



Standing Committee on Patents Study on Inventor Remuneration

Nature of this Study

- 1) This study is not being presented for a resolution at the Sydney Congress. However, it will be the subject of a plenary session to debate a possible form of draft position that may then be used to invite comments from GOs and other stakeholders. After consideration of all input, the Standing Committee intends to propose a resolution on inventor remuneration for adoption at the Cancun Congress in 2018.

Introduction

- 2) This study concerns the issue of remuneration for employee inventors for inventions made in the course of their employment. Specifically, this study will consider whether and to what degree employee inventors should be compensated in addition to their normal wages for such inventions.
- 3) In some countries, employer rights to employee inventions are regulated by national laws, whereby an employer can acquire the right to an invention made by an employee in a number of ways. In other countries, there is no such regulation. Some countries have various requirements relating to the amount of remuneration an employee must receive for an invention made by the employee and filed in a patent application by the employer. Where this is required, remuneration may be due upon the happening of particular events, e.g. upon filing the initial application, upon issuance of a patent, upon licensing the patent, or at a number of such points. On the other hand, some countries have no such requirements. This creates a complex compliance obligation for international organizations and an unclear compensation regime for inventors.
- 4) The issue becomes even more complex in the context of multinational inventions, i.e. where joint inventors of an invention reside in different countries. This is an increasingly common situation due to the prevalence of international corporations having geographically distributed R&D groups, multinational joint venture projects, international corporate/university collaborations, and other cross-border research projects.
- 5) For the purposes of this questionnaire, multinational inventions are inventions conceived by two or more inventors where different national laws concerning inventorship apply to the inventions.
- 6) Most member states of the EU have some legal framework governing employer rights to employee inventions, as well as employee inventor rights to economic compensation. In addition, there are special provisions governing employee inventor remuneration for the transfer of rights in the invention to the employer in a number of European countries.

- 7) Beyond Europe, codification in this area is not as common. For example, Australia lacks statutory provisions regulating employer rights to inventions developed by employees. In the US, with the exception of certain categories of federal employees, there is no explicit regulation by federal law. Employers' rights to employee inventions may be regulated by state law, and in general practice, employer rights to employee inventions are relatively extensive. Unlike Australia and the US, in Japan and China, employers' rights to employee inventions are regulated by statute. In addition, employee inventors have a right to seek reasonable remuneration for the transfer of the invention to the employer.
- 8) This questionnaire addresses the issue of compensating employee inventors of multinational inventions. For example, how do companies deal with inventions made by inventors in the US and a country with remuneration laws such as Germany or China? Do companies provide compensation only for their employee inventors in the countries requiring remuneration? How is compensation apportioned? These are current and important issues for multinational inventions, both employee inventors and their employers.

Previous work of AIPPI

- 9) AIPPI has previously studied inventor remuneration in the following contexts.
- 10) In the Resolution on Q40 – “The inventions of employees” (Helsinki, 1967), AIPPI resolved that:
 - a) *Unless otherwise provided by domestic laws or in the absence of an agreement between the parties concerned, the following regime should be applied:*
 - i. *The inventions eligible for protection made by the employees belong to the employer when they have been made with the means or experience of the latter or if connected with his type of activity. The employer shall enjoy the right of protecting the invention, in particular by a patent.*

Except in the case in which the invention is the result of a task entrusted to the employee, and is already remunerated, the employee shall have the right to request (to obtain) a special remuneration or a recompense which, in the absence of an agreement between the parties, shall be determined by a tribunal or by arbitration. This remuneration or this recompense shall take into account the importance of the invention and the contribution of the employee responsible for it.
 - ii. The employee shall have the right to be named as the inventor in the patent.
 - iii. The inventions made by an employee which do not fall within the above mentioned cases shall be regarded as 'free' inventions and will be the property of the employee.

