

# Implications of Employee and Collaborator Inventions

- What to pay attention to, including
- International R&D and employee inventions: frequent problems;
- International R&D cooperation: agreements and responsibility.

## Where it all starts

The invention

## Allocation of Ownership

- Chain of title
- Inter-company agreements
- Correct applicant

## R&D Agreements/Joint Ownership

## Transfer/Assignment of IP rights

## Case stories

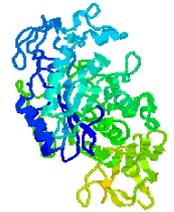


# Country Specific Regulations

- There are differences in the way in which countries handle employee inventions, some with detailed regulations, some with very little regulation.
- Inventors, and their inventions are treated individually according to their National Law. This also includes how they are compensated (remuneration).
- e.g. German inventors may be entitled to a higher remuneration compared to other co-inventors,
  - Employer must release inventions rights to employee for foreign countries in which employer does not wish to acquire patent protection
  - Duty to inform employee if employer wishes to abandon patent – employee can demand transfer within 3 months

# Type of invention

- There are two types of employee inventions: the service inventions and the free inventions.
- Service inventions: those accomplished in the course of performing the duties of an employee, or mainly by using the material and technical conditions of an employer
- Free inventions: all other inventions



# National regulations



## DENMARK

- **Who has the right to the employee's invention?**

Originally the right to the invention is with the inventor. However, in the case of an employee the right to the invention (within the working field of the business) can be assigned to the employer by employment contract. (Danish Act on Employees Inventions)

- **Is the employee entitled to remuneration?**

The employee is entitled to a fair remuneration unless the value of the invention does not exceed the performance that the employee may reasonably be expected to make under the employee's employment contract (depends on the value of the invention, the importance of the invention for the employer, employment contract, and the significance of the service provided by the employee.)

Wording on remuneration in the employment contract will be overruled by the Danish Employees' Inventions Act.

Highest lump sum (DKK 2,500.000) was granted by a Danish court in the Møller/Mærsk case. One of the employees made an invention on improved transport loading transport system – which was not within his working field. The invention was patented and Møller/Mærsk made millions of DKK.

- **Obligation to disclose invention?**

The employee has a duty to disclose the invention to his/her employer

- **How to transfer invention?**

The employer has to claim the invention within 4 months after the disclosure. It is important that this claim of invention is made clear to all inventors – internal as well as external inventors. This is in order to prevent inventors from claiming the right to the invention at a later stage

# National regulations



## GERMANY

- **Who has the right to the employee's invention?**

The right is with the employer (German Act on Employees Inventions 1957) Please note that this does not relate to citizenship but to anybody employed by a German company.

- **Is the employee entitled to remuneration?**

The inventor may claim a share in the profits of the employer. Agreement as to remuneration is agreed between employee and employer after the claim of the invention.

- **Obligation to disclose invention?**

Employee has to report invention without delay

- **How to transfer invention?**

Deemed to be claimed by employer if he does not expressly release the invention, within four months.

Further obligations - if employer wishes to abandon a patent, he must offer it to the inventor, who can then ask for it to be transferred to him, within three months.

For inventions made before 2009, the opposite applies, i.e. if the employer does not claim it, it will become a free invention. So make sure that any assignment of inventions is clear.

# National regulations



## CHINA

- **Who has the right to the employee's invention?**

The right to the invention is with the employer.

- **Is the employee entitled to remuneration?**

The employee has the right to a bonus at grant and reasonable remuneration during its exploitation. Preferably, contractual regulations are set up, otherwise there are guidelines as to what the inventor will receive.

- **Obligation to disclose invention?**

No regulations in law, but usually in employment contract.

- **How to transfer invention?**

By employment contract

# National regulations



## USA

- **Who has the right to the employee's invention?**

Inventor is the owner (no specific employee inventions law)

- **Is the employee entitled to remuneration?**

No statutory claim

- **How to transfer invention?**

Transfer is by way of employment contract .

Implicit duty to assign invention rights to employer if employee works in R&D.

