Date	January 31, 2013	Court	Intellectual Property High Court, Fourth Division
Case number	2012 (Ne) 10052		

– A case in which the court found that, in a lawsuit to seek reasonable payment for an employee invention, if the employer pays compensation under the employee invention rules based on the profits generated by working a specific patent during a specific period, the benefit of prescription shall be deemed to have been relinquished with regard to the right to demand reasonable value calculated based on the profits generated by working said patent during said period.

– A case in which the court found that, although a joint inventor is considered to have made certain contributions, his/her contribution was extremely limited in comparison with the employer's contribution and that the inventor's contribution and the employer's contribution may be calculated as 1% and 99% respectively.

References:

Article 35 of the Patent Act prior to the revision by Act No. 79 of 2004, Article 146 of the Civil Code

In this case, the plaintiff in the first instance, who is a former employee of Company A, the predecessor of the defendant in the first instance, is one of the joint inventors of the two inventions made during his/her employment, i.e., an invention titled "Sulfamoyl-substituted phenethylamine derivatives" (the "Substance Invention") and an invention titled "Manufacturing process for substituted phenethylamine derivatives" (the "Process Invention"). The plaintiff in the first instance demanded from the defendant in the first instance a payment of one billion yen as compensation for a part of the reasonable value for having assigned to Company A the right to obtain patents for said two employee inventions under Article 35 of the Patent Act prior to the revision by the Act No. 79 of 2004, by February 8, 1980 in the case of the Substance Invention and by November 13, 1985 in the case of the Process Invention.

The defendant in the first instance is a company established in April 1, 2005 through a merger between Company A and Company B. The defendant in the first instance is engaged in the manufacturing and sale of a drug to treat urination disorder caused by prostate hypertrophy (Product name: "ハルナール" (Harunaru)) with an active ingredient called tamsulosin hydrochloride, which is contained in the Substance Invention.

The Substance Invention is patented in Japan, the U.S., Europe, etc., while the Process Invention is patented in Japan and Spain.

Under the current employee invention rules (the defendant's current rules), on

March 6, 2009, the defendant in the first instance paid the plaintiff in the first instance a total of 3,359,900 yen (the "Payment"), which may be broken down into (i) 3,098,400 yen paid as compensation for the working of the Substance Patent of the U.S., and the Substance Patent of Europe for the period from April 1, 2005 to March 31, 2008, and (ii) 261,500 yen as compensation for the working of the Process Patent of Japan for the same period.

The court of prior instance found that the inventor's contribution to the invention is 1%. It also found that, after the defendant in the first instance examined whether the working of the patents in question generated any profits, the defendant in the first instance made the Payment as compensation for working the patents while knowing that the prescription was completed with regard to the right to demand reasonable value. Therefore, the court held that it is reasonable to find that the Payment constituted relinquishment of the benefit of prescription. The court of the prior instance accepted the claim of the plaintiff in the first instance to the extent that the plaintiff in the first instance may seek a payment of 165.38 million yen. This total was calculated by deducting the amount of Payment from the amount of reasonable value (168.74 million yen in total) calculated based on the actual sales during the period from the date of introduction of Harunaru to the market until the expiration dates of the Process Patent of Japan, the Process Patent of Spain, the Substance Patent of the U.S., and the Substance Patent of Europe respectively, none of which had expired as of April 1, 2005. The other claims of the plaintiff in the first instance were dismissed by the court.

Dissatisfied with this, the plaintiff in the first instance and the defendant in the first instance filed appeals respectively against the judgment in the prior instance.

First, this court held as follows with regard to extinctive prescription.

The defendant in the first instance made the Payment while being fully aware of the completion of the prescription with regard to the right to demand the reasonable value mentioned above. Even though there was disagreement between the parties concerned with regard to the amount of payment determined based on the patents (the Substance Patent of the U.S., the Substance Patent of Europe, and the Process Patent of Japan) that were subject to the calculation of the amount of Payment, since the defendant in the first instance made the Payment, under the defendant's current rules, as compensation for working the patents after examining whether the working of the patents generated profits, it is reasonable to find that the Payment constituted relinquishment of the benefit of prescription. However, according to evidence, the

Process Patent of Japan was not used for the manufacturing of Harunaru in Japan.

