GUSMÃO & LABRUNIE

PROPRIEDADE INTELECTUAL · INTELLECTUAL PROPERTY

30 ANOS

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Employees' Inventions and Intellectual Property

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Agenda

- **Legislative scenario**
- **Technology, invention and patent**
- **Invention Patents**
- **Service Inventions**
- **Free inventions**
- **Joint inventions**
- **Copyrights**
- ***Software***
- **Recent case law**

Legislative scenario

- **1988 Federal Constitution – article 5, XXIX**

"(...) XXIX - the law shall ensure the authors of industrial inventions a temporary privilege for its utilization, as well as protection to industrial creations, to the brand ownership, to the companies names and other distinctive signs, aiming at the social interest and financial and technological development of the Country;"

- **Law 9.279/96** – IPA (Industrial Property Act)
- **Paris Convention (PC)** – Decree 1,263 of 10.10.1994
- **TRIPS – Agreement on Aspects of Trade-Related Intellectual Property Rights** – Decree 1,355 of 30.12.1994

Technology, *know-how* and patent

The word technology, in its broad sense, embraces any and all technical, scientific, administrative, business, managerial knowledge, among others, of practical and useful nature, applicable to the activities of a company, in its modern meaning (AIPPI concept - 1972).

"Technology can arise not only from industrial production; there may be technology in trade, agriculture, services, business administration industries, i.e., in any field of human economic activity. Technology is characterized by **having an economic value**, both from living and **experience** acquired in business activities, such as specific processes of **research** and **development** undertaken to obtain a given technological result. Technology **may be contained in numerous physical supports**, such as finished products or components (and their manuals), drawings and plants, technical reports, projects, formulae, process and manufacture instructions, software and others"

(Juliana Viegas)

Technology, *know-how* and patent

Among the several meanings of know-how, there is consensus over the presence of four characteristic elements, considered alone or together:

- technical skill (or *tour de main*, in French doctrine)
- technical experience
- technical knowledge
- processes.

"Any information containing economic value for who possess it, which may refer to industrial, business or service provision processes or methods" (Gabriel Leonardos)

Technology, *know-how* and patent

Invention: "... Is the solution of a technical problem, when such solution leads to a concrete system of reduction to practice and constitutes a creation of the human mind, which elaboration exceeds the normal pattern of the technique of its time"

(Breuer Moreno citando Luzzato)

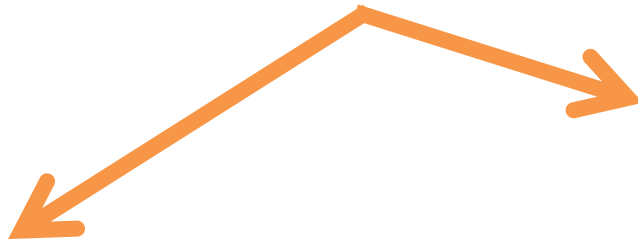
Patent: among the intellectual creations which are considered technology, inventions are those having a technical or industrial effect.

- ☞ Invention Patent = title granted by the State to the invention holder, or his/her successors, by a competent body to do so, after verification of patentability legal conditions.
- ☞ Grants the holder an exclusive right of exploitation, for a given period of time (in Brazil, twenty years)
- ☞ On the other hand, the holder reveals the invention.

Technology, *know-how* and patent

Patent *vs.* secret: the patent of invention grants to its holder an exclusive right of exploitation, for a given period of time (in Brazil, twenty years), in exchange of revealing the technology described.

In practice: to protect or keep exclusiveness over a technical solution (invention), there are two forms:



patent (INPI)

trade secret: keep knowledge secret, protecting the exclusivity of its utilization (**exclusivity of fact**, due to **obligations of secrecy**, established by law or contract)

Business secret ≠ *know-how/* technology

(species) (gender)

Patent of invention

- **Protection:**
  Title of ownership, for protection to technology, creations, developments in the technique field.

