



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.

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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.

Answer:

Article 6 of the Patent Law of the People's Republic of China and Rule 12 of the Implementing Regulations of the Patent Law of the People's Republic of China define ownership of a service invention-creation (which by definition includes inventions, utility models and designs) made by an employee.

Article 6 of the Patent Law of the People's Republic of China provides that:

"An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee. . . In respect of an invention-creation made by a person using the material and technical means of an entity to which he belongs, where the entity and the inventor or creator have entered into a contract in which the right to apply for and own a patent is provided for, such a provision shall apply."

The above regulation classifies a service invention-creation into two categories:

- (1) "[a]n invention-creation, made by a person in execution of the tasks of the entity to which he belongs" and

(2) “[a]n invention-creation . . . made by him mainly by using the material and technical means of the entity.”

For the first category of invention-creation, that is, “[a]n invention-creation, made by a person in execution of the tasks of the entity to which he belongs,” it is an absolute service invention-creation and only the entity (the employer) has the right to apply for a patent. However, for the second category of invention-creation, that is, “[a]n invention-creation . . . made by him mainly by using the material and technical means of the entity,” a contract between the entity (the employer) and the inventor (the employee) has the priority to regulate the ownership of the invention-creation.

To further clarify “execution of the tasks of the entity,” “the entity to which he belongs” and “the material and technical means of the entity” as provided by the above Article 6 of the Patent Law of the People’s Republic of China, Rule 12 of the Implementing Regulations of the Patent Law of the People’s Republic of China further provides that:

“A service invention-creation made by a person in execution of the tasks of the entity to which he belongs” referred to in Article 6 of the Patent Law means any invention-creation made:

(1) in the course of performing his own duty;

(2) in execution of any task, other than his own duty, which was entrusted to him by the entity to which he belongs;

(3) within one year from his retirement, resignation or from termination of his employment or personnel relationship with the entity to which he previously belongs, where the invention-creation relates to his own duty or any other task entrusted to him by the entity to which he previously belongs.

“The entity to which he belongs” referred to in Article 6 of the Patent Law includes the entity in which the person concerned is a temporary staff member. “Material and technical means of the entity” referred to in Article 6 of the Patent Law mean the entity’s money, equipment, spare parts, raw materials or technical materials which are not disclosed to the public, etc.”

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)?

Answer:

No. The current law of China relating to ownership of an invention made by an inventor employee does not distinguish between types of employees.

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?

Answer:

No. The Chinese legal system does 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.

However, as mentioned in the above item 1), for the second category of invention-creation, that is, “[a]n invention-creation . . . made by him mainly by using the material and technical means of the entity,” a contract between the employer and employee has the priority to regulate the ownership of the invention-creation: “where the entity and the inventor or creator have entered into a contract in which the right to apply for and own a patent is provided for, such a provision shall apply.” Therefore, an employee may negotiate in advance with the employer about the ownership of the invention-creation. However, if there is no such contract in advance to entitle the employee the right to apply for a patent, the employee does not have the right to file a patent application in the event that the employer does not apply for a patent.

It is worthy to mention that there is a “Regulations on Service Inventions (draft)” regulated by the State Counsel and had been opened for public comments since April 2015. In the Rules, it is regulated in Article 15 that

“Where an entity proposes to stop the application procedures for intellectual property right for a service invention or waives the intellectual property right of a service invention, it shall inform the inventor in advance. The inventor may, in consultation with the entity, obtain the right to apply for the intellectual property right for the said service invention or the intellectual property right for the said service invention, and the entity shall actively assist in right transfer procedures.

After the inventor gratuitously obtains relevant rights in accordance with the provisions of the previous paragraph, the entity shall have the right to implement the said service invention or its intellectual property right free of charge.”

However, the “Regulations on Service Inventions (draft)” has not come into force yet.

- 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.

