

Employee's rights to compensation for inventions - a European perspective

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Many life science companies rely on their employees' inventiveness to fuel their research and development (R&D) efforts and generate patents. The most successful inventions can generate billions of euros of sales annually. In some circumstances, the employees who created the patentable inventions may be entitled to compensation. However, the laws in this area vary significantly across European jurisdictions.

A number of substantial compensation awards have been made recently. For example, the UK Patents Court awarded compensation for the first time in 2009, in the case of *Kelly v GE Healthcare [2009] EWHC 181*. Between them, the two inventors were awarded GB£1.5 million (about US\$2.2 million). A former employee of French National Railways (*Société Nationale des Chemins de fer français (SNCF)*) received more than US\$750,000 (about EUR503,000) from a court of first instance in Paris for inventing a system that allowed SNCF to save around US\$22 million (about EUR14.8 million) annually (*X c. Société Nationale des Chemins de Fer Français et Vape Rail International SAS (VRI)*, *Tribunal de grande instance of Paris, 3rd chamber, 1st section, 19 May 2009*).

However, despite companies' potentially significant exposure, there is much uncertainty regarding employees' rights to compensation. In large part this is due to the complexity of national laws and the lack of harmonisation across Europe. Even where a right to compensation can be established, the amount is often unpredictable.

Against this background, this chapter considers the legal framework in a number of selected jurisdictions for compensating employees for patented inventions, which the employees developed but their employers own. The jurisdictions considered are the UK, France, Germany, The Netherlands and Belgium.

The chapter considers:

- An overview of national laws in Europe.
- The differences in laws in the selected jurisdictions.
- Whether an employee's rights to compensation can be altered contractually.

The chapter also provides a checklist of considerations for those considering bringing or defending claims (see *checklist, Considerations for potential litigants*).

AN OVERVIEW OF NATIONAL LAWS

The source of employee inventor compensation laws differs from country to country. Many European countries (including the UK,

The Netherlands, France, Italy, Austria, Portugal, Spain and Hungary) include employee inventor compensation provisions in their national patent legislation. Others, such as Germany, Denmark, Finland, Norway and Poland, have enacted specific employee compensation laws. Belgium does not provide a statutory right to compensation, although a right has developed through case law (see below, *Belgium: Overview*). Irish or Swedish laws, however, do not contain any obligation on employers to compensate employees for employee inventions.

There are a number of different approaches to compensation. For example, in some countries, the right to compensation is linked to whether the employee is "employed to invent". In others, the right to compensation is the same for any inventions owned by the employer. There are also differences relating to:

- Eligibility for compensation.
- The basis for assessing the compensation level.
- The time period in which claims for compensation must be brought.
- The frequency of awards.
- The treatment of employees working in the private sector and universities.

These differences are explored in greater detail for the selected jurisdictions below. See also box, *Key features of employee compensation regimes in selected jurisdictions*.

The UK

Ownership of inventions. In most circumstances, inventions created by UK employees will belong to the employer (*section 39, Patents Act 1977*). The employer owns the invention if it was made in the course of the employee's normal duties (or duties specifically assigned to the employee), provided that the invention might reasonably be expected to result from carrying out such duties.

Employers also own any inventions made during the course of duties by employees with a special obligation to further the employer's interests because of the nature of their duties and the responsibilities arising from those duties. This can cover executive employees whose seniority gives rise to an obligation to further the employer's interests, even though their normal duties do not include making inventions.

Whether compensation is payable. When the employer owns the invention, the employee may be entitled to compensation from the employer. However, a characteristic of the UK regime is that awards are unusual. Compensation is awarded only in exceptional circumstances.