Transfer to employer by assignment

# Chain of Title



**Vital to have correct chain of title, to avoid possible loss of rights.**

***How to establish applicant: Why the employer is not always the owner***

# Agreements

**Agreements can be made between:**

- a) Mother company and affiliates = Intercompany agreements**
- b) Third parties (companies, universities) = R&D agreements**

**Intercompany agreements** are agreements made between two businesses owned by the same company, Typically, these are two divisions under the same corporation. IP ownership is transferred from one affiliate to another. It should be stipulated that one party should do everything necessary to safeguard rights of the entitled party, including requesting inventors to sign patent documents required by patent authorities  
E.g. Inventor employed by VERA, Inc., thus ownership is with VERA, Inc.  
(VERA, Inc and VERA A/S under same corp.)

Ownership is transferred from VERA, Inc. to VERA A/S as an intercompany agreement has been entered into by these two companies.

Applicant on the patent application should be VERA A/S

Reasons, e.g. right to sue and get the correct high amount damages

# Agreements

**R&D agreements with other parties, e.g. another company or a university.**

**Typically: these agreements are on co-financed research – Joint ownership**

- Vital that we are aware of the existence of any agreements that relates to IP, and that we are informed of the content of the agreement. e.g.
  - Who should own the IP – all parties or one party?
  - Who manages and pays for the IP – are the costs split?
  - Who decides on country selection?
  - The right to abandon/license/assign?
  - Has the transfer from employee to employer actually been effected: each employer is responsible for the transfer of the invention rights from his/her employees?
  - Are there special requirements in relation to the inventors according to the national law (e.g. Germany)?
  - Did VERA A/S take over the German employer's obligations towards the German employee?
- Be aware of restrictions in law (e.g. German inventors rights if invention is released or abandoned).

# Applicable laws

1) The first law involves the relationship between the employee and the employer in that the invention is disclosed by the employee and duly claimed by the employer.

*(law applicable to employment relationship)*

2) the second law relates to the intercompany agreements and R&D contracts between companies/universities, e.g. Intercompany agreements where IP ownership is transferred from one affiliate to another and in which should be stipulated that one party should do everything necessary to safeguard rights of the principal party including requesting inventors to sign patent documents required by patent authorities and R&D agreements with third parties.

*(law applicable to R&D contracts)*

3) the third law involves patent documents in connection with a regular assignment from one party to another or an assignment/declaration to be signed by the inventors and to be filed with e.g. USPTO to meet a formality requirement during the patent prosecution in US.

*(law applicable to patents)*

# Applicable laws

Example:

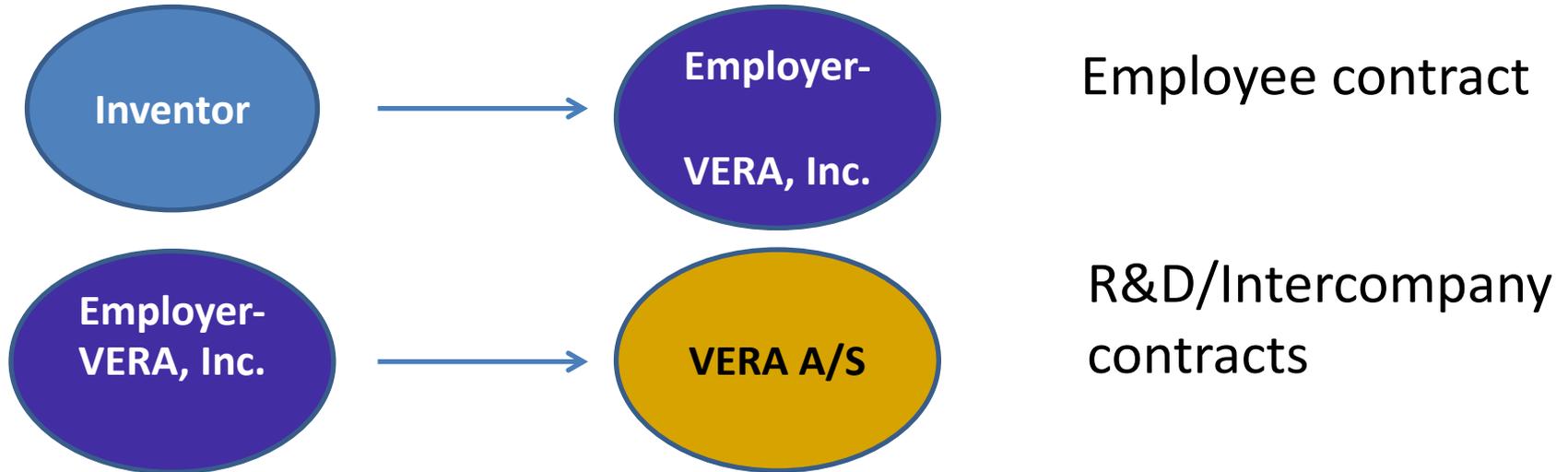
Patent application in USA.

