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WORLD INTELLECTUAL PROPERTY REVIEW
September/October 2018

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Maintaining good industrial relations

Russian companies should follow a number of steps to ensure they and their employees are clear on who owns the IP rights to inventions created at work, as Sergey Vasiliev of Gorodissky & Partners reports.

IP is a valuable asset. Most important inventions are developed and subject to patent protection by companies. The companies hire engineers and workers who invent in the course of their work either on their own initiative or after receiving a specific assignment from their superiors.

In any case, it is important to build relations between the company and the employee in such a way that both sides will be satisfied and no unexpected outcomes should occur.

It is also essential to meet all statutory laws and regulations applying to the relationship between the employer and the inventor employee.

Nature of employee invention

The Russian Civil Code provides for the following criteria to qualify as activity that counts as an employee invention:

- The invention is created by the employee in the framework of labour duties, which normally are stipulated in the employment contract and job description, or is a result of performance of a specific task entrusted to the employee by the employer;
- Only the employee who makes a creative input is considered as an inventor. Other employees involved in rendering solely supportive functions, eg, assistants, secretaries, managers, shall not normally be recognised as the inventors; and
- Such criteria as the employer's assets and property (materials, laboratories, equipment) used by the employee-inventor to create the invention are not usually considered as the binding evidence of the employee invention.

The court practice in this regard is quite stable and unified. It spells out that labour obligations in the contract need not contain specific instructions to invent. It is sufficient to indicate a general scope of work responsibilities for the employee. (СИП-121/2014; 818/2014).

> "The amount of compensation is subject to negotiation between the employer and the employee."

Protecting the right to an employee invention

The right to obtain a patent for an employee invention shall belong to the employer unless the employer and employee agree otherwise. Unlike in some other countries, the right transfers to the employer automatically once the employee notifies the employer on the invention made in the frame of labour duties. Notification to the employer is not goodwill of the employee, it is the employee's responsibility directly written down in the law.

At the same time, the employer shall take one of the following decisions to retain the right to employee inventions, notably: (a) to file a patent application with the authority; (b) transfer the right to file a patent application to a third party; or (c) keep the employee invention secret.

Those rules are imperative and cannot be modified by the labour contract or other kind of agreement between the employee and the employer.

Should the employer fail to take any of the three abovementioned actions within four months, the right to the employee invention would automatically revert to the employee inventor.

Consequently, to mitigate the risk of losing the right to the invention, it is advisable to: (a) remind the employee inventors of their duties to notify the employer once they make an invention; (b) monitor the activity of the employee inventors; and (c) make sure that the said three actions are taken with regard to the invention within four months.

Court practice shows how important the employee's notification on invention of the IP could be.

The IP Court holds that any employer shall have the right to be notified about any new invention by his employees. The employee's failure to notify the employer about the new invention shall not affect the employer's right to the employee invention. The legal status of the employer does not mean that the employer shall be aware of all and any results of activities of his employees.

If the employer becomes aware of the employee nature of the invention years after it was created and the patent for the said invention was granted in the name of the inventor employee or another person, the employer shall have the right to claim invalidation of the patent and the grant of a new patent (СИП-292/2016; СИП-219/2016).

Another case shows a similar approach of the court. In a dispute between the employer and the employee regarding the invalidation of the patent granted in the name of the employee, the court agreed that the patent should be invalidated and reissued in the name of both the employee and the employer since the employer was not properly informed about the employee invention. The IP Court disregarded the fact that the employer had concluded a licence agreement and paid the licence fee for the use of the disputable invention to the employee (СИП-818/2014).

What is a fair amount of employee remuneration?

Some employers believe that the salary paid to the employee inventors covers all and any payments, which


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shall be made to them, including the remuneration for the employee invention.

The law, however, provides a different approach and stipulates that the employer shall pay additional remuneration for the employee invention in case: (a) the employer obtains a patent for the invention; (b) the employer transfers the right to file a patent application to a third party; (c) the employer decides to keep the invention secret; and/or (d) the employer fails to obtain a patent.

The amount of compensation is subject to negotiation between the employer and the employee. In 2014, the Russian government issued a resolution which stipulated the new amounts, procedure and timeframes for payment of compensation for the employee invention. The resolution shall apply in case the employee and the employer have not entered into an agreement on compensation.

At the same time before the amendments to the Civil Court and the resolution entered into force there was almost the same rule according to which the minimum amount of compensation set up in the USSR law on inventions should be applied in case the parties did not negotiate the amount of compensation for the employee invention.

There was a precedent in which the court decided that the employer had to pay a higher amount of compensation than the parties negotiated in the agreement since the agreed compensation was not fair and substantively lower than the minimum amount provided by the law.

Thus, it could be wise to negotiate the amount of compensation which is fair, reasonable and meets the principle of balance of interests of the parties in order to mitigate the risks that the court may find that the agreed amount of compensation affects the rights of the inventor.

Who shall pay the employee remuneration?

The applicable law and the court practice provide that the burden to pay remuneration for the employee invention shall lie with the employer. The said obligation rests with the employer even if the invention is assigned to a third party and in case of termination of an employment relationship between the employee and the employer.

The reason for the said rule is to protect the employee inventor, who may demand remuneration from the employer, regardless of the current holder of the title to the employee invention.

Comment

The law provides a number of imperative rules and formalities governing the employee invention. To safely acquire the right to an employee invention and minimise the risk of a claim from the employee inventor and the third party involved in the use of the employee invention, the relevant legal compliance measures should be implemented in the company.

Sergey Vasiliev is a senior lawyer and Russian trademark attorney at Gorodissky & Partners. He joined the firm in 2007 and deals with all types of IP and IT assets, representing clients before courts, administrative and law enforcement bodies, and participating in judicial and non-judicial actions. He can be contacted at: vasilievs@gorodissky.ru