KEY FEATURES OF EMPLOYEE COMPENSATION REGIMES IN SELECTED JURISDICTIONS

FEATURE	UK	BELGIUM	FRANCE	GERMANY	THE NETHERLANDS
Relevant Legislation	Sections 40 to 42, Patents Act 1977.	There are no statutory rules regarding employee inventions.	Patent Act 1978, as codified by the Intellectual Property Code 1992.	Employees Inventions Act 1957 (<i>Arbeitnehmererfindungen</i>) (ArbnErfG) and guidelines issued by the Minister of Labour.	Article 12, Patent Act 1995
Underlying rationale	Compensating inventors in exceptional circumstances if both: ■ The patent (and/or, for patents filed in 2005 or later, the invention) has been of outstanding benefit to the employer. ■ There is a real disparity between the benefits received by the employer and the employee.	Compensation can be awarded by the courts in rather exceptional cases.	Compensation must be awarded for all employee inventions that the employer owns.	Compensation must be awarded for all service inventions claimed by the employer.	Compensation should only be awarded if the inventor has not already been compensated for the patent in his salary, pecuniary allowance or any other extra remuneration.
Requirements for entitlement	The patent (and/or, for patents filed in 2005 or later, the invention) is of outstanding benefit to the employer, and it is “just” for the employer to pay compensation.	No entitlement to compensation for “service inventions” (made within the scope of the employment contract). Possible entitlement to compensation for “mixed inventions” (made outside the scope of the employment but with a connection to it).	Entitlement to additional remuneration (<i>rémunération supplémentaire</i>) for inventions made within the scope of employment (<i>invention de mission attribuable</i>). Entitlement to fair compensation (<i>juste prix</i>) for inventions outside employee's normal duties (<i>invention hors mission attribuable</i>) if the employer claims ownership.	Automatic entitlement to reasonable compensation if the employer has exercised its right to take ownership of a service invention.	Entitlement to equitable remuneration if the existing contractual remuneration is deemed insufficient. Courts have been reluctant to find this, particularly in relation to large, industrial employers.

The applicable test depends on when the patent was filed. For patents filed before 1 January 2005, compensation is available if both:

- The patent is of an outstanding benefit to the employer. Benefits from foreign patents can be taken into account. The process used to determine whether there has been an outstanding benefit is:
 - showing a causal link between the patent and the benefit. There is no requirement that the patent be the only cause of the benefit;
 - assessing the level of relevant benefit. For pre-2005 patents, only the benefit attributable to the patent is assessed. The actual benefits derived from the patented

invention are compared with the hypothetical benefits which might have accrued if the product or process had been sold in the absence of patent protection;

- determining whether the benefit is “outstanding”. The courts have resisted defining “outstanding”, beyond agreeing that it means “something special” or “out of the ordinary”, and more than “substantial”, “significant” or “good”. The benefit must go beyond what one would normally expect to arise from the employee's duties. The benefit itself must be “in money or money's worth”, and so does not extend to reputational benefit. In assessing the benefit, all relevant factors must be considered, particularly the employer's size and nature.

KEY FEATURES OF EMPLOYEE COMPENSATION REGIMES IN SELECTED JURISDICTIONS					
FEATURE	UK	BELGIUM	FRANCE	GERMANY	THE NETHERLANDS
Valuing the benefit	The value is calculated after the patent has been exploited, by considering all available evidence.		Compensation for inventions within the scope of employment is often pre-determined. Compensation for inventions outside the employee's normal duties is determined when the invention is disclosed to the employer.	Various valuation methods are permitted but the licence analogy is most commonly used. The valuation is done shortly after the invention is patented.	
Calculation of compensation	The employee is entitled to a fair share of the benefit which the employer has derived, or may reasonably be expected to derive. Determining a fair share is complex, and involves assessing a large number of factors.	The courts will assess compensation taking into account all circumstances of the case.	Remuneration of between 1 to 3 times the employee's monthly salary is common for inventions within the scope of employment. (Some court awards have been higher.) Compensation for inventions outside employee's normal duties must be "fair compensation" based on factors, such as the invention's economic value and the employee's contribution.	The starting point is the economic value of the invention. It is then reduced by a share factor to reflect the employee's role, assigned tasks and role of the employee in the company. In the private sector, compensation is normally between 10% and 20% of the economic value.	The employee is entitled to an equitable remuneration related to the financial importance of the invention and the circumstances in which it was made. Determining a fair share is complex. It involves an assessment of a large number of factors.
Time frame for claims	Any time from the date of the grant of the patent until 1 year after the patent has expired.	The claim must be brought within 10 years of the invention.	The right to compensation is automatic. In case of a dispute, the claim must be made within 5 years.	The right to compensation is automatic, and does not need to be specifically claimed.	The claim must be brought within 3 years of the grant of the patent.

- It is "just" (that is, fair) to award compensation. The award is discretionary, and the court considers all factual issues. However, it is a low hurdle and this requirement will commonly be met if an outstanding benefit to the employer has been proved. In *Kelly*, an award was just even though only two of the three inventors had made a claim, the limitation period had nearly expired, and the claimants had waited a number of years after leaving employment before making a claim (see box, *Kelly v GE Healthcare*). It is possible that an award of further compensation may be unjust if the employer has already paid an incentive or a bonus payment to the employee for the invention, although this issue was not considered in *Kelly*.

