

Date	February 26, 2009	Court	Intellectual Property High Court, Second Division
Case number	2007 (Ne) 10021		
A case in which the court calculated the amount of value for the employee inventions relating to a "scanning optical system for removing ghost images"			

References:

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

1. The plaintiff was employed by the defendant in 1968, and had been in service for the defendant until August 31, 2002.
2. In this lawsuit, with regard to the patent rights (Japanese Patent No. 1774684, US Patent No. 4993792, US Patent No. 5191463, and German Patent No. DE3238665C2) for the invention entitled "scanning optical system for removing ghost images" (the Invention), which the plaintiff vested in the defendant pursuant to paragraphs (3) and (4) of Article 35 of the Patent Act prior to the revision by Act No. 79 of 2004 (Former Article 35), the plaintiff demands that the defendant pay one billion yen as part of the reasonable value of the Invention, with delay damages accrued thereon as calculated at a rate of 5% per annum for the period from January 1, 1994, until the completion of payment. The commencement day for calculating the amount of delay damages, which was alleged as November 5, 2003, in the prior instance, has been moved to an earlier date, January 1, 1994, in the present instance.
3. The Invention relates to a scanning optical system such as a laser printer. Under the Japanese Patent, the Invention has the following constitution. (1) The Invention comprises (i) a light source, (ii) a first imaging optical system which forms a luminous flux into a linear image, (iii) a deflector which has a deflecting and reflecting surface in the vicinity of the line image formed by the first imaging optical system and (iv) a second imaging optical system which forms the luminous flux deflected by the deflector into an image on the surface of the scanned medium. (2) In the deflecting surface of the luminous flux, the second imaging optical system has the f. θ characteristics. (3) A parallel luminous flux is made incident on the second imaging optical system, and on the surface that is perpendicular to the deflecting surface of the luminous flux and includes the optical axis of the second imaging optical system, the line image in the vicinity of the deflecting and reflecting surface and the point on the surface of the scanned medium are conjugated via the second imaging optical system. (4) The deflector is a rotary polygon mirror having N number of deflecting and reflecting surfaces, and the angle α , made by the optical axis of the second imaging

optical system to the luminous flux made incident on the deflector on the surface parallel to the deflecting surface of the luminous flux, is selected to be smaller than $(4\pi/N)-(W/D)$, where D refers to the distance between the surface of the scanned medium and the image-side principal point of the second imaging optical system on the surface that is parallel to the deflecting surface of the luminous flux and includes the optical axis of the second imaging optical system, and W refers to the distance on the surface of the scanned medium from the optical axis of the second imaging optical system to the end of the effective scanning width.

4. On January 30, 2007, the court of prior instance rendered a judgment upholding the plaintiff's claim to the extent to seek payment of 33,520,000 yen, with delay damages accrued thereon as calculated at a rate of 5% per annum for the period from November 5, 2003, until the completion of payment. Both parties appealed against this judgment.

5. In the present instance, the court upheld the plaintiff's claim to the extent to seek payment of 69,557,155 yen in total, consisting of 56,260,000 yen as principal value of the Invention and delay damages accrued thereon as calculated at a rate of 5% per annum for the period from June 28, 1994, until June 6, 1999 (13,297,155 yen), as well as delay damages accrued on said principal value (56,260,000 yen), as calculated at a rate of 5% per annum for the period from June 7, 1999, until the completion of payment. The court's holdings are as follows.

(1) Applicability of Former Article 35, paragraphs (3) and (4) to the succession to the right to obtain a foreign patent

"Where an employee, etc. has assigned to the employer, etc. his/her right to obtain a foreign patent for his/her employee invention set forth in Former Article 35, paragraph (1), it is appropriate to construe that the provisions of paragraphs (3) and (4) of said Article are analogically applicable to the right of the employee, etc. to claim the value for the assignment of the right to obtain a foreign patent (judgment of the Third Petty Bench of the Supreme Court of October 17, 2006, Minshu Vol. 60, No. 8, at 2853).

