



Progress Report :

# **Amendment of Article 35 (employee invention) of the Japanese Patent Act**

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**Vice President  
Takashi Suzuki**



I. Background

II. Amendment of § 35

III. Potentially Remaining issues



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# Article 35 of Japanese Patent Act of 1959

Employee's duty

Employer's business



"employee invention"

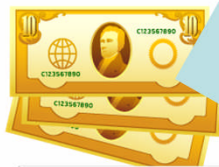


Employee  
Inventor  
Owner

§ 1 Statutory, non-exclusive, royalty-free license

§ 3 Assign

§ 3 Appropriate remuneration\*



Employer

\* § 4 Determined with reference to:

- 1) the employer's profits by virtue of the invention
- 2) the extent that the employer contributed to the creation of the invention



## Heyday of inventors in early 2004

### *Yonezawa v. Hitachi (January 29, Tokyo High Court)*

\$1=¥110

- ▶ Filed in 2001
- ▶ Inventor was awarded \$1.5M for optical disc drive invention
- ▶ Judgment (No settlement)

**HITACHI**  
Inspire the Next



### *Nakamura v. Nichia (January 30, Tokyo District Court)*

- ▶ Filed in 1998
- ▶ Inventor was awarded \$181.8M for blue LED invention
- ▶ Settlement: \$7.7M

**NICHIA**



### *Naruse v. Ajinomoto (February 24, Tokyo District Court)*

- ▶ Filed in 2002
- ▶ Inventor was awarded \$1.7M for artificial sweetener invention
- ▶ Settlement: \$1.4M

A taste of the future.  
**AJINOMOTO**





## 2005 Amendment

Same framework, but Fairer and more Transparent Process

### **New § 4**

Payment rules/schedule should not be "*unreasonable*", in view of:

- Manner of employer-employee negotiation,
- Disclosure of the payment schedule,
- Chances of opinion hearing, etc.

No stipulation on remuneration  
Or "unreasonable"

### **New § 5**

Compensation should be decided, taking into account:

- Profit realized by the invention
- Employer's expenses and contribution to the invention,
- Other economic or non-economic awards to the employee, etc.





## Transpiring problems (1)

### ◆ Innovating today involves:

- An invention being created by multiple people (a group);
- A single product containing a number of patented inventions;
- Many persons other than the inventors are involved in the commercialization of an invention.

⇒ It is difficult to calculate what a reasonable remuneration would be, and costs are increased.

⇒ There may be an increased risk of a lawsuit over remuneration.



## Transpiring problems (2)

◆ As the importance of open and closed strategies and open innovation grows, the transfer of the right to a patent is accompanied by certain issues:

a) The “double transfer” issue (as stipulated in the Patent Act, Article 34 (1):  
An application filed for the invention constitutes a perfection requirement)

Even if rules on reserved succession are established, if the inventor violates the rules and assigns his right to a third party, and the third party files an application for the invention before the inventor’s company does the same, the company cannot obtain a patent.

⇒ Risk of the patent being stolen by a rival company

b) The “instability of ownership of a shared invention” issue (as stipulated in the Patent Act, Article 33 (3))

The right cannot be assigned without the consent of the other inventors.

⇒ Risk of becoming an obstacle to innovation





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## Attempts to amend

- ◆ **April 26, 2013 JIPA makes a proposal**

JIPA proposes a revision of the law in which an invention would belong fundamentally to a company without the right to claim remuneration.

- ◆ **June 7, 2013 The Cabinet decides the basic outline of IP policies**

The policies involve a drastic revision to the employee invention system, under which, currently, an invention belongs to the inventor, and the implementation of measures to help enhance industrial competitiveness by, for example, having an invention belong to the company or by leaving the matter to be subject to a contract between the employer and employee.

- ◆ **July 2013–February 2014 Discussions by the Research Committee for Employee Invention System (JPO)**

- ◆ **March–December 2014 The Patent System Subcommittee under the IP Committee of the Industrial Structure Council issues a report**

The report is entitled “Prospects for revising the IP system aimed at promoting innovations in Japan as well as systemic harmonization on a global scale.”

- ◆ **March 13, 2015 The Cabinet approves the bill (submitted to an ordinary session of the Diet)**





## Outline of the amendment

- (1) If, for the purpose of resolving an instability concerning ownership of rights, a contract, Work Rules, or any other provision stipulates in advance that the right to a patent belongs to the employer, etc., then the right to the patent shall belong to the employer, etc. from the time such invention comes into being.
- (2) In the case where the employee, etc., causes the employer, etc. to be granted the right or the like to a patent, the employee, etc. shall be entitled to receive a reasonable monetary or other economic benefit.
- (3) In order to encourage the creation of inventions, the Minister of Economy, Trade and Industry shall hear opinions from the Industrial Structure Council and establish guidelines on the decision-making procedures for determining what is a reasonable monetary or other economic benefit.



## New Article 35

[Art 29 No change]

Inventor shall have the right to a patent

(1):[No change] (definition and statutory, royalty-free, non-exclusive license)

(2):[No substantial change]

(3):[New] The right to a patent on the employee invention will vest in the employer, if it is so stipulated

(4):[Change] In case of (3) above, the employee is entitled to receive monetary or other economic benefits(“appropriate benefits”)

(5):[No substantial change]

(6):[New]METI will promulgate a guideline regarding the circumstances under which “appropriate benefits” are determined



(7):[No substantial change]



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## Will the amendment solve the Problems?

Problem 1 - cost & litigation risk: Yes, if;

- procedures to determine benefits are in compliance with the Guideline, and
- courts will abide by the Guideline

Problem 2a) - double assignment: Yes

- By stipulation, the right to obtain patents vests in the employer

Problem 2b) - joint invention: to some extent

- A party having a stipulation may give the other party the consent to assign the right to obtain patent,
  - But, if the other party/company has not been assigned the right to obtain patents by the other party/inventor, then the problem remains
- NB: In Japan, a jointly owned patent cannot be asserted without the other party's consent

***Thank you!***

*Creating IP Vision for the World*



**Japan Intellectual Property Association**

