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**EMPLOYEE RIGHTS OVER INVENTIONS AND INNOVATIONS IN EMPLOYMENT
IN KENYA**

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ABSTRACT

We live in an economy where intangible assets have become valuable commodities. These intangible assets are created by individuals, or groups who apply their creativity and ingenuity appropriately. The result of such ingenuity and creativity is product that is deemed to be so important that it qualifies for legal protection. Such assets will benefit any individual, business, company or enterprise that has the ownership right or title and the ability to commercially exploit the asset.

Therefore, there is an interest in the ownership and control of the assets as well as the manner in which legal entitlement is devised by the law. Where, the asset is an invention that is patentable the law has granted the employer ownership. This thesis considers how the law balances the right it gives to the employer and the compensation it grants the inventive employee. The thesis seeks to ensure that an employee–inventor has been adequately compensated for his ingenuity and for producing the fruits of his creativity.

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LIST OF ABBREVIATIONS

ArbnErfG	Gesetz über Arbeitnehmererfindungen
BC	Berne Convention
EU	European Union
GAEI	German Act on Employee Inventions
GATT	General Agreement on Tariffs and Trade
GEOCRIC	Geo-spatial Revenue Collection Information System
ICESCR	International Covenant on Social, Economic and Cultural Rights
IP	Intellectual Property
IPA	Industrial Property Act
IPR	Intellectual Property Rights
IPR-PFRD	Intellectual Property Rights from Publicly Financed Research and Development
KIPI	Kenya Industrial Property Institute
KRA	Kenya Revenue Authority
LATU	lag om rätten till arbetstagares uppfinningar
PC	Paris Convention
POTUS	President Of The United States
R&D	Research and Development
TRIPS	Trade Related Aspects of Intellectual Property Agreement
UDHR	Universal Declaration of Human Rights
UK	United Kingdom
UN	United Nations
UNISA	University of South Africa
US	United States
ZAR	South African Rands

CHAPTER ONE

1.1 INTRODUCTION

This thesis considers employee rights over inventions and innovations developed during the course of employment in Kenya. The relevant legislative provisions are found in the Industrial Property Act 3 of 2001. In the work environment, in the absence of contractual provisions to the contrary, the right to a patent for an invention made in execution of a commission or of an employment contract shall belong to the person having commissioned the work or to the employer.¹

Secondly, where an employment contract does not require the employee to exercise any inventive activity but the employee makes the invention by using data or means available to him during his employment such a work shall belong to the employer.² Thirdly, when an employee makes an invention without any relation to an employment or service contract and without the use of the employer's resources, data, means, materials, installations or equipment, the invention shall belong to the employee.³

The Industrial Property Act 3 of 2001 (hereinafter referred to as 'the Act' or 'the IPA') further stipulates that if the invention is made in the above circumstances i.e. first, in execution of a commission or of an employment contract and in the absence of contractual provisions to the contrary during the course of employment, and second, in the execution of an employment contract, but where an employment contract does not require the employee to exercise any inventive activity, but the employee makes the invention by using data or means available to him during his employment, and such an invention is of exceptional importance, the employee shall have a right to equitable remuneration taking into account his salary, the importance of the invention and any benefit derived from the invention by the employer.⁴

Thus the question that this thesis intends to interrogate is what is meant by the terms 'exceptional importance' and 'equitable remuneration'.

Section 32 of the IPA, and of the position that an employer is entitled to the invention of his employee, stems from the stock concept in employment law formally known as the law of

¹ Section 32 (1) of the Industrial Property Act 3 of 2001.

² Section 32(2) of the Industrial Property Act 3 of 2001.

³ S32 (5) of the Industrial Property Act 3 of 2001.

⁴ Ibid.

master and servant⁵ under which anything produced by an employee in the course of employment belonged to the employer.⁶ It is a position that was developed at common law which later gave rise to the current position.⁷ During its development, the employment contract was used by courts to determine who between the employer and employee should own any invention or innovation that arose in the course of employment.⁸ This was of course, in the absence of a specific agreement which the employer and employee would have otherwise concluded discussing the whole invention.⁹

Several arguments have been used in support of this. First, that the employer has provided the employee with a well-equipped work environment, the tools required to manufacture and distribute the invention and receives a regular salary. Secondly, the means through which an employee has made an invention are within the scope of his employment and therefore whatever he makes has a close connection with his employment duties, the manner of performing such duties or the employer's sphere of commercial or industrial interests.¹⁰ Thirdly, at the time of employment, the employee has a special duty, to further the business interests of the employer hence any resulting invention should belong to the employer.¹¹ Fourthly, the employee should be devoting all of his normal working hours to the employer's business and may not without the employer's permission engage himself with activities that create conflict between his own interests and the interests of the employer.¹² Lastly, such invention has been made in the course of implementing specifically assigned tasks, which have been assigned by the employer and thus ought to be the employer's property.¹³

⁵ See further on the law of master and servant the case of *King v The South African Weather Service* 2008 BIP 330 (SCA).

⁶ E E Johnson 'Patent Rights of Employer and Employee' (1933) 17 *Marquette Law Review* 224.

⁷ K Reinholdsson *Ownership of employee inventions - regulation in Sweden, the United Kingdom and the United States* LLM (University of Lund) (2002)19.

⁸ Ibid.

⁹ Dwight B. Cheever 'The Rights of Employer and Employee to Inventions Made by Either during the Relationship' (1903)1 *Michigan Law Review* 384-392.

¹⁰ See discussions of similar section of the UK Patent Act of 1977 in C Davies & T Cheng *Intellectual Property Law in the United Kingdom* (2011) 149.

¹¹ See the common law requirement of employee obligations in J Grogan *Workplace Law* 11ed (2014) 54.

¹² Ibid.

¹³ V. K Gupta 'Employer v Employee Inventions: IPR Issues in R&D Organizations' (2000) 5 *Journal of Intellectual Property Laws* 241.

From the foregoing, it is evident that a labour law concept has been used to justify the current position of the law. However, a question may arise on whether this same conclusion was intended by the proponents of the patent system when it was formulated.

It is a long established principle of the patent system that if a person has been hired to invent then he has agreed that any benefit arising out of any invention he makes shall belong to the employer.¹⁴ It has also been long established that an employee who has not been hired to invent, and who after accepting employment, is not assigned to any duty to invent, may invent what he pleases with the assurance that he will have the equitable, as well as the legal title to his invention.¹⁵ Therefore, the patent system sought to protect and reward and thus provide an incentive for innovation and creation, while ensuring that the resulting rights and obligations strike a fair balance between the originator, his competitors and the users.¹⁶ If patent's intention is to be applied, patent ought to 'jealously guard' the inventor by ensuring that he is not deprived of his invention unless there is proof that he intends to part with his invention.¹⁷

The three circumstances that are presented by the employee–inventor under the IPA have one thing in common; that it is the intention of the employee who invents during the course of employment to benefit from the fruits of his creativity. In the first two circumstances, his benefit comes in the form of a 'special remuneration' that goes beyond his normal salary.¹⁸ However, the terms 'what is of exceptional importance' and 'equitable compensation' presents a problem and raises several questions. First, what is equitable compensation? Secondly, what is an invention of exceptional importance?

