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EMPLOYEE-INVENTOR RIGHTS IN FRANCE

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Over the past ten years, the level of understanding by companies of the rules regarding employee inventions has progressed from almost total ignorance of such rules (where companies did not expect, and were unprepared for, legal proceedings commenced by employees), to fairly good (where employee claims are now anticipated and companies are aware of how to react to such claims or even to avoid them). However, few companies take advantage of the possibilities open to them to choose the governing law applicable to employee inventions, or to depart from the applicable statutory legal provisions to set company specific policies.

By far the vast majority of patented inventions are created by employees, and as a result, issues such as the ownership of the patent and the remuneration due to the employee, are very often at stake. While there are relatively few legal proceedings commenced by employee inventors in relation to the number of existing patents (a sign that the statutory provisions are reasonably clear and satisfactory), the issue of employee inventions remains important for several reasons:

- first, the laws regarding employee inventions differ from country to country; this affects companies doing business in several countries; in addition, some systems are easier or cheaper to deal with than others;
- secondly, the number of legal proceedings initiated by employee inventors to obtain the remuneration they claim to be entitled to is on the increase, and a number of jurisdictions (including France) have awarded significant amounts to employees.

The rules regarding employee inventions have therefore become one of the factors that companies must take into consideration in determining their business strategy.

In theory, the issue of employee inventions could be easily addressed: no matter what the forum, the invention belongs to the inventor or his/her successor in title. One might also think that some harmonization of the rules, at least at a European level, would exist when the inventor is an employee. But, in fact, the position is the opposite.

The reason for this is that issues regarding employee inventions are highly political in that they touch the very heart of the relationship between the employee and the employer. The similarities that usually apply between patent systems in different countries do not apply to this issue: Germany and Japan, for example, have similar provisions in respect of employee inventions; these are different to the UK or French provisions (these countries having similar provisions).

The purpose of this article is to describe the French regime governing employee inventions and to highlight the possibilities offered to employers to tailor the most appropriate, and beneficial, system for them.

The article presents (1) the relevant legal provisions, (2) their scope of application, and (3) the manner in which such provisions are implemented by companies and enforced by the Courts.

1. French legal provisions

The provisions governing employee inventions are embodied in the following three areas:

- statutory provisions, namely, in the French Intellectual Property Code (IPC) or in the Labor Law Code;
- collective bargaining agreements (i.e. agreements governing all employees working in a particular industry); and
- company agreements (i.e. agreements between the company and its unions applicable to all employees working in the company) or individual employment contracts.

Under French labor law, collective bargaining agreements, company agreements and individual employment contracts can depart from the statutory provisions, but only if the amended provisions are more favorable to the employee than the statutory provisions.

It is therefore necessary to study both (1.1.) the statutory provisions and (1.2) the collective bargaining agreements; and (1.3) to consider some company agreements. Provisions regarding the public sector are also important (1.4.).

1.1. French statutory provisions

The statutory provisions regarding employee inventions are contained primarily in one article, Article L. 611-7 of the IPC¹, which distinguishes three categories of employee inventions.

¹ Article L. 611-7 of the French Intellectual Property Code:

“Where the inventor is a salaried person, the right to the industrial property title, failing any contractual clause more favourable to the salaried person, shall be defined in accordance with the following provisions:

1°. Inventions made by a salaried person in the execution of a work contract comprising an inventive mission corresponding to his effective functions or of studies and research which have been explicitly entrusted to him, shall belong to the employer. The conditions under which the salaried person who is the author of such an invention shall enjoy additional remuneration shall be determined by the collective agreements, company agreements and individual employment contracts.

Where the employer is not subject to a sectorial collective agreement, any dispute relating to the additional remuneration shall be submitted to the joint conciliation board set up by Article L615-21 or by the First Instance Court.

2°. All other inventions shall belong to the salaried person. However, where an invention is made by a salaried person during the execution of his/her functions or in the field of activity of the company or by reason of knowledge or use of technologies or specific means of the company or of data acquired by the company, the employer shall be entitled, subject to the conditions and the time limits laid down by decree in the Conseil d'État, to have assigned to it the ownership or enjoyment of all or some of the rights in the patent protecting the employee's invention.

It is necessary to look at the historical background to French patent regulation before commenting on Article L. 611-7 IPC.

A little history

The French Patent Acts of July 5, 1844 and January 2, 1968 were silent regarding employee inventions.

French case law, developed under the Patent Acts of 1844 and 1968, distinguished three categories of inventions:

- *"inventions of service"*, made in the course of the employee's duties, which belonged to the employer;
- *"mixed inventions"*, performed with the assistance of the company or falling within its activities, which were co-owned by the employee and the employer;
- *"free or personal inventions"*, belonging to none of the two previous categories, and which belonged to the employee.

According to this case law, no additional remuneration was ever due to the employee for inventions of service, or for mixed inventions.

The Patent Act of July 13, 1978 amended that of January 2, 1968. Article 1ter of the modified Act, created the distinction (which still exists) between:

- *"inventions under mission"*, which belong to the employer and which create a right of the employee to *"additional remuneration"*;
- *"inventions beyond mission, assignable to the employer"*, which belong to the employee but in respect of which the employer has the right to request a compulsory transfer of ownership in its favor, in consideration of a *"fair price"* to be paid to the employee;
- *"inventions beyond mission non assignable"*, which belong to the employee.

The salaried person shall be entitled to obtain a fair price which, failing agreement between the parties, shall be stipulated by the joint conciliation board set up by Article L615-21 or by the First Instance Court; these shall take into consideration all elements which may be supplied, in particular by the employer and by the employee, to compute the fair price as a function of both the initial contributions of either of them and the industrial and commercial utility of the invention.