Before making the Payment, the defendant in the first instance clearly explained to the plaintiff in the first instance not only the defendant's current rules but also the defendant's understanding that the amount of payment to be made as compensation for the working of the patents would be calculated based only on the profits generated on and from April 1, 2005 and that the compensation for the working of the patents calculated based on the profits generated prior thereto is not subject to the calculation of the amount of payment under the former rules of Company A. In other words, the defendant in the first instance clearly indicated its intention to pay the compensation for the working of the patents calculated based on the profits generated on and from April 1, 2005, but said that it is not obliged to pay the compensation for the working of the patents calculated based on the profits generated prior to April 1, 2005. Therefore, it is reasonable to interpret that the aforementioned indication of the intention of the defendant in the first instance to relinquish the benefit of prescription affects the right to demand such part of the reasonable value for the assignment of the right to obtain the Substance Patent of the U.S. and the Substance Patent of Europe that is [to be] calculated based on profits generated by the working of the patents on and from April 1, 2005. However, the Payment made by the defendant in the first instance cannot be interpreted as its relinquishment of the benefit of prescription with regard to the right to demand such part of the reasonable value that is [to be] calculated based on the profits generated on or before March 31, 2005.

When the defendant in the first instance made the Payment, it relinquished the benefits of prescription with regard to the right to demand part of the reasonable value for assigning the right to obtain the Substance Patent of the U.S. and the Substance Patent of Europe that is calculated based on the profits generated on or from April 1, 2005. Therefore, it is impossible to refuse to make the payment of said part even if the prescription is subsequently invoked for said part. On the other hand, with regard to the part calculated based on the profits generated on or before March 31, 2005, no restrictions are imposed on the invocation of prescription after the Payment. Consequently, said part shall be considered to have become conclusively extinct as a result of the invocation of prescription.

This court held as follows with regard to the employer's and the inventor's respective shares of contribution.

In the stage prior to the synthesis of tamsulosin hydrochloride, which is the active ingredient of Harunaru, the idea of the plaintiff in the first instance should be evaluated

as very innovative. Also, in the stage of synthesizing tamsulosin hydrochloride, the idea of the joint inventors, including the plaintiff in the first instance, may be evaluated as unique. However, in the stage after synthesis, the contribution of the plaintiff in the first instance was limited. On the other hand, even in this stage prior to the synthesis of tamsulosin hydrochloride, Company A made a considerable contribution. In the stage of synthesizing tamsulosin hydrochloride, Company A made a great contribution. Furthermore, in the stage after synthesis, Company A made an extremely large contribution to boosting the sales. In this case, special attention should be paid to two of these facts. First, at the time when Company A received an assignment of the right to obtain a patent for the Substance Invention, tamsulosin hydrochloride, which is the active ingredient of Harunaru, was not synthesized yet. Second, after synthesis, Company A made an especially important contribution to boosting the sales of Harunaru to such a high level as mentioned above by selecting indications and developing technologies related to commercialization. It was extremely difficult for both the employer and the inventor to predict these facts at the time that Company A received an assignment of the right to obtain patents for the Substance Invention. In particular, the situation after the synthesis of tamsulosin hydrochloride was attributable solely to the contribution of the employer, i.e., Company A. This should be taken into consideration as a factor that requires an especially high evaluation of the contribution of Company A, when the value of the Substance Invention as of the time of assignment is calculated based on the aforementioned sales that Harunaru achieved after the assignment. Meanwhile, as mentioned above, while the joint inventors, including the plaintiff of the first instance, are considered to have certainly contributed to making the Substance Invention, their contribution is extremely limited in comparison with the aforementioned Company A's contribution.

Therefore, based on a comprehensive evaluation of the aforementioned facts, it is reasonable to conclude that the contribution by Company A, i.e., the employer, in making the Substance Invention accounts for as 99% of the sales, while the inventor's contribution accounts for 1%.

In addition, the court found that the inventor ratio of the plaintiff in the first instance is 40% and that the defendant of the first instance shall pay 44,781,600 yen as the outstanding reasonable value calculated by deducting 3,098,400 yen, which is equivalent to such portion of the Payment that corresponds to the actual sales generated by working the Substance Patent of U.S. and the Substance Patent of Europe, from 47,880,000 yen, which is the total of the reasonable value calculated based on the

profits from the in-house working of the Substance Patent of Europe, the reasonable value calculated based on the licensing revenue of the Substance Patent of U.S., and the reasonable value calculated based on the licensing revenue of the Substance Patent of Europe.