



## **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.

The Greek legal framework governing the ownership of inventions made by inventor employees, is set by article 6 of Law. 1733/1987 on "Technology transfer, inventions, and technological innovation".

- 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 aforementioned Law does not distinguish between types of employees, but between types of inventions. According to the Law, there are three types of inventions: free, service and dependent.

According to art. 6 par. 4, "an invention made by an employee shall belong to him/her (free invention), unless the invention is either a service invention, in which case it belongs entirely to the employer, or a dependent invention, in which case it belongs by 40% to the employer and by 60% to the employee".

According to art. 6 par. 5, "a service invention is the outcome of a contractual relation between the employee and the employer for the development of inventive activity. In case that a service invention is accomplished, the employee shall have the right to request an additional reasonable recompense if the invention is particularly profitable to the employer".

According to art. 6 par. 6, "a dependent invention is the invention made by an employee with the use of materials, means or information of the enterprise in which he/she is employed. The employer shall be entitled to exploit the dependent invention by priority against compensation to the inventor, proportional to the economic value of the invention and the profits it brings". The notion of dependent inventions is very similar to that of «mixed inventions» as provided for by the French law.

- 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?

In the case of service inventions, where the invention belongs entirely to the employer, the law does not obligate the employer to offer the employee inventors the right to independently file a patent application, in case the employer does not pursue patent protection.

In the case of dependent inventions though, the law provides that “the inventor of the dependent invention shall without neglect notify in writing the employer on the accomplishment of the invention and shall give the necessary data for the filing of a joint patent application. If the employer does not reply in writing within four months from said notification to the employee that he is interested in jointly filing the patent application, the said application shall be filed by the employee only and in this case the invention belongs entirely to the employee (art. 6 par. 6)”.

- 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.

In the case of service inventions, the employee has the right to request additional reasonable remuneration, if the invention is particularly profitable to the employer. The law does not clarify the terms “reasonable” and “particularly profitable”. The right to the additional remuneration does not depend on whether the invention has been patented.

- 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?

The inventors' right to remuneration beyond their salary is exclusively governed by Law. 1733/1987.

*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.

The nature of employment duties, the extent to which the invention is relevant to the business of the employer and the use of employer time, facilities and resources in generating the invention are the decisive factors, which, as shown above, determine whether an invention is a free, service or dependent one. The terms of the employment

agreement may determine factors a, b and c, and as a consequence, the nature of the invention.

It must be mentioned here, that agreements beyond the terms provided by the law for service and dependent inventions are acceptable, provided that they do not limit the inventors' rights. Indeed, art. 6 par. 7 of Law 1733/1987 explicitly mentions that "any agreement which restricts the above mentioned rights of the employee shall be considered null".

- 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?

The Law does not base the right to remuneration to the patenting of the invention but rather tends to put particular importance to the economic development thereof. Thus, it uses the - rather vague - concept of "particularly profitable". This prerequisite is calculated by taking into consideration the particular circumstances and by reference to the profit of the employer, whereas the additional remuneration has to correspond to factors such as the value of the inventive activity, the material contribution of the employer, the personal contribution of the employee, etc.

- 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?

As mentioned above, the amount of remuneration is not determined by the Greek Law, which requires the invention to be "particularly profitable" to the employer. Consequently, the amount is variable, depending on the specific circumstances, as mentioned above.

It must be noted that the case law in this matter is scarce. Remuneration is adjudicated in concreto by the Greek courts, which decide on a case-by-case basis, not leaving space for extracting an applicable formula.

- 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?

In accordance with the principle of freedom of contract, agreements beyond the terms provided by the law for service and dependent inventions are acceptable, under the condition that they do not limit the inventors' rights. Pursuant to art. 6 par. 7 of Law 1733/1987, "any agreement which restricts the above-mentioned rights of the employee shall be considered null".

- 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.

As mentioned above, in the case of service inventions an “additional remuneration” is provided for, for cases where the inventions have proven to be “particularly profitable” to the employer. However, it must be noted that in case of dispute, the burden of proof that the employer has made particular profit lies with the employee.

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?

There is no provision of the Law in this respect, nor is there any relevant case law.

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 right to remuneration of inventors applies to all inventors irrespective of their residence or the employer's seat.

Whether an invention is a free, a service or a dependent one depends on the employment contract. While the parties enjoy the freedom of choosing any law to govern their contract, it must be taken into consideration that the employee is protected by the more generous provisions of the locus laboris, or, in case the contract is more closely connected to another country, the law of that other country.

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?

Please see the comments under (13)

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?

The number of co-inventors or their residence in another jurisdiction does not impact the entitlement of each individual to obtain reasonable remuneration. What would certainly impact such entitlement would be the degree of contribution of each individual to the invention. Since the law does not provide any guidance in this respect, it lies upon the parties to agree under which terms the degree of contribution will be determined (taking into consideration the aforementioned article 6par.7 of Law 1733/1987) and, in case of dispute, to the courts, on a case by case basis.

## **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?

The Greek law provides a satisfactory framework of protection of inventors' rights and it must be considered sufficiently clear as to the circumstances under which the right to remuneration arises.

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

When it comes to the way of determination of the way of determining the remuneration, there is some room for improvement. This is because the law uses the rather vague term "particularly profitable" as a criterion for the inventor employee's right to additional remuneration, leaving it to the discretion of the parties, and, further, to the courts in case of dispute, to determine this term.

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

It would be useful if certain more specific criteria were set, such as a specific percentage of the employers' profit or a basic standard amount.

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

There are currently no proposed reforms of the Greek Law to this respect.

- 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?

Yes

*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.

We believe that a reasonable solution could be for the employer to pay additional remuneration in several lump sums, for different steps in the life of an invention, from accomplishment of an invention and filing a patent until grant thereof. After a certain time of exploitation of the invention (for example 5 years could be considered a reasonable

time), the employee may be entitled to an additional bonus, which can be agreed between him/her and the employer, by taking into consideration the economic and scientific interest of the invention in question, the difficulties of development thereof and the personal contribution of the employee inventor.

- 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.

Providing an internationally applicable standard for inventors located in different countries with differing laws in the matter of remuneration of inventor employees is quite difficult. Not just differences in the laws governing remuneration issues must be taken into consideration, but also disclosure or first filing obligation issues, which may lead to rather complex situations, since complying with one country's rules in this respect could mean an unavoidable direct breach of another country's similar legal requirements.

*July 21, 2017*