The world is growing together and keeps getting more complicated every day. Multinational corporations have worldwide operations in a variety of business segments. They employ a large number of employees in a growing number of countries. There are companies that have offices in almost every country of the world nowadays.

Managing large numbers of employees in an international context can be a real challenge, particularly when a consistent and uniform handling of employees and their employment contracts is required across the corporation globally. Subtleties of local law also have to be taken into consideration, from statutory requirements regarding working time and vacation to regulatory requirements regarding remuneration, just to name but a few.

One important aspect of employment contracts is the assignment of IP rights to the employer. It goes without saying that the employer must be entitled to use the employees’ work product. However, how this can be effected in various jurisdictions is not obvious in many cases. In this article, we touch on only some of the important points in a . Specific IP assignment agreements will need to be assessed on a case-by-case basis.
1. Introduction

The complexity of IP assignment clauses becomes clearer if one takes into account that IP rights are mainly territorial rights; legal relationships to these IP rights are therefore mainly shaped by national laws.

For these reasons, it will not be possible to use a US standard IP assignment clause for employees in Europe. A number of topics have to be addressed regarding such IP assignment clauses. The following remarks are designed to point out the considerations which employers will need to bear in mind when implementing IP assignment clauses in Germany, UK and France.

- The first question which comes to mind is the question of who initially owns the rights in intellectual creations made by employees during the course of their employment and how these rights, if necessary, are assigned to the employer. This includes the question which limitations to such assignments exist and how such limitations could possibly be circumvented.

- The second question which is always related to IP assignment clauses is the question of remuneration. This covers in particular whether an additional payment has to be made to employees by way of consideration for the attribution or assignment of IP rights.

- The third main question is whether and to what extent the parties to the employment contract are subject to other obligations such as obligations to apply for a registration of IP rights or obligations to support the other party in PTO proceedings.

Even though all these questions are pressing, it is difficult to find comprehensive guidelines which address such matters. This stems, inter alia, from the fact that some IP-related statutory provisions have been drafted rather vaguely and are often therefore difficult to interpret. There is partly also a lack of clarifying and/or consistent case law. Further employment law also needs to be considered when
dealing with IP assignments in employment contracts, in particular since very broad IP clauses can be problematic from an employment law perspective. One also needs to keep in mind that a contractual agreement will be declared invalid if it contravenes the general principle of good faith.

2. Who owns IP rights and how can such rights be assigned to the employer?

In the context of an international employment contract, a distinction should be made between patents or rights to inventions and copyrights on the one hand and other intellectual property rights on the other hand. This is due to the specific treatment which inventions and copyright protected works are given in various jurisdictions. The special treatment of copyrights, for instance, is based on the strong manifestation of moral rights in European copyright law. With other IP rights, there are mostly no legal provisions that prohibit an assignment or make a payment of additional compensation mandatory.

2.1 Inventions

The term “invention” includes technical inventions within the meaning of Art. 1(2) of the Paris Convention for the Protection of Industrial Property. It also includes developments which are eligible for protection by patent or utility models.

The legal relationship between employer and employee with regards to inventions is strongly influenced by national laws.

(a) Germany

The basic rule under German law is very similar to US law: An inventor initially owns the invention and the associated rights to it by virtue of the act of creation i.e. as a matter of an inventor’s natural right. This basic rule also applies in connection with employee-made inventions; the employee is the first owner of all rights connected to the invention.
It is important to note that German law does not share US patent law’s concept of shop rights or hired-to-invent. However, there are provisions under German law that are not so different from these doctrines.

The transfer of the rights in employee-made inventions to the employer is most peculiar in Germany. An advance assignment is not possible. Freedom of contract is generally very limited when it comes to inventions made by employees during their employment. The reason for this is that the German Act on Employee Inventions (Arbeitnehmererfindungsgesetz – ArbEG) lays down detailed and mostly mandatory provisions that leave little room for individual agreements.

1) German employee invention law distinguishes between employment-related inventions and free inventions.

   All inventions which either result from the employee performing his or her duties or are significantly dependent on the company’s experience or works are considered employment-related inventions. Rights to employment-related inventions originally belong to the employee. However, employers are entitled to claim the transfer of these rights to them.

