



PATENTS: EMPLOYEE INVENTIONS – OVERVIEW OF LEGAL SYSTEMS AND RECENT TRENDS



BRIEF OVERVIEW

- Explanation of Legal Systems in JP, DE, FR/UK/IT
- Ownership of an invention
- Remuneration for inventors
- Case examples



PART I

Overview of the legal systems
regarding employee inventions in
DE, UK, FR and IT



LEGAL SYSTEM ON EMPLOYEE INVENTIONS– DE – 1

The German Act on Employees' Inventions provides a detailed framework dealing with

- a) ownership and
- b) remuneration issues in relation to inventions made by employees,

Remuneration guidelines provide detailed schemes for determining the remuneration.



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – DE – 2

Act on Employees' Inventions 1957, last modified 2009

§ 1 This Law applies to inventions and to technical improvement proposals made by employees in private employment, by employees in public service, by civil servants, and by members of the armed forces.

§ 2 Inventions within the meaning of this Law are only those which may be the subject of a patent or of protection as a utility model.

§ 3 Technical improvement proposals within the meaning of this Law are proposals for other technical innovations that may not be the subject of a patent or of protection as a utility model.

§ 4(1) Employee inventions within the meaning of this Law may be either tied or free.

...



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – DE – 3

§ 22 The provisions of this Law may not be modified by contract to the detriment of the employee. Agreements shall, however, be permissible concerning service inventions after they have been reported and concerning free inventions and technical improvement proposals (§ 20(1)) after their notification.

§ 23(1) Agreements concerning service inventions, free inventions, or technical improvement proposals (§ 20(1)) permitted by this Law, shall be null and void to the extent that they are manifestly inequitable. This provision shall apply also to compensation settlements (§ 12(4)).

§ 26 The rights and duties arising from this Law shall not be affected by termination of the employment relationship.



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – DE – 4

- Whether the German employees' inventions act is applicable depends on the contract (i.e. which law is defined to be applicable, if any) and on the regular workplace of the employee.
- If the employee is permanently working outside Germany, i.e. not only for a determined period of time and there is no intention/plan for him to resume work in Germany, the law of the regular workplace is applicable.
- However, if the contract refers to German law, German employee inventions act is applicable (cf. Art. 8 of EU regulation on the law applicable to contractual obligations (Rome I)).



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – DE – 5

- Compulsory defined arbitration proceedings
- Judicial proceedings only possible after proceedings have been held before the Arbitration Board
- The Arbitration Board is part of the German Patent and Trade Mark Office



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – UK – 1

Sections 39 to 43 of the Patents Act 1977

- General assumption that employee inventions shall be taken to belong to the employer provided certain conditions are met:
 - Invention is made during the course of the employee's normal duties,
 - The employee had a special obligation to further the interests of the employer's undertaking
- Any other inventions made by the employee shall be taken to belong to the employee
- Question of fact as to whether the invention was made in circumstances which would fall within the scope of these provisions



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – UK – 2

- Advisable that inventors are asked to enter into an assignment
- No requirement for routine payment of inventor remuneration
- Compensation in the case of outstanding benefit
- „*Outstanding benefit*“ is a high hurdle and is measured "*having regard ... to the size and nature of the employer's undertaking*"



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – FR – 1

Art L. 611-7 of the French Intellectual property code
⇒ three different categories of employee-inventions:

1. 'Invention de missions'

- made by an employee paid to make inventions
- belong to the employer
- employer is obliged to pay a 'reasonable amount' of money (no legislation about the total amount)
- in larger organisation € 500 - € 1000 per invention at the date of filing plus about € 1500 on the date of the grant of a first patent
- in legal disputes the judge should not take into consideration the possible financial success of the invention
 - ⇒ in practise, however, this is the default position



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – FR – 2

2. Inventions done by employees who are not supposed do inventions (such as accountants, HR people, etc.).
 - invention is propriety of the inventor
 - if the invention is within the technical domain of the employer, the employer has the right to take possession of the invention by paying the 'juste prix'
 - in case of litigation, the 'juste prix' should be evaluated at the time the employer decided to take control of the invention
 - in practise the judge will take into account the possible financial success an invention has had.

