Hitachi Optical Disk Case
Supreme Court
Case No. 781 (Ju) of 2004
17 October 2006

FACTS

Background of the case

1. The appellee brought suit against the appellant, seeking payment of reasonable value as prescribed in Article 35(3) of the Patent Act (Before amendment by Act No. 79 of 2004; the same shall apply hereinafter) in exchange for the assignment of the right to obtain patents for employee inventions to the appellant in this country and in foreign countries.

ISSUE

Reasonable value for succession of the right to obtain patent in foreign countries

HOLDING

The main text of the order

The final appeal is dismissed.

Reasons

With regard to the item 3 of the Reasons for Petition for Acceptance of Final Appeal presented by the representatives Wataru SUEYOSHI et al.

1. The issue of consideration for the assignment of right to obtain patent, such as whether an assignor may make a claim against the assignee of consideration for the assignment of right to obtain patent in foreign countries and how much should the value be, is nothing but the issue of the kind of claims and liabilities the parties to the assignment have. Thus, it is considered to be an issue of the effect (i.e., consideration for the assignment between the parties to the assignment) of the contracts or other juristic acts. (Translator's note: in this

context, the term "consideration" means "Something of value given by both parties to a contract that induces them to enter into the agreement to exchange mutual performances.") Consequently, according to Article 7(1) of The Act on General Rules for Application of Laws, the law applicable to such contracts or other juristic acts shall be determined primarily by the intention of the parties.

2. In this case, it was found that there was an implicit agreement between the appellant and the appellee that the law applicable to the formation and effect of the Assignment Agreement be Japanese laws. Consequently, with regard to the issue of consideration for the assignment of right to obtain a patent under the Assignment Agreement, such as whether the appellee may make a claim against the appellant of consideration for the assignment of right to obtain patent in this country as well as in foreign countries, the law applicable to the Assignment Agreement shall be Japanese laws. The judgment below is affirmed because it followed the same argument as above. Appellant's argument is rejected.

With regard to the item 4 of the Reasons for Petition for Acceptance of Final Appeal presented by the representatives Wataru SUEYOSHI et al.

1. It is clear that the Japanese patent law shall not govern the right to obtain a patent in foreign countries directly (see Article 4bis of Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at the Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958 and at Stockholm on July 14, 1967). Thus, it must be considered that the term "the right to obtain a patent" recited in Article 35(1) and (2) of the Patent Act means the right to obtain a patent in this country. Therefore, in the context of Article 35(3) of the Patent Act, it is impossible to consider that the term "the right to obtain a patent" recited in said provision alone comprises the right to obtain a patent in foreign countries. Consequently, it must be considered that provisions of Article 35(3) and (4) of the Patent Act may not be applied directly to a claim of consideration for the assignment of right to obtain patent in foreign countries.

Nevertheless, as an employee invention is made under an employment relationship or hiring relationship, it is difficult for an employee to negotiate with an employer on an equal basis when the right to obtain a patent or the patent

right for an employee invention is disposed of or an exclusive right therefor is granted. Thus, the *ratio legis* of Article 35(3) and (4) is to realize the purpose of the Patent Act, that is, to encourage inventions, and thereby to contribute to the development of industry through protecting employee inventors by allowing them to secure a certain amount of money which is calculated according to a standard prescribed in Article 35(4) and is a part of the profit which the employer should gain from exclusively practicing the invention and is objectively estimated at the time of the disposal. Whether it is the right to obtain a patent in this country or the right to obtain a patent in a foreign country, it is equally difficult for an employee inventor to negotiate with the employer on an equal basis when the right to obtain a patent is assigned from the former to the latter. Although the right to obtain a patent may be considered as multiple discrete rights in multiple countries, they are based on an invention resulting from a single technical creative activity and are based on the same employment relationship, especially in a case when the invention is an employee invention. Therefore, it may be safely said that, as a matter of fact in our society, the right to obtain a patent in each of the countries with respect to an employee invention results from substantially the same single invention. Moreover, it is not rare that the right to obtain a patent in this country as well as those in foreign countries are collectively assigned from an employee to the employer because, in reality, in many cases at the time of the assignment, it is not certain which countries patent applications are filed in and whether patents are granted for such applications, or whether the invention is concealed as a trade secret without filing an application. It is considered that the usual intention of the parties is that the legal relationship between an employee and the employer concerning the invention should be treated in an unified way by recognizing the attribution of the right to the employer, even though the right to obtain a patent in some countries might not be the same concept as the right to obtain a patent in this country. Therefore, there are circumstances in which *ratio legis* of Article 35(3) and (4) should be applicable to the right to obtain a patent in foreign countries.

Consequently, in the case where the right to obtain a patent in a foreign country, for an employee invention prescribed in Article 35(1) of Patent Act, is assigned from an employee to the employer, Article 35(3) and (4) should be applied by analogy to a claim of consideration for the assignment of right to obtain a patent in a foreign country.

2. In the present case, the appellee made under an employment relationship with the appellant the inventions which fall under the employee invention prescribed in Article 35(1) of the Patent Act, and assigned the resultant right to obtain a patent in the United States of America, United Kingdom, France, Netherlands, and other countries as well as the right to obtain a patent in this country. Consequently, Article 35(3) and (4) should be applied by analogy to a claim of consideration for the assignment of the right to obtain a patent in each of the foreign countries above, and thus, the appellee should be able to claim against the appellant for payment of reasonable value for the assignment of the right to obtain a patent in each of the foreign countries under Article 35(3) of the Patent Act and according to the standard provided in Article 35(4) of the same.

The judgment below is AFFIRMED since it is appropriate as a conclusion with regard to the issues discussed above. Appellant's argument is rejected.

Therefore, the Court unanimously renders the judgment as stated in the main text of the order.

(Presiding Judge Kohei NASU, Judges Toyozou UEDA, Tokiyasu FUJITA, Yukio HORIGOME)