Logaras & Associates

Intellectual Property
Employees' inventions

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Employees' inventions are crucial for IP intensive undertakings and a contributing factor to their success. In case the invention is exceptionally beneficial to the employer, the employee may be entitled to an additional fair compensation. Practitioners and Courts, especially in jurisdictions with sparse case law, like Greece, face difficulties in determining a) the criteria according to which an invention is exceptional and b) the basis upon which the fair compensation should be calculated. A recent decision of the UK Supreme Court shed some light on the above issues and its findings could be a useful guidance also for Courts outside UK.

According to Greek patent law, inventions created by employees as part of their employment contract become automatically property of the employer. If the invention[1] is exceptionally beneficial to the employer, the employee is entitled to an "*additional reasonable remuneration*". The criteria usually applied by Greek Courts to calculate the remuneration are "*the importance of the invention, the extent of the benefit for the employer and the employees' remuneration scheme*".

Professor Shanks v Unilever

Under a similar provision of UK Patent Act in case a patent is ***of outstanding benefit to the employer*** the employee should be awarded compensation to be paid by the employer. Further provisions specify the rules and procedures for awarding additional sums, including the requirement to take into account the effect (if any) of the size and nature of the employer's business on any compensation owed.

In the case at hand, Professor Shanks, an employee of Unilever UK Central Resources Limited ("CRL"), a subsidiary of Unilever plc, brought a claim for compensation against Unilever claiming that his invention (an electrochemical capillary device), that he created

[1] According to Greek law, the employee is entitled to the additional remuneration even if no patent is granted on the basis of the invention.

during his employment, nearly forty years ago, has been of outstanding benefit. Indeed, CRL assigned its rights in the Shanks patents to other Unilever group companies and the subsequent revenues generated by the Unilever group from the Shanks patents vested in said companies (other than CRL) were valued at £24.55 million.

Although, that was indeed a significant amount, Unilever argued, successfully up to the Court of Appeal, that it was far from "outstanding benefit" compared to the enormous revenues of the entire Unilever Group. According to this argumentation Unilever, and undertakings of similar size, would be "*too big to pay*" the fair compensation and the relevant provision would be inapplicable as it would be very unlikely that an employee's invention would ever have an outstanding benefit to the group as a whole.

Finally, after a 13 year legal battle, the Supreme Court found that, when assessing whether the benefit was outstanding, **the correct metric was not to compare the overall turnover and profits generated by Unilever Group from Professor Shanks' patent, but rather to compare the revenue from this particular patent with other patents produced by Unilever's research division**. In this case, the benefit could be viewed as an outstanding benefit **from CRL's perspective**, when compared with the other patents exploited by Unilever that had been developed by CRL.

On this basis, the Supreme Court found in Professor Shanks' favour and awarded him a fair share of the outstanding benefit being assessed at 5%, i.e. £2million, adjusted to reflect the time value of money.

Ramifications for employers

Although the threshold for proving an "outstanding benefit" remains relatively high and the statutory compensation regime will still be invoked in 'stand out' cases only, employers should consider taking measures mitigating their risk, such as revising their employment contracts and compensation schemes as well as the organizing their R&D departments in a proactive manner.

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