3°. The salaried author of an invention shall inform his/her employer thereof and the latter shall confirm receipt in accordance with the terms and time limits laid down by regulation.

The salaried person and the employer shall communicate to each other all relevant information concerning the invention. They shall refrain from making any disclosure which would compromise, in whole or in part, the exercise of the rights afforded under this Book [Patent Act].

Any agreement between the salaried person and his/her employer concerning an invention made by the salaried person shall be recorded in writing, on pain of nullity.

4°. The implementing rules for this Article shall be laid down by decree in the Conseil d'Etat.

5°. This Article shall also apply to servants of the State, of local authorities and of any other public legal person under the terms to be laid down by decree in the Conseil d'Etat."

The provisions implemented by the Act of 1978 were modified in respect of inventions under mission by the Patent Act of November 26, 1990, before being codified as Article L.611-7 of the IPC:

- the text which formerly read: *"The conditions under which the salaried person who is the author of such an invention **may enjoy** additional remuneration shall be determined by the collective agreements, company agreements and individual employment contracts."*
- has been changed into: *"The conditions under which the salaried person who is the author of such an invention **shall enjoy** additional remuneration shall be determined by ..."*

The purpose of this amendment was to oblige all collective bargaining agreements to address the issue of employee inventions; but we will see that French Courts have interpreted this amendment even more widely.

The three categories of employee inventions

Looking in further detail at each of the three categories of employee inventions, as set out in Article L. 611-7 of the IPC:

Inventions under mission are those performed by an employee either:

- pursuant to an employment contract comprising an inventive mission (i.e. specifying that the employee is hired as an inventor to invent) corresponding to his effective functions or;
- in the framework of studies or research expressly entrusted to him/her by the employer.

In other words, in order for an invention to fall into this category, it must be created pursuant to a clause in the employee's employment contract specifying that the employee is hired to perform inventions or a separate document setting out a particular project or study to be undertaken by the employee. The wording of the employment contract or separate project has never been interpreted narrowly by the Courts; even employee whose employment contract did not contain a clear inventive mission where considered as containing such clause, when it was obvious that the employee was hired to invent (*L'Oréal v. Gonçalves, Tribunal de Grande Instance of Paris, 3rd chamber, 2nd section, May 7, 1998*). However, only inventions falling clearly within the effective function of the employee will qualify as inventions under mission. If the wording of the contract is found to be too broad, or too vague, or it describes a project or duties which does not correspond to the employee's effective functions, any inventions created pursuant thereto would not qualify as inventions under mission (*Thibierge v. Arjo Viggins, Tribunal de Grande Instance of Paris, 3rd chamber, 3rd section, October 16, 2001*).

Inventions under mission belong to the employer and give the right to the employee to *"additional remuneration"*. However, the statutory provisions do not specify the method for the calculation of such remuneration. On the contrary, article L. 611-7 provides that *"the conditions under which the salaried person who is the author of such an invention shall enjoy additional remuneration shall be determined by the collective agreements, company agreements and individual employment contracts."*

Inventions beyond mission assignable to the employer, or business related inventions, are those performed by the employee beyond his/her mission (i.e. outside the scope of normal duties) in one of the following situations:

- during the execution of his/her functions;
- in the field of activity of the company;
- by reason of knowledge or use of technologies or specific means of the company or of data acquired by the company.

These inventions belong to the employee. But the employer has the right to request the assignment of the ownership of these inventions in its favor. If the employer requests such transfer, it must pay the employee a “*fair price*”. The law authorises either the transfer of ownership or a licence of all or part of the invention.

Free inventions are inventions which belong to neither of the previous two categories. They belong to the employee who can of course assign or grant a licence of the invention to the company (or to a third party), but on a freely negotiated basis.

1.2. The Collective Bargaining Agreements

Certain collective bargaining agreements governed employee inventions long before the Patent Act of 1978, such as the collective bargaining agreement for the chemical industry of 1955. These collective bargaining agreements usually set out the rules regarding the ownership of employee inventions and also covered the potential entitlement of the employee to additional remuneration. They also sometimes provided a method of assessment of the additional remuneration.

In fact, the current main collective bargaining agreements use the same threefold classification as the statutory provisions and usually provide that additional remuneration is due to the employee if either:

- a. the invention is exploited by the employer within a certain time period from the filing of the patent (e.g. chemical industry²);

² Article 17 of the chemical industry collective bargaining agreement provides:

“1. If an engineer or manager creates an invention relating to the activities, studies or research of the company allowing the grant of a patent owned by the company, the employee’s name must be mentioned in the patent application.

This mention does not by itself induce a right of co-ownership.

2. If, in a period of ten years after the filing of the patent, the latter is exploited on the market, the employee whose name was mentioned in the patent, is entitled to receive additional remuneration as a function of the value of the invention, even if the person has retired or no longer works for the employer. This provision also applies to any new patented manufacturing process, which, when manifestly applied, increases the productivity of the manufactured product related thereto.

The additional remuneration shall take the form of a lump sum, taking into consideration the general framework of research in which the invention is placed, the difficulties of practical implementation, the original personal contribution of the person involved in the individualisation of the invention itself and of the commercial interest thereof. The person involved shall be informed of these different elements.

3. When a manager creates, without the assistance of the company, an invention which does not relate to the activities, studies and research of the company, this invention belongs to him/her exclusively”.

- b. the invention is of exceptional interest to the employer (e.g. pharmaceutical industry³);
- c. the interest of the invention to the company is in a range far in excess of the employee's salary.

Some collective bargaining agreements require that two of these conditions are satisfied (e.g. conditions a) and b) for the plastics industry⁴ or conditions b) and c) for the metal industry⁵).

