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Japan Intellectual Property Association

JIPA Member Companies' Efforts Toward the Enforcement of Section 35 of the Revised Patent Law*

Since holding the "Employees' Inventions Forum" in July and publishing the "Employees' Inventions Guidelines" in October 2004, the Japan Intellectual Property Association (JIPA) has held briefing sessions for its member companies and meetings to exchange opinions with them. JIPA also addressed the issue of employees' inventions at the Fourth JIPA Intellectual Property Symposium in February 2005. Through these activities, JIPA has encouraged its member companies to take measures for compliance with Section 35 of the revised Patent Law.

JIPA conducted a questionnaire survey to review the efforts of its member companies toward the enforcement of Section 35 of the revised Patent Law (enforced on April 1, 2005).

The survey has revealed that the member companies are making great efforts to make their in-house regulations and procedures for employees' inventions more transparent, acceptable, and reasonable, as required by the revised law. It has also made clear the fact that most companies desire corporate autonomy in respect of the determination of remuneration.

JIPA believes that "appropriate remuneration" determined according to such regulations as adopted by individual companies will promote the development of more advanced inventions, and it is concerned that excessive remuneration for employees' inventions would threaten future R&D in Japan.

<Overall review>

Toward the enforcement of the revised law scheduled on April 1, the member companies are making concerted efforts to review their in-house regulations for employees' inventions and hold discussion with employees. The survey implies that they spend considerable time and labor to tackle this issue. The amount of direct and indirect costs incurred by company executives, IP department staff, personnel department staff, and engineers (or all employees in some companies) is immeasurably large.

In order to ensure that such earnest and robust efforts of the member companies will help solve problems concerning employees' inventions, the JIPA strongly hopes that any "unreasonability" in new Paragraphs 4 and 5 will be determined at an early stage (it is critically important to secure predictability) and the purport of the legal revision will be respected and applied appropriately (as suggested by the additional resolution of the Diet) to disputes over inventions that were made under the old law.

<Review by question>

1. Review of in-house regulations for employees' inventions

Most respondents are planning to review their in-house regulations in terms of procedures upon the enforcement of the revised law, with the aim of improving infrastructure to encourage the development of inventions (make regulations and procedures more transparent, acceptable, and reasonable), reconsider the amount of remuneration in order to increase motivation in employees engaging in R&D, and enhancing schemes for honoring outstanding inventors.

* "CHIZAI KANRI" (Intellectual Property Management), Vol. 55, No.7, pp. 1013-1020 (2005)

Such review process and discussion with employees required a considerable amount of manpower (an average of 7.6 persons/company for all respondents; 12 persons/company for large companies) and time (six months or more for almost half of the respondents), which implies that those in charge of this work have made a great deal of effort.

Furthermore, more than 70% of the respondents (more than 80% of large companies) intend to put their new regulations into force on April 1, 2005, the date of enforcement of the revised law, or make them effective retrospectively from that date.

2. "Discussion with employees" provided in Paragraph 4 of the revised law

More than 40% of the respondents (about 60% of large companies) have finished or are currently holding discussions with employees; including those in the planning stage, about 95% of the respondents sincerely accept the purport of the revised law and hold or will hold discussion with employees. These companies hold discussions with almost all their employees by using the intranet, distributing leaflets, and holding briefing sessions (usually applying these methods in combination).

3. "Disclosure of standards" provided in Paragraph 4 of the revised law

Including those in the planning stage, about 95% of the respondents sincerely accept the purport of the revised law and are considering a scheme for disclosing the standards. Those that are not considering such a scheme are expected to take measures on a case-by-case basis upon the development of individual inventions.

4. Scheme for "hearing opinions" provided in Paragraph 4 of the revised law

Including those in the planning stage, about 95% of the respondents sincerely accept the purport of the revised law and are considering a scheme for hearing opinions. Those that are not considering such a scheme are expected to take measures on a case-by-case basis upon the development of individual inventions.

5. Problems revealed in discussion

The greatest challenge for individual companies is how to achieve balance between employees engaged in making inventions and those not engaged in such work (e.g. employees in the sales department) or balance among inventors in different departments.

Most questions brought up by employees relate to methods for calculating the amount of remuneration. In the future, it is assumed inventors will frequently make inquiries about the calculation of remuneration for specific inventions by using a hearing scheme.

Some companies had difficulties making the purport of the employees' invention system understood among their employees who misunderstood the provision of Section 35 due to misleading media stories.

6. Concerns after the enforcement of the revised law

There is a concern among most respondents (more than 60%) that due to the ambiguous criterion of "unreasonability" provided in Paragraphs 4 and 5 of the revised law, they would still have to wait for court decisions before the amount of remuneration is definitely determined.

Companies are also very interested to see whether or not the purport of the revised law will be respected and applied to disputes over inventions that were made under the old law (otherwise, it would take too long for the current efforts of companies and employees to bring about results).

Many respondents are dissatisfied to think that they would have to carry out the same work as when they revise their in-house regulations in the future.

From the perspective of promoting global strategy, they are also concerned about the balance between their own employees and employees of their foreign subsidiaries and the impact on joint R&D with foreign companies.