



THE GERMAN ACT ON EMPLOYEES' INVENTIONS

THINGS YOU NEED TO KNOW



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INTRODUCTION

The German Act on Employees' Inventions provides a detailed framework dealing with ownership and remuneration issues in relation to inventions made by employees, including regulations defining rights and duties for the employer and for the employee inventor.

Remuneration guidelines provide detailed schemes for determining the remuneration.

Accordingly, all companies with employee inventors based in Germany should be aware of the implications of the German Act on Employees' Inventions and should implement internal processes to acknowledge the provisions of the law and reduce the administrative burdens for handling employees' inventions.



OVERVIEW

- History
- Legal framework and relevant deadlines
- Rights and duties of the employee inventor
- Rights and duties of the employer
- Contractual workarounds



HISTORY

- 1936: definition of an invention as property of the inventor (German Patent Law)
- 1942: first regulation regarding employee inventions (Göring-Speer-Regulation)
- 1957: Act on Employees' Inventions
- 2009: statutory reform of the Act on Employees' Inventions



LEGAL FRAMEWORK 1

Act on Employees' Inventions 1957, last modified 2009

§1 This Law applies to inventions and to technical improvement proposals made by employees in private employment, by employees in public service, by civil servants, and by members of the armed forces.

§2 Inventions within the meaning of this Law are only those which may be the subject of a patent or of protection as a utility model.

§3 Technical improvement proposals within the meaning of this Law are proposals for other technical innovations that may not be the subject of a patent or of protection as a utility model.

§4 (1) Employee inventions within the meaning of this Law may be either tied or free.

...



TIED OR FREE INVENTIONS

Employee inventions may be either service (tied) inventions or free inventions

- 1) A service invention is an invention made during the term of employment which:
 - (i) resulted from the employee's tasks in employment, or
 - (ii) is based upon the experience or activities of the employer
- 2) A free invention is any other invention made by the employee during the term of employment but outside the employee's tasks in the company (for example as part of a hobby)



LEGAL FRAMEWORK 2

§ 22 The provisions of this Law may not be modified by contract to the detriment of the employee. Agreements shall, however, be permissible concerning service inventions after they have been reported and concerning free inventions and technical improvement proposals (Section 20(1)) after their notification.

§ 23 (1) Agreements concerning service inventions, free inventions, or technical improvement proposals (Section 20(1)) permitted by this Law, shall be null and void to the extent that they are manifestly inequitable. This provision shall apply also to compensation settlements (Section 12(4)).

§ 26 The rights and duties arising from this Law shall not be affected by termination of the employment relationship.



LEGAL FRAMEWORK 3

- Whether the German Employees' Inventions Act is applicable depends on the contract (i.e. which law is defined to be applicable, if any) and on the regular workplace of the employee.
- If the employee is permanently working outside Germany, i.e. not just for a determined period of time and there is no intention/plan for him/her to resume work in Germany, the law of the regular workplace is applicable.
- However, if the contract refers to German law, the German Employees' Inventions Act is applicable (cf. Art. 8 of EU regulation on the law applicable to contractual obligations (Rome I)).



LEGAL FRAMEWORK 4

- Compulsory defined arbitration proceedings
- Judicial proceedings only possible after proceedings have been held before the Arbitration Board
- The Arbitration Board is part of the German Patent and Trade Mark Office



RELEVANT DEADLINES

- §5
 - Immediate report of the invention
 - Immediate confirmation of receipt
- §6 Invention will be deemed as claimed if it is not actively released within 4 months after reporting the invention to the employer



DUTIES OF THE EMPLOYEE INVENTOR

- § 5 All employees who have contributed to a service invention are required to notify the employer of the invention without undue delay and in writing.
- § 15 (2) ...the employee must assist his employer in acquiring the industrial property rights and shall be obliged to make the necessary statements.
- § 19 (1) Before exploiting a free invention further during the term of his employment contract, an employee must offer his employer at least a non-exclusive right to use the invention on reasonable terms, if the invention falls within the range of the actual or planned activities of the employer's enterprise at the time the offer is made.
- § 24 (2) An employee must keep a service invention secret as long as it has not become free (§ 8(1)).



