



## **Standing Committee on Patents Study on Inventor Remuneration**

### **Introduction**

- 1) 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.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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.

- 7) 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**

- 8) AIPPI has previously studied inventor remuneration in the following contexts.
- 9) 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.

10) 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.*

11) 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):

E-Mail contact:

## **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.

Ownership of inventions developed during a labor relationship is essentially governed by Section 10 of the Argentine Patent Law, Regulation No. P-091/2005 of the Argentine Patent Office and section 82 of the Argentine Labor Contract Act. These regulations contain similar provisions.

In brief, according to Section 10 of the Patent Law, an employee's invention can be owned by: (a) the employer, (b) the employee, or (c) a third party, as a result of an assignment from the employer or from the employee.

1. The employer is entitled to the employee's invention if:

- (a) The invention is made by an employee during the period of employment, or during the term of the agreement with the employer, when all or part of the purpose of the labor relationship is the performance of inventive activities. This specific feature must be expressly set forth in the labor contract.
- (b) The invention is made in the above mentioned circumstances, but the employee adds a personal contribution to the invention and its importance to the employer surpasses the explicit or implicit content of the labor relationship or contract. In this case, even though the employer owns the invention, the employee is entitled to a "complementary remuneration" for his inventive work.
- (c) All or part of the purpose of the labor relationship or contract is different from performing inventive activities, and the invention performed by the employee is related to his professional activity within the company, where the invention was obtained predominantly by using (i) the skills acquired in the company, or (ii) the company's means. In this case, the employer is entitled to own the invention or to reserve for himself the right to use it, and the employee is entitled to a "fair economic compensation" which shall be fixed upon considering the industrial and commercial significance of the invention. Furthermore, if the employer grants a license to third parties, the employee is entitled to up to 50% of the royalties effectively collected. Otherwise, if the employer refuses to claim the ownership of the invention within 90 days from the date on which the invention is made, the employee is entitled to own the invention.

2. In any other situation, the inventor is the sole owner of the invention, i.e. if:

- (a) The employer refuses to claim the invention; or
- (b) The invention is not related to the employee's work; or
- (c) The inventor carries out the invention independently from the employer (outside the employer's premises and without using the employer's means, and on the employee's own time).

3. A third party would be entitled to the invention if the employer or the employee assigns the invention to a third party.

Both the Patent Act and the Labor Contract Act expressly provide that the rights recognized to the employees may not be waived in advance. Moreover, in case of dispute, all contractual provisions are interpreted in favor of the employees. However, it is not yet clear whether a case on this issue should be heard before the federal courts or the labor courts.

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)?

The current regulation only distinguishes between employees employed "to invent" but not between academic staff in universities or for-profit organization.

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?

No.

4) In the absence of an explicit agreement between the employee and employer, 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 specific amount is to be agreed upon by the parties after the invention has been made and it should be based on the inventor's personal contribution to the invention and the importance thereof to the employer. In case of dispute, either party (employer or employee) can request the Patent Office to settle and determine an equitable compensation.

5) Under your Group's current law, and in the absence of an explicit agreement between the employee and employer, is there any other basis, e.g. common law principles, upon which an inventor employee may claim a right to remuneration beyond their salary for an invention made by the inventor employee but owned by the employer?

No.

6) If there is an explicit agreement between the employee and employer, is the compensation stipulated therein enforceable, even if it is stipulated that there is no

compensation beyond the employee's salary? Or is there a minimum additional compensation that the employee can claim? If so, how is this compensation determined?

*If your answer to question 4) or 5) is 'yes', please answer remaining questions 7) to 9). If no, please go to question 10)*

No. Compensation has to be agreed once the invention is made since only then it will be possible to assess how the inventor's "personal contribution to the invention and the importance thereof to the enterprise and employer, evidently exceed the explicit or implicit content of his labor contract or relationship" (language of section 10 of the Argentine Patent Law).

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

a) Nature of employment duties;

Yes.

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

Yes.

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

Yes.

d) Terms of the employment agreement or collective agreement.

Yes.

8) 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?

It is not expressly provided by the regulations nor is there any case law in this issue.

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

The remuneration is not codified. Its amount is to be agreed among the parties. In case of lack of agreement, the amount shall be determined by the Patent Office.

10) Does contract law (e.g., company employee contracts requiring assignability of inventions to the company) affect any remuneration payable by an employer to an inventor employee?

The Argentine Labor Law also regulates employee inventions in the same fashion as the Argentine Patent Law. It should be borne in mind that any agreement between the parties which is contrary to the labor or patent laws will be considered null and void.

- 11) 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.

This situation is not regulated.

- 12) 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?

Again, this situation is not expressly regulated. However, the current regulations states that the amount of the remuneration is to be decided among the parties, and in case of lack of agreement, then the Patent Office will fix it.

- 13) 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?

N/A. According to the Argentine Labor Law, this situation will be governed by the labor law where the employee is located.

- 14) 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?

N/A. According to the Argentine Labor Law, employees performing activities in Argentina have to be employed by a local corporation.

- 15) 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?

N/A.

## **II. Policy considerations and proposals for improvements of the current law**

- 16) If your Group's current law provides inventor employees with a right to remuneration for their inventions:

- a) is the law sufficiently clear as to the circumstances under which the right to remuneration arises?

Yes.

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

No.

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

Yes. The regulation should provide some guidance as to how the amount of the remuneration is to be determined as well as regulate international inventions. It should also provide clearer guidance on the employees' legal term to inform the existence of the inventions they develop.

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

No.

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

N/A.

- a) Should it do so?
- b) Are there any proposals to introduce such rights? If yes, please describe such proposals.

### III. Proposals for harmonization

- 18) 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.*

Yes. Harmonization is crucial in this area since inventions involving multiple jurisdictions are more and more common.

- 19) 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 consider that the employee should have a reasonable remuneration according to the importance of its contribution and the economic importance of the invention.

The remuneration should only be triggered once the employer receives an economic benefit from the invention.

- 20) 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 consider that the governing law in this case should be the one where the employer has its main place of business.

- 21) If your Group is of the opinion that harmonization is not desirable or achievable, would it be in favor of proposing that countries should choose from among a limited number of defined compensation schemes so as to provide improved clarity for both inventor and employer, and also reduce the burden on multinational companies?

N/A.

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