



**STANDING COMMITTEE ON PATENTS
STUDY ON INVENTOR REMUNERATION
QUESTIONNAIRE TO NATIONAL GROUPS**

MEXICO

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National Group: Mexican Group

Title: Study On Inventor Remuneration

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Nature of this Study

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

Introduction

- 2) This study concerns the issue of remuneration for employee inventors for inventions made in the course of their employment. Specifically, this study will consider whether and to what degree employee inventors should be compensated in addition to their normal wages for such inventions.
- 3) In some countries, employer rights to employee inventions are regulated by national laws, whereby an employer can acquire the right to an invention made by an employee in a number of ways. In other countries, there is no such regulation. Some countries have various requirements relating to the amount of remuneration an employee must receive for an invention made by the employee and filed in a patent application by the employer. Where this is required, remuneration may be due upon the happening of particular events, e.g. upon filing the initial application, upon issuance of a patent, upon licensing the patent, or at a number of such points. On the other hand, some countries have no such requirements. This creates a complex compliance obligation for international organizations and an unclear compensation regime for inventors.
- 4) The issue becomes even more complex in the context of multinational inventions, i.e. where joint inventors of an invention reside in different countries. This is an increasingly common situation due to the prevalence of international corporations having geographically distributed R&D groups, multinational joint venture projects, international corporate/university collaborations, and other cross-border research projects.
- 5) For the purposes of this questionnaire, multinational inventions are inventions conceived by two or more inventors where different national laws concerning inventorship apply to the inventions.
- 6) Most member states of the EU have some legal framework governing employer rights to employee inventions, as well as employee inventor rights to economic compensation. In addition, there are special provisions governing employee inventor remuneration for the transfer of rights in the invention to the employer in a number of European countries.
- 7) Beyond Europe, codification in this area is not as common. For example, Australia lacks statutory provisions regulating employer rights to inventions developed by employees. In the US, with the exception of certain categories of federal employees, there is no explicit regulation by federal law. Employers' rights to employee inventions may be regulated by state law, and in general practice, employer rights to employee inventions are relatively extensive. Unlike Australia and the US, in Japan and China, employers' rights to employee inventions are regulated by statute. In addition, employee inventors have a right to seek reasonable remuneration for the transfer of the invention to the employer.
- 8) This questionnaire addresses the issue of compensating employee inventors of multinational inventions. For example, how do companies deal with inventions made by

inventors in the US and a country with remuneration laws such as Germany or China? Do companies provide compensation only for their employee inventors in the countries requiring remuneration? How is compensation apportioned? These are current and important issues for multinational inventions, both employee inventors and their employers.

Previous work of AIPPI

9) AIPPI has previously studied inventor remuneration in the following contexts.

10) In the Resolution on Q40 – “The inventions of employees” (Helsinki, 1967), AIPPI resolved that:

a) *Unless otherwise provided by domestic laws or in the absence of an agreement between the parties concerned, the following regime should be applied:*

i. *The inventions eligible for protection made by the employees belong to the employer when they have been made with the means or experience of the latter or if connected with his type of activity. The employer shall enjoy the right of protecting the invention, in particular by a patent.*

Except in the case in which the invention is the result of a task entrusted to the employee, and is already remunerated, the employee shall have the right to request (to obtain) a special remuneration or a recompense which, in the absence of an agreement between the parties, shall be determined by a tribunal or by arbitration. This remuneration or this recompense shall take into account the importance of the invention and the contribution of the employee responsible for it.

ii. The employee shall have the right to be named as the inventor in the patent.

iii. The inventions made by an employee which do not fall within the above mentioned cases shall be regarded as 'free' inventions and will be the property of the employee.

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

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

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

National/Regional Group: Mexico

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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 definition of the ownership of an invention is defined in the following Mexican laws.

Industrial Property Law (IPL)

The Article 9 of the IPL states that any individual that develops an invention, or his successor in title, shall have the exclusive right for exploiting the same either by himself or through authorizations to third parties.

Article 9.- The individual who makes an invention or utility model or creates an industrial design, or his successor in title, shall have the exclusive right to use it for his benefit, either himself or through others with his consent in accordance with the provisions of this Law and the regulations under it.