2) German law requires the employee to notify the employer of the created invention in writing. The employer then has the right to claim the invention within a period of four months. Due to some recent changes in the law, the transfer of the invention to the employer takes place automatically unless the employer expressly rejects the invention within this time limit in writing.

   For employers, this may seem convenient because the employer then does not have to ensure a timely transfer of the invention. However, it should be pointed out that a number of obligations are created as soon as the employee notifies the employer about an
invention, for example, the employer’s obligation to apply for a patent or utility model.

3) Inventions which are not employment-related inventions are free. This means that the employee may freely decide whether he or she assigns the rights to the employer or not. Nonetheless, the employee has to communicate such inventions to the employer unless the invention obviously cannot be used in the employer’s business. The rationale behind this obligation is to enable the employer to assess whether the invention is an employment-related invention or a free invention.

The employee’s freedom to dispose of free inventions is subject to an important restriction: Before the employee exploits the invention elsewhere, he or she is obliged to offer the employer a non-exclusive right of use on reasonable terms, provided the invention can be used in the employer’s business.

4) In the context of international IP assignment agreements it is important to note that it is not possible to contractually deviate from the statutory rules to the disadvantage of the employee before a particular invention has been disclosed to the employer. This means that an employment contract cannot contain stipulations which – compared to the statutory provisions of German employee invention law – disadvantage the employee. Therefore, an IP clause will be void if it is designed to have the employee assign all rights in future inventions to their employer, regardless of whether the clause is supposed to apply to free inventions or to employment-related inventions.

5) The German Act on Employee Inventions prohibits all contractual agreements which deviate from the Act in favor of the employer if these agreements are related to future employee inventions. Rights in employee inventions can especially not be pre-assigned in the employment contract. This restriction on contractual freedom cannot be avoided by use of a non-German governing law clause.
because German courts consider the German employee invention law as mandatory. According to Art. 8 (1) Rome-I Regulation a law clause must not result in that mandatory provisions of the national law are derogated.

(b) United Kingdom

The situation differs significantly from the above in the UK. The UK Patents Act comprises specific regulations for employee inventions.

1) In contrast to German and US law, under UK law the rights in employment-related inventions belong to the employer from the outset. This means that the employer does not need to claim an employment-related invention in order to acquire the associated rights. Thus, an advance assignment clause is not necessary.

2) With respect to non-employment-related inventions, UK law resembles German law in that such inventions belong to the employee and the associated rights cannot be assigned to the employer prior to the invention’s creation. This means that an assignment clause in the employment contract would be unenforceable as far as it concerns non-employment-related inventions in terms of the UK Patents Act.

3) The UK Patents Act does not require the employee to offer the employer a non-employment-related invention. This means that the employer may typically, not force the employee to assign or license the associated rights. However, such an obligation might arise from general employment law considerations, in particular from the employee’s duties of loyalty and confidentiality to the employer.

(c) France

In France, the statutory provisions contained in Article L.611-7 of the French Intellectual Property Code concerning employee inventions distinguish three types of employee inventions, namely inventions
under mission, employment-related inventions beyond mission and free inventions.

1) Inventions under mission can be characterized by the act that an employee creates them (i) pursuant to an employment contract which stipulates an inventive mission as the employee’s usual work task; or (ii) while performing research tasks according to the employer’s directions. The rights in inventions under mission automatically vest in the employer so that there is no need for an assignment clause, either in advance of the invention’s creation or subsequent to it.

2) Employment-related inventions beyond mission are inventions which the employee does not create within the scope of his or her inventive mission but still relate to the employer’s business or the employee’s function within the employer’s business, e.g. because they were made by using specific in-house technologies or processes.

The rights in employee inventions beyond mission belong to the employee; however, the employer enjoys the right to have them assigned in whole or in part. There is a deadline of four months from the day of notification to claim the invention.

3) All other inventions are free which means that the rights in these inventions remain with the employee. The employer cannot demand their transfer.

