

National/Regional Group: German Group

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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.

In this and subsequent answers, references to law will refer to the German Law on Employee inventions, GLEI, "Gesetz über Arbeitnehmererfindungen", unless otherwise indicated.

Pursuant to Sec. 6 Patent Act, the rights to an invention belong to the employee inventor(s). The employer's legal possibilities to subsequently obtain ownership of the invention are governed by the German Law on Employee Inventions and depend on whether the invention qualifies as (i) a service invention or (ii) a 'free' invention (Sec. 4 GLEI).

Service inventions either result from the employee's tasks assigned by the employer or are essentially based on the employer's experience or activities (Sec. 4 para. 2). The employer can become owner of such a service invention by way of a unilateral claim to the invention (Sec. 6 and 7). All inventions other than service inventions are regarded as 'free' inventions and remain the employee inventor's (s') property (Sec. 4 para. 3).

The current law provides two legal options for the employer to claim service inventions.

The first option allows the employer to automatically become owner of the service invention by awaiting the expiry of a four-month period from the employee inventor's report of the invention. At the end of the four-month period, a service invention is deemed to be claimed by the employer unless he explicitly released the invention within this period of time (Sec. 6 para. 2, Sec. 7 para. 1). Such a release of the invention requires an explicit declaration in text form (e.g. letter or email) and would allow the employee inventor to fully dispose of his invention (Sec. 8).

The employer's second option is to claim a service invention by way of an explicit or implicit declaration vis-à-vis the inventor(s) and to thereby gain ownership of the invention before the end of the four-month period for claiming the invention (Sec. 6 para. 1, Sec. 7 para. 1). In

practice, an employer may choose this option in cases where he is obliged under an R&D agreement with a third party to acquire the invention rights as soon as possible or without undue delay.

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)?

The Law on Employee Inventions does not provide particular rules for claiming an invention as regards certain types of employees or for employees specifically employed for research purposes. The ownership rules apply to all individuals who can be classified as employees, i.e. perform their duties on the basis of an employment contract and are thus bound by instructions (cf. Sec. 611a German Civil Code). The Law on Employee Inventions including the ownership rules also equally applies to civil servants and members of the armed forces (cf. Sec. 1, Sec. 4 para. 4 GLEI).

Having said this, the Law on Employee Inventions provides some additional rules for service inventions (i) by employees in public service, civil servants and members of the armed forces on the one hand and (ii) by employees of universities on the other hand, which may have an impact on the general ownership rules.

Instead of claiming a service invention, the employer of an employee in public service, a civil servant or a member of armed forces may claim a reasonable share in the proceeds arising from a service invention provided that this had previously been stipulated in an agreement (Sec. 40 No. 1, Sec. 41).

After claiming a service invention, employees of universities retain a non-exclusive license for using the service invention for their teaching and research activities (Sec. 42 No. 3).

As also discussed under the answer to 5), persons who are part of a corporate body (board members, managing directors etc.) are not regarded as employees for the purposes of the Law on Employee Inventions. As the Law on Employee Inventions is not applicable to inventions made by members of corporate bodies, said inventions are owned by those members and not the corporation they represent. The members may, however, be contractually obligated to transfer their rights to the corporation even if their employment or service contract is silent on this issue. Whether this is the case must be determined on an individual basis.

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?

Preliminary remark: German law does not generally prescribe that employers own inventions made by inventor employees. German law rather entitles employers to claim service inventions of their employees at their discretion. If such a claim is made, it has the effect that all property assets related to the claimed invention are transferred from the inventor to the employer. In other words, only by claiming the service invention will it subsequently be owned by the employer. However, as a general rule, the law automatically presumes that such claim has been made if the employer does not release the invention within 4 months after receipt of the invention report (Sec. 6 para. 2).

German law imposes several obligations on employers after claiming a service invention. Among such obligations is the duty to file a patent application in Germany (Sec. 13 para. 1). According to German law, it is only the employer who is entitled to file a patent application in Germany. However, with respect to foreign countries, in which the employer does not wish to acquire intellectual property rights, the employer shall release the service invention to the employee and shall, upon request, enable the employee to acquire such rights (Sec. 14 para. 2).

