



## **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): Nguyen Nguyet Dzung

E-Mail contact: nn.dzung@vision-associates.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.

According to the IP Law No. 50/2005/QH11 promulgated by the National Assembly of Vietnam as amended and supplemented in 2009 ("the IP Law"), the entities or individuals who have invested finance and material facilities to the inventors in the form of a job assignment or job hiring, shall be entitled to file patent applications for those inventions created by such inventors while on the job, unless otherwise agreed by the parties (IP Law (Article 86.1b). Namely:

**Article 86. Right to file applications for inventions, industrial designs, layout-designs**

1. The following organizations and individuals shall be entitled to file application for an invention, industrial design and layout-design:

a) The authors who have created the invention, industrial design or layout design by his or her own efforts and expenses; or

b) The entities or individuals who have invested finance and material facilities to the authors in the form of a job assignment or job hiring unless otherwise agreed by the parties and such agreements are not contrary to paragraph (2) of this Article.

...

- 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)?

There are no specific provisions in the IP law and its Regulations relating to ownership of an invention made by an inventor employee distinguishing between types of employees (e.g., between academic staff in universities and in for-profit organizations, etc.). Rather, according to the IP Law (Article 86.1b), the inventor employee is generally mentioned as the one who is being specifically hired or 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?

There are no specific provisions provided for in the IP Law and its Regulations regarding the obligation imposed on the employers to offer to employees the right to file a patent application, or entitlement to a patent application already filed, in the event that the employer does not pursue patent protection. In practice, the employers have full rights to the inventions made by inventor employees and thus have no obligation 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.

- 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. The right to receive remuneration granted to the employee creating an invention is stipulated in the IP Law (Article 122.3) which in turn makes reference to the IP Law (Article 135.2). Namely:

**Article 122. Authors of inventions, industrial designs and layout designs and their rights**

2. Moral rights of authors of inventions, industrial designs and layout designs shall include the following rights:

(a) To be named as authors in invention patents, utility solution patents, industrial design patents or certificates of registered design of semi-conducting closed circuits;

(b) To be acknowledged as authors in documents in which inventions, industrial designs or layout designs are published or introduced.

3. Economic rights of authors of inventions, industrial designs and layout designs are the rights to receive remuneration as stipulated in Article 135 of this Law.

**Article 135. Obligation to pay remuneration to authors of inventions, industrial designs and layout-designs**

1. Unless otherwise agreed between the owner and the author of an invention, industrial design or layout-design, the owner shall have the obligation to pay remuneration to the author in accordance with paragraphs (2) and (3) of this Article.

2. The minimum rate of remuneration that the owner has to pay to the inventor of an invention, industrial design or layout design shall be provided for as below:

a) 10% of benefits obtained from using the invention, industrial design or layout-design by the owner;

b) 15% of the sum amounted from each royalty for granting a license to use the invention, industrial design or layout-design that the owner receives.

3. Where an invention, industrial design or layout-design is created by more than one author, the remuneration rate provided for in paragraph (2) of this Article shall be applicable to all of the co-authors. The co-authors shall agree among themselves on the allocation of such remuneration paid by the owner.

4. The duration of performing the obligation to pay remuneration to the author of an invention, industrial design or layout design shall be the whole term of protection of such invention, industrial design or layout design.

Thus, apart from moral rights over the invention (IP Law (Article 122.2) in which the inventor employees shall be named as inventor in relevant patent letters as well as in any documents in which the invented technology is published or introduced, inventor employees shall also enjoy some remuneration in accordance with the law, which is stipulated as 10% of benefits obtained from using the invention, and 15% of the sum amounted from each royalty for granting a license to use 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?

Apart from the IP law (Article 122 and Article 135), there is no other 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.

*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;

There is no direct link between the right to remuneration and the nature of employment duties of the inventor employee in the law. However, from reading the IP law (Article 86.1.b) which stipulates that the organizations and individuals who have invested finance and material facilities to the authors in the form of a job assignment or job hiring, unless otherwise agreed by the parties, shall be entitled to file application for an invention and the IP Law (Article 135) which stipulates that the owners of inventions have the obligation to pay remuneration to the authors of such inventions, it can be interpreted that an inventor employee is entitled to remuneration when the inventor employee is specifically hired or employed to invent unless otherwise agreed by the parties.

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

The IP Law (Article 135.1) stipulates that the owners of inventions have the obligation to pay remuneration to the authors of such inventions but does not mention to the extent to which the inventions is relevant to the business of the employer. Therefore, it can be interpreted that the inventor employee is still be entitled to remuneration regardless of the extent to which the invention is relevant to the business of the employer unless otherwise agreed by the parties. In this regard, we opine that an inventor employee is not entitled to remuneration only when there are particular agreements between the parties which concretize that the inventor employee does not wish to claim the remuneration (probably in the event that the invention is not relevant to the business of the employer).

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

The IP Law (Article 86.1.b) provides that the organizations and individuals who have invested finance and material facilities to the authors in the form of a job assignment or job hiring, unless otherwise agreed by the parties, shall be entitled to file application for an invention.

