



Newsletter

21COE-WIN-CLS RCLIP

RCLIP Workshop Series No.3 (9/17/04)
"Reasonable Compensation for an Invention in Service"
Tatsuki Shibuya, Professor of Waseda University

In this workshop, Professor Shibuya firstly made a statement about the legal rules surrounding the right to reasonable remuneration of an employee invention and the position of judicial precedents on the method for calculating it. Then he pointed out some issues with the theory of precedent and proposed his own interpretation on this field.



In Japan's Patent Law, although Article 35 (subsection (4) and (5)) stipulates the facts necessary to be considered when calculating the reasonable compensation for an employee invention, there is no written regulation about the method for remuneration calculation. Japanese courts have established a method of calculation, which is referred as "a theory of excess revenue" through many precedents. In other words, the amount of remuneration will be decided by reference to the upper limit of an employer's excess revenue when an employer obtains a patent or the patent right from an employee to have the right to use the invention practically or legally. Based on the so-called "theory of royalty income", the amount of excess revenue is

calculated in three types of cases. Specifically, "the royalty income" is "the actual amount of royalty income" when an employer licenses a third party to use the invention, the amount of excess revenue raised from the invention when an employer has an exclusive right to the invention or "the expected amount of royalty income" if it is difficult to determine the amount of excess revenue brought in from the invention, and the total amount of sales revenue made from the invention and the royalty income revenue when an employer uses the invention for himself and also licenses a third party to use it.

As stated above, the method for calculating the remunerations used in precedents is quite complicated. Professor Shibuya pointed out some issues including the contrasting methods of calculation adopted by Courts and the employer to determine remuneration, the lack of predictability due to the wide scope of the Court's discretion, and possible risks of unstable circumstances owing to the method of calculation, especially in the case where is not established. He also indicated the structural divergence between business practices and the theory of the precedent in the method of calculation adopted through precedents. In this respect, Professor Shibuya stated clearly that the method of calculation adopted by Courts is not contained in a single method, pointing towards a theory in the difference of consideration. According to this theory, the difference in the amount that an employer has to pay an employee i.e. concerning the consideration of rights, and the amount of royalty income that an employer might have paid an employee, is considered as the upper limit of reasonable remuneration. By this method, the upper limit of the reasonable

