

22 Succession of Right to Obtain a Patent in Private International Law – In the light of the Supreme Court Decision in the Hitachi Case – (*)

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This research intends to examine the following issue from the perspective of private international law: by which country's law should the legal issues arising from cases where rights to obtain patents in domestic or foreign countries are succeeded in an international context be governed? Now we have the Supreme Court judgment with regard to the compensation for succession of rights to obtain foreign patents concerning an employee's invention; however, various opinions shall be examined regarding its significance, the validity of the underlying theory, its applicable scope, etc., for which a final evaluation has yet to be determined. Many unsolved questions remain.

This research begins with an analysis of the judgment of the Supreme Court and relevant doctrines, etc. It then examines which country's law should be applied for various issues derived from the International Succession of rights to obtain patents through an examination concerning the Territoriality Principle and considerations from the perspective of comparative law, etc.

I Introduction

When an invention is completed, it is necessary to obtain a patent right in order to gain the right of an exclusive monopoly over the invention. It does not, however, always mean that no rights are created concerning the invention before the registration of patent rights. There is a right called the "right to obtain a patent" that is supposed. For example, in Japan, it is considered to resemble the right to request an administrative disposition, such as grant of a patent from the national government, as well as an aspect of property rights that may themselves become subject to a transaction between private citizens like a patent right. The right to obtain a patent has in fact been transferred through various means including contracts.

While the rights to obtain a patent, the place of invention, the parties involved, a cause of change of rights, and all other relative factors still remain in Japan, if a

dispute arises, a resolution may be found through interpretation of Japanese laws. In recent years, however, with the expanding globalization of economic and business activities, cases that reach the international level have an increasing number of factors surrounding them, such as cases where there is a succession of foreign patent rights or the right to obtain a patent in a foreign country or cases where there is the succession of a Japanese right over a national boundary with another party in a foreign country. When a dispute arises over patent rights, etc. between private citizens with international factors involved and resolution of the dispute is requested through a lawsuit, a judge, due to the particularity of a case involving multiple countries, must first decide which country's laws are to be applied to resolve the dispute before making a judgment on the concrete relationship of rights and obligations. The provisions of each country concerning the right to obtain a patent differ greatly, especially regarding an employee's

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invention. Choosing which country's laws to apply is extremely important for resolving these issues. Within this international context, this paper aims to consider the following issue from the perspective of private international laws: when ownership of the right to obtain patents in Japan and overseas, the possibility of succession, the form of succession, the right to claim monetary compensation such as consideration for succession and its calculation are in conflict, there is a question concerning which legal theory and the laws of which country will help resolve the conflict (hereinafter succession of a right to obtain these patents in Japan and overseas that has international factors will be referred to as an "International Succession", and the problem of determining a governing law for such International Successions will be referred to as (a problem of) a "Resolution of a Conflict of Laws").

In Japan, issues over Resolutions of a Conflict of Laws concerning International Succession of the right to obtain a patent have been actively discussed using several court precedents. In these precedents, there is some dispute over the question of whether Section 35 (3) of the Japanese Patent Act, which stipulates payment of a "reasonable compensation" for the succession of an employee's invention, applies to a foreign right. Focusing only on their conclusions, the theories are generally divided into two categories: whether it may be considered that a single law can govern several rights to obtain patents collectively for a single invention regardless of the country where the application was filed and in some cases where the real right aspects of the right may be included (theory of integrated regulation); or whether there are no other choices to regulate it than by applying each country's laws in each country (theory of multiple regulation).

Under these circumstances, the Supreme Court decision in the Hitachi case (Judgment of the Supreme Court, October 17, 2006, (2004 (Ju) No.781, Saiko-saibansho Minji hanreishu [Supreme Court of Civil Report],

Vol. 60, No.8, p.2853; The Hanreijiho [Judicial Report] No.1951, p.35)) provided the conclusion that Japanese Patent Act, Section 35 (3) may apply (via analogical application) to the right to obtain a patent in a foreign country. It could be said that the argument was settled by this judgment, at least in practical terms. However, the validity of the theory that led to this conclusion has often been questioned and it is hard to say that this theory has unanimous support. In addition, the judgment does not directly address initial ownership or succession of the right itself, the possibility of succession, effectiveness against a third party, and other issues in which this paper is interested and which are not made clear in the theory applicable to these issues.

