

Employee Inventions In The Netherlands

By Wouter Pors

Legal Basis and Private International Law

In The Netherlands, the rights of employees to an invention are governed by the Dutch Patent Act of 1995 (DPA), whereas otherwise the rights and obligations of employees are governed by the Dutch Civil Code. Only two provisions of the Patent Act, articles 12 and 14, specifically deal with the rights of employees.

As in most European countries, the vast majority of inventions is made by individuals who are working for a company. Those companies are the applicants of the patent, and as a consequence the patent rights are registered in the name of the company, not in the name of the actual inventor.

Article 12 DPA deals with three different situations: inventions made by employees, inventions made in the course of an internship as part of education (which will not be discussed further here) and inventions made by an employee of a university, an institution for higher vocational education or a research institution. In Dutch general employment law employees of universities and research institutions are subject to the same rules as employees in general. Most universities are organized under public law and as a consequence their employees are civil servants. There are however also privately owned universities which are fully financed by the government (except for contract research) and the employees of such private universities have an employment contract under the Dutch Civil Code. In practice however, the rights and obligations with regard to inventions are the same, as these are in the Patent Act, which doesn't discern between publicly and privately employed inventors.

Many inventors employed in The Netherlands have a foreign nationality, while on the other hand many inventors in The Netherlands work for foreign companies. Such foreign companies often have a Dutch subsidiary, in which case the inventor may be employed by that subsidiary, but even in that case the patent application is often filed by a foreign group company, such as an IP holding.

Under Dutch private international law, the employment of an employee of a public institution is governed by Dutch law.

For privately employed inventors the Rome I Regulation provides in article 8 section 2 that their employment is governed by the law of the country where they habitually carry out their work in perfor-

mance of the contract.¹ The same rule is in article 60 of the European Patent Convention. This means that if an invention is made by an employee who is normally working within The Netherlands, Dutch law applies to the rights and obligations of the employee with regard to the invention. This therefore doesn't depend on the place where the actual invention is made. For instance, if an employee of a Korean company normally works in The Netherlands, but makes an invention during a short stay at the company's head office in Seoul, his rights are still governed by Dutch law. The same applies if he makes an invention while on vacation in the U.S.

If there is no place where the employee habitually carries out his work, the law of the country of the employer is applicable; under Rome I this applies even if that is not within the EU. However, if the law of another country is more closely connected, that law shall apply under article 8 section 4 Rome I. For instance, if the Korean employee of a Korean company has worked in Korea for 20 years and then is sent to The Netherlands for a single year, it is most likely that his rights and obligations with regards to an invention that he makes during his stay in The Netherlands are governed by Korean law.

Finally, article 8 section 1 of Rome I allows for a choice of law for employment contracts as provided in article 3 of Rome I, but this cannot deprive the employee of rights that could not have been excluded by contract under the law that would normally apply absent such a choice.²

Article 10:154 Dutch Civil Code provides that the Rome I Regulation shall be applied by analogy to contracts that do not fall within its scope. Thus, the Rome I Regulation, Dutch private international law and the EPC basically all have the same rules to determine the applicable substantive law, albeit that the EPC doesn't contain parallel provisions to the specific exceptions of article 8 section 1 and 4 Rome I.

Finally, it is important to realize that the Dutch Patent Act only applies to Dutch national patents, to the Dutch validations of granted European patents, to the "Dutch part" of European patent applications (under

1. Regulation (EC) No 593/2008 of the European Parliament and the Council of 17 June 2008 on the law applicable to contractual obligations.

2. Such as the compensation under article 12 sections 6 and 7 DPA.

article 74 EPC) and to Unitary Patents of which the applicant has his principle place of business, or another place of business (if his principle place of business is outside the EU) in The Netherlands at the date of filing of the European patent application (under article 7 Unitary Patent Regulation).³

Therefore, for Unitary Patents only, Dutch law can extend to up to 25 countries. Since Philips is the top applicant of European patents⁴ and it seems inclined to use the Unitary Patent extensively, the Dutch Patent Act may govern lots of employees' rights. However, there is a big unsolved issue. If a German inventor is employed by Philips in Germany, normally German law would apply to his rights and obligations, but German law even in that case doesn't govern the Unitary Patent. Would this mean under article 8 section 4 Rome I that Dutch law would apply? Probably not, since that provision only refers to the connection between the employment contract and a country, not to the connection between a patent and a country (and in this example the employment law connection is clearly to Germany). This is an issue that ultimately needs to be resolved by the Court of Justice of the European Union, but it also shows that it is important to have proper provisions on employee's rights to inventions in employment contracts.

