



**A Guide for
Bioindustry
Start-up
and Growth
Companies
on how to draft**

**a Code of Practice
for Employee
Inventions**

MARCH 2001

Dear Reader

Invention forms part of a company's innovation policy and operations. The legal issues associated with inventions made by a person/persons whose relationship with the company is regulated by an employment contract are of fundamental importance to a company's operations. The biotechnology industry in Finland has a definite need for a guide on how to deal with employee inventions, particularly when new start-up companies, or growing biotechnology companies are concerned.

The objective of this guide is to assist in the clarification and organisation of the industry's invention activities. The guide does not express the official standpoint of Finnish Bioindustries, FIB, nor is it intended to be used as a direct model. The objective is for the guide to act as a basic model, which companies can adapt to suit their own needs. The objective is to assist companies in the drafting of their own code of practice.

The guide takes into account the amendment to the Act on Rights to Employee Invention (L 20.12.2000/1078 – HE: 147/2000), which came into force on 1.1.2001.

The guide was compiled by a working group of Finnish Bioindustries. It is available also in Finnish.

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Working group:

<i>Mrs. Sari Isokorpi, Managing Director</i>	Suomen Videokeskus Oy
<i>Mr. Johan Kronberg, Director</i>	SVH PricewaterhouseCoopers Oy
<i>Mr. Kauko Kurkela, CEO</i>	Oy Contral Pharma Ltd.
<i>Mrs. Hannele Kuusi, Director</i>	Finnish Bioindustries
<i>Mr. Pekka Sillanaukee, CEO</i>	Finnish Immunotechnology Ltd.

Orders:

Finnish Bioindustries, BOX 4, 00131 Helsinki, Finland
Tel. +358 9 1728 4314, Fax +358 9 630 225,
E-mail: hannele.kuusi@kemia.ttlitot.fi

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1. INTRODUCTION

Finland's biotechnology industry is a fast developing industrial sector, the main strengths of which are its high-level know-how and research expertise. At present there are some 120 companies operating in this sector. Half specialise in the health sector, and are involved in developing pharmaceuticals, diagnostics, functional foods and biomaterials, or provide research and development, or other services, to the industry. The large and growing number of new innovative companies operating in this sector is a characteristic of the industry.

For growth companies in the bioindustry sector, intellectual property rights (intangible assets) constitute an important and often significant part of the company's assets. Invention activities are part of the company's innovation policy and business operations. Legal issues involving employee inventions constitute an essential part of the management of the intangible assets. Well-organised operations become an important feature of a company's profile particularly when it seeks to raise outside funding and/or attract a cooperation partner.

It is important for an employer in this sector to keep in touch with innovation activities within the company and inventions that arise from this activity. In order to ensure this, companies should have a systematic and up-to-date project evaluation system in place.

The objective of this guide is to assist companies, particularly start-ups and growth companies, in drawing up clear guidelines for their invention operations. When planning the invention activity of an organisation, tax issues should also be taken into consideration. Taxation is not covered separately in this guide.

In Finland, inventions made by an employee under contract to an employer are covered by the Act Concerning Rights to Employee Inventions (29.12.1967/656 with amendments, appendix 1 of the Guide). The Act only covers inventions that can be patented in Finland. It outlines the employer's right to such inventions, and the inventor's right to reasonable compensation. This Act, the so-called Employee Invention Act, is discretionary, that is, many of the statutes only apply if the employer and the employee have not reached a separate, individual agreement on the issue. It should, however, be noted that an employee's right to reasonable compensation for an invention cannot be disregarded in favour of an agreement entered into prior to the invention being made. What is intended by "reasonable compensation" is not defined more fully in the Act.

It is advisable for the companies in this sector to draw up their own code of practice as part of their operations. This guide puts forward a model code of practice for employee inventions. It should be seen as the basis for further development, a model on which companies can build their own guidelines applied to their own activities.

The code of practice covering employee inventions is also an instrument for creating a company culture with a positive attitude to innovation. Applying the code of practice also ensures that employees/inventors receive the recognition and financial compensation that is their due.

It is also necessary to review issues relating to employee inventions in connection with acquisitions and funding decisions.

It is important that a company planning to adopt the code of practice considers the code in depth with their own organisations' particular features in mind before implementing it. In this connection it is advisable to call in outside expertise for assistance. It is important that companies appoint a person and his/her deputy with special responsibility for matters involving employee inventions. These duties could be undertaken alongside the appointees' main duties.