  ☝ Can be related to chemistry, medicines, food, cosmetics, electronics, IT, civil construction, or any other branches of the industry (in broad sense).

- **Who can request:** natural or legal persons, national or foreigner, resident in the country or not.

- **Rights granted = exclusive rights** over the technology protected
  - ✓ exclusive use in the territory
  - ✓ prevent third parties from manufacture, use, sell or import an object of the patent without its consent
  - ✓ license to third parties (intangible asset = simultaneous fruition by who the holder allows to)

- **Term**: 20 years

Patent of invention: invention *vs.* discovery

- **INVENTION - Human intervention in forces of nature:**

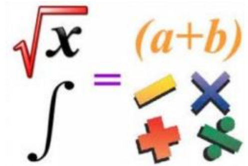
  - medicine, vaccine;
  - equipment for application of a given radiation to the skin;
  - modified organism and advantageous employment .

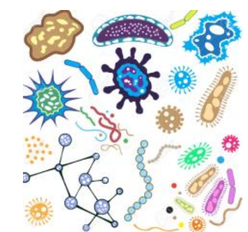
- **DISCOVERY – it already exists, does not arise from human intervention in forces of nature:**

  - existence of a radiation;
  - composition of a type of petroleum;
  - existence of an organism in nature.

Patent of invention: legal exclusions

- **Not being contained in legal exclusions:**
  - discoveries, scientific theories, mathematical **methods**;
  - purely abstract designs (**ideas**);
  - **business methods**, financial, educational, advertising, draws and inspection;
  - literary, arts and science **works**;
  - **computer programs themselves**;
  - provision of information;
  - rules of game;
  - **operational, therapeutic and diagnostic techniques and methods**;
  - all living beings or part of it, except for transgenic microorganisms.

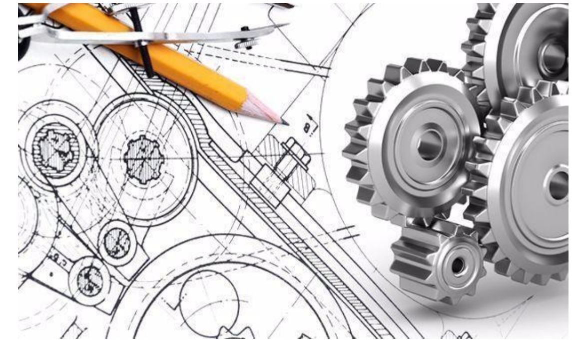




Patent of invention: legal protection requirements

Art. 8 LPI: *"The invention meeting the requirements of novelty, inventive activity and industrial application is patentable."*

Technology (invention) shall fulfil **concomitantly three** legal requirements to be protected:



- ✓ **novelty;**
- ✓ **inventive activity;**
- ✓ **industrial application.**

☝ It also shall be **sufficiently well described** in the patent application.

☒ **Such are NOT legal requirements**: merit, originality (IP and UM), ingeniosity, complexity, effort, time spent on development, money applied in the research, economic value potential, business interest…

… but can be indications of inventive activity.

Patent of invention and novelty

Art. 11 LPI: *"The invention and utility model are deemed new when **not included in the state of the art**."*

§1 - *"...everything that is made accessible to the public on the filing date of the patent application, by written or oral description, by use or any other mean, in Brazil and abroad (...)"*

Novelty = not identity (inverse of equality)

Grace period:

Art. 12 IPA: *"The disclosure of invention or new and useful improvement shall not be deemed part of the state of the art when occurred during the twelve (12) months before the filing date or priority of the patent application, if promoted:*

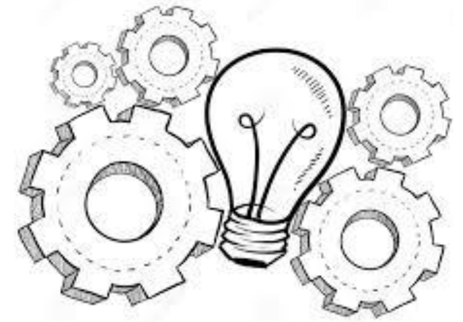
I - by the applicant;

II - by INPI through official publication (...) without the consent of the applicant;

III - by third parties... .