4) According to French law, the statutory provisions in relation to employee inventions apply unless the parties agree upon something more favorable to the employee. Therefore, a clause by which the employee assigns to the employer all rights in future employment-related inventions beyond mission or free inventions will not be enforceable. The same applies to clauses by which employees commit themselves to assign the rights as soon as they have created an invention.
(d) Preliminary result

It shows that the assignment of rights to employee-made inventions is particularly difficult in Germany and in France. Even though these jurisdictions provide for sufficient employer’s rights to claim all the inventions needed for their business, an advance assignment is not possible. Where an advance assignment is possible, namely with regards to inventions under mission in France and employment-related inventions in the UK, it is not necessary, because employers automatically obtain the rights in these inventions by law.

2.2 Works protected by copyright

The situation differs significantly when it comes to copyright protected works. With respect to inventions, employer and employee are mainly bound by mandatory statutory provisions that leave little to no room for divergent contractual agreements. By contrast in many European jurisdictions it may be possible to establish individual provisions relating to copyrights in the employment contract. Nonetheless, the parties to the employment contract need to be aware of certain statutory rules when drafting copyright-related agreements.

Broadly speaking, copyright is an intellectual property right which subsists in artistic, musical, literary and suchlike creations, provided these creations meet certain criteria.

First of all, it should be pointed out that the Anglo-American copyright system and the European copyright system differ substantially from each other.

The Anglo-American copyright is an economic exploitation right; it grants its holder – as the term suggests – the right to copy, to exploit the creation. Copyright holder and work’s author do not necessarily have to be identical; even though it is usually the author who first owns the copyright in the work, it can be (pre-)assigned to other individuals or legal entities.
European copyright systems provide for a stronger connection between the copyright and the author of the protected work. This makes sense if one considers that even though the German *Urheberrecht* or the French *droit d'auteur* are often translated as *copyright*, the literal translation is *author’s right*. It comprises not only proprietary rights but also moral rights. In many European jurisdictions, only the proprietary rights are assignable; in others, copyrights, including the proprietary rights, cannot be assigned at all but authors may only grant others a license to exploit the protected work. Moral rights are usually not assignable and can be waived only to a limited extent.

Companies need to bear this in mind when they draft IP clauses. A clause whereby the employee *assigns* the copyright in future works might not be enforceable in jurisdictions where the assignment of copyright is not possible. Moreover, especially in continental Europe, employment contracts should include waivers of moral rights or, where moral rights cannot be waived, determine restrictions on their exercise as far as the respective law permits this.

(a) Germany

When employees create a copyright protected work, by nature of their creation, they become the owner of the copyright. The employee cannot transfer the copyright to the employer, because copyright is non-assignable under German law.

Moreover, German copyright law does not know the concept of *work made for hire*, under which the employer is deemed the author of a work that an employee created within the scope of the employment and therefore owns the copyright from the outset.

However, the employee can grant the employer various exploitation rights, e.g. the right to reproduce the work or the right to distribute it. Exploitation rights can be granted exclusively or non-exclusively. An
exclusive exploitation right also excludes the author from using the work.

Other than in case of employee inventions, copyright exploitation rights can be granted with regard to future creations. In fact, German courts even assume an implicit grant of certain essential exploitation rights by virtue of the employment contract; naturally, this applies only to such works which employees create within the scope of their employment contract.

Nonetheless, employers should seek to obtain an express grant of exploitation rights in their employment contracts. Such an IP clause should not be worded vaguely. Rather the clause should exactly specify to what extent exploitation rights are granted. Ideally, it should name each type of exploitation that is supposed to be covered. Otherwise, only those exploitation rights will be covered which employers need in order to operate their usual business. Especially the right to license or transfer the granted exploitation rights to third parties is not always considered essential in order to conduct the ordinary business activities. Thus, it should be expressly granted in the employment contract. Furthermore, it is important to know that the grant of rights in respect of as yet unknown types of exploitation must be in writing and signed.

A special provision exists for employee-made computer programs: If an employee creates software in the execution of his or her duties or according to the employer’s instructions only the employer is entitled to exercise the related proprietary rights. Thus, the employer is granted comprehensive rights with respect to all forms of exploitation by law. There is no need for a contractual agreement.

It should be noted that no insightful case law has been established with regards to the question of whether and under which circumstances an employee can validly commit themselves to offer future non-work related creations to his or her employer. An IP clause
which includes such works is exposed to the risk that a court will hold it invalid or unenforceable.