So far the Kenyan courts have not discussed section 32 in the context of what can be considered as equitable compensation or what an invention of exceptional importance is. However, they have always relied on English law precedent, where a similarity exists between the nuance in Kenya and the nuance in the UK and would therefore rely on an interpretation by the UK court of a similar provision in the UK Patent law. S 40 of the UK patent Act presents certain circumstances in which the Court or the Comptroller of Patents can award an employee

¹⁴ Johnson op cit (n6) 225.

¹⁵ Ibid.

¹⁶ W Cornish, D Llewlyn & T Aplin *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* 8 ed (2013) 7-8.

¹⁷ Johnson op cit (n6) 225.

¹⁸ Section 32(1) – 32(3) of the Industrial Property Act 3 of 2001.

some additional remuneration for an invention for which a patent has been granted and which is of ‘outstanding benefit’ to the employer.¹⁹

UK scholars have posited that the question as to what amounts to ‘outstanding benefit’ under the UK patent Act is a question of fact although regard has to be made to the size and nature of the employer's undertaking.²⁰ ‘It must be more than *substantial* or *good* and must be *out of the ordinary*.’²¹ Further, courts have made a determination on the phrase ‘outstanding benefit’ in the *Memco–Med Ltd’s Patents*²² case. The court said that, the thing must be something out of the ordinary and not one that would normally be expected to arise from the duties that the employee is paid for.²³ This is why reference is made to the size and nature of the employer’s undertaking and the benefit to the employer is looked at in the context of the activities of the employer concerned to see whether it is outstanding.²⁴ (This case is discussed further in chapter three).

However, even where the Kenyan courts would rely on international precedent to give nuance to an interpretation of section 32, the terms remain ambiguous and raise several uncertainties. First, the employee–inventor may receive ‘special remuneration’ that is not commensurate to his efforts because the IPA has not given any guidelines or set any compensation formulae for which an employee would use to come up with a remuneration formulae. Secondly, an employee may not feel motivated enough to create and invent within the work environment if the legislation is that ambiguous! Thus, this may lead to a decrease in the inventive activity of employees in the work place as well as in the number of intellectual products produced. Therefore, the IPA may not be effectively providing for the employee–inventor’s rights and may need modification. One way in which other countries have dealt with their employee–inventor situations is in updating their existing laws.²⁵

South Africa for example, recently adopted legislation to encourage innovation, guide ownership and benefit sharing strategies, from IPRs that result from publicly funded research. The Intellectual Property Rights from Publicly Financed Research and Development (IPRPFRD)

¹⁹ Section 40 of the UK Patent Act of 1977.

²⁰ Davies & Cheng op cit (n10) 7-8.

²¹ Ibid.

²² *Memco–Med Ltd’s Patent* 1992 RPC 403 (first High Court decision on remuneration of employee-inventors).

²³ *Supra*.

²⁴ *Supra*. See also *GEC Avionics Ltd’s Patent* 1992 RPC 107.

²⁵ Gupta op cit (n13) 241.

provides that the employees will be entitled to own the product of resulting research. The Act further entitles creators and their heirs to benefit beyond their usual regular salary if the invention becomes profitable amounting to at least 20 per cent of the first ZAR 1 million.²⁶ Creators and their heirs are also entitled to at least 30 per cent of the net revenues in excess of the first ZAR 1 Million earned.²⁷ The Act provides for institutions rather than researchers to own IP derived from publicly financed research but still give IP creators monetary and non-monetary benefits in formulae believed to be proportionate with their contributions.²⁸

The other way is by learning from jurisdictions that have advanced sets of legislation guiding employee-inventor situations. Germany for example has a special law that regulates the employer's right to employee inventions namely, the Act on employee inventions (*Gesetz über Arbeitnehmererfindungen* of 1957 (ArbnErfG)). It was formulated in order to provide guidance on who between the employer and the employee has the right to an invention arising out of the employment situation.²⁹ The aim of the legislation is to safeguard the employee's right and it has done so by providing a fundamental basic principle.³⁰ The principle is that, the patent right connected with an invention originally vests with the employee who invents.³¹ The employer however has the right to claim the benefits associated with the inventions.³² The legislation links the employer's right to an employee invention, to an obligation to pay economic compensation and at the same time gives an employee-inventor, a mandatory right to receive reasonable compensation.³³

Another example is Sweden. Their patent law stipulates that when the inventor is an employee the law that is to be used to determine ownership is *Lag (1949:345) om rätten till arbetstagares uppfinningar* (LATU), a legislation specially devised by Sweden for this

²⁶ C Ncube, L Abrahams and T Akinsanmi 'Effects of the South African IP Regime on Generating Value from Publicly Funded Research: An Exploratory Study of Two Universities' at 295 in J de Beer et al *Innovation & Intellectual Property Collaborative Dynamics in Africa* (2014).

²⁷ Ibid.

²⁸ Ibid.

²⁹ S Wolk 'Remuneration of employee inventors - is there a common European ground? A comparison of national laws on compensation of inventors in Germany, France, Spain, Sweden and the United Kingdom' (2011) 42(3) *IIC* 272-298.

³⁰ Ibid.

³¹ Ibid.

³² Ibid.

³³ See ss 9, 10 and 22 of the ArbnErfG of 1957.

purpose.³⁴ ‘This law came into force in 1949 after it was noted that the country did not have any rules concerning rights to inventions made by employees’.³⁵ The legislation is based on the principle that the employee who has invented is entitled to the invention he has made. However, he can be forced to share his right with the employer depending on how the invention arose, and whether it was in connection with the employer’s business or within the duties of the employee.³⁶ In legislating LATU the intention was to have a reasonable balance between the interests of the employees and those of the employer in a manner that would not hamper the employee’s will to invent.³⁷ LATU not only devises clauses that specifically deal with employment ownership issues it also details the manner in which compensation should be administered.³⁸

It should be noted that Germany and Sweden are Member States of the European Union (EU) which has been urging its members to set legal frameworks that support the right of employee–inventors to economic compensation.³⁹ They are leading other EU countries in governing remuneration through statutory compensation schemes.⁴⁰ These schemes have been termed advantageous to employees because they are mandatory and thereby encourage innovation and inventiveness of employee–inventors in the work place.

Countries like Kenya and UK allow collective agreements that can replace the legislative provisions concerning special remuneration.⁴¹ This can undermine an employee’s right to receive remuneration. In addition, where aggrieved employees have considered redress through the court system, courts have relied on common law to make determinations.⁴² This has resulted in unfair judgements as courts have a tendency to refer to contracts of employment when making such determinations.⁴³

The same contracts of employment have been dubbed ‘unfair’ to employees because the employee rarely has bargaining power when negotiating these contracts.⁴⁴ The courts have also

³⁴ Reinholdsson op cit (n7) 7.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Wolk op cit (n29).

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² W P Hovell ‘Patent Ownership: An Employer’s right to his employee’s Invention’ (1983) 58 *Notre Dame Law Review* 863 at 880.

⁴³ V A McBride *Patent Ownership rights to employee inventions* LLM (UNISA) (1996) 7.