With respect to patent applications or granted patents already filed which the employer does not want to pursue, the employer has the duty to inform the inventor accordingly, and at the employee's request and expense, must assign the right to the employee. The employer may allow such right to lapse if the employee does not demand such right within three months after receipt of the information.

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.

Yes, the inventor employee is entitled to receive reasonable compensation from his employer as soon as the employer has claimed the service invention of the employee (Sec. 9 para. 1).

In assessing reasonable compensation, due consideration shall in particular be given to the commercial applicability of the service invention, the duties and position of the employee in the enterprise, and the enterprise's contribution to the invention (Sec. 9 para. 2).

According to Sec. 11, the Federal Minister of Labor shall issue Directives for assessing compensation. Although such Directives are not binding by law, they are widely applied in

German industry. For service inventions used in products, the Directives apply a calculation method similar to a licensing model based on the affected sales volume.

The application of the Directives causes huge administrative efforts in the daily practice of companies having to deal with many service inventions, as many parameters have to be investigated in order to be in a position to calculate reasonable compensation.

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?

According to the inventor doctrine, which has been the basis of the German Patent Act since 1936, all rights derived from an invention belong to the inventor.¹ The Law on Employee Inventions makes an exception to this principle for employee inventions and gives the employer the right to claim the invention.

Where an employee invention is not claimed and becomes free, the relationship between the employer and the employee is such as between any right owner and a third party. The employee may enter into a license agreement with the employer or, where the employee has obtained a patent or utility model for the invention, said employee may claim damages in case of unpermitted use of the invention. In other words, where the employer has not claimed (explicitly or by power of law) the invention and absent an agreement between employee and employer, a situation where an employee invention is (entirely) owned by the employer does not arise.

However, when construing question I.5. (specifically the terms “employee” and “owned”), the following situations broadly fall within its scope:

First Situation

In some cases, the invention is made by several inventor employees and has become free only in relation to some of them.² In such a case, the employer and the employee are so-called co-owners by defined shares (Bruchteilseigentümer).³ Pursuant to Sec. 743 para. 2 of the German Civil Code, each co-owner is authorized to use the joint object, i.e. the employee cannot prohibit the employer's use of the invention. The other co-owner, i.e. the employee, may, however, pursuant to Sec. 745 para. 2 German Civil Code demand compensation for such use where this is reasonable.

¹ Reimer/Schade/Schippel, ArbEG, 8th edition, Einleitung, margin no. 6.

² Regional Court of Düsseldorf, GRUR-RR 2006, 118 – Drehschwungstilger.

³ German Federal Court (BGH), GRUR 2005, 663 – Gummielastische Masse II.

In assessing the reasonability of the demand for compensation, all circumstances of the individual case have to be taken into account,⁴ in particular the respective contributions to the invention⁵, the extent of use by one party⁶ and the reasons for abstention from use by the other party⁷. The amount of compensation is generally calculated on the basis of reasonable royalties (license analogy).⁸

Second Situation

Persons who are part of a corporate body (board members, managing directors etc.) are not regarded as employees for the purposes of the Law on Employee Inventions. However, these persons may be considered employees for the purposes of question I.5.

As the Law on Employee Inventions is not applicable to inventions made by members of corporate bodies, said inventions are owned by those members and not the corporation they represent. The members may, however, be contractually obligated to transfer their rights to the corporation even if their employment or service contract is silent on this issue. Whether this is the case must be determined on an individual basis.

Similarly, whether the member of the corporate body is entitled to additional compensation for such transfer (and to what extent) is subject to (supplementary) contractual interpretation. In determining the amount of compensation, the Law on Employee Inventions is neither directly nor indirectly applicable⁹. However, the aspects which need to be considered (see I.6) are similar.¹⁰

6) To what extent do the following factors determine whether an inventor employee is entitled to remuneration?