Answer:

Yes. Article 16 of the Patent Law of the People’s Republic of China entitles an inventor employee to receive a reward and remuneration beyond his salary. There are no conflicts between the reward and the remuneration. Differences are in their specific amounts and

qualified conditions. As for the specific amount of the reward and remuneration, according to Rules 76 and 77 of the Implementing Regulations of the Patent Law of the People's Republic of China, company rules of the employer or the contract between the employer and employee has the priority for regulating the amount of the reward and remuneration; otherwise a minimum amount must be paid to the employee.

Article 16 of the Patent Law provides that:

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

Rule 76 of the Implementing Regulations of the Patent Law of the People's Republic of China provides that:

“The entity to which a patent right is granted may, on the manner and amount of the reward and remuneration as prescribed in Article 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.”

Rule 77 of the Implementing Regulations of the Patent Law of the People's Republic of China provides that:

“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 Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, within 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 prize for a patent for invention shall not be less than RMB 3,000 Yuan; the sum of money prize for a patent for utility model or design shall not be less than RMB 1,000 Yuan.

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.”

Rule 78 of the Implementing Regulations of the Patent Law of the People's Republic of China provides that:

“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 remuneration as prescribed in Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, after exploiting the patent for invention-creation within the duration of the patent right, draw each year from the profits from exploitation of the invention or utility model a percentage of

not less than 2%, or from the profits from exploitation of the design a percentage of not less than 0.2%, and award it to the inventor or creator as remuneration. The entity may, as an alternative, by making reference to the said percentage, award a lump sum of money to the inventor or creator as remuneration once and for all. Where any entity to which a patent right 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 to the inventor or creator as remuneration.”

- 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?

Answer:

Yes. The current system of law of China provides for the inventor employee's right to claim remuneration beyond his salary on multiple levels.

The Contract Law of the People's Republic of China provides for the right on the common law level.

Article 326:

Where the right to use or to transfer a job-related technological achievement belongs to the legal person or other organization, the legal person or other organization may conclude technology contracts with regard to the job-related technological achievement. The legal person or other organization shall extract a certain proportion from the proceeds acquired from the use and transfer of such job-related technological achievement to reward or remunerate the individual who accomplished this technological achievement. Where a legal person or other organization concludes a technology contract to transfer the job-related technological achievement, the individual who accomplished this technological achievement shall have the priority to be the transferee on equal conditions.

A job-related technological achievement refers to a technological achievement accomplished in the process of carrying out the task of the legal person, or other organization, or mainly through using the materials and technological means thereof

Article 328:

An individual who has accomplished a technological achievement shall have the right to be named as such in the documents related to the technological achievement and the right to receive certificates of honor and awards.

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

- 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.

Answer:

Generally speaking, the above factors b) and d) belong to factors to be considered when determining whether an inventor employee is entitled to remuneration and the amount of the remuneration. While the above factors a) and c) belong to factors to be considered when determining whether an invention is a service invention.

Article 16 of the Patent Law of the People's Republic of China stipulates that factors for determining the reward and remuneration for an inventor include (i) "*the extent of spreading and application*" and (ii) "*the economic benefits yielded*". The law also stipulates that the amount of the reward and remuneration must be reasonable. For the specific amount of the remuneration, according to Rules 76 and 77 of the Implementing Regulations of the Patent Law of the People's Republic of China, company rules of the employer or the contract between the employer and employee has the priority for regulating the amount of the reward and remuneration; otherwise a minimum amount must be paid to the employee. In terms of remuneration, it is provided in Rule 78 of the Implementing Regulations that the remuneration shall be calculated based on (i) "*the profits from exploitation of the invention or utility model (or design)*" in case that the patent is exploited by the employer; or (ii) "*the exploitation fee it receives*" in case that the patent is exploited by others authorized by (or licensed by) the employer.

- 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?