2. SCOPE OF APPLICATION

2.1 TO WHOM DOES THE CODE OF PRACTICE APPLY?

THE EMPLOYER	a company operating in Finland with which the employee/inventor has a contract of employment. Companies belonging to the same consolidated corporation as the company employing an inventor shall be treated in the same way as the employer in respect of employee inventions*).
THE EMPLOYEE	a person who is employed by the employer. For employees employed abroad the same contract often applies as to employees working in Finland. One should, however, in each case ensure that this practice does not contravene the law of the country in question.
THE MANAGING DIRECTOR**)	It is advisable to consider applying the employee invention code of practice to the managing director in the same manner as to other employees. The matter can be agreed at the time of drafting the contract of employment for the managing director.
BOARD MEMBERS**)	It is advisable to consider applying the employee invention code of practice in cases when a board member is the creator of an invention which has clearly arisen as a result of the board member's involvement with the company. In such cases, a decision can be taken at a board meeting, for instance, by the unanimous agreement of the board members.
A SHAREHOLDER**)	It is advisable to consider applying the employee invention code of practice to company shareholders. The issue can be dealt with in the shareholder agreement.
OTHERS THAN EMPLOYEES	It is also recommended that the employee invention code of practice be applied to inventions by people, other than employees, who are contracted to work for the company (for instance when the inventor is an expert or consultant working for the company for a fee or on behalf of another company). When drafting a separate agreement, it is important to make sure that the whole of the agreement made with an independent contractor is carefully outlined.
UNIVERSITY RESEARCHERS	The Act Concerning Rights to Employee Inventions does not apply to university researchers, and it is thus extremely important to ensure that a separate agreement is drawn up. If the company directly employs a university researcher, it is advisable to ensure that the code of practice is included in the contract of employment.
UNIVERSITY RESEARCH SERVICES	If a company has placed an order for research/work to be undertaken by a university, it is advisable for the company to seek the agreement of the researcher for the application of the employee invention code of practice to any invention that might arise as a result of the research undertaken. If the researcher does not agree to the application of the employee invention code of practice to the research contract, it is important for the company and the researcher to enter into some other written agreement as regards any future invention that may arise from the work. It is advisable for the company to ensure that the scientific merit from the research is attributed to the researcher and the university. As regards the university, the practice is to allow the university to add the patent to its list of patents, and for the researcher to publish his research and its results. If a decision is taken to publish the results, it is important to ensure that a patent is applied for before publication.

*) Note! If the activities of the various sectors of companies within a consolidated corporation differ significantly, paragraph 2 of Article 5 and the obligation to provide information for staff about sectors within the consolidated corporation that differ from their own should be taken into account.

***) Note! To be adapted to suit the company. These notes refer to small unlisted companies.

STATE RESEARCH ORGANISATIONS

The rights to inventions made by researchers employed by state research organisations generally belong to the state research organisation.

The company should ensure that the researcher employed by the research organisation has the intellectual property rights to inventions, in the event that the company enters into a direct agreement with the researcher regarding the right to utilise these inventions. If that is not the case, then the company must enter into an agreement with the research organisation. The company should carefully look into the terms and conditions of any agreement entered into with the research organisation, including the general terms and conditions, which often include a mention of issues relating to employee inventions.

2.2 IMPLEMENTATION OF THE CODE OF PRACTICE

THE AGREEMENT TO APPLY THE CODE PART OF THE CONTRACT OF EMPLOYMENT

A good basis for implementing the employee invention code of practice is to include in the contract of employment terms and conditions stating that the employee will adhere to the company's code of practice. A copy of the code of practice should be attached to each party's copy of the contract of employment. The employee invention code of practice, and documentation stating that the code of practice is to apply to the contract of employment, should also be attached to the documentation of the personnel administration.

Before the implementation of the employee invention code of practice, it is important that the code of practice is discussed by all the company's official organs, and once in force, that the company's employees should be made aware of the code of practice.

If the employee invention code of practice is adopted by a company that is already operational, it should be added to the administration documentation, as should notification that the code of practice has been adopted by the company. It is recommendable that each employee undertakes in writing to adhere to the code of practice.

