

Practical Guidelines when Assessing Reasonable Compensation to Inven- tors

Comparison of the Finnish and the German Doctrines

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Author: Pekka Kijanen

Organization: Outotec (Finland) Oy

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Aalto University Professional Development – Aalto Pro

Tiivistelmä

Tämä työ on seurausta monimutkaisesta kokonaisuudesta mitä tulee keksijöiden palkitsemiseen kansainvälisessä yrityksessä. Kohtuullisen korvauksen määrittämiseksi on ymmärrettävä lainsäädännön puitteet ja peilattava niitä yhtiökohtaiseen ohjeistukseen.

Työ on rajattu käsittelemään sekä Suomen että Saksan lainsäädäntöä, sillä näiden välillä on sekä selviä yhtymäkohtia että muutamia mainittavia poikkeuksia. Ottaen huomioon asiayhteys, lähestymistapa on sekä oikeusvertailleva että käytännönläheinen. Sen sijaan perustavanlaatuinen analyysi tai yksittäiseen ongelmaan pureutuminen on jätetty vähemmälle huomiolle.

Suomessa lainsäättäjä on valinnut monitulkintaiseman ja väljemmän lähestymistavan määrittääessään reilua ja kohtuullista korvasta keksijöille. Selkeitä eroja on havaittavissa mm. ns. lisenssianalogian soveltamisessa. Esittemällä olennaisimmat piirteet kummankin systeemin osalta saattaa tämä työ olla eduksi kaikille, jotka kamppailevat vastaavien ongelmien kanssa.

Abstract

This study is motivated by the complexity of inventor's remuneration for their inventions in the context of multinational companies. In order to tackle the issue of reasonable compensation, it is necessary to understand the framework of local legislations and reflect it against the company specific guidelines.

The scope of study is limited to the law-making in Finland and Germany as they bear multiple similarities as well as some notable differences. Taking into consideration the study requirements, the adopted approach is both comparable and down-to-earth without giving too much emphasis to in-depth analysis or digging into a specific set of problems.

In Finland the legislator has leaned towards more ambiguous approach when determining what is considered as fair and reasonable remuneration. A clear distinction between the two aforementioned legal systems can be drawn to the way the German system has adopted the use of so-called license analogy. By outlining the most essential features from both systems and providing a clear to-do-list I expect this study to be beneficial to anyone ironing out similar problems.

Table of Contents

1	Introduction	1
2	Legislative Framework for Inventors Remuneration.....	3
2.1	The Finnish Legal Scope.....	3
2.2	The Legislative Coverage in Germany	6
2.2.1	The German Employee Invention Law.....	6
2.2.2	The German Guidelines.....	9
3	The Meaning of Reasonable Compensation.....	11
3.1	Basic Compensation.....	11
3.2	Extra Compensation.....	13
4	Extra Compensation in Practice.....	14
4.1	Employee Factor (A).....	14
4.1.1	Object of the Invention.....	14
4.1.2	Solution of the Problem.....	15
4.1.3	Position of the Inventor within the Company.....	16
4.2	Value of an Invention (E).....	17
4.2.1	Turnover essential/adjusted turnover (B).....	17
4.2.2	License/reasonable royalty rate (L).....	18
4.2.3	Other Factors and Considerations.....	18
4.3	Summary.....	19
5	Concluding Remarks and To-Do-List.....	20
6	References.....	22

1 Introduction

Rewarding employees for inventions is often based on national legislation and company specific guidelines etc. In other words, employee who works in Finland can be subjected to both Act on the Rights to Employees Invention (656/1967, hereinafter “the Finnish Employee Invention Act” Decree on the Rights to Employees’ Inventions (527/1988, hereinafter “the Finnish Employee Invention Decree”) and company specific guidelines such as Corporate Instructions for Employee Inventions within Outotec, for example.

In this particular scenario, the Finnish Employee Invention Act stipulates the framework for compensation without determining the actual amount of compensation *per se*. As a matter of fact, the Finnish Employee Invention Act (Section 7(1)) merely states that the compensation should be reasonable. The assessment of what is reasonable and what is not is always determined on case-by-case basis and within this evaluation, the company specific guidelines have a pivotal role.