The collective bargaining agreements described above raise the problem of compliance with the Patent Act of 1990 which seems to make the payment of additional remuneration compulsory.

As mentioned above, the Patent Act of November 26, 1990 slightly changed the wording of Article L. 611-7 of the IPC in relation to inventions of mission to say that the employee **shall enjoy** additional remuneration. It has thus been argued that, as of November 26, 1990, the employee must be awarded additional remuneration in all circumstances. The issue raised is whether the collective bargaining agreements, which make the grant of additional remuneration subject to the fulfillment of certain conditions, are enforceable or whether they cannot be relied upon because they are less favorable to the employee than the statutory provisions.

Three decisions, of the Court of Paris and of the Court of Appeal of Lyon, have found that the plastics industry and metal industry collective bargaining agreements are not enforceable, because they are less favorable to the employee than the statutory provisions (Jouillat v. Valois, *Tribunal de Grande Instance* of Paris, 3rd chamber, 1st section, September 19, 2001; Application des Gaz v. Scremin, Court of Appeal of Lyon, November 14, 2002 and *Cour de Cassation, chambre commerciale*, February 22, 2005; Sebillaud v. Fabricom Airport System, *Tribunal de Grande Instance* of Paris, 3rd chamber, 3rd section, April 5, 2006). The French Supreme Court has accepted this position in the case of Application des Gaz v. Scremin.

The same situation may very well apply in respect of:

- the pharmaceutical industry collective agreement, the wording of which is very similar to that of the metal or plastics industry;

³ Article 29 of the pharmaceutical industry collective bargaining agreement:

"(...) When an employer entrusts an employee with an inventive mission, which corresponds to his/her actual duties, or to studies or research (permanent or occasional, exclusive or non exclusive) the inventions performed by the employee in the course of said mission, or of said studies or research, belong to the employer, in accordance with paragraph 1 of Article 1 ter of Act No. 68-1 dated January 2, 1968, as amended.

The author of the invention is to be mentioned as such in the patent, unless he/she is opposed thereto.

The employee's remuneration takes into account said mission, studies or research and is a lump sum for the results of his/her work. However, should the invention performed by the employee in the course of said mission, be of an exceptional interest to the company, he/she shall be granted, after the grant of the patent, a supplementary remuneration, which can be a global bonus, paid in one or several installments (...)"

⁴ Article 9 of the plastics industry collective bargaining agreement:

"When the invention performed by the employee in the course of his/her duties presents an exceptional interest to the company, and if it is exploited, the author of the invention shall receive a bonus calculated in relation to the interest of the invention".

⁵ Article 26 of the metal industry collective bargaining agreement:

The employee's remuneration takes into account said mission, studies or research and is a lump sum for the results of his/her work. However, should the invention performed by the employee in the course of said mission, be of exceptional interest to the company and such importance be in a range totally different to the employee's salary, the latter shall be awarded, after the grant of the patent, a supplementary remuneration, which can be a global bonus, paid in one or several installments."

- the chemical industry which also makes the payment of additional remuneration subject to the exploitation of the invention by the employer within 10 years from the filing of the patent.

In fact, the Joint Conciliation Board (Commission Nationale des Inventions de Salariés or "CNIS"), which also has jurisdiction to issue conciliation proposals in relation to employee inventions (see section 3.2 below), has reached the same position in relation to the chemical industry collective bargaining agreement in two proposals issued in 2006 (unpublished and confidential proposals).

We are of the opinion that such decisions are contrary to the legislator's intent. A close study of the discussion that occurred prior to the enactment of the 1990 Act shows that the legislator intended to compel every collective bargaining agreement to contain provisions regarding the remuneration of employees for their inventions. However the legislator did not intend to make the payment of additional remuneration compulsory. On the contrary, the pharmaceutical industry and the chemical industry collective bargaining agreements were cited by the legislator as examples of what needed to be achieved by the other collective agreements. However, the wording of the 1990 Act does not reflect the exact intent of the legislator. And unfortunately more and more authors are giving up on such interpretation and coming to accept the idea that most of the current collective bargaining agreements are in breach of the Patent Act of 1990.

1.3. Company agreements and individual employment contracts

Until recently, the issue of employee inventions was mostly overlooked by small or medium sized companies. Only large research-oriented companies adopted compensation policies in relation to inventions under mission or beyond mission but assignable to the employer.

In these companies, the additional remuneration model is frequently the same; a fixed bonus is awarded for every patent filed during the year, irrespective of its exploitation, and a further bonus is awarded depending on the interest of the invention to the employer. The most sophisticated policies set the value of the additional remuneration as a multiple of the employee's salary (or of the average salary of a researcher) and determine the applicable multiple by using criteria similar to those of the collective bargaining agreement in the chemistry industry; usually a range of value (from 0.1 to 3) is attributed to each of the 4 criteria and thus the total multiple is between 0.4 and 12 months of the employee's salary. The average additional remuneration awarded, according to this formula, is usually 2 to 6 months of the employee's salary per patent.

Unfortunately, these policies are very often informal and cannot be enforced against employees since they fail to appear in a company agreement or in the individual employment contracts.

A few companies have more favourable policies, in which the additional remuneration is set as a percentage of the turnover from the patent, usually subject to a maximum. Examples of such agreements are provided in the Court decisions *Pasteur v. Sonigo* (*Tribunal de Grande Instance* of Paris, 3rd chamber, 1st section October 24, 2001 and Court of Appeal of Paris, 4th chamber A, June 26, 2002); and *France Telecom v. Ferrand* (Court of Appeal of Paris, 4th chamber B, May 10, 2002).