CHANGE OF CODE OF PRACTICE

The company is responsible for ensuring that the employee invention code of practice is updated as and when required. All changes in the code of practice are to be notified to and discussed by all the company's official organs. The revised code of practice must be brought to the notice of all employees.

3. NOTIFICATION OF AN INVENTION

The employee that has made the invention must without delay complete a relevant form to notify the person responsible for patent issues as well as the inventor's immediate superior, his/her research manager or the managing director, of the invention. The recipient shall sign the form and note down the date of receipt of the form.

4. CLAIMING THE RIGHTS

Article 4 of the Act Concerning Rights to Employee Inventions defines the employer's rights in respect of inventions made by the employee.

NOTIFICATION PERIOD

The employer may, if he/she so wishes, notify the inventor of his/her intention to seek the right to the invention earlier than four months following the receipt of the invention notification form.

ATTRIBUTING THE INVENTOR

The company must ensure that the invention is attributed to the inventor. According to the Patent Law of Finland, the name of the inventor is always mentioned in the patent.

According to the new act that came into force on 1.1.2001, the experience gained by the inventor within any part of the consolidated corporation is to be taken into account when determining whether an invention is the result of an employee drawing significant benefit from experience gained while in the employ of a company within the consolidated corporation.

5. PATENTS

Once the company has acquired the right to an invention, it is up to the company to decide in what country the patent is to be applied for, and what kind of patent is required. In accordance with the law governing consolidated corporations, a consolidated corporation is free to decide under which company's name of the corporation a patent is to be applied for.

In accordance with the Act Concerning Rights to Employee Inventions, the employee has the right to apply for a patent for his/her invention in Finland at his/her own expense until such time as the employer has decided to take up the right to the invention. The inventor is obliged to inform his employer in writing in advance if he/she intends to apply for a patent for his/her invention. The employee has to give this information no less than one month before the submission of the application.

6. GROUNDS FOR COMPENSATION

The grounds for the payment of compensation and the amount payable is covered in section B of this guide, Model for a code of practice for employee inventions, and in appendix 3. The figures mentioned in the model are only suggestions, and the amount of compensation largely depends on the kind of operations each individual company is involved in, and on the importance to the company of any inventions made.

7. GENERAL

7.1 THE EMPLOYEE INVENTION COMMITTEE

In the event that the employee and the employer cannot reach agreement on issues involving the application of the employee invention legislation, the employer or the employee can take the issue to the Employee Invention Committee. Unlike a court decision, the committee's decisions are not binding and are de facto recommendations. However, the committee can also act as an arbitration court, provided the parties involved have agreed in advance to adopt this procedure.

7.2 LEGISLATION

The intellectual property rights to employee inventions are covered by law (Act concerning Rights to Employee Inventions).

The employer should monitor new legislation in order to keep informed about any changes that may occur in the legislation covering employee inventions, and the effect of such legislation on the company's employee invention code of practice and any agreements the company may have entered into.

7.3 CONTACT DETAILS

The Employee Invention Committee

Ministry of Trade and Industry
Mrs. Anna-Liisa Heiman
P.O.Box 32
FIN-00023
VALTIONEUVOSTO
Tel. +358-9-160 36 52
Fax +358-9-160 26 35
E-mail
anna-liisa.heiman@ktm.vn.fi

Finnish Bioindustries, FIB
Mrs. Hannele Kuusi
P.O.Box 4
FIN-00131 Helsinki
Tel. +358-9-1728 4314
Fax +358-9-630 225
E-mail
hannele.kuusi@kemia.ttliitot.fi

Advice for companies on industrial property rights and copyright issues:

Ms. Ella Mikkola,
Legal Counsellor
Confederation of Finnish
Industry and Employers
P.O.Box 30
FIN-00131 Helsinki
Tel. +358-9-6868 2521
Fax +358-9-6868 2516
E-mail ella.mikkola@tt.fi

B. Model for a code of practice for employee inventions

NOTE! THIS IS A MODEL, WHICH SHOULD BE EDITED TO SUIT THE CIRCUMSTANCES OF INDIVIDUAL COMPANIES.

EMPLOYEE INVENTION CODE OF PRACTICE

1. APPLICATION

This code of practice is to be applied to all inventions by employees of [name of company; later “*Company*”].

By employee is meant a person who has signed a contract of employment with [Company].