Pursuant to Sec. 9 para. 1 (GLEI), the employee shall have a right to reasonable compensation against his employer as soon as the employer has made a claim to a service invention. Sec. 9 para. 2 provides some criteria which need to be given particular consideration when determining reasonable compensation. These are the commercial applicability of the service invention, the duties and position of the employee in the enterprise, and the enterprise's contribution to the invention.

⁴ Federal Supreme Court (BGH), 16.5.2017 X ZR 85/14 – Sektionaltor II.

⁵ Regional Court of Düsseldorf, GRUR-RR 2014, 1190 – Sektionaltorantrieb, in this respect not reversed by Federal Supreme Court (BGH), 16.5.2017 X ZR 85/14 – Sektionaltor II.

⁶ Regional Court of Düsseldorf, GRUR-RR 2014, 1190 – Sektionaltorantrieb, in this respect not reversed by Federal Supreme Court (BGH), 16.5.2017 X ZR 85/14 – Sektionaltor II.

⁷ Federal Supreme Court (BGH), 16.5.2017 X ZR 85/14 – Sektionaltor II.

⁸ Federal Supreme Court (BGH), 16.5.2017 X ZR 85/14 – Sektionaltor II.

⁹ German Federal Court (BGH), GRUR 1990, 193, 194 – Auto-Kindersitz.

¹⁰ German Federal Court (BGH), GRUR 2007, 52. 54 - Rollen-antriebseinheit II.

Sec. 11 authorizes the Federal Minister of Labor to issue Directives for assessing reasonable compensation. The Directives are merely guidelines, i.e. they do not have binding effect. However, in practice they are widely accepted and applied by employers, the Arbitration Board at the German Trademark and Patent Office (Schiedsstelle) and the courts.

The Directives qualify the criteria mentioned in Sec. 9 para. 2. They provide that first the value (commercial applicability) of the invention shall be determined. In a second step is assessed what proportion of the value is to be allocated to the employee inventor based on his/her duties and position, and the enterprise's contribution to the invention (Directive No. 2 para. 1). To this end, the employee inventor and the invention process are assigned number in different categories whose sum determines the proportion of the invention value to be allocated to the employee pursuant the progressive scale in Directive No. 37.

a) Nature of employment duties;

Pursuant Sec. 9 para 2, the duties and position of the employee have to be taken into account. The Directives substantiate this in Nos. 33 to 36 and to some extent in No. 31. Directive No. 33 provides eight groups of inventor employees, from unskilled workers to heads of all research departments of larger enterprises. The groups are assigned numbers, with the first group (unskilled workers) being given the value 8 and the last group being given the value 1. These value numerals together with other factors (see below) determine the proportion of the value of the invention to be allocated to the inventor employee. In other words, the higher the employee's hierarchal position and the more extensive his/her education, the lower the compensation.

The grouping stipulated in Directive No. 34 is not strict. For instance, the head of the research department may be categorized in a group with a higher value numeral where the enterprise is small (Directives No. 34 para 2 sentence 3). The salary of the employee inventor may also influence the categorization where a higher salary is based on experience the employee has gained in the enterprise (Directives No. 35, para. 2, sen. 2 et. seq.).

Directive No. 31 provides that the invention be ascribed a number between 1 and 6 depending on the extent to which the invention was triggered by the employer's instructions or know-how (see c) below). Where the employee makes an invention outside his/her field of duty a larger number may be assigned (Directive No. 31, para. 2 sen. 3) increasing the compensation he/she is due.

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

An employee inventor is only entitled to reasonable compensation where he/she has made a service invention and the employer has claimed it. Service inventions are inventions made during the term of employment and which either (i) resulted from the employee's tasks in the enterprise or (ii) are essentially based upon the experience or activities of the enterprise. Thus, compensation is only due where there is a link between the invention and the employer's activity.

Furthermore, the amount of the compensation depends on the commercial applicability (i.e. the value) of the invention (see above). Where the invention is licensed or sold to third parties, the license fees or selling prices form the basis for determining the value of the invention. Where an invention is used within the enterprise, e.g. where the invented process is applied or where the invented product is manufactured by the employer, the value is generally assessed on the basis of the fees which the employer would have to pay had he licensed the invention from a third party. Consequently, the extent of the use of the invention and the revenue generated with it has a large impact on the amount of the remuneration.