The first limb of the test is now different for patents filed on or after 1 January 2005. The benefit of the invention, and not just the patent, can be taken into account for those patents. In certain

situations this may assist the employee, for example, where an invention is commercially successful despite the patent's revocation.

Similar compensation provisions exist for patents which belong to the employee, if the employee has assigned or exclusively licensed their rights to the employer. Compensation is payable if the employee's benefit is inadequate in relation to the employer's benefit from the patent.

Valuation of compensation. Calculation of the employee's compensation is a two-step process:

- The employer's benefit is quantified. This calculation is made on the basis of the patent's actual profitability, considering all available evidence, including the future profits that can be reasonably expected. It should not be based on a hypothetical royalty that would have been obtained

if the patent had been licensed early in its life. Instead, it must be based on the amount by which the total profits for the product would have been reduced if the patent did not exist. For post-2005 patents, the value of the invention, in addition to the patent, can be considered.

- The fair share for the employee is calculated. The aim is to award the employee “a fair share (having regard to all the circumstances) of the benefit which the employer has derived, or may reasonably be expected to derive” from the patent (or the invention for patents granted post-2004). The amount is not limited to a remedy for loss, so it can exceed compensation for inadequate remuneration for the employment.

The factors to be considered include:

- the nature of the employee's duties, the employee's remuneration, and any other advantages the employee has derived from the employment or the invention;
- the effort and skill which the employee devoted to the invention;
- the effort and skill invested by joint inventors or other employees;
- the employer's contribution, such as providing:
 - advice;
 - facilities;
 - opportunities;
 - managerial and commercial skills and activities; and
 - any other assistance.

A key factor in determining compensation is the relative degree of risk accepted by the employee for the project. Payments of around one-third of the exploitation income are typical for academic inventors in universities. The position of academic inventors was not considered an appropriate point of comparison (comparator) in *Kelly*, as the employer in *Kelly* took the commercial risks (see box, *Kelly v GE Healthcare*).

Factors that are likely to increase the “fair share” include:

- Creation of an entirely new product and income stream for the employer without any substantial input from the employer.
- The employee playing a significant role in developing the market for the invention, licensing the invention, or otherwise commercialising it.

It is difficult to predict what “fair shares” will be awarded in future cases, considering the complexity of the current approach. In *Kelly*, for example, the judge stated that the employee's fair share may in principle lie somewhere in the broad range from nil to 33% or beyond.

Timing. Employees can claim compensation from the date of the grant of the patent until one year after the patent has expired, or six months after any application for restoration has been refused. In practice, however, successful claims are likely to be made towards the end of a patent's term. The earlier a claim is brought, the harder it is to assess the nature of the patent's benefit, and therefore the harder it will be to prove that there has been an outstanding benefit to the employer. Even if an outstanding benefit can be demonstrated, the value ascribed to it at an early stage in the patent's life may be lower because its value is more speculative at that stage.

Future impact. To date, there has only been one award of compensation, in *Kelly* and the future of compensation claims remains to be seen. *Kelly* may encourage more claims, but the case may not be as significant as many have predicted. Very few products are as successful as Myoview, which was easily Amersham's (the employer) best-selling product. Myoview's unusual profitability was perhaps even more important to the employee's success than the sales figures. Therefore, compensation in the UK is likely to continue to be an exception rather than the rule, with only claims regarding particularly profitable products having a good chance of success.

France

Overview. The Intellectual Property Code 1992 (IPC) provides the foundation for routine compensation of employed inventors. The IPC codifies provisions set out in the Patent Act 1978.

The Patent Act 1978 lists three types of inventions:

- Inventions in the course of the employee's normal duties (*Inventions de mission attribuables*).
- Inventions outside the employee's normal duties (*Inventions hors mission attribuables*).
- Inventions owned by the employee (*Inventions hors mission non attribuables*).

The category of the invention determines both the ownership of the IP rights and the compensation type, in the absence of a contractual clause that is more favourable to the employee. The categories differentiate inventions according to the extent of the employee's “mission” (or duty) to invent.

Inventions in the course of the employee's normal duties. These are inventions that employees create either:

- In the course of an inventive mission defined in their employment contract.
- During studies or research tasks expressly assigned to them in the course of their employment.

