense value of the damages caused by a destructive management, refractory to the notion of intellectual capital and for which the negotiation of the employees' rights is not part of the art of management.

Furthermore, the paper intends to draw the attention of the interested factors, specialists of the laws, magistrates and academia to the following aspects: i) a judge can benefit from the support of an intellectual property expert to get a better and more comprehensive image of the situation which is object of a case file related to damages caused by infringement of the intellectual property rights; ii) a production or economic efficiency calculation is not specific of accountants but of engineers and economists; iii) the tools of the economists are different from the tools of the accountant as much as the accounting department of a company is subordinated to the Financial Director and not the other way round; iv) although the chartered accountants are often called in court to carry out appraisals, they do not have enough specialized tools and instruments; vi) no

matter how often challenged and repudiated the only ones to have the necessary tools to carry out such elaborated assessments are the specialized engineers.

It is possible that the court severs the payment method of the amounts due to the inventor P.I. Therefore the pecuniary compensation (salary rights) shall be paid updated with the inflation over the period of use of the inventions before the procedure of statement of affairs and the damages for the "to do" obligation shall be paid within the execution of the statement of affairs procedure.

We consider that there is a fault of OSIM, which would have to publish as soon the exit from rights given by the patent, due to non-payment of maintenance fees in force; the situation of the two patents is not unique in the Patent Register, which shows an illegal practice of OSIM.

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