

Date	August 19, 2010	Court	Intellectual Property High Court, First Division
Case number	2008 (Ne) 10082		
A case in which the court found that (i) the appellee, who had been an employer of the appellant, worked the inventions transferred from the appellant, (ii) the appellee earned a “profit from monopoly” in excess of the profit earned by using a statutory non-exclusive license, and (iii) the appellant’s claim for a reasonable value for the transfer of the inventions has not yet been extinguished by prescription; based on these facts, by modifying the judgment in prior instance that denied the appellee’s earning of any “profit from monopoly” and acknowledging the completion of extinctive prescription for the appellant’s claim, the court upheld the appellant’s claim to the extent to seek 5,125,124 yen as the reasonable value (after deducting the portion already paid), with delay damages accrued thereon			

References:

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

The appellant (plaintiff), a former employee of the appellee (defendant), alleges that he/she transferred to the appellee the right to obtain a patent for each of the five inventions related to “semiconductor laser equipment,” etc. that he/she had made while in service as the appellee’s employee, and based on this allegation, the appellant demands under Article 35, paragraph (3) of the Patent Act (prior to the revision by Act No. 79 of 2004; the same shall apply hereinafter) that the defendant pay 100 million yen as part of the reasonable value for the transfer of said right (737,460,000 yen), with delay damages accrued thereon as calculated at a rate of 5% per annum under the Civil Code for the period from December 22, 2006 (the day following the day on which the appellant made a claim against the appellee for payment of the unpaid portion of the reasonable value for the transfer of said right), until the completion of payment (It should be noted that the appellant had initially demanded payment of the reasonable value of the six employee inventions, but at the final stage of the proceedings in the second instance, he/she withdrew a claim for the value of one of these inventions (Invention F)).

The court of prior instance, without making a finding on whether or not the appellee had worked the appellant’s inventions, ruled that among the six inventions in question (Inventions A to F), with regard to three inventions (Inventions A to C), the appellee did not earn any “profit from monopoly” (the amount that remains after deducting the amount of profit earned by using a non-exclusive license set forth in

Article 35, paragraph (1) of the Patent Act from the total amount of profit earned by the employer, etc. by working the invention), and with regard to the other three (Inventions D to F), the appellant's claim for the reasonable value has been extinguished by prescription, and in conclusion, the court dismissed the appellant's claim for all of the six inventions. Against this background, the appellant filed an appeal to the higher court.

This case involves a wide range of issues, including the following: (i) whether or not the inventions in question have been worked; (ii) whether or not the appellee has earned any profit from monopoly; (iii) how to calculate the reasonable value; and (iv) whether or not the appellant's claim for the three inventions in question has been extinguished by prescription. The Intellectual Property High Court confirmed (i) and (ii), while denying (iv), and as for (iii), adopting the calculation method discussed later.

1. Whether or not the inventions in question have been worked

(1) Since there is no reason to narrowly construe the concept of "semiconductor laser equipment" based on Invention A as referring to "semiconductor laser equipment using the astigmatic method" or the like, as alleged by the appellee, even where the optical pickup manufactured by the appellee (hereinafter referred to as the "Optical Pickup") uses the differential spot-size method, the appellee is deemed to have worked Invention A.

(2) Even where Invention B, as stated in the claims, has three light detecting parts, while the Optical Pickup has four to eight light detecting parts, some of the subdivided light detecting parts installed in the Optical Pickup are combined together and are in effect used as one upon signal processing. Thus, in relation to signal processing, the Optical Pickup in effect meets the constituent requirement of Invention B.

(3) Even where Invention C, as stated in the claims, has a light detector "divided into three light detecting parts," while the Optical Pickup has a light detector divided into a different number of light detecting parts, some of the subdivided light detecting parts installed in the Optical Pickup are combined together and are in effect used as one upon signal processing. Thus, in relation to signal processing, the Optical Pickup in effect meets the constituent requirement of Invention C.

(4) Consequently, the appellee works Inventions A to C in the Optical Pickup.

2. Whether or not the appellee has earned any profit from monopoly

(1) The employer, etc. obtains a non-exclusive license for an employee invention even when the employer, etc. has not succeeded to the right to obtain a patent or patent right for the invention (Article 35, paragraph (1) of the Patent Act). In line with this

provision, the phrase “amount of profit to be received by the employer, etc. from the invention” as set forth in paragraph (4) of said Article does not mean the total amount of profit to be earned by the employer, etc. by working the invention, but it should be construed to mean the amount that remains after deducting the amount of profit to be earned by using a non-exclusive license from such total amount of profit (generally referred to as “profit from monopoly” or “excess profit”).

