



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.

Chapter V of the Turkish Industrial Property Law No.6769 (hereinafter IPL) is dedicated to the employee inventions. Art. 113(1)IPL define service inventions and free inventions. Additionally,Art. 115 indicate legal consequences of claiming or not claiming rights for inventions from the employee within a certain time limit. A final draft of the Regulation on Employee Inventions (hereinafter the regulation) provides clear definition of the employee under Rule 4(c).

- 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)?

Art. 121 IPL differentiate rights related to the inventions made in higher education institutions (Universities and similar equivalent institutions of Ministry of Interior and Ministry of Defense) from some aspects. First paragraph of the article refers to the provisions of employee inventions section. However, several special provisions are introduced by the same article, giving extended rights compared with the employees of the companies. Moreover, a civil servant as an inventor is subject to the different provisions in terms of remuneration. No special reference is made in law relating to be employed "to invent".

- 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?

Yes. Addition to the provisions that change status of the invention from service invention to free invention, where the inventor will have right to file a patent application, Art. 118 IPL introduce an obligation for employer to inform inventor in case of abandonment of a patent application or patent before the payment of the remuneration. In case of a subsequent request from the employee, employer has to provide necessary documents which are mandatory for assignment of a patent right or grant a patent. Moreover, Art. 116(6) oblige employer to release invention for the countries for which employer has no

interest for a patent protection and enable employee to seek for a patent right in those countries.

- 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. Art. 115(6) give right an inventor employee to ask for a reasonable compensation upon full claim of rights of the rights to the invention by the employer. Following paragraph define conditions of calculation of a compensation which are commercial applicability of the invention, duties and position of the employee in the company and enterprises contribution to the invention. In case of multiple inventors, compensation is shared among each inventor based on his/her contribution. At the date of the preparation of this answer, a final draft Regulation on Employee Inventions which is a comprehensive guideline for calculation of the compensation was pending for ministry approval before publication.

- 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. There is a clear regulation on remuneration at IPL and law addresses arbitration panel for resolving conflicts between the employee inventor and company to define reasonable the amount of compensation.

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;

Art. 115(7) define employment duties as one of the main factors of consideration for remuneration. According to the regulation, if invention is a solution for which inventor was assigned to solve (e.g. R&D staff), his remuneration will be less than another employee, who has no such a task definition.

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

Pursuant to Art. 119(3) If it is clear that invention is irrelevant to the business of the employer, employee does not have any obligation to submit an invention disclosure. Otherwise, commercial applicability of the invention is a has to be considered to calculate remuneration of the employee for a service invention.

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

Contribution of the employer to the invention is another main factor for calculation of the remuneration.

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

Freedom to sign a contract with the employee regarding a service invention, including the agreed amount of a remuneration, starts after filing a first application before the

Turkish Patent Office. According to Art. 118(1) right to remuneration does not affected by termination of an employment contract.

- 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?

After claiming full right to an invention or claim partial right and use the invention by an employer, employee has right to ask for a remuneration arise for the inventor.

- 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?

It is variable. According to final draft of the Employee Invention Regulation, remuneration can be determined by multiplying a factor selected from a matrix with the income from the patent calculated by one of the four methods: the value of the patent according to the tax exemption regulation (so called patent box), license analogy, operational benefit, estimation. Art. 115(10) IPL oblige employer to make a separate calculation of remuneration for each one of the co-inventors.

- 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?

Principle of contractual freedom applies. But it is not possible to have a contract which will detriment the position of the inventor employee.

- 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 commercialization.

No. It was offered with the first draft of the regulation but removed.

- 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?

Contribution of each inventor is determined by choosing a group name from three groups predefined by the regulation by direct/indirect or non assignment of a duty to the employee inventor to complete a task and existence of contribution by the enterprise such as tools, raw materials etc. Selection of the group will directly influence the factor to be multiplied with the value of the invention.

- 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?

Yes. Definition of the employee is not limited to the residents of the Turkish Republic.

- 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?

No.

- 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. But if the employer in our jurisdiction Turkish law will apply.

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. Full or partial claim with use of the invention is clearly arise right for inventor to ask a remuneration to be paid.
 - b) does the law provide sufficient guidance as to how the remuneration is to be determined?
The law itself does not provide a sufficient guidance. The draft regulation explain a complex remuneration calculation model to be followed by the employers. Simplification is necessary to streamline the process.
 - c) are there aspects of your law that could be improved to address remuneration of inventor employees?
*The regulation include a complex remuneration calculation method is the part of the legislation which need to be separated as a guideline for the employees.
In case of a nullity action, the regulation still offer a payment of the remuneration until a final decision from the court which may take a couple of years. Suspension effect of nullity action should be introduced replacing the current wording of the regulation.*
 - 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?

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.

Contractual freedom should be ensured by any legalization on remuneration for inventors. Calculation methods can be only provided as a guideline but not a part of the legalization. In such a guideline, a standard simple calculation method can be introduced which will take consideration of economical value and contribution of the employee. A factor from a table based on the weight of the relevant parameter can be selected from a table which indicate the factor multiplied by monthly salary to be considered as the remuneration amount. Any legalization should clearly define when the remuneration is no longer applicable. Starting date of any nullification action against a patent should have suspensive effect on remuneration to the inventors.

- 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.

Each inventor should not be treated to his own jurisdiction according to the nationality or residency. Applicable law should be the country at which the employer has principle place of business. Otherwise, a German inventor could be paid even ten times more than a co-inventor from Spain or Turkey. A factor to consider purchasing power of the country of the respective inventor may apply.

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