



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 inventor employee rights to economic compensation. In addition, there are special provisions governing inventor employee 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 current law defining the ownership of an invention made by an inventor employee is set out in three statutes: 1) The Danish Patents Act (Consolidate Act No. 108 of 24 January 2012), 2) The Employees' Inventions Act (Consolidate Act No. 104 of 24 January 2012) and 3) The Act on Inventions at Public-Sector Research Institutions (Consolidate Act No. 210 of 17 March 2009).

According to section 1(1) of the Danish Patents Act, any person who has made an invention which is susceptible of industrial application, or his successor in title, shall have the right to be granted a patent for the invention and thereby obtain an exclusive right to exploit the invention commercially.

According to the Employees' Inventions Act and the Act on Inventions at Public-Sector Research Institutions the employer/the institution is entitled to claim the right to an invention be transferred to him/the institution, if the invention is made by an employee in the course of his or her employment, and in relation to the Employees' Inventions Act also that the exploitation of the invention falls within the scope of the activities of the employer. Both acts stipulate that an employee is entitled, subject to some exceptions, to economic compensation for the inventions made in the course of his or her employment.

- 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)?

Yes, the nature of the employment is decisive to whether the provisions of the Employees' Inventions Act or the Act on Inventions at Public-Sector Research Institutions are applicable.

The Employees' Inventions Act applies to employment in both private and public sector. However, teachers and other scientific personnel at universities and other institutes of higher education are not regarded as employees within the scope of the Act. Instead, the provisions of the Act on Inventions at Public-Sector Research Institutions encompass this type of employees.

Whether an employee is employed "to invent", e.g. at a R&D department, will have an impact on the employee's right to receive additional compensation beyond the normal salary and will often mean that no compensation is given.

The Act on Inventions at Public-Sector Research institutions is *lex specialis* to the Employees' Inventions Act. It applies specifically to employees working at the universities covered by the University Act; the government research institutes; the public-sector hospitals; the health-sciences research institutions under the Regions; or the Geological Survey of Denmark and Greenland (GEUS) (section 6 of the Act).

- 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 Employees' Inventions Act does not impose any obligation on employers to pursue patent protection for the inventions. The employer may use the invention in any way that he sees fit. However, the employer is obligated within four months after having received notification from the employee about the invention to notify the employee whether he wants to acquire the right to the invention. Before the expiry of the four months the employee may, as soon as he has given the notification of the invention to the employer, apply for a patent for the invention, but needs to notify the employer of this in advance. The right to apply for a patent may not be renounced by the employee in advance.

The fact that an invention has been transferred from an employee to the employer does not deprive the inventor employee of his right to have his name included in the patent application.

The Act on Inventions at Public-Sector Research Institutions imposes an obligation on the employer to within two months instigate an assessment of possibility for exploiting the invention commercially and for protecting the rights associated with the invention, as well as to discuss with the employee how the right to the invention can be exploited commercially. If the employer neglects this obligation the inventor employee is entitled to all rights to the invention.

The Act does not impose other obligations on the employer 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.

Pursuant to section 8 of the Employees' Inventions Act the employee is entitled *"to a reasonable compensation, unless the value of the invention does not exceed what the employee, in view of his working conditions as a whole, may reasonably be assumed to produce."* The compensation is not meant to compensate for any economic loss suffered by the employee. The right to receive a compensation cannot be derogated by agreement. An inventor employee does not have the absolute right to compensation. However, it is the employer who has the burden of proof to show that the invention does not entitle the inventor employee to any additional compensation. An inventor employee, e.g. an employee working in a R&D department, will often not be entitled to additional

compensation as the value of the invention in most cases will not exceed what he is expected to produce.

Section 12(1) of the Act on Inventions at Public-Sector Research Institutions provides that the employee *"who made the invention shall be entitled to fair payment from the institution."* The fair payment is, in contrast to the non-economic compensation under the Employees' Inventions Act, not dependent on what the employee is assumed to produce but is to be determined with regard to the commercial value of the invention. The inventor employee is only entitled to fair payment if the invention is exploited commercially and insofar as that exploitation gives rise to an income (net profit) which goes beyond the expenses incurred.

