



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.

The rules defining ownership of an invention made by an inventor employee or service provider are established in Title IV of Spanish Patents Act No. 24/2015. This Act entered into force recently, replacing the previous Spanish Patent Act No. 11/1986.

The regulation differentiates between three types of inventions made in the context of an employment or service relationship. Namely:

- *Inventions belonging to the employer* (also known as *employees' service inventions*). These are inventions developed by research employees or service providers within the context of their employment or service contracts and the performance of their tasks (Article 15). The employer holds the rights in the invention. It is important to note, however, that carrying out research work should be the explicit or implicit purpose of the employment or service contract. Otherwise, this provision would not come into play.

- *Inventions susceptible of being appropriated by the employer* (also known as *employees' mixed inventions*). These are inventions developed by non-research employees or service providers in the course of their professional activity within the company and which are accomplished by virtue of the means or knowledge provided by the company/employer (Article 17). The employer has the right to claim ownership of the invention or to reserve the right to exploit the same. It is important to note that carrying out research work should not be the purpose of the employment or service contract. Otherwise, Article 15 would apply.

- *Inventions belonging to the employee or service provider* (also known as *free inventions*). These are inventions developed under circumstances different from those described above (e.g., prior to execution of the employment or service contract, aside from the employee or service provider's research work or outside the scope of the employee's or service provider's specific functions). The employee or service provider has full rights to the invention (Article 16).

- 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. On the one hand, rules concerning inventions carried out by an employee or service provider in the context of an employment or service relationship within a company are set out in Articles 15 to 19 of the Spanish Patents Act. The law also distinguishes between employees or service providers depending on whether or not they are employed/hired "to invent" (please see question 1 and the reference to Articles 15 and 17 and the different regimes provided therein). It must be noted, however, that the law sets out the different regimes in light of the type of invention, not the type of employee, since it is not just the type of contract or employee that determines the regulation but other conditions as well.

On the other hand, inventions developed by research staff of public universities and other public entities enjoy a specific regime, which is set out in Article 21 of the Spanish Patents Act. It must be noted that the special regime established in this Article only applies to *research staff* of public universities and other public entities. Accordingly, inventions developed by all *other* employees and workers (not research staff) of the State, Autonomous Communities, municipalities, public universities and other public bodies will be governed by Articles 15 to 19 of the Patent Act.

For the purposes of the present questionnaire, we shall refer to the general regime set out in Articles 15 to 19, unless otherwise stated.

- 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?

In order to answer this question, we must distinguish between the type of invention; specifically, between *inventions belonging to the employer (employees' service inventions)* and *inventions susceptible of being appropriated by the employer (employees' mixed inventions)*. Please refer to question 1 above. In this respect:

- With regard to *inventions belonging to the employer* (Article 15), the employer is under no obligation to offer the 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.

- As for *inventions susceptible of being appropriated by the employer (employees' mixed inventions* of Article 17), if the employer does not comply with its obligation to inform the employee or service provider of its intention to assume ownership of the invention within a given period of time (namely, 3 months from the date the employee or service provider notified the employer of its invention), the employer's rights in said inventions shall expire and the employee or service provider shall consequently be entitled to file a patent (or other IP right) application on its own. Furthermore, if the employer, having notified the employee or service provider of its intention to assume ownership of the invention, does not file a patent application within an additional period of time fixed with the employee or service provider, the latter will be entitled to file such application in the name and on behalf of the employer.

- 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.

It depends on the type of invention. The position is as follows:

- *Inventions belonging to the employer (employees' service inventions)*. As a general rule, employees and service providers have no statutory right to compensation. Their salary is the compensation for their research work. However, where their personal contribution to the invention and the invention's commercial and industrial importance to the employer clearly exceed the explicit or implicit terms (scope) of the employment or service contract, employees and service providers are entitled to *Supplementary Remuneration*.

- *Inventions susceptible of being appropriated by the employer (employees' mixed inventions)*. Employees and service providers are entitled to *Fair Economic Compensation* where the employer claims ownership of the invention or reserves the right to exploit it. Said economic compensation may consist of a share in the profits obtained by the company through the exploitation or assignment of the rights deriving from the invention.

Finally, article 18.3 of the Spanish Patents Act provides that the employee or service provider will be entitled to claim *Reasonable Compensation* for *non-patentable technical improvements* made by the employee or service provider in the course of the activities described in Articles 15 (*employees' service inventions*) and 17 (*employees' mixed inventions*) where, through their exploitation as a trade secret, those improvements provide the employer with benefits similar to those obtained from industrial property rights. Said *Reasonable Compensation* will be fixed in accordance with the criteria set out in Articles 15 and 17 of the Patent Act.

