

Judgments of Osaka District Court, 26th Civil Division

Date of the Judgment: 2005.9.26

Case Number: 2004(Wa)No.10584

Title(Case):

A case wherein the court, in a lawsuit to claim a reasonable amount of remuneration for an employee's invention, calculated the amount of the reasonable remuneration by setting the rate of allocation to the inventor at 2% by adding the huge risk and considerable costs of commercialization borne by the employer to the degree of contribution made by the employer to the invention in view of the special characteristics of the product manufactured through exploitation of the invention as a quasi-drug.

Summary of the Judgment:

In this case, the plaintiffs, who were the employees of the defendant, claimed payment of the unpaid portion of the reasonable remuneration owed for transfer of the right to obtain the patent for an employee's invention (a use invention which relates to a "hair restorer") to the defendant (a company that manufactures and sells quasi-drugs for skin care and cosmetics), which was the employer.

The point at issue in this case is the amount of the reasonable remuneration to be paid by the defendant to the plaintiffs. The defendant has manufactured and sold the product, which is manufactured through exploitation of the invention, on a private-label basis, as well as carrying out OEM production using other companies' brand names. Moreover, the defendant has granted explicit licenses and also supplied raw materials for the product that is manufactured through exploitation of the invention.

The court calculated the amount of the reasonable remuneration through the following process: (1) holding i) that in identifying the degree of contribution made by the employer, etc. to the invention, the fact that the employer, etc. bears the risk of failure in research and development for creation of the invention should be taken into sufficient consideration as a factor when calculating the amount of reasonable remuneration, ii) that the risk and cost of commercialization of the invention are also elements to be considered, and iii) that the amount of the reasonable remuneration should be calculated by multiplying the amount of the benefits receivable by the employer owing to the possession of the patent right by the rate of allocation to the inventors, which is set in consideration of the degree of contribution made by the employer, etc. to the creation of the invention and the risk and cost of commercialization; (2) holding i) the case of supplying other

companies with raw materials for the product manufactured through exploitation of the invention, to be the granting of implied licenses, ii) the amount obtained by multiplying the licensee's sales turnover relating to the product by a reasonable royalty rate to be the amount of reasonable royalty, and iii) the license fee obtained through granting of explicit licenses to be the benefits that the defendant can obtain owing to the possession of the patent right; (3) on the other hand, holding that as long as licenses are granted in this manner and the product manufactured through exploitation of the invention is distributed in the market, the in-house exploitation amount and OEM production amount fall within the scope of benefits obtained from the exercise of statutory non-exclusive license for the employee's invention by the employer, etc., and are not included in the benefits that the defendant can obtain owing to the possession of the patent right; (4) recognizing the process of creation of the invention and the plaintiffs' involvement in it, and on that basis, holding that even if the plaintiffs made contributions following creation of the invention, these contributions were made in the course of fulfillment of their duty as the defendant's employees, and thus should not be regarded as the inventors' contributions when calculating the amount of the reasonable remuneration but rather should be regarded as contributions made by the defendant that had taken over the right to obtain the patent; and (5) based on the special characteristics of the invention (hair restorer) as a quasi-drug, finding i) that the huge cost is required for obtaining approval for manufacturing and selling quasi-drugs, which is necessary in order to manufacture and sell them, and ii) that the risk of failing to obtain the said approval and the risk of failure in related business are high, and thereby setting the rate by which the benefits receivable by the employer should be multiplied to calculate the amount of the reasonable remuneration (rate of allocation to the inventor) at 2%.

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