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:

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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.

According to the Ukrainian Law, the right to obtain a patent has an inventor or an employer or their successors. Question of an invention made by an inventor employee regulates with the help of Civil Code of Ukraine and the Law of Ukraine "On the Protection of Rights to Inventions and Utility Models".

An inventor employee is the holder of moral rights of the invention. As to proprietary rights of intellectual property in the object created in view of the labor agreement fulfillment are vested only jointly with the inventor (the employee) and the employer – a legal or physical entity, unless otherwise stipulated by the agreement.

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)?

Ukrainian legislation does not provide any difference between types of employees.

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?

According to the Article 9 of the Law of Ukraine "On the Protection of Rights to Inventions and Utility Models" an employer of an inventor shall have the right to obtain a patent for an employee's invention.

An inventor shall submit to the employer a written report on the created employee's invention with the description that disclosures the subject-matter of the invention quite clearly and completely.

An employer shall file the application for obtaining a patent with the Office or transfer the right to obtain a patent to another person, or make a decision on reservation of an employee's invention as confidential information within four months from the date of receipt of the report from the inventor. Within this period, the employer shall conclude with the inventor a written agreement defining the amount and conditions of payment of a

remuneration to the inventor (the inventor's successor in title) according to the economic value of the invention and (or) another benefit that may be derived by the employer.

If an employer fails to comply with the requirements of Paragraph 3 of this Article within the fixed period, the right to obtain a patent for an employee's invention shall be transferred to an inventor or inventor's successor in title. In this case, preference for acquisition a license shall be given to the employer.

The period for reservation of an employee's invention as confidential information by an employer or an employer's successor in title under the condition of its non-use shall not exceed four years. Otherwise, the right for obtaining a patent for an employee's invention shall be transferred to an inventor or an inventor's successor in title.

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.

If the invention is created in connection with the fulfillment of an employment agreement, the inventor employee gets salary defined by this agreement. If the employee makes the invention outside the employment agreement, the remuneration has to be carried out (as a lump-sum payment or in the form of royalties) additionally, in the order and amount stipulated by the employee invention assignment agreement).

The current legislation of Ukraine, in particular, Article 9 of the Law of Ukraine "On the Protection of Rights to Inventions and Utility Models" does not have provisions limiting the minimum remuneration for an invention made by an 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?

If your answer to question 4) or 5) is 'yes', please answer remaining questions 6) to 8). If no, please go to question 9)

Yes

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.

A, B, C, D.

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 the Paragraphs 2 and 3 of Article 9 of the Law "On the Protection of Rights to Inventions and Utility Models" within four months from the date of receipt of the written report from the inventor on the created employee's invention with the description that disclosures the subject-matter of the invention quite clearly and completely, the employer shall conclude with the inventor a written agreement defining the amount and conditions of payment of a remuneration to the inventor (the inventor's successor in title) according to the economic value of the invention and (or) another benefit that may be derived by the employer.

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 remuneration varies and depends on the terms of the agreement between employer and innovator employee, and has to be based on economic value of the invention and (or) other benefits that may be derived by the employer.

The uniform methodological approaches to implementation of contractual relations in the sphere of intellectual property were introduced by the Order No. 986 of the Ministry of Education and Science of Ukraine of December 28, 2004. This document, in particular, contains a model agreement between co-authors regarding contribution to the creation of the object of intellectual property rights and the distribution of remuneration, a model contract of remuneration between an employer and an author. In particular, the latter sets forth that in case of the use of intellectual property object in its own manufacture and/or vending of license in the territory of Ukraine an employer may pay remunerations: incentive (as a one-time payment, the amount is set in Ukrainian Hryvnias) or periodic (payable during the term of validity of (exclusive) proprietary rights or a license and/or license agreement) calculated in percentage (not specified in the laws) from income. The income shall be calculated according to the Methodology (guidelines) of determining the income received from the use of inventions and rationalization proposals approved by the Order No. 80 of the State IP Institute of Ukraine of August 26, 1998.

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?

The law does not provide details and this issue can be agreed by the parties in the contract.

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.

In case of payment of periodical remuneration (payable during the term of validity of (exclusive) proprietary rights or a license and/or license agreement) it is possible providing that the respective provisions are available in the contract concluded between an employer and an author of the invention.

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?

According to Paragraph 2 Article 8 of the Law "On the Protection of Rights to Inventions and Utility Models" inventors, that have jointly created an invention, shall have equal rights for obtaining a patent and equal shares for remuneration unless otherwise stated in the agreement between them.

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?

Jurisdiction extends in case if the employer's and employee's relations are regulated on the basis of the national legislation of Ukraine and international agreements ratified by Ukraine.

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?

By the general rule Ukrainian legislation will govern relations that are held on the territory of Ukraine. Although, the parties have a right to decide which jurisdiction they want to use in their agreement.

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?

If this issue is regulated by the Ukrainian legislation, the number of inventors affects the distribution of remuneration and other circumstances will not be sufficient. If the legislation of Ukraine is not applied to the relevant relations, it is regulated in accordance with the legislation of the country within jurisdiction the parties operate.

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?

There is a need to clarify the definition and requirements for service invention and formalize in law the requirements upon which an inventor shall be entitled to additional remuneration for his inventions and to set a minimum percentage of the

total income from the introduction of an invention or the grant of a license to be paid to such an employee.

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

The legislation of Ukraine does not provide detailed guidance for determining the amount of remuneration.

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

In order to optimize the payment of remuneration, it is efficient to expand the criteria for determining its amount and to include:
- *the inventor's official position;*
- *his experience and skills, which were invested in the invention;*
- *the degree of the employer's contribution to the creation of the invention;*
- *to specify circumstances of possible change in the amount of remuneration depending on the degree of benefits derived from the invention, etc.*

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

At the moment, there are no draft legislation suggesting the reform of the current patent law of Ukraine in the context of determining the amount of remuneration.

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?
Yes

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

To develop methodological recommendations for practical application and to update the existing Methodology of determining the income received from the use of inventions and rationalization proposals, approved by the Order No. 80 of the State IP Institute of Ukraine of August 26, 1998.

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.

At first, it is desirable to arrive at an international consensus to address such issue as definition and requirements for service invention.

The solving this issue internationally can eliminate most of the disputes between employees and employers, including in cases where employee inventors are located in different countries.

However, in our opinion, there is no need to establish a strict set of rules for the exact assessment of remuneration as such rules could never deliver just results in each individual case. Consequently, each case has to be considered according to its specific circumstances.

At the same time, an appropriate international standard may include the recommendation how to determine just remuneration.

The German model which calculates the remuneration rate according to the formula "remuneration = value of the invention x rate of share" is a good example in the case.

At the same time, we foresee some difficulties in determining the value of the invention, such as: significant costs of evaluation for the inventor, the employer's refusal to provide confidential information that may influence on the value, etc. In addition, this method is unlikely to be useful for the public sector.

In this regard, a two-tier system of remuneration is more attractive to the employee inventor, according to which the inventor will be able to receive the initial remuneration and a certain percentage of the profits of the patent owner, obtained later with the help of 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.

We believe that the international rule for the choice of law will be sufficient. For example, the issues where employee inventors are located in different countries may be handled by the legislation of the employer's country.

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