Section 12(2) of the Act on Inventions at Public-Sector Research Institutions provides that *"if, after an agreement with an institution, the right to the invention is exploited commercially by the employee who made the invention, the institution shall be entitled to fair payment."* This entitlement to fair payment is also conditioned on the invention being commercially exploited and insofar as that exploitation gives rise to an income (net profit).

- 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?

As a general rule the right to an invention belongs to the inventor employee. However, the parties can enter into an agreement stipulating otherwise and it is quite possible that the courts will apply the principles of the Employees' Inventions Act on cases where the Act is not directly applicable. Moreover, the case law prior to the adoption of the Employees' Inventions Act can be of some guidance in cases where the Act does not explicitly apply.

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;

The Employees' Inventions Act

The working conditions as a whole are a determining factor for the inventor employee's right to compensation. Thus, if the value of the invention does not exceed what the employee may reasonably be assumed to produce, the employee may not be entitled to additional remuneration going beyond his salary (section 8 of the Act).

The Act on Inventions at Public-Sector Research Institution

Not determining. An inventor employee is entitled to remuneration, if the invention is exploited commercially and insofar as that exploitation gives rise to income (net profit) which goes beyond the expenses incurred (section 12).

- b) Extent to which the invention is relevant to the business of the employer;

The Employees' Inventions Act

Yes, according to section 5 of the Act the employer is entitled to claim that the right to the invention be transferred to him, if the exploitation of the invention falls within the scope of the activities of his undertaking. Even if the exploitation of the invention does

not fall within the scope of the activities of the undertaking, the employer has the same right, if the employee's invention relates to a specific task assigned to him by the employer/undertaking.

The Act on Inventions at Public-Sector Research Institution

Not determining. Pursuant to the Act the employer institution is only entitled to have the rights associated with the invention transferred, if the invention has been made by an employee as part of their work. Inventions made by employees outside of the employment relationship are not subject to the provisions of the Act.

- c) Use of employer time/facilities/resources in generating the invention; and

The Employees' Inventions Act

The use of employer time/facilities or resources is not a directly relevant factor to the employee's right to compensation. The determining factor is whether the employee inventor has arrived at the invention through his or her employment. It is not crucial whether the invention was made at the work place or during the employee's working hours, but may be a factor depending on the circumstances.

The Act on Inventions at Public-Sector Research Institution

The use of employer time/facilities or resources is not a factor relevant to the employee's right to remuneration. However, it is noted that the employer institution is only entitled to have the rights associated with the invention transferred, if the invention has been made by an employee as part of their work. "Work" means all activities performed in the context of employment. It is irrelevant whether the research, development or teaching project performed by the employee has been assigned by the employer institution or if the employee himself has decided on the topic and means for the project.

- d) Terms of the employment agreement or collective agreement.

The Employees' Inventions Act

The fundamental right to compensation is mandatory and cannot be renounced by way of agreement concluded prior to the invention being made. After the invention has been made, an agreement limiting or renouncing the employee's right to compensation can be entered into, but will be subject to the rules imposed by the Danish Contracts Act, particularly section 36 regarding unfair contract terms.

The Act on Inventions at Public-Sector Research Institution

An inventor employee can renounce his right to the invention, and therefore also to the remuneration, by the way of a specific agreement relating to concrete projects, cf. section 7 of the Act.

- 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?

Under the Employees' Inventions Act the right to compensation arises when the employer acquires the right to an invention made by an inventor employee and the employer has notified the inventor employee of his intention to acquire the right to the invention. However, even if something else might be agreed, agreements relating to compensation may be modified subsequently at the request of either party when the determining conditions have

changed substantially or when indicated by other special circumstances. There is no possibility for the return of benefits which the inventor employee has received on the basis of a previous fixing of the compensation (section 8(3) of the Act).