Prosecution of a patent application in the USA requires a declaration/assignment signed by the inventor.

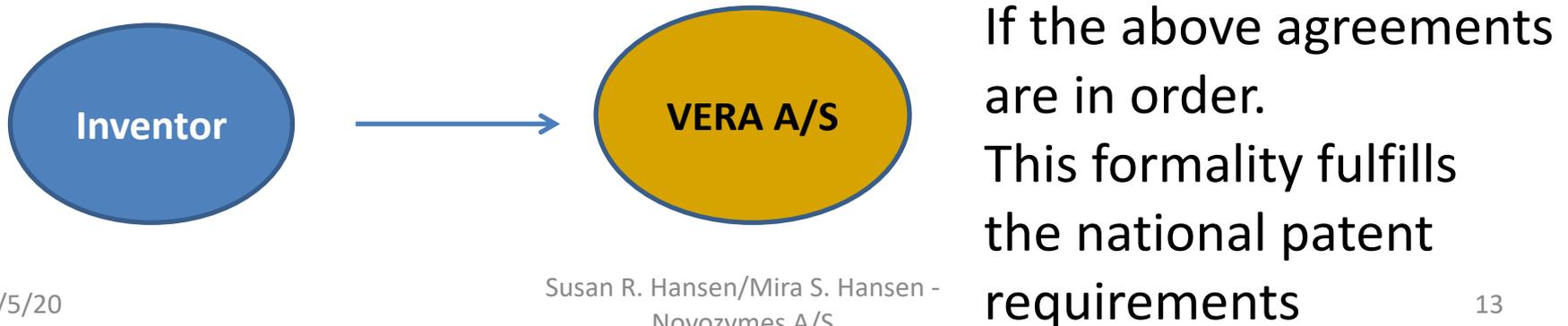
- The inventor is the employee of VERA, Inc and has transferred the right to the invention by employment contract: *governed by the employer/employee law.*
- VERA, Inc has entered into an R&D contract with VERA A/S which states that VERA A/S is sole owner of all IPR. VERA, Inc can instruct the inventor to assist VERA A/S in obtaining and maintaining patent rights (including signing documents): *governed by contract law.*
- Inventor (employee of VERA, Inc) signs the declaration/assignment naming VERA A/S as applicant: *governed by US patent law.*

# The interplay of agreements and laws

## Assignment of invention



## Documentation to patent authorities



# Overview - Chain of Title

←-----CHAIN OF TITLE-----> Allocation of ownership									
Applicable law									
Patent Law / Laws on employee inventions Ownership				Contract Law Intercompany agreement (VERA companies)			Contract Law R&D agreements (Third parties)	National patent law relating to patent applications	
Who are inventors (assume residence and citizenship in same country)	Law regulating employee inventions	How the invention is transferred to the employer	Remuneration	Employer of the inventor	Owner	Applicant	Co-operative partner	Any assignment should be officially recorded	
US	None Inventor is owner	By way of employment contract	No	VERA, Inc	VERA A/S	VERA A/S			
CN	Patent Law	Service inventions belong to employer by employment contract	Yes	VERA CN	VERA A/S	VERA A/S			
DK (internal inventors)	Patents Act – inventor has the right Act on Employee inventions	Transferred by way of employer claiming the invention	Yes	VERA A/S	VERA A/S	VERA A/S			
DE (External inventor)	Law on Employees Inventions.	Transferred by way of employer claiming the invention^^	Yes	KOLAR GmbH	KOLAR GmbH	KOLAR GmbH (according to the Agreement)	Yes		
DK (External inventor)	Patents Act – inventor has the right Act on Inventions at Public Research Institutions 1999 ~	Transfer by way of claiming the invention	Yes	XX University	VERA A/S, XX University – jointly or solely (according to the Agreement)	VERA A/S, XX University – jointly or solely (according to the Agreement)	Yes		