1.4. Inventions in the public sector

As it does for the private sector, Article L. 611-7 of the IPC governs the classification of inventions created by inventors employed in the public sector. Article R. 611-14-1) I.P.C. provides that, in relation to inventors in the public sector, "... *the additional remuneration referred to in Article L.611-7 shall be constituted by a bonus share in the revenues derived from the invention by the public entity that is the beneficiary of the invention.*"

The rules for the calculation of the additional remuneration are set by Decree No. 96-857 of October 2, 1996, as amended by Decree No. 2001-140 of February 13, 2001, and Decrees No. 2005-1217 and No. 2005-1218 of September 26, 2005.

The additional remuneration is specified as a bonus, related to the profits made by the public entity that is the beneficiary of the invention. The inventor is entitled to receive, each year, 50% of a) the licence fees paid to the public entity for the use of the invention, b) after deduction of all the direct costs born by the public entity, c) adjusted by a coefficient which represents the contribution of the civil servant to the invention (e.g. if the invention was created by several civil servants) up to a maximum corresponding to one year of a high-level civil servant's salary – i.e. €63,400. Beyond this maximum value, a percentage of 25% (instead of 50%) is used. The additional remuneration is not limited in time and the inventor is entitled to receive it during the whole exploitation of the invention.

In case of a plurality of inventors, the bonus is shared between the inventors according to their respective contributions.

The Decrees of September 26, 2005 added additional remuneration for the public sector inventor, payable irrespective of whether or not the invention is exploited. The public sector inventor is now also entitled to receive 20% of a sum of €3,000 (i.e. €600), one year after an application for a patent was filed. The other 80% of such sum (i.e. €2,400) is due when a licence has been granted.

The official purpose of this regulation is to boost research in the public sector. In practice, it encourages the inventor to take an active part in the search for partners likely to exploit the patent which is important, since few public sector research agencies have the means to seek such partners.

This regulation, however, creates a harmful discrepancy between the public and private sectors. Some Courts have even considered that the provisions relating to the public sector, despite not being applicable to employees in the private sector, nevertheless provide an indication as to the criteria to be used to assess additional remuneration in the private sector (Brinon v. Vygon, *Tribunal de Grande Instance* of Paris, 3rd chamber 3rd section, March 9, 2004).

2. Scope of the application of the legal provisions

It may seem obvious to say that French legal provisions regarding employee inventions apply (2.1.) only to employees (2.2.) provided they created an invention and (2.3.) the creation of such inventions are subject to French law. But as always the devil is in the detail. The possibilities available to employers to avoid or depart from French law also require examination (2.4.).

2.1. Persons covered by Article L. 611-7 IPC

The rules regarding employee inventions only apply to employees and public servants. They do not apply to inventions created by:

- a student, either at school or university, or while a trainee in a company (for the reason that the student is not subject to an employment agreement); and
- corporate executives who are not considered as employees in France (generally the chief executive of a company).

An invention performed by a student or a corporate executive thus belongs to the inventor, not the company, even if the invention is performed while the person in question was working for the company, or falls within the field of activity of the company, or is created as a result of knowledge or the use of technologies or specific means of the company.

An interesting case relates to an invention created by a student working at a public research agency who had signed an agreement specifying that any invention created by him would be owned by the public research agency.

Puech v. CNRS: *Tribunal de Grande Instance* of Paris, 3rd chamber, 3rd section, April 2, 2002, Court of Appeal of Paris, 4th chamber B, September 14, 2004; *Cour de Cassation, chambre commerciale*, April 25, 2006

Dr. Puech specialised in ophthalmology and performed ultrasound scans on eyes. He decided to further his studies regarding ultrasound scanning devices and undertook a training course with the CNRS. Dr. Puech signed the CNRS rules and regulations, which specify that if research results in a patentable product, the patent shall belong to the CNRS.

During the training course, Dr. Puech participated to the development of a device for scanning not only the front part of the eye (which already existed) but also the back part. He filed a patent in respect of this invention, in his own name.

The CNRS initiated legal proceedings to obtain the transfer of ownership of the patent on the basis of the rules and regulations signed by Dr. Puech.

The action was first dismissed by the Court of First Instance of Paris but later accepted by the Court of Appeal. The Court of Appeal held notably that the CNRS regulations, which provided that the CNRS is the owner of all inventions performed by reason of company equipment or know-how, do apply to students and trainees.

The *Cour de Cassation (chambre commerciale)*, April 25, 2006) quashed the ruling of the Court of Appeal on the ground that: *"the ownership of an invention belongs to the inventor except for the restrictive legal exceptions existing for employees and public agents; that a trainee or a user of a civil public service are not exceptions; that company regulations have to comply with these legal provisions and may not depart from this principle. In consequence, these regulations cannot be applied to Dr. Puech"*.

We are very critical of this decision because it makes an erroneous presentation of the legal provisions. In fact, art. L 611-6 IPC states that *"the right to the industrial property title referred to in Article L 611-1 [i.e. the patent] shall belong to the inventor or his successor in title"*. This last part of the sentence, surprisingly omitted by the Supreme Court in its decision, authorises any agreement regarding the patent ownership and is in fact used in every research agreement. In our opinion, the provisions of Article L. 611-7 IPC probably do not apply to students (notably trainees), but if a student has signed an agreement providing that any invention belongs to the research laboratory, such agreement is enforceable.

The case has been remanded to the Court of Appeal of Paris for its re-examination.

2.2. Inventions covered

The provisions regarding employee inventions apply to patentable inventions, whether actually patented or not. In other words the employer is obliged to pay additional remuneration (or a fair price) as soon as the employee creates an invention.