In this code of practice, invention means

- 1) an invention which can be protected by a patent in Finland
- 2) an invention for which the employee will submit or has submitted a notification, and
- 3) on the basis of which [Company] has claimed the full or partial rights to the invention.

The invention notification should be submitted as outlined in section 2, and the claiming of rights as outlined in section 3.

This code of practice can be adapted to inventions other than those made by employees of the company. The code of practice should then, as agreed by the parties, be attached to the agreement to be drawn up between [Company] and the person not employed by [Company]. A written notification should be made to the effect that the code of practice is to be attached to the agreement.

2. NOTIFICATION OF INVENTION

The notification of the invention should be submitted using the form which is attached to this code of practice.

The inventor is obliged to submit a notification of invention to his/her immediate superior, research manager or managing director without delay. The recipient must sign the form and make a note of the date of receipt.

The notification must include a description of the invention in sufficient detail to allow [Company] to understand the invention on the basis of the information supplied in the notification.

If more than one inventor is involved in the invention, the inventors are to submit the notification jointly, and must sign the notification form individually. The form must also mention the proportion in which each inventor has contributed to the invention.

3. CLAIMING THE RIGHTS TO AN INVENTION

[Company] is obliged to inform the inventor of whether the company intends to claim the rights to a specific invention no later than four (4) months after receipt of the invention notification. The claim to the rights must be entered into the notification of invention.

4. CONFIDENTIALITY

Until four months have expired since [Company’s] receipt of the invention notification, the inventor is not allowed to make decisions involving the invention or reveal anything about the invention that could cause knowledge of the invention to be made public or allow another party to take advantage of the invention, unless he/she has [Company’s] permission in writing.

Before having announced whether the company intends to claim the rights to the invention, [Company] is obliged to ensure that the invention is not made public by any action undertaken by [Company] without first having obtained the written permission of the inventor.

5. PATENTS

If [Company] has applied for the patent for the invention, or obtained a patent, and if it transpires that the patent is no longer of any use to [Company], then [Company] must inform the inventor of the fact that the patent application or the patent will be allowed to lapse. This applies if the inventor is still in the employ of [Company].

[Company] is not obliged to apply for a patent for an invention for which it has claimed the rights, and can decide to treat the invention as a business secret.

If the inventor intends to submit the patent application himself/herself, he/she must inform the [Company] of this in writing at least one month in advance of submitting the application.

6. ATTRIBUTING THE INVENTOR

The inventor has the right to become recognised as the creator of the invention.

7. BASIS FOR COMPENSATION

Note! The models and figures used here are only an example of how compensation can be calculated and of how the amount of compensation can be determined. Figures or ranges of figures given as an example within square brackets [] are only an indication. Every company should set the amounts of compensation payable in accordance with the practices adopted within their own individual operations. It is important that each company changes the figures suggested here to fit their own company practices and the practices adopted by their own business area (diagnostics, pharmaceutical or other biotechnology industry).

When setting the amount of compensation payable, the invention's economic value should be taken into account together with issues such as the employment connection under which it was created, the invention's protection level, the invention's range (parent invention or secondary invention), the extent of the rights to be obtained by the employer, and the influence of issues relating to the contract of employment on the invention.

If several inventors are involved, the compensation is to be divided between them in relation to their contribution to the invention. Unless the inventors come to a different agreement amongst themselves, the compensation is to be shared equally between them.

[Company's] board is to confirm that compensation is to be paid to the inventor in accordance with this code of practice.

For each invention, for which a notification has been agreed and submitted, and for which [Company] has decided to claim full rights, a notification payment of [FIM 5,000] is to be made for each individual invention. However, under no circumstances is this payment to be less than [FIM 2,000] per inventor.

If [Company] has claimed full rights to the invention and the invention has been granted a patent, [Company] is obliged to pay a patent commission for the invention. When deciding on the amount payable in commission, the extent and economic value of the invention is to be taken into account. Depending on the number of inventors involved, the commission could, for instance, be calculated as follows:

1 inventor	[FIM 5,000 – 20,000] *
2 inventors, in total	[FIM 7,500 – 30,000] *
3 inventors or more, in total	[FIM 10,000 – 40,000] *

*Only one figure to apply

When patent commission is paid for a series patent, the commission is between 20% and 80% (for instance 50% of the patent commission) of the parent invention.