# Implications

## It is complicated

- Not knowing that there is an agreement
- Not knowing what is in the agreement
- Not being kept informed of any legal changes
- Not being reimbursed according to the agreement
- Not being able to have documents signed promptly
- With slow and difficult communication with co-owner
- To have complex priority/complex chain of title
- To have additional costs (extending deadlines/filing divisionals etc)
- To establish who does what (responsibility- interpretation)
- To establish who makes the decisions?
- To act as “patent agency” - it requires add. resources within Patents

# Case Stories

## **Breach in chain of title**

In the period 2002 and 2005 patent applications within plastics were filed in the name of VERA A/S.

- In 2003 a Contract Research Agreement was made between VERA PLAST A/S and VERA A/S – and the IPR was transferred from VERA A/S to VERA PLAST A/S.
- The Patent Department was not informed of the Contract Research Agreement
- Several years later the patent department learned of this Agreement and assignments were to be made with the respective patent authorities to have VERA PLAST A/S officially recorded as applicant.
- By mistake one US application was not included in the assignment: so applicant is still VERA A/S
- In 2009 a merger between VERA PLAST A/S and VERA BIOPLAST A/S resulted in a new company VERA BIOPLAST A/S officially
- So again assignments were completed for official recordal of the PLAST portfolio with the respective national patent authorities to have the proper owner registered. Costs approx. 200.000 DKK
- However, one US patent application was still recorded in the name of VERA A/S:
- Restore chain of title by assignment from VERA A/S to VERA PLAST A/S and from VERA PLAST A/S to VERA BIOPLAST A/S.

**IMPORTANT TO ALWAYS CHECK CHAIN OF TITLE**

**IMPORTANT TO BE KEPT INFORMED BY LEGAL DEPARTMENT**

# Case Stories

## Collision with foreign laws –

In 2005 several priority applications were filed in the names of Kolar GmbH and VERA A/S.

- Kolar is a German company with a German inventor (co-inventor)
- The patent applications proceeded to national filings and ended up with approx. 100 country members . In 2011 Kolar changed its name into Solar and a name change had to be registered in all the relevant countries.
- In 2011 Solar also decided to give up most of the cases. VERA A/S decided to abandon the cases in countries, which were not relevant for VERA A/S.
- Subsequently, VERA A/S (patent department) had to revive the abandoned applications – where possible.
- Why? According to German law any IP that the employer does not want to uphold anymore should be offered to the inventor.
- Solar was to make sure that all requirements according to the German employees' invention law were fulfilled.
- Subsequently, the cases were assigned to VERA A/S, who then abandoned the applications again.

**IMPORTANT TO BE ALERT when we have EXTERNAL INVENTORS from countries outside DK.**

**IMPORTANT TO NOTE THE HUGE WORK LOAD AND RESPONSIBILITY IN CONNECTION WITH BEING “PATENT AGENCY” FOR PARTNERS**

# Transfer of IP rights

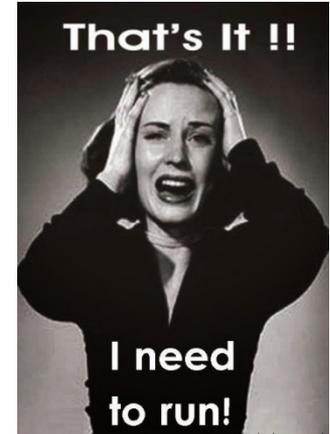
It is important that

- The Patent Department is informed as soon there is any discussion on change of ownership.
- That vital deadlines are made known to all parties e.g. completion, validation, 30m etc.
- That all parties strive to effect decisions quickly to avoid unnecessary work and costs
  - E.g. if we have no final decisions on meeting due dates we have to keep applications alive by requesting extension of deadlines or filing divisionals.



# R&D Agreements

- The ideal world, in our opinion,  
Joint-Ownership is best avoided!



- *INSTEAD: GRANT each party its own technical field: File two applications each within the technical field*
- *OR: File one application and grant a license*