Further, the Article 10Bis of the IPL states that the right to obtain a patent belongs to the inventor and that such right can be transferred.

Article 10bis.- The right to obtain a patent or a registration shall belong to the inventor or designer, as the case may be, without prejudice to the provisions of Article 14 of this Law.

The Article 14 of the IPL states that the Federal Labor Law (FLL) applies to persons subject to an employment relationship.

Article 14.- Inventions, utility models and industrial designs made by persons subject to an employment relationship, they shall apply the provisions of Article 163 of the Federal Labor Law.

Federal Labor Law (FLL)

In case that the inventor is hired by a company through a labor contract, or in absence of a contract, if the person performs activities under terms and conditions typified in the FLL, the provisions on the FLL applies for determining the ownership of the invention. In this regard, the Article 163 of the FLL establishes three basic rules:

- I. The inventor has the right to be mentioned as the author of the invention.

II. When the employer sponsors the work for developing the invention, the employer will own the invention. If the importance of the invention and the benefit of the employer is out of proportion compared to the regular payment of the employee, the employer shall pay an additional amount to the employee.

III. In other cases, the employee shall own the invention, but the employer shall have preferential right to obtain rights over the invention.

Article 163.- The assignment of the rights to the name and ownership and exploitation of inventions made in the company, shall be governed by the following rules:

I. The inventor has the right to be mentioned as the author of the invention;

II. When the worker is engaged in research or improvement procedures used in the company, on behalf of it, the ownership of the invention and the right to exploit the patent shall correspond to the employer.

The inventor, regardless of the salary that he would have received, will have the right to receive an additional compensation fixed by agreement between the parties or by the Conciliation and Arbitration Board (Junta de Conciliación y Arbitraje) when the importance of the invention and the benefits to the employer are out of proportion with the salary of the inventor; and

III. In any other case, the ownership of the invention will correspond to the person or persons who performed it, but the employer will have a right of first refusal, in equality of circumstances, to the exclusive use or acquisition of the invention and the corresponding patents.

Science and Technology Law (STL)

This is the newest Mexican law directed to R&D centers, higher education institution and other entities considered Public Research Centers. The last paragraph of the Article 51 of the STL states that in order to promote IP commercialization, the government bodies of the R&D institutions shall approve rules for granting researchers, academic personnel and specialists up to 70% of the generated royalties.

- 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 FLL states different rules to determine the ownership of inventions developed by employees in view of the invention and its relationship with the activities of research or improvement of the procedures used in the company performed by the employee.

Therefore, the ownership of the invention may depend on the type of employee, specifically on the activities for which the employee was hired.

On the other hand, the Article 56 of the STL provides rules directed to employees of public institutions dealing with research and technology activities, particularly when they are government funded. Under these provisions, Institutions of the public sector engaged

in R&D activities: Public Hospitals and National Health Institutes, Federal and State Universities and the like, have published regulations dealing with IP generated by its employees, namely, researchers, on which specific the related royalties to the inventors have been clearly established in view of the net annual royalties generated for the invention.

These provisions are aligned to those of the FLL. All agreements entered between employers and employees must follow the rules fixed by the FLL. Any provision contrary to this Law is illegal, and unenforceable.

- 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?

Article 163 of the FLL establishes the rules of ownership of inventions when the developments made by employees during the course of their employment are related to the activities of the employer. In this regard:

a) The employee will always have the right to be identified as the inventor.

b) When the employee was hired specifically to perform activities of research and development on behalf of the employer, all the rights deriving from the invention will be owned by the employer.

It will be therefore the sole decision of the employer whether to seek patent protection or not. The FLL does not provide that the entitlement will revert to the employee in the event that the employer does not wish to pursue a patent. However, as nothing in the law states otherwise, it is permissible to revert entitlement to the inventor if the parties so agree.

c) If the employee was not hired to perform activities of research and development, then he will have the rights over the invention and the patent. In such case the employer will have a first option to acquire the invention or a license thereto.

- 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.