The employer is under no obligation to file a patent; it can decide to keep the invention secret. Similarly, the employer is under no obligation to exploit the patent. However, when the remuneration of the employee, or the fair price, is dependant upon the exploitation of the patent, the employer may be obliged to exploit the patent or to pay the employee as if it had exploited the patent.

This is illustrated in the matter *France Telecom v. Ferrand*, (Court of Appeal of Paris, 4th chamber B, May 10, 2002; *Cour de Cassation, chambre commerciale*, February 18, 2004) in which an agreement was signed between France Telecom and an employee, providing that the fair price would be assessed as a percentage of the employer's turnover from the exploitation of the invention. The Court of Appeal of Paris considered that, in such circumstances, the employer had the obligation to exploit the patent. It consequently ordered France Telecom to pay damages to the employee, to compensate for the sums that would have been paid, had the invention been exploited.

2.3. Territorial application of French Law

Article L. 611-7 IPC applies to inventions created by an employee whose employment contract is governed by French law.

It is not relevant whether the employee or employer is French, or whether the invention is created in France. The only criteria for determining whether or not French law applies, is whether the employment contract is subject to French law.

In this respect, the French conflict of law rules refers to the Rome Convention of June 19, 1980, notably to article 6⁶ regarding individual employment contracts. As a result, French law will govern an employment contract:

- when the employment contract is expressly stated to be subject to French law;
- absent a choice of law provision in the employment contract, when the employee habitually carries out his/her work in France; or
- absent a choice of law provision in the employment contract, and when the employee does not habitually work in a country that is a member

⁶ Article 6 of the Rome Convention of June 19, 1980 on the Law applicable to contractual obligation:

"1. Notwithstanding the provisions of Article 3, in a contract of employment a choice of law made by the parties shall not have the result of depriving the employee of the protection afforded to him by the mandatory rules of the law which would be applicable under paragraph 2 in the absence of choice.

2. Notwithstanding the provisions of Article 4, a contract of employment shall, in the absence of choice in accordance with Article 3, be governed:

(a) by the law of the country in which the employee habitually carries out his work in performance of the contract, even if he is temporarily employed in another country ; or

(b) if the employee does not habitually carry out his work in any one country, by the law of the country in which the place of business through which he was engaged is situated; unless it appears from the circumstances as a whole that the contract is more closely connected with another country, in which case the contract shall be governed by the law of that country.

of the Rome Convention, when the employer has its place of business in France or when the contract is closely connected to France.

Interestingly, Article 60 of the European Patent Convention (EPC), which applies in relation to European patent applications, refers to different rules of conflict of law⁷. Contrary to the Rome Convention, the EPC does not accept a choice of law in the employment contract. In addition, article 60 of the EPC refers to the law of the State *"in which the employee is mainly employed"* as being the governing law of the employment agreement. This could potentially have a different meaning to Art. 6 of the Rome Convention which refers to the State *"in which the employee habitually carries out his work in performance of the contract"*.

As a consequence, depending on whether a European or a national patent application is filed, different rules might apply in relation to the ownership of the patent.

The fact that article 60 of the EPC specifies a conflict of law provision different to that of the Rome Convention rarely, in practice, results in the application of different rules in relation to French and European patents regarding the same invention. But this could theoretically occur.

For example, if a French company hires an employee to work in its research laboratory in Germany (assume the German laboratory is not an independent company) and the employee's employment contract is expressly subject to French law, the ownership of a patent created by such employee would be subject to:

- French law, according to article L. 611-7 IPC, if a French patent application is filed, because the employment contract specifies that French law applies;
- German law, according to article 60 of the EPC, if a European patent application is filed, because the employee is mainly employed in Germany.

Another example would be that of a German company having a French subsidiary that employs an employee in France, but chooses to submit the provisions of the employee's employment contract regarding patent ownership to German law:

- German provisions would apply if a French patent is filed, because of the choice of law;
- French provisions would apply if a European patent is filed, because the employee mainly works in France.

2.4. Possibilities for avoiding or amending French law

Employers should take care to choose the applicable law relating to employee inventions in advance, either in order to benefit from a more

⁷ Article 60-1 of the European Patent Convention:

"1. The right to a European patent shall belong to the inventor or his successor in title. If the inventor is an employee the right to the European patent shall be determined in accordance with the law of the State in which the employee is mainly employed; if the State in which the employee is mainly employed cannot be determined, the law to be applied shall be that of the State in which the employer has its place of business to which the employee is attached".

favorable legal regime, or in order to harmonize the rules applicable to employees of different national subsidiaries or research laboratories.

Employers that have research units in France could therefore decide to submit to a law other than French law, at least the provisions regarding employee inventions. Such contractual provisions are permitted under French law as long as the law to be applied is more favorable to the employee than the French legal provisions would be.

For example, the German provisions regarding employees' inventions could be regarded as being more favorable to the employee than the French provisions because, under German law, inventions under mission belong to the employee, not to the employer.

The option of choosing foreign law in relation to employee inventions is very rarely exercised and the validity or enforceability of such clauses has never been examined by a French court. But it is clearly a path worth exploring and could, in particular, enable a company with worldwide or at least European wide research laboratories to submit all of its employees to the same regulations regarding employee inventions.

Similarly, an employer could decide to set its own rules regarding employee inventions. These own rules could be contained in a company agreement and/or each individual employment contract (since all contracts should contain the same provisions). They could relate to both the ownership of the patent and the method of calculation of the additional remuneration or fair price due to the employee.

Again, such rules are enforceable in France provided they are more favorable to the employee than the statutory provisions or the applicable collective bargaining agreements.

Such company specific rules could be very useful in setting the method for the calculation of additional remuneration or the fair price that may be due to the employee. They could also be used to set a maximum remuneration. Because the law does not set any rules of calculation, and because collective bargaining agreements are often also unclear in this respect, employers can very easily set specific rules to regulate this issue, which would be enforceable against its employees.