- 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?

There is a general principle in Spanish law which could apply in conflicts of this kind, namely, the concept of "unjust enrichment". This general principle provides that no one is entitled to enrich themselves unjustifiably at the expense of others and, if they do, they are obliged to repair the other party's assets. In this regard, if the employer does not pay the employee or service provider the remuneration or compensation due for the invention carried out, under the principle of "unjust enrichment", the employee or service provider could be entitled to bring action against the employer.

However, the Spanish Supreme Court has declared that action for "unjust enrichment" is subsidiary and that one shall not resort to such action where there is a specific action or legal basis provided in the law. In this regard, insofar as there is a specific regulation on conflicts regarding employees or service providers' inventions (in the Spanish Patents Act), the inventor employee or service provider should resort to the actions set out in said specific regulation with no possibility of exercising a general action for "unjust enrichment".

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.

All those factors determine the employee's entitlement to remuneration. Indeed, as explained above:

- The right to *Fair Economic Compensation* arises for *inventions susceptible of being appropriated by the employer (employees' mixed inventions)*, i.e. inventions developed by non-research employees in the course of their professional activity within the company and which are accomplished by virtue of the means or knowledge provided by the company/employer. Thus, the invention should not be a result of the employment duties but it must have been developed in the course of their professional activity within the company and using the employer's time/facilities/resources (or knowledge provided by it).

- Meanwhile, the right to *Supplementary Remuneration for inventions belonging to the employer (employees' service inventions)* arises where the employee's personal contribution to the invention and the invention's commercial and industrial importance to the employer clearly exceed the explicit or implicit terms (scope) of the employment or service contract. Thus, the nature of the employment/service duties as well as the extent to which the invention is relevant to the business of the employer are relevant factors for the purposes of determining whether the employee or service provider is entitled to *Supplementary Remuneration*.

- Finally, the right to claim from the employer *Reasonable Compensation for non-patentable technical improvements* made by the employee in the course of its activities arises where, through their exploitation as a trade secret, they provide the employer with benefits similar to those obtained from industrial property rights. Thus, the extent to which the invention (non-technical improvement) is relevant to the business of the employer determines whether the employee is entitled to such reasonable compensation.

- 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 Spanish Patent Act fails to establish any timelines or stages for determining when the right to remuneration arises. In the absence of any specification, a literal interpretation of the legal text would appear to indicate that the right to remuneration provided in Articles 15 (*employees' service inventions*) and 17 (*employees' mixed inventions*) would arise from

the moment the employee notifies the employer of its invention. However, in the absence of an explicit regulation, this issue is subject to broad interpretations.

As regards the right to claim *Reasonable Compensation for non-patentable technical improvements* from the employer, the Spanish Patent Act specifies that this right would arise as soon as the employer exploits the proposed non-patentable technical improvement.

- 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?

In order to answer this question, we must distinguish, yet again, among the different types of remuneration recognized in the Spanish Patent Act. In this respect:

- With regard to the *Supplementary Remuneration for employees' service inventions* (which arises where the employee's personal contribution to the invention and the invention's commercial and industrial importance to the employer clearly exceed the explicit or implicit terms (scope) of the employment or service contract), the Spanish Patents Act does not lay down any guidelines for determining or quantifying said remuneration. It is up to the parties to negotiate such issues beforehand (i.e., in the employment contract) or after the development of the invention.

- As to *Fair Economic Compensation for employees' mixed inventions*, the Spanish Patents Act provides that it should be fixed in light of the following factors: (i) the commercial and industrial importance of the invention; (ii) the company's contribution to the invention (i.e., means and/or knowledge contributed by the company); and (iii) the employee or service provider's personal contribution. Likewise, the Act provides that said compensation may consist of a share in the profits obtained by the company through the exploitation or assignment of the rights deriving from the invention. However, it does not lay down any guidelines for determining or quantifying said amount.

- With respect to the right to claim from the employer *Reasonable Compensation for non-patentable technical improvements* made by the employee or service provider in the course of its activities, the Spanish Patents Act provides that the amount for said compensation shall be fixed in accordance with the criteria set out with respect to *Supplementary Remuneration* and *Fair Economic Compensation*.