Answer:

According to Article 16 of the Patent Law of the People's Republic of China, the right to reward generates from the time of granting of the patent. If the patented invention is later implemented, the right to remuneration generates accordingly, and the amount of remuneration depends on "*the extent of spreading and application and the economic benefits yielded.*"

The time to offer the reward to the inventor employee is within 3 months of the announcement of the grant of the patent right according to Rule 77 of the Implementing Regulations of the Patent Law of the People's Republic of China. The time to offer the remuneration to the inventor employee is regulated on a flexible time basis in Rule 78 of the Implementing Regulation of the Patent Law of the People's Republic of China, that is, the remuneration may either be given on an annual basis within the term of the patent during which the patent for the invention-creation is implemented, or be given on a lump sum basis.

- 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?

Answer:

Yes, the amount of remuneration is codified and is variable. As mentioned in the above item 4), according to Rules 76 and 77 of the Implementing Regulations of the Patent Law of the People's Republic of China, company rules of the employer or the contract between the employer and employee has the priority for regulating the amount of the reward and remuneration; otherwise a minimum amount must be paid to the employee. According to Rule 77 of the Implementing Regulations of the Patent Law of the People's Republic of China, the minimum reward amount is RMB 3,000 Yuan for an invention and RMB 1,000 Yuan for a utility model or design. According to Rule 78 of the Implementing Regulations of the Patent Law of the People's Republic of China, the remuneration amount is not capped and may be determined by the employer. However, the law does not limit the way in which the specific amount may be determined.

As for the situation of co-inventors, the legal system of China does not prescribe the specific way to allocate the reward and remuneration among co-inventors. In general, we believe under the Rule 76 of the Implementing Regulations of the Patent Law of the People's Republic of China, an employer may prescribe in its company rules or in its contracts with its employees the amount of the reward and remuneration paid to the employee inventors including the situation of co-inventors. Of course, co-inventors may negotiate among them or with the employer how to divide the reward and remuneration.

By the way, for the situation of co-owners (co-patentees) of an invention, Article 15 of the Patent Law provides that where the patent is licensed for the implementation by a third party "*through non-exclusive license*", the royalty shall be allocated among the co-owners. Accordingly, we believe the situation of co-inventors may make reference to this Article 15 to divide the reward and remuneration.

Article 15 of the Patent Law of the People's Republic of China provides that:

“Where the co-owners of a patent application or a patent have concluded an agreement on the exercising of the right, the agreement shall apply. In the absence of such agreement, any co-owner may independently exploit the patent or license another party to exploit the patent through non-exclusive license; any fee for the exploitation obtained from licensing others to exploit the patent shall be distributed among the co-owners.

Except for the circumstances as provided in the proceeding paragraph, a jointly-owned patent application or patent shall be exercised with the consent of all co-owners.”

Rule 76 of the Implementing Regulations of the Patent Law of the People’s Republic of China provides that:

“The entity to which a patent right is granted may, on the manner and amount of the reward and remuneration as prescribed in Article 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.”

Rule 77 of the Implementing Regulations of the Patent Law of the People’s Republic of China provides that:

“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 Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, within 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 prize for a patent for invention shall not be less than RMB 3,000 Yuan; the sum of money prize for a patent for utility model or design shall not be less than RMB 1,000 Yuan.

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.”

Rule 78 of the Implementing Regulations of the Patent Law of the People’s Republic of China provides that:

“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 remuneration as prescribed in Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, after exploiting the patent for invention-creation within the duration of the patent right, draw each year from the profits from exploitation of the invention or utility model a percentage of not less than 2%, or from the profits from exploitation of the design a percentage of not less than 0.2%, and award it to the inventor or creator as remuneration. The entity may, as an alternative, by making reference to the said percentage, award a

lump sum of money to the inventor or creator as remuneration once and for all. Where any entity to which a patent right 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 to the inventor or creator as remuneration.”

- 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?

Answer:

According to Article 6 of the Patent Law of the People’s Republic of China, the employer legally owns “[a]n invention-creation, made by a person in execution of the tasks of the entity to which he belongs”, and legally owns “[a]n invention-creation . . . made by him mainly by using the material and technical means of the entity” unless there is a contract between the employer and the employee to regulate the invention-creation to be owned by the employee. In case that the contract between the employer and the employee to regulate the invention-creation to be owned by the employee, such invention-creation does not belong to service invention-creation anymore, and therefore, the employer does not have any duty to pay remuneration to the employee.

