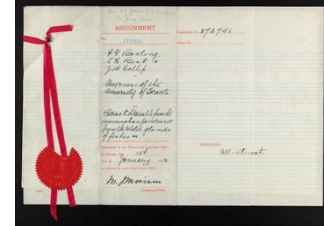


How Do Different Jurisdictions Treat Invention Assignments?

Introduction

In today's globalized economy, companies frequently collaborate with talent across different countries. The intellectual property (IP) rights that contractors or employees retain or assign to a company can vary widely depending on the legal jurisdiction. A "one-size-fits-all" approach to agreements—such as those for **Confidential Information, Intellectual Property (“IP”), or Invention Assignment**—is risky, particularly when managing a global patent portfolio. Without thorough due diligence, the transfer of patent rights may be incomplete or unenforceable.



What Are Invention Assignment Agreements?

Invention assignment agreements are critical legal instruments that define the ownership and rights over inventions developed by employees or contractors during their time with a company. These agreements ensure that the company (employer or client) owns the IP, rather than the individual creator. However, the specifics of these agreements differ significantly from country to country due to varying local laws, business practices, and cultural attitudes toward intellectual property.

In addition to covering inventions (typically related to patents), it's important to note that **copyrightable works** (such as software code or written materials) may also be subject to assignment agreements, though the legal rules differ. This document focuses on invention assignment agreements across four key jurisdictions: **the United States, Germany, Japan, and China.**

United States

In the U.S., invention assignment agreements are widely used, and their enforceability is governed primarily by state laws, with some involvement from federal law in patent-related cases. These agreements usually require employees to disclose and assign all inventions created during their employment to the company, particularly if they relate to the company's business or utilize company resources.

Key Features:

- **Consideration:** For these agreements to be enforceable, there must be a form of "consideration," typically the employment itself. Employees often sign invention assignment agreements as part of their onboarding process.
- **Inventions during employment:** The agreement covers inventions made during the course of employment, especially if they relate to the employer's business or are created using company resources. However, disputes may arise regarding what exactly constitutes "during the course of employment."

- **Employee protections:** Some states, like **California**, have strict laws protecting employees from having to assign inventions made on personal time without company resources. For example, under **California Labor Code Section 2870**, employees can retain rights to inventions developed entirely on their own time and without the use of the employer's equipment or information unless those inventions relate to the employer's business or are expected to be used in the business.
- **Opposite presumptions:** Other states, such as **Nevada**, take an opposite stance. In Nevada, in the absence of a contractual provision stating otherwise, inventions created by employees are presumed to automatically vest with the employer.
- **Common Disputes:**
 - Ownership definition: Disputes often arise over the scope of what constitutes an invention developed "during employment" and whether the invention relates to the employer's business.
 - Disclosure and assignment: The timing and sufficiency of invention disclosures by employees can also be a frequent source of conflict.

Germany

In Germany, the legal framework for invention assignment agreements is governed by the **German Employee Inventions Act** (GEIA, or Gesetz über Arbeitnehmererfindungen). This law regulates the assignment and compensation for employee inventions and imposes strict requirements on employers when claiming rights over such inventions.

Key Features:

- **Employee ownership:** Initially, the employee owns the rights to any inventions they create. However, under GEIA, the employer can claim rights to these inventions if they meet certain conditions.
- **Service inventions:** Inventions created during employment that are related to the employee's work are classified as "Service Inventions." The employee must disclose the invention in writing to the employer, who must also acknowledge the notification in writing.
- **Employer's decision:** Once notified, the employer has four months to decide whether to claim the invention. If the employer claims the invention, it must compensate the employee. If the employer does not respond within the four-month period, the invention is automatically transferred to the employer.
- **Fair compensation:** Employees whose inventions are claimed by their employer are entitled to fair compensation, usually in the form of royalties based on the invention's commercial success.
- **Pre-assignment prohibition:** Under German law, pre-assignments of future inventions through employment contracts are prohibited, making this process quite different from the U.S.

- **International Implications:**

- If a patent portfolio includes German-originated patents, the employer must ensure that the invention complies with the GEIA, including proper disclosure, compensation, and documentation. Failure to comply can jeopardize the assignment of patent rights, even in other jurisdictions like the U.S.

Japan

In Japan, invention assignment agreements are governed by the **Japanese Patent Act** and the **Intellectual Property Basic Act**. The Japanese legal framework has evolved to balance employer interests with the rights of employee inventors.

Key Features:

- **Employee ownership** with employer option: Under the Japanese Patent Act, the employee owns the invention rights by default. However, if there is a prior written agreement between the employer and employee, the rights can be assigned to the employer from the moment the invention is created.
- **Non-exclusive license:** Even if the employee retains the rights to the invention, the employer is automatically granted a non-exclusive license to use the invention for business purposes.
- **2017 Amendment:** The 2017 revision to the Patent Act introduced stricter rules for fair compensation. If the invention is assigned to the employer, the employee is entitled to receive a "reasonable amount of money or other economic benefit." The amount must be based on the value of the invention, and employers must establish clear guidelines for calculating remuneration.
- **Disputes:**
 - Japanese law places a strong emphasis on reasonable compensation, and disputes often revolve around what constitutes "reasonable" remuneration for the employee.

China

In China, invention assignments are regulated by the **Patent Law** and the **Regulations on the Implementation of the Patent Law**. The legal structure in China is comprehensive, and all patent-related assignments must be formally registered.

Key Features:

- **Patent assignment registration:** A patent can be assigned through a legal transaction. However, the assignment must be recorded with the China National Intellectual Property Administration (CNIPA) and approved by relevant government authorities, especially if the assignment involves a foreign party.

- **Service Inventions:** The employer owns the invention rights for inventions created as part of employment duties (referred to as "Service Inventions"). The law mandates that the employer reward the inventor with fair remuneration, which is often tied to the economic benefits the invention generates.
- **Approval for foreign assignment:** If a Chinese entity assigns a patent to a foreign entity, it must get approval from relevant government departments, adding an extra layer of complexity.
- **Incentives for innovation:** Chinese law encourages employers to reward inventors through various forms of incentives, such as stock options and dividends, to ensure that the benefits of innovation are shared between the company and the inventor.

Conclusion

Invention assignment agreements are fundamental to managing IP rights in a global business environment. While the core principle of transferring invention rights from employees or contractors to employers is widely accepted, the specific legal requirements, enforcement mechanisms, and protections for employees vary significantly across jurisdictions. Employers must recognize these differences and carefully navigate the complexities to ensure compliance and fairness. Multinational companies, in particular, must adapt their invention assignment agreements to local legal frameworks to protect their IP assets and foster innovation while respecting employee rights.

Understanding these nuances is essential for companies and professionals engaged in cross-border inventive and creative work.

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