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 ①"the actual amount of royalty income" when an employer licenses a third party to use the invention, ②the 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 ③the 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 ③ 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

remuneration is determined by deducting the expected royalty income of the invention from the consideration that is expected by rights. According to Professor Shibuya, compared to the method of calculation used in precedents, this theorized method it is relatively simple and narrows the scope of Court's discretion.

After the presentation, a practical and theoretical QA session was conducted with a lot of questions from scholars and practitioners. Here we mention some of the more important discussions. ①In Professor Shibuya's opinion, the factors necessary to be considered in calculating a reasonable remuneration should not include the nominal treatment of employees who do not benefit financially. In life-long employment, some employees prefer "honor", a nominal treatment to actual compensation. He explained that the nature of "nominal treatment" here was not "pseudo " but "genuine". Raising actual examples, he said there must be some cases in which promotion cannot be a considerable factor when heavier responsibilities accompany with the promotion. ②Under the current Patent Law, it seems more difficult to set the flat amount for reasonable remuneration with considerably diversified factors. To this respect, Professor Shibuya pointed out that, in addition to the amount of money compensation, various factors should be considered such as treatment of an employee, honor, title, and a process of completion of the invention. ③To the question about the relations between reasonable remuneration and a beneficiary, Professor Shibuya suggested that it is possible to use a beneficiary for a rational method of calculation. ④As to the question relating to prescription of claiming remuneration if the amount is insufficient, he answered that the prescription should be five years as stipulated in the commercial law instead of ten years in the Civil Code.

（Written by RCLIP　RA　Yuan Yi）

RCLIP Workshop Series No.4 (10/25/04)
"International Judicial Jurisdiction and Applicable Law in International Intellectual Property Law Litigations – focusing on development of the territorial principle in recent cases-"

Shoichi Kidana, Professor of Law, Waseda University

The Territorial Principle and the principle of lex protectionis: Traditionally, courts have decided cases of international litigations on Intellectual Property based on the territorial principle. The territorial principle has multiple meanings in nature. Applying the territorial principle to a resolution without fully examining the nature of it might create risks of causing insufficient protection or overprotection of IPR on the condition that, with WTO/TRIPs' leadership, a new market is emerging in the modern age where global market and telecommunication advancement are highly developed. In regard to the territorial principle, it should be noticed that changes in the view of international judicial jurisdiction have also been changing the view of applicable law. IP litigations formerly belonged to the jurisdiction of the country where the right was registered or granted based on the territorial principle. In many cases, recently, Japanese companies have fought each other in Japanese

court over the infringement of a foreign patent and there have also been some cases where Japanese companies filed a lawsuit against a non-resident foreigner in Japan. In terms of public law, the territorial principle means that the courts whereat a trial is held do not only apply their local rules but also exclude foreign rules in the trial. In terms of private international law, it is referred to as the territorial principle when the factors that determine the applicable laws are territorial; for example, when applying the laws of a country where the property is placed in an international case of property right. The territorial principle shows two aspects in terms of IP Law. First, in the meaning of conflict of laws, it indicates the application of lex protectionis as a territorial law. Professor Dr. Ulmer made the principle of lex protectionis widely known as a bilateral conflict rule in the IP field, having the basis for the territorial principle as a fundamental principle in Article 2 of the Paris Act or Article 5(2) of the Berne Convention. Lex protectionis refers to the law of the country for which protection is sought. Second, in terms of substantial law, the effect of power is limited to the region of the country where the right was granted. Which means that the regional extent over where the power is effectual is territorial. These two aspects appear together in the scene of resolution for international IP cases. Today's theme gives consideration to such issues by bringing recent cases into the discussion.

Views on International Judicial Jurisdiction in Japan: Japan does not have laws on International Judicial Jurisdiction like Germany. Academically there are two approaches: One is a theory of jurisdiction allocation saying that jurisdiction should be based on reason. Another is a theory of surmise, saying that it should be surmised by land jurisdiction. However, after the Supreme Court's decisions in both the case of Malaysia Airlines and the case of claiming the return for the deposit of a German car, international judicial jurisdiction is affirmed when a trial of origin is acknowledged by land jurisdiction rules in the Civil Procedure Law as far as there are no specific conditions to refuse international jurisdiction from the view of fairness among parties and swiftness in conducting a trial. But in order to avoid the difficulty of predicting decisions in specific conditions, it is necessary to segment the rule of land jurisdiction, to make a concrete basis for judging the specific conditions and so on.