As to whether or not the employer has earned any “profit from monopoly” from the working of the patented invention acquired by transfer from the employee, by exercising the right to prohibit competitors without license from working the invention, determination should be made by taking into consideration all circumstances concerned, including: (i) whether or not the patentee adopts a policy to grant a license for the patent for value at a reasonable royalty rate to any person who wishes to obtain such license (open licensing policy), or a policy to grant a license only to a particular company (limited licensing policy); (ii) whether a certain proportion of competitors, without obtaining a license for the patent, manufacture and sell the same kind of products by applying technologies that can substitute the patented invention, and whether there is any outstanding technical difference between the substitute technologies and the patented invention in terms of the working effect, etc.; (iii) whether the party with which the patentee has entered into a comprehensive licensing agreement or comprehensive cross-licensing agreement, etc. works the patented invention or works a substitute technology instead of the patented invention; and (iv) whether the patentee him/herself works not only the patented invention but also any other substitute technology concurrently or at a different time.

Unless there are special circumstances such as where the value of the patented invention is so low that it is completely unimaginable that any person would wish to use it, or where due to a considerable number of substitute technologies, the presence of the patented invention is insignificant in the market as a whole, even if the patentee adopts an open licensing policy and any substitute technology equivalent to the patented invention exists, these facts alone cannot be the reason for denying that the employer who has acquired the patented invention by transfer from the employee, earned any “excess profit,” but rather it should be construed that he/she has earned such profit, whatever amount it is.

(2) In this case, the appellee cannot be found to have adopted an open licensing policy. It is found that there are only two technologies that can substitute the optical pickup using a laser coupler based on the inventions in question, namely, a discrete laser coupler and hologram laser coupler. In view of these facts and other circumstances

concerned, the appellee is found to have earned a certain amount of “excess profit” by manufacturing and selling the Optical Pickup, with its “excess sales” accounting for one-third of the total sales.

### 3. How to calculate the reasonable value

(1) It is appropriate to calculate the reasonable value for the transfer of the right to obtain a patent for the inventions in question, by the following formula:

Total sales of the product concerned \* ratio of excess sales \* hypothetical royalty rate \* (1- degree of contribution by the appellee) \* degree of contribution by the appellant among the co-inventors

(2) In this case, the total sales of the product concerned are XXXX yen, the ratio of excess sales is one-third, the hypothetical royalty rate is XX%, the degree of contribution by the appellee is 97%, the degree of contribution by the appellant among the co-inventors is one-third for Inventions A to D and one-sixth for Invention E, and the proportion of each of Inventions A to E in the whole of the inventions in question is 25 of 95, 25 of 95, 10 of 95, 25 of 95, and 10 of 95, respectively. Putting these figures in the above formula, the reasonable value is 5,707,974 yen.

(3) Meanwhile, the appellant has already received a total of 582,850 yen (for his/her share in Inventions A to E) from the appellee, and by deducting this amount from said reasonable value, the amount that the appellant is entitled to claim against the appellee is 5,125,124 yen, with delay damages thereon.

### 4. Whether or not the appellant’s claim has been extinguished by prescription

Under the appellee’s in-house regulations in relation to the payment of remuneration for the transfer of the right to obtain a patent, a distinction is made between domestic and foreign applications in the case of giving a commendation for patent application, whereas in the case of giving a special commendation (commendation for actual performance [through the working of a patented invention or licensing of a patent]), such a distinction [between domestic and foreign applications] is not stipulated in the text of these regulations.

Thus, as to whether or not a distinction between domestic and foreign applications is made for giving a special commendation (commendation for actual performance), the text of the regulations can be construed in either way. However, in reality, it is unreasonable to expect an employee to enforce his/her claim for a special commendation when it is still uncertain whether his/her invention will be patented and registered in Japan.

Irrespective of whether or not the appellee actually gives a special commendation only once for each invention for which a patent application has been filed or patent has

been registered in Japan or in a foreign country, at least in the context of extinguishment by prescription, at the time when it is still uncertain whether an employee invention will be patented and registered in Japan, a legal impediment still exists for the employee to enforce his/her claim for a special commendation.

Consequently, the appellant's claim for a special commendation based on the registration of patents for Invention D and E in Japan should be deemed to have become enforceable around March 1997, when the first recommendation of candidates for special commendation was made for the annual screening after patent applications had been filed and patents had been registered in Japan. Reckoned from this point in time, extinctive prescription was yet to be completed when the appellant made a claim against the appellee for the payment of the reasonable value.

#### 5. Conclusion

For the reasons stated above, the appellant's claim against the appellee is well-grounded to the extent to seek payment of 5,125,124 yen, with delay damages accrued thereon as calculated at a rate of 5% per annum for the period from December 22, 2006, until the completion of payment.