Further, the IP Law (Article 135.1) stipulates that the owners of inventions have the obligation to pay remuneration to the authors of such inventions.

Therefore, it can be interpreted from those Articles that the inventor employee is entitled to remuneration for an invention which is made by the employee during working hours as a result of the employer supplying funds and material facilities. However, it is unclear whether the situation remains the same if the employees are not specifically hired or employed to invent or if the invention is made outside the scope of business.

d) Terms of the employment agreement or collective agreement.

The IP Law (Article 135.1) stipulates the condition “unless otherwise agreed upon by the parties”. In the presence of the condition “unless otherwise agreed upon by the parties”, it is possible to set out in an agreement between an employer and an employee the provisions in relation to remuneration. Thus, the terms of the employment agreement or collective agreement shall prevail.

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 IP Law (Article 135.1) stipulates that the owners of inventions have the obligation to pay remuneration to the authors of such inventions. Owners of inventions within the scope of this IP Law are organizations or individuals that are granted Letters Patents by the competent agency (IP Law (Article 121)). Therefore, it can be interpreted that the process for invention creation does not trigger right to remuneration unless otherwise agreed between the owner and the inventor of an invention.

From reading the IP Law (Article 135.4), which provides that the duration of performing the obligation to pay remuneration to the author of an invention shall be the whole term of protection of such invention, it can be interpreted that process for patenting, commercialisation and licensing triggers right to remuneration.

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 codified but it can be variable upon agreement between parties. In particular, according to the IP Law (Article 135), the employer has the obligation to pay remuneration to the employee, which is stipulated as at least 10% of benefits obtained from using the invention, and at least 15% of the sum amounted from each royalty for granting a license to use the invention, unless otherwise agreed by the parties.

“Benefit” in the IP Law (Article 135), means the benefits obtained from using the invention. However, there is no clear definition for this term.

Regarding the circumstances affecting the amount of remuneration, from reading the IP Law (Article 135.1), it can be interpreted that the amount of remuneration can be affected

by the agreements between an employer and an employee which has provisions in relation to remuneration and other incentive scheme.

Regarding the co-inventors, the IP Law (Article 135.3) stipulates that where an invention is created by more than one inventor, the remuneration rate shall be applicable to all of the co-inventors. The co-inventors shall agree among themselves on the allocation of such remuneration paid by the owner.

- 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?

N/A

- 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.

There are no specific provisions provided for in the IP Law and its regulations provide for any entitlement to additional remuneration after an employee inventor has already accepted remuneration for the invention. However, from reading the IP Law (Article 135.2) providing that the employer has the obligation to pay remuneration to the employee, which is stipulated as at least 10% of benefits obtained from using the invention, and at least 15% of the sum amounted from each royalty for granting a license to use the invention, unless otherwise agreed by the parties and the IP Law (Article 135.4) providing that the duration of performing the obligation to pay remuneration to the author of an invention shall be the whole term of protection of such invention, it can be interpreted that, if there is no agreement between the employer and the inventor employee, the inventor employee has the right to seek additional compensation for the increased value arising from the using of a patent because the increased value can be considered as benefits obtained from using the invention (IP Law (Article 135.2.a) or a part of the sum amounted from each royalty for granting a license to use the invention (IP Law (Article 135.2.b)).

- 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?

Apart from the IP Law (Article 135.3) providing the situations in relation to the co-inventors in which if an invention is created by more than one inventor, the remuneration rate shall be applicable to all of the co-inventors and the co-inventors shall agree among themselves on the allocation of such remuneration paid by the owner, there are no specific provisions in the laws specifying the way to determine of the contribution of each inventor and calculate of the remuneration if remuneration is based on the contribution each inventor made to the invention. However, in common sense, we opine that the calculation of the remuneration would be based on the principle of more contribution, more remuneration.



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?

There are no specific provisions explicitly stipulating that the right to remuneration under Vietnam law shall apply to inventors located outside our jurisdiction if the employer is located in our jurisdiction. However, there are two relevant provisions in the Civil Code (Article 679 and Article 683) regarding the matter. Namely:

**Article 679. Intellectual property rights**

*The intellectual property rights shall be determined in accordance with the laws of the country in which the objects of the intellectual property rights are required to be protected.*

**Article 683. Contracts**

*1. Contracting parties in a contract may agree to select the applied law for the contract, other than regulations of Clauses 4, 5 and 6 of this Article. In case the contracting parties fail to agree the applied law, the law of the country with which such contract closely associates shall apply.*

*2. The laws of any of the following countries shall be treated as the law of the country with which such contract closely associates:*

*a) The law of the country where the seller being natural person resides or the seller being juridical person is established in terms of sale contracts;*

*b) The law of the country where the provider being natural person resides or the provider being juridical person is established in terms of service contracts;*

*c) The law of the country where the transferee being natural person resides or the seller being juridical person is established in terms of contracts of transferring rights to use or intellectual property rights;*

*d) The law of the country where employees frequently perform do jobs in terms of labor contracts. If an employee frequently does jobs in multiple countries or the country in which the employee frequently does his/her job is unidentifiable, the law of the country with which his/her labor contract closely associates shall be the law of the country where the employer being natural person resides or the employer being juridical person is established.*

