

Date	June 25, 2009	Court	Intellectual Property High Court, Second Division
Case number	2007 (Ne) 10056		
<p>1. A case in which the court upheld the employees' claims to seek payment of the value of their inventions, which relate to a laminated label printer</p> <p>2. The right to receive payment of a reasonable value of an employee invention under Article 35, paragraph (3) of the Patent Act prior to the revision by Act No. 79 of 2004 shall be extinguished upon the lapse of ten years from the time when the right can be exercised.</p>			

References:

(Concerning 1) Article 35, paragraphs (3) and (4) of the Patent Act prior to the revision by Act No. 79 of 2004

(Concerning 2) Article 167, paragraph (1) of the Civil Code, Article 522 of the Commercial Code

(Background)

In this case, the two plaintiffs, who made the inventions relating to the mechanism of a laminated label printer jointly with four other employees, demand that the defendant pay 200 million yen each as part of the reasonable value of their inventions as employee inventions, with delay damages accrued thereon.

The inventions in question are the subject matter of the patent and utility model applications relating to a label printer, filed by the defendant in 1986 and 1987. The representative one of these inventions is a device whereby characters, etc. are printed in reverse on transparent tape, and then double-sided adhesive tape is affixed on the side of the transparent tape where the characters are printed in order to affix labels on personal belongings while protecting the printed side of the tape.

This invention was made into the world's first laminated label printer and was released on November 1, 1988, with the product name "Teptra." The amount of cumulative sales proceeds earned by the defendant in relation to this label printer was more than 224 billion yen up to 2004, exceeding 300 billion yen at the end of March 2009.

(Summary of the court's decision)

In this judgment, the court determined the share of the defendant's contribution to the inventions to be 95% (or 93% for some of its patents), and ordered the defendant to pay some 31.88 million yen to one of the plaintiffs and some 24.49 million yen to the other plaintiff, respectively, with delay damages accrued thereon. The principal amount awarded by the court of prior instance (Tokyo District Court) was 21,838,142 yen and 15,208,131 yen, respectively. With regard to the specific points at issue, the court ruled

as follows.

(Invalidity of the patents)

The defendant alleged that, as there exist grounds for invalidation of the patent rights and the utility model registrations relating to the inventions made by the plaintiffs, they are not entitled to claim compensation for their inventions from the defendant. The court rejected this allegation, holding as follows in summary.

Where the employer, having acquired a "right to obtain a patent" from the employee who invented the relevant invention, filed a patent application at the employer's own discretion in order to obtain a patent right and actually obtained a patent right, it is impermissible, in a suit filed by the inventor to seek compensation for his/her invention, for the employer to assert that there exist grounds for invalidation of the patent right in an attempt to avoid paying such compensation, unless there are special reasons to make such assertion. If the employer has used a patent right on the premise of its validity and obtained profit, but later, only after being sued, asserts that there exist grounds for invalidation of the patent right in order to avoid allocating such profit to the employee, such conduct cannot in the least be acceptable, not only in light of the spirit of the Patent Act but also under the doctrine of *estoppel*.

Such assertion of the grounds for invalidation may be taken into consideration, not as a factor for determining the admissibility of the employee's claim for compensation for his/her invention, but rather as one of the various factors that should be taken into consideration when calculating a reasonable amount for the value of the invention. However, even in such situation, the influence of such grounds for invalidation should not be overestimated.

(Period of prescription)

The defendant alleged that the plaintiffs' claims for compensation for their inventions arose from the commercial transactions conducted by the defendant, who are supposed to be liable for such claims, for carrying out its business, and in accordance with Article 522 of the Commercial Code, these claims shall be extinguished by prescription upon the lapse of five years. The court rejected this allegation and ruled that the period of prescription applicable to said claims shall be ten years as provided in the Civil Code. The reasons for this conclusion can be summarized as follows.

In light of the provisions of Article 35, paragraphs (3) and (4) of the Patent Act (prior to the revision by Act No. 79 of 2004), a claim for a value of an employee invention that the employer is obliged to pay for having taken over a right to obtain a patent is a claim provided from the perspective of ensuring equity

between the employer and the employee, and it should not be considered in terms of the purpose of making profit. In this respect, such claim cannot be regarded as a claim arising from a commercial transaction or any other claim equivalent thereto, and therefore Article 522 of the Commercial Code shall not apply.