⁴⁴ Ibid.

been seen to be notorious as they have been known to stay away from deciding on matters related to unfair bargaining power of contracts of employment.⁴⁵ Further, the amount awarded under common law may not be commensurate to the effort that the employee inventor may have put in the inventive process.⁴⁶

Thus, the danger of employees taking the back seat in the work place instead of freely exercising creativity and in the process producing inventions is real.⁴⁷ What is to say that employee– inventors will not shelve their profitable ideas? Employers have every reason to encourage employees to produce inventions because they too can benefit from the exploitation of such inventions.⁴⁸ It is at the employer's hands that such an invention can be exploited to its full potential but the employee will not be willing to part with the said invention if he is not rightfully compensated.⁴⁹ Further such rigid laws stifle innovation that is much needed in the society and it delays important progress to science and technology.

Employees ought to feel both appreciated and adequately compensated if their participation in the inventive process is to be realised otherwise they may not be willing to put in the necessary time and effort needed to make intellectual creations for technological progress.⁵⁰ Therefore any law that seeks to govern the process must be equitable and clear. This thesis therefore, seeks to argue the above position by claiming that the Kenyan patent system is discouraging innovation of employees.

The thesis will do so by investigating whether the current legal framework has sufficiently provided for employees in the work place within the intention of IP law principles and foundations. By revealing the status of protection of employee rights over inventions and innovations made by them in the work place the thesis will argue for a comprehensive legal framework that adequately rewards employees who invent in the work environment.

⁴⁵ See discussions in chapter 2.

⁴⁶ Hovell op cit (n 42).

⁴⁷ See discussions by A Bartow 'Inventors of the World, Unite - A Call for Collective Action by Employee-Inventors' (1997) 37 *Santa Clara Law Review* 673.

⁴⁸ McBride op cit (n43) 7.

⁴⁹ Ibid.

⁵⁰ J Gibson *Creating Selves : intellectual property and the Narration of Culture* (2006) 2-3.

1.2 Research Objectives

The main objective of this study is to examine whether the current legal framework in Kenya adequately provides for inventive employees in employment.

1.3 Research Questions

This study will address the following questions:

- (i) Has the current legal framework in Kenya adequately protected employees who invent within the work environment?
- (ii) If not, how can the legal framework reasonably provide for employees who invent?

1.4 Chapter Outline

This study will be divided into five chapters.

Chapter One is an introduction to the study, the study's research objective, the study's research questions, and chapter outline.

Chapter Two shall conceptualise innovation in employment by looking at the following parameters. First, it shall consider the history and development of the employer's right at common law, and why the common law right has been adopted in the current dispensation. Second, it shall consider the justifications of patent law and of IP generally in an effort to understand the reasons why the construction of the law is the way it is and why it should be changed or revised.

Chapter Three shall discuss how Kenya's legislation has dealt with rights over inventions and innovations in employment. The chapter shall look at all the IP related laws and provisions and interrogate their meaning and application with the help of current practise and decided cases.

Chapter Four shall conduct a comparative analysis of employee invention laws of Germany and Sweden. The analysis shall be geared towards understanding how these countries have dealt with rights over inventions and innovations in employment and the lessons Kenya can learn.

Chapter Five shall give possible recommendations for Kenya so that proper attribution and compensation of inventors and creators in the workplace in Kenya is realised.

CHAPTER TWO

CONCEPTUALISING INNOVATION IN EMPLOYMENT

2.1 Introductory remarks

In the previous chapter, the employer's right over the inventions and innovations of his employee is mentioned as having developed at common law. Common law has been regarded as 'the court decisions that have precedential effect; or all those legal systems that have adopted the English legal system, former commonwealth countries and countries maintaining a commonwealth law system.'¹

Kenya is one such country. It was colonised by the British government and as a result inherited the legal system of its colonisers. Its patent legislation, The Industrial Property Act of 1989 is based on common law principles developed by the United Kingdom (UK) Courts prior to 1977.² Consequently, during the development of the 1977 Patent Act of UK, some of the developed common law principles found their way into the legislation, more specifically the employer's right over the product of the inventive activities of his employees.³

2.2 The position of Common Law

The common law position on ownership of patents was based on the general law of 'master and servant' (labour law) under which anything produced 'in the course of employment', belonged to the employer.⁴ Courts interpreted that there was an implied term under a contract of employment that the ownership rights to an employee invention belonged to the employer if the invention was created during the course of employment.⁵ As a consequence this position gave the employer superiority and bargaining power when negotiating and concluding employment contracts with potential employees.⁶

Since the relationship of the employer and the employee was governed by contract, parties had autonomy, to alter or vary any terms of the employment relationship.⁷ They could do

¹ G Slapper & D Kelly *The English Legal System* 6ed (2003) 3.

² O Odek 'The Kenyan Patent Law: Promoting local inventiveness or protecting foreign patentees?' (1994) 38 *Journal of African Law* 79-103.

³ K Reinholdsson *Ownership of employee inventions - regulation in Sweden, the United Kingdom and the United States* LLM (University of Lund) (2002) 19.

⁴ Ibid.

⁵ V A McBride *Patent Ownership rights to employee inventions* LLM (UNISA) (1996) 7.

⁶ *Patchett v Sterling Engineering Coy* 72 RPC 50.

⁷ This autonomy is a principle under contract law which parties entering into a contract can exercise.

so by express agreement or by an agreement that could be implied from the facts of the case.⁸ Consequently, because of the superior bargaining power of the employer the balance of power was compromised and the employer acquired an upper hand over the employee.⁹

Common law also did not give the employer any obligation to compensate the employee further besides the usual salary that was negotiated for employment.¹⁰ Thus, at the time when patent legislation was being formulated, it was seen as necessary for legislators to provide a remedy to this unfair position of common law.¹¹ Legislators made it a requirement to prohibit certain contractual terms which would diminish the employee's rights of ownership and proper compensation.¹² However, that did not affect the development of the employer's entitlement of an employee's invention at common law which actually preceded the development of patent legislation.

2.3 Employer's entitlement to a patent

Before the promulgation of the UK Patents Act, a substantial body of common law in the area of allocation of patent rights under employment existed.¹³ The first important case that broadly discussed the issue of ownership of employee inventions was the case of *In the matter of Heald's Applications for Patents*.¹⁴ The Solicitor General in this case expressed the dearth of authority that laid down the principle that an invention of a servant made in the employer's time and with the use of the employer's material becomes the property of that employer.¹⁵

After much discourse in the area by authors¹⁶ and judges¹⁷ alike a basis started emerging for asserting any sort of right in an employee invention. The basis was, rights in an invention

⁸ *Patchett v Sterling Engineering Coy* Supra (n6).

⁹ Supra.

¹⁰ McBride op cit (n5) 8-12.

¹¹ Ibid.

¹² Ibid.

¹³ C G Rattray *Rights of Employers in the Inventions of their Employees* (LLM) (University of Cape Town) (1978) 8.

¹⁴ 8 RPC 429.

¹⁵ See discussions ibid.

¹⁶ Robert Frost *Patent Law & Practise (a treatise on the law and practice relating to letters patent for inventions)* 2 ed at 15. Excerpt from Rattray op cit (n13).