The commission is also to be paid if the patent application would have been granted, but [*Company*] decides not to take the patent application to its conclusion. For an invention to which [*Company*] has claimed the rights but not exercised these rights, a one-off payment is to be agreed and confirmed by the board of [*Company*].

If the notification fee and the patent commission are deemed not to be reasonable remuneration for the invention, it is possible to pay compensation for the use of an invention ('user fee') that is creating revenue for [*Company*].

The user fee is to be confirmed by the board of [*Company*]. The user fee can be paid as one-off payment or royalty-based. – An example of how such user fees may be calculated is included in Appendix 3 of this guide.

The Act Concerning Rights to Employee Inventions
(29.12.1967/656 with amendments).

UNOFFICIAL TRANSLATION

The Act Concerning Rights to Employee Inventions 29.12.1967/656

L 17.12.1982/961 – HE: 247/1981;

L 10.6.1988/526 – HE: 3/1988;

L 22.12.1995/1698 – HE: 161/1995

L 20.12.2000/1078 – HE: 147/2000

Article 1. An invention protected by patent in Finland and made by a person employed by another, that is, by an employee, is covered by law as stated here. This Act correspondingly applies to public sector employees.

If the employer acquires a right to the employee invention which restricts the employee's right to apply for or obtain a patent, the invention is in this respect to be considered an invention that can be protected by patent in Finland, unless the employer put forward probable grounds for impediments to the patent being issued. (10.6.1988/526)

A teacher or researcher of a university, college or a similar higher education establishment cannot in this role be considered an employee as here defined. However, the Act will nevertheless apply to a teacher in a military education establishment, who holds a military post or office. (10.6.1988/526)

This Act does not apply to a person in the service of the military establishment under the Conscription Act. (10.6.1988/526)

In this Act the definition of a consolidated corporation is the same as that of Article 6 of chapter 1 of the Accountancy Act (1336/1997), as well as a municipality or a municipality consortium, and companies controlled by municipalities or municipality consortiums, as defined in the manner outlined in Article 5 of chapter 1 and paragraph 2 of Article 6 of chapter 1 of the same Act.

Article 2. (10.6.1988/526) The regulations of this Act must be applied unless otherwise has been agreed, or can be considered implied in the contract of employment, or implied by some other means. However, contract terms in contravention of Article 3, paragraph 2 of Article 6, paragraphs 1 and 3 of Article 7, Article 7a, paragraph 2 of Article 8 and Article 9 of the Act are invalid.

Article 3. An employee has the same right to his invention as other inventors, unless otherwise follows from the statutes of this Act or other Acts.

Article 4. (20.12.2000/1078) If an invention is the result of activity undertaken by an employee and this activity is part of the employee's duties as outlined in the contract of employment, or if in all significant respect the invention is the result of the employee applying experience gained as a result of activities that take place at the employer's premises, or at the same premises of a company belonging to the same consolidated corporation, the employer has the right to full or partial rights to the invention, provided the invention falls within the employer's field of activity, or a company's activity belonging to the same consolidated corporation. If the invention has resulted from activity undertaken as a result of more closely prescribed activity, the employer enjoys a similar right to the invention even if the exploitation of the invention does

not fall within the employer's sphere of activity, or within the sphere of activity of a company belonging to the same consolidated corporation.

If the invention in question is applicable to the employer's sphere of activity, or the activity of a company belonging to the same consolidated corporation, but the invention has come about under other conditions arising from the contract of employment than those specified in paragraph 1, the employer is entitled to usufruct.

If the employer wants to gain a higher degree of ownership to an invention specified in paragraph 2 than is outlined in the paragraph, or if the employer wants to gain rights to an invention which originates from activity not covered by the contract of employment, but which nevertheless has application in the sector in which the employer, or a company belonging to the same consolidated corporation as the employer, operates, then the employer has priority to the rights to the said invention through agreement with the employee.

Article 5. (20.12.2000/1078) If an employee makes an invention as intended in Article 4, the employee must immediately submit a written notification to his/her employer and provide such information about the invention as is required to ensure that the employer can understand the invention on the basis of the information provided. On the request of the employer, the employee must also submit a report on his/her view of the circumstances, in relation to the employment connection in which the invention was made.