Apart from the Patent Act, the implementation of the Trade Secrets Directive, which is due by 9 June 2018, may also have some impact on employee inventions.⁵ Article 1 section 3 under (b) of the Directive provides that in relation to the exercise of employee mobility, the Directive (and the protection awarded by it) shall not offer any ground for limiting employees' use of experience and skills honestly acquired in the normal course of their employment. This provision was inserted at quite a late stage of the legislative procedure and its meaning is not entirely clear. It seems to mean that experience and skills acquired by an employee can never constitute a trade secret owned by the employer. If an invention is the direct result of such experience and skills, it may qualify as use of that experience and skills. It is quite unclear whether that could have as an effect that the employee is then enti-

tled to the invention. However, it seems that this provision doesn't require the Member States to change existing provisions in patent law.⁶

Dutch Law on Employee Entitlement

Article 12 DPA provides that an employee is entitled to the patent for an invention that he has made, unless the nature of his employment entails the use of the employee's special knowledge for the purposes of making inventions of the same kind as that to which the patent application relates, in which case the employer is entitled to the patent.

This provision only relates to employees who have an employment contract as meant in article 7:610 Civil Code and to civil servants employed by the government or other public institutions.⁷ It doesn't cover free lancers, self-employed workers or managers who don't have an employment contract (but for instance a management contract between their personal legal entity and the company).⁸ For all of those, the contract with the company for whom they are working is decisive.⁹ In the absence of any contractual provision, they themselves are entitled to the patents for the inventions which they have made. It is therefore important that companies realize that each such contract needs to have a specific provision on the rights to inventions, if the company wants to be able to patent such inventions itself. In those cases, the companies can't rely on statutory law, but have to deal with this in specific contracts. Of course, it will often also be possible to transfer the right to apply for a patent after an invention has been made, as many individuals will not be able to afford the costs of prosecution and enforcement, but this poses an additional risk and will probably be more expensive for the company then making arrangements when the relationship is entered into and well before any invention is made.

■ Wouter Pors,
Bird & Bird LLP,
Partner, The Hague,
The Netherlands
E-mail: wouter.pors@twobirds.com

3. Regulation (EU) No 1257/2012 of the European Parliament and the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection.

4. [http://documents.epo.org/projects/babylon/eponet.nsf/0/5D3BD1BD120859A9C12580D4005AD126/\\$File/Top_100_applicants_2016_en.xlsx](http://documents.epo.org/projects/babylon/eponet.nsf/0/5D3BD1BD120859A9C12580D4005AD126/$File/Top_100_applicants_2016_en.xlsx)

5. Directive (EU) 2016/943 of the European Parliament and the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.

6. Since this is not an obligation in relation to which more far-reaching protection of trade secrets is not allowed under national law under article 1 section 1, second sentence, of the Trade Secrets Directive.

7. For civil servants this was confirmed in CRvB 8-7-2004, ECLI:NL:CRVB:2004:AQ2117, *Stichting NWO*.

8. Court of Appeal Arnhem 29-3-2011, ECLI:NL:GHARN:2011:BQ0581, *Dyna Music Systems v Forte*, paragraph 11. See also Huydecoper/Van der Kooij/ Van Nispen/Cohen, *Industriële Eigendom* 1, 2016, p. 300.

9. See for instance District Court The Hague 8-2-2017, ECLI:NL:RBDHA:2017:1107, *AIMM Therapeutics v Crucell Holland*.

For employees the criterion is whether the nature of the employment entails the use of the employee's special knowledge for the purposes of making inventions of the same kind as that to which the patent application relates, in which case the employer is entitled to the patent rights. It's not necessary that the main task of the employee is making inventions; it would be sufficient that this is part of his actual tasks.¹⁰ However, this doesn't mean that the purpose of the employment should really be specifically making inventions; not many employments would have such a specific purpose and it wouldn't always be achievable. Rather, the legislator's intention was for the provision to cover all research & development employees.¹¹ If such an employee makes an invention in the technical field of his employment, his employer is entitled to the patent rights, regardless whether the invention was made at work, at home or for instance during holidays.

On the other hand, an employee who has no involvement with research and development, is entitled to the patent rights to the inventions that he makes, regardless whether he was pursuing an invention or whether he made the invention by accident. An example provided in literature is a mechanic working in a laboratory.¹² Of course, there may be a sliding scale between the two opposites. The District Court Leeuwarden has ruled that a "manager special products," who was not a scientist but did work as a liaison between a company and its customers and as such was involved in the translation of technical issues reported by customers into research projects to find solutions, was not entitled to the patent for the invention that he made by formulating the proper question for the researchers (which question contained the inventive step).¹³ The nature of his employment meant that making such inventions could be part of it, and therefore the employer was entitled to the patent rights.