In Germany, inventors right to remuneration is tackled namely in the German Employee Invention Law (ArbEG, hereinafter “the German Employee Invention Law” or “the ArbEG”) and the Guidelines for the Compensation of the Inventions of Employed Inventors (official Guidelines published by the Federal Ministry of Economics and Labor, hereinafter “the German Guidelines”). The latter explicitly deals with question of reasonable remuneration by giving a variety of practical tools for consideration.

In a multinational company, it is not always a walk in the park to adjust governing legislation with the company guidelines. This study is structured accordingly: Chapter 2 explains the legislative framework from both Finnish and German perspective so that one is able to recognize the most important sources of law and other enactments. In Chapter 3 the issue of reasonable compensation is given emphasis as both Finnish and German lawmakers have

stipulated that the compensation for inventors should be fair and reasonable without defining the actual monetary remuneration. Chapter 4, on the other hand, is dedicated to special compensation as there are many similarities despite the fact that in many ways Germany has more concrete and definite approach when determining of inventor's remuneration. In the final Chapter 5, the concluding remarks will be drawn together with suggested to-do-list for anyone struggling with similar issues.

As a general rule instead of sinking into a detailed problem or analyzing a specific part in-depth, this study should be seen as a guideline in the grand scheme of things regarding inventor's remuneration. What are the main similarities and differences between the Finnish and German based cases? What steps should be taken always into consideration irrespective of the jurisdiction? What sort of information is only country specific? Anyone who is obliged to tackle issues of inventor's remuneration either in the context of Finland or Germany might benefit from the study.

2 Legislative Framework for Inventors Remuneration

The Finnish Employee Invention Act dates back to all the way to the end of 1960's and the Act entered into force on 1 January 1968. It has been amended multiple times on the way and it has also been complemented with the Finnish Employee Invention Decree on 1 October 1988.

2.1 The Finnish Legal Scope

Section 1 of the Finnish Employee Invention Act defines the coverage of legislation. In other words, the Act is applicable to: "inventions patentable in Finland and made by a person employed by another, that is, by an employee. This Act shall apply correspondingly to persons employed in the public service."

Sections 2 and 3, on the other hand, further define the ambit of protection. In other words, section 2 stipulates that unless agreed or considered otherwise, this Act is applicable to the employment contract. However, certain sections such as employee's right to a reasonable compensation in section 7(1), cannot be deviated and thus any agreement in breach of these is considered as void. Within the section 3, the lawmaker has guaranteed equal rights for all inventors in respect to their invention.

On the other hand, employer's right to the invention is regulated within section 4. In other words, employer is entitled to acquire the rights to the invention if:

- "an invention has ensued from an employee's activity in the performance of his duties or essentially as a result of using his experiences

gained in the enterprise or institution of his employer or in an enterprise or an institution belonging to the same consolidated corporation...” and

- “the use of the invention falls within the field of activity of the employer’s enterprise or of an enterprise belonging to the same consolidated corporation.” and
- “the invention is the result of a task assigned to him more specifically...”

Employer can also be entitled to the right to use the invention if the use of the invention falls within the employer’s activity even if the creation of the invention does not fall within the section 4(1) of the Finnish Employee Invention Act. Under certain circumstances, the employer has a privilege to such inventions (i.e. inventions derived from outside employment contract).

Sections 5 and 6 tackle procedure according to which both employer and employee should act when handling invention notices. According to section 5, employee who has created an invention, should at once inform the employer of the invention in writing. The employer has to be able to understand the invention from this written submission.

Section 6 states that the employer is obliged to inform the employee in writing no later than four months if the employer is interested in obtaining rights to the invention. The four months period starts from the date of receipt of the invention notice. During the four month period, if the employer has not replied to the invention notice, employee is not allowed to neither dispose nor disclose the invention in any way without employer’s written permission.