They arise if the employee creates the invention acting in accordance with his or her job description, which the courts interpret widely.

These inventions belong to the employer. However, an employee is entitled to “additional remuneration” (*rémunération supplémentaire*) for the invention. The statutory provisions do not specify the method for calculation of such remuneration. Additional remuneration can be calculated on the basis of:

- Collective agreements (that is, agreements governing all employees working in a particular industrial sector).
- Company agreements (that is, agreements between the company and its unions, applicable to all company employees).
- Individual employment contracts.

Typically additional remuneration is determined under a contractual arrangement. Remuneration of between one and three times the employee's monthly wage is common. The award by France's Supreme Court (*Cour de Cassation*) of US\$830,000 (about EUR557,000) to the inventor of a patent in relation to a pharmaceutical treatment of prostate cancer can only be viewed as exceptional (*Hoechst Marion Roussel/Raynaud, La Cour de Cassation, Chambre Commerciale, November 21, 2000; Arrêt no 2086. Rejet.; Pourvoi no 98- 11.900; and GRUR Int. 2001, 785*).

A survey conducted by the French Intellectual Property Institute (*Institut national de la propriété industrielle (INPI)*) in 2008 revealed that additional remuneration tends to be higher when granted during the exploitation phase:

- Remuneration granted after the exploitation of the invention has begun is generally between US\$1,500 (about EUR1,000) and US\$18,000 (about EUR12,000).
- Remuneration granted at the time when the invention is made is typically between US\$750 (about EUR500) and US\$3,000 (about EUR2,010).

Additional remuneration is usually payable on filing a patent. The right to compensation is automatic but in the event of a dispute, the claim must be made within five years. Depending on the circumstances, the starting point of this period can be when:

- The employee learns (or could have learned) about the commercial exploitation of the patent.
- The employer notifies the employee that additional remuneration will be paid.
- Exploitation of the invention begins.

Inventions outside the employee's normal duties. This category covers inventions created while the employee is employed and which do not fall into the first category, but that were created using knowledge, techniques, or methods specific to the employer or data provided by the employer. If the invention relates to the employer's activities, the employer can request a compulsory transfer of the invention and the associated patent rights within four months from the date it became aware of the invention.

If the employer acquires ownership, the employee is entitled to "fair compensation" (*juste prix*), to be calculated when the invention is disclosed to the employer. Fair compensation is based on:

- The invention's economic value.
- The level of the employee's contribution to the invention.
- Any other relevant circumstances relating to the invention.

The compensation can be a lump sum, staged payments or a royalty arrangement.

Inventions owned by the employee. All other inventions fall into the third category. These inventions belong to the employee, who is free to exploit the invention directly, through the employer or any third party.

Germany

Overview. Germany has had a separate Employees Inventions Act (*Gesetz über Arbeitnehmererfindungen (ArbnErfG)*) since 1957, which is accompanied by Ministerial guidelines on the employees' compensation for inventions in the private sector (*Vergütungsrichtlinien für Arbeitnehmererfindungen*) (Guidelines). The ArbnErfG follows on from previous legislation and case law that recognises the inventors' right to receive compensation for their inventions from their employers. The ArbnErfG covers all inventions made during the term of an employment contract, and applies not only to patentable inventions, but also to utility models and suggestions for technical improvements which are not registrable.

The ArbnErfG seeks to strike a balance between:

- Section 6 of the Patent Act (*Patentgesetz*), which gives inventors rights in their inventions.

- The basic principles of labour law, which provide that an employee's work belongs to the employer.

As a result of the balancing exercise, the Act provides a set of rules, which classify inventions into various categories, and make it compulsory to notify the employer of all inventions. The employer can claim rights in the invention within certain time limits if it complies with certain duties. These duties include paying compensation to the inventor.

The ArbnErfG was amended with effect from 1 October 2009. These amendments made some limited changes to the existing laws on ownership of the employee inventions and employee compensation. Many, however, had been seeking wider-reaching changes, criticising the system for being overly complex and bureaucratic.

Categorisation of inventions. Inventions are categorised as either:

- Service inventions. These inventions are either made in connection with employment, public service-related activities or tasks that the employee must perform, or based, to a significant degree, on the employer's expertise or activities.
- Free inventions. These are all other inventions.

