

Service inventions

by Dipl.-Ing. Helmut Sonn, July 1999

General

A business which wants to exploit research results – in case they are patentable inventions – must first get in the possession of the respective intellectual property rights.

This is the case since the Austrian Patent Act (PatG) presupposes that an invention made by a physical person – i.e. the inventor – basically also belongs to him/her (§4 PatG). The same applies to employees (§6 PatG). In order to become legal successor of an inventor, a contract between inventor and employer is required in principle and in all cases.

Inventions by members of a university

There is a single exception to this rule, that of an employment under public law (compare §7(2) PatG). With civil servants, the employer (e.g. a federal agency) holds a right of acquisition without the necessity of a contract. This right must be executed by the respective employer (for university members currently the Federal Ministry of Transport, Innovation and Technology, BMVIT) within four months upon the (compulsory) reporting of an invention by the civil servant. If the BMVIT does not want to take over the reported invention (negative or no reaction), it remains with the inventor (§12 PatG). Currently it is BMVIT practise (in contrast to the municipality of Vienna) not to take over any inventions but leave their exploitation to the inventors. Therefore inventions by university civil servants are to be treated like those of independent inventors – a transfer contract must be concluded.

The same situation arises with all other university members. Some of them are independent staff anyway, with work contracts which should also regulate the transfer of intellectual property rights. The others are contracted civil servants, having concluded an employment contract with a federal agency (BMVIT). This contract does not contain any regulations concerning inventions, thus (§ 6 and §7(1) PatG) the inventions of these civil servants are at their own disposal and may therefore also be freely assigned.

Inventions by employees in a private business (R&D-Employees)

If the employment contract or the respective collective contract lays down that all inventions made during valid employment are to belong to the employer, §§7-19 PatG are applicable fully and entirely. In this case the same rules as for civil servants apply, the only difference being that the time limit for a declaration of acquisition, as of the reporting of an invention to the management (e.g. an empowered officer of the company), is sometimes reduced from four to three months by collective contracts.

At first a company usually takes over all reported inventions. Afterwards they may be returned at any time, if the business – in contrast to the inventor – is no longer interested in the invention.

The entrepreneur's first task is to determine in cooperation with the inventors, who participated to what percentage in making the invention. The remuneration must be divided accordingly. In addition these inventors should be mentioned in the patent application. Although this is not obligatory in Austria – unless the inventor demands to be mentioned – it is almost everywhere abroad, especially in the U.S.A. or at the European Patent Office.

The advantage for the company in employing R&D staff – thus creating inventions inside the firm – is the fact that the business is entitled to inventions in any case (if the conditions mentioned above are fulfilled) and that the special remuneration payments (in addition to the salary) are much lower than the price for buying the same invention from a completely independent inventor – this is the case since remunerations amount only to a certain percentage of the purchase price. The legislation acknowledges (§9(c) PatG) that the company participates a great deal in the creation of an invention of its employees through proposals, preparatory work, provision of facilities or official orders. Thus the value of an invention

(depending on the purchase price an independent inventor would receive) must be multiplied by a reductor R in calculating the remuneration in order to take into account the share of the company in making the invention. With general technical employees the reductor is between 10% and 20%, with essential R&D employees it may also be only 3% to 4%. In any case, there are calculation guidelines for determining this reductor – as well as for the value of the invention – which are derived from the Patent Act, from legislation and experience.

Employed inventors

The Patent Act (§8 (2)) also acknowledges that there are pure research departments with the single purpose of making inventions. The salary of these employees already covers inventive achievements, since that is what they have been employed for. This acknowledgement, however, has two important limitations.

The first limitation is that the employee must really work predominantly at this task (research to make inventions). If he/she, however, spends half of his/her time supervising production, organizing the research department or negotiating with providers of capital or customers, he/she is still entitled to a remuneration in addition to the salary. But according to the usual calculations this will be at a rather low level.

The second limitation is more difficult to pin down and is based on the passage in the legal text which may be paraphrased as "unless adequate remuneration for the invention is already covered by the higher salary to which the inventor is entitled on account of his/her inventive activities". The salary is referred to as "higher" in comparison to that of other employees of the same company, who for instance work in production. Exclusive R&D businesses will have to make a comparison with the research departments of other companies. Whether the "higher salary" completely covers adequate remuneration, is subject to consideration. With regard to important

inventions, the exploitation of which produces a considerable income, this will frequently not be the case.

Independent inventors

Inventors who are independent according to the law (inventors who are not employees, e.g. students) are often not independent with regard to their research, but are closely connected with research projects of enterprises. It would not be realistic to pay those researchers – members of universities or private persons – the full price for an invention, since the influence of preparatory work, proposals or task assignments of the business are just as decisive here. Thus the respective research contracts generally lay down a remuneration for independent inventors, which is calculated according to the guidelines for employed inventors, unless a work contract salary has been agreed upon which already covers remuneration for the transfer of an invention or the share in it.

Timetable for remuneration payments

According to the law, remuneration is only due when exploitation takes place. Exploitation may comprise utilization in the business directly and/or – especially for research companies – sale or licensing. Employees should have a share in such successful inventions.

Of course patentability of the invention is a prerequisite for remuneration. This may be determined by an expert opinion or patent application. If no patent is issued, no remuneration is due. If the patent is later revoked on account of nullity proceedings or objection, remuneration is no longer due either.

Since it takes years until a patent is issued (especially at the European Patent Office) and since opposition proceedings may take some more years, patentability is often only determined after a long time. It may also take time until exploitation is possible. Thus it has become customary to grant a premium – as recognition of the inventive achievement – to the employees already before that time at certain key stages of the process. This premium may also be deductible from potential later remuneration payment(s).

Such key stages may for instance be the acceptance of the invention by the company and the filing of a patent application. A premium like that granted for improvement suggestions might be adequate then. A second premium may be given – unless exploitation has already been possible – when the patent is issued and when potential opposition proceedings regarding the European patent application have been successfully concluded. If exploitation has already begun before the patent is issued or before the end of the opposition proceedings, it is advisable to retain an amount covering the risks. Even if the patent is granted, it might be severely limited, thus lowering the value of the invention much below the original assumption. This is the case because the value of an invention is determined by the patent claims which are finally granted, since they determine whether the patent may easily be circumvented or not.