Besides exploitation rights the German copyright includes moral rights. These are the right to determine if, when and how the work shall be published, the right to be recognized as the work’s author and to be or not to be mentioned in publications and the right to prohibit a distortion of the work.

Moral rights cannot be waived as such; however, to a certain degree, employees may contractually commit themselves to not exercise them, at least as far as the exercise would hinder the authorized commercial exploitation of the work. Employers could, for instance, not exercise their right to distribute the protected work if employees objected to this by invoking their moral right to determine whether, when and how the work is to be published.

(b) United Kingdom

The basic rule concerning initial ownership of copyright is the same as in the US: Authors initially own the copyright in their work. In certain scenarios UK copyright law attributes authorship – which entails copyright ownership – to certain individuals or legal entities, e.g. the producer is deemed the author of a sound recording.

For employee-made copyright works UK law stipulates an exception to this general rule: Where an employee creates a literary, dramatic, musical or artistic work, or a film in the course of the employment, the employer is the first owner of the copyright in the work Therefore, an advance assignment in the employment contract is not necessary. Computer programs count as literary works.

This exception provision may not be confused with the work made for hire concept; while under the work made for hire doctrine the employer is considered the author of a work, UK copyright law only refers the copyright in the work to the employer; the employee is nonetheless deemed the author.
Besides economic exploitation rights, UK copyright law grants the author of a copyright protected work certain moral rights, e.g. the right to be identified as the author in publications of the work. Moral rights are non-assignable. However, employees can waive them in advance by an express statement in the employment contract. Such a waiver must be in writing and signed.

Unlike with inventions, there is no statutory rule that prohibits the advance assignment of copyrights in works that employees create outside the scope of their employment. However, courts might consider such an assignment unfair on the employee and therefore declare a corresponding assignment clause void or unenforceable.

(c) France

With respect to the possible transfer of copyrights, French copyright law provides for very strict provisions compared to other European jurisdictions. Besides, it contains a lot of special regulations concerning certain types of copyright protected works.

It parallels German copyright law in that the author of a work is usually the original owner of the connected copyright. There are some exceptions to this general rule, e.g. with respect to collective works and employee-made computer programs. However, there is no exception for other employee-made works such as a work made for hire rule. Further, moral rights are not assignable but can only be waived to a limited extent.

However, unlike in German law, the proprietary rights to copyright protected works can actually be assigned to others.

In the context of employment contracts it must be noted that the French Intellectual Property Code declares a global assignment of future works void. What is meant by global assignment is not so obvious. It definitely encompasses clauses that are designed to assign to the employer all propriety rights to all future copyright protected works that the employee will create in the course of the employment.
Consequently, such broadly worded clauses in employment contracts will be void. However, there have been cases where courts, for instance, have upheld assignment clauses when it was possible to individualize the assigned future works. It can be seen from this that the determination of whether a particular assignment clause falls within the scope of the provision highly depends on the deciding court’s interpretation of the provision. Given this uncertainty, assignment clauses that relate to future works are always at risk of being void. It is more secure to have the employee assign the proprietary rights on a case-by-case basis or at least upon creation of the work.

French law requires assignment contracts to separately list each of the proprietary rights that is supposed to be covered. Further, it must precisely define the scope and purpose of the authorized exploitation as for its duration and place. Only what is expressly agreed upon will be transferred. General clauses that globally include *all* rights run the risk of being invalid.

*(d) Preliminary result*

With respect to copyright protected works the three jurisdictions provide for quite different regulations. In the UK there is actually no need for an assignment of copyrights to employment-related works, whereas in France, employers cannot permissibly exploit a work unless the employee contractually assigns the proprietary rights to them, which is usually only possible once a work has been created. As regards Germany, one needs to keep in mind that employees cannot *assign* the copyright to works they create, but only grant their employers exploitation rights. However, unlike in French law, exploitation rights can be granted globally with respect to future employment-related works.

In all three jurisdictions authors enjoy certain moral rights, which can be contractually limited to a greater or lesser extent.
3. **Remuneration**

Another crucial question is whether the employer has to make extra payments for the transfer of rights to employee-made intellectual creations.

