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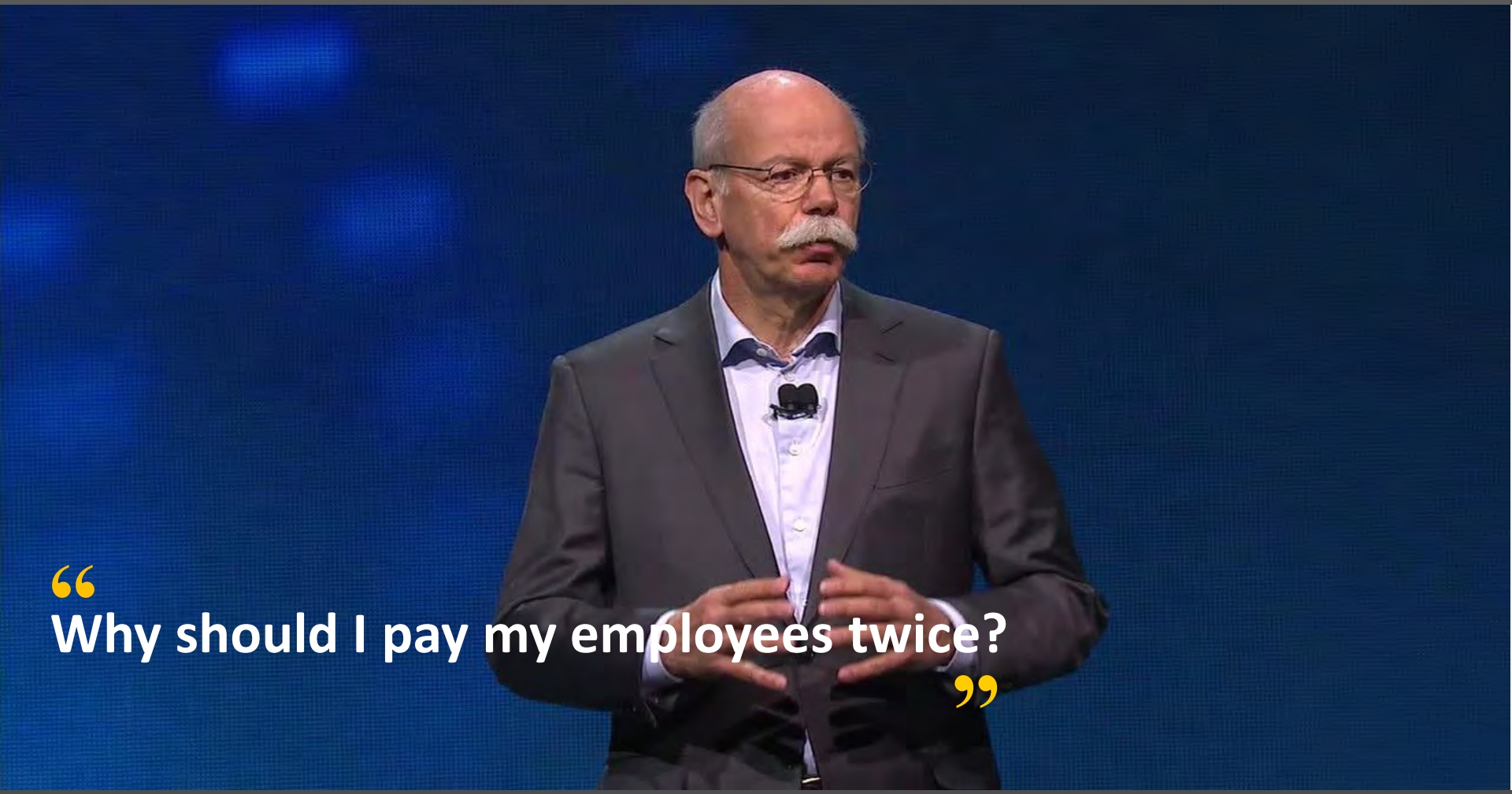
Patentanwalts GmbH

Dia de Patentes

Employee Inventor‘s Rights – An international overview

International Employee Invention Law

Error 1



International Employee Invention Law

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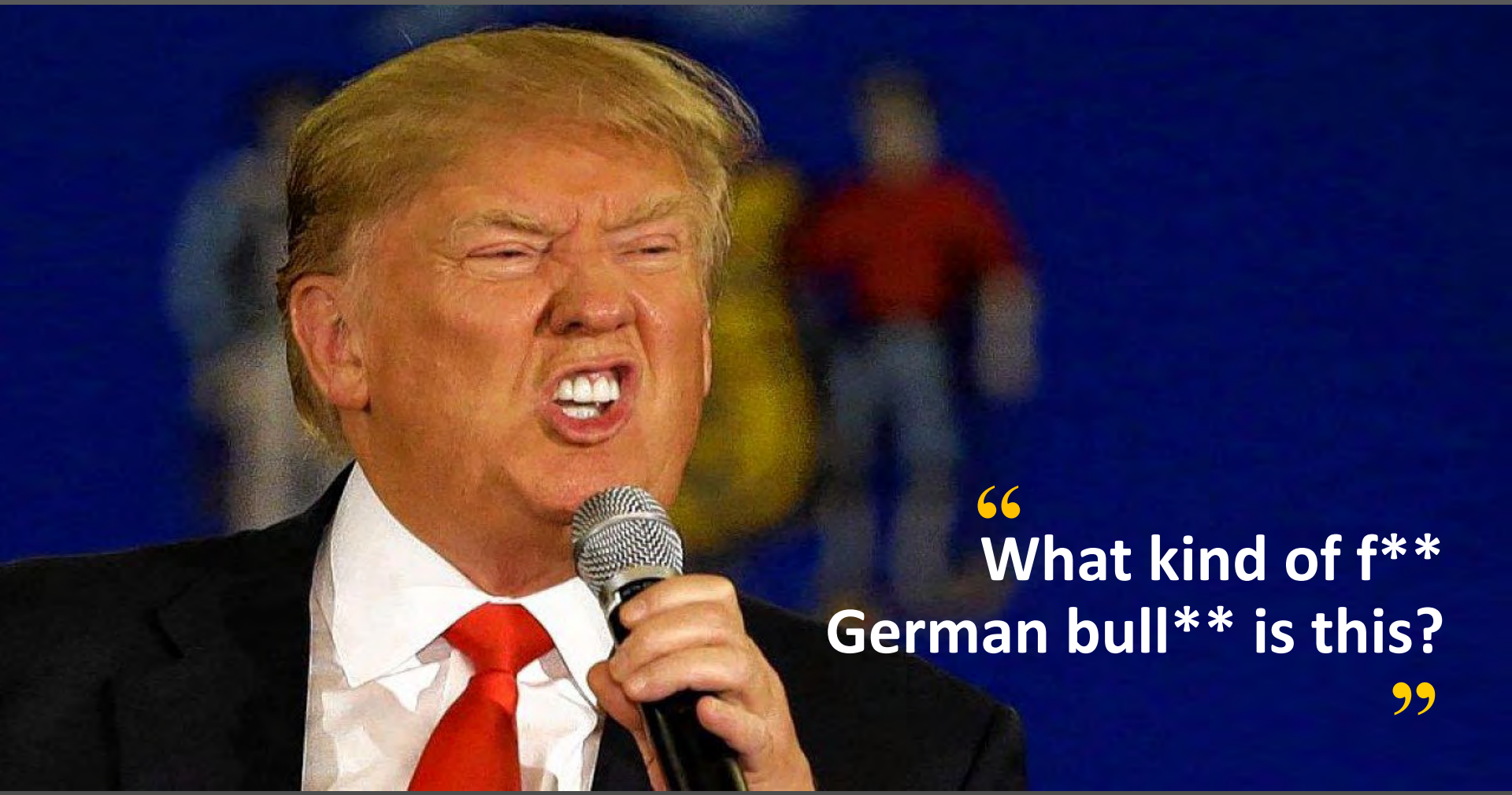


International Employee Invention Law

Collision of two legal norms

Who owns an invention?

Labour Law	Patent Law
An invention is an intended work result that the employee owes his employer in return for his remuneration.	The inventor or his successor in title has the right to the patent (Sec. 6 PatG).
	The property and the right of inheritance are guaranteed (Article 14 GG)

**The ArbEG represents a reconciliation of interests between the legal norms.
Without this balance, the employer would have no access at all to his employee's inventions,
since his (intellectual) property right has constitutional status.**

International Employee Invention Law

Systematic classification of the ArbEG

Legal Norms

- Labour Law: Inventions are the work results of the employee inventor to which the employer is entitled in return for which he pays a salary.
- Patent Law: The invention represents the (intellectual) property of the inventor (§ 6 PatG).
- Basic Law: Protection of Property (§ 14(1) GG)