¹⁷ *Worthington Pumping Engine Company v Moore* 1903 20 RPC 41.

made by an employee are to be determined by referring to the contract.¹⁸ Terrell a commentator on this area of the law gave the general principle as:

“In every case the answer to the question to be decided upon depends on what is the true construction of the contract between master and servant and having regard to its subject matter and the surrounding circumstances. The contract may be oral, or in writing, express or implied but no equitable principle or obligation is to be considered that does not arise out of the contractual relationship itself.”¹⁹

Accordingly, there were two factors that were to be considered when determining ownership of an invention made by an employee in the work place. First was looking at the contract and second was looking at the surrounding circumstances in which the invention was made. In this sense, the invention becomes that of the employer if it was made during working hours, using the employer's materials and at the employer's expense.²⁰

The development of case law continued in the case of *Patchett v Sterling Engineering Coy.*²¹ In this case, the three judge bench considered the nature of the employee's employment i.e. what was the employee hired to do. This case went beyond the requirement of a contract and interrogated the legal relationship of the employer and the employee. In this landmark case one of the judges, Lord Reid, stated:

"... No doubt the respondent was the inventor and in the ordinary case the benefit of an invention belongs to the inventor. But at the time when he made these inventions he was employed by the Appellant as their Chief Designer and it is, in my judgment, inherent in the legal relationship of master and servant that any product of the work which the servant is paid to do belongs to the master. I can find neither principle nor authority for holding that this rule ceases to apply if a product of that work happens to be a patentable invention. Of course, as the relationship of master and servant is constituted by contract, the parties can, if they choose, alter or vary the normal incidents of the relationship, but they can only do that by express agreement or by an agreement which can be implied from the facts of the case."²²

¹⁸ *In the matter of Heald's application for Patent* it is clear that without a contractual connection there could be no basis for the employers asserting ownership of the employee's invention. Cf Rattray (n13)7.

¹⁹ Rattray op cit (n13).

²⁰ Ibid.

²¹ 72 R.P.C. 50 available at <http://rpc.oxfordjournals.org/content/72/3/50.full.pdf+html> accessed on 28 July 2015.

²² *Patchett v Sterling Engineering Coy* Supra (n6).

The decision by Lord Reid postulates the reliance of the contract as the deciding factor on which law would be applicable in deciding who between the employer (master) and the employee (servant) owns a product arising out of employment. The reliance of this common law principle by the House of Lords in *Patchett* has been widely interpreted. One interpretation is that there exists an implied term in a contract of employment that an employee is a trustee for his employer of an invention made in the course of his duty as an employee.²³ Such a term remains implied unless the parties exclude it by agreement.²⁴

Another analysis is that in the absence of any express contractual obligation there is no rule that an invention made by an employee is the property of the employer.²⁵ What is necessary however is to determine whether the employment relationship suggests that the invention concerned was made in the course of employment or, whether it is something that the employee was hired to invent.²⁶ Viscount Simonds one of the bench judges added,

“It is elementary that, where the employee in the course of his employment (i.e. in his employer’s time and with his materials) makes an invention, which falls within his duty to make (as was the case) he holds interest in the invention and in any relating patent as a trustee for the employer...”²⁷

The statement by Viscount Simonds added a requirement that has now become fundamental in establishing the right of an employer to an employee’s invention. It is that such an invention must be within *the scope and course of employment* of the employee. Thereafter several cases were considered by the British Courts but it is the case of *Fine Industrial Commodities Ltd v Powling*²⁸ that summarised the law applying in employee inventions.

In *Fine Industrial Commodities Ltd v Powling* the judge pointed out that the law relating to the position of officers or employees who make inventions affecting the business of the company in which they serve was well settled in the cases of *Worthington Pumping Engine Co v*

²³ Rattray op cit (n13).

²⁴ Ibid.

²⁵ Ibid.

²⁶ See the decision by the Delegate of the Commissioner of Patents (Australia) in *Spencer Industries Pty ltd v Collins* 2003 FCA 542.

²⁷ Rattray op cit (n13).

²⁸ 71 RPC 253.

*Moore*²⁹ *British Reinforced Concrete C v Lind*³⁰; and *Triplex Safety Glass Co v Scora*³¹. The principles is:

‘the mere fact that a contract of service exists between an employer and an employee, thus making the employer as the one having the right to take out a patent does not in itself disqualify the employee for also qualifying to take out a patent for himself; even though such an invention may relate to subject matter that is relevant to, and useful for, his employer in the employer’s business. And even though the employee may have made use of his employer’s time, servants and materials in bringing his invention to completion, and may have allowed his employer to use the invention while he was in their employment.³² *The determining factor shall be to consider the circumstances surrounding the case before making any inference.*³³ That is, the nature of the inventor’s position in regard to the businesses, and whether it was a term of his employment separately from any express contract.

In this case the court opined that any invention or discovery made in the course of the employment of the employee, when the employee was doing that which he was engaged and instructed to do during the time of his employment, and during working hours, and using the materials of his employers, would be the property of the employer and not of the employee.³⁴ Further that having made a discovery or invention in the course of such work, the employee becomes a trustee for the employer of that invention or discovery, so that as a trustee he is bound to give the benefit of any such discovery or invention to his employer.³⁵

The principle has been widely used and developed by the UK courts and the conclusion to be reached by the English authorities is that the employer is entitled to rights in an employee’s invention and patent arising.³⁶ There were further developments thereafter where an employee had a beneficial interest to the invention and which the law needed

²⁹ (1903) 20 RPC 41.

³⁰ (1917) 34 RPC 101.

³¹ 55 RPC 21.

³²See K Klaric ‘Ownership of Patentable Inventions: Recent Developments’ *Stephens Lawyers & Consultants* (2004) 3-4 available at <http://www.stephens.com.au/Sites/2196/Images%20Files/Articles/Ownership%20of%20Patentable%20Inventions.pdf> accessed on 28 July 2015.

³³ *Ibid.*

³⁴ *Ibid.*

³⁵ *Ibid.*

³⁶ McBride *op cit* (n5) 8-12.

to recognise.³⁷ As will be discussed later in this chapter a government commission was set up and which considered compensation to employees of that nature. The result was a patent law that prioritised the employer's entitlement to a patent. Critics have intimated that, the law is more equitable to employers than it is to employees and that more consideration for the employee should be shown.³⁸

2.4 Theorising patent's intention

According to Machlup & Penrose, there are four major justifications of patent law which were introduced in the late 19th century. The first justification is that every man has a natural property right in the product of his intellect such that if another appropriates the idea without his knowledge then they must be condemned.³⁹ Further, society has a moral obligation to recognize and protect this property right and the best way for it to do so is through patenting.⁴⁰

Secondly, it is just and fair for a man to receive; therefore society should secure him a reward for his services because they are useful to society.⁴¹ Therefore, since inventors render useful services then the most appropriate way to secure rewards commensurate with their services is by granting exclusive patent rights for their inventions.⁴² This 'justice argument' is premised from the writings of John Locke natural rights theory.⁴³

Thirdly, is that society desires industrial progress, and inventions and their exploitations can achieve this function.⁴⁴ However unless there are incentives to ensure that the production of a continuing supply of inventions are in place, the inventor and his investors may not be willing to risk either effort or money required to develop and commercialize their products. Thus, the simplest and most effective way for society to hold out these incentives is to grant exclusive patent rights in inventions.⁴⁵

³⁷ Rattray op cit (n13) 57.