International Judicial Jurisdiction on Lawsuits relating to Industrial Property Rights: It is premised internationally that, in regard to validity, invalidity or registration of IPR necessary to register as a patent or trademark, that cases belong exclusively to the jurisdiction of the country where the right is registered. The Tokyo District Court's decision on August 26, 2003 refused Japan's judicial jurisdiction, from the premise that the registration transfer of patent right belonged to the jurisdiction of the country where the right was registered. On the other hand, even if the Tokyo District Court, on on the case of coral fossil, allowed a plea to invalidate a patent in a demand for injunction, this could not form the basis for allowing that no other countries aside from the country where the right is registered to have international judicial jurisdiction. In this case, only the parties involved were concerned as to the judgment of invalidity and as such, the judgement had no effect outside of the court. Moreover, the Supreme Court's decision on the Kilby case supported the previous trial decision insisting that the claim for damages should be considered as the abuse of a right when the claimed patent right clearly is invalid. As far as international judicial jurisdiction, in the case of industrial property right infringement, is acknowledged, it seems that in the Japanese courts where the trial is continuing it must be decided whether it is proper or improper to put up a defense for the invalidity of the industrial property right the instance the defense is raised in the trial. In the case of foreign patent

infringement, there are two precedents to have refused exclusive jurisdiction of the country where the right was registered: The Tokyo District Court's decision on the Manchu Patent case and the Supreme Court's Decision on the Card-Reader case. These cases can be referred as precedents of foreign patent infringement affirming Japan's jurisdiction based on the residential address of the defendant.

International Judicial Jurisdiction related to Copyright Lawsuits: The Supreme Court's decision on the case of "Ultra-man" affirmed Japan's jurisdiction when the defendant did not own either a residence or sales offices in Japan. Theoretically, it was explained as an objective consolidation, including the copyright issue in Thailand. On the other hand, the International Convention on Jurisdiction and Enforcement proposed by the Max-Planck-Institute in Germany stated that "courts in the contracting state where the judgment shall have legal effect *erga omnes* shall have exclusive jurisdiction" in regard to copyrights that are not required to be registered. The EU Court of Justice's decision on the Shebil case concluded that the country where the defendant does not reside has jurisdiction when a suit is filed, but the damages incurred in the country where the trial is held can be claimed and the country where the defendant resides will decide upon the entire scope of damages. However, the case of "Ultra-man" in Japan is not consistent with this decision.

Parallel Import and the Territorial Principle: Until the Osaka District Court's decision on the Parker case, the injunction for the parallel import of genuine products was admitted on the basis of the territorial principle of trademarks and the principle of independence of trademark rights. In the Parker case, it was concluded that the parallel import of genuine products was not constructed as an infringement on the trademark theory function because substantial illegality did not exist just as the Supreme Court's decision on the Fred Perry case. These decisions were based on a presumption that, regarding incidents occurring in foreign countries to limit rationally the scope of Japanese trademark right, was not against the territorial principle. The injunction for parallel import of patented products was refused by the Tokyo District Court's decision on the BBS patented product parallel import case, and the Supreme Court maintained this conclusion.

Active inducement of foreign patent infringement from Japan: By referring a demand for the injunction as a matter of the effect of a patent right, the Supreme Court's decision on the Card-Reader case held that, based on reason, the applicable law was the US Patent Law, and that the active infringement inducement could be injuncted by the US Patent Law, but the extraterritorial application of US law contravened to the public order in Japan because it was against the territorial principle. As for the claim for damages, the court adopted the US Patent Law as an applicable law because the claim for damages applied to torts. The court dismissed it by stating the events that had occurred abroad did not apply to torts in Japan referring to Article 11(2) of the Horei. Judge Fujii's countering viewpoint for the inducement to act as joint torts, that are liable for damages, is widely consented as an academic theory. However, I do not agree that the charactarization of the demand for the injunction and the claim for damages should be considered separately. Furthermore, if we were to view the extraterritorial application as a rule of conflict of laws because it is a right granted in terms of competition laws, the US patent right should not be taken into account.

Determination of Reasonable Remuneration for Employee Inventions: In the case of Hitachi's Employee invention, the Tokyo District Court dismissed the plaintiff's suit because Article 35 of the Patent Law was not applicable for claiming remuneration for the right to apply for the patent in foreign countries. However, the Tokyo High Court, the court of appeal, concluded that "reasonable remuneration" in Article 35(3) should include compensation for transferring the right to apply for the patent in foreign countries. The right to apply for the patent, inconsistent with the territorial principle, has existed before the concept of the country of protection comes to the discussion. So it is not valid that the right to apply for the patent in Article 35(3) is limited only to the right to apply for the patent in Japan. As in similar cases, there are the case of Nakamura Blue Laser Diode and the case of Ajinomoto Corporation (Tokyo District Court). Matters of employee's inventions need to be examined as each single legal relationship including attribution of the right, conditions of transfer, and remuneration, referred to in the law of a country where the employment is continuously provided.

