SAC/P 132

Inventions made by employees

Report by the Chairman of the Working Party

Introduction

1. Following further consideration of views expressed at the SAC meeting on employee inventions reported in SAC/M29, it was decided to set up a Working Party with a view, if possible, to defining a generally acceptable scheme that could be embodied in the projected Patents Bill. The Working Party had the following membership:-

Mr J M Aubrey

Mr G Doughty

Mr A L T Cotterell

Mr J Ellis

Mr D Falconer QC

Mr C G Wickham

Mr F L Killeen (Civil Service Dept)

Mr A N Devereux (Ministry of Defence)

Miss M L Senior (University Grants Committee)

Mr H.W.Parris (Department of Employment)

Mr C Robson)
) Solicitors Department, DTI
Mr P H Bovey)

Patent Office staff also attended. The Working Party held 6 meetings, of which the first three were chaired by the Comptroller. I chaired the last three meetings and, since a consensus emerged at the last meeting on the main ingredients of a statutory scheme, I agreed to submit the results of the Working Party's efforts for the approval of the Standing Advisory Committee.

The scheme in broad outline

2. In accordance with views expressed by the SAC, the proposed statutory scheme is limited in its scope to patented inventions. It is also limited in its effect to inventions made by employees who are mainly employed in the United Kingdom; having regard to Article 60 of the European Patent Convention, this ensures that the same unique solution is adopted as for European patents.

3. The scheme first of all defines the cases in which the right to a patent is vested in the employer. Normally no award would be payable to the employee in these cases. In all other cases, the invention is to belong to the employee but if, following negotiations, the employer takes rights in the invention, the employee is to have a right to an award. The scheme also deals with the size of the award; it is to amount to a fair share of the value derived by the employer from any patent that he may acquire in respect of the invention. Finally, so far as concerns the award, operation of the statutory scheme may be ousted by payment made under the terms of a collective agreement.

4. For convenience, a draft embodying the main features of the proposed statutory scheme is annexed. It must be emphasised that this is not intended to be a legal text such as might be found in the projected Patents Bill. Moreover, the draft does not cover the following:-

(a) the concurrent jurisdiction of the Court and Comptroller to resolve all employer-employee disputes about inventions made by employees, as agreed by the Working Party;

(b) the Banks Committee's recommendation that employees' common law rights may not be reduced by their contracts of employment; this has already been accepted by the government.

Inventions which are to be the exclusive property of the employer

5. Accepting the view that inventions made by employees should belong exclusively either to the employer or to the employee, the Working Party attempted to define the boundary line. As to this, two broad alternatives were open; the matter could be left to the common law or regulated by statute in accordance with defined criteria. The first approach was ruled out by those who felt that the position of employee inventors needed to be improved. They did not consider that the common law was sufficiently clear and straightforward and in touch with modern realities, based as it is on the master and servant approach. Although other members did not share this view and in particular considered that a move away from the common law would result in some loss of flexibility, the Working Party set out to specify the criteria for identifying those inventions made by employees which should belong to the employer.

6. As regards this, the Working Party reached agreement on three categories, as follows:-

(i) Inventions which arise from activity within the scope of the employee's normal duties.

An obvious example is an invention which arises from research on development work for which the employee inventor was specifically engaged. However, the Working Party does not consider that, to satisfy this criteria, the employee must necessarily be employed in research

or development nor that inventive activity must be his primary task. The essential point is that the tasks for which the employee is engaged and is being paid are of such a nature that it is possibile that an invention may result from performance of these tasks.

(ii) Inventions which arise from a special assignment outside the scope of the employee's normal duties.

Although his normal duties may be such that an invention resulting from their performance would not satisfy criteria (i) above, the employee may be given a special task which may involve innovation. Any invention resulting from this is to belong to the employer. An example within this category is Adamson v Kenworthy (49 RPC 57) where a draughtsman was given a problem to solve in a field of activity on which he was not normally engaged.

(iii) Inventions made by an employee who has a general obligation to further the interests of his employer's business.

The intention here is to cover inventions which, while not satisfying criteria (i) and (ii) above, are made by an employee in such circumstances that it would be inconsistent with the good faith, which ought properly to be inferred or implied as an obligation arising from the employee's contract of employment, for the invention not to belong to his employer. This criteria may be expected to apply to inventions devised by employees in senior management; in any particular case, the terms of employment, the nature of the invention and its relation to the employer's business will be relevant factors to be considered.

Inventions which are to be the exclusive property of employees

7. The Working Party also closely considered the question of ownership of inventions made by employees but which did not satisfy any of the above criteria. These are inventions made as a result of the employee's own initiative; they arise from some activity for which the employer has not engaged the employee and is not paying him. An invention within this broad category may have no connection with the employer's business. However, in many cases, the invention will have such a connection. It may, for instance, result in a new product of the kind which it is the employer's business to sell or a new method or process which, in the hands of a competiter, could damage the employer's business. Moreover, the invention may only have been devised by the employee as a result of his or his colleagues' experience in the employer's business or knowledge of earlier efforts or trade secrets.

8. There was general agreement in the Working Party that ownership of the inventions in this broad category should rest with the employee. However, some members advocated that, if such an invention related to the business of his employer, the employer should have a statutory right to claim ownership. This proposition was mainly argued by those representing the desires of employee inventors and on the ground that such a right was very much in the interests of the employers. On the other hand, it was pointed out that to give a statutory right to the employer would effectively deny the full rights of ownership which, as generally agreed, should, in the cases in question, be vested in the employee. The view was also expressed that a statutory right of this nature was unnecessary, because in most cases the employer would be able to negotiate satisfactorily with the employee for such rights in the invention as he wished. It was also pointed out that, if employers were to be given a statutory right to claim inventions of this kind, there would have to be statutory machinery

for notifying inventions and the acceptance or refusal of rights in them. Those who contemplated the matter from the management angle were unanimous in their desire to avoid the practical difficulties and administrative burden that this would inevitably create.