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

One determining factor in assessing the amount of the compensation is the enterprise's contribution to the invention (see above). Directives Nos. 31 and 32 elaborate on this factor.

Directive No. 31 provides that the invention is ascribed a number between 1 and 6 depending on the extent to which the invention was triggered by the employer's instructions or know-how. For instance, where the employee has been given a task and also been directed towards the solution, the number 1 is assigned. Where the employee has not been given a task but either was aware of the technical problems (deficiencies and requirements) that lead to the invention because they were known in the enterprise, or could detect the technical problems because he/she had knowledge of the relevant information due to his/her employment, the numbers 3 and 4, respectively, are assigned. In the rare case where the employee formulated the task himself/herself without being able to detect the technical problems due to his/her employment, the numbers 5 or 6 are ascribed.

Directive No. 32 assigns numbers between 1 and 6 to inventions depending on the extent to which the employer supported the employee inventor in finding the solution. To this end, Directive No. 32 provides that the number 1 is assigned where none of the following statements are true and 6 if all are true.

1. The solution was found by applying a vocationally common consideration, i.e. applying the knowledge the employee acquired due to his level of vocational training and education according to which he/she is paid.
 2. The solution is found due to the enterprise's activities or experience, i.e. the employee found the solution by using data available within the enterprise.
 3. The enterprise provided technical support to the employee inventor; i.e. the employee used resources provided by the employer such as raw materials, tools, personnel etc. and this contributed substantially to finding the solution.
- d) Terms of the employment agreement or collective agreement.

Sec. 22 (GLEI) stipulates that the provisions of (this) Law may not be modified by contract to the detriment of the employee. This includes individual agreements with the employee, e.g. in the employment contract, and collective agreements.¹¹

Agreements entered into after the invention has been reported, however, are permissible. Many enterprises have their own guidelines for compensation, which in many cases provide that the employee is offered additional payment for waiving certain rights, in particular the right to apply for intellectual property protection in countries where the employer does not do so (Sec. 13).

Also common are lump sum payments to settle all future claims. These agreements are, however, subject to judicial review. Sec. 23 provides that agreements concerning service inventions shall be null and void to the extent that they are manifestly inequitable. This generally requires that the reasonable compensation pursuant Sec. 9 is double what was agreed.¹²

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?

Technically speaking, the right to compensation arises when a claim to an invention is made by the employer. Since the 2009 amendments to the GLEI, however, an explicit claim of the invention is not necessary (as was previously the case, and which still applies to inventions reported prior to 1 October 2009). As already, mentioned in previous answers, an invention – which must be reported by the employee immediately after having arrived at it – is deemed to be claimed by the employer simply by operation of the law, unless the employer releases the service invention within four months from the notification of invention by the employee (Sec. 8).

¹¹ Bartenbach/Volz, Arbeitnehmererfindungsgesetz, 5th edition, § 22, margin no. 7.

¹² German Federal Court (BGH), GRUR 1990, 193, 194 – Auto-Kindersitz.

The employer therefore has a choice between making a claim to, or releasing, the service invention.

As described above, the employee is obliged by law (Sec. 5, para. 1) to report the invention to his employer. The act of reporting sets the beginning of the four-month period for the release of the invention. If the employer does not explicitly release the invention, rights to the invention remain with the employer by operation of law (Sec. 6, para. 2) and the employee inventor is entitled to reasonable compensation (Sec. 9, para. 1). Thus, in practice, a claim to reasonable compensation arises at the latest on the first day following the expiry of the four-month period from the report, provided that no explicit release was given by the employer.

The invention report and the report of the release of the invention must be in writing, but no longer need to be signed personally by the inventor (Sec. 126b German Civil Code). It is sufficient that the report contain the name of the inventor and includes a copy of the inventor's signature. This change in procedure has enabled invention reports to be duly submitted by way of facsimile or email.

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 amount of remuneration, i.e. compensation, is variable and very complex. Determining the commercial applicability of the invention for the employer, which is necessary to determine the amount of compensation for the inventor, is also difficult to calculate.