Conclusion: It is important to unify the conflict of laws from the viewpoint of ensuring and strengthening legal enforcement under WTO・TRIPs. A theory of public law, which seeks the basis of the territorial principle in its contents or in the nature of the patent itself, is asserted and this theory is conformable with practical sense or the attitude of the industrial world. However, the method of determining the scope of application by the meanings of substantial rules is reverse to a methodology in legal taxonomy. The unification of conflict of laws would be difficult by this kind of method. In a traditional way of defining territorial nature in IPR, it is required to have existence of an act that meets all the requirements for alleging torts within the region where the right is effective territorially. The problem still remains regarding on how to protect IP appropriately although the decisions by the Tokyo District Court on the Card-Reader case or the case of Ueno Pharmaceutical premised the existence of such acts. In solving an international IP dispute, it is foremost critical to clarify the principle of private international laws to narrow down the traditional meanings of the territorial principle, to a reasonable scope by examining the content and basis in each case.

Q&A：①If someone exports products that might cause indirect infringement on the part of Japan to foreign countries and then conducts direct infringement there, is it considered as indirect infringement under Article 101(1)/(3) and (2)/(4) of the Japanese Patent Law? →I believe that it is indirect infringement because there is a transfer. In the Card-Reader case, the US patent right and the Japanese patent right were owned by different parties and it was in question whether a transfer in Japan infringed the US patent or not. I think that it could be infringement if one were to connect the act conducted by the US subsidiary to other acts such as active inducement, aid and abet. ②When each court in two countries admits having international judicial jurisdiction and two lawsuits occur simultaneously, how do Japanese courts react? If the decisions are not consistent, how is the enforcement of the decision in a foreign country treated? →Without a jurisdiction treaty, a conflict of two international litigations occurs. The decision in a foreign country will not be approved under Article 118(3) of Japanese Civil Procedure Law, violation of public order. If there is a jurisdiction treaty, lawsuits should be restricted. ③In the case of "Ultra-man", Japan's international judicial jurisdiction was affirmed although the defendant did not reside in Japan. What would be the benefit of having this decision if there is such difficulty in trying to enforce it? →By winning the lawsuit, the defendant could make the conditions of merger favorable. In addition, considering the Chinese market, it was useful to make a decision in Japan. ④ If a license agreement includes the clauses of

international judicial jurisdiction and applicable law, how do Japanese courts react? →Contract for a claim is based on the law consented between concerned parties under Article 7 of the Horei. The relations with third parties, that is, an issue of effectiveness of semi-property rights should be referred to lex protectionis. There would be a view that both should be under lex protectionis. I think that an exclusively consented jurisdiction is valid when the requirements in the Supreme Court decision on November 28, 1975 are met. However, it is possible to use arbitration also because there might be cases that the decision is not approved and enforced in a country where the patent is registered.

（Written by RCLIP RA Yuichi Sasaki）

World's First English Database of Asian IP Precedents Newly Released

In November 2004, RCLIP released to the public a database containing the IP precedents of Asian countries which has been elaborated since 2003. The database is available for free access on the Web. http://www.21coe-win-cls.org/rclip/edb/

Precedents will be added regularly with the goal to contribute to IP research on a global scale. Thailand confirmed their continuing commitment to this project with the Thai government's full support.

One of a major media group in Japan, Nikkei, covered our announcement in one of their websites, "Nikkei BP IP Awareness" as a top story on November 10.

(RCLIP booth at the Asian Research Forum)

At the Asian Research Forum in Waseda University on November 15, Professor Takabayashi had a demonstration of the database. Many people visited to the RCLIP's exhibit booth, showing great interest and expectation in the project.

Private International Law Group

The 21 COE, Waseda Institute for Corporation Law and Society held "the second joint seminar of Japan-Korea IP Law and Private International Law", following the first seminar on February 24 to 25 in 2004 at Waseda University. The seminar aims to seek the possibility of harmonization and adjustment of IP law from the viewpoint of the northeast Asia, by sharing the present condition of IP laws in Japan and Korea, conduct research on unification of rules on international jurisdiction concerning IP dispute, choice of law, enforcement of judgment, and ADR, and announce the outcomes from these researches to the world. There exist certain matters where the unification of substantial laws is difficult because intellectual property rights are deeply involved with industrial or cultural policies of each country. In addition, the unification of substantial laws is not sufficient to strengthen the IP enforcement. Therefore, it is necessary to conduct the researches on international private law and international civil procedural law to improve the IP enforcement, allowing the differences among substantial laws in the nations remain to a certain

extent. The draft by Hague Convention in October 1999 is recognized as a global level proposal. After that, the American Law Institute, ALI and the Max-Planck Institute for Foreign and International Patent, Copyright and Competition Law, MPI announced each proposal of principle or rule including choice of law clauses. Examining these drafts, the research group has started with participation of scholars of Private International Law in Japan and Korea as well as legal professionals and researchers in order to investigate an ideal rule for the unification from the viewpoint of the northeast Asia. It also examine the IP clauses on the Japan-Korea FTA.