Patent of invention and inventive step

Art. 13 LPI: *"The invention has inventive step whenever, for a* ***person skilled in the art****, is not* ***evidently or obviously*** *due to the state of the art."*



Person skilled in the art = average professional of the field (not exactly a scholar or a scientist)

Non-obviousness: non-obvious combination of previous knowledge for a technician:

- ✓ new or surprising technical effect, not previously foreseen;
- ✓ identification of a technical problem and its new proposed solution;
- ✓ better results *(e.g., greater speed, economy, less use of material, etc.)*, provided that is not the simple application of computational methods in process already known and accessible to the public before the filing date of a patent application.

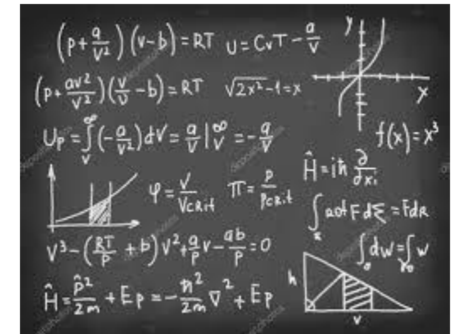
Patent of invention and industrial application

Art. 15 LPI: *"The invention and utility model are deemed susceptible of industrial application when can be **used** or **produced** in **any type of industry**."*

☝ **Industry in broad sense**: includes agriculture, livestock, technology, forestry, hospital, hunting/fishing, cosmetics, leisure etc.

☞ **Examples of no industrial application:**

- ✓ solution to 3rd degree equations;
- ✓ single row system;
- ✓ provision of instructions;
- ✓ time machine;
- ✓ animal training process

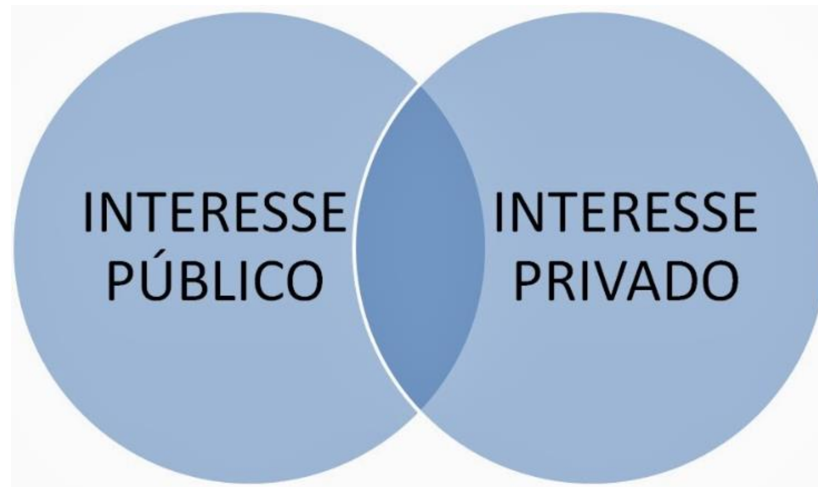


Patent of invention and sufficiency of disclosure

Art. 24 LPI: *"The specification of the application must **describe clearly and sufficiently** the object, in order to **make its reduction to practice feasible and possible** by a person skilled in the art and indicate, when applicable, the **best way of execution**"*

- ✓ description of the invention so as to enable its reproducibility;
- ✓ preferably, describe at least one concrete realization (e.g.)