One of the most pivotal enactments from the remuneration point of view is section 7 as it stipulates employee’s right to a reasonable compensation. Section 7(1) states the following: “Where an employer acquires the right in an invention made by an employee by virtue of section 4 or on other grounds, the employee is entitled to reasonable compensation from the employer even if it was agreed otherwise before the invention was made.” When evaluating the amount of compensation, one must pay attention to at least:

- 1) Value of the invention,
- 2) The scope of right acquired by the employer,
- 3) Terms and conditions of the employment contract of the employee in questions and;
- 4) Other factors related to the working relationship and creation of an invention.

Section 7 was amended on 1st of October 1988 by adding section 7a (526/1988) as part of The Finnish Employee Invention Act. Accordingly, the employer is obliged to provide the employee with necessary information in order to understand the amount of compensation for the invention. In practice this means information in respect to patent filing, granted patents, production quantities or selling prices.

In addition to aforementioned general sections 1 – 7, there are several sections (i.e. Sections 8 – 14) applicable to more or less special circumstances. For instance, Section 8 covers inventions (in accordance with Section 4) where patent application has been filed after the end of an employment contract but nonetheless invention is deemed to have created during the working relationship.

Section 9, on the other hand, stipulates that under special circumstances, court may overrule paid compensation. An employee, however, is not obliged to refund paid compensation to the employer.

The remaining sections tackle issues like unauthorized expression of an invention to the third party (section 10), the composition of an Employee Invention Committee (section 11), forum for litigation (section 12), enactment of further provisions (section 13) and date of entry into force (section 14).

In order to better understand the notion of inventor's remuneration in Germany and be able to analyze and draft responses to inventors it is necessary to establish a quick review of the German legislation as well.

2.2 The Legislative Coverage in Germany

The groundwork of inventor's remuneration in Germany is stipulated in the aforementioned German Employee Invention Law and in the German Guidelines. The original ArbEG was introduced on 1st of October 1957 but since then it has been reformed and amended several times with the latest refreshment dated in 2009. The German guidelines, on the other hand, was enacted on 20th of July 1959 and later revised on 1st of September 1983.

2.2.1 The German Employee Invention Law

The German Employee Invention consists of four chapters and the most relevant parts will be introduced hereafter. Accordingly, chapter 1 is titled as: "Application and Definition" as it sets out the purview of legislation the following manner:

- "This Law applies to inventions and to technical improvement proposals made by employees in private employment..." (Section 1(1) ArbEG titled as: "Application of the Law")
- "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." (Section 1(2) ArbEG titled as: "Inventions")
- Division of inventions between "tied" or service inventions and free invention. Inventions resulting from the employee's specific tasks (i.e. services) within the company or tasks based on the employer's expertise or activity are considered as service inventions and all the other inventions are regarded as free inventions (section 1(4) ArbEG titled as: "Service Invention and Free Invention"). Unless otherwise mentioned, from now on this study will focus on service inventions in the context of private enterprises.

In Chapter 2, the lawmaker in Germany has regulated procedural issues such as:

1. Duty to Report (section 5 (1-3) ArbEG).

As a result of the latest amendments to the ArbEG in 2009, inventors are obligated to report inventions to their employer in “text form”. As such this amendment has eased the red tape as inventions can be submitted by email, for instance, rather than: “in a special written notice indicating that said writing constitutes the report of an invention.”

In practice, however, it is important to bear in mind that written submission should be favored and it should consist of at least the following features: a) it should be self-evident that the document is a report of an invention, b) where the technical problem and its solution are described, c) where the invention in question is titled and d) when there are more than one inventor, inventor’s contribution is specified.

2. Claiming a Service Invention (section 6 (1,2) ArbEG).

Yet again one of the most important changes in 2009 was the creation of so-called “legal fiction”, which means that as a default, employer is deemed to claim rights to the invention automatically if the invention notice has been reported correctly by the inventor.

It should be noted that this is one of the most dramatic differences between the German and Finnish legislation. In practice this means that employers in Finland are obliged to respond to inventors within four months period in order to avoid risk of losing rights to the invention. In Germany, if one misses the four months due date, this will not result to loss of rights *per se*.

To sum up invention is not considered as free unless employer has specifically released the invention within the four months reply period (Sec 6(2) ArbEG). Then on the other hand, claiming of an invention expressly might help to increase transparency and help to motivate inventors.