In order to assess reasonable compensation, the law provides three parameters: commercial applicability of the invention, the duties and position of the employee in the enterprise, and the enterprise's contribution to the invention (Sec. 9, para. 2).

In addition, the Federal Minister of Labor has issued Directives for the calculation of compensation, which is a function of the value of the invention minus the circumstances in arriving at the invention.

By circumstances, the law defines aspects such as the duties and position of the employee within the company (the head of a research department is expected to arrive at significant inventions, thus his/her position would increase the deduction), and the contribution of the employer's track record in the field and resources to the invention (the more the invention is independent of these factors, the fewer reductions occur).

The value of the invention may be estimated using one of three methods: a license analogy (most common), estimation of value of an invention by quantifiable business use and an estimation of value (the latter two are rather uncertain) (Sections 2, 3, and 4 of the Guidelines). Co-inventors are compensated according to the percentage of their share in the invention.

Reference is also made to previous and subsequent answers, in particular the answer to 11).

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?

According to the provisions of the GLEI, “the provisions of this Law may not be modified by contract to the detriment of the employee” (Sec. 22). Such provisions are void and statutory law applies instead. Assignability of service inventions and qualified technical improvement proposals cannot be altered by contract. However, for service inventions that have been reported, free inventions and qualified technical improvement proposals (in the sense of Sec. 20, para. 1) or provisions favoring employees, contracts may deviate from the applicable law.

Therefore, raises and lump sums as part of the employee's general salary cannot compensate future employee inventions. An employee's general salary cannot be set off against claims for compensation, and compensation for employee inventions can neither be excluded nor diminished before a report of the invention.

After report of the invention, contractual provisions may diminish the employee's compensation claim, but only within certain limits (Sec. 23). A reduction of 50% or more will most likely be void. Also, claims for information on the employer's use of such inventions cannot be excluded or limited before notification. It is possible, however, to agree on minimum compensation or on a general compensation clause once the employment relationship has ended. For non-qualified technical improvement proposals which do not underlie statutory compensation obligations, any compensation scheme can be agreed, or indeed none at all.

In practice, companies often implement incentive guidelines, which are a basis for a contract with employee inventors after report of their invention or technical improvement proposal. Such guidelines may schedule lump sum payments for employee inventors waiving certain statutory rights (e.g. the employer's duty to apply for patents or utility models or under certain circumstances to offer such opportunity to the employee) and further payments for the use of the invention. The value of this use may be defined and generalized by relying on the company's experience with similar inventions. However, companies have to carefully observe the development of the market value of the invention in order to avoid any provisions in the

incentive agreement becoming void because the agreed lump sum is too low compared to the invention's actual value.

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.

Employees may claim additional compensation if the compensation agreed on with the employer is substantially less than what statutory law provides for (Sec. 23 para.1) which is most likely the case when only 50% or less of what is reasonable is paid.

On the other hand, the employer may also claim that the compensation paid is too high, which is most likely the case when the compensation paid is double or more than what is provided for by statutory law. Both employer and employee have to make claims regarding unreasonable compensation at the latest by six months after the employment relationship has ended.

While Sec. 23 covers situations where the agreed or unilaterally fixed remuneration is manifestly inequitable from the beginning¹³, both sides may also request amendment of the compensation agreed on for future use of the invention (Sec. 12 para. 6). This provision constitutes a special rule of when the basis of the transaction no longer exists or has significantly changed (Sec. 313 German Civil Code). The employee may waive this right though for a reasonable compensation. The provision covers any substantial change in the circumstances essential to ascertaining or fixing the compensation. This might be the case when the invention is used to a greater extent (most likely for use three times the amount) or for a longer duration (most likely for use double the time) than initially expected. Further aspects that can be considered are e.g. development of prices, revenue, manufacturing costs or the appearance of new competing technologies on the market sharply decreasing the invention's value.

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?

Anyone providing a creative contribution to an invention, whereby the contribution has an impact on the overall achievement, is a co-inventor. The individual contribution does not need to be inventive on its own.