☝ Foundation: **technology disclosure** *vs*. **exploitation privilege**



Legal regime of employee inventions

- The Industrial Property Law (LPI) provides for three legal regimes of ownership of employees' inventions:

1. **Service Inventions**: derived from the function for which the employee was hired

2. **Free inventions**: completely developed outside the scope of the employee's functions, without any employer resources

3. **Joint inventions**: completely developed outside the scope of the employee's functions, but with employer resources

Service Inventions

Employee hired expressly for research and development activities:

Art. 88 (LPI): *"The invention and utility model **belong exclusively to the employer** when resulting from an employment contract with performance in Brazil and having as object the inventive research and activity, or **resulting from the nature of services** for which the employee was hired."*

- **Ownership of invention**: belongs to the employer
- **Important caution**: preparation of an employment agreement with **appropriate and accurate description**
  - ✓ of the employee's activities
  - ✓ its inventive nature

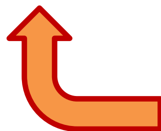
Service Inventions

☝ **Consideration for the invention:**

Sole paragraph: "*Unless provided otherwise in the agreement, the* ***retribution*** *for the work referred in this article* ***is limited to the salary agreed***"

☞ **Additional bonus** = faculty of the employer:

Art. 89: "*The employer, holder of the patent, may grant the employee, author of the invention or improvement,* ***a share in profits*** *resulting of the patent exploitation,* ***upon negotiation*** *with the interested party* ***or*** *as provided under* ***the company's rules or policies***."



pre-established or negotiated *a posteriori*

Service Inventions

☞ **Additional bonus**: important warnings

💣 Risks of negotiation *a posteriori*...

... but if the negotiation is not successful, there is no legal obligation of payment by the employer

💣 Establishment of previous policies:
Employer bound to obligation of payment
of bonus set forth at the company's policies
divulged and accessible to the employee and/or referred to in the employment contract (=contract obligation):

Precedent 51 of Superior

Labor Court - Regulatory standard. Advantages and option for the new regulation (CLT art. 468)

"I - Regulatory clauses, which revoke or change previously granted advantages, will only affect workers admitted after the regulation revocation or amendment."

Service Inventions

☞ **Additional bonus (continued):**

As a faculty, **the values, forms and period of concession are at the employer's discretion**:

✓ criteria can be linked to the actual profits **or not** (*e.g.*: fixed monthly value).

☝ Benefits will not communicate with salary (it is not considered as a promotion):

Art. 89, sole paragraph: *"The participation referred to in this article is not incorporated in any way into the employee's salary"*

Free inventions

Employee hired for other duties not described as creative or inventive and develops the invention with no use of employer's resources

Art. 90 (LPI): *"The invention or utility model developed by the employee shall be* ***exclusively owned by the employee****, provided that* ***not related to the employment contract*** *and is* ***not*** *derived from the employer's* ***resources****, media, data, materials, facilities or equipment."*

Ownership of the invention: belongs to the employee

- ✓ developed without the use of any resource belonging to the employer
- ✓ outside the scope of activities that the employment agreement provides as a counterpart to the salary

Free inventions

☞ **Additional bonus** = faculty of the employer:
If it is in the interest of the employer, such invents can be acquired:

- ✓ through negotiation (license or assignment)
- ✓ salary shall not be considered as a consideration
- ✓ values not linked to the employment contract

Total freedom of contract: private sphere, without any legal imposition
E.g.: incentive programs for inventions

💣 Cautions: receiving unsolicited ideas ...
... require a clear policy of handling employee suggestions and information on company's criteria

Joint inventions

Employee hired for other duties, not described as creative and/or inventive, but uses the company's resources to develop inventions

Art. 91 (LPI): "*The ownership of invention or utility model **shall be common in equal shares**, where it results from the **personal contribution of the employee and from the resources**, data, facilities, materials, facilities or equipment **of the employer**, unless provided otherwise in contract.*"

☝ **Ownership of the invention**: belongs to the employee and the employer

- ✓ outside the scope of activities described as a counterpart to the salary... but developed with the employer's resources

There may be a contractual provision on the contrary, ensuring ownership to the employer!

Mixed inventions

☞ Invention patent co-ownership → cautions...