³⁸ A Bartow 'Inventors of the World, Unite - A Call for Collective Action by Employee-Inventors' (1997) 37 *Santa Clara Law Review* 673.

³⁹ F Machlup and E Penrose 'The Patent Controversy in the Nineteenth Century (1950)10 *The Journal of Economic History* 1-29.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid at 11.

⁴³ E Derclaye 'Patent law's role in the protection of the environment - re-assessing patent law and its justifications in the 21st century'(2009) 40(3) *International Review of Intellectual Property and Competition Law(IIC)* 249-273.

⁴⁴ Ibid.

⁴⁵ Ibid.

Lastly, the inventor needs to disclose the invention to the society for industrial progress which is desirable to the society.⁴⁶ In order to secure it at a sustainable rate, the new invention needs to be released to the society so as to be known as part of the technology of society.⁴⁷ In the absence of protection against exploitation an inventor will keep his invention secret and upon death, die with that important secret.⁴⁸ Hence it is in the interest of society to offer an incentive to the inventor so that he may disclose his secret for future generations and this can be done by granting exclusive rights to the inventor in exchange of public disclosure for the invention.⁴⁹

The four types of arguments have been used to justify the framework in which patent law exists today. The first two arguments underscore strong moral underpinnings signifying that they have been anchored on a labour theory, with the third and fourth embracing an economic character signifying a utilitarian approach.⁵⁰ However critics have questioned whether the current system needs a utilitarian or labour approach at all. A broader understanding of these theories and of the other theories that have been used to justify IPRs is considered.

2.5 Theories of IP Law

There are four major theories that have been advanced by IP scholars to justify IP.⁵¹ These theories have been used to formulate a basis as to why the law of property applies to intangible as well as tangible things.⁵² These theories have played a role in law making and thus managed to shape the contours and limits of this field.⁵³

(a) Labour Theory

The labour theory is generally attributed to John Locke in his writings *second treatise on Government* in the early 1690.⁵⁴ He theorized that ‘an individual who mixes labour and nature creates a new item that is his or her property. Thus in making chopped wood for example, the

⁴⁶ Derclaye op cit (n43).

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ A Monotti with S Ricketson *Universities and Intellectual Property Ownership and Exploitation* (2003) 54.

⁵¹ R P Merges, *Justifying Intellectual Property* (2011) 2.

⁵² Ibid

⁵³ Ibid.

⁵⁴ J Bentham *Manual of Political Economy* in 3 *The works of Jeremy Bentham* 31, 71 (John Bowring ed., Edinburgh, William Tait (1843) 5.

wood becomes the man's property and in protecting the fruits of labour, it encourages the labour itself.’⁵⁵ In paragraph 26 of John Locke's writings he states;

‘...Every man has a property in his own person: this nobody has any right to but himself. The labour of his body and the work of his hands, we may say, are properly his. Whatsoever, then he removes out of the state that nature hath provided and left it in, he hath mixed labour with it, and joined it to something that is his own and thereby makes it his property ... No man but her can have a right to what that is once joined to, *at least where there is enough, and as good left in common for others.*’⁵⁶

Legal scholars have delved into discussions to see what Locke meant. It should be noted that Locke has several arguments of IP however the argument in consideration is Locke’s concept of ‘the commons’ as regards to IP.⁵⁷ It has been termed as ‘Locke's provisos on the theory of property’.⁵⁸ There are different interpretations to these provisos.

According to Robert Merges, the emphasis on Locke's justification is on adding labour to ‘found things’ therefore acquiring a sort of claim of property over them.⁵⁹ Locke acknowledges that the earth was granted by God for all people.⁶⁰ That was the origin of things. God did not grant one specific being the earth, but rather He granted all beings collectively, thus nobody originally had private dominion. Merges declares this as the starting point that shapes Locke's task of explaining how, out of a gift of all in common, individual property rights arise.⁶¹ Individual appropriation applies where the divine purpose for which God granted the earth to all is well understood.⁶² It was in order for mankind to appropriate, take hold of things and use them to survive and thrive! However Merges goes a step further to find the connection between fulfilling the divine directive and the institution of property. ‘Why should the act of appropriation give rise to the specific institution of ownership we call property?’ According to Merges, Locke's answer of this question is in the idea of labour hence the statement,

⁵⁵ See Shwegman, Lundberg & Woessner ‘Purpose of IP Law’ (2008) available at http://www.slwip.com/services/faqs/purpose_of_ip_law.html accessed 9 September 2015.

⁵⁶ R P Merges & J C. Ginsburg *Foundations of Intellectual Property* (2004) 2.

⁵⁷ W Fisher ‘Theories of Intellectual Property Law’ 2001 at 25.

⁵⁸ Merges op cit (n51) 48.

⁵⁹ Merges op cit (n51) 32.

⁶⁰ Merges op cit (n51) 34.

⁶¹ Ibid.

⁶² Ibid.

‘...whatsoever then he removes out of the state that nature hath provided and left in, he hath mixed his labour with it and joined to something that is his own, and therefore makes it his property.’⁶³

When appropriation occurs it is as a result of ‘taking out of this common state’ and expending effort (labour).⁶⁴ It therefore goes that, labour is the property of the labourer, and no man but he (the labourer) can have a right to what is once joined to, *at least where there is enough and as good left in common for others*.⁶⁵ ‘Hence, one owns one’s labour unquestionably, by extension, one owns whatever one’s labour is annexed to or mixed with.’⁶⁶

Thus in consideration of the labour justification, lawmakers must allow individuals the right to gain control over the resources in which they have used labour to obtain. It has been stated that when one mixes labour with resources found in common, they not only give rise to property rights but also to a legitimate claim to ownership. Some scholars have agreed with this labour justification. According to Jeremy Bentham, as long as an appropriator claims only what is original to him or her, leaving all ideas and information that existed before, then he ought to be accredited as the inventor.⁶⁷

Similarly, Cherenky has analysed Locke’s theory and summarised it as having three justifications. The first is a normative labour justification: ‘That one’s body is one’s property; thus one’s labour– the product of one’s body–must be one’s property; thus the product of one’s labour must also be their property.’⁶⁸ The second is referred to as the value-added justification; that one’s labour which is one’s property adds value to things as they exist in their natural unlaboured state so that an addition of value justifies property in the thing laboured upon.⁶⁹ The third justification is that ‘one’s labour which is one’s property adds value to things as they exist in their natural unlaboured upon state and would be unjust for others to appropriate the benefit of one’s labour as long as the labourer leaves *enough and as good in common for others*.’⁷⁰

⁶³ Monotti & Ricketson op cit (n50) 35.

⁶⁴ Ibid.

⁶⁵ Monotti & Ricketson op (n63).

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ Stephen Cherenky ‘A Penny for Their Thoughts: Employee–Inventors, Pre–invention Assignment Agreements, Property and Personhood’ (1993) 81 *California Law Review* 597.

⁶⁹ Ibid.

⁷⁰ Ibid.

