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.

***Art 12 of the Dutch Patent Act 1995 (DPA)**:*
1. If the invention for which a patent application has been filed has been made by a person employed in the service of another party, the employee shall be entitled to the patent unless the nature of the service entails the use of the employee's special knowledge for the purposes of making inventions of the same kind as that to which the patent application relates, in which case the employer shall be entitled to the patent.
2. If the invention for which a patent application has been filed has been made by a person who performs services for another party in the context of a training course, the party for whom the services are performed shall be entitled to the patent unless the invention has no connection with the subject of the services.
3. If the invention has been made by a person carrying out research in the service of a university, college or research establishment, the university, college or research establishment in question shall be entitled to the patent.(…)

5. The provisions contained in paragraphs (1), (2) and (3) may be derogated from by written 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)?

Yes
Three "types" of employees are defined:
(1) employees which are hired to make inventions (only if the employee is hired to make inventions of the same type to which the patent application relates)
(2) trainees ("people who in the context of learning work for someone"; unless the invention does not relate to the subject of learning)
(3) employees of a university, college or research establishment

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 is no such obligation.

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.

***Art 12 DPA**:*
(…)
6. In the event that the inventor cannot be deemed to have been compensated in the salary he earns or the pecuniary allowance he receives or in any extra remuneration he receives for not having been granted a patent, the party who is entitled to the patent on the basis of paragraphs (1), (2) or (3) will be obliged to grant him equitable remuneration related to the pecuniary importance of the invention and the circumstances under which it was made. Any right of action on the part of the inventor in accordance with this paragraph shall lapse after the expiry of three years from the date of the grant of the patent.
7. Any stipulation that is in derogation from the provisions contained in the sixth paragraph shall be void.

However, an employee is "normally deemed to have been compensated" and application of Art 12(6) DPA should be considered as an exception to the rule (Supreme Court 27 May 1994, Van Ginneken / Hupkens). The extra remuneration is not the same as the monetary value of the invention, although the monetary value may be taken into consideration, as well as other factors such as employee position and function, the normal salary, further employee benefits and the contribution to the invention (Supreme Court 1 March 2002 (TNO/Ter Meulen).

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 no other basis

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

6) To what extent do the following factors determine whether an inventor employee is entitled to remuneration?

a) Nature of employment duties;

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

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

d) Terms of the employment agreement or collective agreement.

The case law indicates that the circumstances of the case should all be taken into consideration in determining whether there is entitlement to extra remuneration. Consequently, depending on the circumstances, all these factors might play a role.

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 right to extra (equitable) remuneration arises from not having been granted a patent (Art 12(6)DPA in view of Art 12(1)-(3) DPA), therefore it arises with grant.

8) Is the amount of remuneration codified or variable? If variable, how is it determined? For example, what circumstances affect the amount of remuneration? If the amount of remuneration is based on revenue related to the patent (e.g., licensing revenue), how is that amount determined? What impact, if any, does the number of co-inventors have on the amount of remuneration to which any one of the inventors is entitled?

The amount of remuneration is variable, and determined by the circumstances of the case. Normally, an employee is deemed to already have been compensated in his salary, and if the circumstances of the case lead to a different conclusion, many factors may influence the amount of remuneration, among which the pecuniary importance of the invention and the circumstances under which it was made (such as the number of co-inventors, the contribution of the employee to the invention). However, the Dutch Supreme Court has indicated that the amount of remuneration does not depend directly on the manner in which the invention was commercialised by the employer (the pecuniary importance of the invention is, in other words, merely one of the factors to be considered), so that the extra remuneration does not have the character of a license to the invention, but rather has the character of an extra gratification.

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?

Yes, in that as a rule (see our answer under 4), employees are considered to be compensated in their normal salary for making an invention (which salary is generally laid down in an employment 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 commercialisation.

Although, according to standard case law, all circumstances of the case are to be taken in consideration in establishing entitlement to (additional) remuneration, the Dutch Group considers it rather unlikely that an employee would be entitled to such an additional remuneration. In this context, it is noted that the employee has in principle only three years after the grant of the patent before his entitlement to the additional remuneration lapses.

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?

As mentioned in the questions above, under standard case law, all circumstances of the case need to be taken into consideration. Having said that, in a case of multiple contributors, and in the (rare) case of an extra remuneration, it would be logical that any such (extra) remuneration would be divided between in ratio to their contribution to the invention, with maybe a correction factor to be applied, in case of differences in seniority, function etc. However, this is all just theoretical, as the Dutch Group is not aware of any standing case law in which this particular topic has been addressed.

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 right to remuneration for employees is determined by the rights for not having been granted a patent, exclusively for employment situations governed by Dutch law. Pursuant to Dutch private international law, Dutch law is in principle applicable in cross-border employment situations if the (privately employed) employee habitually carries out his work in the Netherlands (see Art. 8(2) of the Regulation (EC) No 593/2008 of the European Parliament and the Council of 17 June 2008 on the law applicable to contractual obligations and Art. 60 of the European Patent Convention).In case of employment situations to which Dutch employment law does not apply, the Dutch provisions for an additional remuneration do not apply either.

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?

This depends on the governing law covering the employment; if from the rules of private international law (see above) it follows that Dutch law applies, Art 12(6) DPA is equally applicable, in which case there is indeed a right to extra remuneration under Dutch law. If the employment relationship is not governed by Dutch law, then the law that does govern the employment contract is to provide for the answer.

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?

It would appear the number of co-inventors is a factor in determining the amount, if any, of the extra remuneration. This would appear independent from the question whether the co-inventors are in- or outside the Dutch jurisdiction

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?

The law is far from clear, in that the law provides for entitlement to extra

remuneration, whereas according to standard Supreme Court case law, this extra remuneration is as a rule included in the salary of the employee, without proper guidance on when exceptions to the rule are to be made.

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

The law does not provide significant guidance. Standard Supreme court case law provides that all circumstances of the case, should be taken into consideration, among which the monetary value, as well as other factors such as employee position and function, the normal salary, further employee benefits and the contribution to the invention. However, in daily practice, this provides poor guidance for establishing a reasonable extra remuneration.

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

The Dutch Group, by majority, approves of the present system in which inventors are deemed compensated for inventions by their terms of employment, with the potential for further negotiation regarding bonuses for making inventions, and a legal option for additional remuneration in exceptional circumstances. However, the Dutch group would like to see improved the guidance as to when such exceptional circumstances arise. Case law, providing guidance when additional remuneration might be justified and the amount thereof, would help.
..

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

no

16) If your Group's current law does not presently provide inventor employees with a right to remuneration for their inventions:

a) Should it do so?

n/a

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?

Harmonization across EU and beyond is greatly desired.

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

In specific circumstances, which would have to be well-defined, an option for additional remuneration may be justified for cases when the benefit of an invention to the employer far exceeds the benefits to the employee. For employees employed for making inventions, the threshold when a right to such additional remuneration arises would have to be higher than for employees not employed for making inventions. But the threshold for each type of employee must be well-defined, and the threshold must be clear to both employer and employee.

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.

Under the assumption of harmonization, this situation should not arise. Ideally, the determination of whether or not there would be a right to an additional remuneration would be no different for employees with employment contracts of different origin (and by way of doing so, the search for the most favorable jurisdiction would be avoided).

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