3.1 **Inventions**

(a) *Germany*

According to German employee invention law, the employer has to remunerate the employee – beyond the monthly salary – in return for the rights to employee-made inventions.

When the employer has obtained the rights to an invention the parties shall individually agree upon a reasonable compensation on the basis of the invention’s economic value. Each party may demand an adjustment if, at a later time, circumstances change which were decisive for determining the amount of compensation.

Employees cannot validly waive their right to additional remuneration in the employment contract, because the statutory provisions cannot be modified to the employee’s disadvantage before a particular invention has been communicated to the employer. Moreover, an IP clause that stipulates a certain lump sum as remuneration for the transfer of rights over future inventions is void.

Only after the employee has informed the employer of a particular invention the parties may deviate from the statutory rules. However, such individual agreements are void if they are grossly unfair. In what circumstances a contractual provision is considered grossly unfair cannot be answered universally. Neither does the Act on Employee Inventions specify the term, nor is there illuminating case law concerning this matter. A remuneration agreement is or becomes grossly unfair and thus void if the remuneration according to the agreement is considerably lower than the remuneration the employee could claim according to the statutory provisions. As a general rule it can be said that this should be considered if the agreed remuneration is
below 50% of the remuneration owed under the Act on Employee Inventions. The real problems lie in this determination, where a lot of difficult to evaluate factors have to be taken into account. Despite that, a complete waiver of the right to additional compensation is not grossly unfair per se, provided the employee is entirely aware of the waiver’s consequences. However, since courts do not assume a will to waive rights easily, complete waivers are rather exposed to the risk of being considered as grossly unfair.

Many German companies have introduced so-called incentive systems with which they offer the employee inventor a payment of a certain lump sum instead of ongoing (e.g. annual) payments for a particular invention. The offer is usually made when the employee reports the invention. The amount usually depends on the invention’s estimated economic value. While some incentive systems leave it at that, others combine the payment of a lump sum with a waiver of several employee rights, e.g. the above-mentioned right to an adjusted amount of compensation. Even though employees are free to decide to be compensated pursuant to the statutory provisions of the Act on Employee Inventions instead, according to a recent survey, the majority chooses to be remunerated according to their employer’s incentive system.

(b) United Kingdom

Under UK patent law the employee inventor is entitled to additional compensation in exceptional circumstances only.

With regards to inventions which belong to the employer from the outset, a court may – at its discretion – award the employee compensation if a patent has been granted for the invention at issue and the invention is of “outstanding benefit” to the employer. The law does not define the meaning of “outstanding benefit”; the courts demand a greater benefit than one would normally expect to arise from an employee’s work, a benefit which is “more than significant”, “out of the ordinary” or “something special”.
With respect to free inventions, courts may award compensation if the employee has assigned the rights in the invention or granted an exclusive license to the employer, a patent has been obtained and the consideration the employee received for the assignment or grant is inadequate in relation to the employer’s benefit from the invention.

UK courts are rather reluctant to award compensation. This is due to the difficulty of meeting the requirements for a successful remuneration claim, especially the “outstanding benefit”, on the one hand, and proving them on the other hand. To date, only one successful compensation application has been made. Nonetheless, the employee’s right to legally seek compensation cannot be excluded by means of the employment contract. Accordingly, a clause with such content would not be enforceable.

(c) France

The current legal situation in France is quite similar to the one in Germany. As a rule, the employer has to remunerate employees in return for the rights to their inventions. The employer cannot be released from this obligation by way of the employment contract, because only agreements that favor the employee more than the statutory provisions are permissible.

The law expressly and unequivocally states the employee’s entitlement to a “additional compensation” with respect to employee inventions under mission and to a “fair price” with respect to employment-related inventions beyond mission. With respect to “additional compensation”, the French Intellectual Property Code provides that the conditions under which an employee is entitled to additional remuneration shall be determined by provisions in collective bargaining agreements, company agreements and individual employment contracts. In fact, some collective bargaining agreements in France grant employees additional remuneration only if certain requirements are met, e.g. if a patent has been filed or granted, the employer actually exploits the invention and/or the invention is of
exceptional interest to the company. However, some courts have declared such provisions inapplicable. According to these courts, the French Intellectual Property Code provides that additional remuneration is mandatory in all circumstances; the law merely permitted collective bargaining agreements, company agreements and individual employment contracts to lay down rules for calculating the amount of the compensation. Therefore, companies need to be aware of the fact that a court might declare a clause invalid if it hinges the employee’s entitlement to additional compensation on certain requirements, Contractual provisions that specify methods of calculating the compensation are, however, permissible unless they contradict mandatory terms of collective bargaining agreements.