Establishing clear rules in the **employment contract** as to:

- ✓ functions, faculties and obligations of each party to the patent process *(e.g., choice of attorney-in-fact, costs, follow-up...)*
- ✓ exploitation of the patent object
- ✓ development of potential improvements

Otherwise: co-ownership rules apply (Civil Code, articles 1,314 and onwards):

Art. 1314: *"Each unit owner may use the thing according to its purpose, exercise on it all rights compatible with the indivision, claim it from third party, defend its possession and assign its ideal part, or record it."*

Mixed inventions

☞ **Specific exception**: need to start the operation within a year, as of the patent granting decision:

> § 3 of art. 91 (LPI): "*The patent object exploitation,* ***in the absence of an agreement****, must be initiated by the employer within a period of one (1) year from the date of its concession,* ***otherwise the ownership of the patent will be transferred to the exclusive property of the employee****, except for the hypotheses of lack of exploitation for legitimate reasons*"

= **loss of the owner's share of the employer** due to negligence or lack of exploitation of the invention.

* **legitimate reasons**: bankruptcy, for instance.

Mixed inventions

☞ **Compulsory license**: the IP Lawassures to the employer the right to an exclusive license: art. 91, § 2: *"The employer is guaranteed the exclusive right of license and exploitation and the employee is guaranteed the fair remuneration."*

☞ **Possibility of assignment by the employee of his/her part of the invention**:

- ✓ no legal prohibition
- ✓ possibility of prior establishment in the employment contract (if it is in the interest of the employer)
- ✓ onerous (with an additional $) **recommended...**

... what if it is for free?

Labor Court may disregard the assignment, if questioned.

Copyrights

What Copyright protects?

☞ the material expression of creations of the spirit, **fixed or supported by any physical or digital means** (art. 7 of Copyright Act), such as:

- ✓ literary, artistic or scientific texts (contained in folders, handouts, lecture notes, slides, index cards, etc.);
- ✓ advertising texts
- ✓ audio-visual works, whether or not with sound

- ✓ photographic works
- ✓ drawings, paintings, illustrations, geographical charts
- ✓ geography projects, engineering, topography, architecture, landscaping, set design and science;
- ✓ adaptations, translations and other transformations of original works;

- ✓ collections or compilations, anthologies, databases and others that, by their selection, organization or arrangement of content, constitute an intellectual creation

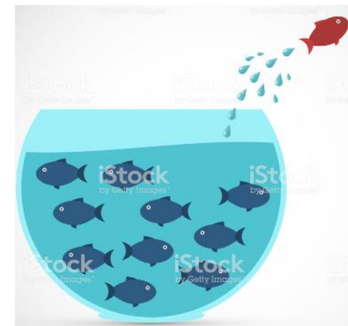
Copyrights

... and what the Copyright Act does not protect (art. 8 of Copyright Act):

- concepts or ideas abstractedly considered
- procedures, systems, methods, projects or mathematical concepts as such;
- schemes, plans or rules for performing mental acts, games or business;
- blank forms to be filled with any type of information, scientific or not, and its instructions;
- texts of treaties or conventions, laws, decrees, regulations, judicial decisions and other official acts.

- This means that the employee can elaborate other works based on the same abstract **but materialized** concepts **or otherwise expressed**.

- The employer cannot claim violation of rights (unless plagiarism can be configured)



Copyrights

Who is the author?

☞ Individual who created the work (art. 11 of the Copyrigh

☞ What is the employer's role?

organizer who guides, supervises and organizes elaboration of "collective works" (with participation of at least two authors – art. 17 of the Copyright Act)

What rights can be assigned to the employer?

The moral rights and economic rights belong originally to the author, as a natural person (art. 22 of the Copyright Act).

☞ The **moral rights are non negotiable** (can not be withdrawn or assigned) - art. 27 of the Copyright Act.