3. Compensation for an Unlimited / a Limited Claim (sections 9 (1,2) and 10 (1,2) ArbEG).

Much like regulators in Finland, the German lawmaker has stipulated that: “employee shall have a right to reasonable compensation as against his employer, as soon as the employer has made an unlimited claim to a service invention.”

The amount of compensation shall be based on a) the commercial applicability of the invention, b) the duties and position of the employee in the enterprise and c) the enterprise’s contribution to the invention. The practical application of sections 9 and 10 are given in the German guidelines and will be covered in Chapter 4 of this study.

4. Ascertaining or Fixing Compensation (section 12 (1-6) ArbEG).

In section 12, the legislator has broadly stipulated that: “the nature and amount of compensation shall be established by agreement between the employer and the employee within a reasonable time after the claim to a service invention.”, (section 12(1)).

Additionally, if there are two or more inventors involved, the compensation has to be determined individually by indicating the total amount of awarded compensation and the share of each inventor (section 12(2)).

The remaining part of the section 12 dictates cases where parties do not reach an understanding and possibility to object in writing regarding those inventors who oppose the suggested fixed compensation.

5. Mandatory Applicability (section 22 ArbEG).

As a final note, it is important to keep in mind that provisions of the German Employee Invention Law cannot be modified to the detriment of the employee by contract.

Chapters 4 and 5 of the ArbEG cover invention and technical improvement proposals made by employees in public service, civil servants and members of the armed forces and transitional and final provisions. Introduction of these chapters is omitted as they do not bear much relevance in context of this study. Alternatively, more emphasis is given to the German Guidelines as they provide various tools for inventions economical value consideration.

2.2.2 The German Guidelines

The German guidelines is applicable to all companies which have inventors located in Germany irrespective of the inventor's nationality but they are not binding legislation per se. As a result, whenever there exist disagreement of the amount of compensation the first step should always be negotiations between the employer and employee. Only after failed negotiations, the employer shall fix a reasonable remuneration whereas the German guidelines provide useful source material in this evaluation.

Section 3 of the German guidelines establishes three alternative methods according to which the value of an invention can be calculated. Firstly, according to the German guidelines Section 3a, so-called license analogy, inventor's compensation can be based upon the following basic formula: $V = A \times E$, whereas;

V = compensation / remuneration

A = employee factor

E = value of an invention

Secondly, Section 3b, is applicable to inventions related to improvements in the company rather than the end-products sold by the employer. In other words, the employee is entitled to a certain percentage of the internal cost saving and practical method described within the Section 12 of the German guidelines. Finally, in Section 3c, alternative method is introduced for cross-licensing related cases that lack real royalty income or purchase price. The latter method is specified in more detail in Section 13 of the German guidelines.

By applying the license analogy, the inventor is awarded with a certain percentage of the employer's turnover (also known as net sales or turnover essential). As the license analogy is by far the most commonly used approach in Germany, Chapter 4 is devoted to introduce the complexity and practical applicability of this rather simple doctrine.

3 The Meaning of Reasonable Compensation?

3.1 Basic Compensation

Irrespective of the applicable jurisdiction it is important to make a clear distinction between basic compensation and extra compensation when rewarding inventors. Both in Finland and in Germany the legislators will have been to compensate inventors fairly and it is fair to say that in majority of the cases, the basic compensation meets the criteria of fair and reasonable remuneration resulting from the invention. As a result of lawmakers broad approach it is up to the company specific guidelines to determine how and when inventors receive compensation.

For instance, inventor's basic compensation can consist of incremental one-time rewards which actualize when certain criteria's are met. One option is to divide basic rewards into three separate classes such as:

- Invention notice reward
- Patent filing reward
- Patent granted reward

Invention notice reward is paid once the company has acquired the rights to the invention. The practice of assuming the rights to the invention might stem directly from the employment contract or they might require a separate assignment to be carried out. Patent filing reward, on the other hand, can be put into practice once the first patent has been filed. From the practical standpoint, patent filing reward functions as an extra incentive for inventors to participate the patent filing process. It is heavily company dependent on whether utility models and/or design applications will lead to inventor's compensation in this context. Finally, patent granted reward can be executed after patent has been granted in one of the predetermined countries.