Under the Act on Inventions at Public-Sector Research Institutions the right to remuneration arises when an invention that has been transferred from the employee to the employer institution is exploited commercially and the exploitation gives rise to an income (net profit) and when this income exceeds the expenses incurred. The right to remuneration from the employee to the employer institution arises, if the employee inventor himself exploits the invention commercially, cf. section 12(2) of the Act.

- 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?

The nature of the compensation varies under the two Acts. Employees covered by the Employee Inventions Act are expected to have received a salary as quid pro quo for the right to their invention and, therefore, are only entitled to a compensation calculated according to the principles for non-economic losses for in addition thereto. For researchers covered by the Act on Inventions at Public-Sector Research Institutions the situation is different and they are entitled to receive part of the economic value of the invention. The amount of compensation under both Acts is variable in the sense that the amount rests on an estimate and depends on a number of circumstances.

The Employees' Inventions Act

As mentioned above the employee is not entitled to receive a remuneration based on the economic value of the invention. The amount is based on an overall assessment but some markers have been provided by section 8(2) of the Employees' Inventions Act. According to this the amount of compensation shall be decided with due regard to the trade value of the invention and its significance for the employer's undertaking, the employment conditions of the inventor employee, as well as the influence which the service of the inventor employee has had on the invention.

However, the circumstances listed in section 8(2) are not exhaustive. When deciding on the amount of compensation the Danish courts have previously attached importance to the following elements: (i) whether the invention is put to any resourceful use; (ii) the extent of this use; (iii) whether the invention is subject to patenting, including the number of countries in which the right holder decided to patent the invention; (iv) the amount of subsequent development costs which the right holder incurs; (v) whether the invention is a fully developed product or just a draft of ideas; (vi) to what extent the invention is of significance to the right holder's current products; (vii) whether the invention was only possible due to the inventor's insight into company's affairs and a long-standing employment; (viii) whether the invention has been tested and developed within the company and (ix) who has covered the development costs of the invention.

The Act on Inventions at Public-Sector Research Institution

The amount of remuneration is subject to a discretionary assessment reflecting the invention's actual market value. Moreover the remuneration should aim at allocating a fair profit to both parties (employee inventor and the employer institution) and is to be

calculated on the basis of the profit generated by the invention through its commercial exploitation.

Section 12(3) of the Act leaves the research institutions with the liberty to draw up their own rules for calculation of the remuneration. This aims to provide research institutions with the greatest possible freedom to draw up calculation models that take into account the individual institution's own needs and traditions.

When drawing up the calculation model a research institution should follow the principle that the party who assumes the commercial risk of exploiting the invention is to be awarded the biggest share of the future profits. Moreover, the calculation model should aim at maintaining a clear economic incentive for research-based entrepreneurs and others, who personally wish to exploit their own inventions commercially.

When assessing the remuneration for the employer institution pursuant to section 12(2) of the Act, a relevant factor is the remuneration which the employee would have received from the institution, had the institution itself exploited the invention commercially. It can be agreed between the parties that the remuneration will be paid to the institution in installments over a longer period of time, e.g. in the form of an annual fee or a fee corresponding to a specific percentage of the profit.

- 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?

Yes, the amount of compensation can be subject to regulation by way of agreement but the right to compensation is mandatory under the Employees' Inventions Act. After the invention has been made, an agreement limiting or renouncing the employee's right to compensation can be entered into, but will be subject to the rules imposed by the Danish Contracts Act, particularly section 36 regarding unfair contract terms.

The employees' right to compensation cannot be revoked entirely but as long as the employee is rewarded a remuneration that meets the requirements of the Employees' Inventions Act or the Act on Inventions at Public-Sector Research Institutions the specific amount paid can be subject to regulation by agreement.

- 10) Does your Group's current law provide for any entitlement to additional remuneration after an inventor employee 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.

A contract-based compensation can be altered subsequently, see above regarding section 8(3) in the Employees' Inventions Act.

- 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?