This paper starts with the analyses of the Supreme Court holding in the Hitachi case, taking into account the abovementioned circumstances and the arguments in the theories that concern it, and then considers how International Succession of a right to obtain a patent is treated under private international law.

II Conventional Arguments over International Succession of a Right to Obtain a Patent

1 Court Precedents in Japan

The decision of the first instance in the Hitachi case was the first time that a judgment clearly made reference to a conflict of laws, while there have been several domestic court precedents in Japan which passed judgment on succession or compensation of a right to obtain a patent in a foreign country. In this case, with regard to an invention made by a Japanese employee who was employed by a Japanese judicial person and lived in Japan, the compensation was claimed for succession of the right to obtain a patent in a foreign country. The first instance held that due to the Territoriality Principle, various issues concerning an employee's invention are

issues to be governed by each country's law; therefore, application of the Japanese Patent Act for the rights that were filed in foreign countries was denied. On the contrary, the court of appeal held that since a right to obtain a patent concerning an employee's invention is not specific to patent rights, it was out of scope of the Territoriality Principle and was rather "a matter to be decided collectively by the law decided based on the industrial policy of the country to which the employer and employee belong." Therefore, Section 35 (3) applies. Later in the similar cases, multiple court precedents adopted collective resolution, i.e. a Theory of application of Section 35, while some of them were still based on a pluralistic resolution, i.e. a Theory of exemption from Section 35.

Under such circumstances, the judgment of the Supreme Court qualified a matter of compensation for succession of a right to obtain a foreign patent concerning an employee's invention made in Japan by an employee of a Japanese company as a matter of contract, and examined whether Section 35 of Patent Act applies to a right to obtain a patent in a foreign country. It then held that Section 35 of Japanese Patent Act does not directly govern a right to obtain a patent in a foreign country; however, according to the parties' intentions and other factors there are cases where this purpose should enter into effect, and therefore, it should be applied analogically.

However, from the perspective of private international law, the holding in this judgment of the Supreme Court is unclear due to its underlying logical fault concerning whether generalization of the theory (whether it applies to cases where there is an international context with conditions other than the country where the application is filed) or a bilateral interpretation of it (whether the holding allows a conclusion that if the governing law of a contract is a foreign law, the matter of a claim of compensation is governed only by the foreign law, even if it is the case of a right to obtain a patent in Japan, Japanese Patent Act, Section 35 does not apply) are possible.

Establishing its scope is very difficult.

Besides the issue of compensation, the holding stated that "With regard to the issue of how the right to obtain a patent subject to transfer is treated in foreign countries and what the effects are," in light with the Territoriality Principle, "the laws of the country where a patent right is registered based on the relevant right to obtain a patent" becomes a governing law. Although the relevant part is only the obiter dictum, several issues are present here: whether or not issues concerning a right to obtain a patent, such as initial ownership, possibility of succession, mode of succession, requirements for opposition or for becoming effective, are included here; how to evaluate part of a judgment which is not inconsistent with preceding judgments of the Supreme Court concerning the relationship between the Territoriality Principle and private international law.

2 Legal Doctrines in Japan

Theories concerning International Succession of a right to obtain a patent for an employee's invention are numerous, including a theory to assign the matter to the governing law of employment contracts or the law of a county which has a close relationship with the employment relation; one that qualifies Section 35 of the Patent Act as an absolute mandatory provision and asserts that the Section applies regardless of the country where the application was filed; or one that says to apply each country's law directly. A dominant position advocates application of a collective resolution following the same conclusion as the Supreme Court, including matters of ownership and possibility of succession other than those of compensation. However, there are disputes over detailed conditions such as its scope. Therefore, opinions based on the theory of a pluralistic solution are still strongly defended.