The labour theory thus can serve as a powerful justification of IP however looking beyond IP a Lockean method may not be able to integrate well with the norm that is life today however scholars like Hegel and Kant have suggested that a great alternative to the Lockean model theory is a personality justification which will be discussed in this Chapter.⁷¹

(a) Utilitarian theory

This is perhaps the theory that has long recognised the justification of IPRs and patents in particular.⁷² It has argued that society should reward inventors with exclusive rights, to make use or monopolise such rights so that inventors will be happy with the reward and be encouraged to invent further or influence others to invent thus encouraging innovation.⁷³ Without this incentive as the theory goes the inventor may not be willing to put in the necessary time, effort and money required to make innovative products as they might be copied cheaply and easily by free riders thus eliminating the inventor's ability to profit from their work.⁷⁴

It has been argued that in granting this protection society also benefits in two ways, first society may apply the information using the patented technology after the expiration of the patent and secondly, in disclosing the information others can be inspired to either improve the technology or come up with a new innovative idea.⁷⁵ Utilitarian theory rests on the premise that the benefit to society of either having access to the patented technology or the information inspiring further innovation eventually offsets the costs to society that was expended as incentive to the inventors.⁷⁶

It should be noted that the utilitarian theory has been regarded as the theory that founds the American theory of IP. It aligns itself with the US constitution in which congress is granted power to “promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”⁷⁷ Some utilitarians understand that social welfare is maximised by creating more out of what is there for

⁷¹ J Hughes ‘The Philosophy of Intellectual Property’ (1988) *Georgetown Law Journal* 287.

⁷² Bentham op cit (n54) 635.

⁷³ Ibid.

⁷⁴ J C Fromer ‘Expressive Incentives in Intellectual Property’ (2012)98 *Virginia Law Review* 1-48 at 4.

⁷⁵ J C Fromer ‘Patent Disclosure’ (2009) *Iowa Law Review* at 548.

⁷⁶ Fromer op cit (n74) 6.

⁷⁷ Fromer op cit (n74) 5.

scientific and technological progress however others have believed that IP protection ought to ‘help foster the achievement of a just and attractive culture’.⁷⁸

Thus, in making the law, utilitarianism beckons lawmakers to strike a balance, between the power of exclusive rights to stimulate the creation of inventions on one hand and the tendency of such rights to curtail the widespread public enjoyment of these creations on the other.⁷⁹ Where this optimal balance has not been achieved, criticisms have emerged. Edwin Hettinger notes that the focus of a utilitarian argument is on the user of the intellectual products rather than on the producer, so that granting property rights to producers is seen as a necessity in order to ensure that enough intellectual products are available to users.⁸⁰

The author avers that if the current patent system is based on a utilitarian approach, then there can be no such thing as ‘an ideally beneficial patent system’. Why? Because the justification of the patent system is to slow down the dissemination of technological progress by granting the owner of a patent the right to prevent others from developing that field of knowledge in which his patent exists, until the expiry of his patent term.⁸¹ ‘Slowing down diffusion of technical progress ensures that there will be technical progress to be diffused’ in the future.⁸²

Such granting of property rights according to this author is paradoxical because it establishes a right to restrict the current availability and use of intellectual products in order to increase availability of new products in the future.⁸³ He further notes that if this is the purpose of a utilitarian approach, then it is self-defeating and instead we should be searching to employ equally powerful ways of stimulating the production and thus use of intellectual products which would not restrict their use and availability in the present. One such alternative is the use of government support.⁸⁴

⁷⁸ Fisher op cit (n57).

⁷⁹ Ibid.

⁸⁰ E C Hettinger ‘Justifying Intellectual Property Philosophy & Public Affairs,’ (1989)18 *Philosophy & Public Affairs* 31-52.

⁸¹ Ibid.

⁸² Ibid.

⁸³ Ibid

⁸⁴ Ibid.

Government already funds a great deal of Research and Development (R&D) whose results often become public property.⁸⁵ The results stimulate new inventions without restricting their dissemination and use and the author posits that increased government funding of intellectual labour should be seriously considered.⁸⁶ The control of government can be limited, like it is in the case of university research where it (government) does not dictate which projects will be funded. Its departments are only involved in distributing the funding for intellectual labour leaving universities or businesses or private individuals with the power to decide which projects to pursue.⁸⁷

Hettinger further argues that when it comes to the use of patents by large corporations, patents are not important incentives in the research and innovative activity in competitive markets the short term advantage a company gets from developing a new product and being the first to put it on the market may be incentive enough. Indeed the utilitarian view is centred on the need to provide an economic incentive for the creation of public goods hence the debates surrounding them.⁸⁸ The focus is on the economic viability of the good created, *vis a vis* the implicated cost of creation, and challenges confronting the process such as risk, among others.⁸⁹

These arguments show that the original design of the patent system, i.e. to reward the lone inventor and thereby stimulate innovation may today be used to monopolise industries.⁹⁰ This suppresses competition and brings about unfair market monopoly which is not conducive to conduct business.⁹¹ This analysis by the author seem to suggest that the current patent system does not provide the necessary incentive for innovation nor ensure widespread dissemination of intellectual works and products.⁹² We need to revisit the construction of the patent system if we are to achieve the true intentions of granting patents to individuals.

(b) Personality and personhood theory

⁸⁵ Hettinger op cit (n80).

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ G Parchomovsky and P Siegelman 'Towards an Integrated Theory of Intellectual Property' (2002) 88 *Virginia Law Review* 1455-1528.

⁸⁹ Ibid.

⁹⁰ Hettinger op cit (n80).

⁹¹ Ibid.

⁹² Ibid.

Personality and personhood theory justification is derived from the writings of two scholars; Georg Wilhelm Friedrich Hegel and Immanuel Kant.⁹³ This justification theorises that ‘property provides a unique or especially suitable mechanism for self-actualization, for personal expression, and for dignity and recognition as an individual person.’⁹⁴ That is to say that creators have expressed themselves in the work that they have created. Their “personhood” exists in the work therefore they should be able to prevent others from modifying the form in which the work exists.

According to Prof Margret Radin, in order for a person to achieve proper self-development, that person needs some control over resources in the external environment.⁹⁵ This control is legally achieved by developing a set of rights known as property rights.

Hegel’s personality justification is influenced a lot by the concepts of human, will, personality and freedom. Thus talents and sophistications are owned by a free mind. This is something that is internal and not external. However it is possible for the person to express these talents and eruditions in a piece of work which he embodies as a tangible item.⁹⁶ Such a doctrine is powerful especially when applied to artistic works protected under copyright. However what is not to say that today’s inventor actually expresses himself by use of his talent and sophistication and thus embodying in a work his personality? We are so used to the conventional – utilitarian solution to specific needs–type of invention where when an inventor like Thomas Edison was inventing the light bulb, his concern was ‘to find the filament material that would burn the longest and not that filament material that reflects his personality’.⁹⁷

Maybe if we looked deeper into technology for instance, we will find that not only do they manifest generic insight but they also manifest the personality of the individual.⁹⁸ A good example would be software coders, who write code, build software programs and have a certain ‘aesthetic vision’ which reflect their personality into the embodiment of their works. Software coders will tell you that it is possible to write computer programs in more than one way,

⁹³ Fisher op cit (n57).