The actual monetary compensation from combined basic rewards usually is sufficient to satisfy the meaning of reasonable compensation. However, in certain cases there might be a need to evaluate the necessity of extra compensation if the invention is economically significant. Economical advantage can consist of either reduced production costs or rising price level, increasing sales and/or gross profit. It is also very common that the employee inventors are seeking such an evaluation as they are the ones with the best knowledge of their inventions utilization.

3.2 Extra Compensation

When the invention is economically significant there might exist a need to compensate inventors further in addition to automatic basic compensations. Extra compensation is not automatic *per se* as the evaluation is usually triggered by inventor's petition to the responsible department to investigate whether he or she is entitled to additional reward.

From the responsible department's perspective such a request can be tackled at least two ways. Firstly, it is possible to suggest so-called one-time extra compensation which basically means a lump-sum compensation used to cover the complete patent term. It is quite common that inventors make extra compensation inquiries more or less in the middle of the patent term (i.e. approximately 10 years from the first patent application). In the middle of the patent term, after payment of basic rewards, there should be adequate visibility on whether:

- a) patented invention has created enough turnover to be even considered in the realm of extra compensation;
- b) basic rewards have already satisfied lawmakers standards of reasonable compensation and;
- c) if applicable, what would be the EUR threshold for compensation.

One-time extra compensations can be divided into number of predefined classes with different thresholds for the invention and the amount of payable compensation. For instance, the first class can consist of inventions which brings forth an explicit but short-term improvement in the company's competitiveness. The second class could be dedicated to inventions giving an explicit and

long-term improvement to the company's offerings in the market. And finally, the third class might be comprised of inventions which represent a best available technology and/or contributes to the company's position as a market leader.

It is important to bear in mind that even if one-time extra compensation method is used, it is always possible to validate the amount of compensation by using the license analogy. To put it into perspective, license analogy is used to measure what the compensation would be based on a certain point of time and then projecting the future by making an educated conclusion by analogy with the available information. In general, it is fair to say that one-time extra compensation is a way more manageable way to tackle inventor's remuneration as it can be seen as a one-stop shop approach. In this way, at least in principle, the problem is solved at once instead of drafting extra compensation statements on a yearly basis by using the license analogy.

4 Extra Compensation in Practice

As touched upon in chapter 2.2, the practical application of so-called license analogy can be a very complex process as there are multiple variables one must take into consideration. For instance, the basic formula of V (i.e. compensation) = A (i.e. employee factor) \times E (i.e. value of an invention) can be further separated into sub-items and additional elements can be incorporated depending on company policies and different jurisdictions.

4.1 Employee Factor (A)

Firstly, as a general rule, employee factor A (also known as either share factor or proportional factor) can be determined according to the following formula: $A = a + b + c$ whereas the sub-items can be defined accordingly;

4.1.1 Object of the Invention (the German guidelines, Section 31)

Object of the invention is used to determine how the inventors have arrived at the invention and sub-item a) will be given a numerical value within the sliding scale of 1-6 accordingly:

Value (1) = invention resulted as inventor(s) was given a problem with the direct indication of the how to solve the problem.

Value (2) = invention resulted as inventor(s) was given a problem without providing a solutions to the problem.

Value (3) = invention resulted without any task/specific problem given to inventor(s) but used their knowledge of defects, needs and requirements gained

as a result of their employment, without such defects, needs and requirements having been identified by themselves.

Value (4) = invention resulted without any task/specific problem to inventor(s) but used their knowledge of defects, needs and requirements gained as a result of their employment, with such defects, needs and requirements having been identified by themselves.

Value (5) = invention resulted as inventor(s) set themselves a task within their responsibilities.

Value (6) = invention resulted as inventor(s) set themselves a task outside their responsibilities.

It is fair to assume that numerical value for inventions resulting in connection to R&D project, for example, falls somewhere between 1 and 2 as R&D projects are most commonly dedicated to find new and improved solutions.