If, prior to the coming into force of the obligation outlined in paragraph 1, the employee has gained information about the operations of a company belonging to the same consolidated corporation as his/her employer, but which operates in a sector that differs significantly from that of the employer's, then the employee is required to submit an invention notification also for such inventions as apply to the aforesaid company's field of activity.

Article 6. (20.12.2000/1078) An employer, who wants to claim the rights to an invention as per paragraph 1 or 2 of Article 4, must inform the employee in writing that he/she will exercise his/her right to claim the said invention no later than four (4) months after the receipt of the notification intended in Article 5. Within this period of time the employer must also exercise his priority right as per paragraph 3 of Article 4.

The employee is not permitted to make decisions or reveal details about the invention which could result in information about the invention becoming public, or in some other party gaining use of the invention before four (4) months have elapsed since the employer received the notification of the invention as per Article 5, without the written permission of the employer. However, the employee has the right, having notified the employer of the invention as per Article 5, to apply for a patent for the invention in Finland. In this case, the employee must not submit an application to the patent authorities before a month has expired from the date of his/her submission of a written notification of his/her intention to apply for a patent for the invention.

Article 7. If the employer obtains the rights to the employee invention as per Article 4, or in some other way, the employee has the right to reasonable compensation from the employer, even if the employer and the employee had agreed differently before the invention was made.

When determining the amount of compensation payable, particular attention should be paid to the value of the invention and the level of rights obtained by the employer, as well as to the terms and conditions of the contract of employment and other issues relating to the employment connection of relevance to the invention process.

Unless proceedings for compensation have been instituted within ten years of the date of the announcement that the employer will claim the rights to invention, the right to bring an action will lapse. If a patent for the invention has been applied for, proceedings can, however, be instituted within a year of the date of the patent being granted. (10.6.1988/526)

Article 7a. (10.6.1988/526) The employer is obliged to provide sufficient information to allow compensation for the employee invention to be determined. This includes information

on all applied for and granted patents, as well as information on the sale price and number of products produced in accordance with the invention, or using the methods of the invention.

The employee is obliged to provide the employer with all the information required regarding the invention and its utilisation.

Article 8. If a patent has been applied for within a period of six months after the contract of employment has ended for an invention to which Article 4 would apply if the invention had been made during the employment period, the invention should be considered to have been made during the period of employment unless the inventor can show good reason to justify the claim that the invention was made after the period of employment.

An agreement between the employer and the employee that limits the latter's right to control of an invention which was made more than a year after the end of the contract of employment, is void.

Article 9. Notwithstanding what another court has ruled or what other agreements have been entered into regarding compensation as intended in Article 7, a court can decide otherwise if this is justified by significant changes in circumstances. However, the employee cannot be required to return compensation that has already been paid.

In cases involving the adjustment of an unreasonable condition regarding employee invention rights, what is laid down in the Act concerning transaction involving contracts under the law of property (228/29) shall apply. (17.12.1982/961)

Article 10. (10.6.1988/526) A person or persons who have gained access to information about the invention, or another person's confidential business or financial information by virtue of this Act, is not allowed to disclose this information to third parties without permission.

Article 11. (10.6.1988/526) Statements involving the application of this Act are to be given by the Invention Committee, which comprises a chairman and eight members.

The chairman and two members are appointed by the Council of State for a fixed term from a panel of people who cannot be considered to represent either employer or employee interests. The chairman and one of these members, who also acts as deputy chairman, must have completed the examinations required to be able sit as a judge, and must also have practical court experience as judges. The other appointed member must have a technical education and must be familiar with patent issues.

The other members, who must have experience of employment practice and the invention sector, three representing employer and three employee interests, are appointed by the Council of State for two years at a time on the recommendation of relevant organisations.

The Council of State also appoints one deputy for each member. The deputies are to meet the same requirements as those set for members.

Article 11a. (20.12.2000/1078) The employer and the employee, and a court when asked for a judgement in a dispute involving invention rights, can seek a statement from the Invention Committee. The patent and registration authority also has the same right if the patent application for the invention is under consideration by the authority. The said employer or employee shall submit a notification to the board stating whether he/she intends to adhere to the decision of the board. The notification shall be submitted within two months from the end of the month in which the concerned obtained a decision in the matter.

The Committee can also sit as an arbitration court in cases when the employer and the employee have so agreed. In such cases the Arbitration Act (46/28) is to be applied, unless this Act decrees otherwise.