As mentioned in the above item 4), according to Rules 76 and 77 of the Implementing Regulations of the Patent Law of the People’s Republic of China, company rules of the employer or the contract between the employer and employee has the priority for regulating the amount of the reward and remuneration; otherwise a minimum amount must be paid to the employee.

The Contract Law of the People’s Republic of China provides general regulations regarding the remuneration.

Article 326 of the Contract Law provides that:

“Where the right to use or to transfer a job-related technological achievement belongs to the legal person or other organization, the legal person or other organization may conclude technology contracts with regard to the job-related technological achievement. The legal person or other organization shall extract a certain proportion from the proceeds acquired from the use and transfer of such job-related technological achievement to reward or remunerate the individual who accomplished this technological achievement. Where a legal person or other organization concludes a technology contract to transfer the job-related technological achievement, the individual who accomplished this technological achievement shall have the priority to be the transferee on equal conditions.

A job-related technological achievement refers to a technological achievement accomplished in the process of carrying out the task of the legal person, or other

organization, or mainly through using the materials and technological means thereof.”

Article 328 of the Contract Law provides that:

“An individual who has accomplished a technological achievement shall have the right to be named as such in the documents related to the technological achievement and the right to receive certificates of honor and awards.”

- 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.

Answer:

Yes. According to Article 16 of the Patent Law of the People's Republic of China, an initial reward should be paid to the employee when the invention is granted a patent, and additional remuneration should be paid to the employee upon implementation of the patented invention-creation, and the amount paid to the employee varies based on *“the extent of spreading and application and the economic benefits yielded.”* Therefore, if the patent value has increased after any initial remuneration entitlement has been paid, the employee is legally entitled to be paid based on the value of the patent implementation.

- 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?

Answer:

According to Rules 76 and 77 of the Implementing Regulations of the Patent Law of the People's Republic of China, company rules of the employer or the contract between the employer and employee has the priority for regulating the amount of the reward and remuneration; otherwise a minimum amount must be paid to the employee. According to Rule 77 of the Implementing Regulations of the Patent Law of the People's Republic of China, the minimum reward amount is RMB 3,000 YUAN for an invention and RMB 1,000 YUAN for a utility model or design. According to Rule 78 of the Implementing Regulations of the Patent Law of the People's Republic of China, the remuneration amount is not capped and may be determined by the employer. However, the law does not limit the way in which the specific amount may be determined. Meanwhile, the law prescribes the minimum percentages to be drawn as the remuneration from different bases. Specifically, according to Rule 78 of the Implementing Regulations of the Patent Law of the People's Republic of China: (i) if from the base of the *“the profits from exploitation”*, no less than 2% should be drawn as the remuneration in the case of a patent for an invention or utility model while no less than 0.2% should be drawn as the remuneration in the case of a patent for a design; and (ii) if from the base of patent royalty (*“Where any entity to which a patent right*

is granted authorizes any other entity or individual to exploit its patent”), no less than 10% from the “the exploitation fee it receives” should be drawn as the remuneration in all cases, regardless of the patent types.

As for the co-inventors, the law does not prescribe the way to allocate the remuneration among them. We think the remuneration may be allocated based on negotiations among the co-inventors and with the employer. Also, as mentioned in the above item 8), we believe under the Rule 76 of the Implementing Regulations of the Patent Law of the People’s Republic of China, an employer may prescribe in its company rules or in its contracts with its employees the amount of the reward and remuneration paid to the employee inventors including the situation of co-inventors.

Also, as mentioned in the above item 3), there is a “Regulations on Service Inventions (draft)” regulated by the State Counsel and had been opened for public comments since April 2015. Article 22 of the Rules provides that *“When determining the amount of remunerations, entities shall consider factors including the contribution of each service invention to the economic benefit of the entire product or process, and the contribution of each service inventor to each service invention.”* However, please be aware that the “Regulations on Service Inventions (draft)” has not come into force yet.