Setting rules regarding employee inventions in company agreements offers several advantages. First, these rules are embodied in one document applicable to all the employees of the company and do not have to be attached to each individual employment contract. Second, they can be reviewed or amended from time to time, with the company's unions, without having to negotiate amendments with each employee. Negotiation with unions is in this respect easier to conduct than with individual employees. Finally, amendments to company agreements are applicable even to employees who have left the company or retired, prior to the change (Institut Pasteur v. Sonigo, Court of appeal of Paris, 4th chamber A, June 26, 2002).

Company agreements thus enable companies to know exactly what rules apply to employee inventions, to tailor said rules according to their general corporate policy and to avoid all risk associated to a change of case law.

While such company agreements do exist, it is our view that companies doing business in France do not take sufficient advantage of this option available to them.

3. Practical implementation of the French provisions

It is interesting to consider the process for the classification of employee inventions into one of the three possible categories (3.1.) before turning to the contentious procedure (3.2.). Special consideration must also be given to the amounts awarded by French Courts to employees (3.3.).

3.1. Amicable classification procedure

The declaration and classification procedures for employee inventions are governed by Articles R. 611-1 sqq. IPC which provide as follows: an employee who is the author of an invention shall immediately declare the invention to his/her employer. This declaration must contain adequate information to enable the employer to classify the invention into one of the three possible categories, and must also specify the category into which the employee believes the invention falls. If the employee's declaration does not comply with this procedure or is incomplete, the employer must advise the employee as to the precise points which need to be supplemented.

Within a period of 2 months from the employee's declaration, the employer shall respond to the classification of the invention as set out in the employee's declaration, failing which the employee's proposal is deemed to be accepted by the employer.

When the invention is classified as an invention beyond mission assignable to the employer, the latter has a 4 months period (from receipt of the employee's declaration) to exercise its right to have ownership of the patent assigned to it, unless a longer time period is agreed by the parties. Such request must be made by registered letter to the employee.

The French statutory provisions expressly specify that the employee and the employer shall refrain from any disclosure of the invention as long as a disagreement exists as to its classification or as long as no decision has been made in this respect. If one of the parties, in order to safeguard its rights, files a patent application, that party is required to furnish a copy of the patent application to the other party without delay.

3.2. Contentious procedure

Jurisdiction in respect of disagreements between an employer and an employee regarding the ownership of a patent and / or the amount of the additional remuneration or of the fair price, is granted to seven specialized *Tribunaux de Grande Instance* (First Instance Courts) and the relevant Courts of Appeal, which have jurisdiction in relation to all patent matters.

In parallel, Article L. 615-21 IPC states that: *"At the request of one of the parties, any dispute concerning the application of Article L. 611-7 may be submitted to a joint conciliation board (comprised of employers and employees) presided over by a magistrate of the judiciary whose vote shall be decisive in the event of parity."* An action can thus be instituted, either with one of the seven *Tribunaux de Grande Instance*, or with the CNIS Joint Conciliation Board.

If the action is initiated before the Court, any party can request that the dispute be submitted to the CNIS. In such a situation, the Court must stay the proceedings until the outcome of the procedure before the CNIS. In any event (i.e. whether or not the dispute has been submitted to the CNIS before being submitted to the Court), the CNIS must formulate a concilia-

tion proposal within six months from the date the case was submitted to it. The parties have a period of one month after the CNIS has issued its proposal to challenge said proposal before the Court. The CNIS proposal is deemed to be accepted if it is not challenged within such period, and it can be enforced by an order of the Presiding Judge of the First Instance Court, upon a simple request from either party.

In the case where a French patent has been filed by the employee or the employer and there is a disagreement regarding the ownership of the patent, the party which did not file the patent can introduce a procedure, before the Courts, to obtain the transfer of ownership of the patent. Provided the Court finds in favor of the party that did not file the patent, the Courts can order the transfer of the ownership of the patent. The French Courts do not have jurisdiction directly to order the transfer of ownership of foreign patents but they do have the power to order the patentee to transfer the ownership of the foreign patents to the plaintiffs, under penalty.

Special consideration should be given to the statute of limitations.

Actions for the transfer of ownership are subject to a special statute of limitations: the claim must be initiated not later than 3 years after the publication of the grant of the patent or not later than 3 years after the term of the patent if it can be demonstrated that the owner was in bad faith when the patent was filed.

Actions for the payment of additional remuneration are also subject to a special limitation period, the specifics of which are the subject of fierce debate.

Additional remuneration has the nature of a salary. And, according to Article 2277 of the French Civil Code: "*Actions for payment of salaries (...) and generally of everything that is payable annually or periodically, at shorter times, are barred after five years*". Employers thus take the position that actions for the payment of additional remuneration are barred after 5 years from the beginning of the exploitation of the patent (the chemical industry position) or from the grant of the patent (the pharmaceutical industry position).