Korean IP Law · International Private Law Joint Seminar

Date: September 4, Saturday to 5, Sunday, 2004
Place: HanYang University
Held by the 21 COE, Waseda Institute for Corporation Law and Society, Korea Private International Law Association ・ Korean Institute of Technology And the Law
Sponsored by: HanYang University and Kookmin University

Program

The First Day 09：00－12：00
Opening remarks: Kong-Woong Choe, President of Korea Private International Law Association and Professor Shoichi Kidana, Waseda Univeristy
Congratulatory address: Cho Sung Min, Director of Department of Law, HanYang University
Facilitator：Kong Woong Choe, Counsel, Yoon&Yang, LLP
“Movement in International Treaty concerning Issues of Private International Law in Intellectual Property Disputes”
1. Discussion at the Hague Conference on Private International Law: Professor Tae-Ak Rho, Judicial Research & Training Institute
2. Direction of the ALI Draft on Issues in International Private Law concerning IP Disputes: Judge Sung-Ho Lee, Seoul District Court
3. The MPI Draft relating to the text of Foreign Judgment in the Hague Convention: Professor
：Professor Kwang-Hyun Suk, HanYang University

The First Day 13：30－18：00
Facilitator: Kyung-Han Sohn, Vice President of Korea Private International Law Association
“Issues on International Disputes of Intellectual Property”
1. International Jurisdiction of IP Dispute
Japan: Professor Shoichi Kidana, Director of Institute of Comparative Law, Waseda University
Korea: Professor Dae-Hee Lee, Department of Intellectual Property, College of Law, Inha University
2. Approval and Enforcement of Foreign Judgment on IP Disputes
Japan: Professor Satoshi Watanabe, Ritsumeikan University
Korea: Professor Gyooho Lee, Kwangwoon University
3. Resolution outside of the Court on International IP Disputes
Japan: Professor Syunichiro Nakano, Kobe University
Korea: Dr. Zhung ChanMo, Korea Information Society Devolopment Insititute
The Second Day 9：00－12：00
Facilitator: Professor Sang Jo Jong, Seoul National University Industry Fioundation
“Japan-Korea FTA and IP”
1. Draft of the Harmonizing Way between Korea and Japan IP Legislation
Professor Yun, Sun Hee, HanYang University
2. Japan-Korea FTA and IP Law
Tetsuya Imamura, Research Assistant,

Waseda Univeristy

3. Indispensable IP related rules for Japan-Korea FTA

Dr. Jung Sung-Chun, Korea Institute for International Economic Policy

Discussion

Japan: Professor Shoichi Kidana, Director of Institute of Comparative Law, Waseda University

Intellectual property right trust research workshop

The Waseda Institute for Corporation Law and Society held an "intellectual property right trust research workshop" (leader: Hiroyuki Watanabe) as one of the projects by the Capital Market Legislation Group last August. The group is designed to examine legal issues in detail related to the use of "trust" for intellectual property rights as a unified management tool such as patent right in corporate groups or TLOs, as well as use as a financing tool.

The theme of this research aims to bring to light a new meaning of intellectual property rights, mainly patent rights, by viewing them as assets. For a full examination, it is necessary to conduct thorough research on various discussion topics through the collaborated effort of experts in both intellectual property law and trust law (researchers and practitioners). Several of the visiting professors of RCLIP including Professor Ryu Takabayashi, the director of RCLIP, currently participate in the group as core members.

Experts in the field of IP and trust have in-depth discussions together about issues with regard to corporation (unified management) and market (capital financing) that both fields extend into. The cross-research over different study fields embodies the meaning of our COE research base's mission. In addition, taking this theme into consideration will open up a new academic frontier in how both intellectual property law and trust law are viewed, so that it will never be missed as a subject of policy proposal.

For the outcome of this research group, please refer to the articles of "Intellectual Property Finance and Trust" by Hiroyuki Watanabe in the Quarterly Review of the Waseda Institute for Corporation Law and Society, volume 3 published in November 2004, and "Unified Management of Intellectual Property Right and Trust" by Hiroyuki Watanabe in IP Management, the February 2005 issue. In the future the group also plans to hold meetings that will be open to external participants and/or symposia. Participation of those who have interest are welcome.

A summary of Associate Professor Watanabe's report, "Intellectual Property as Securitized Assets" is posted on RCLIP's website. The Institute of Intellectual Property, Japan published it in March of 2004. For anyone who has interest in this article and would like to read more, please contact directly to him by e-mail.

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http://www.21coe-win-cls.org/rclip/organization/Assets2.pdf

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The portal site of LexisNexis, one of the world-class biggest databases, has placed a link to our webpage.
(http://www.ln-academic.jp/ and http://www.ln-academic.jp/lexis/index.htm)

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