The Employees' Inventions Act and the Act on Inventions at Public-Sector Research Institutions do not contain specific provisions regulating how the contribution of more than one inventor should be determined and how the compensation is then to be calculated.

On a more general note, if a number of inventor employees make an invention they will according to Danish law own that invention in a joint ownership. The general rules of Danish law on joint ownership will then apply. The inventors will be obligated to transfer their rights to the invention to the employer in exchange for a remuneration pursuant to the regime set forth in the Employees' Inventions Act. However, any inventor that is not subject to the provisions of the Act will not be obligated to do so.

Pursuant to the Act on Inventions at Public-Sector Research Institutions inventor employees shall agree on how the rights to the invention made jointly should be utilized. If an agreement is not reached by the inventor employees, the research institution can take over the rights to the invention and transfer these rights to one or more of the involved inventor employees within the 2 months' time limit. The remaining inventor employees are entitled to reasonable remuneration pursuant to section 12(1) of the Act.

- 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?

The Employees' Inventions Act

Yes, if the Act is otherwise applicable to the given situation, i.e., if there is an employment relationship between the Danish employer and an inventor, and if the invention is patentable or registrable as a utility model in Denmark.

If the invention has been made by a number of inventors, some of whom are not subject to the Act or Danish law generally, the employer can only claim the right to the invention be transferred from these employees who are subject to the Danish law, and only to their part of the invention. The invention will then become a joint ownership between the employer and those inventors, who are not subject to the Act.

The Act on Inventions at Public-Sector Research Institution

Yes, the Act will apply, if the employer of the inventor is one of the institutions listed in section 6 of the Act (for the list of the institutions, see answer to question 2 above). Additionally, for the Act to apply the inventions will have to be made as a part of the work performed by the inventor for the employer institution.

- 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?

The Employees' Inventions Act

See the answer to question 12 above.

The Act on Inventions at Public-Sector Research Institution

No, the Act applies only to institutions listed in section 6, which are all located in Denmark. The Act will therefore not apply to the employer located in another jurisdiction.

- 14) If an 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, but on the assumption that the conditions for the application of either the Employees' Inventions Act or the Act on Inventions at Public-Sector Research Institutions are met. See answer to question 12 above.

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?

No, neither Act is very clear.

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

No. The terms are quite vague and subject to situation-specific circumstances. The law does not provide sufficient guidance as to how the compensation is to be determined and there is still only little case law.

In particular the Employees' Inventions Act is very unclear. It is for instance not clear at all how one should reconcile the starting point that compensation is given to compensate for a non-economic loss with the remark in section 8(2) that the amount of compensation shall be decided with due regard to the trade value of the invention.

For the Act on Inventions at Public-Sector Research Institution it would seem that rather precise and standardized principles have crystalized themselves in the practice of the universities. A normal distribution scheme would divide the proceeds (after deduction of costs) with 1/3 to the inventor, the institute and the university.

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

Yes, a clearer guidance as to how the compensation under section 8 in the Employees' Inventions Act and section 12 the Act on Inventions at Public-Sector Research Institutions is to be determined as well as a clearer guidance on remuneration in cases of multinational inventions subject to joint ownership rules.

d) are there any proposed reforms of your law with respect to such remuneration?

No.

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?

N/A

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

N/A

III. Proposals for harmonization

17) Is harmonization in this area desirable?

This is arguably a hard question. On the one hand side one could argue that since the area is closely related to the general issues of labour law and since these rules vary greatly internationally it is probably better to also leave this area to national law. On the other hand side one could point to the need of providing a level playing field for international collaboration.

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.

For Danish law the primary outstanding legal issue seems to be the legal uncertainty pertaining to the level of compensation in the Employee Inventions Act. It is important to bear in mind, however, that in the more than fifty years the present system has been in place very few legal disputes has arisen. Overall the present system, therefore, would seem to function well. In those instances where disputes arise they are normally dealt with bilaterally.

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.

Such issues are best dealt with in individual contracts. Since conditions and often also the salary varies from country to country one probably cannot expect legislation to be of much help.

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