



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.

National/Regional Group:

Contributors name(s): Marcus EILENBERG, Ivan HJERTMAN, Louise JONSHAMMAR, Hampus RYSTEDT, Mika SILFVER, Hanna TILUS,

E-Mail contact: hampus.rystedt@zacco.com

Questions

I. Current law and practice

- 1) Please describe your Group's current law defining ownership of an invention made by an inventor employee and identify the statute, rule or other authority that establishes this law.

The current law defining ownership made by an inventor employee is the Act on the Right to Inventions by Employees (1949:345) (Sw: Lag om arbetstagares rätt till uppfinning, often abbreviated as "LAU"), hereinafter referred to as "the Act". The Act came into force on 1 January 1950 and has only been slightly amended since, with the latest such amendment coming into force on 1 September 2016.

- 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 Act distinguishes between employees whose primary task is to perform research or inventive activities and those who do not have this as a primary task.

Academic staff is also exempted from the Act meaning that they always fully own their inventions, unless the ownership of any such inventions is regulated elsewhere, such as in an agreement with a university. The exemption is interpreted in a broad manner, leading to large groups of academic staff being considered to be exempted, including full or part time professors, lecturers, research assistants, PhD students and teachers. Similarly, the law also applies to non-academic staff at universities and higher education institutions such as technical and administrative staff. However, so called industrial doctoral students are not exempted from the law since they are employed by a company rather than by a university or higher education institution and only do research at the university during a limited period of time.

- 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?

No, the decision whether to pursue patent protection or not for an invention, is at the exclusive discretion of the owner of the invention. Thus, if the employer correctly has used its

rights to acquire an employee invention, there is no obligation on part of the employer; neither to file a patent application nor to offer that right to the employee.

- 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 Act stipulates that the inventor is entitled to remuneration if the employer acquires the right to the invention and that the remuneration should be "reasonable", but there is no explicit rule that stipulates a requirement for the employer to compensate employees beyond their salary.

There is an explicit presumption stipulated in the Act according to which the salary should be considered to sufficiently compensate employees for so called research-related inventions. These must have come about as a result of research and invention operations which are the principal task of the employee, or be the solution to a clearly specified task which forms part of the employee's work. For such inventions, remuneration beyond the employee's salary requires the value of the invention to be so great that it could not have been reflected in the salary and other employment benefits normally received by the employee. However, for the other two kinds of inventions described in the law, being other work-related inventions and non-work-related inventions, remuneration beyond the salary should be paid and is calculated based on three factors, namely: the assessed value of the invention, the scope of the right transferred to the employer and the significance of the employment to the invention. The latter expression refers to how important it was to the achievement of the invention that the employee worked in the technical environment offered by the company and the fact that, as part of his or her normal duties, he or she worked with products and tools etc. which may have provided the driving force for the invention.

- 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?

Yes. There is a collective agreement in force between associations of employers and employee unions. The collective agreement is binding for the employers and therefore replaces the Act for all employees of these employers (i.e. not only union members).

The collective agreement classifies inventions in three categories A, B, and C inventions. Class A inventions are inventions made in the normal line of duty, irrespective of whether research or invention is the main focus of the employment. Class B inventions are inventions within the employer's area of business, but not class A inventions. Class C inventions are other inventions.

The collective agreement includes a basis 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 Agreement states that a standard amount determined in advance should be paid to the inventor, no matter which category (A or B) the invention belongs to. This means that a minimum of a standard level of compensation should be paid for an invention which, under the Act would be regarded as a research-related invention (see description above). On the

other hand, additional compensation for Class A inventors should be payable only if the value of the invention “significantly exceeds the predicted value, taking account of the position held by the employee, as well as salary and other employee benefits”.

Since the definition of a Class A invention is much broader in the Agreement than the definition of research-related inventions in the Act, and since the concept of reasonable compensation is obligatory, the rule on limitation primarily applies to Class A inventions which are also research-related inventions, as defined in the Act. Normally, therefore, the invention does not need to be of significant value to entitle the inventor to further compensation.

A Class B invention should always entitle the inventor to compensation over and above the standard compensation, unless it is almost without value.

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 Act, section 6:

If the employer succeeds, in whole or in part, to the rights of the employee in relation to an invention by the employee, the employee shall be entitled to reasonable compensation; and the foregoing shall apply even if something to the contrary was agreed to prior to the invention being made.

In connection with any determination of compensation, particular consideration must be given to the value of the invention and the scope of the right to the invention which the employer has succeeded to as well as the significance the employment may have had for the creation of the invention.

If the main tasks of the employee is research and innovation and the innovation has been created significantly as a result of that, in addition to reasonable compensation for the expenses the employee may have borne in respect of the invention, compensation shall only be paid to the extent the value of the right to the invention which the employer has succeeded to exceeds the amount which could be expected taking in consideration the employee’s wages and other benefits of the employment.