For universities, institutions for higher vocational education and research institutions, the rule in article 12 section 3 DPA is rather simple; the question merely is whether the employee is doing research, in which case his employer is entitled to the patent for any invention

that he makes, regardless of whether this is in the field of technology in which he is employed. This has been criticized in literature,¹⁴ but there are no initiatives to change the law, probably because the issue has been regulated in collective bargaining agreements.

It is allowed to provide other arrangements with regard to entitlement in a written agreement, such as an employment contract, a collective bargaining agreement or a specific agreement in relation to a specific project or invention. It is quite usual to have specific rules in collective bargaining agreements. Since universities are an important source of innovation and since they have quite detailed rules, I will discuss these as an example of how collective bargaining agreements may work.

If an employee has made an invention, but his employer has the right to apply for the patent or this right has been transferred to the employer, article 14 DPA stipulates that the employee is entitled to be mentioned as an inventor in the patent application, which right cannot be excluded by contract. However, not respecting this right doesn't affect the validity of the patent application.

Collective Bargaining Agreements: The University Example

The collective bargaining agreement for universities 2015-2016 (which still applies in 2017) contains an obligation to report any patentable inventions which an employee makes during or in connection with his employment.¹⁵ The employee is obliged to transfer any rights to apply for a patent to the university at first request, against remuneration of the costs that he may have made in person in making the invention (and which were not already covered by the university), notwithstanding article 12 DPA. This only seems to relate to patent rights to which the university is not already entitled under article 12 section 3 DPA, meaning that the provision of the collective bargaining agreement would not apply to professors and other researchers at all. However, it seems rather unlikely that it was the intention to deprive the majority of university employees of the benefits of the collective bargaining agreement, so a purposeful construction of at least the financial provisions probably means that they apply both to the situation where the university is already entitled to the patent rights under the working of the DPA, as well as to the situation where the patent rights need to be transferred by the employee to the university. According to Rijlaarsdam, who wrote a doctor's thesis on the

10. District Court The Hague 23-11-1999, BIE 2000/22, *Lubo Screening & Recycling Systems v Swanink* and BIE 2000/23, *Akapp Elektro v Van Zijverden*.

11. Kamerstukken II 1992/1993, 22 604, nr. 16; Huydecoper/Van der Kooij/ Van Nispen/Cohen, p. 298 and A. Rijlaarsdam, *Octrooi en dienstbetrekking*, 2005, p. 115–117.

12. Gielen, *Kort begrip van het intellectuele eigendomsrecht*, 2017, p. 60.

13. District Court Leeuwarden 30-10-2001, *Van der Sloot v IFE-Tebel Rechnologies*, not published.

14. A. Rijlaarsdam, *Octrooi en dienstbetrekking*, 2005 and Huydecoper/Van der Kooij/ Van Nispen/Cohen, p. 299.

15. http://vsnu.nl/files/documenten/CAO/Januari%202016/CAO_NU%20ENG%20jan2016.pdf, articles 1.20–1.23.

issue, the agreement intended to deviate from article 12 section 3 DPA in that the employee would initially always be entitled to the patent rights, but could be obliged to transfer these to the university.¹⁶ I am not convinced that this is the true interpretation (as in my opinion article 12 section 3 DPA is quite clear), but I do think that the provisions on compensation and the other financial provisions are intended to cover all university employees.

The employee who is entitled to patent his invention can refuse to transfer his right to the university, in which case the university can claim all costs, including salaries, that were directly involved in the creation of the invention. The employee cannot exercise this right if the university claims that it has a substantial interest in obtaining the patent rights; in that case the patent rights need to be transferred to the university. This seems to be a balanced system. At first glance the financial consequences of refusing to transfer the rights may seem quite burdensome, but it has to be kept in mind that this relates to the public funding of universities, which is supposed to be for the benefit of education and research, not to create intellectual property rights for individuals. Besides, a professor or researcher who invokes the option to refuse a transfer of rights (if that supersedes article 12 section 3 DPA, which is unclear) will normally already have arranged for private funding for the exploitation of the patent. In fact, it is quite common for universities to spin off companies for the exploitation of certain inventions. Most universities have technology transfer offices and even incubators for that purpose. Normally there will be an agreement between the university and the spin-off company that clearly stipulates the patents to which the company is entitled. It is advisable to do that, in order to avoid discussions on the collision between article 12 DPA and the collective bargaining agreement for universities.

If the rights to apply for a patent are transferred to the university and subsequently exercised by the university, the employee is entitled to a reasonable compensation. The provision explicitly states that consideration shall be given to the financial interests of the employer in the assigned rights and to the circumstances under which the result was achieved, meaning that a choice has been made to base the compensation on the value of the invention.