Consequence

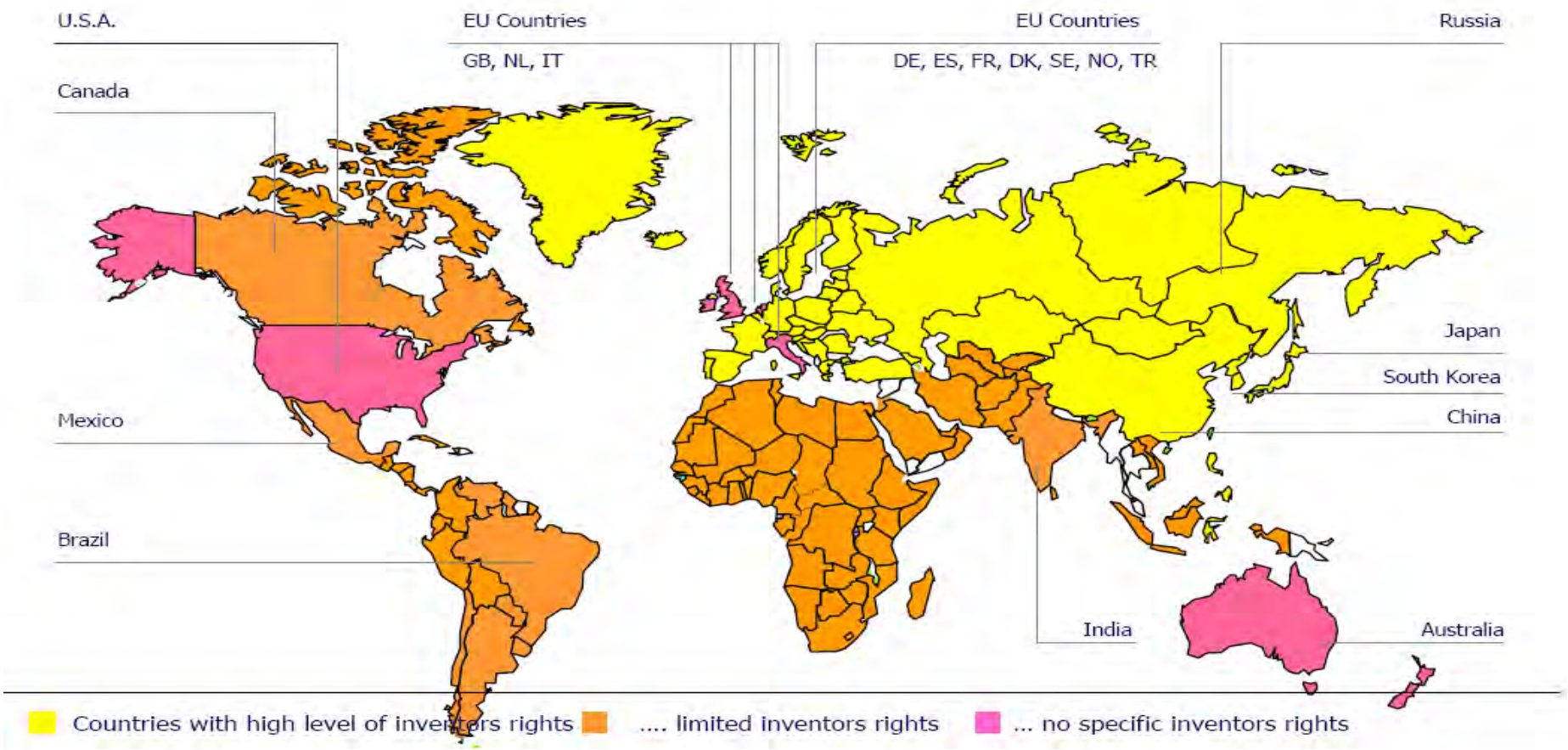
- When weighing the conflicting norms, it is not labour law and patent law that conflict, but labour law and the Basic Law.
- Without ArbEG, the protection of property under the Basic Law would have priority and the employer would have no access at all to the employee's inventions.
- ArbEG is therefore a mandatory corrective.

Basis for the obligation to make an offer for takeover

- Ownership obligates (§ 14(2) GG)
- Expropriation in the public interest and compensation (§ 14(3) GG)

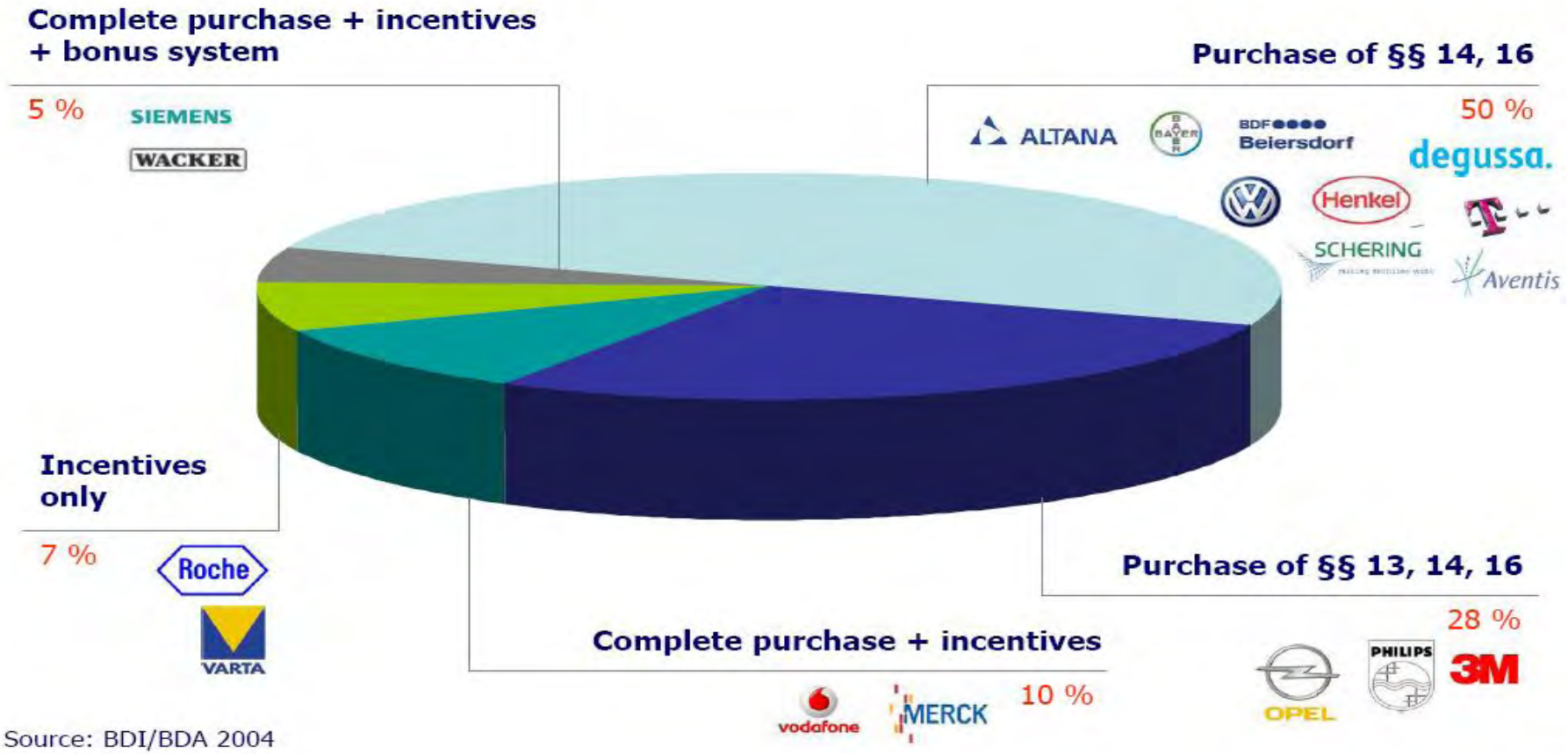
International Employee Invention Law

In most countries inventors are entitled to remuneration



International Employee Invention Law

Compensation and incentive systems



Source: BDI/BDA 2004

International Employee Invention Law

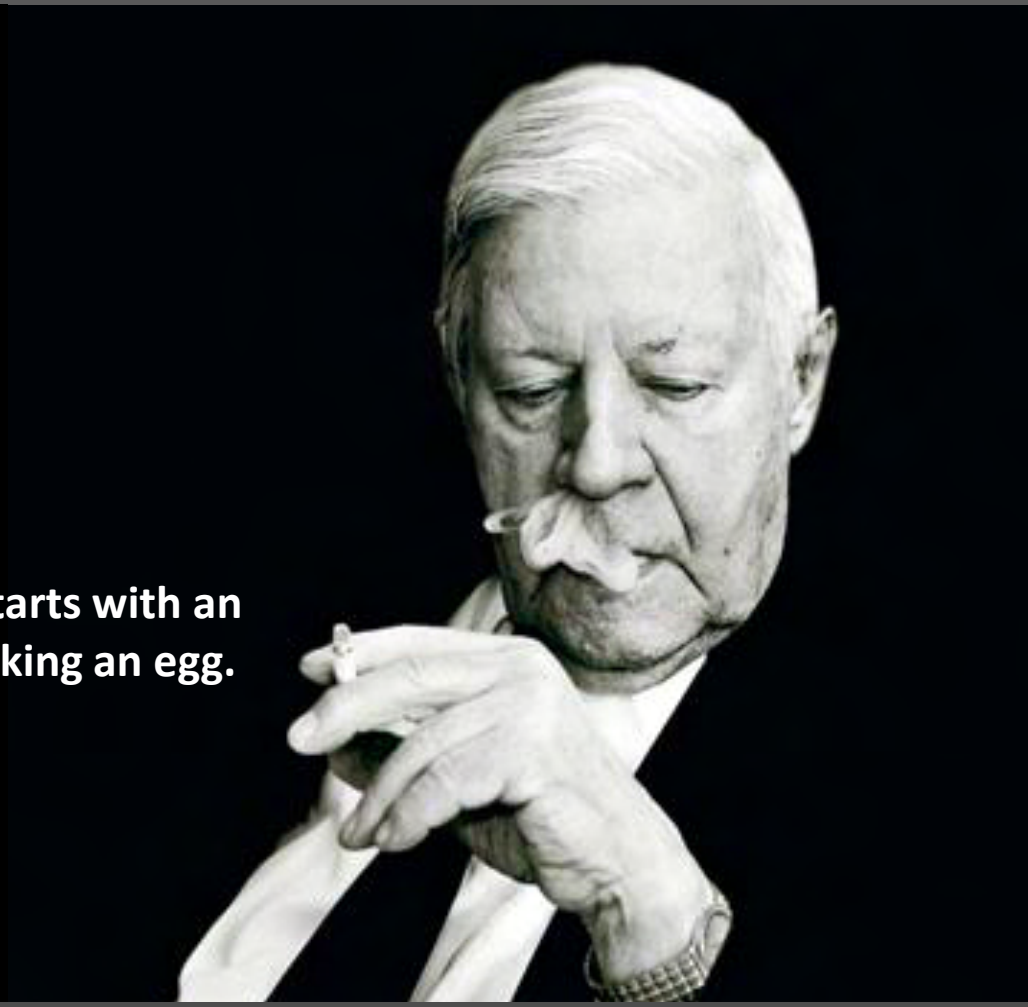
No trace of harmony

“

Any attempt at harmonisation in Europe starts with an attempt to bake an omelette without breaking an egg.