- 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?

Answer:

Article 16 of the Patent Law of the People’s Republic of China provides that *“The entity that is granted a patent right shall award to the inventor or creator of a service invention-creation a reward and, upon exploitation of the patented invention-creation, shall pay the inventor or creator a reasonable remuneration based on the extent of spreading and application and the economic benefits yielded.”* According to such provisions, as long as the employer has applied for an invention made by the inventors to the Chinese Patent Office and the application is granted as Chinese patent, we believe the employer should pay the inventor employee reward and remunerations as specifically regulated by Rules 76-78 of the Implementing Regulations of the Patent Law of People’s Republic of China, and the inventor employee of the employer has the right to seek remuneration as prescribed by the Chinese laws no matter where the inventors locate within or outside of the jurisdiction of China.

Rule 76 of the Implementing Regulations of the Patent Law of the People’s Republic of China provides that:

“The entity to which a patent right is granted may, on the manner and amount of the reward and remuneration as prescribed in Article 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.”

Rule 77 of the Implementing Regulations of the Patent Law of the People's Republic of China provides that:

“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 Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, within 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 prize for a patent for invention shall not be less than RMB 3,000 Yuan; the sum of money prize for a patent for utility model or design shall not be less than RMB 1,000 Yuan.

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.”

Rule 78 of the Implementing Regulations of the Patent Law of the People's Republic of China provides that:

“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 remuneration as prescribed in Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, after exploiting the patent for invention-creation within the duration of the patent right, draw each year from the profits from exploitation of the invention or utility model a percentage of not less than 2%, or from the profits from exploitation of the design a percentage of not less than 0.2%, and award it to the inventor or creator as remuneration. The entity may, as an alternative, by making reference to the said percentage, award a lump sum of money to the inventor or creator as remuneration once and for all. Where any entity to which a patent right 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 to the inventor or creator as remuneration.”

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?

Answer:

The answer is the same with the answer to item 12).

Article 16 of the Patent Law of the People's Republic of China provides that *“The entity that is granted a patent right shall award to the inventor or creator of a service invention-creation a reward and, upon exploitation of the patented invention-creation, shall pay the inventor or creator a reasonable remuneration based on the extent of spreading and*

application and the economic benefits yielded.” According to such provisions, as long as the employer has applied for an invention made by the inventors to the Chinese Patent Office and the application is granted as Chinese patent, we believe the employer should pay the inventor employee reward and remunerations as specifically regulated by Rules 76-78 of the Implementing Regulations of the Patent Law of People’s Republic of China, and the inventor employee of the employer has the right to seek remuneration as prescribed by the Chinese laws no matter where the inventors locate within or outside of the jurisdiction of China.

Rule 76 of the Implementing Regulations of the Patent Law of the People’s Republic of China provides that:

“The entity to which a patent right is granted may, on the manner and amount of the reward and remuneration as prescribed in Article 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.”

Rule 77 of the Implementing Regulations of the Patent Law of the People’s Republic of China provides that:

“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 Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, within 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 prize for a patent for invention shall not be less than RMB 3,000 Yuan; the sum of money prize for a patent for utility model or design shall not be less than RMB 1,000 Yuan.

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.”

Rule 78 of the Implementing Regulations of the Patent Law of the People’s Republic of China provides that:

“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 remuneration as prescribed in Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, after exploiting the patent for invention-creation within the duration of the patent right, draw each year from the profits from exploitation of the invention or utility model a percentage of not less than 2%, or from the profits from exploitation of the design a percentage of not less than 0.2%, and award it to the inventor or creator as remuneration. The entity may, as an alternative, by making reference to the said percentage, award a lump sum of money to the inventor or creator as remuneration once and for all. Where any entity to which a patent right 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 to the inventor or creator as remuneration.”

- 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?