Finally, the number of co-inventors is likewise not explicitly considered in the Spanish Patents Act for the purposes of calculating the amount of remuneration/compensation in any of the scenarios outlined above and or for determining how said amount should be distributed among 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?

As mentioned above, insofar as the aforementioned remuneration/compensation provided by statute is not fixed or codified by law, the parties (i.e. the employee or service provider and the company) are free to negotiate the same by contract (in the employment or services contract) or after the development of the invention.

Here, it must be pointed out that employees and service providers' remuneration/compensation rights cannot be waived by the employee or service provider in advance. By contrast, following the development of the invention, the employee or service provider will be able to waive said rights and/or dispose of same *inter vivos* or even *mortis causa*.

- 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 Patents Act does not explicitly provide for any "additional remuneration" after acceptance of the *Supplementary Remuneration* or the *Fair Economic Compensation* for the increased value of a patent, for instance, after the grant of the patent or after its commercialization. This does not mean that such *Supplementary Remuneration* or *Fair Economic Compensation* could not comprise or take into account the aforementioned issues, but since the law does not explicitly state anything in that regard, in principle, consideration of these issues will be left at the parties' discretion.

- 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?

There are no provisions in the law dealing with this issue.

- 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 Spanish Patents Act is silent on this issue. Therefore, for the purpose of replying to the above question it will be necessary to rely on international rules governing conflict of laws, and, in particular, article 8 of Regulation (EC) No. 593/2008 on the law applicable to individual employment contracts.

In this regard, Spanish laws dealing with the right to remuneration would apply to employee inventors located outside Spain in two scenarios. Firstly, if the parties to the employment contract had agreed to have the contract governed by Spanish law (insofar as it does not have the result of depriving the employee of the protection afforded to him by provisions that cannot be derogated by agreement under the law that would be otherwise applicable). And secondly, to the extent that the law applicable to the individual employment contract had not been chosen by the parties, Spanish laws would also apply if: (i) Spain was the country in which the employee were to habitually carry out his work in performance of the contract; or (ii) Spain was the country where the place of business through which the employee was engaged was situated; or (iii) Spain was the country most closely connected to the contract.

For the purpose of the above provisions, it is important to note that the country where the work is *habitually* carried out shall not be deemed to have changed if the employee was *temporarily* employed in another country.

- 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 in the Spanish Patents Act addressing this issue. However, following the above principles re international conflicts of law, normally, in the absence of choice of law in the contract, it should be understood that the right to remuneration set out in the Spanish Patents Act would apply provided that the invention has been the result of research or professional activity carried out by the inventor employee in Spain.

- 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?

This issue is not addressed in Spanish law either. As mentioned above, in principle, Spanish law applies to inventions made by inventor's employees in Spain. Thus, irrespective of the number of co-inventors, their jurisdiction as well as the employer's jurisdiction, in principle, Spanish law on remuneration would apply where it is determined that the invention has been made in Spain. And, if it is determined that Spanish law is applicable since the invention was made in Spain, in principle, insofar as the invention was made jointly by a number of persons, every one of them, as co-inventors, would be entitled to the corresponding right to remuneration recognized in Spanish law. However, here again, there are no rules determining how said remuneration would be calculated or how it should be divided among each of the inventors. Likewise, there is no specification as to whether the fact that any of the inventors are also entitled to remuneration in their jurisdiction would somehow affect the remuneration conferred under Spanish law and its calculation and or distribution among co-inventors. It will be up to the parties to negotiate said issues.

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?

No. For instance, Spanish law does not specify the moment when such right arises (notification of the invention, grant of the patent, exploitation of the invention?). There is an exception as regards *Reasonable Remuneration for non-patentable improvements*, where the Spanish Patents Act specifies that this right arises as soon as the employer exploits the proposed non-patentable invention. Please refer to question 7.

Likewise, Spanish law does not establish any term for claiming said right to remuneration.

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

No. Spanish law does not provide any method or criteria as to how the remuneration should be calculated. It only establishes that, as regards *inventions susceptible of being appropriated by the employer (employees' mixed inventions)*, the remuneration should be fixed in light of the following factors: (i) the commercial and industrial importance of the invention; (ii) the company's contribution to the invention (i.e., means and/or knowledge contributed by the company); and (iii) the employee's or service provider's personal contribution, and that it may consist of a share in the profits obtained by the company through the exploitation or assignment of the rights deriving from the invention. However, no further criteria with respect to its determination and calculation is provided. Please refer to question 8.

