

Patent Right	Date	August 20, 2020	Court	Intellectual Property High Court, First Division
	Case number	2020 (Ne) 10016		
<p>- A case in which the court found that a joint owner of patent rights, who worked the patent rights independently without prior consultation with and permission from the other joint owners, lost his/her share of the patent rights based on the following provisions of a joint patent application agreement concluded among the joint owners of the patent rights: if a joint owner of patent rights commits an act of producing and selling a product by working the patent rights without prior consultation with and permission from the other joint owners, he/she shall be deprived of the patent rights.</p>				

Case type: Injunction, etc.

Result: Appeal dismissed

References: Article 73 and Article 100, paragraph (1) of the Patent Act; Article 709 of the Civil Code

Related rights, etc.: Patent No. 5079926 and Patent No. 5392519

Summary of the Judgment

1. In this case, [1] the Appellant, who is one of the joint owners of two patent rights (the "Patent Rights") for no-tie shoelaces, alleged that the acts of selling the product of the defendants in first instance (the Appellees) (the "Defendants' Product") committed by another joint owner, Appellee Y, and the Appellee Company, in which Appellee Y serves as a representative director, constitute infringement of Patent Right 1 and sought against Appellee Y and the Appellee Company [i] an injunction against the import, sale, etc. of the Defendants' Product under Article 100, paragraph (1) of the Patent Act and [ii] joint and several payment of loss or damage (lost profits referred to in Article 102, paragraph (2) of the Patent Act and attorney's fees, etc.), in an amount of 30,800,000 yen in total, and delay damages accrued thereon under Article 709 of the Civil Code. [2] The Appellant alleged that the act committed by Appellee Y and the Appellee Company of obstructing the Appellant's business with the aim of taking over its market constitutes a tort and sought against Appellee Y and the Appellee Company joint and several payment of part of loss or damage, in an amount of 100,000,000 yen, and delay damages accrued thereon under Article 709 of the Civil Code and Article 350 of the Companies Act. [3] The Appellant also alleged that Appellee Y has been deprived of his/her share, one-fourth of the Patent Right, based on the relevant provisions of a joint patent application agreement concluded among the joint owners of the Patent Rights

(the "Joint Patent Application Agreement") and sought [i] a declaratory judgment to the effect that Appellee Y does not have said share, [ii] the procedure for registration of transfer of said share to the Appellant, and [iii] the procedure for registration of cancellation of the right for said share (the claim mentioned in [iii] was joined to the claim mentioned in [ii] as an alternative claim).

The court of prior instance dismissed all claims of the Appellant on the grounds of being groundless. Dissatisfied with this, the Appellant filed the appeal to the court of second instance.

2. In this judgment, the court held as outlined below and dismissed the appeal to the court of second instance in question.

(1) According to the Joint Patent Application Agreement, both of the Patent Rights are jointly owned by the Appellant, Appellee Y, and two other joint owners (the share of each joint owner is one-fourth), and no joint owner may transfer his/her own share or grant a license therefor to a third party or establish security thereon without the consent of all the other joint owners.

Incidentally, according to Article 73, paragraph (2) of the Patent Act, working of a patented invention by a joint owner him/herself does not require the consent of the other joint owners in principle, and it is also possible to provide otherwise in an agreement among all joint owners.

Based on the above, looking at the Joint Patent Application Agreement, said agreement can be considered to have been concluded among the aforementioned four joint owners in order to make arrangements concerning the relationship of rights, etc. with regard to the manufacture and sale of no-tie shoelaces, including not only the products for which joint business had already been commenced in July 2012, but also products for which business was to be conducted in the future.

Among the provisions of the Joint Patent Application Agreement, Article 7, titled "Working of the Invention," provides that the joint owners separately specify the working of the invention after consultation, but Article 13, titled "Violation," provides that if a joint owner commits an act of producing and selling a product by working the Patent Rights without prior consultation and permission, the joint owner is deprived of the Patent Rights (the "Provisions of Article 13").

In consideration of the provisions of the aforementioned agreement taken together and in light of the aforementioned background to the conclusion of the Joint Patent Application Agreement and the nature of the agreement as a legal agreement document to confirm the relationship of rights, etc. that serve as a premise for joint business concerning the manufacture and sale of shoelaces, the Joint Patent Application

Agreement is considered to have imposed a constraint whereby each joint owner may work the invention in line with the form of business (commercial distribution) that has already explicitly or implicitly been agreed on, but separate consultation, that is, prior consultation and permission, is required for him/her to work the invention in an embodiment that differs therefrom, and he/she is prohibited from committing an act of producing and selling a product as the working of the already obtained patent rights without prior consultation and permission.

In addition, in terms of the context of the phrase "deprived of" in the Provisions of Article 13, it is reasonable to interpret that a joint owner loses his/her own share of ownership of the Patent Rights if he/she produces or sells a product by working the invention pertaining to the Patent Rights by him/herself without going through prior consultation with and obtaining prior permission from the other joint owners. Incidentally, Article 98, paragraph (1) of the Patent Act, which provides that the transfer of a patent right and its forfeiture due to waiver must be registered to take effect, does not preclude parties who are interested in the attribution of a right in association with the obtainment and loss of the right from acknowledging the effect of the obtainment and loss of the right.

Since April 2016, the Appellant has been independently manufacturing and selling the product of the Plaintiff (the Appellant) (the "Plaintiff's Product") in Japan in an embodiment that differs from the conventional form of business (commercial distribution). As there were no prior consultation with or permission from the other joint owners with regard to the Plaintiff's Act of Sale, the Appellant should be considered to have lost his/her share of ownership of the Patent Rights on the grounds that it violated the Provisions of Article 13.

Based on the above, as the Appellant has lost his/her share of ownership of Patent Right 1, the Defendants' Act of Sale would never constitute infringement of Patent Right 1 (the Appellant's share of ownership).

- (2) Appellee Y never lost his/her own share of ownership of the Patent Rights.
- (3) The acts of Appellee Y and the Appellee Company alleged by the Appellant would never constitute a tort against the Appellant. It should also be said that even if these acts are seen in an integrated manner as a series of acts, they would never constitute a tort against the Appellant either.