Costs arising from the Committee's operations are to be paid by the State. In cases when the Committee is acting as an arbitration court, the Ministry of Trade and Industry will be responsible for confirming the fees payable to the chairman, the members and the secretary.

The Committee is entitled to seek such information as is required to make a judgement on the matter in hand from the employer and from the companies in the same consolidated corporation as the employer, and from the employee.

The committee shall publish its findings and its arbitration decision unless it is wholly or partly in breach of the confidentiality clause of the Act relating to the accessibility of the operations of a public authority (621/1999). If a patent application for the invention is pending, the judgement must not be published until such time as the invention documentation is in the public domain, as per Article 22 of the Patents Act (550/1967).

Further details about stipulations regarding the Invention Committee are provided by the Council of State.

Article 12. (22.12.1995/1698) Disputes between an employer and an employee involving the rights defined in this Act are to be heard at Helsinki City Court. In such cases the court will apply the relevant legislation concerning patents.

Helsinki City Court is the legitimate Court of Law if the dispute involves an invention as defined by this Act for which an EPC (European Patent Convention) patent, as per the European patent agreement, has been applied for, and if the employee, when working on this invention, was primarily employed in Finland. If it is not possible to determine in which state the employee was primarily employed, then Helsinki City Court is the legitimate Court of Law to hear this case if the employer at the time of the invention being made had a unit in Finland by which the inventor was employed. The case can also be heard at Helsinki City Court if the two parties involved in the dispute have verbally or in writing agreed that Helsinki City Court is competent court of justice to hear the case, and if this agreement is permitted by the legislation of the state, the legislation of which will apply to the contract of employment.

Article 13. More detailed instructions regarding the application of this Act will be decreed by statute.

Article 14. This Act will come into force on 1 January 1968.

This Act will not apply to inventions dated before 1 January 1968.

(MODEL FOR)

INVENTION NOTIFICATION

No [.....]

Name of invention: [.....]

Invention category¹

A B C D

Inventor's name

Share in invention (%)

[.....]

[.....]

[.....]

[.....]

Employment connection²

1 2 3

Description of invention (attach appendix if required)³

– Provide a description of the invention in writing. If required, attach appendix.

The invention may already become public⁴ on Day Month Year

I/We hereby notify that I/we believe the invention to belong to the above group as indicated by me/us, and to the best of my/our knowledge, I/we am/are the only true inventor/inventors of this invention.

[Company] may under existing legislation be entitled to the full or partial rights to this invention. I/we, as inventor/inventors, undertake to sign all documents required to protect the invention in different countries.

..... Day Month Year
Place Time

Signatures of inventors

.....

Invention notification received /

.....

Recipient's signature

1) and 2) Circle the appropriate alternative. Definitions overleaf.

3) Describe the share of the work undertaken by the inventors in writing (who invented what)

4) for additional information, see overleaf

INSTRUCTIONS FOR COMPLETING THE FORM:

The invention notification form should be completed as fully as possible. The description must be sufficiently detailed to allow the person evaluating the invention notification to obtain a clear picture of the degree of existing technology included in the invention (for instance by referring to known background publications); problem to be solved (what is to be solved by this invention); and the solution to the problem (how do you apply the invention).

The invention notification is to be submitted to the inventor's immediate superior, the research manager or the managing director. [Company] will report back within four (4) months, stating whether the organisation wants to take over the invention and whether a patent is to be applied for. For this decision (and for possible compensation) the inventors' views of the type of invention under consideration and its association with the inventors' employment connection, will be required.

NOTE! Please remember to state when the invention is likely to be made public!

1) According to the Act Concerning Rights to Employee Inventions, the employer's right to the invention is determined by the category of the invention.

Category A invention:

The invention has arisen as a result of the employee fulfilling his/her daily tasks; or mainly as a result of the employee utilising the experience gained from work undertaken for the employer, and the invention's exploitation falls within the sphere of the employer's operations or within the sphere of operations of a company belonging to the same consolidated corporation;

or

the invention is the result of a specific task undertaken by the employee under instruction from the employer. In the latter case, the exploitation of the invention does not need to be within the employer's sphere of operations.

Category B invention:

The invention has arisen under other circumstances than those described in the section relating to category A inventions, but the exploitation of the invention is within the employer's sphere of operations or within the sphere of operations of a company belonging to the same consolidated corporation.