11) In Q183 – “Employers’ rights to intellectual property” (Geneva, 2004), AIPPI studied the legal frameworks governing relations between employers and employees in the field of intellectual property rights. This study concluded that, taking into account the diversity of rights, harmonisation could initially relate to the statute of intellectual property rights in technical creations, such as patents; and includes such principles as:

- a) *The respect of the principle of the contractual freedom of the parties;*
- b) *The respect of the principle according to which the employer should profit from the right to use the inventions carried out by the employees within the framework of their contract of employment, and in particular when these inventions are carried out in the execution of an inventive mission, and that whatever the particular mode of the transmission of these rights for the benefit of the employer;*
- c) *The litigation concerning the attribution of the rights in this field should come under the responsibility of the Courts which rule in the field of the patents and if it appears useful to envisage a phase of conciliation, it should not be obligatory;*
- d) *The terms of limitation must be relatively short to avoid creating an uncertainty as for the ownership of the rights;*
- e) *And the starting point of the term of limitation must be also given.*
- f) *Lastly, if it appears justified to envisage compensation particularly for the benefit of the authors of inventions which will be transferred to their employer and who would be additional with the wages that they perceive, the criteria for the evaluation of this additional remuneration must be simple so as to avoid any useless dispute.*

12) In Q244 – “Inventorship of multinational inventions” (Rio de Janeiro, 2015), AIPPI studied inventorship of joint inventions where the inventors reside in different countries. This study evidenced a particular strong support for harmonisation of the definition of inventorship, for the ability to correct inventorship after the filing date, and the abolishment or simplification of first filing requirements. The remuneration of the co-inventors was expressly excluded from the scope of the proposals for harmonization due to the breadth of issues encompassed within inventorship per se. Remuneration for multinational inventions was the subject of a dedicated Panel Session at the AIPPI World Congress in Rio de Janeiro in 2015. From that discussion it was clear that inventor remuneration, particularly in the context of multinational inventions, is a significant problem facing employee inventors and employers alike.

National/Regional Group:

Contributors name(s):

E-Mail contact:

Questions

I. Current law and practice

- 1) Please describe your Group's current law defining ownership of an invention made by an inventor employee and identify the statute, rule or other authority that establishes this law.

The starting point for assessing invention ownership is that an invention is owned by the inventor(s). There are two statutory provisions that address ownership of an invention by an employer:

1. Section 3 of the *Public Servants Inventions Act* stipulates that the following inventions, and all rights with respect thereto in Canada or elsewhere, are vested in the Crown:
 - An invention made by a public servant while acting within the scope of his duties or employment, or made by a public servant with facilities, equipment, or financial aid provided by or on behalf of Her Majesty; and
 - An invention made by a public servant that results from or is connected with his duties or employment.
2. Section 20 of the *Patent Act* relates to government owned patents. Specifically, s. 20(1) of the *Patent Act* provides:

Any officer, servant or employee of the Crown or of a corporation that is an agent or servant of the Crown, who, acting within the scope of his duties and employment, invents any invention in instruments or munitions of war shall, if so required by the Minister of National Defence, assign to that Minister on behalf of Her Majesty all the benefits of the invention and of any patent obtained or to be obtained for the invention.

Section 20 thus carves out ownership rights for the employer (i.e. government) in the very specific case of an employee inventing an "invention in instruments or munitions of war". Apart from this section, the *Patent Act* does not include any specific provisions governing the ownership of patent rights in inventions made during the course of employment, and so the question of who (between the employer and employee) owns the invention is left to the common law.

The common law rule in Canada is that the employee, as inventor, retains ownership of the patent rights in their invention in the absence of some common law contractual transfer of those rights. There are two situations in which an employee would be obligated to transfer their invention to an employer:

- An express contract (e.g. an employment agreement with a clause transferring the employee's rights in inventions); or
- Where the employee was expressly employed for the purpose of inventing or innovating (*Comstock Canada v. Electec Ltd.* (1991), 38 CPR (3d) 29 (Fed. T.D.), at 53)

Aside from these two situations, the common law rule that the inventor retains ownership holds true even where the invention relates to an aspect of the employer's business, the employee used the employer's time and materials to bring his or her invention to completion, and the employee has allowed the employer to use the invention while he or she was employed (*Piper v. Piper* (1904), 3 OWR 451 (Ont. CA), at 455).