4.1.2 Solution of the Problem (the German guidelines, Section 32)

Solution of the problem, on the other hand, is used to determine how the inventors did end up resolving the problem and sub-item b) will be given a numerical value within the sliding scale of 1-3 accordingly:

Value (1) = the solution to the problem can be considered to be part of common for the occupational area (i.e. when an automation engineer makes an invention within the field of automation technology).

Value (2) = the solution to the problem can be considered to be part of operational work and knowledge (i.e. when an automation engineer has worked for a certain period of time or has prior working experience in the same field of profession).

Value (3) = the company supported the inventor(s) with technical instruments, appliances, research results etc., which considerably helped to the development of the invention (i.e. when an automation engineer is part of a project work with an access to aforementioned features).

In order to draw numerical value regarding sub-item b) the German guidelines provides the following table for assessment:

<u>Criteria met</u>	<u>Value</u>
3 fully met	$b = 1.0$
2 fully and 1 partly	$b = 2.0$
2 fully or 1 fully and 2 partly	$b = 2.5$
1 fully and 1 partly or 3 partly	$b = 3.5$
1 fully or 2 partly	$b = 4.5$
1 partly	$b = 5.5$
none	$b = 6.0$

For instance, if all the parameters are fully met (i.e. all factors are valid in the case of an invention) the numerical value for b) would be equal to 1.

4.1.3 Position of the Inventor within the Company (the German guidelines, Section 34).

Position of the inventor within the company is used to determine inventor's competence and sub-item c) will be given a numerical value within the sliding scale of 1-8 accordingly:

Value (1) = inventor's such as Head of R&D Department, Technical or Managing Directors.

Value (2) = other executives, namely Project Managers etc.

Value (3) = inventor's such as engineers or chemists working in the realm of research.

Value (4) = inventor's like engineers or chemists working in the realm of development etc.

Value (5) = other employees in production such as production managers and operating engineers.

Value (6) = other employees with no direct link to production such as sales engineers etc.

Value (7) = inventor's for example working as a laboratory assistant.

Value (8) = inventor's such as trainees or apprentices with very limited set of skills.

Once all the individual factors a), b) and c) are determined it is possible to look up an employee factor (A) by simply summing up the values and then seeking the following German guidelines (section 37):

a+b+c =	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A =	2	4	7	10	13	15	18	21	25	32	39	47	55	63	72	81	90	100

In this context it is important to bear in mind the abovementioned sliding scale is not applicable to the board of directors since ArbEG is not applicable to them. Additionally, one should remember that sub-items a), b) and c) are always individual and must be determined in respect to each inventor separately. The value of A is determined in percentages so that when the resulting sum for sub-items is 8.5, for example, then the employee factor (A) would equal to 16.50 % (i.e. 15 + 18 / 2).

4.2 Value of an Invention (E)

Secondly, as a general rule, value of an invention E (also known as) can be determined with the help of the following formula: $E = B \times L$, whereas:

4.2.1 Turnover essential/adjusted turnover (B) is determined in section 11 of the German guidelines as they seek to rationalize the applicable turnover in cases of very high turnover in accordance with the following table:

Turnover (million EUR)	Coefficient for the part exceeding lower limit	Adjusted turnover at lower limit (million EUR)
0 - 1.5	1	0.0
1.5 - 2.6	0.9	1.5
2.6 - 5.1	0.8	2.5
5.1 - 10.2	0.7	4.5
10.2 - 15.3	0.6	8.1
15.3 - 20.5	0.5	11.1
20.5 - 25.6	0.4	13.7
25.6 - 30.7	0.35	15.8
30.7 - 40.9	0.3	17.5
40.9 - 51.1	0.25	20.6
>51.1	0.2	23.2

By rationalizing the amount of turnover the idea is that along with the turnover growth, the effect of a single invention as per the total turnover is reduced while the significance of other factors (such as reputation of the company, marketing efforts, economies of scale etc.) become more essential.

