

EMPLOYEES' INVENTIONS

Section 39: Right to employees' inventions

- s.130(1) 39.01 This is the first of a group of sections (39 to 43) relating to inventions made by employees. In the Act, unless the context otherwise requires, "employee" means a person who works or (where the employment has ceased) worked under a contract of employment or in employment under or for the purposes of a government department or a person who serves (or served) in the naval, military or air forces of the Crown. In relation to an employee, "employer" means the person by whom the employee is or was employed.
- s.43(1) 39.02 Sections 39 to 42 do not apply to an invention made before the appointed
s.43(2) day (1 June 1978). Moreover, those sections do not apply to an invention made by an employee unless at the time he made it either -
- (a) he was mainly employed in the UK; or
 - (b) he was not mainly employed anywhere or his place of employment could not be determined, but his employer had a place of business in the UK to which the employee was attached, whether or not he was also attached elsewhere.
- s.43(3) 39.03 In sections 39 to 43, unless the context otherwise requires, references to the making of an invention by an employee are references to his making it alone or jointly with any other person, but do not include references to his merely contributing advice or other assistance in the making of an invention by another employee.
- s.77(1) 39.04 Sections 39 to 43 apply in relation not only to 1977 Act patents and
s.78(2) applications but also to granted European Patents (UK) by virtue of s.43(4). According to s.43(4) references in ss.39 to 42 to a patent and to a patent being granted are respectively references to a patent or other protection and to its being granted under any national or international law, i.e. UK law, the law in force in any other country or any treaty or international convention. A.60(1) EPC in association with aa.4 and 5 of the Protocol on Jurisdiction and the Recognition of Decisions in Respect of the Right to the Grant of a European Patent under the EPC also permits the application of s.39 to applications for European Patents (UK) where the employee is employed in the UK, subject to any agreement to the contrary insofar as the national law governing the contract allows the agreement in question.

Section 39(1)

Notwithstanding anything in any rule of law, an invention made by an employee shall, as between him and his employer, be taken to belong to his employer for the purposes of this Act and all other purposes if -

- (a) *it was made in the course of the normal duties of the employee or in the course of duties falling outside his normal duties, but specifically assigned to him, and the circumstances in either case were such that an invention might reasonably be expected to result from the carrying out of his duties; or*
- (b) *the invention was made in the course of the duties of the employee and, at the time of making the invention, because of the nature of his duties and the particular responsibilities arising from the nature of his duties he had a special obligation to further the interests of the employer's undertaking.*

Section 39(2)

Any other invention made by an employee shall, as between him and his employer, be taken for those purposes to belong to the employee.

39.05 Section 39 gives criteria for determining whether an invention made by an employee belongs to him or to his employer. Where rights to such an invention are disputed by the inventor and his employer, subsection (1) lays down the circumstances in which it belongs to the employer; it otherwise belongs to the employee by virtue of subsection (2).

39.06 Since s.39 refers to an invention without any reference to a patent or an application for a patent, the s.125 definition of an invention as that specified in a claim cannot apply to s.39. The term "invention" in s.39 should apparently instead be construed in its broadest sense of that which has been invented, in much the same way as when considering questions about entitlement under s.8, see 8.06-8.09.

s.39(1) 39.07 In order for the invention to belong to the employer it must, firstly, have been made in the course of the duties of the employee (which may, in subsection (1)(a), be either his "normal" duties or other duties "specifically assigned to him"). In addition, either the circumstances must have been such that an invention might reasonably be expected to result from the carrying out of his duties (subsection (1)(a), see 39.10) or he must have had as a result of his duties a special obligation to further the interests of the employer's undertaking (subsection (1)(b)).

s.42(2) 39.08 The provisions of subsection (1) apply notwithstanding anything in any rule of law. They thus override the provisions of all other enactments except any relevant enactment of later date. Moreover, any term in a contract entered into by the employee with or at the request of the employer which diminishes his rights in inventions made by him after the appointed day (1 June 1978) and the date of the contract is unenforceable, see 42.03-04.

39.09 Section 39 lays down for the first time statutory criteria for determining rights in employee's inventions; this was previously a matter of common law. The Patents Court, in *Harris' Patent* [1985] RPC 19, entertained some doubt as to whether s.39 is declaratory of the previous common law position. The Court held that, although guidance may be obtained from earlier cases as to how courts assessed the duties of the employee in a particular case and particular circumstances, and the extent and nature of an employee's obligation to further the interests of the employer's undertaking, it is the provisions of s.39 alone to which regard must be had for the law governing any employee's invention made after 1 June 1978. The Court of Appeal, in *LIFFE Administration and Management v Pavel Pinkava* [2007] RPC 30, confirmed that it is the provisions of s.39 alone to which regard must be had for the law governing an employee's invention and noted that sections 39 to 43 of the Patents Act 1977 is more favourable to the employee than the previous common law rules. There is no reason to interpret s.39 by reference to any previous law and there is no reason to imply any further condition or qualification to the requirements of s.39.