¹³ German Federal Court (BGH), GRUR 1973, 649, 652 – Absperrenteil.

Importantly, the right to compensation is independent of the creative contribution of an inventor, e.g. whether the contribution the inventor made is part of the used invention.

If an invention is based on shared inventorship, compensation is determined based on invention value, the contribution each of the inventors made, a proportional factor and a risk factor. The general formula is:

$$\text{Compensation} = \text{invention value} * \text{contribution (\%)} * \text{proportional factor (\%)} * \text{risk factor (\%)}$$

Ways to determine the invention value have been previously discussed.

The basic requirement for determining the contribution made by each inventor made is the report of the invention, listing the names of the inventors and the type and scope of their work. The co-inventors have to come to a mutual agreement with respect to their individual contribution. However, the employer is not obliged to follow the mutual agreement of the inventors¹⁴. In any event, the contribution made to the invention by each inventor is expressed as a percentage.

The proportional factor is introduced to consider the fact that the invention has been made within the scope of the inventor's employment. It is also expressed as percentage, thus reducing the overall compensation (if not 100%). The factor balances the circumstances of an invention made as part of employment and an invention made as a free inventor¹⁵. Application of the proportional factor has shown that values from 10% to about 25% are common. In any case, the proportional factor reflects the employer's share in the completion of the invention. It is determined based on three factors: the determination of the problem to be solved, the solution to the problem, and the inventor's position in the enterprise.

The aspect "determination of the problem" is introduced to compensate the employer for its contribution to the initiation of the invention process. In other words, it is determined to what extent the invention is based on the initiative of the inventor. For employees in R&D, the factor usually equals 2, because it is asserted that making inventions is within the normal tasks of people employed in that area.

The aspect "solution to the problem" considers the employee's contribution to the solution of the problem. This factor is again influenced by three factors, namely the normal considerations within the employee's area of employment, prior knowledge within the enterprise and technical aid provided by the employer. The factor equals 6 if none of the three criteria is met.

¹⁴ BGH Copolyester I

¹⁵ Schiedsstelle v. 25.7.2003, Arb. Erf. 75/01

Finally, the aspect “inventor’s position within the enterprise” is taken into account. The higher the position within the hierarchy of the enterprise, the lower the contribution to the invention. This is because employees in higher positions are considered to gain deeper insight into the general activities of the enterprise. In addition, the higher the position the higher the salary, which results in an increased interest in the enterprise’s success and, thus, a generally higher expectation to contribute to inventions made within the enterprise’s activities. Importantly, the inventor’s position at the time the invention was made is taken into account, which may differ from the inventor’s position at the time the compensation is determined. The value usually equals 3 to 4 for an employee in the R&D department.

The above three aspects are summed, resulting in a value usually lying between 3 and a theoretical maximum of 20. The Guidelines for Inventors’ Compensation, item 37, provide percentages corresponding to summed values of the above three factors. The above formula thus includes a percentage value for the proportional factor, which further reduces the overall compensation.

Therefore, in general terms, the contribution of each of the inventors is determined based on their percentage contribution to the invention, the general expectation of the enterprise to contribute to inventions based on the inventor’s position within the enterprise and the enterprise’s contribution to the invention due to, inter alia, the provision of infrastructure and prior in-house knowledge.

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?

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 GLEI is applicable where the employment relationship is governed by German labor law.¹⁶

In situations involving a conflict of laws (in German: “Auslandsberührung”), for instance, where the employer’s enterprise is located abroad or the employee is temporarily working abroad,¹⁷ the applicable labor law has to be determined on the basis of the conflict-of-law provisions. It is worth noting that the fact that a company incorporated under the laws of Germany has foreign leadership or equity ownership does not constitute a conflict-of-law situation.¹⁸ Thus,

¹⁶ Reimer/Schade/Schippel, ArbEG, 8th edition, § 1, margin no. 14.Boemke/Kursawe, Gesetz über Arbeitnehmererfindungen, § 1; margin no. 116.

¹⁷ BAG v. 20.07.1967, AP Mr. 10 – Int. PrivatR/Arbeitsrecht; Schippel, Mitt. 1971, 229, 230; Hickl NZA Beilage 1/1987, 10 ff, Hohloch, RIW 1987, 353 ff.

