

Employee Invention Case
(Case of Claim for Value of Employee Inventions [pharmaceutical])
Tokyo District Court Decision
Case H21(wa)17204 (February 17,2012)

FACTS

The present case is a trial remanded by decision of the IP High Court regarding a decision dismissing a claim by the Tokyo District Court “19(wa)12522.”

The Plaintiff is a former employee who was engaged in R&D of medical and pharmaceutical products at the Defendant’s company which manufactures medical and pharmaceutical products. When the plaintiff was an employee of the Defendant, he invented, with other employed researchers, two compounds forming the active ingredients for a drug deemed useful for alleviation of ulcers and other symptoms accompanying chronic arterial occlusion. This drug is the world’s first selective antagonist to 5-HT₂ receptors approved for manufacture for chronic arterial occlusion. From its release to the filing date of this suit, sales of the present drug by the Defendant reached 56.5 billion yen. Further, the Defendant had licensed the inventions to other companies and received a considerable amount of royalties.

Before the expiration of the present patent rights, 23 generic drug companies had applied for approval for drugs of the same type as this, but the present patent rights prevented the competitors from manufacturing and selling the same sort of drugs as the present drug.

Although the Plaintiff had received remuneration based on the Defendant’s rules for employee inventions, he filed this litigation demanding reasonable remuneration for the employee inventions based on the Patent Act Article 35. When this case was filed, he had demanded 1.5 million yen out of the reasonable remuneration (in the suit, he asserted a reasonable remuneration totaling 2063 million yen) as part of the total, and later increased the demand to 242.81 million yen.

The Defendant rejected the claim of the Plaintiff on the grounds that the amount of contribution of the Plaintiff to the present inventions was not high, and that R&D costs in drug companies are very high while the considerable risk in merchandising those drugs exists.

ISSUE

Reasonable remuneration of employee inventions

DECISION and HOLDING

The Court ordered the Defendant to pay 59 million yen (plus interest) as reasonable remuneration. The Court based its findings of the value on the following:

(1) Regarding “the profits that the employer will obtain from the invention” in Paragraph 4 of Article 35, this means the “monopoly profit” which is expected to be received by monopolizing the right of working an invention due to the transfer of the right for receiving the patent from the employee.

For this finding, the Court held that (i) the existence of profit to the employer due to working an invention or licensing and the amount of the same and other circumstances after transfer of the right may also be reflected; (ii) if monopoly profit was obtained by several inventions including the invention in question, it is necessary to find the degree of contribution of the invention in question in relation to the other inventions; and (iii) additional amount of sales, “extra sales,” that are exceeding the amount of sales by an ordinary license due to prohibition against competitors from working the invention, should be considered.

(2) Regarding “the extent of contribution that the employer made for completion of the invention” in the same paragraph, it held to “find the role that the inventor played in relation to the employer as the amount of contribution and to multiply this with the profit of the above 1 for calculation.”

Based on this criteria for judgment, the Court found that the sales of the worked product of the present inventions (two inventions) by the Defendant shall be 56.5 billion yen and that the fees from licensing to other companies shall be ---- yen (not disclosed), and found the extra sales to be 40% judging from the outstanding nature of the worked product of the inventions (for example; entry by large number of generic drug companies to this market), and found the royalties to third parties to be 5% considering the situation in the drug industry and the newness of the worked product of the present patents, and found the amounts of contribution of the present inventions in the worked product of the present patents of the present inventions (two cases) to be, considering the newness of the present inventions, 60% for the first invention and 40% for the second invention, and found the amount of contribution of the

Plaintiff, considering the role played by other inventors, to be 50% in the first invention and 10% in the second invention. Regarding the amount of contribution by the Defendant, the court then found, while recognizing that the ability of the Plaintiff as an individual was a great contribution in the completion of the present inventions, that the amount of contribution of the Defendant was 95% considering the fact that the sales effort and new drug development by the Defendant are accompanied by risk and tremendous expense and time, and found the reasonable remuneration for the working profit of the Defendant to be 19.14 million yen and reasonable remuneration for part of the license royalties to be 40.61 million yen. The Court then found the total reasonable remuneration to be 59 million yen, subtracting the amount that Plaintiff had received while he was the employee as remuneration for the employee's inventions.