Among these theories, the tendency is often found to argue from a political perspective about which resolution is

preferable for encouraging inventions, a pluralistic resolution or a collective resolution, and a method to realize this position. Opinions differ greatly not only in arguments over private international laws, such as which qualification, or allocation policy or connecting factor is appropriate, but also over the adequacy of private international law to resolve of this matter. In other words, these theories are sharply opposed over the following points: to begin with, whether Japanese or overseas provisions for ownership or succession of a right or an employee's invention apply to international cases in courts in Japan. If so, do they apply because they are deemed to be the most closely connected law under private international law, or due to the territorial scope of application underlying relevant provisions, or the intention to apply? The arguments are still chaotic coupled with the fact that opinions concerning the position of the Territoriality Principle under private international law have not yet been unified.

3 Comparative Law

Looking at Resolutions of a Conflict of Laws in each country concerning International Succession of a right to obtain a patent, particularly with regard to an employee's invention, there are many provisions that stipulate the employment relationship between an employer and employee including issues of ownership, etc. and law systems that allocate resolution collectively to laws closely relevant to the employment relationship.

First, there are law systems that have bilateral conflict rules to allocate issues of an employee's invention to a governing law of employment contract or a law closely connected to the employment relationship (Austrian private international law, Section 34 (2); Swiss private international law, Section 122 (3); European Patent Convention, Section 60, etc.). Second, there are law systems that have unilateral conflict rules to apply domestic provisions for an employee's invention, which is filed in foreign countries,

in cases where the governing law of an employment contract is a domestic law (or such interpretation has been established) (France, etc.). Third, there are law systems that deem domestic provisions for employee's invention to be absolute mandatory provisions which apply regardless of the governing laws (the U.K., etc.).

4 Summary

According to the analyses in this Chapter, it becomes obvious that the matter of Resolution of a Conflict of Laws of International Succession of a right to obtain a patent is also essentially concerns matters, which have been argued for some time in the area of international intellectual property jurisprudence, of how various provisions stipulating a right to obtain a patent in each country or succession of a patent right, special intervention provisions for an employee's invention, and the Territoriality Principle are originally positioned under private international laws. I must say that considerations of individual and concrete resolutions under a conflict of laws have no significance if here is no clarification that the matter is included in the area of private international law. Therefore, in order to achieve the aim of this paper to clarify the ideal Resolution of a Conflict of Laws concerning International Succession of a right to obtain a patent, it is essential to consider provisions in Japan and overseas for succession of a right to obtain a patent and concerning the position of the Territoriality Principle, before discussing determination of a specific governing law.

III Considerations

1 Position of Patent Act under Private International Law, including the Significance of the Territoriality Principle

In general terms, laws in a certain legal system are assumed to be classified by laws governing private matters (called private

laws) and by laws governing public matters (called public laws). Yet the laws that can be applied through choice of law process, in particular, of the current private international law, i.e. bilateral conflict rules, called Savigny's model, are only private laws which govern private legal relationships and which is based upon the assumption that Japanese laws and foreign laws are exchangeable.

On the other hand, whether the public law of a country applies in an international context depends on the intention of the application of provisions of the relevant public law ("start from a provision"), and it is not applied because it is deemed to be the law which has the closest connection by private international law (not applied through private international law, but directly). Meanwhile, the "principle of non-application of foreign public law" applies to foreign public laws and it is considered that, in principle, foreign public laws do not apply domestically, except for cases such as when it becomes an issue as a subsidiary question.

The patent act is positioned as a public law based on its close relationship with industrial policy and is often considered not to be applicable to the process of private international law in determining a governing law, in a pure sense. It does not mean, however, that the intellectual property law is regarded as a sort of public law to which "the principle of non-application of foreign public laws" applies. At least with regard to a law governing obligations between private persons, the possibility of domestic application is not necessarily denied. The arguments that have taken place over this subject state, instead, that since its territorial scope of application or possibility of application is determined by the Territoriality Principle, private international law is unnecessary. Meanwhile, there are opinions that positions of the patent act as a private law that can be an applicable law selected by process of private international law to determine a governing law, but determines a governing law in consideration

with the Territoriality Principle.