Helmut Schmid
Former Chancellor

”



International Employee Invention Law

And now seriously ...

Teambuilding

- How do I behave towards foreign employee inventors in international teams?
- Team members who are not legally entitled to remuneration could be put on an equal footing by incentive models so as not to jeopardise solidarity within the team.
- Information on the amount of payments (90 % of all payments are less than 5000 €).

Cooperationen

- What should be taken into account when drawing up international cooperation agreements with regard to the assignment of inventor's rights?
- In some countries it is not possible to assign rights to inventions in advance.
- In the USA, the state may have rights of intervention.

Licenses and litigation

- Does the license agreement stipulate that the claims of the employee inventor are to be fulfilled by the licensee or the licensor?
- Which liabilities and employee invention disputes can be uncovered by due diligence?

Europe

Germany

Germany

Legal basis and history

Legal basis

Employee Invention Act and Remuneration Guidelines

History

- **In 1936, the German Patent Act established for the first time the primary assignment of ownership of an invention to the inventor. The transfer of rights from the employed inventor to the employer was not regulated.**
- **In 1942, the so-called "Göring-Speer-Verordnung" came into force, which was intended to "actively promote, evaluate and protect" inventions by employees, in particular for armaments.**
- **In 1957, the German Act on Employees' Inventions (ArbnErfG) was enacted on the basis of the Göring-Speer Ordinance..**
- **In 1959, this was followed by the remuneration guidelines, which have not been amended since then; the information contained therein on customary license rates is completely outdated and can no longer be used.**
- **As of 7 February 2002, the university lecturer privilege was abolished, i.e. universities can now claim the inventions of their lecturers for themselves; professors, however, have no reporting obligation. In the case of remuneration, they are entitled to a lump sum of 30% of the income generated (e.g. from licences).**
- **On 1 October 2009, the Patent Modernisation Act came into force together with the small amendment to the Employee Invention Act. This simplifies the transfer of rights from the inventor to the employer.**

Germany

Transfer of rights

Right to the invention

- The invention belongs to the inventor.
- A distinction is made between service invention and free invention.
- A service invention is characterised by the fact that it was created by the inventor in connection with his employment, uses know-how acquired from his employer and/or is supported by his employer.
- However, the employer is entitled to the right to the service invention. This results in an obligation on the part of the inventor to make an offer to his employer.
- There is no obligation to offer free inventions

Claim

- Until October 1, 2009 it was necessary, after receipt of a written and signed invention disclosure, to bring about the transfer of the rights to an invention by a written claim within a non-renewable period of 4 months.
- From October 1, 2009 , the fiction of claim has taken this place, i.e. if the Principal does not actively release the invention within a period of 4 months from receipt of the invention disclosure, the rights automatically accrue to him after expiry of this period.

Release

If the invention is released, the inventor is free to use it, but the employer has the right to demand a non-exclusive right of use within a period of 3 months from the release (§ 18 ArbEG).

Germany

What and who fall under the ArbEG?

Material scope

Inventions that can be protected either by patents or utility models - neither trademarks, nor designs, nor copyrights.

Personal scope

Only employees, managing directors and persons who are not bound by instructions do not fall under the law!

Managing Directors

- **The inventions of a managing director are entitled to him personally. If the company wants to use them, they must treat him as a freelance inventor (license payment instead of employee inventor remuneration).**
- **It is advisable to contractually regulate with managing directors that they assign all their inventions to the company in advance or submit to the ArbEG (Problem: Reporting obligation?)**

Posting of employees to foreign subsidiaries

- **If employees are sent to foreign subsidiaries on a permanent basis, it is also advisable to agree with them contractually that the ArbEG continues to apply for the duration of the stay abroad.**
- **In the case of temporary secondment with the right of return of the sending company.**

Germany

Obligations of employees and employers

Employee

- Reporting and offer obligation

Employer (in case of positive claim)

- Obligation to file a national patent application
- Duty to provide information on the status of the application procedure
- Obligation to offer takeover in countries where the employer does not want patent protection (3 months before expiration)
- Obligation to make an offer for takeover before surrender of industrial property rights (3 months before expiration)
- Obligation to pay remuneration for use (annual post-calculatory)

Further protective provisions

- No contractual general clauses or prior arrangements (i.e. prior to notification of each individual invention) which could be detrimental to the inventor. This applies in particular to assignment agreements in employment contracts.
- Remuneration offers (also lump-sum remuneration offers and purchase regulations) require consent.
- The employee can also sue for unfairness in the case of an existing remuneration agreement if the framework conditions have changed significantly since the conclusion of the contract.

Germany

Intellectual property rights subject to remuneration

Requirement for the remuneration of industrial property rights

Owner-occupied Patents
Basis of remuneration:
e.g. license analogy

Licensed Patents
Basis of remuneration:
license revenues

Blocking patents
Basis of remuneration:
matter of negotiation

Inventory patents
Basis of remuneration:
flat-rate payment(400-1000 €)

Patents with customer benefits
Basis of remuneration:
Normally no recovery

Germany

Compensation calculation according to the license analogy

Compensation according to the license analogy approach: V = EW * L * A

- Invention value (EW)
- License factor (L)
- Personal proportional factor (A)

Invention value

Basis for inventor remuneration. As a rule, this is the turnover; alternatively, the company savings can also be used, especially in the case of process patents.

License factor

Factors common to the market are used, as they would be used if the property right were licensed from third parties.

Personal proportional factor

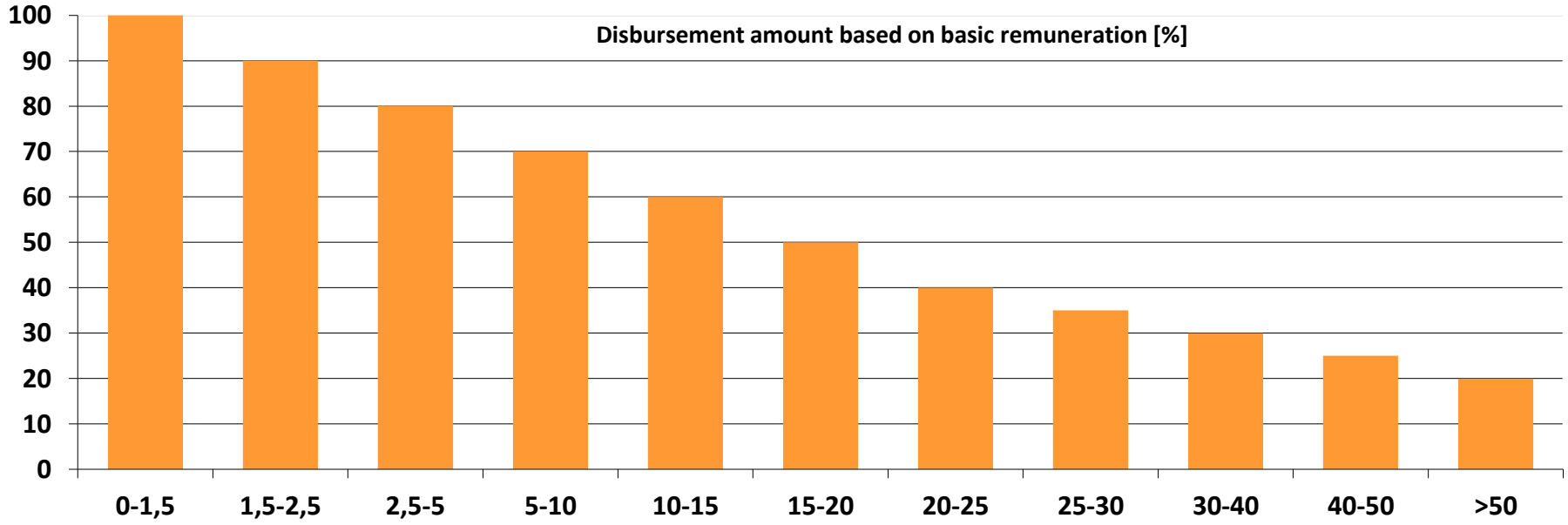
This factor takes into account that the inventor as an employee is to be treated differently than as a freelance inventor who offers his invention from outside. The factor takes into account the task, the solution to the task and the position of the inventor in the enterprise and usually ranges from 15 to 30%.