¹⁸ Weiss, GUGR Ausl. 1956, 99; Schippel, Mitt. 1971, 229, 230; s.a. Bauer, Int. PrivatR d. ArbNErf. (1970) S. 72 ff. u. ders., AWD 1970, 512 ff.

an employer whose enterprise is located in Germany cannot be regarded as being located in another jurisdiction merely because it is owned by a foreign company.¹⁹

The conflict-of-law rules to be applied by German courts (and also by courts of other EU countries except Denmark) in relation to employment contracts with an effective date after 16. December 2009 are codified in the Rome I Regulation²⁰. Art. 8 of the Rome I Regulation expressly relates to individual employment contracts.

In the absence of expressly or tacitly (legally valid) agreed-upon choice of law, or where this choice of law is not effective (see below), the law to be applied is determined in accordance with Art. 8, par. 2 to 4 Rome I Reg.

According to Art. 8, par. 2 Rome I Reg., German law is to be applied when the employee habitually carries out their work in or from Germany. In this case, the compensation provision of the GLEI must also prevail.

Art. 8, par. 3 Rome I Reg. provides that the GLEI also applies where a foreign undertaking has an establishment in Germany – be it in a branch entered in the commercial register or another business or part thereof – and the employee is engaged in this place of business.

The provisions of Art. 8, par. 4 Rome I Reg. stipulate that where the employment contract is closely connected to Germany when considering the circumstances as a whole, the law of Germany shall also apply.²¹ Significant factors suggestive of a connection with a particular country, are in particular the country in which the employee pays taxes on the income from his activity and the country in which he is covered by a social security scheme and pension, sickness insurance and invalidity schemes²² and a common nationality.²³

In a conflict-of-law situation, the parties to an employment contract have the freedom to choose the applicable law. (Art. 3 Rome I Reg.) –This freedom, however, is restricted with regard to the GLEI.

In particular, the provisions of the GLEI cannot be modified in favor of a foreign legal provision to the detriment of the employee. This is ensured by Art. 8, para. 1, sen. 2 Rome I Reg. in connection with Sec. 22 sen. 1 GLEI, which respectively state:

¹⁹ Reimer/Schade/Schippel, ArbEG, 8th edition, § 1, margin no. 15.

²⁰ (Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations)

²¹ See also Schiedsst. V. 09.01.1986 – ArbErf 30/85 (not published)

²² ECJ, judgment of 12 09 2013, C-64/12 – Anton Schlecker (ECLI:EU:C:2013:551).

²³ See BGH v. 27.11.1975, GRUR 1976, 385, 387 – Rosenmutation, BAG v. 10.04.1975, AP Nr. 12 – Int. Privatrecht/Arbeitsrecht.

Art. 8 para 1. Sen. 2 Rome I Reg.: Such a choice of law may not, however, have the result of depriving the employee of the protection afforded to him by provisions that cannot be derogated from by agreement under the law that, in the absence of choice, would have been applicable pursuant to paragraphs 2, 3 and 4 of this Article.

Sec. 22 sen. 1 GLEI: The provisions of this Law may not be modified by contract to the detriment of the employee.

In summary, the location of the employer and the employee inventors is only relevant to the extents it affects whether German law is applicable to the employment relationship. Where German law is applicable, the location of the employer and the employee inventor is irrelevant. A choice of law is ineffective where it deprives the employee of the protections of the GLEI, i.e. where without the choice of law German law and thus the GLEI would be applicable.

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?

According to Sec. 9 para. 2, in assessing compensation, due consideration shall in particular be given to the commercial applicability of the service invention, the duties and position of the employee in the enterprise, and the enterprise's contribution to the invention.

Each employee co-inventor has an individual, independent claim to compensation against the employer, which may be asserted independently of the remaining co-inventors.²⁴ Sec. 12 para. 2 is also based on this, according to which, where two or more employees have contributed to a service invention, compensation shall be determined separately for each of them. Consequently, co-inventors are neither joint creditors of compensation claims nor – in the case of wrongly paid inventor compensation – joint debtors of any reclamation claims.²⁵

The principle claim of each employee to compensation where there are two or more inventors is to be separated from the inventor co-share for calculating the amount of the compensation for each individual inventor.