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

As discussed in the preceding paragraphs, Spanish law has opted for a very basic legal framework for the regulation of the remuneration of employers' inventions leaving the "small print" and gaps to the parties. The problem is that uncertainty re this issue could be detrimental to employees and, arguably, could discourage them from engaging in research activities.

In this regard, we believe that the following aspects of Spanish law could be improved in order to address remuneration of inventor employees:

- Establishment of the time when the right to remuneration arises (see reply to question 15(a));
- Establishment of the term for claiming said right to remuneration (see reply to question 15(a));
- Establishment of defined criteria as to how the remuneration is to be determined and calculated (see reply to question 15(b)); and
- Establishment of guidelines dealing with the determination and calculation of the right to remuneration in cases involving various co-inventors located in different jurisdictions (see reply to question 14).

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

There is no record of any proposed reforms so far. In fact, the Spanish Patent Act has recently undergone a full reform and has been replaced by a new Act (Spanish Patents Act No. 24/2015), but it has largely maintained the previous regime with respect to remuneration for employee's or service provider's inventions. In this respect, it must be mentioned that during the legislative procedure for approving the new Act, the Economic and Social Council issued an opinion on the draft bill proposing that the new Act "positively" include *Supplementary Remuneration* (i.e. not just where the invention's commercial and industrial importance to the employer clearly exceeds the explicit or implicit terms (scope) of the employment or service contract) and provide that the mechanism for determining such remuneration be explicitly included in the employment or service contract, for the purpose of providing it with adequate legal certainty and avoiding possible litigation. It also proposed the possibility of regulating the remuneration mechanism through collective bargaining in order to endow it with

sectorial content. Unfortunately, this opinion by the Economic and Social Council was ultimately disregarded by the Spanish Parliament in the approval of the final bill.

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, harmonization in this area is desirable in view of the lack of specific regulation governing employees' inventions on an international level as well as the significant differences existing between the countries' laws regarding this matter (including within the European Union). It should be noted that whilst intellectual property rights in inventions enjoy a national scope of protection, the creation and development of said inventions as well as their exploitation is frequently carried out internationally. Indeed, professional activities involving research are often developed by work teams and entities located in different countries which cooperate and coordinate their work, ultimately generating a joint invention. In respect of these multinational inventions, conflicts arise where the country of each inventor has different rules concerning the attribution of rights in the invention and/or the due remuneration. In this regard, the international harmonization of legislation on employees' and service providers' inventions is necessary, and not limited to regulating the conflict of laws, but also for directly regulating the substantive law on remuneration for employees' and service providers' inventions as discussed above.

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.

First of all, we believe that the conditions provided in AIPPI Resolution on Q183 should be maintained, and in particular respect of the principle of contractual freedom of the parties, and the principle according to which the employer should profit from the right to use the inventions carried out by employees within the framework of the contract of employment.

When the circumstances are not those, and there exist the right from the part of the employee for an additional remuneration, and the employer and employee would have not

established otherwise, an appropriate standard for remuneration could consist of a combination of a lump sum and a royalty, as follows:

- Lump sum (to be paid at once) consisting of:
 - A minimum fee when the invention is reported;
 - A supplementary fee if a patent in the invention (or other IP right) is granted by the relevant authorities; and
 - An extra fee in the event that the employer decided to commercialize the invention in trade (either directly or indirectly).

- And (provided that the patent/IP right is exploited) a royalty consisting of:
 - A set percentage of the profits made by the employer in the exploitation of the patent/IP right at issue (including any trade secrets); or
 - A set percentage of the royalty obtained through the licensing of the patent/IP right (including any trade secrets) to a third party.

For the purposes of fixing the above lump sums and royalty fees consideration should be given to the employee's or service provider's personal contribution to the invention (compared to the company's contribution), so that the greater the contribution, the higher the remuneration.

The above methods for calculating the remuneration could be specified in collective bargaining between workers and employers, which should take into account, for the purposes of its determination, their particular industrial sector and the categories of inventions developed therein. Naturally, the above minimum standards could be increased in collective agreements as well as in particular contracts between employees or service providers and companies (but not reduced).

- 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.

Situations when employees-inventors are located in different countries might originate:

- a) When the invention has been developed by two companies located in different countries. In such case the law of the countries of each respective company will apply.

- b) A company incorporated in one country (A). but having employees residing in another country(B).In such cases, the law of the country ,where the company is located (A) should apply as far as inventorship, even if the invention has been developed by the inventor in his country of residence (B).

This general rule should apply unless the employment contract establishes otherwise.