The *Tribunal de Grande Instance* of Paris very often took the view that the 5 years statute of limitations applied (Hanrot v. Pechiney *Tribunal de Grande Instance* of Paris, 3rd chamber, 2nd section, November 20, 1992; Jouillat v. Valois *Tribunal de Grande Instance* of Paris, 3rd chamber, 1st section, September 19, 2001; Thibierge v. Arjo, *Tribunal de Grande Instance* of Paris, 3rd chamber, 3rd section, October 16, 2001; Sonigo v. Institut Pasteur, *Tribunal de Grande Instance* of Paris, 3rd chamber, 1st section, October 24, 2001; L'Oréal v. Papantoniou, *Tribunal de Grande Instance* of Paris, 3rd chamber, 1st section, June 12, 2002; Portier v. Soletanche, Court of Appeal of Paris, 4th chamber A, January 16, 2002, *Cour de Cassation* May 5, 2004; Christian Dior v. Meybeck, Court of Appeal of Paris, 4th chamber A, April 28, 2004; Cousse, Mouzin v. Pierre Favre Médicaments *Tribunal de Grande Instance* of Paris, 3rd chamber, 2nd section, September 3, 2004; Sonigo v. Institut Pasteur, *Tribunal de Grande Instance* of Paris, 3rd chamber, 1st section, October 24, 2001, Court of Appeal of Paris, 4th chamber A, June 26, 2002 and *Cour de Cassation, chambre commerciale*, February 22, 2005). However, at the same time, the Court also considered that the 5 years time period started running only after the employee gained knowledge of the exploitation of the invention by the employer (Laborec v. Bardy, Court of Appeal of Paris, October 10, 1987; Hanrot v. Pechiney, *Tribunal de Grande Instance* of Paris, 3rd chamber, 2nd section, November 20, 1992; Christian Dior v. Meybeck, Court of Appeal of Paris, 4th chamber A, April 28, 2004;

Cousse, Mouzin v. Pierre Favre Médicaments *Tribunal de Grande Instance* of Paris, 3rd chamber, 2nd section, September 3, 2004; Sebillaud v. Fabricom Airport Systems, *Tribunal de Grande Instance* of Paris, 3rd chamber, 3rd section, April 5, 2006).

However, some decisions considered that the 5 years limitation period does not apply, on the ground that the provisions of article 2277 of the French Civil Code do not apply when the remuneration depends on elements that are unknown to the employee (Application des Gaz v. Scremin, Court of Appeal of Lyon, November 14, 2002, *Cour de Cassation, chambre commerciale*, February 22, 2005)

In fact there is a conflict between the various chambers of the French Supreme Court on this specific issues:

- the labour law chambers consider that article 2277 of the Civil Code applies even to remuneration not payable at periodic intervals or whose assessment depends on information not available to the employee (*Cour de Cassation*, January 13, 2004 and *Cour de Cassation, Assemblée Plénière*, March 15, 2005);
- the commercial Chamber which has jurisdiction regarding employee inventions, is of a different opinion (Application des Gaz v. Scremin, *Cour de Cassation, chambre commerciale*, February 22, 2005).

If the 5 years prescription period does not apply, the ordinary prescription period applies, namely 10 years if an action is commenced against a commercial company or 30 years, which is the ordinary civil law prescription.

Actions for payment of a fair price are subject to the 10 year and 30 year statute of limitation periods and not to the 5 year limitation period since the fair price is not regarded as having the nature of a salary.

3.3. Amount of additional remuneration and fair price

Neither the statutory provisions, nor the collective bargaining agreements provide a method for the calculation of the additional remuneration or the fair price. In the private industry, only the chemical industry collective bargaining agreement gives a minimum of instructions, namely: *"the additional remuneration shall take the form of a lump sum, taking into consideration the general framework of research in which the invention is placed, the difficulties of practical implementation, the original personal contribution of the person involved in the individualization of the invention itself and of the commercial interest thereof"*. But this still leaves quite some place to interpretation. In fact, only the Decree of 1996 applicable to public servants gives clear and complete instructions (see 1.4. above).

Absent clear provisions, the general opinion was that:

- the additional remuneration should remain within the range of the employee's salary, thus usually between 1 to 12 months salary, depending on the interest of the invention for the company and the circumstances in which it was created;
- the fair price should reflect the value of the invention, at the date the employer exercises its right of assignment.

In the private sector, prior to 1997, few inventors lodged claims before the CNIS or the civil Courts, either because of ignorance of their rights, or so as not to endanger their situation within the company. If such actions were initiated, the sums awarded remained within the range of the salary, ie between 2 to 12 months salary.

However, a judgment of December 19, 1997 of the Court of Appeal of Paris opened new horizons for inventors. This decision, as well as several others, illustrates the substantial amounts that can be awarded by French Courts in specific circumstances.

All these cases relate to additional remuneration since, in fact, few decisions awarded substantial amounts to employee for inventions beyond mission assignable to the employer i.e. fair price. In addition, few expected that an additional remuneration could ever reach such important amounts.

Raynaud v. Roussel Uclaf (Court of Appeal of Paris, 4th chamber B, December 19, 1997; Cour de Cassation, chambre commerciale November 21, 2000)

On December 19, 1997, the 4th Chamber B of the Court of Appeal of Paris handed down a decision specifying additional remuneration of FRF 4,000,000, i.e. € 609,796 as due to Mr. Raynaud by his employer, Roussel Uclaf, in respect of an invention he had created. The size of this amount can, admittedly, be explained by the specific circumstances of the case, mainly the tenacity of the inventor and the medical and economic significance of the invention: Mr. Raynaud was the co-inventor of an invention involving a new application of the LHRH hormone for treating prostate cancer, thereby avoiding the need for surgical castration.

Mr. Raynaud first challenged the classification of the invention as an "invention under mission" and requested the payment of a "fair price" in compensation for the assignment of the patent. The judges of the Court of First Instance accepted his argument, agreed that the invention was beyond mission and appointed an expert to assist in assessing the "fair price". The Court of Appeal of Paris considered that the invention had been performed under mission and, consequently, that the inventor was entitled to additional remuneration. The Court of Appeal therefore asked the judicial expert to provide information to enable the interest of the invention to the employer to be assessed. The decision of the Court of Appeal was referred to the Supreme Court which dismissed the appeal.

