



Dewey & LeBoeuf Frankfurt

Dewey & LeBoeuf's Frankfurt office has approximately 50 lawyers and 20 other professionals providing clients with legal advice on German-related mergers and acquisitions, capital markets, acquisition finance, private equity and corporate finance transactions. In addition, our lawyers provide advice in the areas of tax law, banking and investment funds regulation and asset management, as well as real estate law.

## German Patent Law Modernisation Act to Streamline Appellate Proceedings in Patent Law Cases and to Strengthen Employers' Position With Regard to Employee Inventions

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Having been approved by both the lower and upper parliament, the German Patent Law Modernisation Act (*Patentrechtsmodernisierungsgesetz* – "Patent Modernisation Act") will enter into force on 1 October 2009. The main objective of the Patent Modernisation Act is to streamline patent and trademark applications and to simplify the appeal procedure in patent litigation. Under the new provisions of the act, the appeal court will no longer have to hear the whole case, including the facts, again but rather can confine itself to revising the judicial decision of the court of first instance, thereby focusing on the legal issues of the case. Furthermore, the appointment of an expert, which is currently required for every appeal procedure, will only be necessary in exceptional cases going forward. With these amendments, the Patent Modernisation Act aims to substantially reduce the duration of appellate proceedings in patent cases, which currently last for about four years on average.

In addition, the Patent Modernisation Act brings about some important changes to the German employee invention law. The German employee invention law, which is set out in the German Employee Invention Act (*Arbeitnehmererfindungsgesetz* – "Employee Invention Act"), is materially different from most other respective national laws. An illustrative example is the recent decision of the High Court of Justice, Patents Court, in the matter *Kelly and another v. GE Healthcare* which showed that the hurdle for an employee to successfully claim a compensation for an invention is much higher in the UK than in Germany.

The aim of the German law on employee inventions is to resolve the conflict arising from the fact that German employment law allocates the rights to all work products of an employee to the employer, whereas under German patent law, the rights to any invention are attributed to the inventor. The Employee Invention Act aims to balance the interests of the employer and the employee inventor by allocating the right to use and market the invention to the employer and granting the employee inventor an adequate compensation. There are elaborate provisions and extensive case law regarding the calculation of such compensation.

In light of the fact that, on average, 80-90 per cent of all patent applications in Germany result from inventions made by employees

during their working hours, the employee invention law is of high practical relevance. The Employee Invention Act is applicable to employee inventions if they are patentable or utility-patentable (*gebrauchsmusterfähig*). Any employee who has made an employee invention must immediately notify his employer stating, *inter alia*, details of the technical problem, its solution and the process by which the employee invention was developed as well as the personnel involved and their respective share in the invention. Prior to the Patent Modernisation Act, the employer had to expressly claim the invention if he wanted to have the inventor rights transferred to him. The Patent Modernisation Act now brings about an important change by reversing this principle and assigning all rights to the invention to the employer unless he expressly waives his rights within four months after being notified by the employee. The Patent Modernisation Act also reduces the prior written form requirement to text form, which includes communication by email and considerably simplifies practical handling of the process.

In return for obtaining the rights to the employee invention, the employer has to pay an invention fee to the respective employee. The key criteria for determining such fee are the commercial value of the invention, its utilisation potential, the respective employee's share in the invention and his role in the company. In practice, the invention fee is usually paid on an annual basis.

All disputes in connection with the amount of the invention fee must first be referred to arbitration at the patent office in Munich before any judicial proceedings are permissible. Exemptions apply if six months have passed since the dispute arose, if the relevant employee has retired or if employer and employee have opted out of arbitration by written agreement.

In practice, the most important change brought about by the Patent Modernisation Act is certainly the default allocation of all rights to the employee invention to the employer. This considerably strengthens the employer's position with regard to employee innovations but also requires that adequate employee inventions and idea management procedures are installed in order to avoid costly mistakes.

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