

JAPAN

## New employee invention system

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The 2015 Patent Act amendment changed the long-established rule, and determined that the employer may select in advance whether the right to obtain a patent for an employee invention belongs to the employer or the employee when the invention is made. The amendment comes into force on April 1 2016.

### Current system

The current employee invention system is as follows, assuming that the right to obtain a patent for the employee invention belongs to the employee:

- The patent right for the employee invention could be transferred from the employee to the employer by agreement, employment regulation or other stipulation (stipulation).
- When the employee transfers the right for the employee invention to the employer, the employee shall have the right to receive reasonable value.
- Where the stipulation provides for the above value, the payment of value shall not be unreasonable in light of circumstances where a negotiation between the employer and the employee had taken place in order to set standards for the determination of the said value, the set standards had been disclosed, the opinions of the employee on the calculation of the amount of the value had been received, etc (negotiation, disclosure and opinion).
- Where no provision setting forth the value exists or where it is recognised that the amount of the value to be paid is unreasonable, the amount shall be determined by taking into consideration the amount of profit to be received by the employer from the invention, the employer's burden, contribution, treatment of the employee, etc.

### Problems of the current system

The following problems have been pointed out in the current system:

- The ownership of a patent right is unstable because companies are not able to have the right to obtain a patent for an employee invention belong to themselves when the invention is made.
- The current system is not able to satisfy the various needs about economic profits for employee invention.
- It is unclear how the procedures of negotiation, disclosure and opinion should be followed in each specific case.

### New system

In order to solve these problems, a new employee invention system is being introduced.

#### 1) The right for employee invention is enabled to belong to the employer

The right to obtain a patent for an employee invention is enabled to belong to the employer by stipulation. The instability in the ownership of a patent right will be eliminated. Some small and medium-sized companies, universities or research institutions may desire to have the right for the employee invention belong to the employee; if so, the system that such right belongs to the employee can be selected.

#### 2) Right to receive reasonable remuneration or other economic profits

An employee has a right to receive reasonable remuneration or other economic profits. Such economic profits include any profits other than money such as bearing of costs for studying abroad, providing stock option, and promotion causing salary increase.

#### 3) Guideline for procedures to determine the details of the economic profits

Negotiation, disclosure and opinion shall be considered in determining whether the economic profits for the employee invention are deemed to be unreasonable. The minister of economy, trade and industry will publish the guideline for the

procedures concerning negotiation, disclosure and opinion. The JPO is publishing a draft guideline which reveals focal points about the procedures.

### Practical tips

The amendment applies to employee inventions made after April 1 2016, whereas the current system applies to employee invention made before that date. In future R&D, it is preferable that companies record the details of the process by which an employee invention is made so that they can trace the date when the invention is made.

The stipulation should be amended if companies desire to have the right for the employee invention belong to themselves. The provision of the stipulation should be clear that the right belongs to the employer when the invention is made.

Companies are able to flexibly determine the economic profits for their employee according to their business type, scale and employee's needs. However, economic profits other than money may be evaluated differently by each employee. Companies should design the economic profits so that they will not be regarded as a disincentive for employee invention and explain the contents of the economic profit to their employees concretely.

Companies should follow the guideline which will be published after April 1 2016 to reduce the legal risk. The draft guideline published now explains concretely what will likely cause unreasonableness of the economic profits in each stage of negotiation, disclosure and opinion. Companies need to follow the procedures when determining the economic profits so that the profits should not be regarded as unreasonable. In addition, in order to prove the facts for denying unreasonableness of the economic profits in the lawsuit which may be filed by their employees, companies should maintain a record to demonstrate how the procedure was conducted, such as meeting minutes of the negotiation and distribution materials to the employees.