Each country, with regard to the protection of intellectual property in its territory, in particular the establishment of a right, applies only its own laws and does not propose to apply foreign laws at all in these cases. In other words, intellectual property law in each country applies to the same object (intellectual property), but the law to be applied is different in each area. Under such a mosaic, intellectual property law is always applied by each territory like a public law with regard to the protection of intellectual property within the country's territory. In this view, the Territoriality Principle should be regarded essentially as a principle that limits territorial scope of application of provisions within the territory of a country where they belong to. This is functionally the same as the territoriality principle from perspective of a public law, however, with regard to patent act, it is not led from the fact that it is a public law.

Consequently, with regard to provisions for obligation between private persons in the patent act, even if it is a foreign law, it is not always denied its possibility of application in a domestic court. However, with regard to the law whose territorial scope of application is governed by the Territoriality Principle, without application of private international law, one must take into account that the law has to be applied only for matters within the territory of the country to which the law belongs. In other words, with regard to a law deemed to be outside the scope of the Territoriality Principle and matters governed by them, there is room to consider that they will be governed collectively regardless of a country where the application is filed by any one of the governing laws selected by private international law of the forum country. Therefore, with regard to International Succession of a right to obtain a patent, the following must be examined: how the laws in Japan and overseas stipulating them are positioned under private international law; and therefore, which method of application is considered to apply.

2 Resolution of Conflicts of Laws for International Succession of a Right to Obtain a Patent

A right to obtain a patent is considered to have both aspects of private right and public right as stated “a right that has both the aspect of a right to request an administrative disposition, which is a grant of a patent, to the national government and the aspect of a property right.”^(*) Therefore, how this dual nature of a right to obtain a patent is positioned under private international law is examined first.

The public right aspects of a right to obtain a patent, i.e. the concrete contents of a right of patent application or a right to apply for a grant of a patent, are a right or a legal status to request an administrative disposition, which is a grant of a patent right, of the relevant authorities of the country where the application is filed. Being so, it has to be considered that the contents of initial ownership of a right, possibility of succession, and substantive or procedural requirements that are required at the time of succession are left eventually to the laws of the relevant country where the application was/is filed and to the administrative agencies that interpret and manage them. When some requirements are stipulated for a country where the application is filed with regard to the succession of a right to apply a patent, if the successor of the right does not implement them, the successor would not be recognized as a lawful successor of the right and faces sanctions, for example, the successor will not be allowed to file an application initially or the application becomes invalid. Foreign substantial laws or conflict of laws other than the country where the application is filed may not be involved there.

Namely, provisions stipulating matters as to whom a right of patent application belongs, whether it may be transferred, if it can be transferred, which requirements

should be fulfilled to be deemed as being transferred, are also regarded under applications of the Territoriality Principle. In other words, matters of initial ownership and succession of a right for patent application, naturally by its nature, or in view of practical aspects such as feasibility, have to be considered to be governed only by the law of the country where the application was/is filed by territorially or pluralistically.

In addition, succession of a right of patent application does not have any meaning if the succession of the right is not actually approved in the place where the right is executed, i.e. the country where the application is filed. Unlike the context where an ex post-facto resolution, such as a claim of compensation for damage against infringement or rights, is in question, it is necessary to seek a resolution that offers the most possible feasibility in the country where the application is filed. In this view, even if a Japanese court passes judgment concerning the conclusion of a right of patent application, it is important to resolve it as it was been resolved in a country where the application was filed. Therefore, it is preferable to adopt a method of resolution to refer the law of each country where the application is filed including not only substantial laws, but also unilateral or bilateral conflict rules.

