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## **Important Change in Japanese Law for Employers Obtaining Patent Rights from Employees**

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Employers in Japan should be prepared for an important revision to the Patent Act of Japan, which will affect the right of employers to obtain patents for the inventions of employees, and will take effect on April 1, 2016.<sup>1</sup>

Under the current Patent Act, the right to obtain a patent for an “Employee Invention”<sup>2</sup> vests initially in the employee who invented such invention, without exception. Although an employer may succeed to the right to obtain a patent for the Employee Invention from the employee if this has been provided for in advance in an agreement, employment regulation, or any other stipulation, certain problems may arise:

1. The employer may have trouble succeeding to the right to obtain a patent for an Employee Invention that has been jointly created by an employee and a third party, since under the Patent Act, the employee cannot assign his or her share in the right to obtain a patent for the invention without the consent of the joint inventor; and
2. If an employee also assigns the right to obtain a patent for the Employee Invention to a third party, and such third party applies for a patent before the employer does so, then the employer may no longer be able to obtain a patent for such invention.

In order to solve such problems, a new provision will be added to the Patent Act that enables an employer to acquire the right to obtain a patent for an Employee Invention from the time when such invention is produced, if an agreement, employment regulation or any other stipulation provides so in advance<sup>3</sup>. It should be noted that if there is no such provision in any of the above documents, the right to obtain a patent will belong to an employee just like under the current Patent Act.

This new provision of the revised Patent Act will apply to Employee Inventions that are produced on or after April 1, 2016. Some companies might already have a provision in their employment agreements, employment regulations or have some other stipulation to the effect that the right to obtain a patent for an Employee Invention



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vests initially in the employer. However, in order to take full advantage and avoid any negative repercussions from this change in the ownership structure of the right to obtain a patent, such a provision would be insufficient. This is because, unlike for an employer in the United States, which is, in principle, not required to provide any benefits to an employee in return for the right to obtain a patent for the employee's invention unless otherwise agreed between the employer and the employee, an employer in Japan is statutorily required to provide reasonable economic benefits to an employee in return for the right to obtain a patent for an Employee Invention<sup>4</sup>. Therefore, it would be necessary to provide some kind of mechanism to avoid acquiring rights relating to inventions that are unnecessary to the employer.

Employers should take this opportunity to thoroughly review provisions regarding Employee Invention in their agreements and other documents to be prepared for and take advantage of this revision and also to confirm that they are in full compliance with the Patent Act of Japan including stipulations thereunder that will remain unchanged, in consultation with a legal expert.

Notes:

1. The Act on the Partial Revision of the Patent Act and Other Acts was promulgated on July 10, 2015 and will become effective from April 1, 2016.
2. An "Employee Invention" is an invention which, by its nature, falls within the scope of the business of the employer and was achieved by an act categorized as a present or past duty of the employee performed for the employer.
3. New paragraph 3 of Article 35
4. New paragraph 4 of Article 35. Under the revised Act, the benefits to be provided to an employee include monetary and non-monetary benefits, while the current Act limits such benefit to monetary benefits.