The same provision of the FLL states that the inventor/employee will have the right to receive an additional compensation (to be determined by the parties in first instance or the competent Courts if necessary), when due to the importance of the invention, the benefits obtained by the employer derived from its exploitation, are out of proportion to the salary received by the inventor/employee.

- 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?

No.

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.

According to the FLL (a) the nature of employment duties,(b) the extent to which the invention is relevant to the business of the employer and in some manner, (d) the terms of the employment agreement or collective agreement, determine whether an inventor employee is entitled to remuneration.

Article 163 of the FLL specifically provides that if nature of the work performed by the employee is associated to research or to the improvement of procedures used in the company, the ownership of the invention and the right to exploit the patent will correspond to the employer. Moreover, the employment agreement shall also be taken into consideration for this matter since this article also provides that the work performed by the employee shall be performed on behalf of the employer, and therefore the activities of the employee must be clearly stated in the employment agreement to determine if the invention belongs to the employer.

As a complement to the above, the extent to which the invention is relevant to the business of the employer is also relevant to the remuneration of the employee since the FLL in the same article benefits the inventor giving him/her the right to an additional remuneration when the importance of the invention and the benefits to the employer are not proportional with the salary earned by the inventor.

- 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?

In accordance with article 163 of the FLL, the right for the additional remuneration arises once the employer is benefited in a disproportional manner with regards to the salary earned by the employee that developed the invention.

- 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?

Variable.

The amount of remuneration is not codified in the IPL and the FLL and therefore it might vary from case to case.

Moreover, the IPL and the FLL are silent regarding the determination of remuneration or royalties that must be paid to employees who developed and invention, and there are no judicial precedents that can be used to determine a specific remuneration arrangement that can be used to standardize this matter.

As an example, Article 51 of the STL states that a maximum amount of 70% of the generated royalties could be for researchers, academic personnel and specialists as approved by the government bodies of the R&D institutions in order to promote IP commercialization. It is important to specify that this law applies for public institutions and private institutions favored with governmental funds.

- 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. Under Article 163 of the FLL, the remuneration to the inventor can be agreed between the employer and the employee and the authorities will be able to establish the remuneration only in the absence of agreement.

- 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.

Yes. Article 163 of the FLL establishes that the inventor shall be entitled to additional remuneration whenever the benefits to the company are not proportional with the regular payment to the employee, but based on that principle that an additional remuneration is given, the agreement of the parties should prevail. The parties may renegotiate the conditions of the remuneration at any time.

- 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?

It is determined on a *pro-rata* basis following co-ownership rules fixed in the Mexican Federal Civil Code.

- 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?

If the employment contract was signed according to the law of the other jurisdiction, the right to remuneration shall apply according to the rules of the other jurisdiction.

In cases in which the parties accepted the Mexican law as the applicable law, the right to remuneration shall apply according to the Mexican legislation.

- 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?

If the employment contract was signed according to the law of the other jurisdiction, the right to remuneration shall apply according to the rules of the other jurisdiction.

In cases in which the parties accepted the Mexican law as the applicable law, the right to remuneration shall apply according to the Mexican legislation.

- 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?

It is a different scenario if the employer is in Mexico or in another jurisdiction. Specifically if the employment contract of the employee inventor is ruled by the Mexican Law or by the Law in the other jurisdiction.

If the employment contract was signed according to the law of the other jurisdiction, the right to remuneration shall apply according to the rules of the other jurisdiction.

Nevertheless, if the employment contract is governed by the Mexican Law, the number of co-inventors and their remuneration would not impact the rights of the employee inventor in Mexico.

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.

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

There is no sufficient guidance, the parties are free to negotiate and reach an understanding or to seek the decision of the CAB on a case-by-case basis.

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

Yes, identifying and defining the factors to determine the benefits of the employer.

- 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?

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

Not applicable.

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.

The success of an invention depends on multiple factors and therefore the Mexican Group considers that it is not desirable to fix a standard for remuneration for employee inventors that could depend on his/her salary and the benefits of the employer for the invention.

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.

The basic international standard should be based on the *most favored nation principle*, and the *pro homine principle* of international law. Thus, issues where employee inventors are located in different countries should be handled according to the local law most favorable for the inventor.

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