Optical Pick-up Case
(Fair value and time limits regarding employee inventions)
Supreme Court
Hei 13 (Ju) 1256

FACTS

The Appellee, an employee, invented an optical pick-up device. The terms of his employment stated that:

(a) The right to obtain a patent for an employee invention shall be transferred to the Appellant; and

(b) Where a licensing fee for the patent is received, the employee shall receive no more than 1,000,000 yen as fair value for the invention at one time.

The Appellant, an employer, obtained the right to obtain the patent from the Appellee based on the above-described terms of employment. Also, the Appellant filed the patent application and obtained the patent. In October, 2000, the Appellant and certain manufacturing companies entered into a license agreement to manufacture the optical pick-up device thus invented, and the Appellant continuously received licensing fees thereafter. The Appellee received 200,000 yen as fair value for the invention on October 1, 2010. The employee deemed such payment insufficient and sued.

DISPOSITION IN THE LOWER COURT

The Tokyo High Court held that:

(1) Where the fair value for an employee invention as determined by the terms of employment is less than the fair value as determined by Articles 35(3) and (4) of the Patent Act, the employee is able to demand the fair value as determined by Articles 35(3) and (4); and

(2) The time limit on the right to receive fair value had not begun to run until October 1, 1992, when the money had been paid to the employee, and thus the time for enforcing the right to seek fair value for the invention had not run out on March 3, 1995, when the present suit was initiated.

ISSUE

(1) Where the fair value for an employee invention as determined by the terms of employment or other regulations (“regulations”) is less than fair value

as determined by Article 35(4) of the Patent Act, is the employee bound by the value as determined by the regulations?

(2) If the regulations state a time when the employer shall pay value for the employee invention, when does the time limit for the right to receive value start to run?

HOLDING AND REASONING

Issue (1):

According to Article 35 of the Patent Act, an employer may include a provision that requires his employee to transfer the right to obtain a patent for an employee invention and a provision for paying fair value for the patent, the amount to be paid, the time to pay, etc.

However, it is impossible to determine the fair value of the employee invention in advance of the invention. In other words, the value as determined by the terms of employment (regulations) is fair value only if it complies with the intent of Articles 35(3) and (4).

Accordingly, it is held that when a value as calculated by the terms of employment (regulations) is less than the fair value as determined by Articles 35(3) and (4), the employee is able to demand payment of the difference therebetween.

Issue (2):

Articles 35 (3) and (4) do not state a time for paying value for an employee invention to the employee. Thus, where the terms of employment state a time for payment, the employee cannot demand such payment until the time comes, on the ground that demanding value is deemed to be prevented as a matter of law.

Therefore, where the employment regulations describe the time for paying the value for the employee invention, the time limit starts to run from that time.

In the present case, the time for enforcing the right to collect fair value starts to run from the time when the value was paid according to the terms of employment, for the reasons set forth above. Thus, it is apparent that the time limit had not run out on March 3, 1995, when the Appellee filed the present law suit.

In view of above, the judgment of the Tokyo High Court is affirmed.