⁹⁴ Hughes op cit (n71).

⁹⁵ Ibid.

⁹⁶ Huges op cit (n71) 34.

⁹⁷ Huges op cit (n71) 35.

⁹⁸ Ibid.

sometimes a more complex method can be used and in others a simpler method with the same efficiency. It all depends with the coder's choice which is reflected by his personality.⁹⁹

That said, there are scholars who have underscored the application of personhood theory under patent law. As Mark Lemley has stated, scientists like Einstein who spent his every waking moment developing the theory of relativity employed a particular form of creative genius. Thus an inventor might express his personality in an invention but in a different way that an artist would.¹⁰⁰ Jeanne Fromer presents empirical research indicating that inventors too have a close link to the invention that they make just as artist have of the work that they create.¹⁰¹ Not only do inventors discuss how much the inventions are a part of their identity they have stated that the desire for self-expression is a reason why they continue to invent.¹⁰²

A personality approach does have its shortcomings. For starters, there are works in which the embodiment of one's personality will not be manifested. It is why this approach limits itself to literary and artistic works such as poems, stories, musical works, and paintings among others. Secondly, in order for such a justification to even exist, an individual's 'persona' has to be present. Technically speaking an individual's person is his 'public image, including his physical features, mannerisms, and history.'¹⁰³ It has been debated in the US on whether the 'personal' should be considered intellectual property at all.

Notwithstanding the challenges, policy makers according to Hegel, Kant and Radin, should strive to create some entitlements to resources in the way that best enables people to fulfil fundamental human needs.¹⁰⁴ The first step of the application of this perspective to IP is to identify the specific needs or interests that are being promoted.¹⁰⁵ Thus if the intention for instance is for the individual to have self-realisation then lawmakers would be persuaded by the personality theory.¹⁰⁶

(c) Social Planning theory

⁹⁹ Huges op cit (n71) 36.

¹⁰⁰ Fisher op cit (n57) 7.

¹⁰¹ Jeanne op cit (n74) 18.

¹⁰² Ibid.

¹⁰³ Huges op cit (n71) 35.

¹⁰⁴ Fisher op cit (n57) 5.

¹⁰⁵ Fisher op cit (n57) 28.

¹⁰⁶ Ibid.

The social planning theory is rooted in the proposition that property rights in general and IPR in particular can and should be shaped to foster the achievement of ‘a just and attractive culture.’ According to Fisher, the lawmakers who try to harness the social planning theory ought to consider what type of society they are trying to promote.

First, is it a consumer welfare society? Where the lawmaker shall be looking for balance between ‘incentives for creativity or incentives for dissemination and use.’ Secondly, is it a society which is a ‘cornucopia of information and ideas’ where an attractive culture would be that which its citizens have a variety of life’s plenitude such that, variety helps make life more stimulating. Thirdly, is it a society that has a rich artistic tradition, in which an artistic innovation is fostered by governmental policies to a certain class of people? Fourthly, would it be ‘distributive justice society’ where all people ought to have access to all resources equally. Fifth, is it ‘semiotic democracy’ where such a society would have all its people participate in the process of making culture meaningful? Sixth, is it ‘sociability’, where an attractive society is one which the individual’s lives would be considered rewarding because they have access to groups? And finally ‘respect’ where it is appreciated by that society the extent to which self-expression creates self-creation.

It all depends with the social vision and it is this theoretical approach that is more common to copyright proponents where people are more inclined to shape their local social and economic environment. It is argued however that such an approach does not emerge on its own but must be supported by the government. Further, Fisher has posited that law makers would face serious problems in trying to apply such a vision to a doctrinal specific problem like is in the case of parody which ‘erodes the control over the meanings of cultural artifacts exerted by powerful institutions and expands opportunities for creativity by others.’¹⁰⁷ All in all, social vision on its own does not give law makers much vision.¹⁰⁸

2.6 Conclusion

This chapter has conceptualised innovation in employment. It has discussed the common law position on employer’s right, patents intention and purpose and the theories that have been advanced in support of patents. The discussion has revealed that legislators have focused on the utilitarian and labour law theories because they have been interested in supporting their countries

¹⁰⁷ Fisher op cit (n57) 36.

¹⁰⁸ Ibid.

ability to produce invention for technological progress.¹⁰⁹ In addition, the focus has also been to foster innovation by offering incentives to the inventors.¹¹⁰ However, when it comes to inventions within the employment context, the concern that has arisen is whether the current patent system supports the inventiveness and creativity of employees.

Perhaps, where other justifications are considered by the law maker, such as personhood justification and planning theory justification the employee–inventor would be happier or the law would favour him so that he is more willing to engage himself and his creativity to invent useful products for the benefit of all.¹¹¹ It is possibly why some scholars have argued that there is need to restructure the patent law so that a better balance is achieved between the interests of the employee–inventor and those of the employer.¹¹² This will ensure that the expectations of key players of the innovation process in the work environment is effectively managed.¹¹³ Patent laws need to be reformed in a manner that recognises the critical role that the employee plays and thereby create laws that encourage his innovation and productivity.¹¹⁴

¹⁰⁹ Fisher op cit (n57) 36.

¹¹⁰ P S Menell ‘Intellectual Property: General Theories’ (1999) 1 available at <http://levine.sscnet.ucla.edu/archive/ittheory.pdf> accessed 29 January 2016.

¹¹¹ See discussions by Hegel, Kant in Fisher op cit (n56).

¹¹² Cherenky op cit (n68) 597.

¹¹³ S Y Ravid “‘For a Mess of Pottage’: Incentivizing Creative Employees Toward Improved Competitiveness ‘Cornell HR Review (2013) available at <http://www.cornellhrreview.org/for-a-mess-of-pottage%C2%B7%C2%B7-incentivizing-creative-employees-toward-improved-competitiveness/> accessed on January 29, 2015.

¹¹⁴ Ibid.

CHAPTER THREE

ANALYSIS OF THE LEGAL PROVISIONS CONCERNING INVENTIONS AND INNOVATIONS PRODUCED DURING THE COURSE OF EMPLOYMENT KENYA

3.0 Introduction

In the Kenyan context, IP rights are provided by several pieces of legislation namely, Constitution of Kenya 2010, the IPA, Copyright Act¹ and Trade Marks Act² among others. These laws reaffirm the commitments that legislature has in supporting, securing and promoting the IPRs of the people of Kenya. The Constitution has for example several articles mentioning IP under Articles 11(2)(c), Article 40(2)(5), Article 69(1)(c), Article 238(1), Article 259 and Article 260. These articles have been welcomed by many in Kenya because the view is that, the Constitution will provide the necessary reinforcement to ensure a strong IPR system necessary to support innovation in Kenya.

Similarly, other than national law, Kenya recognises international law as part of the domestic legal order. Article 2(5) of the Constitution reads, ‘The general rules of international law shall form part of the law of Kenya.’ Article 2(6) further reads, ‘any treaty or convention ratified by Kenya shall form part of the law of Kenya under this Constitution.’ The effect of Article 2(5) is that the courts can recognise the general rules of international law without having to look for justification outside the Constitution.³ Article 2(6) on the other hand creates legal relations between Kenya and other States to a ratified treaty therefore binding the State at domestic level.