💰 The patrimonial rights are the economic exploitation of the work: right to reproduce, disseminate, sell, distribute, etc

MAY BE FREELY ASSIGNED TO THE EMPLOYER

Copyrights

Basic cautions in copyright assignment agreements:

☝ The agreements on copyright are **strictly construed** (art. 4 of the Copyright Act): **anything that is not clearly and expressly provided ...**

... is considered as not agreed!

As to the form: the assignment is not presumed, and **must be done by means of written contractual agreement** (art. 49, II and 50 of the Copyright Act).

As to the period: if the contract does not provide otherwise, the maximum period will be 5 years (art. 49, III of the Copyright Act).

As to the territory: unless stipulated otherwise, the assignment shall be valid only for the country in which the contract was signed (art. 49, IV of the Copyright Act).

As to the works covered: it is recommended to cite specifically the works assigned in the contract...

Copyrights

Basic cautions in copyright assignment agreements (contin.)

- **future works** (not existing at the time of contract signing): the law imposes a limitation of 5 years at most (art. 51 of the Copyright Act). Recommendation: add periodically to cite expressly the works carried out in the period and make the assignment definitive.

As to the exploitation modalities: the law requires that the assignment is only carried out for the exploitation modalities existing on the contract (art. 49, V of the Copyright Act)

As to the possibility of later modification of the work: so that the employer has full autonomy with respect to the contents acquired

As to the remuneration: the assignment is presumed to be onerous, under 50 of the Copyright Act.

☝ It is important that the contract has a clause of discharge and recognition: agreed remuneration = fair and sufficient consideration for the agreed assignment

Software

Legal scenario: Law 9,609/98

Art. 2 - **The regime for the protection** of intellectual property of computer program **is the same conferred on literary works** (...).

> § 1º **Do not apply** (...) provisions on **moral rights**, subject at any time to the author's right to claim paternity of the computer program and the author's right to oppose unauthorized changes where they entail deformation, mutilation or other change to the computer program that harm his or her honor or reputation

Art. 4 **Unless otherwise stipulated,** the rights relating to the computer program, developed and **prepared during the contract term** or statutory link, expressly **intended for research and development** **shall be exclusively owned by the employer**, contractor of services or public agency, or in which the activity of the employee, contractor of a service or server is anticipated, or even that **derives from the very nature of the charges** related to these links.

Software

Legal scenario: Law 9,609/98

§ 1º Unless otherwise agreed, **the compensation** of the work or service rendered **shall be limited to the remuneration** or the agreed salary.

§ 2 The rights related to a computer program **generated without any relation to the employment contract**, provision of services or statutory relationship**, and without the use of resources**, technological information, industrial secrets and business, materials, facilities or equipment **dof the employer**, the company or entity with which the employer maintains a service contract or the like, the service contractor or public agency, shall belong, exclusively, to the employee, service provider or server

Standing of Labor Justice

- **Service Inventions:** restrictive interpretation, especially where:
  1. the activity that generated the invention differs from the employee's role described in the work contract;
  2. invention is not directly related to the function described in the contract.

Courts understand that, if there is no direct correspondence between the function described in the contract and the nature of the invention, the rules ref. to **mixed inventions** → **co-ownership + fair remuneration**

Standing of Labor Justice

- **Character of assignment/license of invention**: free or onerous?

  - **restrictive interpretation unfavorable to the company**, based on the unlawful enrichment of the employer (TST)

  - judged **disregarding the planned assignment free of charge** and determining that the employer paid the "fair pay" (TRT-3)

  - if for consideration, **establishing clear and objective criteria**, under penalty of payment of "fair pay" (TRT-3)

Standing of Labor Justice

- **"Fair compensation"?**

✓ a single and fixed amount, in a reasonable value, avoiding that the *employer (...) pays negligible value to the employee* (TRT-3)*;*

✓ half the value of the last salary, for the minimum term of protection of the invention (TST);

✓ percentage of the amount equivalent to the reduction of costs that the invention developed by the employee provided to the employer (TRT-1);

✓ half of the revenue during the term of protection (TST)...

... among others.

Questions?

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