The collective bargaining agreement for institutions of higher vocational education contains a much simpler provision, which only stipulates that the employer is entitled to the right to apply for a patent for inventions which the employee has made in the course of his

employment. This provision is broader than article 12 section 3 DPA, as it is not limited to researchers. However, research is less common at institutions of higher vocational education than it is at universities and in practice the rule doesn't seem to lead to conflicts.

The Employee's Right to Compensation

Article 12 section 6 DPA governs the compensation to be paid to an employee in case the employer has the right to apply for the patent. Such compensation is only due if it cannot be deemed to already be part of the salary or of an allowance paid under the employment contract. The provision states that the amount of compensation is to be "related to the pecuniary importance of the invention and the circumstances under which it was made."

The Dutch Supreme Court has adopted a quite restrictive interpretation of article 12 section 6 DPA in its judgment in a case between Dutch research institution TNO and one of its employees.¹⁷ The Supreme Court ruled that it is a principle of Dutch employment law that the agreed salary is a compensation for all types of performance, including in the case of article 12 section 1 DPA¹⁸ doing research that can lead to inventions. Therefore it can generally be assumed that the agreed salary also constitutes compensation for missing out on the right to patents. Compensation is only due in the exceptional case that the salary cannot be deemed to constitute such compensation. This has to be established on the basis of the circumstances of the case at hand, such as the rank and position of the employee within the organisation of the employer, his salary and further employment conditions, the nature and (pecuniary) importance of the invention and the extent to which the employee contributed to the invention. This judgment means that the employee is only entitled to compensation in exceptional circumstances.

In an earlier case the Supreme Court had ruled that equity didn't require to base the compensation for the employee on the benefits that the company could obtain by exploiting the invention.¹⁹ This has led authors to consider that such compensation could also

17. Dutch Supreme Court 1-3-2002, ECLI:NL:HR:2002:AD7342, *TNO v Ter Meulen*. See also Dutch Supreme Court 27-5-1994, ECLI:NL:HR:1994:ZC1377, *Hupkens v Van Ginneken* (published in BIE 1995, p. 25 and IER 1994/20). This has also been explicitly accepted for civil servants by the highest administrative court, see CRvB 8-7-2004, ECLI:NL:CRVB:2004:AQ2117, Stichting NWO.

18. The judgment was in relation to article 10 Dutch Patent Act 1910, but the text of article 12 of the Dutch Patent Act 1995 is basically the same, although the wording is slightly different.

19. Dutch Supreme Court 27-5-1994, ECLI:NL:HR:1994:ZC1377, *Hupkens v Van Ginneken* (published in BIE 1995, p. 25 and IER 1994/20).

16. Rijlaarsdam, p.160-164. Rijlaarsdam was assistant professor at TU Delft, the largest Dutch technical university.

take the form of an additional employee allowance, as opposed to an amount that has a reasonable relationship to the value of the invention for the company.²⁰ Such allowances would then be rather low.

Article 12 section 7 DPA provides that any stipulation departing from section 6 shall be void. This is aimed to protect the interests of the employee, so it does not preclude provisions in employment contracts or collective bargaining agreements that allow for higher compensation for employees. The collective bargaining agreement for universities for instance generally provides that a reasonable compensation is due to the employee if the university exercises the patent rights on an invention made by the employee. If this indeed is intended to cover all university employees, it is a much more generous facility than what such employees would be entitled to under the Supreme Court case law.

Since the Dutch law on employee compensation is quite restrictive, certainly when compared to foreign law such as German law,²¹ and it has been made even more restrictive in the Dutch Supreme Court case law, there is very little case law on the amount of compensation due. Such compensation is rarely granted and the scarce case law doesn't allow for a meaningful statistical analysis.

Conclusion

The Dutch law on employee compensation for inventions generally applies to employees who normally perform their work in The Netherlands. If the employee's work is on research and development, the default situation under the Dutch Patent Act is that the employer is entitled to the ensuing patent rights, but this may be decided differently in individual employment contracts or in collective bargaining agreements. The compensation to which employees are entitled under the Dutch Patent Act is rather low and in most cases even absent. As such, that might be good news for the employers. However, it might also be rather disappointing for the individual employee, who doesn't feel motivated to devote all his efforts to developing patentable inventions.

Companies should be well aware of these features of Dutch patent law and they should consider what the best solution for their situation would be. Fortunately, the law allows for enough flexibility to take care of this issue in employment contracts, which for these reasons are just as important as licences. This offers good options to implement company policies without real legal obstacles. ■

Available at Social Science Research Network (SSRN): <https://ssrn.com/abstract=2961889>.

20. Huydecoper/Van der Kooij/ Van Nispen/Cohen, p. 302.

21. Rijlaarsdam has made an extensive comparison between the Dutch and the German system in his doctoral thesis, p. 15–111.