Germany

Staggering of the invention value

Staggering table: Reduction of the remuneration with the amount of the turnover

In accordance with the ArbEG guidelines, discounts may be applied to large transactions ('million scale') if this is customary or agreed for the transaction in question.



Germany

License factors

License factors can be found in the literature; classification according to IPC classes

Germany

Personal proportional factors

Proportional factor a: Setting of task

The factor reflects the initiative of the employee inventor in finding the task to be solved. The further the task is from its field of work or the more difficult it was to determine, the higher the factor, which can be between 1 and 6.

Proportional factor b: Solution of task

The company's contribution is taken into account here. If the invention is based on knowledge acquired by the inventor during his activity or if the tools were provided, the factor, which may vary between 1 and 6, is small.

Proportional factor c: Position in the company

This factor takes into account the extent to which inventive contributions can be expected from the inventor. The factor is very high for laboratory technicians (8) and very low for board members (1).

Result

If the sum (a+b+c) = 3, the factor is 1 %, if the sum = 20, the factor is 100 %; all intermediate values are linear.

Germany

Calculation example: Brake discs for Porsche Cayenne

Parameter	Remaining compensation [EUR]
NetSales	22.300.000
NetSales after staggering	14.300.000
Royalty factor (1 %)	143.000
2 patents involved(50 %)	71.500
Inventor share (25 %)	17.875
Personal share (13 %)	2.324
Opposition pending(50 %)	1.162

Germany

Arbitration board

Arbitration Board - Legal proceedings in disputes

- Disputes in connection with the conclusion of remuneration agreements must be submitted to the Arbitration Board for Employee Inventions at the DPMA.
- Disputes in connection with already existing contractual provisions may be submitted to the Arbitration Board, but civil action may also be brought immediately.

Function of the Arbitration Board

- The Arbitration Board mediates in all disputes arising in connection with the ArbEG, in particular in matters relating to the determination of appropriate remuneration.
- The procedure is free of charge for both parties.
- The award of the Arbitration Board is not binding, but a proposed solution.
- Each year, the Arbitration Board deals with 60 to 100 cases.

Europe

Netherlands

Europe

Netherlands

Legal basis

Art. 12(I) PatG (1995)

Right to the invention

- In principle, the employee has the right to the invention or the resulting property right (Art. 12 I PatG).
- If the employer can prove that the employee made the invention within the scope of his professional activity for the employer, the employer is entitled to the invention or the property right.

Claim

In practice, the right to the invention is already regulated in the employment contract.

Remuneration

- Art. 12 VI PatG only provides for inventor remuneration if the employee's salary does not compensate him sufficiently for the loss of his rights.
- According to prevailing case law, Art. 12 has an exceptional character, i.e. an employee has - if at all - only a claim to remuneration similar to gratification.
- The right to remuneration expires 3 years after the grant of the patent; according to Art. VII PatG, it may not be deviated from this regulation.

Europe

France

Europe

France

Legal basis

Art. L. 611-7 Code Proprietée Industrial (1992)

Right to the invention

In principle, the employee has the right to the invention or to the resulting property right. A distinction is made between

- **Service inventions (inventions de mission)**
- **Free inventions (inventions hors mission)**

If the employer has an invention assignment from his employer or if study or research work has been expressly assigned to him, the employer is entitled to the right to the invention.

Claim

Not necessary, but particularly useful in the absence of employment contract provisions. A period of 4 months from receipt of the invention disclosure applies.

Regulations for University Teachers

In the case of university lecturers, the invention assignment is not blanketly assumed, but an individual examination takes place. For this reason, individual agreements are strongly recommended for cooperation agreements.

Europe

France

Inventions with an Invention Order

If the inventor had an invention mandate, the amount of remuneration shall be calculated as follows

- the collective agreement,
- the works agreement or
- the employment contract.

Remuneration used to amount to 1 to 3 monthly salaries, today the economic advantage of the invention is taken as a basis.

Inventions without an Invention Order

- If the employee did not have an invention mandate, but the employee claimed the invention, he must pay an appropriate additional remuneration (Art. L. 611-7 (2) CPI).
- The employee's and employer's contribution as well as the industrial applicability of the invention are to be taken into account as indications.

Remuneration regulationen für den öffentlichen Dienst

- Remuneration for inventions made in the public service is based on several decrees from the years 1996-2001.
- If the invention is based on an invention order and the job or position of the inventor is in the list in the appendix to Art. R. 611-14-1 CPI (which is almost always the case), he is entitled to 50% of the royalties.

Europe

France

RAYNAUF vs. HOECHST-RUSSEL-UCLAF

- Agent for the treatment of prostate cancer.
- Inventor was marketing director, but no scientist. After his retirement, he complained about the transfer of the patent ("free invention") or about remuneration based on economic success.

Employee invention or free invention?

The invention was classified as off-duty by the "Tribunal de Grande Instance" (TdGI) in the first instance, and as official by the "Court d'Apelle" (CdA) in the second instance. L. 611-7 CPI and Art. 17-2 of the Supplementary Agreement to the Collective Agreement for the Chemical Industry.

Result

- The judgment must be seen as pointing the way, as it represents a move away from the performance bonus and towards genuine profit-sharing.
- In a subsequent ruling, remuneration was fixed at FF 4 million (approx. € 650 thousand); the revision of HRU was unsuccessful.

Europe

France

Subject-matter of the patent in dispute

Air distributor for fine-bubble aeration of water with a membrane arranged above a fixed, plate-shaped base element. The connecting elements at the edges should ensure a detachable and gas-tight connection of the diaphragm to the base element and a good contact with the surface with a low gas supply.

”

It is true that the web-shaped elements mentioned in the granted patent claim in relation to the priority application, which are intended to prevent the membrane from bulging when gas is supplied, were subsequently added.

However, this feature does not alter the same inventive idea, but only complements it in the sense of a further development, as would normally be the case with the features of a genuine subclaim. In fact, the feature neither supports the inventive step nor was it necessary for the invention to be executable. It must, however, be taken into account when determining the scope of protection.

“

BGH ZB 24/89
11.06.1991

Europe

Great Britain

Europe

Great Britain

Legal basis

Section 39(1), 40, 41 Patents Act (1977)

Right to the invention

The employer is entitled to the invention,

- if it has arisen within the framework of normal work duties or specifically assigned tasks and an invention was to be expected as a result, or
- the employee had a special obligation to promote the company's profits.

It is not possible to assign the employee's inventions to the employer in advance (Sec. 42(2) Patents Act). This can cause problems when drafting contracts.

Claim

Not necessary

Remuneration

- Remuneration for employee inventions to which the employer is entitled is generally only due if it is of “outstanding benefit” to the employer.
- If the employee has patented an invention to which he is entitled and has transferred the patent to the employer, remuneration may also be due.

Europe

Great Britain

KELLY vs. GE HEALTH CARE [EWHC 181 (Pat), 11.02.2009]

Chemical compound used in a drug.

„Outstanding benefit“

- **Remuneration for employee inventions to which the employer is entitled is generally only due if it is of outstanding benefit to the employer. The turnover for the period 2002-2007 was £1.3 billion.**
- **The High Court considered it to be proven that the outstanding benefit was not only to be seen in the high turnover, but above all in the blocking effect of the patent, which made the profit possible in the first place.**

Result

- **Justice Floyd attributed to the patent an invention value of 50 % in relation to turnover and also took into account that without the monopoly the employer would have made about 10 % less turnover.**
- **Using a 3% royalty rate and the personal share factors of the inventors, remunerations of £1 million and £0.5 million respectively were fixed, which would be roughly the level of a German model payment.**

Consequences for further case law

It remains to be seen. It was only confirmed that in outstanding cases remuneration must be paid. The judgement does not open a door for a general remuneration claim.

Europe

Italy

Europe

Italy

Legal basis

Art. 23-25; 64 PatG

Right to the invention

- **If the inventive step is expressly provided for in the employment contract, the employee as the inventor shall only have the right to be named in the patent, but the employer shall be entitled to all rights.**
- **If the invention activity is not regulated in the employment contract, but it is nevertheless a service invention, the rights shall belong to the employee, but the employer shall be entitled to an appropriate remuneration.**
- **The inventor is entitled to free inventions, but the client has 3 months to demand a simple and free license for his own use.**

Remuneration

- **A claim to remuneration only exists if the invention activity is not regulated in the employment contract or if remuneration has been agreed (Art. 64 Patent Act). In determining the remuneration, the Italian courts follow German guidelines, i.e. the amount of the remuneration is calculated from the value of the invention according to the license analogy and the position of the inventor in the company.**
- **Existing employment contracts should therefore be reviewed and supplemented accordingly, e.g. in the case of promotions.**

Dispute settlement

In the event of a dispute, it is brought as a civil action before a special chamber (rite of labour = rito del lavoro); the details are regulated in the ZPO.

Europe

Spain

Europe

Spain

Legal basis

Tit. IV, Art. 15-19 PatG (1986)

Right to the invention

The employee's inventions, which he has made either by order or within the framework of his employment contract, belong to the employer (Art. 15.1).

Free inventions

- **All inventions that do not fall under the definition in Art. 15.1 are free inventions and belong to the employee (Art. 16).**
- **If, in the case of a free invention, the employee has recourse to the employer's aids or has used knowledge gained in the course of his employment, the employer may claim the right to the invention or a simple license (Art. 17.1). In this case, the employer is obliged to pay remuneration.**

Claim

- **The employee is obliged to inform the employer immediately and in writing of both employee and free inventions and to do everything necessary to support an application for industrial property rights.**
- **The employer is obliged to claim the invention within 3 months of receipt.**

Europe

Spain

Remuneration

The employee has no right to additional remuneration unless his personal share in the invention or the significance of the invention for the employer would exceed the usual level of what would be expected under the employment contract (Art. 15.2).