- 2) Does your Group's current law relating to ownership of an invention made by an inventor employee distinguish between types of employees, for instance between academic staff in universities and in for-profit organizations, or whether they are employed "to invent" (e.g., do research)?

Section 20 of the *Patent Act* applies specifically in the narrow case of an "officer, servant or employee of the Crown or of a corporation that is an agent or servant of the Crown" who invents an invention.

In determining whether an employee was "hired to invent", courts will take into account the "nature and context of the employer-employee relationship" and consider such factors as:

- Whether the employee was hired for the express purpose of inventing;
- Whether the employee at the time of hiring had previously made inventions;
- Whether the employer had incentive plans encouraging product development;
- Whether the conduct of the employee once the invention was created suggested ownership was held by the employer;
- Whether the invention was the product of the problem the employee was instructed to solve;
- Whether the employee's invention arose following his or her consultation through normal company channels;
- Whether the employee was dealing with highly confidential information or confidential work; and
- Whether it was a term of the employee's employment that he or she could not use the ideas that he or she developed to his or her own advantage (*Comstock Canada v. Electec Ltd.* (1991), 38 CPR (3d) 29 (Fed. T.D.), at 53-54, Muldoon J.)

The case law does not appear to distinguish between types of employees when it comes to the question of ownership of invention made by an inventor employee.

- 3) If your Group's current law prescribes that employers own inventions made by inventor employees, does your law impose an obligation on employers to offer to employees the right to file a patent application, or entitlement to a patent application already filed, in the event the employer does not pursue patent protection?

The presumption in Canada is that the employee retains the benefit of the invention, including the patent rights (e.g. right to file a patent application).

In the case of inventions that are owned by the employer, the decision of whether to pursue patent protection is entirely up to the employer's discretion. There appears to be no

common law or statutory basis for imposing on employers an obligation to offer to employees the right to file a patent application if the employer decides not to pursue patent protection.

- 4) Does your Group's current law provide in any statute or other regulation that an inventor employee is entitled to receive remuneration beyond their salary for an invention made by the inventor owner but owned by the employer? If yes, please briefly describe the entitlement.

There is no general statutory or regulatory basis through which an employee could seek remuneration. With respect to the two specific cases addressed by statute:

- Section 20(3) of the *Patent Act* provides that an inventor who invents an invention "in instruments or munitions of war", other than any person that is required to assign their rights to the Crown per section 20(1), is entitled to compensation for an assignment to the Minister of National Defense. If the consideration to be paid for the assignment is not agreed on, the Commissioner [of Patents] must determine the amount of the consideration.
- The *Public Servants Inventions Act* provides that the appropriate minister may authorize payment of an award to a public servant who makes an invention that is vested in the Crown, in such amount as the appropriate minister and the public servant may agree on or as the appropriate minister determines (s. 10).

- 5) Under your Group's current law, is there any other basis, e.g. common law principles, upon which an inventor employee may claim a right to remuneration beyond their salary for an invention made by the inventor employee but owned by the employer?

If your answer to question 4) or 5) is 'yes', please answer remaining questions 6) to 8). If no, please go to question 9)

No. In Canada, there is no common law basis for an inventor employee to claim remuneration beyond what is agreed to in the express or implied contract through which the rights in the invention are transferred to the employer. In the case of employment, the inventor's salary is likely to be viewed as sufficient consideration for the transfer of rights in the invention made by the employee but owned by the employer.

- 6) To what extent do the following factors determine whether an inventor employee is entitled to remuneration?
- a) Nature of employment duties;
 - b) Extent to which the invention is relevant to the business of the employer;
 - c) Use of employer time/facilities/resources in generating the invention; and
 - d) Terms of the employment agreement or collective agreement.