In this case, the plaintiff made the Patented Inventions which fall within the scope of employee invention set forth in Former Article 35, paragraph (1), and assigned to the defendant the right to obtain patents in foreign countries, such as the United States and Germany, along with the right to obtain a patent in Japan. Therefore, the provisions of paragraphs (3) and (4) of said Article are analogically applicable to the plaintiff's right to claim the value for the assignment of the right to obtain patents regarding the relevant inventions patented in the United States and Germany. Accordingly, also for the assignment of the right to obtain those foreign patents, the plaintiff is entitled to claim payment of a reasonable value as determined according to the standards set forth

in paragraph (4) of said Article under paragraph (3) of said Article.

There is still a question as to whether or not the rule under Former Article 35, paragraph (1) (statutory non-exclusive license) should be taken into consideration as a factor due to which reduction should be made when calculating the value of the right to obtain a foreign patent... However, from the stance... to pursue uniform settlement of legal matters in relation to an invention between the employee, etc. who made the invention and the employer, etc., even where a foreign patent, for which no statutory non-exclusive license shall be granted, is concerned, it is appropriate to construe that the analogical applicability of Former Article 35, paragraph (1) should be affirmed and the value for said right should be calculated accordingly, at least in the process of settling the dispute over the claim for the value for assignment, that is, calculating such value."

(2) Legal binding force of the defendant's Employee Invention Rules

"The defendant's Employee Invention Rules cannot be deemed to have been the content of the labor contract between the plaintiff and the defendant, as a collective agreement or employment regulation. Even supposing any stipulation on the value for an invention or device made by an employee has been included in the collective agreement or employment regulation, such stipulation, in relation to Former Article 35, paragraph (3), does not have any significance more than "an agreement, employment regulation or any other stipulation"... Therefore, the court cannot accept the defendant's allegation that it has no liability to pay any more value because it has already paid the value at least under the defendant's Employee Invention Rules, which can be regarded as an "employment regulation" as set forth in Former Article 35, paragraph (3)."

(3) Calculation of the amount of profit to be received by the defendant from the Patented Inventions

"The right to obtain a patent is a precarious right in that even whether or not the right holder is really able to obtain a patent in the future is uncertain, and it is extremely difficult to calculate, at the time when the employer, etc. succeeds to the right, the amount of profit that the employer, etc. will be able to earn in the future by exclusively working the patented invention or receiving royalties for the invention from a third party. Considering these circumstances, it is allowable, as a literal construction of the provisions of Former Article 35, paragraph (4), to examine, after the employer, etc. has earned any profit by exclusively working the invention or granting a license for the invention to a third party and receiving royalties, the amount of profit from such exclusive working or royalties, and determine the amount of profit derived from the

statutory monopoly right of the employer, etc. to be the "amount of profit to be received by the employer, etc. from the invention" as set forth in said paragraph.

The employer, etc. obtains a non-exclusive right for an employee invention as provided in paragraph (1) of said Article even when the employer, etc. has not succeeded to the right to obtain a patent or patent right for the invention. In light of this, the "amount to be received by the employer, etc. from the invention" as set forth in paragraph (4) of said Article should be construed to be, in the case where the employer, etc. works the invention by itself, the profit that the employer, etc. has received by succeeding to something more than a mere non-exclusive right (statutory non-exclusive right). As for the right to obtain a patent, said amount should be construed to be the amount of profit from exclusive working of the invention, which is derived from the right to claim compensation provided in Article 65 of the Patent Act or the statutory monopoly right arising after the registration of the patent, or profit from the royalties received by granting a license to a third party.

The concept "profit from monopoly" here refers to, as explained above, (i) the profit from royalties in the case where the patentee does not work the patented invention by him/herself but grants a license for the invention to another company and receives royalties from such license. (ii) In the case where the patentee does not grant a license for the invention to any other company but exclusively works the invention by him/herself, said concept refers to the profit earned by the employer as a result of prohibiting any other company from working the invention, that is, the profit earned by gaining more sales than the possible sales that the employer could have gained by granting a license to another company, owing to the right to prohibit against other companies (reduction should be made by the profit derived from the statutory non-exclusive license; referred to as "excess profit").