Answer:

The legal system of China does not prescribe the way to allocate the reward among co-inventors. We think the remuneration may be allocated based on negotiations among the co-inventors and with the employer. Also, as mentioned in the above item 8), we believe under the Rule 76 of the Implementing Regulations of the Patent Law of the People’s Republic of China, an employer may prescribe in its company rules or in its contracts with its employees the amount of the reward and remuneration paid to the employee inventors including the situation of co-inventors.

Also, as mentioned in the above item 8), for the situation of co-owners (co-patentees) of an invention, Article 15 of the Patent Law provides that where the patent is licensed for the implementation by a third party “*through non-exclusive license*”, the royalty shall be allocated among the co-owners. Accordingly, we believe the situation of co-inventors may make reference to this Article 15 to divide the reward and remuneration.

As mentioned in the above item 12) and 13), as long as the employer has applied for an invention made by the inventors to the Chinese Patent Office and the application is granted as Chinese patent, we believe the employer should be governed by the Article 16 of the Patent Law of the People’s Republic of China and the related regulations (Rules 76-78) of the Implementing Regulations of the Patent Law of the People’s Republic of China. Therefore, the inventors may seek remuneration as prescribed by the Chinese laws no matter where the inventors or the employer locate within or outside of the jurisdiction of China.

Furthermore, as mentioned in the above item 3), there is a “Regulations on Service Inventions (draft)” regulated by the State Counsel and had been opened for public comments since April 2015. The “Regulations on Service Inventions (draft)” has not come into force yet, but some of its regulations regarding the “all inventors” may have value of being referenced (it is still not clear whether the “all inventors” means “co-inventors”).

Some related articles of the “Regulations on Service Inventions (draft)” are as follows:

Article 20:

“Where an entity has neither agreed with the inventors on rewards for service inventors nor specified rewards for service inventors in the rules and regulations it has

formulated in accordance with the law, for service inventions that have obtained invention patent or right of new plant variety, the total amount of bonuses for all inventors shall be not less than twice the average monthly salary of the on-job employees of the entity; for service inventions that have obtained other intellectual property right, the total amount of bonuses for all inventors shall be not less than the average monthly salary of the on-job employees of the entity.”

Article 21:

“Where an entity has neither agreed with the inventors on remunerations for service inventors nor specified remunerations for service inventors in the rules and regulations it has formulated in accordance with the law, it shall, after implementing the service inventions for which intellectual property right has been obtained, pay remunerations to all inventors of all intellectual property involved through any of the following ways:

(1) Within the validity periods of intellectual property right, the entity shall, on an annual basis, draw not less than 5% of the business profit from the implementation of invention patent or new plant varieties, or not less than 3% of the business profit from the implementation of other intellectual property right;

(2) Within the validity periods of intellectual property right, the entity shall, on an annual basis, draw not less than 0.5% of the sales revenues from the implementation of invention patent or new plant varieties, or not less than 0.3% of the sales revenues from the implementation of other intellectual property right;

(3) Within the validity periods of intellectual property right, the entity shall, in reference with the amount calculated in Items (1) and (2), determine the amount of remunerations that shall be drawn every year at a reasonable multiple of the inventors' personal salaries; and

(4) The entity shall, in reference with a reasonable multiple of the amount calculated in Item (1) and Item (2), determine the lump-sum remunerations that shall be given to inventors.

The cumulative amount of the above-mentioned remunerations shall not exceed 50 percent of the cumulative business profit from the implementation of intellectual property right.

Where the entity has neither agreed with inventors on remunerations for service inventors nor specified remunerations for service inventors in the rules and regulations it has formulated in accordance with the law, it shall, after transferring or licensing others to implement the intellectual property right, draw not less than 20% of the net income from the transfer or licensing and give it to inventors as remunerations.”

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?

Answer:

Yes. The law of China is sufficiently clear and has set out clear numbers in the provisions to guide the employees in obtaining specific awards and rewards.

b) does the law provide sufficient guidance as to how the remuneration is to be determined?

Answer:

Yes. The law of China provides sufficient guidance. Matters such as the calculation bases and reward proportions have been specified in the law.

c) are there aspects of your law that could be improved to address remuneration of inventor employees?