On the other hand, there is no doubt that one private right aspect of a right to obtain a patent and matters of ownership and succession of a right of patent application are all closely related, and moreover each country's laws regulate an aspect of the right to apply, which is a public right, and an aspect of property rights, which are a private right, by identical provisions. Since neither right can be treated separately under positive laws, we must think that to make stipulations concerning a law to be applied to ownership or succession of a right of patent application is equal to making stipulations concerning a

(*)1 Nobuhiro Nakayama, *Kogyo shoyuken ho (jo) Tokkyo ho*, [Industrial Property Law (1st volume): Patent Act] (2nd and enlarged edition, 2000) Vol. 1, p.158

law to be applied to aspects of a private right of a right to obtain a patent, such as its ownership and succession.

However, this does not mean, with regard to the International Succession of a right to obtain a patent, whether it is an employee's invention or a free invention, general succession or limited succession, or a matter between the parties involved or a matter with a third party, to view any of these problems as lying within the scope of the Territoriality Principle and assign them to laws of each country where the applications are filed.

In the context where the relationship with the third party or with country where the application is filed does not become a question, such as in cases where the invention is implemented as know-how, or an issue of obligation between parties, there is room to govern collectively by a single governing law through private international law as a matter outside the scope of the Territoriality Principle. In Japan, collective succession of rights, which does not specify the country where the application is filed based on one law and which is often undertaken between an employer and employee, may also be considered to be effective at least in terms of obligation between parties. Therefore, it is not necessarily meaningless to consider allocating it collectively to any one single law as a matter only of internal relationships between parties, without making reference to each country's law at the stage whether or not the application is filed has not yet been determined (however, provided that, in cases where the relationship with the country where the application is filed or that with the third party comes into question, since the laws of each country where the application is filed apply regardless of the governing law, it should be judged by each country's laws).

Therefore, the issues involving the internal relationship between parties are positioned outside the scope of the Territoriality Principle, and there is room to allocate them to any one of governing law via

private international law. In concrete terms, since there is a logical issue in qualifying it as a contract matter, as the holding stated, I would like to propose an opinion that allocates it incidentally to the governing law of employment contracts between parties as determined by *Tsusoku ho*, Section 12.

IV Conclusions

The conclusion of this paper is outlined as follows:

Initial ownership and succession of an invention or right to obtain a patent, as long as they appear in the terms of the application for a patent, should be inevitably governed by the law of the country in which application was/is filed. When we deal with these issues in an international context, we should refer not only to the substantive law of the country but also to its unilateral/bilateral conflicts rules; in other words, we should decide such issues as if we were in the country where the application was filed. Neither the parties nor the private international law of the forum country can choose the single applicable law which governs whole issues including the transfer of a right to obtain a patent right.

On the other hand, even in a context where initial ownership and succession of a right of obtain a patent are at issue, the internal relationship between the parties can be governed by the single applicable law even if the application was/is filed in several countries. Especially with regard to an employee's inventions, many countries have some special mandatory rules in addition to the general rules for contracts. It leads me to suppose that it would also be inappropriate to adopt party autonomy at the level of conflicts law. In this paper, the discussion included material such as cases where people use an invention as a type of know-how without applying for a patent in any country or cases where rights to obtain a patent in several countries are collectively succeeded. In the author's opinion, it seems that issues derived from an employee's inventions, in either case, should make accessory reference

to the governing law determined by Section 12 of the Japanese new conflicts rules Act (Tsusoku Ho).

Consequently, Section 35 of the Japanese Patent Act is classified as a mandatory rule which governs the transfer of a right to obtain a patent in Japan on the one hand, and as a mandatory rule in the sense of Section 12(2) of Tsusoku Ho which can be applied by means of an employee's manifestation of intention on the other, governing the internal relationship between employer and employee when the place of employment is situated in Japan, irrespective of the country/countries where the application was/is filed. However, the collective succession of rights to obtain patents under the Japanese Patent Act, Section 35 without identifying the countries of application has only the inter partes effect in the basic sense. If one of the countries where the application is filed provides some substantive/procedural requirements for the succession of a right to obtain a patent, the right shall not be construed to be transferred unless these requirements are met. "Reasonable compensation" as provided for in subsection (3) can be calculated by taking the benefit derived from patents which belong to the employer at last into consideration no matter what the protecting country is.