Terms of the employment and collective agreements can in this case overrule the Act, but not regarding the entitlement to reasonable compensation as such.

- 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 Act, section 6:

The entitlement to reasonable compensation arises if/when the employer succeeds, in whole or in part to rights of the employee in relation to an invention by the employee.

- 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 is variable. The invention must be valued as a basis for determining the remuneration. The valuation is an overall assessment based on several factors, see answer above under question 6.

- 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?

As stated above in answer to question 6, terms of employment contracts can overrule to a certain extent, but the entitlement to reasonable compensation as such is a mandatory provision of the Act.

- 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.

The Act is silent in this regard. However, as the legal and mandatory right to remuneration, stipulated in section 6 of the Act, requires "reasonable" remuneration, the Act may be understood as implying that an accepted remuneration may be unreasonable and therefore may be adjusted by additional remuneration. In practice, such adjustments have been made for inventions which have proven to be extremely valuable over time.

Disputes pertaining to the interpretation of the Act, including disputes over the amount of remuneration, may be heard by the National Board for Employee Inventions (abbreviated as "SNAU"). SNAU is an authority with the mandate to issue non-binding advisory opinions. However, since opinions issued by SNAU are not public, there is no case law available on assessment of remuneration.

- 11) If remuneration is based on the contribution each inventor made to the invention, how is that contribution determined and how is the remuneration then calculated?

The Act does not handle the matter of co-ownership of inventions or inventor contributions. Unless otherwise agreed or determined in a dispute settlement, co-ownership to an invention will be shared in equal parts. Inventor contributions have

previously been discussed by AIPPI in Q244 (Inventorship of multinational inventions), please see AIPPI Sweden's report in that Study Question.

However, the Act stipulates that an employee has the same right to his/her invention as other inventors do. An employee sharing the inventorship with other persons, be it co-workers or non-employees, can only submit his/her share of the invention to ownership by the employer. Remuneration for partial ownership offered to the employer will therefore be based on the value of partial ownership of the invention (as one of the relevant factors of remuneration) and hence be less than remuneration for full ownership.

- 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 Act does not specifically deal with this situation. If Swedish law is applicable to the employment relation, e.g. by a valid specification to this effect in the employment agreement, then the Act would apply to an inventor located outside Sweden.

Also, as previously stated, the invention must be patentable in Sweden. If the invention is patentable in the jurisdiction where the employee is located, but not in Sweden, then it appears that the Act is not applicable.

- 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 Act does not specifically deal with this situation. If Swedish law is applicable to the employment relation, e.g. by a valid specification to this effect in the employment agreement, then the Act would apply to an inventors located in Sweden employed by a foreign employer.

Also, as previously stated, the invention must be patentable in Sweden. If the invention is patentable in the jurisdiction where the employer is located, but not in Sweden, then it appears that the Act is not 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?

No, the number of co-inventors or whether they are entitled to remuneration, does not impact the inventor employee's entitlement to remuneration.

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?

Yes, the Act provides parameters to guide determination of reasonable remuneration. More detailed guidance is not desirable as the circumstances under which "reasonable remuneration" is to be assessed will vary a great deal between employers, areas of business and individual employment and/or invention situations.

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

Yes. Publication of opinions by the National Board for Employee Inventions would add to the foreseeability of the Act, possibly even lessening the need for arbitration. The Act could also express what a minimum remuneration in relation to the value of the invention should be. Regarding valuation of the invention, it is our experience that in each individual case, valuation of the invention is not always made. Rather, an approximated lump sum is used. The Act could be improved by providing an articulate guidance on valuation of the invention.

- 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.

III. Proposals for harmonization

- 17) Is harmonization in this area desirable?

Yes.

- 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.

In the opinion of AIPPI Sweden, the Swedish collective agreement (mentioned under question 5, above) is more specific than the Act, by expressing a recommendation for a compensation scheme and detailing relevant factors for valuation of the invention. In the interest of foreseeability and legal certainty, such guidance would be preferred when setting a standard of remuneration. A standard may also include approximate lump sum remunerations, albeit with the allowance of additional remuneration if the invention proves to be very valuable. Pertaining to valuation of the invention, a standard should

provide relevant factors for determination of the value. However, without knowing more about how other jurisdictions handle employee inventors' remuneration, we believe that it is premature to suggest a standard at this point.

- 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.

We consider suggesting a standard for handling un-harmonized law, somewhat contradictory to our support of harmonization of the law. However, in a principle matter, AIPPI Sweden would suggest that such a standard should point to applying the law where the employer has its principal place of business. The reason for this being that a standard for handling employee inventors located in different countries should be as easy to determine as possible.

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