39.10 The Patents Court in *Harris' Patent* also held that the expression "an invention" in s.39(1)(a) cannot mean any invention whatsoever. It is governed by the qualification that it has to be an invention that "might reasonably be expected to result from the carrying out of his duties" by the employee and, therefore, must be referring to an invention which achieves, or contributes to achieving, whatever was the aim or object to which the employee's efforts in carrying out his (normal or specifically assigned) duties were directed, i.e. such an invention as that made, though not necessarily the precise invention actually made and in question. Kitchin J in *LIFFE Administration and Management v Pavel Pinkava and De Novo Markets Limited* [2006] EWHC 595 (Pat) however cautioned against using this as a substitute for the statutory test in s.39(1)(a). If that test was satisfied, it was not relevant to say that the invention in question did not achieve the particular aim or object

to which the inventor's efforts were directed. Moreover, the "circumstances" referred to in s.39(1)(a) are the circumstances in which the invention in question was made. The Court of Appeal, in *LIFFE Administration and Management v Pavel Pinkava* [2007] RPC 30, agreed with the conclusion of Kitchin J and rejected the submission that the words "an invention" in s.39(1)(a) should be read as "the invention" or "a similar invention". Furthermore, the invention does not need to provide a solution to a pre-identified problem.

39.11 When considering the normal duties of an employee, the Court in *Harris' Patent* further held that his duty of fidelity to his employer is to carry out faithfully the work he is employed to do to the best of his ability and does not assist in the formulation of the actual duties he is employed to do. In *LIFFE Administration and Management v Pavel Pinkava* [2007] RPC 30, the Court of Appeal held that although the source of an employee's duty is primarily contractual, the contract evolves in the course of time such that it is unsafe to have regard only to the terms contained in an initial written contract of employment. Furthermore, some of the terms of an employee's duties may be implied by law.

39.12 The special obligation of an employee to further the interests of the employer's undertaking was decisive in *Unitec Systems' Application* (BL O/143/94) where the invention lay in the field of business of a company, whose joint managing directors at the time of the invention were the patent applicants. The hearing officer held that the patent applicants were employees, even though they had not signed a contract of employment until after the invention had been made, and that therefore s.39 applied. Moreover, although he found that the invention had not been made in the course of the patent applicants' "normal" duties as required by s.39(1)(a), he held, following the guidelines set out in *Harris' Patent*, that the s.8 reference succeeded since the invention had been made in the course of the duties of the patent applicants, who were not relieved to any degree of the "special obligation" referred to in s.39(1)(b) and implicit in their titles.

31.12.1 In *Ultraframe UK Ltd v Fielding* [2004] RPC 24, which concerned the ownership of design rights, the Court of Appeal held that a contract of service existed if three conditions were fulfilled: 1) the servant agreed that, in consideration of a wage or other remuneration, he would provide his own work and skill in the performance of some service for his master; 2) he agreed, expressly or impliedly, that in the performance of that service, he would be subject to the other's control in a sufficient degree to make that other master; and 3) the provisions of the contract were consistent with its being a contract of service. A 100% shareholder and director who was not under obligation to be at work certain hours or to produce designs in return for a wage was not subject to a contract of service and was therefore not employed by the companies he had operated his business through. However, the Court held that he held any design rights in trust for the company through whom he was operating the business as at the time he created those design rights.

Section 39(3)

Where by virtue of this section an invention belongs, as between him and his employer, to an employee, nothing done -

(a) *by or on behalf of the employee or any person claiming under him for the purposes of pursuing an application for a patent, or*

(b) *by any person for the purpose of performing or working the invention,*

shall be taken to infringe any copyright or design right to which, as between him and his employer, his employer is entitled in any model or document relating to the invention.

39.13 Subsection (3) was added by the CDP Act. This provides that acts done for the purposes of patenting, performing or working the invention shall not be taken to infringe any copyright or Design Right pertaining to the invention and belonging to the employer. This prevents an employer using copyright or Design Right to frustrate an employee who

tries to patent or exploit an invention which rightly belongs to the employee.