In the context of rationalized turnover it should be noted that one should take into consideration the total global accumulated turnover from the beginning of the utilization of an invention by the employer. For example, if the total turnover is equivalent to 100,000,000 EUR, the rationalized turnover would amount to 32,980,000 EUR in accordance to the following formula:

$$\text{Turnover essential} = 23,200,000 + 0.2 \times (100,000,000 - 51,100,000).$$

4.2.2 License/reasonable royalty rate (L) is used to reflect the value of an invention for the company in the respective field of industry. In practice license rates vary quite considerably (i.e. from 0.5 % to 5%) from different industry to another but, for instance, the customary license rate can be of 2 % for the process and equipment inventions. The determining principle can be found in section 6 of the German guidelines and there exist also lots of case law and literacy in this respect.

4.2.3 Other Factors and Considerations

As mentioned before, it is possible to incorporate additional sub-factors within the basic formula of $V = A \times E$ but the approval of these factors, at least in the context of Germany, will be ultimately contested in the court of law.

However, if one is bold enough, other reducing factors such as i) readiness factor or ii) protection costs could be added to the mix even if the German guidelines do not explicitly mention them. Readiness factor, for example, can be used to evaluate whether the invention is ready to put to use (i.e. coefficient of 1) or if application of an invention still needs additional research and development costs (i.e. coefficient < 1). Protection costs, on the other hand, can be used to reference patent related costs of filing of an application or costs related to maintaining patent in force etc.

It is also important to remember that the total compensation shall be divided between the inventors either equally or in accordance with their proportional share as mentioned in the original invention notice or agreement.

4.3 Summary

There is a clear distinction between the approaches in Finland and Germany, as the legislator in Finland has merely determined that inventor's remuneration has to be reasonable (section 7(1) of the Finnish Employee Invention Act). As a result, the law in Finland leaves room for manoeuvring for anyone making a statement regarding inventor's remuneration.

As demonstrated above, the lawmaker in Germany has adopted much more detailed view as the German guidelines tend to guide matters rather specifically when considering basic formula ($V = A \times E$). Additionally, they give very detailed instructions of how one can determine individual sub-factors. In addition to the case law, this is priceless as the German guidelines give a clear basis for an extra compensations calculations and source of validation other than the law itself.

5 Concluding Remarks and To-Do-List

In today's interrelated marketplace inventions can result from multiple nationalities and from variety of sources and their handling can be affected several different legislation. Inventor's compensation is a rather contested topic and, for instance, the reasoning behind an extra compensation calculations is open to dispute.

As a result, in order to determine fair and reasonable compensation for inventor's, it is necessary to have both clear company specific guidelines and practices in place. The governing local legislation shall always prevail and, therefore, the company guidelines should not be too strict by nature. Additionally, it is important to establish a dedicated team and definite processes when handling inventor's request for compensation. The following to-do-list can be of assistance for anyone who is responsible for such matters.

To-Do-List:

- i. Firstly, it is important to review the company specific guidelines in the light of the most relevant countries (i.e. countries from where the most invention notices are being submitted) so that they are in coincide with the local jurisdictions. This is important as it increases inventor's awareness of any plausible compensation they might be entitled to in the future. Clear and precise guidelines also help to reduce the risk of litigation between the employer and employee if there are dissenting opinions regarding the amount of compensation and consensus cannot be reached.
- ii. Secondly, the question of extra compensation usually actualizes only years after the submission of an original invention notice. Therefore,

it is pivotal to gather all the necessary information as soon as the invention notice is submitted and inventors are still in the payroll. For example, in order to determine employee factor (A) per each inventor, it is pivotal to define the sub-factors a) object of the invention, b) solution to the problem and c) inventor's position within the company as soon as possible. If possible these factors can be added as a part of an invention notice format by adding an extra annex which is signed preferably by the business line representatives etc.

- iii. Thirdly, as all the information needed to draft a statement to inventors in due course is not available from the very beginning, it is useful to establish clear and precise practices of collecting data. For instance, if the business is heavily project-oriented it is utmost important to educate business representatives to gather and restore turnover details of each project annually. In this way, the burden of work is facilitated dramatically once the question of compensation escalates.
- iv. Fourthly, at least if the license analogy is used, it is pivotal to set a common method of organizing material needed to respond to the inventors. Such material can consist of working excels, draft letters, minutes of meetings with the business representatives and other communication with the inventors and other parties involved.

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