

## Litigation - Japan

### IP High Court Rules on Recovering Damages from Former Sub-licensee

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On August 18 2009 the IP High Court ruled on the damages recoverable by a former sub-licensor in relation to a former sub-licensee's exploitation of a patented invention following the termination of a sub-licence agreement.

Once a patent licence agreement is terminated, the former licensor (ie, the patentee) may seek damages for patent infringement if a former licensee continues to exploit the patented invention. However, the position is different when a former sub-licensee continues to exploit the patented invention after the termination of a patent sub-licence agreement. Under Japanese law, only a patentee or a licensor registered as a statutory exclusive licensor has standing to sue for patent infringement.

A former sublicensor sought compensation for violation of a sub-licence agreement, demanding payment of an amount equivalent to the royalty stipulated in the terminated sub-licence agreement for the former sub-licensee's exploitation of the patented invention subsequent to termination.

On October 29 2008 the Tokyo District Court rejected the claim on the grounds that only patentees may seek damages in relation to the unauthorized exploitation of a patented invention. However, the IP High Court found that a former sub-licensor may also seek damages as compensation for a former sub-licensee's violation of a sub-licence agreement and may reasonably seek an amount equal to the royalty that would have been payable if the agreement had still been in force.

Moreover, the court found that once the former sub-licensee pays the stipulated damages to either the former sub-licensor or the patentees, the obligations to both former sub-licensor and patentees are deemed to have been performed to the extent of the amount paid.

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