Answer:

As mentioned in the above item 3), there is a “Regulations on Service Inventions (draft)” regulated by the State Counsel and had been opened for public comments since April 2015. In this draft, more specific Regulations on Service Inventions have been provided. For example, the following regulations in the draft are provided:

Article 18:

“Entities may specify the procedures and ways of giving rewards and remunerations and the amount of rewards and remunerations in the rules and regulations formulated by them in accordance with the law, or agree with inventors on the said issues. The said rules and regulations or agreements shall cover the rights of inventors and the ways of relief request, and comply with the provisions of Article 19 and Article 22 of these Regulations.

Any agreement or provision that cancels the rights inventors may enjoy in accordance with these Regulations or that imposes unreasonable conditions on the inventors’ entitlement to or exercise of the aforesaid rights shall be invalid.”

Article 19:

“When determining the ways of giving rewards and remunerations to service inventors and the amount of rewards and remunerations, entities shall seek the opinions of service inventors.”

Article 20:

“Where an entity has neither agreed with the inventors on rewards for service inventors nor specified rewards for service inventors in the rules and regulations it has formulated in accordance with the law, for service inventions that have obtained invention patent or right of new plant variety, the total amount of bonuses for all inventors shall be not less than twice the average monthly salary of the on-job employees of the entity; for service inventions that have obtained other intellectual property right, the total amount of bonuses for all inventors shall be not less than the average monthly salary of the on-job employees of the entity.”

Article 21:

“Where an entity has neither agreed with the inventors on remunerations for service inventors nor specified remunerations for service inventors in the rules and regulations it has formulated in accordance with the law, it shall, after implementing the service inventions for which intellectual property right has been obtained, pay remunerations to all inventors of all intellectual property involved through any of the following ways:

(1) Within the validity periods of intellectual property right, the entity shall, on an annual basis, draw not less than 5% of the business profit from the implementation of invention patent or new plant varieties, or not less than 3% of the business profit from the implementation of other intellectual property right;

(2) Within the validity periods of intellectual property right, the entity shall, on an annual basis, draw not less than 0.5% of the sales revenues from the implementation of invention patent or new plant varieties, or not less than 0.3% of the sales revenues from the implementation of other intellectual property right;

(3) Within the validity periods of intellectual property right, the entity shall, in reference with the amount calculated in Items (1) and (2), determine the amount of remunerations that shall be drawn every year at a reasonable multiple of the inventors' personal salaries; and

(4) The entity shall, in reference with a reasonable multiple of the amount calculated in Item (1) and Item (2), determine the lump-sum remunerations that shall be given to inventors.

The cumulative amount of the above-mentioned remunerations shall not exceed 50% of the cumulative business profit from the implementation of intellectual property right.

Where the entity has neither agreed with inventors on remunerations for service inventors nor specified remunerations for service inventors in the rules and regulations it has formulated in accordance with the law, it shall, after transferring or licensing others to implement the intellectual property right, draw not less than 20% of the net income from the transfer or licensing and give it to inventors as remunerations.”

Article 22:

“When determining the amount of remunerations, entities shall consider factors including the contribution of each service invention to the economic benefit of the

entire product or process, and the contribution of each service inventor to each service invention.”

Article 23:

“Where an entity has neither agreed with inventors on terms of reward and remunerations payment nor specified the said terms in the rules and regulations it has formulated in accordance with the law, it shall pay bonuses within three months from the date the intellectual property rights are obtained; where it transfers or licenses others to implement the intellectual property right of service inventions, it shall pay remunerations within three months after license fees and transfer fees are entered into accounts; where the entity independently implements the service inventions and pay remunerations in cash by year, it shall pay remunerations within three months after the end of each accounting year. Where the entity pays remunerations in the form of equity, it shall grant dividends in accordance with the laws and regulations, and its rules and regulations.”

Article 24:

“Where an entity decides to protect intellectual achievements that may be applied for a patent, a new plant variety or an integrated circuit layout design as technical secrets, it shall pay reasonable compensations to inventors based on the contribution of such technical secrets to its economic benefits and by reference to the provisions of this Chapter on invention patent.”