DUTIES OF THE EMPLOYER

- § 5 Confirmation of receipt of the notification of the invention without undue delay in writing
- § 6 Claiming/releasing invention
- § 9 Payment of remuneration after claiming the invention (when invention is used)
- § 13 obligation to file, without undue delay, a patent application for Germany
- § 14 The employer may file patent applications for foreign countries. If not, he must release the invention to the employee for countries in which it does not intend to file.
- § 16 If the employer intends to abandon a patent application or a granted patent before he has fully remunerated the employee, he must inform the employee accordingly and, at the employee's request and expense, assign the respective right to the employee



REMUNERATION

- The employee is entitled to a reasonable remuneration unless the employer releases the service invention. The remuneration is due as soon as the employer uses the invention (by making use of the invention or by licensing or selling the invention), regardless of whether or not a patent application has been filed or a patent has already been granted.
- Type (lump sum or instalments) and amount of the remuneration are determined by a mutual agreement between the employer and employee.
- If no valid agreement exists, remuneration is determined based on a legal framework.



REMUNERATION GUIDELINES

- §11 After hearing leading organizations representing employers and employees (in accordance with Section 10a of the Law on Collective Bargaining Agreements), the Federal Minister of Labor shall issue Directives for assessing compensation.
- Directives issued 1959, amended 1983



DIRECTIVES FOR ASSESSING COMPENSATION

The directive suggests determination of inventor remuneration based on the following formula:

$$V = E * A * X$$

wherein:

- V = remuneration
- E = invention value, based on:
 - License analogy
 - Quantifiable business use
 - Estimate
- A = proportional factor (a+b+c)
 - a) role in identifying the problem solved by the invention
 - b) contribution to the solution of the problem
 - c) duties and position within the company
- X = co-inventor share



DIRECTIVES FOR ASSESSING COMPENSATION

Example based on license analogy:

- inventive value (E) is the net turnover * fictitious royalty rate: US\$ 2.5 million * 5 %
- proportional factor: 15 %
 - development order: $a = 2$
 - based on typical work of the inventor, supported by the company: $b = 1$
 - average position in the R&D department (e.g. not a team leader): $c = 5$

$$V = \text{US\$ } 18,750$$



RIGHT TO INFORMATION

- Background: If the employee is entitled to remuneration, he must have the possibility to verify the compensation.
- Right to information and demand accounting details.
- Claim for an affidavit in case of suspicion of incompleteness.
- Sequestration possible.



POSSIBILITIES IN CONTRACTUAL AGREEMENTS

- § 22 The rules on employees' inventions are binding and may not easily be opted-out by individual agreements. Agreements as to the ownership and remuneration that detriment the employee inventor and which are made prior to a notification of an invention (e.g. in the employment contract) are invalid.
- §§ 22, 23 Agreements concluded after a notification of the invention are valid unless they are significantly disadvantageous to the employee.



INCENTIVE SYSTEMS

- Motivation of employees, e.g. paid after invention is claimed
- May not be remunerated
 - § 13 „national application“ – caution: additional payment might be necessary when invention is used
 - §14 „release of the invention for foreign countries”
 - §15 „information about prosecution“
 - §16 „offer of patent application or a granted patents prior to abandoning“
- Often in connection with patent rights (e.g. possible)



ESTABLISHED AMOUNTS

- § 14(2): 150 to 300 €
- § 16(1): 150 to 300 €
- §§ 14 and 16: 250 to 500 €
- §§ 13, 14, 16: 350 to 600 €
- §§ 13, 14, 16 and limiting the right to information:
1000 to 1500 €

Caution: May not be credited against remuneration



REMUNERATION AGREEMENTS

- Lump sum payment agreements as preferred option to reduce administrative burden
- Payment coupled to certain events, e.g.:
 - Filing of patent application
 - Grant of patent
 - Use of the invention
 - Predetermined period after beginning of use
- Payment amount could depend on value of the invention for the company
- Lump sum payment agreements should include regulations regarding a review after defined periods



SUMMARY

- Docketing of 4 month deadline after notification of the invention
- Releasing „unwanted“ inventions
- Agreements after notification, releasing the employer from legal duties
- Lump sum payment agreements in order to reduce administrative burden
- Include review process in remuneration agreement



**THANKS TO THE
AUDIENCE!**



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