

Recouping of the Royalty Paid for Nothing
Osaka District Court
Case H18 (Wa) No. 8836 decided on Feb. 18, 2008

Facts

The plaintiff continued to pay the royalty to the defendant under a nonexclusive License Agreement concluded with the defendant, but as time went on, the plaintiff found that the licensed product did not fall within the scope of the patent. Then, the plaintiff sued the defendant for terminating the License Agreement and recouping the royalty already paid for the reason that the royalty had been paid for nothing by alleging that the defendant's receipt of the royalty mounted to be "unjust enrichment".

The defendant's patent is directed to a solar battery which can generate electrical power even if there is little sunlight, thereby continuing to supply electrical power to the load and also storing surplus power for future use. In order to store power, a condenser of electrical double layer type is used. Then, when the ambient sunlight falls below a certain limit; that is, when it gets dark, the darkness is detected by reference to the output voltage from the solar battery. As a result, when this detection step is done, the power supply source is switched to the condenser which stores the electric power. The stored power is kept for supplying power to the load (light emissive tiles). In this way the power is charged and discharged.

This load control system is called a "voltage method", whereas the plaintiff's product does not adopt a "voltage method." It utilizes a signal from a photo transistor which detects the ambient sunlight, this system being called a "sensor method." A solar battery based on the sensor method falls beyond the scope of the defendant's patent.

Before entering into the License Agreement the Defendant advertised through TV commercials and other media that the patent had overcome the long-noticed difficulty, that is, "a solar battery generates electricity, but it can not store the generated electricity." In the advertisements, the defendant publicized as if his patent had overcome the difficulty in storing the generated electricity by adopting the combination of the solar battery with the condenser composed of electrical double layers. The ad phrase said, "Incomparable and Epoch-making Technology." The plaintiff alleged that the defendant's advertisement was deceptive, and his act constituted fraud. Thus, the License Agreement was basically invalid, and therefore, the plaintiff is entitled to recoup the royalty paid on the invalid patent.

Conclusion

The Osaka District Court dismissed the plaintiff's claim for recouping the royalty paid under the allegedly invalid License Agreement, by holding that the plaintiff, as an entrepreneur, should have scrutinized, prior to entering into the License Agreement, to see whether his own product would be covered by the patent. However, the plaintiff failed to make this initial effort. Thus, the plaintiff is not entitled to recoup the royalty.