Article 25:

“Where the labor and personnel relations between inventors and entities have terminated, for inventions related to the entities' businesses that are completed prior to the termination of the relations, the inventors shall continue to perform the obligations specified in Articles 10, 14 and 16 of these Regulations, and continue to enjoy the right of authorship and the right of obtaining rewards and remunerations.

Where inventors have died, their heirs or legatees shall have the right to inherit the rights of obtaining rewards and remunerations.”

Article 26:

“Unless otherwise agreed between entities and inventors or specified in the rules and regulations formulated by the entities in accordance with the law, where the intellectual property right of service inventions has been declared invalid or canceled in accordance with the law, decisions to declare intellectual property to be valid or cancel intellectual property shall not be retroactive to the rewards and remunerations that inventors have obtained before the said decisions take effect.”

Furthermore, we propose to consider the following aspects:

- i. The reward and remuneration amounts might be increased appropriately based on the developments of social and economic status.

- ii. A mechanism might be added for handling incentives given by Chinese companies to their overseas employees or their Chinese employees abroad.
 - iii. The forms and bases of awards and rewards might be in calculated in more detailed manner or be augmented. In addition to the monetary incentives, stock option incentives and any other incentives consistent with rules governing the social and economic development might be introduced.
 - iv. The timing of the offering of the incentives might be further specified.
 - v. Provisions might be set out for defining the legal liability of an employer in the event of its failure to provide the award in the specified timeline.
 - vi. Ways that might be elaborated for allocating the incentives among co-inventors. For instance, to consider whether the factors such as the extent to which each of co-inventors contributes to the patent should be taken in consideration.
- d) are there any proposed reforms of your law with respect to such remuneration?

Answer:

No. We believe China has considered all necessary aspects relating to the remuneration of inventor employees and currently no further reforms should be considered.

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

(此项不需要回答)

- a) Should it do so?
- b) Are there any proposals to introduce such rights? If yes, please describe such proposals.

III. Proposals for harmonization

- 17) Is harmonization in this area desirable?

Answer:

Yes. We believe harmonization is desirable in this area.

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

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.

Answer:

Yes. Since China has considered various circumstances, we believe the related regulations prescribed in the Patent Law of the People's Republic of China and its Implementing Regulations are recommended:

Article 16 of the Patent Law:

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

Rule 76 of the Implementing Regulations of the Patent Law of the People's Republic of China:

"The entity to which a patent right is granted may, on the manner and amount of the reward and remuneration as prescribed in Article 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."

Rule 77 of the Implementing Regulations of the Patent Law of the People's Republic of China:

"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 Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, within 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 prize for a patent for invention shall not be less than RMB 3,000 Yuan; the sum of money prize for a patent for utility model or design shall not be less than RMB 1,000 Yuan."

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."

Rule 78 of the Implementing Regulations of the Patent Law of the People's Republic of China:

"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 remuneration as prescribed in Article 16 of the Patent Law, nor has the entity provided in its rules and regulations formulated in accordance with the laws, it shall, after exploiting the patent for invention-creation within the duration of the patent right, draw each year from the profits from exploitation of the invention or utility model a percentage of

not less than 2%, or from the profits from exploitation of the design a percentage of not less than 0.2%, and award it to the inventor or creator as remuneration. The entity may, as an alternative, by making reference to the said percentage, award a lump sum of money to the inventor or creator as remuneration once and for all. Where any entity to which a patent right 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 to the inventor or creator as remuneration.”

- 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.

Answer:

For the 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, we propose to make reference to the Chinese regulations that the employer may prescribe in its company rules or in a contract with the employee the way and amount of the remuneration paid to the employee inventor or co-inventors, no matter where the employer or the employee locates. Furthermore, we also propose that the minimum remuneration prescribed in the company rules or by contacting should be not less than the legislate amount of the jurisdiction of the employer or the employee, if any.