3.2 Works protected by copyright

(a) Germany

With respect to works that were created within the scope of the employment contract, employees are in general not legally entitled to additional remuneration. Consequently, an IP clause of such contents will usually not evoke legal problems. Only if exploiting the work brings the employer a profit in relation to which the monthly salary is an inadequate reward, the employee may claim to be paid additional compensation. An IP clause whereby the employee waives this right will be void.

(b) United Kingdom

As German law, UK law does not provide employees with a right to additional compensation in return for the attribution of the copyright in work-related creations to the employer.
(c) **France**

French copyright law stipulates that the author who assigns proprietary rights has to be remunerated proportional to the assignee’s proceeds of exploiting the work. The law enumerates several cases in which the remuneration can have the form of a lump sum instead of profit-based royalties. However, there is no general exception for employee-made copyright protected works. Consequently, employees are entitled to a proportional share of the proceeds or, in case of one of the enumerated exceptions, a lump sum for the assignment of proprietary rights. Usually, an agreement according to which the employer does not have to remunerate the employee for the assignment of proprietary rights will be void. In addition, courts tend to consider that additional remuneration for copyright, like additional remuneration for inventions, should not be included in the employee salary.

(d) **Preliminary result**

Except for the UK, the employer must usually pay the employee an additional compensation for the attribution or assignment of rights to inventions. Normally, employees cannot waive their right to additional remuneration at all; they can definitely not waive it in advance.

For the attribution of copyrights (UK), the transfer of proprietary rights (France) or granting exploitation rights (Germany), however, only French law requires an additional payment.
4. Other rights and obligations

Besides the questions of right’s ownership and additional compensation, there are a couple of other issues that should be addressed in the context of IP rights in employment relationships.

4.1 Reporting of intellectual creations

Without the information that an intellectual creation has been made the employer cannot know about his or her rights to it. Such a situation can only be avoided if employees have the duty to inform their employer of intellectual creations they have made in the course of their employment.

German and French employee invention laws stipulate the employee’s obligation to immediately report a created invention to the employer. This applies to employment-related as well as free inventions, because the employer needs to be able to classify the invention in question. The relevant laws also contain provisions as to the content of the report (circumstances under which the invention was made, description of the invention etc.) and the formalities that have to be complied with. It should come as no surprise that in Germany, the employment contract cannot validly stipulate stricter requirements than the Act on Employee Inventions sets out because agreements that disadvantage the employee are only permissible after a particular invention has been reported to the employer.

In the UK, there is no statute that particularly mentions the employee’s obligation to report inventions to the employer. However, such an obligation is naturally implied by the statutory provisions that vest the rights to employment-related inventions in the employer, or by the employment relationship itself. Apart from this, the employment contract may expressly stipulate the employee’s duty to report inventions to the employer.

With other intellectual creations there are usually no statutory provisions that stipulate an obligation to report. Such an obligation
may be laid down by a clause in the employment contract. Otherwise, it will in most cases be implied by virtue of the employment relationship.

### 4.2 Registration of IP rights

As opposed to copyrights, intellectual property rights that serve to protect an invention, most importantly patents, need to be registered with the competent authorities in order to come into existence. The right to apply for and be granted a patent is in fact the most valuable right connected to an invention.

As a general rule in European jurisdictions, the person or legal entity that holds the rights to an invention is also the one that is entitled to apply for and be granted a registered IP right for the invention at question. In an employment context this means that only the employer has the right to do so when he or she has acquired the rights to an employee-made invention.

In this context, German employee invention law contains some peculiarities.

As soon as the employee has reported an employment-related invention to the employer, only the employer is entitled to apply for a registration of IP rights in Germany, especially patents and utility models. Thus an employer has the sole right to apply for a registered IP right even before he or she claims the invention and thereby acquire the connected rights. It needs to be noted that this only applies to German IP rights; the right to apply for registered IP protection in other states is only transferred to the employer when he or she claims an invention.

