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IP Cases

Dispute over Attribution of Patent Right

【Case Number】（2020）最高法知民终 1848 号

【Key Words】utility model patent, service invention-creation

【Judicial Opinions】

◆ **The basis of claiming service invention-creation by an entity**

In accordance with Paragraph 1, Article 6[1]of the *Patent Law* "An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation. For a service intention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee", the aforementioned provision stipulates a service invention-creation as an invention-creation made by the inventor in performing his own work or in performing work tasks other than his own work assigned by the entity, or made by him mainly by using the material and technical means of the entity.

"the material and technical means" includes material conditions such as capital, equipment, components and parts, and raw materials, etc., and technical means conditions such as undisclosed technical information and materials etc. "Mainly" is a limitation on the role of the aforementioned the material and technical means in the process of research and development of an invention-creation, which means that the material and technical means of the entity are indispensable conditions for making an invention-creation; compared to the material and technical means of other sources used by the inventor, **the material and technical means of the entity is more significant.**

The performance of one's own work or work tasks reflects the will of the entity, and main use of the material and technical means of the entity reflects the input of the entity. The commonality between the two is that production factors of the entity plays a substantial role in making an invention-creation. On the one hand, the entity gathers the power of inventors in its scientific and technological innovation, initiates and promotes invention-creation activities with the will of the entity, and provides the material and technical means for research and development activities, which has significant impact on innovation of the society, especially on major technological innovation requiring joint effort of all parties or multi-people; thus, its legitimate interests and rights shall be protected by law. On the other hand, the position of the inventor is irreplaceable in the invention, and any invention-creation are inseparable from the human factor, which are directly or indirectly derived from the performance of the inventor's wisdom.

[1] Paragraph 1, Article 6 of current *Patent Law* adds that "The entity may dispose its right to apply for a patent for the service invention-creation and the patent right thereof in accordance with the law, to promote the exploitation and utilization of such invention-creation".

◆ **Technical means of service invention-creation includes the technical problem**

Where the technical problem belongs to the staged technical achievement of the entity and is unknown to the outside world, the technical problem can prevent the inventor from falling into the wrong direction of research and development, and thus can shorten the research and development process; in other words, the technical problem can be deemed as the technical means of the entity. However, where the technical problem belongs to common knowledge or belongs to the technical defect of the purchased product which is not mastered by the entity and has not taken confidentiality measures, the technical problem of the relevant invention-creation does not constitute the technical means of the entity, thus the entity has no basis for claiming his rights accordingly.

Dispute over a Remuneration of the Inventor or Creator of a Service Invention-Creation

【Case Number】（2019）最高法知民终 230 号

【Keywords】service invention-creation, remuneration, exploitation, prescription for instituting legal proceedings, profits

【Judicial Opinions】

◆ Whether the income of damage compensation obtained by the patentee of a service invention-creation through the act of safeguarding his rights can be considered as the basis of remuneration.

In accordance with the Article 16[2] of the *Patent Law* "the entity that is granted a patent right shall award to the inventor or creator of a service invention-creation a remuneration and, upon exploitation of the patented invention-creation, shall pay the inventor or creator a reasonable remuneration based on the extent of spreading and application and the economic benefits yielded", the reason for the entity to pay the inventor or creator a remuneration is that the entity exploits the subject patent and obtains economic benefits from exploitation, which stresses that the patent has been exploited.

In this case, the appellant (the defendant of First Instance), as the entity that is granted a patent right, obtained damage compensation due to safeguarding rights of the patent involved, which is actually the income obtained by the patentee from prohibiting others from exploiting a patent without authorization. Therefore, after deducting necessary expenses, the economic benefits shall be deemed as the profits which stipulated in the Article 78[3] of *Implementing Regulations of the Patent Law of China*.

◆ Where there is no agreement on the manner and amount of the remuneration of a service invention-creation and it is difficult to determine the profits earned by exploiting the patent involved, how to determine the amount of remuneration of the subject service invention-creation?

As it is difficult to determine the profits earned by exploiting the patent involved, as aforementioned, the appellant obtained damage compensation by safeguarding his rights which also belongs to the appellant's economic benefits and shall be deemed as the profits which stipulated in the Article 78 of *Implementing Regulations of the Patent Law of China*, and thus as one of factors to determine the amount of remuneration of the subject service invention-creation. Hence, multiple factors shall be taken into an overall consideration, such as,

a. the patent involved was a utility model,
b. there were three inventors of the patent involved,
c. the duration of the right of the patent involved,
d. the influence and value of the patent involved on the appellant's research and development and improvement of relevant technological products,
e. the expenses inevitably incurred in the litigation procedure for the appellant safeguards his rights,
f. the actual payment of damage compensation caused by the infringement which upheld by judgment etc.

The court of the First Instance decided that the appellant should pay the appellee RMB 200,000 as the remuneration for a service invention-creation, which is basically appropriate.

[2] In accordance with the current *Patent Law*, this is Article 15, which added new regulation, "The State shall encourage the entity that is granted a patent right implements incentive of property rights, adopts methods of stock shares, stock options, dividends, to ensure inventor or creator shares the benefits of innovation in a reasonable way".

[3] Article 78 of the current *Implementing Regulations of the Patent Law of China*, stipulated "Where the entity to which a patent right is granted has not entered into a contract with the inventor or creator on the manner and amount of the remuneration as prescribed in Article 16 of the Patent law (Article 16 of current Patent law), nor has the entity provided it in its rules and regulations in accordance with the laws, it shall, after exploiting the patent for invention-creation within the duration of the patent right, draw each year from the profits from exploitation of the invention or utility model a percentage of not less than 2 % , or from the profits from exploitation of the design a percentage of not less than 0.2 % , and award it to the inventor or creator as remuneration. The entity may, as an alternative, by making reference to the said percentage, award a lump sum of money to the inventor or creator as remuneration once and for all. Where any entity to which a patent right is granted authorizes any other entity or individual to exploit its patent, it shall draw from the exploitation fee it receives a percentage of not less than 10% and award it to the inventor or creator as remuneration".

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