If the patentee works the patented invention by him/herself and also grants a license for the invention to another company, it depends on a case-by-case basis whether or not the patentee should be deemed to have earned any excess profit from exercising the right to prohibit based on the patent right against any company other than the licensed company. More specifically, consideration should be given to the following points: (i) for the portion of profit generated from the working of the invention by him/herself, the patentee is entitled to work the invention, of course for no value, under Former Article 35, paragraph (1) (statutory non-exclusive license), whereas any profit in excess of such portion may be calculated as "excess profit," and the total profit should be reduced usually by 50 to 60%. (ii) to what extent the patented invention is being worked by other companies, and what kind of alternative technologies or competing

technologies there are with regard to the patented invention, and whether or not these technologies are being worked; (iii) whether or not the patentee adopts a policy to grant a license for the patented invention for value at a reasonable royalty rate to any person who wishes to obtain such license, or a policy to grant a license only to a particular company. Whether or not the patentee earns any excess profit from the exercise of the right to prohibit based on the patent right should be examined by taking all of these factors into consideration."

"A comprehensive cross-licensing agreement is an agreement whereby both parties grant licenses for a number of patented inventions, etc. to each other. Accordingly, under such an agreement, the profit to be received by one party from granting licenses for the patented inventions, etc. in its possession to the other party can be construed to be the entitlement to work multiple patented inventions, etc. in the other party's possession for no value, that is, the exemption from the liability to pay royalties that the party should have paid to the other party. It follows that, under a comprehensive cross-licensing agreement, it is reasonable to consider that both parties have entered into the agreement, thinking that there would be equilibrium in terms of the aggregation of the patented inventions, etc. licensed to each other and any royalties to be paid in the event of disequilibrium of these inventions. Therefore, it may be permissible to make a calculation based on the total of the amount of royalties that should have been received and the amount of royalties that have actually been received by one party from the other party for working said one party's patented inventions, etc....

In the negotiations for entering into such a comprehensive cross-licensing agreement, it is practically impossible for the parties to accurately evaluate the technical value of the patent or examine whether or not the patented invention is being worked with respect to a number of patents covered by the license, one by one. In such case, it is a common practice for the parties to offer to each other a certain number of patents that the other party is highly likely to be using or basic patents that have a high level of technical significance (offered patents), and discuss whether or not any of the other party's products is in conflict with these patents, as well as the effectiveness of those patents and the sales from the products made by using them, thereby making comparison in terms of the patents for which the possibility of conflict with the other party's products and effectiveness have been confirmed (representative patents), and the sales of the relevant products, and also making comparison in terms of the number of patents and patent applications in the possession of each party. Through such process, both parties determine the terms and conditions under the comprehensive

cross-licensing agreement, such as whether or not any adjustment money should be paid for redressing the balance between the parties...

In the electronics industry, a comprehensive cross-licensing agreement covers thousands or tens of thousands of patents, and looking at patents other than those that have been offered to the other party and recognized as representative patents, a considerable number of such patents may have been covered by the license, each as one of those thousands or tens of thousands of patents, together with many other patents without being strictly examined. Such patents cannot be regarded as a factor that should be necessarily taken into consideration when calculating the aforementioned "amount of profit" just because they are covered by the comprehensive cross-licensing agreement.

However, in the case of a patent that is neither a representative patent nor offered patent but is proved to have been used by the other party at the time of entering into the comprehensive cross-licensing agreement, it is likely that the other party recognized the existence of such patent at that time, and the patentee is deemed to be exercising the right to prohibit through entering into the comprehensive cross-licensing agreement. Such patent being used by the other party can be taken into consideration when calculating the aforementioned "amount of profit" even if it is neither a representative patent nor offered patent."

(4) Profit to be received by the defendant from the Patents being covered by the comprehensive cross-licensing agreements

The amount of profit to be received by the defendant from the Patents being covered by the comprehensive cross-licensing agreements should be calculated by the following formula. The total of the amount of profit for each term is 458,942,397 yen for the laser beam printer (LBP), and 617,886,084 yen for the digital copier and multi-functional printer (MFP, etc.)

Formula:

Global sales of LBP and MFP, etc. earned by the other parties (the total sales for each term is 7,445,154,949,854 yen for LBP and 10,845,422,491,953 yen for MFP, etc.)