9. In the result, the Working Party did not accept the suggestion that the employer should have a statutory right to claim inventions which are made by his employees and do not come within the criteria (i) to (iii) mentioned above.

Awards to employee inventors

10. The Working Party was unanimous that employees who make inventions within criteria (i) to (iii) should not normally be entitled to any reward for their efforts over and above the remuneration they receive under their terms of employment. In general, these employees are doing no more than is expected of them and to confer special treatment on them may create difficulties with other employees. However, the Working Party did not feel that it would be fair to exclude them from the possibility of an award in all cases. In its view, the prospect of an award should be available in exceptional cases. If, for instance, an invention proves to be of outstanding value to the employer then, taking into account the remuneration of the employee, the effort and skill he has devoted to devising the invention and other relevant circumstances, it may be unjust totally to deprive him of all opportunity to obtain an award.

11. In the case of employee inventions which did not satisfy criteria (i)-(iii) and which, in the view of the Working Party, should therefore belong to the employee, the question of an award does not of course arise unless the employee offers rights in the invention and the employer accepts. In this event, the Working Party considered

that the employee should have a statutory right to an award. In effect, this means that the employee will have an enforceable right to a review of any benefit that he derives from the agreement by means of which the employer acquired the rights in the employee's invention. It also means that an employer will not be able to rely on the agreement as conferring sufficient benefit on the employee if, under the terms of the statute, the employee is entitled to more. It should also be noted that it is not intended that the employee is to be obliged to offer his invention to his employer, nor is the latter to be compelled to take any rights in the invention or, if he does so, to patent it.

12. As regards the award, both in these cases and the exceptional cases referred to earlier, the Working Party considers that the employee's right should be to a fair share of the realised value to the employer of any patent for the invention. From this, it will be appreciated that, in the Working Party's view the award is to be related to the use made of any patent; although such use may, in many cases, provide financial benefit to the employer on the basis of which the award may be determined, the Working Party observed that many other inventions, particularly those which are government owned, are not exploited for profit. For this reason, the Working Party preferred to relate the award to the "realised value" of the patent. The award is to be a fair share of this. In assessing the fair share, the Working Party agreed that all the circumstances of the case should be taken into account, but, with a view to giving guidance, a preference was also shown for referring specifically to the following relevant factors, namely:-

(i) the nature of the employee's duties and the remuneration he receives in respect of them;

(ii) the extent to which advice, equipment and other assistance is provided by the employer.

Settling disputes

13. The Working Party noted that the Court and Comptroller already have concurrent jurisdiction to deal with disputes concerning inventions made by employees. Industrial Tribunals are already overloaded and the Working Party did not recommend adding to their burden. It also did not consider that there was any justification for establishing by statute a new tribunal of a permanent nature or even providing by statute for an arbitration committee to be set up as occasion arises. It was felt that very few cases would be likely to arise in which the employer and his employee would not be able to settle their dispute themselves. This would especially be the case if, as was suggested, employers and employees could agree to set up as necessary a tribunal having a legally qualified chairman and two other persons with experience of industrial relations, one nominated by the employer and the other by the employee. Some members thought that this should be encouraged, but there was general agreement that it would not be right to deny access to the Court or Comptroller, and it was concluded that they should have jurisdiction to resolve all disputes arising under the proposed schemes.

Collective Agreements

14. The Working Party was of the opinion that the statutory scheme should apply, notwithstanding any individual agreement to the contrary entered into between the employee or his employer. This applies especially to agreements entered into after the invention has been

devised; agreements made at an earlier date are of course to have no legal effect, as proposed by the Banks Committee and accepted by the government.

15. However, the Working Party felt that it may be possible for an employee to obtain better treatment under a collective agreement. In view of this, it was agreed that a payment made by an employer under such an agreement should be regarded as satisfying any rights to an award which are available to the employee under the statutory scheme.

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PATENT OFFICE

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ANNEX

1 (a) The right to any patent for an invention made by an employee who is mainly employed in the UK shall belong to the employer where:-

i the invention arises from activity within the scope of the employee's normal duties;

ii the invention arises from acrivity within the scope of a special assignment which is outside the employee's normal duties;

iii the employee has, by virtue of his relation to the employer, a general obligation to further the interests of the employer's business as a whole.

(b) In all cases not covered by sub-paragraph (a), the right to any patent for an invention made by an employee who is mainly employed in the UK shall belong to the employee.

2. (a) The employee referred to in paragraph 1 shall be entitled to payment by his employer of a fair share of the realised value to his employer of any patent for the invention made by the employee that may be obtained by the employer. In determining that share, regard shall be had to:-

i the nature of the employee's duties and the remuneration he receives in respect of them including any remuneration derived from transfer of an invention as referred to in paragraph 1(b) to the employer;

ii the extent to which advice, equipment and other assistance is provided by the employer;

and

iii all the other circumstances of the case.

(b) However, where the right to any patent belongs to the employer in accordance with paragraph 1(a), there shall be no payment over and above the employee's remuneration for his employment, other than in exceptional circumstances.

3 When employees agree collectively with an employer a scheme for determining what constitutes a fair share, a payment by the employer in conformity with that scheme is to be deemed to satisfy the requirements of paragraph 2.