The sole right to apply for a registered IP right in Germany is accompanied by the obligation to apply for a domestic patent or utility model. The employer must file the application without undue hesitation. Again, it needs to be pointed out that this obligation arises as soon as the invention is reported to the employer. Depending on the
particular circumstances, an employer might be obliged to apply for a German patent or utility model even before he or she has decided whether or not to claim the invention.

The obligation to apply for a German patent or utility model lapses in three scenarios. Firstly, if the employment-related invention has become free due to the employer's rejection of it. In this case all rights connected with the invention belong ultimately to the employee.

Secondly, if legitimate interests of the company necessitate the invention to be treated as a trade secret and the employer acknowledges to the employee that the invention is capable of IP protection.

Thirdly and most importantly in our context, the obligation to apply for a German patent or utility model ceases if the employee has agreed that no application is to be filed. However, employers cannot be released from the obligation prior to the invention’s disclosure to them. Therefore, a corresponding clause in the employment contract will be void. In practice it is common that employees release their employer from the obligation when they decide to be treated according to their employer’s incentive system instead of according to the statutory provisions of German employee invention law.

Only when the employer claims the invention, he or she also become entitled – but not obliged – to apply for a registration of IP rights abroad. However, the employee can permit the employer to do so before claiming the invention. As with most individual agreements concerning employee inventions, this is not possible in the employment contract, but only after the invention has been reported to the employer.

In the context of the registration of IP rights abroad the employer is subject to a peculiar obligation: With respect to the countries for which the employer does not desire to obtain registered IP rights, he or she has to release the claimed invention to the employee so that the
employee can apply for IP protection in these countries. At the employee’s request, the employer has to support the employee in the process of acquiring IP rights abroad. However, the employer can also be released from this obligation, but only after the invention has been reported. Many German companies also include the waiver of this obligation in their incentive system.

There are no suchlike obligations laid down in UK and in French employee invention law. This implies that employers may normally freely decide whether or not to apply for a patent. In particular cases, however, French and UK courts might find the employer nevertheless to be obliged to apply for a patent or at least exploit the invention in another way. This is conceivable in cases where the employee’s entitlement to additional remuneration or the amount of the additional remuneration depends on a patent or an actual exploitation of the invention.

In Germany, the UK and France there are no legal provisions that speak against clauses in the employment contract obliging the employee to assist the employer in acquiring intellectual property rights for creations that are attributed to the employer. The German Act on Employee Inventions even stipulates that the employee, if requested to do so, has to assist the employer in the application proceedings and has to make the statements that are necessary in order to acquire registered IP rights.

4.3 Confidentiality

Where the employer enjoys the rights to an employee-made intellectual creation, it actually goes without saying that the employee must not disclose the creation to third parties or the public. This applies to both parties as long as the final attribution of the rights is still in abeyance.

The German Act on Employee Inventions as well as the Act on Unfair Competition and the French Decree on Employees’ Inventions
expressly state such an obligation to confidentiality as regards inventions.

Where there is no explicit statutory provision, the obligation to confidentiality results from the employment relationship itself. There is no need to expressly include it in the employment contract. However, a suchlike clause will not cause validity issues.

German competition law, for example, even penalizes the violation of the employee’s obligation to confidentiality.

5. Conclusion and practical advice

European IP law, especially employee invention law, permits individual agreements in employment contracts only to a limited extent. Usually, it is not possible, in individual agreements, to deviate from statutory provisions that are designed to protect employees. This applies in particular to remuneration regulations with the consequence that a waiver of statutory remuneration claims is rarely possible. Many issues, particularly in respect of invention’s and copyright’s ownership, are, however, sufficiently regulated by statute.

As was shown, the various IP rights are treated quite differently from each another. For IP clauses in employment contracts it follows from this that, first of all, employers should draw a clear distinction between different types of IP rights in their employment contracts.

Further, it is advisable to use “staggered” IP clauses in order to absorb the peculiarities of various jurisdictions. Such clauses will in particular be useful to deal with jurisdictions where certain types of assignments or restrictions of remuneration clauses are invalid or unenforceable.