Regulation for university teachers

- Inventions made by university teachers in connection with research and teaching are the responsibility of the university.
- However, the university lecturer is entitled to an appropriate remuneration for use, the assessment of which is laid down in the university's statutes (usually 1/3 university lecturer - 2/3 university). The Real Decreto 55/2002 is authoritative.

Dispute settlement

- The Comisión de concilación consists of an employee representative, an employer representative and the chairman appointed by the OEPM.
- The Commission makes a proposal for conciliation, which is deemed to have been accepted if it is not expressly rejected. The unsuccessful arbitration is the condition for an action.

North and Central America

USA

North and Central America

USA – We, the people …

"To promote the progress of science and useful arts, by securing for limited time to authors and inventors the executive right to their respective writings and discoveries."

Art. 1, Section 8

North and Central America

USA

Legal basis

None.

Right to the invention

If there is no other contractual basis, the inventor is generally entitled to the right to the invention. However, the employer is entitled to demand assignment, at the latest until the patent is granted.

Shop rights

- Irrespective of legal ownership, the employer is entitled to a royalty-free license to the employee's inventions made in the course of his work.
- However, this license is limited to work in the company or university and cannot be transferred or passed on (problem with subsidiaries).
- This so-called "shop right" is enshrined in common law.

Remuneration

- Remuneration for the transfer of rights to the employer within the scope of the assignment must be contractually regulated; there is no statutory right to remuneration.
- In US companies it was common practice for a long time to agree on a "Recognition" instead of a profit share, which can also exist in a single "Inventors Dollar".

North and Central America

USA – Bayh-Dole Act

Bayh Dole Act

- The Bayh Dole Act (Chapter 18 Patent Act) regulates the handling of inventions which have arisen in the USA from publicly financed research projects.
- It makes sense, since in the USA about 150 MUS$ of public funds are distributed every year.
- In the past, the so-called "*Title Policy*" applied. According to this policy, only the administration was entitled to commercial exploitation rights. Thus, only simple licenses could be granted, which was uninteresting for licensees.
- With the Bayh Dole Act of 1980, the "*License Policy*" is now pursued, i.e. the exploitation rights are transferred to the research institution.
- Nevertheless, the public sector reserves certain rights, namely a "*fully paid up license*" and so-called "*March-In Rights*".
- The Department of Commerce has issued the following implementing provisions.

Further Literature:
„Staatlich finanzierte Erfindungen in den USA“
S. Windich, A.Hoffmann
GRUR-Int. 60, 789-886 (2011)

North and Central America

USA – Bayh-Dole Act

Funding Agreements

- Funding Agreements form the link between the financing authorities ("*Agencies*") and the respective recipients of state funding ("*Contractors*").
- With the Funding Agreement, the Agency enforces the requirements of the Bayh Dole Act. Even if the corresponding provisions are not expressly regulated in the contract, the provisions are automatically "read in" (Christian Doctrine).
- The mandatory application of the Bayh Dole Act applies to small enterprises with a turnover of less than 750 TUS$, universities and non-profit enterprises. Exceptions are not possible.
- Large companies can also be publicly funded and in these cases individual provisions of the Bayh Dole Act can be deviated from, unless the funding is provided by the Department of Defense (DoF), the Department of Energy (DoE) or NASA. In all these cases, the Title Policy even applies automatically.
- Otherwise most regulations are negotiable, with the exception of the license for the USA and the March-In Rights.

North and Central America

USA – Bayh-Dole Act

Subject invention

- The applicability of the Bayh Dole Act presupposes that the research result is qualified as "*Subject Invention*".
- In principle, anything that is or could be patentable under US patent law, including plant varieties under the Plant Variety Protection Act, can be subject inventions.
- Since designs in the USA belong to the US Patent Act, these subject inventions can also be subject inventions.
- When asked what Subject Invention is, it does not depend on the patent application.
- If one of the inventions falls into one of the groups, it is considered a subject invention if it falls within the scope of the Funding Agreement ("*statement of work*") and in terms of time.
- However, qualified inventions that are not an integral part of the Funding Agreement can also be regarded as subject inventions. This applies, for example, to Background IP or IP that was created in parallel projects. The Bayh Dole Act allows for the derivation of an implied license.
- The implementing provisions of the Department of Commerce try to explain by examples what can never be Subject Invention. However, the delimitation remains critical, since it concerns only negative examples.

North and Central America

USA – Bayh-Dole Act

Right to Retain Title

- By the provision of 35 USC § 202a, the Agency grants the Contractor the right to commercial use. However, this does not affect the inventor's right to his invention.
- The prerequisite is that the contractor notifies the agency of each invention within 2 months. In addition, he must declare bindingly within 2 years whether he wishes to claim the right to exercise the invention.
- If the one-year grace period is set in motion by its own prior publication, the Agency may reduce the period to 60 days before expiry.
- If the contractor takes over the exploitation rights, he is obliged to file a patent application (including a reference to public funding in the patent specification).
- The obligation also extends to foreign applications, whereby it is generally assumed that this obligation is fulfilled if the contractor applies for a patent wherever commercial exploitation appears to exist.
- If the contractor fails to file an unlawful application, the agency can attract the rights to the invention itself and file its own application. In this case, the contractor only receives a simple exercise license. If neither the contractor nor the agency wishes to file an application, the right reverts to the inventor.

North and Central America

USA – Bayh-Dole Act

Reporting and disclosure obligation

- The Bayh Dole Act's reporting and disclosure requirements may conflict with the contractor's confidentiality interests.
- This is particularly true in view of the fact that the Freedom of Information Act (FoIA) grants every US citizen far-reaching rights and access to public documents.
- According to 35 USC § 205, agencies may, however, withhold information on reported subject information for a reasonable period of time.
- Contractors' exploitation reports are also regarded as business and financial secrets and are not covered by the FoIA.

North and Central America

USA – Bayh-Dole Act

License reservation

- If the Contractor claims rights to the Subject Inventions, the USA reserves a worldwide, non-exclusive, non-transferable, irrevocable and royalty-free license to use the invention (37 CFR § 401.14b).
- The license enables the public sector to use intellectual property (patent-protected or not) - i.e. subject inventions - in its own interest and also to exercise these rights by third parties, e.g. suppliers of the US administration. This can become an argument in patent infringement litigation!
- However, the license reservation does not permit any commercial use of the results by the public authorities!

Protectionist measures

- Contractors may only grant exclusive licenses if the licensee undertakes to manufacture in the USA all products embodying the Subject Invention which are sold in the USA.
- The Agency may overrule this provision if a contract with a company that is willing to comply with this provision is not concluded or if production in the USA would be pointless.
- If the Contractor is not willing to conclude an exclusive license, the Agency may grant a compulsory license.

North and Central America

USA – Bayh-Dole Act

March-In Rights

- March-In Rights give agencies the possibility, under certain conditions, to grant compulsory licenses on Subject Inventions. However, the provisions have not yet been used in practice.
- Compulsory licenses can be granted if either lack of practical exploitation or safety or health needs are affected.

Case study : CellPro vs. John Hopkins University

- John Hopkins University had developed and patented a method for bone marrow transplantation with government funding.
- CellPro was the objective infringer of the patent, but the attempt to obtain a license from the university failed. CellPro then tried to persuade the responsible agency, the National Institute of Health (NH), to use March-in Rights because the university allegedly did not make any effort to promote the exploitation of the invention.
- This motion was dismissed. The NH justified this with the fact that the university had already conducted clinical studies and applied for marketing authorisation, so it was obvious that the exploitation was being sought. However, individual interests of competitors cannot justify the enforcement of March-in Rights.

South America

Brazil

South America

Brazil

Legal basis

Art. 6, 88 and 90-92 Brazilian Patent and Trademark Law (PMG)

Right to the invention

- Art. 5 of the Brazilian Basic Law grants the inventor a temporary monopoly on the exercise of his inventions.
- Art. 6 of the PMG guarantees the inventor the right to apply for a patent.
- However, according to Art. 88 PMG, inventions which arise within the scope of the work order or which can be expected as a result are exclusively the responsibility of the employer.
- Free inventions are inventions which are not related to the employment relationship of an inventor; according to Art. 90 PMG, the inventor is entitled to them.
- Joint inventions are inventions which an inventor has made outside of his work assignment, but has made with the help of the employer's means; according to Art. 91, 92 PMG, both are entitled to them.

Claim

Not mandatory, but recommended to prove that the invention was exclusively the employer's.

South America

Brazil

Remuneration

- According to Art. 88(I) PMG, the entitlement to remuneration is compensated by the wage entitlement, unless the employment contract provides otherwise.
- In the absence of specific agreements, the maximum remuneration is 33% of the financial benefit the employer derives from the invention (Decree No.2.553 of 16.4.1998). The minimum amount is 5% (Law 10.973 of 2.12.2004).

University inventions

For University inventions, the remuneration is 30 % of the financial advantage / Resolution No. 22 of 22.4.1998).

South America

Brazil

Case study: Esso Brasileira de Petroleo S.A.