3. Inventions done by employees which have nothing to do with the activities of the employer
 - inventions belong to the employee



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – IT – 1

Art. 64(1) of the Italian Intellectual Property Code

⇒ similar to FR three different categories of employee inventions

⇒ one additional category for the Employees of Public Entities

1. Employee paid for inventing

- belong to the employer
- remuneration covered by standard salary

1. Workplace-based invention

- employees having a role, which could lead to inventions (e.g. researchers, engineers, product developers)
- invention belongs to the Company
- the Inventors are entitled to a "fair reward"



LEGAL SYSTEM ON EMPLOYEE INVENTIONS – IT – 2

3. „Other inventions“ (negative definition)
 - Employees having a role, which usually does not lead to an invention (e.g. Accountants, HR people, Cleaners or Caretakers)
 - Invention belongs to the employee
 - Employer is entitled to an option on the patent application or a license on the patent
 - May include acquiring patents abroad.
 - Option needs to be within three months from the date of communication of the patent application

4. University Researchers
 - Invention belongs to the employee



PART II

Ownership of invention regarding
employee inventions and consequences
in DE (UK, FR and IT)



OWNERSHIP OF INVENTION – DE

The invention will belong to the employee unless claimed by the employer

⇒ strict procedure with deadline regime

- § 5 - immediate report of the invention
- immediate confirmation of receipt
- § 6 Invention will be deemed as claimed if it is not actively released within 4 month after report of the invention to the employer



DUTIES OF THE EMPLOYEE INVENTOR – DE

- § 5 All employees who have contributed to a service invention are required to notify the employer of the invention without undue delay and in writing.
- § 15 (2) ... the employee must assist his employer in acquiring the industrial property rights and shall be obliged to make the necessary statements.
- § 19 (1) Before exploiting a free invention further during the term of his employment contract, an employee must offer his employer at least a non-exclusive right to use the invention on reasonable terms, if the invention falls within the range of the actual or planned activities of the employer's enterprise at the time the offer is made.
- § 24 (2) An employee must keep a service invention secret as long as it has not become free (§ 8(1)).



DUTIES OF THE EMPLOYER – DE

- § 5 Confirmation of receipt of the notification of the invention without undue delay in writing
- § 6 Claiming/releasing invention
- § 9 Payment of remuneration after claiming the invention (when invention is used)
- § 13 obligation to file, without undue delay, a patent application for Germany
- § 14 The employer may file patent applications for foreign countries. If not, he must release the invention to the employee for countries in which it does not intend to file.
- § 16 If the employer intends to abandon a patent application or a granted patent before he has fully remunerated the employee, he must inform the employee accordingly and, at the employee's request and expense, assign the respective right to the employee



POSSIBILITIES IN CONTRACTUAL AGREEMENTS – DE

- § 22 The rules on employees' inventions are binding and may not easily be opted-out by individual agreements. Agreements as to the ownership and remuneration that detriment the employee inventor and which are made **prior** to a notification of an invention (e.g. in the employment contract) are invalid.
- §§ 22, 23 Agreements concluded **after** a notification of the invention are valid unless they are significantly disadvantageous to the employee.