*4. If the object of a contract is an immovable property, the law applied to transfer of its ownership rights and/or other property-related rights, lease of immovable property or using the immovable property as the guarantee for performance of obligations shall be the law of the country where the immovable property is located.*

*5. If the applied law selected by contracting parties in a labor contract or a consume contract affects adversely minimum interests of employees or consumers as prescribed in the law of Vietnam, the law of Vietnam shall prevail.*

*6. Contracting parties in a contract may agree to change the applied law provided that such change does not affect adversely lawful rights and interests of a third party before changing, otherwise agreed by the third party.*

From reading the above Article 679 and Article 683, it can be interpreted that in case the contracting parties (employee inventor and employer) fail to agree the applied law, the law of the country with which such contract closely associates shall apply. The law of the country with which such contract closely associates is determined by the Article 683.2.d, in which the law of the country applying to the contract is the law of the country where employees frequently perform do jobs in terms of labor contracts. If an employee frequently does jobs in multiple countries or the country in which the employee frequently does his/her job is unidentifiable, the law of the country with which his/her labor contract closely associates shall be the law of the country where the employer being natural person resides or the employer being juridical person is established.

In this case, with the assumption that the inventor frequently does jobs in only one identifiable country, if Vietnam is the country where inventor frequently performs do jobs

in terms of labor contracts, Vietnam law shall be the applied law for the contract, and thus the right to remuneration in accordance with Vietnam (as stated in the IP Law (Article 135.2) can be applied to inventors located outside Vietnam if the employer is located in Vietnam provided that the invention made by the inventor has been granted in Vietnam by the competent agency unless otherwise agreed by the parties.

- 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?

There are no specific provisions explicitly stipulating that the right to remuneration under Vietnam law shall apply to inventors located in our jurisdiction if the employer is located in another jurisdiction.

However, as advised above, in question 12, from the interpretation of Civil Code (Article 679 and Article 683), with the assumption that the inventor frequently does jobs in only one identifiable country, if Vietnam is the country where inventor frequently performs do jobs in terms of labor contracts, Vietnam law shall be the applied law for the contract in case the contracting parties (employee inventor and employer) fail to agree the applied law, and thus the right to remuneration in accordance with Vietnam (as stated in the IP Law (Article 135.2) can be applied to inventors located in Vietnam if the employer is located outside Vietnam provided that the invention made by the inventor has been granted in Vietnam by the competent agency unless otherwise agreed by the parties.

- 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?

There are no specific provisions specified situations of multinational inventions and its impact on the determination of the inventor employee's entitlement to remuneration.

However, as mentioned in the questions 12 and 13, the right to remuneration in accordance with Vietnam (as stated in the IP Law (Article 135.2)) can be applied to both inventors in our jurisdiction and inventors outside our jurisdiction provided that Vietnam law shall be the applied law for the contract in case the contracting parties (employee inventor and employer) fail to agree the applied law and the invention made by the inventor has been granted in Vietnam by the competent agency unless otherwise agreed by the parties.

If this is the case (i.e., the Vietnam law shall be the applied law for the contracts), as stated in the IP Law (Article 135.3) the remuneration rate shall be applicable to all of the co-inventors and the co-inventors shall agree among themselves on the allocation of such remuneration paid by the owner regardless of whether the inventor is in our jurisdiction or not.

Also, as explained in the questions 12 and 13, it is clear that the fact that the employer in Vietnam or outside your jurisdiction may affect the determination of the law of the country with which such contract closely associates shall apply in case the contracting parties (employee inventor and employer) fail to agree the applied law (Civil Code (Article 683). As a result, the right to remuneration in accordance with Vietnam can be applied to inventors only when Vietnam law is the applied law for the contract between parties.

## 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?

We opine that the law is sufficiently clear as to the circumstances under which the right to remuneration arises.

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

We opine that the law provides sufficient guidance as to how the remuneration is to be determined.

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

Apart from the current remuneration system, it should consider supplementing the lump sum compensation systems because lump sum compensation systems are typically introduced to reduce the employer's administrative efforts while at the same time tapping the employees' innovative potential.

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

We are of opinion that the Vietnamese current regulations in relation to the inventor remuneration are quite appropriate in the context of Vietnam, so we would not make any proposed reforms of our law with respect to such 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?

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

N/A

## III. Proposals for harmonization

17) Is harmonization in this area desirable?

*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.*

No.

- 18) Please propose a standard for remuneration for employee inventors that your Group considers would be an appropriate international standard, addressing both the circumstances that give rise to remuneration and to the basis for determining it.

We are of opinion that the Vietnamese current regulations in relation to the circumstances that give rise to remuneration and to the basis for determining it are quite appropriate in the context of Vietnam, so we would not make any propose for harmonization.

- 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 are of opinion that the Vietnamese current regulations in relation to handling issues where employee inventors are located in different countries and the countries have differing laws relating to the remuneration of inventor employees are quite appropriate in the context of Vietnam, so we would not make any propose for harmonization.

*August 23,  
2017*