Ownership. When created, both types of invention belong to the employee. The employee must notify the employer of every patentable invention (free or service) made. The employer can claim ownership of the invention within four months from the notification date. Until the recent amendments to the ArbnErfG (*see above, Overview*), the employer had to actively claim the invention. However, the default situation has now been reversed. The employer is deemed to claim the invention, unless it specifically releases the invention to the employee in writing within four months from the notification.

The employer has no right to own free inventions. However, if the invention falls within its field of activity, the inventor must offer the employer a non-exclusive exploitation right before he or she exploits the invention. If the employer does not take up the offer within three months, its right is extinguished.

Compensation. If the employer claims ownership of a service invention, it must both:

- Pay "reasonable compensation" to the employee, which is determined in accordance with the Guidelines.
- Ensure the invention is properly protected in Germany.

If the employer and the employee cannot agree the terms and conditions of the compensation within a reasonable time frame, the employer must calculate the level of compensation in a written declaration that includes reasons. This declaration must be made within three months from the patent grant. If the employee disagrees with the proposed compensation, he or she can start arbitration proceedings.

Four factors are particularly important for calculation of the compensation:

- The economic value of the invention.
- Task assignment, that is, whether the task that led to the invention was based on the initiative of the employee or the company.
- Task solution, that is, whether or not the employee solved this task by using job-specific knowledge, company-specific work and knowledge, and the support of the company.

CONSIDERATIONS FOR POTENTIAL LITIGANTS

- Which national law applies?
- Does the invention belong to the employer or the employee?
- What type of invention is it (for jurisdictions which recognise different invention categories)?
- Has the employee already received compensation under the employment contract or otherwise? If so:
 - was this expressed to fulfil the entire entitlement to compensation?
 - has the employer made any other attempts to contract out of, or vary, the statutory provisions?
 - what is the timing of these arrangements relative to the creation of the invention?
 - who can bring a claim? Is it only the named inventor(s), those who have notified their employer of the invention in writing, or all persons who have contributed to the invention?
- Which entity must the claim be brought against? This can be particularly difficult to assess, both as a matter of law and of fact, where there have been corporate reorganisations and/or patent assignments.
- Is there a limitation period for bringing a claim?
- What are the procedural requirements for bringing a claim?
- What are the surrounding circumstances of the invention, in particular, the relative contributions of employer and employee to the development and exploitation of the invention?

- The position of the employee in the company.

The Guidelines provide various methods to determine the economic value of the invention, of which the licence analogy is most commonly used. If the turnover exceeds EUR1.5 million (about US\$2.2 million), the Guidelines provide for a progressive reduction of between 10% and 80% of the hypothetical licence fee.

Once the economic value has been calculated, the remaining three factors (see above) are taken into account to establish the employee's share (his "share factor"). The Guidelines provide a sliding scale of value points for each category. (For example, the more significant the inventor's role in directing the research, the more points are awarded to him for task assignment.) These value points are totalled and converted via a conversion table into an overall percentage. The greater the number of points, the greater the compensation awarded to the inventor. In practice, the compensation is often between 10% and 20% of the invention's economic value. Special rules apply to the public sector: university inventors, for example, are entitled to 30% of the revenues generated from commercialisation of the invention.

If more than one employee was involved in creating the invention, they must all be named in the notification to the employer (see above, *Ownership*). Compensation for each employee is determined individually. The individual's compensation is usually

proportionate to his or her contribution to the invention. However, if the co-inventors have previously agreed to apportion compensation, the employer can follow this agreement, unless it appears incorrect or non-binding.

If an employer takes a licence of a free invention, compensation to the inventor is also payable, and is assessed using the same principles applicable to compensation for service inventions.

The Netherlands

Overview. Under Article 12, Patent Act 1995, employers are automatically entitled to their employee's patents if either:

- The employee was hired to use his special knowledge to make the sort of inventions to which the patent relates.
- The inventor works for a university, college or other research establishment.

However, employment contracts often go beyond the statutory provisions and provide that all inventions belong to the employer.

Compensation. If a patent belongs to the employer, equitable remuneration (compensation) can be awarded if the inventor is not deemed to have been compensated for the patent "in the salary he earns or the pecuniary allowance that he receives or in any extra remuneration he receives" (*Article 12(6), Patents Act 1995*).

The inventor's right to claim compensation lapses three years after the date of the grant of the patent.