- The dispute (1972) concerned a department head who had developed a device for the rational filling of petrol canisters. After the company had used the invention with great economic success, the inventor filed an action for payment of an appropriate remuneration.
- The company denied the novelty of the machine designed by the employee and also claimed that the improvement of industrial processes was an inseparable part of the employee's duties as head of the technical department.
- The São Paulo Labour Court ruled that there was no contractual obligation, either express or implied, on the part of the head of department to perform creative work.
- Because of the employer's participation in the invention, all three instances finally decided that both parties were entitled to the rights to the invention.

Case study: Texaco de Brasil S.A. Productos de Petroleo

- The 1975 dispute concerned a claim by an architect of Texaco Brasil S.A. Produtos de Petróleo for payment of an additional remuneration, since the company had used the model he had created of a petrol pump in Brazil and other countries. That request was rejected.
- The courts of first and second instance and the Rio de Janeiro Regional Labour Court held that the obligation to create models of petrol pumps was included in the expressly agreed general activity of planning service stations.

South America

Brazil

Case study: Telesp (Telecomunicacao de Sao Paulo S.A.)

- In a decision of the Federal Labour Court in 1975, an action was brought by a technician of Telesp - Telecomunicaçao de Sao Paulo S.A., which concerned a remuneration corresponding to the economic equivalent from the exploitation by the company of two new models of public telephone booths popularly known as "big ears" (orelhão).

- One model concerned telephone booths for indoor use, the other was intended for outdoor use. According to the plaintiff, the models were created without any connection to the employment contract and outside working hours.
- Nevertheless, the Federal Labour Court was of the opinion that there was indeed a connection with the employment contract, whereby the fact that the models had been created outside working hours was irrelevant.

Asia-Pacific

Japan

Asia-Pacific

Japan

Legal basis

Art. 35 PatG

Right to the invention

- **The employee is entitled to the right to the invention, but the employer receives a non-exclusive and free license - similar to the "shop right".**
- **Service inventions are those which fall within the scope of the employer's business activities and which have arisen within the framework of the contractual obligations of the employer. For example, the advance assignment of service inventions is possible, but not the assignment of free inventions.**

Remuneration

- **According to Art. 35 III PatG, a claim to remuneration exists if the employee has transferred his rights to the invention to the employer via the legally regulated measure.**
- **With regard to the amount of the remuneration, it is stated that the employee is entitled to an appropriate remuneration which takes into account both the economic advantage for the employer and the contribution which the employer had to make when the invention came about.**
- **The parallel to § 23 ArbEG, which is due to the adoption of the essential elements in 1957, is noticeable.**

Asia-Pacific

Japan

> **Inventors are treated like slaves.**

Mass spectroscopic analysis of biological macromolecules

- Nobel Prize in Chemistry 2002 for Koichi Tanaka
- Turnover - worldwide since 1989: 30 Mio €
- Inventor Remuneration: 11.000 Yen = 82 €

Reduced CD reading device

- Turnover - worldwide (estimated): 50 Mio €
- Inventor Remuneration: 11,000 Yen = 82 €

Blue Diode

- Profit - worldwide (estimated): € 10 billion
- Inventor Remuneration: 20,000 Yen = 150 €

Asia-Pacific

Japan

The Blue Diode

- LEDs are electronic components that emit light in different colors from red to blue depending on the semiconductor; by combination with optical resonators, the LED is transformed into a laser diode (LD).
- Applications are e.g. flat screens or DVDs, because with short wavelength blue light particularly tightly packed data can be read.
- The blue diode was regarded as a "dream technology", because up to the 90s no realization was possible despite high research efforts. The Nakamura invention consisted of using GaN as a semiconductor material, which had long since been abandoned for this purpose by experts.

Nakamura vs. Nichia Chemicals Ltd.

- The invention was made by Nakamura, although his employer had asked him in writing to stop the research.
- After Nakamura had developed the blue diode on his own and Nichia was able to achieve a monopoly position in this field, his inventor remuneration, calculated according to internal rules, was just 20,000 Yen = 150 €.

Asia-Pacific

Japan

Decision of the 1st instance

- In 2001, Nakamura filed a lawsuit against Nichia for the issuance of the patent ("no service invention") or, alternatively, for reasonable remuneration in the amount of 20 billion yen = 150 million euros.
- The Tokyo District Court dismissed the application for transfer by interim judgment of 19 September 2003. A service invention would also exist if it were made against the will of the employer. The final decision of 30.1.2004, however, fully complied with the auxiliary application. The court would also have granted a remuneration in the amount of 60 billion yen = 445 million € if such an application had been made.

Decision of the 2nd instance

- In 2005, Nakamura then surprisingly accepted a settlement proposal from the Tokyo High Court, according to which he was awarded a remuneration of 883 billion yen = 6.3 million euros.
- Nakamura justified this agreement with the fact that his attorneys had feared that the remuneration would have been even lower if a judgement had been made.
- In 2004 alone, Nichia had made a profit of 100 billion yen = 741 million euros with the invention.

Asia-Pacific

Japan

Decisions on inventor disputes

Case	Field	Year	Demand	Remuneration	Court
Kaneshin	Iron components	1992	230 T€	95 T€	Federal Court Tokyo
Zojerushi	Steel	1994	1,1 Mio €	47 T€	Federal Court Osaka
Olympus	CD	2003	1,5 Mio €	18 T€	Superior Special Court;
Hitachi	CD	2004		1,2 Mio €	High Court Tokyo
Ajinomoto	Aspartam	2004		1,4 Mio €	Federal Court Tokyo
Nichia	Blue Diode	2005	150 Mio €	6,3 Mio €	High Court Tokyo

Asia- Pacific

China

Asia-Pacific

China

Chinese Patent Law in its 3rd Amendment of 27.12.2008

(a total of 36 changes)

Draft for 4th amendment available since April 2015

Implementation Regulations of 1.7.2001

2nd Amendment dated 9.1.2010

Draft for 3rd amendment available since April 2015

Asia-Pacific

China

Starting position

- German pharmaceutical company founds a JV with Chinese partner for the development, production and distribution of new drugs.
- The German company contributes its own know-how and IP, the Chinese partner the production facilities and the sales organization.
- The contract stipulates that the German partner is entitled to IP generated in China.

Problem

- Chinese JV develops new IP. What has to be considered when registering and transferring to the German company?
- After transfer, the IP is not to be used by the German company itself, but licensed by it to a third party. However, the license revenues are to go to the Chinese JV. What has to be considered from the point of view of inventions?
- What dangers exist if the JV does not market the products in China?
- What are the remuneration regulations for inventors with a Chinese employment contract?

Asia-Pacific

China

Legal basis

- Art. 16 Patent Law of the P.R. China;
- Implementing Regulations of the Patent Law Rule 76-78
- Contract law § 326-328

Legal definition of service invention (§ 6 I PatG)

- A service invention exists if an invention was created to fulfil the task of one's own work unit or primarily by using the material and technical means of one's own unit.
- According to Sec. 2 I PatG, inventions are inventions, utility models and designs.
- According to Sec. 12 of the Implementing Provisions, such inventions are also regarded as service inventions,
  - which have been made to fulfil a task which, although it serves outside its own work, has been entrusted to the Contractor by the Client, or
  - which has been made within one year of retirement, transfer or termination of service and is related to the originally assigned task.
- In 2014, service inventions accounted for approximately 60% of all inventions.

Asia-Pacific

China

Right to the invention

- The employer is entitled to the right to the service invention; the service obligation continues for 12 months after the departure of the inventor.
- If the inventor infringes this right by filing a patent application for his invention himself, the employer may demand the transfer within a period of 2 years.
- The employee is entitled to free inventions.

Claim

Not required.

Problem

- Companies generally regulate the obligations of employed inventors in their employment contracts, but not their rights. For example, many cases are cited in which the managing directors of companies regularly act as sole inventors and the actual inventors do not receive any remuneration. Since the costs of prosecution are high, such cases are often not decided in court.
- On the other hand, contrary to the regulation in Germany, inventors are not obliged to report inventions; however, this regulation is under review.
- Research companies are often not in a position to apply for a patent for inventions in China. Therefore, there are considerations to entitle inventors in such cases to their own application and use.

Asia-Pacific

China

Rights of the inventor

- For an invention or a patent applied for, the inventor is entitled to an "appropriate" remuneration of at least 3,000 RMB (= 350 €) in accordance with the implementing provisions R. 76-78; a premium for utility models or designs amounts to at least 1000 RMB (= 120 €).
- There is no mandatory requirement in the law for the amount of the inventor's remuneration; the lower limit is generally considered to be 2% of the gross profit or 10% of the license fees.

Consequences of inadequate compensation

If the remuneration turns out to be inappropriate, the regulations for state enterprises had to be applied until now, which are now generally laid down in patent law for employers.

VCI Remuneration Guidelines for Appropriate Remuneration (2006)

- When filing the application: 5.000 RMB (= 580 €)
- When the patent is granted: 5.000 RMB (= 580 €)
- For granted and used patent 5 years after application: 10.000 RMB (= 1.600 €)
- For granted and used patent 10 years after application: 10.000 RMB
- For granted and used patent 15 years after application: 10.000 RMB

Asia-Pacific

China

Amendment Art 16 Patent Law (2008)

„The entity that is granted a patent right shall award to the inventor or creator of service invention-creation a reward and, upon exploitation of the patented invention-creation, shall pay the inventor or creator a reasonable remuneration on the basis of he extent of spreading and application and the economic benefits yielded.“

No limitation of the remuneration obligation to state enterprises

- In contrast to the provisions of the former Patent Act, the group of companies that are obliged to pay no longer includes only state-owned companies, but all companies that have benefited from patent ownership.
- The new regulation is so broad that the question arises whether inventors who do not have a Chinese employment contract but are named as inventors on a Chinese patent (e.g. US citizens) can sue for remuneration in China.
- In case of doubt, the place of jurisdiction will be the place where the defendant has his registered office; if this is not the case, the case will be heard in Beijing.