N/A

- 7) When does any right to remuneration arise? What stage(s) during the process for invention creation through to patenting, commercialisation or licensing trigger any right to remuneration?

N/A

- 8) Is the amount of remuneration codified or variable? If variable, how is it determined? For example, what circumstances affect the amount of remuneration? If the amount of remuneration is based on revenue related to the patent (e.g., licensing revenue), how is that amount determined? What impact, if any, does the number of co-inventors have on the amount of remuneration to which any one of the inventors is entitled?

N/A

- 9) Does contract law (e.g., company employee contracts requiring assignability of inventions to the company) affect any remuneration payable by an employer to an inventor employee?

No. Unless otherwise stated in an employment contract, an inventor employee is not entitled to any additional remuneration relating to the assignment of inventions apart from the employee's regular salary.

- 10) Does your Group's current law provide for any entitlement to additional remuneration after an employee inventor has already accepted remuneration for the invention? For example, this could arise where the patent value has increased after any initial remuneration entitlement has been paid, and the inventor employee seeks additional compensation for the increased value arising from the issuance of a patent or later commercialisation.

N/A

- 11) If remuneration is based on the contribution each inventor made to the invention, how is that contribution determined and how is the remuneration then calculated?

N/A

- 12) Does any right to remuneration under your Group's current law apply to inventors located outside your jurisdiction if the employer is located in your jurisdiction?

N/A

- 13) Does any right to remuneration under your Group's current law apply to inventors located in your jurisdiction if the employer is located in another jurisdiction?

N/A

- 14) If an employee inventor in your jurisdiction is a co-inventor with one or more inventors outside your jurisdiction, does the number of co-inventors or whether they are entitled to remuneration impact the inventor employee's entitlement to remuneration? Does it matter if the employer is in your jurisdiction or outside your jurisdiction?

No.

II. Policy considerations and proposals for improvements of the current law

15) If your Group's current law provides inventor employees with a right to remuneration for their inventions:

- a) is the law sufficiently clear as to the circumstances under which the right to remuneration arises?
- b) does the law provide sufficient guidance as to how the remuneration is to be determined?
- c) are there aspects of your law that could be improved to address remuneration of inventor employees?
- d) are there any proposed reforms of your law with respect to such remuneration?

N/A

16) If your Group's current law does not presently provide inventor employees with a right to remuneration for their inventions:

- a) Should it do so?

No.

- b) Are there any proposals to introduce such rights? If yes, please describe such proposals.

No.

III. Proposals for harmonization

17) Is harmonization in this area desirable?

If yes, please respond to the following questions without regard to your Group's current law.

Yes, to the extent that harmonization is usually desirable; however, because we believe that the question of remuneration is best left to a contract between the employer and employee, we believe the standard should be to have no statutory or regulatory requirement to remunerate an employee for inventions owned by an employer. In the absence of that standard, we believe it is best to leave it to each country to craft laws applicable only to the employees working in that country.

Even if no, please address the following questions to the extent your Group considers your Group's current law could be improved.

- 18) Please propose a standard for remuneration for employee inventors that your Group considers would be an appropriate international standard, addressing both the circumstances that give rise to remuneration and to the basis for determining it.

The Canadian group is of the view that there should be no statutory or regulatory requirement to remunerate employees for inventions owned by an employer. Any remuneration payable should be that which has been agreed to contractually between the employer and employee.

- 19) Please provide a standard that your Group considers would be an appropriate international standard for handling issues where employee inventors are located in different countries and the countries have differing laws relating to the remuneration of inventor employees.

An employer that has employees working in different countries is already used to respecting the local laws and policies with respect to employees, including vacation entitlement, taxes, parental leave, *etc.*, even where that means treating employees in different countries differently. The same should apply in the case of rights to remuneration for inventions. The employer needs to comply with the laws of the country in which each employee is located, even if that means that some co-inventors receive remuneration and some do not. The employer should be free to decide whether it is content to treat the employees differently or whether it should offer remuneration to co-inventors located in countries that do not mandate it, but that should be left up to the employer.

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