After the expert filed his report, Mr. Raynaud claimed FRF 5,000,000, i.e. €762,245 as additional remuneration. The facts, noted by the expert and taken into account by the Court of Appeal, emphasize:

- the efforts made by Mr. Raynaud, namely his persistence in creating the invention, despite the scepticism of his employer and its reluctance to support him;
- the specific medical and commercial interest of the invention which created a new drug, thus a new source of revenues.

On December 19, 1997, the Court of Appeal of Paris awarded Mr. Raynaud € 609.796.

This decision came as a surprise because of the amount awarded, departing from any notion of additional salary. The Court of Appeal held notably that additional remuneration must be assessed "*in view of the concrete and specific circumstances of the case and especially in view of the unique nature of the invention, its significance and the prospects it offered for the company*".

Roussel Uclaf challenged this second decision before the Supreme Court and argued that additional remuneration should remain within the range of the remuneration of the employee and should not relate to the profits made by the employer. It also argued that the size of such remuneration would

create discrepancies between employees of the research department and other employees.

The decision of the Court of Appeal was, however, confirmed by the Supreme Court in a decision of November 21, 2000. In its judgment, the Supreme Court clearly decided that nothing in the law required that additional remuneration be calculated in relation to the salary of the employee, rather than in relation to the value of the invention. It thus approved the decision in that it set the additional remuneration as a sum out of proportion to the inventor's salary.

Two other decisions have been issued by the Court of First Instance and the Court of Appeal of Paris in which additional remuneration was set out of the range of the usual salary of the employee.

Meybeck v. Christian Dior: (*Tribunal de Grande Instance of Paris, 3rd chambre, 3rd section, September 17, 2002; Court of Appeal of Paris, 4th chamber A, April 28, 2004*)

Mr. Meybeck, an employee of Christian Dior, created 17 inventions which were exploited in the field of cosmetics.

The decision of the Court of First Instance ordered Christian Dior to pay additional remuneration but provides little information regarding the use of the 17 patents. No information regarding the turnover of the employer from the exploitation of the patents was available. The Court of Paris thus appointed an expert to provide all the information necessary to assess the additional remuneration. But the Court also immediately ordered Christian Dior to pay to Mr. Meybeck €300,000 on account of his claim to additional remuneration.

The Court of Appeal of Paris eventually awarded € 300,000 to Mr. Meybeck as the total additional remuneration due in respect of the 17 patents. The Court of Appeal clearly departed from the First Instance decision by saying that the success of cosmetic products does not solely depend on the active substance but on numerous substances as well as on marketing efforts made by the employer. But the amount awarded nevertheless remains quite high.

Ray v. Rhodia: (*Tribunal de Grande Instance of Paris 3rd chambre, 1st section, September 30, 2002, Court of Appeal of Paris, 4th chambre B, May 13, 2005*)

Mr. Ray invented a new shape of silica called micro-pearl. He alleged that this new shape enabled his employer, Rhodia, to sell silica to tire manufacturers as a substitute for carbon black, notably for the manufacture of Michelin's "*green tires*". Rhodia admitted that all the silica sold to Michelin had been sold in the micro-pearl shape, but alleged that this had been made possible as a result of another patent relating to silica dispersibility, and not to the patent relating to micro-pearls.

Mr. Ray argued that his additional remuneration should be based on Rhodia's turnover from exploitation of the micro-pearl patent, while Rhodia argued that the additional remuneration should be in the range of Mr. Ray's usual salary.

The Court of Paris set at €600,000 the additional remuneration due to Mr. Ray (equivalent to more than 30 years salary)! The same arguments were discussed on appeal. Without providing further detail as to the basis of its decision, the Court of Appeal eventually set the additional remuneration due to M. Ray at €300,000.

It is important to note that because additional remuneration has the nature of a salary, the employer is, in addition, required to pay social security contributions in respect thereof, in this case bringing the total amount payable by the employer to approximately €450,000. For his part, M. Ray had to pay income taxes on his award (45%) thus retaining €165,000 out of the €300,000 awarded. After the deduction of legal fees of approximately €100,000, Mr. Ray was left with not more than €65,000 after legal proceedings lasting in excess of 10 years.

In *Brinon v. Vygon* (*Tribunal de Grande Instance* of Paris, 3rd chamber, 3rd section, September 14, 2005), the Court awarded the employee an additional remuneration of €100,000 for an invention relating to a medical device.

These last examples illustrate that, in relation to claims for additional remuneration, like in many other matters, the parties have a strong interest in reaching a settlement agreement which enables:

- the employer to keep the amount awarded confidential, and avoid creating any internal precedent;
- in many situations, both the employer and the employee to characterize the amount awarded as damages (not salary) and thus avoid the payment of social security contributions and income tax.

But employers and employees often have positions too far apart to reach agreement. With case law being now more predictable, settlements should, hopefully, increase in the near future.

Conclusion

Rules regarding employee inventions have become, over the last 10 years, an issue which cannot be overlooked by employers and which needs to be taken into consideration in determining corporate strategy.

Employers now have a fairly good understanding of these issues and know how to deal with employee claims, when they arise. In addition, because of the number of Court decisions issued in France, the predictability of the amounts awarded has increased and settlements will become more frequent. Employers have thus reached a stage where they can anticipate employee claims and offer additional remuneration in line with current case law to avoid litigation.

However, some more work needs to be done by companies actively to take advantage of the rules regarding employee inventions and notably to include in individual contract agreements or in company agreements, provisions regarding the applicable law or methods for the calculation of additional remuneration (which should always specify a maximum amount).

Only then will companies optimize their situations by managing employee inventions in line with current regulation and case law, but also tailoring the

most appropriate rules in view of their development strategy and their general corporate policy.

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