There are no details in the Patent Act of how the principle of compensation is to be applied, and only limited guidance in the case law. The approach that the Supreme Court (*Hoge Raad*) took in the leading case (*IEPT19940527, HR, Hupkens v Van Ginneken*) in relation to large, sophisticated companies was that the employee inventor will typically have been compensated in the regular salary earned. This is particularly the case if the employee was specifically hired to do R&D. It is less clear if the regular salary includes sufficient compensation for employees who carry out R&D only occasionally. Additional compensation is awarded reluctantly and in very exceptional circumstances. Awards have been relatively low.

As in the UK, the assessment of the additional compensation involves many factors. In *TNO v Ter Meulen*, the Supreme Court confirmed that it was necessary to consider various circumstances, such as:

- The employee's position and function within the employer's organisation.
- The employee's remuneration and other terms of employment.
- The nature and the financial significance of the invention.
- The extent of the employee's contribution to the invention.

The lack of a specific salary component representing compensation for the employer's ownership of the patent was neither sufficient nor required for the additional compensation to be awarded.

The lower courts have also considered other factors to be relevant such as:

- The role played by other employees in the invention.
- The extent to which the employer has:

KELLY V GE HEALTHCARE

Dr Kelly and Dr Chiu, two inventors of a radioactive imaging agent Myoview® brought successful proceedings for compensation in the UK Patents Court. The patents in this case were filed before 2005.

When deciding whether to award compensation, the judge concluded that the employer's benefit from the patents had been outstanding because:

- The product was highly successful and was responsible for a large proportion of the company's profits. Its sales as at 2007 exceeded GB£1.3 billion (about EUR1.43 billion). It played an important role in two major corporate deals for the company.
- The R&D costs were relatively small, thereby providing a high gross profit margin.
- The patents protected the business against generic competition for several years (between five and nine, depending on the country) after the relevant data exclusivity period expired.
- The existence of patent protection for a blockbuster product improved the employer's market position by increasing its commercial leverage necessary for the successful acquisitions of stakes in other companies.

An award was not unjust, although:

- The claimants had waited until the limitation period had nearly expired.
- The claimants waited for a number of years after leaving employment before making a claim.
- Only two of the three inventors made the claim.

Having established an outstanding benefit, the next step was to quantify it. Taking into account the employer's own network of sales outlets which would have continued to sell the original Myoview product, the evidence suggested that generic competi-

tion would have caused the price of Myoview to drop by 10% on around half of its sales during the period between regulatory data exclusivity expiry and patent expiry. The conservative conclusion drawn from this was that the employer's revenues would have dropped by GB£50 million (about US\$82.4 million), and this was the "absolute rock bottom figure for the benefit from the patents".

No one else made a significant contribution to the patents, and both Dr Kelly and Dr Chiu had employed significant thought and creativity in their research. However, various factors operated to reduce the awarded compensation:

- Both employees received advantages and recognition as a result of making the invention. Dr Kelly's success in making the compound led to him being appointed an acting manager of R&D and thereby entering the management grade salary structure. He also received recognition in the industry for the patents. Dr Chiu negotiated a starting salary in his next job double the size of his salary, partly by being an inventor of the patents.
- The employer made important contributions to the invention. Dr Chiu's and Dr Kelly's work depended to a significant degree on the opportunities the employer provided to make inventions. The employer provided facilities and a high level of external assistance from universities, set up the research sections, and took the project forward through the development and manufacturing processes. The downstream work was well executed. The employer developed the market in the US, which was a major factor in the product success.

Weighing these factors, and taking a conservative approach, the judge held that a 3% share of the patents' benefit represented a just and fair award. Dr Kelly received 2% (GB£1 million (about US\$1.47 million)) and Dr Chiu 1% (GB£500,000 (about US\$735,000)).

- provided the necessary facilities and research opportunities;
- assisted with the exploitation of the invention.
- In practice, the right to compensation is rarely litigated and requests for compensation are not frequently granted.

The Dutch system has been criticised for being counterproductive and treating its inventors unfairly. The German model has been suggested as a replacement (*see above, Germany*). However, the Minister of Economic Affairs had little sympathy for this suggestion in 2006, when the matter reached Parliament.

Belgium

Overview. Belgium is one of the few European countries with no statutory regime in relation to employee inventions. Draft statutes were proposed in the 1980s, but none has been adopted. Therefore, any rights that employees have to be compensated for their inventions arise from case law.