„INCENTIVE-SYSTEMS“ – DE

- Motivation of employees, e.g. paid after invention is claimed
- May not be credited against remuneration
- Often in combination with waiver of rights (e.g. §§ 13, 14, 15 and 16, others possible)

- § 13 „national application“ – caution: additional payment might be necessary when invention is used
- §14 „release of the invention for foreign countries“
- §15 „information about prosecution“
- §16 „offer of patent application or a granted patents prior to abandoning“



ESTABLISHED AMOUNTS

- § 14(2): 150 to 300 €
- § 16(1): 150 to 300 €
- §§ 14 and 16: 250 to 500 €
- §§ 13, 14, 16: 350 to 600 €
- §§ 13, 14, 16 and limiting the right to information:
1000 to 1500 €

Caution: May not be credited against remuneration



OWNERSHIP OF INVENTION UK/FR/IT

- as discussed above



PART III

Remuneration of employee inventions
in DE, UK, FR and IT
and relevant case law (if applicable)



REMUNERATION – DE

- Employee is entitled to a reasonable remuneration unless the employer releases the service invention.
- Remuneration is due as soon as the employer uses the invention (by making use of the invention or by licensing or selling the invention), regardless of whether or not a patent application has been filed or a patent has already been granted.
- Type (lump sum or installments) and amount of the remuneration are determined by a mutual agreement between the employer and employee.
- If no valid agreement exists, remuneration is determined based on a legal frame work.



REMUNERATION GUIDELINES

DE – 1

Determination of inventor remuneration based on :

$$V = E * A * X$$

- V = remuneration
- E = invention value, based on:
 - License analogy
 - Quantifiable business use
 - Estimate
- A = proportional factor (a+b+c)
 - a) role in identifying the problem solved by the invention
 - b) contribution to the solution of the problem
 - c) duties and position within the company
- X = co-inventor share



REMUNERATION GUIDELINES

DE – 2

Example based on license analogy:

- inventive value (E)
(net turnover * fictitious royalty rate: 2,5 million \$ * 5 %)
- proportional factor: 15 %
 - development order: $a = 2$
 - based on typical work of the inventor, supported by the company: $b = 1$
 - average position in the R&D department (e.g. not a team leader): $c = 5$

V = 18.750 US\$



REMUNERATION AGREEMENTS – DE

- Lump sum payment agreements as preferred option to reduce administrative burden
- Payment coupled to certain events, e.g.:
 - Filing of patent application
 - Grant of patent
 - Use of the invention
 - Predetermined period after begin of use
- Payment amount could depend on value of the invention for the company
- Lump sum payment agreements should include regulations regarding a review after defined periods



RIGHT TO INFORMATION – DE

- Background: if the employee is entitled to a remuneration, he must have the possibility to verify the compensation
- Right to information and demand accounting details
- Claim for an affidavit in case of suspicion of incompleteness
- Sequestration possible



REMUNERATION – UK

- “*Outstanding benefit*” needed
 - High hurdle
 - Is measured “*having regard ... to the size and nature of the employer’s undertaking*”.
 - Section 41 only sets out the factors to take into account in deciding an amount, but does not set percentage rates.
 - In *Shanks v Unilever* (2017) the benefit was £24.5m, but was dwarfed by the overall turnover of Unilever being a huge multinational undertaking
- ⇒ the benefit was not outstanding, and the inventor got nothing
- Only one major case where an award was made, i.e. *Kelly v GE Healthcare* (2009); the benefit of £50m was outstanding as it helped GE Healthcare grow to become a large company
- ⇒ the inventors were awarded 3% of £50m between them



REMUNERATION – IT

- no remuneration if the invention is the result of an employment where the inventive step is the subject (compensated by salary)
- “equitable remuneration” when the employee cannot be considered to be compensated by his salary
 - employer acquires a patent or uses the invention
 - calculation to take into account the importance of the invention, the salary and tasks of the inventor and the contribution of the employer
- independent invention => negotiated price
(value of invention – contributions of employer)



REMUNERATION – FR

- 'Invention de missions'
 - Compensation based on salary ?
 - Supreme court => based on value of invention
 - remuneration non-exploited patent: € 1.000 to € 15.000
 - remuneration exploited patent: € 10.000 to € 300.000
- “non-mission inventions” => fair price
 - to take into account: “the initial contributions of the employer and employee and the industrial and commercial utility of the invention”.
 - employees have been awarded sums between € 7.500 and € 150.000 for these
- free invention => free market price



**THANKS TO THE
AUDIENCE!**