Asia-Pacific

China

Amendment Implementing Rule 76 (2010)

(1) The entity to which a patent right is granted may, on the manner and amount of the reward and remuneration, as prescribed in Art. 16 of the Patent Law, enter into a contract with the inventor or creator, or provide in its rules and regulations formulated in accordance with the laws.

(2) The reward and remuneration awarded to the inventor or creator by an enterprise or institution shall be handled in accordance with the relevant provisions of the State on financial and accounting systems.

Amendment Implementing Rule 77 (2010)

(1) Where the entity to which a patent right is granted has not entered into a contract with the inventor or creator on the manner and amount of the reward as prescribed in Art. 16 of the Patent Law, nor has the entity provided for it in its rules and regulations formulated in accordance with the laws, it shall, when three months from the date of the announcement of the grant of the patent right, award to the inventor or creator of a service invention-creation a sum of money as prize. The sum of money as prize for a patent of invention shall not be less than RMB 3.000 yuan, the sum of money prize for a utility model or design shall not be less than RMB 1.000 yuan.

(2) Where an invention-creation is made on the basis of an inventor‘s or creator‘s proposal adopted by the entity to which he belongs, the entity to which a patent right is granted shall award to him a money prize on favorable terms.

Asia-Pacific

China

Amendment Implementing Rule 78 (2010)

(1) Where the entity to which a patent right is granted has not entered into a contract with the inventor or creator on the manner and amount of remuneration as prescribed in Art. 16 of the Patent Law, nor has the entity provided for it in its rules and regulations in accordance with the laws, it shall after exploitation the patent for invention-creation within the duration of the patent right, draw each year from the profits of from exploitation of the invention or utility model a percentage of not less than 2%, or from the profits from the exploitation of the design a percentage of not less than 0.2%, and award it to the inventor or creator as remuneration.

(2) The entity may, as an alternative, by making reference to said percentage, award a lump sum of money to the inventor or creator as remuneration once and for all.

(3) Where any entity to which a patent is granted authorizes any other entity or individual to exploit its patent, it shall draw from the exploitation fee it receives a percentage of not less than 10% and award it to the inventor or creator as remuneration.

Asia-Pacific

China

Procedural questions in the event of disputes

- In the event of a dispute concerning the ownership of the patent, the People's Court at the defendant's domicile shall have jurisdiction.
- There is no substantive claim to transfer under Chinese law; however, the prevailing opinion is that there is a claim to legal assignment of a patent which is not subject to the statute of limitations, nor to the limitation period of 2 years.

Statistic 2106

- 37 cases, 31 of which of the employer and only 6 of which of the employee as plaintiff;
- Of the 31 actions brought by the employer, 30 were won;
- Of the 6 complaints of the employee, 5 were won, which led to a payment of an average of 1.5 MEUR (i.e. by no means small change!)

Asia-Pacific

China

ZHU RUIZHEN VS. DONGGUAN VIPER CLEANING

- After his retirement in 2006, Zhu Ruizhen sued his employer for payment of reasonable compensation for the use of 16 utility models and designs in which he was co-inventor. As evidence of use, he provided advertising from the Viper website, product documentation, technical documentation and photographs of the products. Based on the annual report, he also claimed that the tax base should be RMB 14.5 million (€1.7 million).
- After an inspection, the court of first instance came to the conclusion that 7 designs were being used and awarded the plaintiff a share-based remuneration of 0.2% each corresponding to approximately RMB 100,000 (approximately €12,000). The decision was confirmed by the Court of Appeal.

Reversal of the burden of proof

- Although the defendant denied the use of the designs, it was not in a position to cast doubt on the documents submitted. They also argued that Zhu had received a lump sum settlement for the remuneration of his intellectual property rights upon leaving the company; this could not be substantiated either.
- Finally, the basis of assessment was also denied, and once again the defendant was unable to provide other figures. The court found that it was reasonable for a company to be able to provide such evidence, otherwise the plaintiff's reasoned submission had to be taken as a basis.

Asia-Pacific

China

WENG LIKE VS. SHANGHAI PUDONG EV FUEL

After his retirement, former chief engineer Weng Like sued his employer for using two utility models of gasoline injection pumps licensed to a third party. The original claim of RMB 2,000,000 (230,000 €) was reduced by the court of first instance to RMB 270,000 (31,000 €) and confirmed by the court of appeal.

Joint and several liability

The two utility models had been assigned by the original applicant (and employer) to the parent company without compensation. The court therefore had to clarify the question as to against whom the claim to payment of the remuneration should be directed. In the present case, despite the transfer to the parent company, the original employer was the one who benefited from the license payments and therefore had to pay the remuneration. It is unclear what the result would have been if the parent company had received the payments.

Remuneration calculation

he Court of First Instance held that 70 % of the royalties were related to the licensed IPRs. Although in such cases a royalty rate of 10% is usually applied, this was raised to 30% because the licensee had filed an action for nullity immediately after filing the action and the patent holder had not taken sufficient steps to dismiss the action for nullity.

Asia-Pacific

China

Definition of the service invention (2015)

- According to Art. 7 of the draft, service inventions can be divided into 4 categories:
  - Inventions which have been created in the direct exercise of the assigned task;
  - Inventions which have arisen in addition to the inventor's own tasks in the performance of other tasks assigned to him by the unit;
  - Inventions which were made within one year after retirement, termination or termination of employment;
  - Inventions which are mainly made using equipment of the unit (distinction from a free invention).

Legal classification (2015)

- According to Art. 8 of the draft, the right to file a patent application and to publish the unit, i.e. the employer is entitled;
- The inventor is entitled to the inventive right of personality as well as the right to reward and remuneration.
- If there is no service invention, the inventor retains the right to file an application pursuant to Art. 8(2).
- In addition, according to Art. 9, a contractual arrangement can be made between the unit and the inventor regarding the assignment of the rights.

Asia-Pacific

China

Invention Disclosure (2015)

- The subject of invention disclosure has not yet been regulated in the Patent Act and is considered for the first time in Chapter III of the amendment.
- Deviating from the previous regulation, the obligation to register both service and free inventions is to be included. It should be sufficient for the reporting obligation that the invention relates to the business of the unit/employer.
- In the case of several inventors, the notification by one representative will suffice in future; previously, a joint notification was always required;
- The invention disclosure should contain this information:
  - Name(s) of the inventor(s)
  - Title and content of the invention
  - Justification if the inventor does not consider the invention to be a service invention.
- If an invention is claimed as free, the unit/employer has a period of 2 months in which to comment (may be extended or shortened by mutual agreement); if no comment is made, this shall be deemed consent;
- If the unit/employer does not agree, the inventor again has 2 months to object.
- If no agreement can be reached, either mediation or a court decision may be requested in accordance with Art. 40 of the draft.

Asia-Pacific

China

Patent applications (2015)

- If the inventor classifies the invention as a service invention in his invention disclosure, the unit/employer has 6 months, in accordance with Art. 13(1), to inform the inventor in writing whether an application for industrial property rights has been filed, whether a publication has been made or whether the invention is to be kept secret as a trade secret.
- If the unit does not take a position after expiry of the period (+ additional period of 1 month), the invention is classified as a trade secret, i.e. the inventor has an immediate right to remuneration according to Art. 24.
- According to Art. 14, there is an obligation for mutual support and information: the inventor has to support the applicant in the application procedure, the applicant has to inform the inventor about the progress of the examination procedure.
- If a property right is to be abandoned, the inventor must be informed with a prior notice period of 1 month so that he can take over the right himself if necessary (whether free of charge or not is open).
- Even after termination of the employment relationship, obligations continue to apply for the inventor, for example the obligation to report all completed service inventions, support in the application procedure and the obligation to maintain secrecy.

Asia-Pacific

China

New version of the remuneration regulations (2015)

- According to Art. 20, in the absence of other contractual rules, a service inventor may claim a minimum remuneration for a patent equal to 200 % of the average monthly salary of the employees of the unit. For utility models and designs, half the amount is estimated.
- Art. 21 provides for a preference for a contractual or operational regulation of remuneration. If this is not regulated, the following calculation methods are to be applied:
  - At least 5% of the annual profit from the exploitation of the patent or 3% of the exploitation of a utility model or design during its term;
  - At least 0,5 % of the annual turnover from exploitation for patents and 0,3 % for utility models and designs;
  - Determination of the remuneration on the basis of an appropriate multiple of the inventor's salary, taking into account the two amounts previously regulated;
  - Appropriate lump sum;
  - The claim to remuneration may not exceed 50% of the profit (sic!).
- In the event of sale or licensing, at least 20% of the net profit shall be distributed as remuneration.
- Art. 22 contains the (generally known) general clause according to which the calculation of remuneration is to be based on economic success.