Under Belgian law, inventions fall into one of three categories:

- Service inventions.
- Mixed inventions.
- Free inventions.

As in other countries where different categories of inventions exist, the delineation between the three categories is subject to varying interpretations.

Service inventions. Service inventions belong to the employer. They are made in the course of either:

- Performing a contract of employment which encompasses an inventive mission.
- Performing a task which is not defined in the employment contract but which was later assigned to the employee by the employer.

For service inventions, the salary alone is considered to be a sufficient compensation for the transfer of the invention's ownership to the employer.

Mixed inventions. Mixed inventions are created by an employee outside of the employment contract, but with some connection to the employment. This connection may be a consequence of:

- The employee's use of the employer's physical or intellectual resources.
- The nature of the invention (for example, if it is directly related to the activity of the employer).
- The fact that it is done during working hours.
- A combination of the above factors.

Case law and legal commentaries leave room for uncertainty as to who owns this type of invention. It is reasonable to consider that if the employer is the owner, the employee may be entitled to additional compensation. This will be determined in light of all the circumstances of the case.

Free inventions. Free inventions are made by employees outside the scope of the employment contract and without any connection to the employment (for example, the invention is created at home without the use of any of the employer's resources). These inventions belong solely to the employee.

CONTRACTUAL AMENDMENTS OF COMPENSATION RIGHTS

Employers can seek to alter statutory provisions for compensation through:

- Entering into contractual arrangements with the employee.
- Providing voluntary invention compensation schemes with pre-determined lump sums or royalty payments for any commercialised inventions.

These arrangements are designed to reduce the number of disputes regarding compensation, and provide more financial certainty for employers and employees.

However, the enforceability of contractual arrangements and their ability to override effectively the relevant statutory provisions varies between member states.

In some countries, employee compensation can be effectively managed through contractual arrangements with employees. In France, it is possible to agree the level of compensation for inventions in the course of an employee's normal duties in industry-wide agreements, union sanctioned company agreements, or individual employment contracts (*see above, An overview of national laws: France: Inventions in the course of the employee's normal duties*).

In other countries, however, the position is less clear. For example, under Dutch law, provisions depriving an employee of compensation are void (*Article 12(7), Patents Act 1995*). However, it is uncertain whether the salary or other allowances received by the employee constitute compensation (there is no requirement that the compensation be express), thereby fulfilling the employee's compensation rights (*see above, An overview of national laws: The Netherlands: Overview*).

In Germany, clauses in the employment contract that exclude or restrict the employee's rights to compensation are not enforceable if they were put into effect before the invention was created. However, once the invention has been made and the employee has notified the

employer of its existence, the parties can negotiate and agree compensation. In practice, employers often propose a lump-sum payment in lieu of the rights under the ArbZnErfG. This is subject to section 23 of the ArbZnErfG, which renders seriously inequitable agreements void. An allegation that compensation is inequitable must be made in writing within six months from the end of the employment contract. Each party can also request that the agreed remuneration (whether by agreement or the employer's unilateral decision) be readjusted, if there has been a major change of circumstances.

In the UK, it is not permissible to contract out of the employee compensation before the creation of the invention (for example, through an employment contract) (*see above, An overview of national laws: The UK*). It is possible that invention incentive schemes in employment contracts may operate to deprive employees of further compensation, on the grounds that additional compensation would not be just. However, there is no case law on this point. Employees and employers are free to agree the level of statutory compensation after an invention has been made.

SUMMARY

The issue of employee compensation is important both to inventors and to industry. However, this chapter has demonstrated that the disparities in the laws of different jurisdictions are significant. At one end, in the UK, claims are rarely granted, but are likely to be significant. At the other, in France, compensation is routine, but typically at a much lower level. Those countries, such as Germany, which assess compensation at the time when the invention was made, typically award lower amounts of compensation than those countries, such as the UK, which calculate compensation after the invention has been exploited.

Criticism has been made of a number of national systems, particularly the German and the Dutch, on the basis that existing laws:

- Act as a deterrent in innovative industries.
- May lead to relocation of R&D facilities to countries where compensation is less frequently awarded.

However, the national legislators in the countries, analysed in this chapter, seem to have no appetite for reform. European harmonisation is also unlikely.

The effectiveness of employer's attempts to use contracts to avoid national compensation provisions is questionable. Therefore, employers with employees located across Europe have little choice but to become familiar with the various different national regimes.

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