Category C invention:

The exploitation of the invention falls within the employer's sphere of operations, or within the sphere of operations of a company belonging to the same consolidated corporation, but the invention has been made independently of the inventor's employment connection.

Category D invention:

An invention which the employer is unable to use within the existing sphere of operations, or within the operations of a company belonging to the same consolidated corporation, and which was invented independently of the inventor's employment connection.

The employer is entitled to claim all rights to category A inventions.

The employer has rights of usufruct to category B inventions, and the priority to negotiate a transfer of wider rights with the employee.

As to category C inventions, the employer has priority in negotiations involving the transfer of rights to the employer.

Category D inventions are so-called free inventions, to which the Act Concerning Rights to Employee Inventions does not apply.

2) The employment connection of the invention is of importance in negotiations involving possible compensation as per the Act Concerning Rights to Employment Inventions. At this early stage, we therefore request inventors to give their own view of the connection of the invention/solution to the inventor's employment connection, as follows:

Employment connection = 1 The invention is linked to a task set by the employer, and instructions of how to solve the task was also provided by the employer.

Employment connection = 2 The invention is linked to a task set by the employer, but the employer has not indicated a solution of how to solve the task.

Employment connection = 3 The invention is not linked to a task set by the employer.

3) If the innovation might become known to outside parties, for instance as a result of a publication, an abstract, a lecture or other similar event, a notification of the earliest expected date of such an event should be made here. The inventor must, however, attend that the invention is not published before a patent application has been submitted.

AN EXAMPLE OF HOW TO CALCULATE COMPENSATION FOR THE USE OF THE INVENTION ('USER FEE')

If the notification and patent fees already paid do not constitute reasonable compensation, it is possible to pay compensation for the use of an invention ('user fee') which is generating revenue for [Company]. The user fee payable to the inventor is authorised by the board of [Company].

The user fee (K) can be calculated for example as follows:

$K = M \times P \times V \times T \times Z$ minus compensation already paid, where

M = the revenue generated by the invention in a year, in FIM

P = percentage

V = the readiness multiplier

T = the employment connection multiplier

Z = 1 for parent invention, <1 for secondary invention

M is calculated on the revenue gained by the company as a result of the invention. This can be net sales revenue, royalties, contractual fees or other income.

Percentage P is estimated on the basis of what it would cost the company to buy a corresponding invention from an outside supplier. This licensing percentage varies between 0.5% and 6%. Licence and royalty revenue usually results in a larger licensing percentage than net sales.

The readiness multiplier V is estimated on the basis of how ready the innovation is for commercial use. An employment invention is normally not ready for marketing, but the company may have to invest significant amounts before the invention is commercially viable. If the invention is ready to be marketed, then $V = 1$. When setting a readiness multiplier, it is important to bear in mind the product development input of the inventor/inventors. In the pharmaceutical sector, for instance, the readiness multiplier is usually in the range of 0.1 to 0.3.

The employment connection multiplier T denotes the degree to which the employment connection has contributed to the generation of the invention. The employment connection multiplier T can be given three different values:

- The invention is linked to a task originating from the employer, and the employee has been given instructions by the employer as to the solution: $T = 0.1$
- The invention is linked to a task set by the employer, but the employer has not indicated a solution to the task: $T = 0.3$
- The invention is not connected to a task set by the employer: $T = 0.4$

Z is the multiplier that indicates the value of an invention. When dealing with a parent invention, $Z = 1$. In the case of a secondary invention, generated to support the parent invention, the value of Z is on a range from 0.1 to 0.5.

It is preferable to accept a one-off compensation payment in cases when the effect of the invention on the company's revenue is uncertain or difficult to measure. Furthermore, if the revenue generated by the invention is so slight that it is not worth calculating the revenues involved, it is suggested that the invention notification compensation and the patent compensation are considered sufficient compensation.

Example of the calculation of compensation: the revenue generated by the invention for the company is FIM 100 million in the year in question. On this basis, the user fee in the year in question for use of the invention is $K = \text{FIM } 100,000,000 \times 0.03 \text{ (P)} \times 0.2 \text{ (V)} \times 0.3 \text{ (T)} \times 0.4 \text{ (Z)} = \text{FIM } 72,000$ (minus compensation already paid). This compensation is paid to the inventors divided by the number of inventors and in relation to the contribution of each individual inventor.