Asia-Pacific

China

New version of the remuneration regulations (2015)

- To date, remuneration has been regulated in Art. 78 of the Implementation Rules of the Patent Law. However, Art. 20 of the draft provides for a significant increase, in particular an increase in the annual remuneration rate from 2% to 5%.
- The legal provisions represent a catch-all position in the event that companies have not made any contractual or operational arrangements. It is therefore strongly advisable to arrange for this to happen, as significantly more favourable conditions can be agreed for the employer.
- According to Art. 23, the reward is to be paid within 3 months of the granting of the property right, unless otherwise agreed.
- Remuneration must be paid either 3 months after receipt of the license payment or 3 months after the end of the accounting year (i.e. post-calculatory, but annual).
- The remuneration is not linked to the granting of the industrial property right, nor is there any provision for a risk discount. It is also unclear whether deductions may be made when determining the economic assessment basis. This should therefore also be agreed in advance by contract or operation.
- Art. 24 regulates the inventor's claim to remuneration for trade secrets, which are to be remunerated in the same way as patents in Germany.
- According to Art. 26, nullity has no retroactive significance for the payment of remuneration, even if it has ex-tunc effect; there is no claim for repayment against the inventor per se.

Asia-Pacific

China

Ineffective provisions

- According to Art. 18(2), contractual or company regulations are ineffective if they
  - eliminate rights of the employer to which the employer is entitled according to the applicable regulations (e.g. claim to remuneration or inventor's personal right) or
  - place the rights under an unreasonable reservation (this is an analogy to § 23(2) ArbEG).
- A typical example of the latter is a rule that the remuneration payment is paid only after a minimum period of employment with the company.
- Not inadmissible are however regulations according to which the remuneration is agreed lower, than foreseen according to the regulations (disputed!).
- According to Art. 38, the inventor is entitled to claim damages if a contractual or company regulation proves to be ineffective (follows on from the finding that the remuneration is too low).
- There is no time limit for the subsequent determination of the unfairness after withdrawal; such cases can therefore continue to have an effect for a long time. However, disputes concerning inventor remuneration are among the patent disputes for which a limitation period of 2 years applies (cf. Art. 1 (VII) in connection with Art. 23 of the provisions of the Supreme People's Court on questions of law application in negotiations on patent disputes of 22.6.2001).
- One way of avoiding problems is offered by Art. 42, namely to deposit the contractual/company regulations with the local Intellectual Property Administration. This is not only helpful with regard to ambiguities and evidence difficulties regarding the content of the agreements, often the authorities themselves also give indications if they consider certain content to be in need of improvement.

Asia-Pacific

Australia

Asia-Pacific

Australia

Legal basis

Section 15(1) Patents Act

Right to the invention

According to the Civil Code, which in Australia is based on British law, the employer is entitled to a service invention. If there is no reference to the work order, it is a free invention which the employee is entitled to even if he has developed it during his working hours.

Claim

Basically yes, but there is no deadline, i.e. the use can take place at any time. Transfers of inventions can also be regulated as a lump sum in the employment contract.

Remuneration

There are no special remuneration guidelines in Australia.

Regulation for university inventions

There is no general regulation for universities, rather each university pursues its own IP policy. For cooperation it is therefore particularly important to clarify the question of the right to an invention contractually in advance.

Asia-Pacific

Australia

Case study: Spencer Int. Ltd. vs. Collins

- It had to be clarified whether a service invention was due to the employer or the employee because there had been no use or other kind of assignment.
- The Australian Patent Office came to the conclusion that the employer was entitled to the invention because the conditions for a service invention were met and the employee could therefore be forced to a transfer: no time limit for claiming the invention - no missed deadline.

As a result: Even if there is a formal obligation to use, since it is not possible to transfer the rights from the inventor to the employer without it, this is, however, not subject to a time limit and can take place at any time. The employee is obliged to consent. In the present case, the use was still made in the courtroom.

Case study: Kwan and LeSand vs. Queensland Correction Services Commission

This 1994 decision concerned a utility model of two inventors who, as inmates of the Wacol Correction Centre in Queensland, had both filed an invention for the lamination of surfaces, especially for the production of greeting cards.

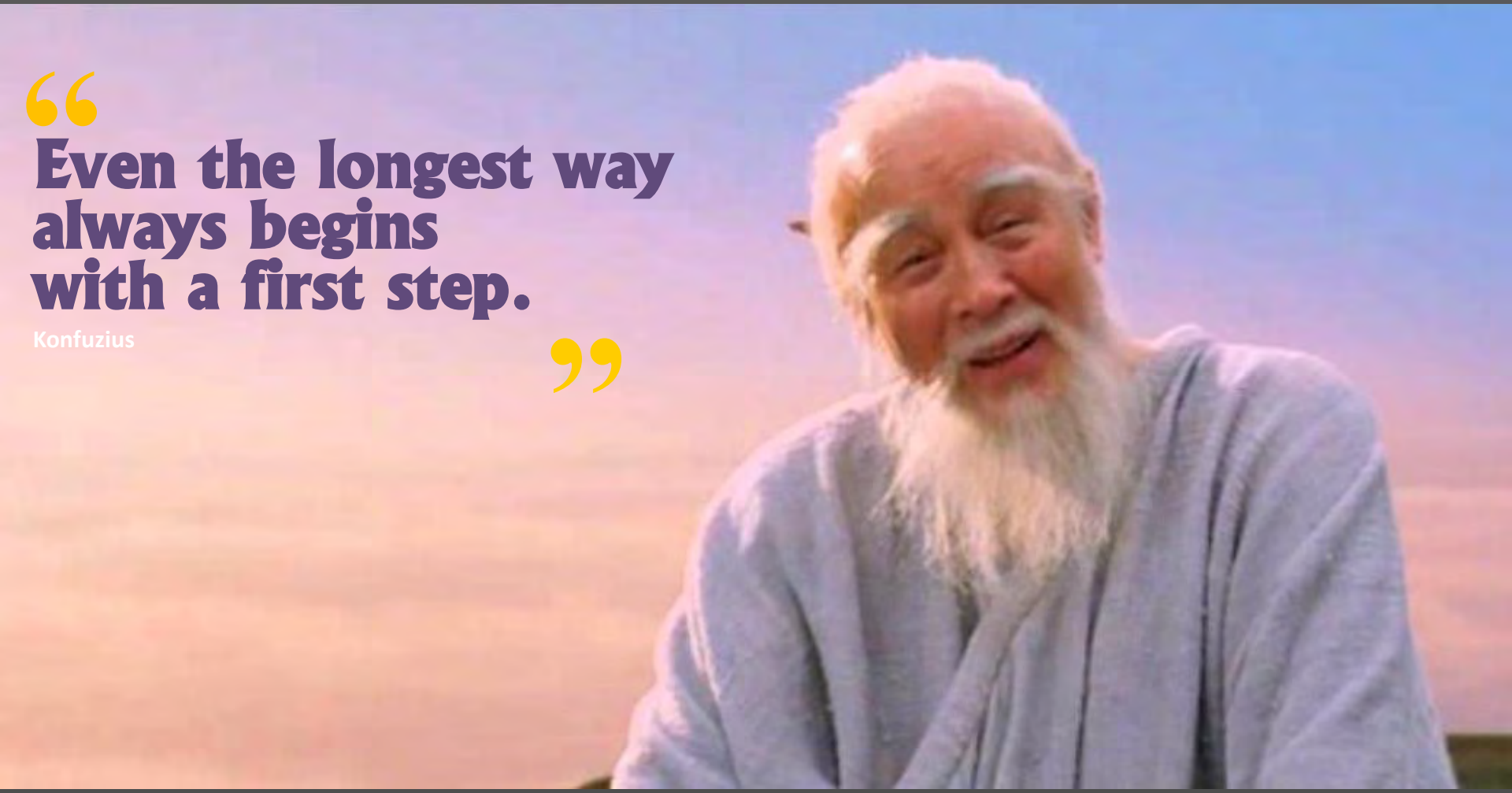
When the two owners wanted to renew their utility model, the prison management filed an objection.

Justification: Both had received prisoner wages for kitchen work and auxiliary service on the Chicken Ranch and were therefore to be regarded as employees, which is why the invention was a service invention and belonged to the state.

However, the court did not follow this view.

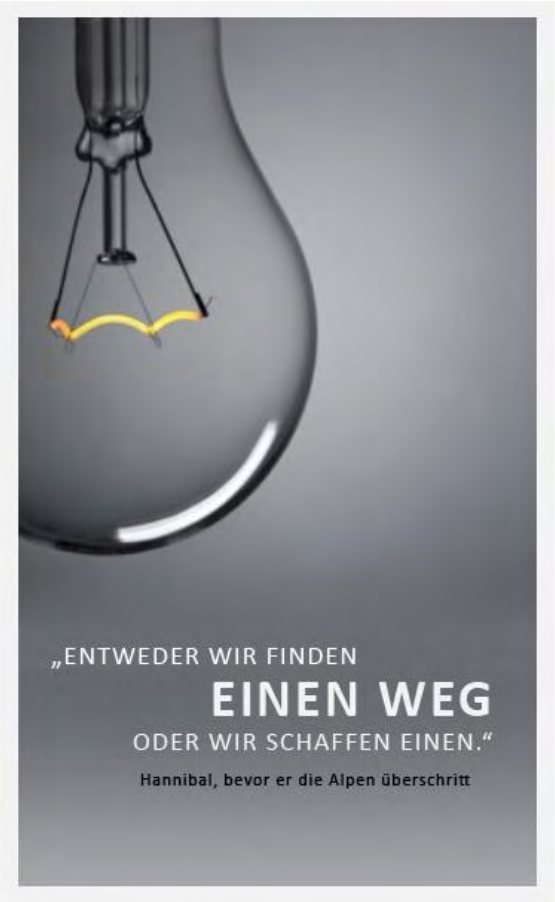
International Employee Invention Law

A consolation at the end …



International Employee Invention Law

Any questions?



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