* the production/sales ratio in the geographical range covered by the Patent Rights

* the ratio of the Patented Inventions being worked by all licensees of the defendant (90% of the ratio of those being worked by the defendant)

* the royalty rate under the comprehensive cross-licensing agreements (2.40% for LBP and 2.91% for MFP, etc.)

* the degree of contribution (30 patents for the 1st to 3rd terms and 20 patents for the 4th and 5th terms per patent possessed by the defendant)

(5) Degree of contribution by the defendant to the Patented Inventions

It is found that the plaintiff made the Patented Inventions in the course of engaging in work in the position responsible for development of optical systems for solving the problem of how to remove statistic ghost images as the task given by the defendant's taskforce. Even taking into consideration the relevant prior art, we cannot go so far as to find that it was easy for the plaintiff to make the Patented Inventions. Also entirely taking into consideration other circumstances that have been revealed in this lawsuit, it is appropriate to determine the degree of contribution by the defendant to the Patented Inventions to be 94%.

(6) Deduction of interim interest

The plaintiff's claim against the defendant for payment of the value for assignment can be construed to have become due as of June 27, 1994, when the plaintiff received payment of compensation for the Japanese Patent. Therefore, it is appropriate to deduct interim interest for the period from that point in time until the time the defendant received any profit from the Patented Inventions.

(7) Amount of value relating to the licensing agreements with other companies

By deducting the degree of contribution by the defendant, mentioned in (5) above, and the interim interest, mentioned in (6) above, from the amount of profit, mentioned in (4) above, the amount of value relating to the licensing agreements with other companies is 24,870,000 yen for LBP and 27,650,000 yen for MFP, etc., totaling 52,520,000 yen.

(8) Amount of value relating to the working the Patented Inventions by the defendant

"As for the Patented Inventions, ...there are alternative technologies or competing technologies, and such alternative or competing technologies are being used for some products... In addition, the defendant, while manufacturing and selling LBP and MFP, etc. by itself, adopts the policy to grant licenses for the Patented Inventions for value to any other companies if they wish to use these inventions, and it has actually entered into comprehensive cross-licensing agreements with many companies that manufacture and sell LBP, etc., allowing them to work the Patented Inventions... it is presumed that the Patented Inventions are being worked by other companies at high rates. In view of these circumstances, it cannot be found that the defendant has earned a large amount of excess profit by working the Patented Inventions by itself, but rather reduction should be made at a rate far beyond the level of 50 to 60% (about 90% in this case).

However, as mentioned above, the defendant adopts the policy to grant licenses for the Patented Inventions for value to any other companies if they wish to use these inventions (open licensing policy). Such licensing is on a royalty basis, whereas the

defendant does not have to pay any royalty for working the Patented Inventions to make its own products. Furthermore, it cannot be found that the Patented Inventions are being worked by all of the other companies, and besides, it also cannot be found that within the duration of the Japanese Patent, there existed any technology, among the alternative or competing technologies, which clearly surpassed the Patented Inventions. In light of these circumstances, it is appropriate to find that the defendant has earned an excess profit to some extent."

It is appropriate to determine that the amount of value based on the excess profit earned by the defendant from working the Patented Inventions by itself is not less than three million yen for LBP and one million yen for MFP, etc., totaling four million yen.

(9) Time of commencement for calculating the amount of delay damages

As mentioned in (6) above, the plaintiff's claim for value is construed to have become due on June 27, 1994, when the plaintiff received compensation for the Japanese Patent. Consequently, the plaintiff is entitled to claim delay damages accrued on the amount of value for the period from June 28, 1994.

(10) Deduction of the amount already paid

The plaintiff had already received 876,000 yen from the defendant. When this amount is appropriated to the aforementioned amount of value, the outstanding amount is 69,544,684 yen in total, consisting of 56,250,000 yen as principal value and 13,294,684 yen as delay damages accrued on said principal value for the period until June 6, 1999, as well as delay damages accrued on said principal value (56,250,000 yen), as calculated at a rate of 5% per annum for the period from June 7, 1999, until the completion of payment.