

## RECHTSPRECHUNG / JURISPRUDENCE

### Judgments on Remunerations for an Employee's Invention

*Hiroshi Oda*

A recent series of judgments regarding remuneration for the inventions of employees acknowledged a substantial remuneration to employees who make inventions in the course of their work.

Article 35 of the Patent Law<sup>1</sup> provides that for inventions which are made in the course of work, it is possible for the company to agree in advance with the employees that the company has the right to apply for a patent or that the patent right itself is assigned to the company. The employee is entitled to a "reasonable remuneration". The remuneration is determined by taking into account the profit the company can expect and the contribution of the company to the invention. This provision enables the company to secure its right to the invention, while ensuring a reasonable remuneration to the employee-inventor. Many companies have rules on employee invention that provide the company with the right to apply for the patent and the employee with the right to receive some remuneration. The amount of remuneration tends to be rather low, often one-half to one million yen.

There have been some cases where the employee-inventor brought an action in court claiming a larger amount of remuneration. The court determined the "reasonable amount" of remuneration. However, until 2001, the amount granted by the court was not too significant – 12 million yen at the most.<sup>2</sup>

In recent years, the number of cases where the employee has brought the case to court has increased, and the amount claimed has increased as well. In the celebrated case of the invention of the blue color light-emitting diode (LED), an ex-employee and current professor claimed 20 billion yen.

In April 2003, a case of an ex-employee claiming 52 million yen remuneration for his invention reached the Supreme Court. The Supreme Court granted two million yen to the employee. What was important was that this amount, insignificant as it is in comparison with the claimed amount, was above the amount provided by the company's rules. Thus, regardless of the amount of remuneration set by the company's rules, the employee is entitled to a reasonable remuneration.<sup>3</sup>

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1 *Tokkyo-hō*, Law No. 121/1959 as amended by Law No. 108/2003.

2 Report of the Sub-Committee on the Patent System of the Industrial Structure Council on the Employee's Invention, December 2003 <<http://www.jpo.go.jp>>.

3 Judgment of the Supreme Court, April 22, 2003.

At the lower court level, there have been some judgments that granted a significant amount of remuneration to the employee. In the Hitachi Metal case which was decided in August 2003, the company was ordered to pay 11 million yen to the employee. This was followed by the Hitachi (Ltd.) case where the company was ordered by the second instance court to pay 163 million yen. Hitachi had paid 2.3 million yen to the employee. Then, in January 2004, the district court rendered the judgment on the above-mentioned LED case. The court fully endorsed the claim of 20 billion yen by the employee. This was followed by the Ajinomoto case, where the amount of remuneration was determined to be 189 million yen.<sup>4</sup> To be sure, the LED case may have been an exception because this invention was made by a single employee (which is uncommon nowadays in larger companies) and contributed to the expansion of business of a medium-sized company. In this case, the contribution of the company to the invention was found to be 50%, while in the Hitachi case, it was found to be 95%.

In the Hitachi and Ajinomoto cases, the court also took into account the value of the foreign patent when calculating the profit earned by the company. This made the remuneration higher.

A sub-committee of the Industrial Structure Council of METI has been studying the matter since 2002, and an amendment to Article 35 of the Patent Law is being proposed.<sup>5</sup> The underlying idea of the proposed amendment is that for companies, increasing the amount of remuneration creates unpredictability in the investment in research and development. Furthermore, the criteria for the determination of the remuneration as set in Article 35 are considered to be too vague. The industry sought to remove Article 35 altogether, but this was not accepted. Instead, it is now proposed that if there is a reasonable agreement between the parties, or if the company has reasonable rules, they should prevail. However, the amendment does not exclude the possibility of contesting the amount in court. The amendment is to be submitted to the Parliament shortly.

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4 *Nikkei and Asahi Shinbun*, January 30, 2004.

5 *Supra* note 1.