The compensation claim of the individual co-inventors exists independently of to which extent use is made of the features of the invention contributed by them.

Consequently, each employee co-inventor has their own claim to compensation, regardless of whether the co-inventors are active at the same place, the same business or even in Germany.

²⁴ BGH v. 18.03.2003, GRUR 2003, 702, 703 [BGH 18.03.2003 – X ZR 19/01] – Gehäusekonstruktion m, H. a. BGH v. 02.12.1960, GRUR 1961, 338, 341 – Chormethylierung und Busse/Keukenschrijver, PatG, Rn. 11 zu §12.

²⁵ BGH v. 18.03.2003, GRUR 2003, 702, 703 [BGH 18.03.2003 – X ZR 19/01] – Gehäusekonstruktion.

This existence of the claim is independent of the number of co-inventors, but the amount of the claim is impacted by the number of co-inventors.

Regarding the influence of the location of the employer in Germany or abroad, reference is made to the preceding answers.

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?

Yes, the GLEI is sufficiently clear in this respect.

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

The GLEI and the related directives give sufficient and detailed guidance on how to determine the employee's remuneration.

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

The provision of lump sum payments in certain cases would facilitate the practical application of employee inventor remuneration. Especially for SMEs, calculating the remuneration at an early stage can be quite cumbersome and leads to unjustified bureaucracy.

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

The last GLEI reform became effective on 1 October 2009. No further suggestions for reforms have been made recently.

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?

Not applicable

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

Not applicable

III. Proposals for harmonization

17) Is harmonization in this area desirable?

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

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

Yes, harmonization in the area of employee inventor remuneration is desirable from both perspectives, the employer's as well as the employee's. For employers who are present in various jurisdictions with their research activities, harmonization facilitates remuneration procedures and potentially lowers costs and time consumed by adapting various different standards. For employees, harmonized rules contribute to transparency and equality, especially when international teams composed of employees from various jurisdictions jointly work on inventions and become co-inventors.

It is the German Group's opinion that the GLEI is a fundamental element of the overall German innovation system. It provides rewards to employee inventors not only for creating an invention, but also for the commercialization or implementation of that invention. Therefore, while harmonization is desirable, it should not lead to the abolishment of the well-established remuneration system, which seems to serve the German innovation system quite well. On the other hand, harmonization based on the German system is unrealistic given the vast differences to and among other countries' laws. Consequently, a viable harmonization proposal should pursue minimum standards.

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.

On the basis of the considerations above (question 17), the international minimum standard should be that a claim for inventor remuneration should in principle arise when the employer has obtained the rights to a patentable invention made by the employee, be it by assignment, by claim or because by law these rights belong to the employer from the start.

The amount of remuneration should in principle be based on its value to the employer. The remuneration should be payable in at least two installments. One installment should be payable at an early stage – no later than at the time when a patent on the invention is filed – and one should be paid at a later stage when the value of the invention can reliably be assessed, for instance 8 years after the filing of the patent. The reasonableness of the amount of

remuneration should be subject to judicial review at least to the extent that it is manifestly inequitable.

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.

In situations where different laws are applicable to co-inventors, there are three conceivable standards. Either the most or least favorable standard is applied to all co-inventors or each co-inventor is treated according to the laws applicable to him/her. Applying the least favorable standard is irreconcilable with Sec. 22 GLEI and presumably also with labor law principles in other countries. Applying the most favorable standard can lead to arbitrary results. For instance, a US employee inventor would receive remuneration for one invention because of a contribution by a German co-inventor and no remuneration for an invention made solely by him/her. Consequently, the statutory standard should be that each co-inventor be treated according to the applicable laws. The differences between these laws would be mitigated by the proposed harmonization (see question 18). In addition, employers should be permitted to voluntarily apply a more favorable standard and thus be able to apply uniform company guidelines to all employees.