Therefore, existing international legal instruments that safeguard IP rights shall apply under Article 2(5). They include the Paris Convention (PC) of 1883 on industrial property, the Berne Convention (BC) of 1886 on copyright law, the Trade Related Aspects of IP (TRIPS) Agreement of 1994, Universal Declaration of Human Rights (UDHR) of 1948 and Article 15 of the International Covenant on Social, Economic and Cultural Rights (ICESCR)⁴ among others.

At the international level the UDHR and the ICESCR both articulate commitments to the rights of creators. Article 15.1 (a) (b) (c) ICESCR establishes everyone’s right to take part in cultural

¹ 12 of 2001.

² 5 of 1995.

³ M Oduor ‘Status of International Law in Kenya’ available at https://www.academia.edu/11695767/The_status_of_international_law_in_Kenya accessed on 24 June 2015.

⁴ UN, General Assembly, International Covenant on Economic and Social Cultural Rights (ICESR), 16 December 1966, UNTS, Vol. 993.

life, to enjoy the benefits of scientific progress and its applications, and to the protection of the moral and *material interest* resulting from any scientific, literary or artistic production of which he or she is the author as a human right.

Paragraph one of the general comment of the International Covenant on Social, Economic and Cultural Rights (Covenant) reads:

‘...Human rights are fundamental, inalienable and universal entitlements belonging to individuals and, under certain circumstances, groups of individuals and communities. Human rights are fundamental as they are inherent to the human person as such, whereas IP rights are first and foremost means by which states seek to provide incentives for inventiveness and creativity, encourage the dissemination of creative and innovative productions as well, as the development of cultural identities, and preserve the integrity of scientific, literary and artistic productions for the benefit of a society as a whole.’

Thus, in legislating its national laws, Kenya has an obligation to ensure that the creators of IP works fully enjoy the benefits of their creativity.

Further, Article 7 of the TRIPS agreement refers to the objectives of IP protection as follows:

‘The protection and enforcement of IPRs should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare and to a balance of rights and obligations.’

Kenya is a signatory of the General Agreement on Tariffs and Trade (GATT) of which TRIPS is an integral part. TRIPS agreement sets the minimum standards of protection in the form of obligations which member countries are required to implement within their national laws.⁵ Kenya has to a large extent fulfilled its obligation under the Agreement by imposing standards on protection of IP in accordance with TRIPS.⁶ Thus, Kenya not only amended several

⁵ O Dean & A Dyer *Introduction to intellectual Property Law* (2014) 1.

⁶ M Wekesa ‘An Overview of the Intellectual Property Rights (IPRs) Regime in Kenya’ Chap 1 in M Wekesa and B Sihanya (ed) *Intellectual Property Rights in Kenya* (2009) 6.

of its IP legislation but it also, domesticated other treaties that would assist it achieve the minimum standard obligation.⁷

It is argued that Kenya's IP legislation seeks to not only provide protection of IPR but also to promote local innovation and creativity of its people.

3.1 Legislation on Employee invention

In the Kenyan context it is the Copyright Act and the IPA that recognise and protects creations and inventions made by employees in the course of employment.

Copyright will protect any literary work, musical work, artistic, audio–visual work or sound recording and broadcast.⁸ The Copyright Act under section 31 recognises that works made in the course of employment under a contract of service shall be deemed transferrable to the employer except where both parties have agreed to the contrary under an agreement. Patents will protect any patentable invention. An invention is patentable if it is new, involves a new step and is industrially applicable.⁹ Section 32 of the IPA recognises that when an employee makes an invention arising out of the course of employment the invention belongs to the employer. 'The employer has the right to a patent for such an invention.'¹⁰

Thus, both the patent and copyright laws of Kenya recognize that copyright and patents created in the work environment belong to the employer. Further, both Acts stipulate that the works must be made within the confines of employment. The IPA provides that:

'Notwithstanding section 30 and in the absence of contractual provisions to the contrary, the right to a patent for an invention made in execution of a commission or of an employment contract shall belong to the person having commissioned the work or to the employer. Provided that, where the invention is of exceptional importance the employee shall have a right to equitable remuneration taking into consideration his salary and the benefit derived by the employer from the said invention.'¹¹

The Act here denotes that in fulfilling the terms under which he is employed, an inventive employee may come up with an invention. In such circumstances the statute gives the employer a

⁷ Wekesa op cit (n6)7.

⁸ Section 22 (1) Copyright Act 12 of 2001.

⁹ Section 7 of the of the Industrial Property Act 3 of 2001.

¹⁰ Ibid.

¹¹ Ibid.

right to own the resulting invention and the employee a right to receive compensation where the invention is of exceptional importance.¹²

Further under section 32 (2) the IPA states:

‘The provisions of subsection (1) shall apply where an employment contract does not require the employee to exercise any inventive activity but when the employee has made the invention by using data or means available to him during his employment.’

In the circumstances provided for in subsection (2), the employee shall have a right to equitable remuneration taking into account his salary, the importance of the invention and any benefit derived from the invention by the employer.’

The Act here denotes that even where the employee was not hired to invent, and his contract of employment did not require him to be inventive but he comes up with an invention by using the employers material, data or anything that has been made available to him while in employment, then the invention shall belong to the employer. The lingering question here is what shall be considered as ‘an invention of exceptional importance’.

3.2 An invention of exceptional importance

Generally, when one thinks of an item that is of exceptional importance one thinks that the item has great value and significance. The patent law in this case is seeking to reward the employee inventor for his contribution to the technological advancement of his invention. However, statute does not give the quantum as to what may amount to an invention of exceptional importance. Inference can therefore be made by considering one of three options. First is looking at the value of the IP by looking at the profits received by the employer's exploitation.¹³ Secondly, is considering the custom that has been developed by previous authorities on compensation.¹⁴ Thirdly is considering, the meaning that legislature intended when it drafted this section.¹⁵

Since there is a dearth in authority on the cases that have been decided on employee inventions, previous authorities cannot be relied on. Thus, a consideration of the meaning that

¹² Section 31 of the Industrial Property Act 3 of 2001.

¹³ See discussions of similar section of the UK Patent Act of 1977 in C Davies & T Cheng *Intellectual Property Law in the United Kingdom* (2011) 149.

¹⁴ K Reinholdsson *Ownership of employee inventions - regulation in Sweden, the United Kingdom and the United States* (LLM) (University of Lund) (2002) 27-28.

¹⁵ See the Interpretation and General Provisions Act, Chapter 2.

legislature intended, of an invention of exceptional importance can therefore be considered. The starting point would be to look at the first patent law in Kenya (the Industrial Property Act of 1989) which, was replaced by the current patent law (the IPA).¹⁶ The Industrial Property Act of 1989 was introduced in Kenya as a new and independent patent system however a few of the sections were adopted from the 1977 United Kingdom (UK) Act.¹⁷ One of them being, the employer's entitlement to inventions arising in the course of employment.¹⁸

As was discussed in Chapter one, the UK Patent Act allows an additional remuneration to an employee for an invention for which a patent has been granted and which is of 'outstanding benefit' to the employer.¹⁹ According to Rattray, the provisions of the British Patent Act allowing both the employer and the employee to be entitled to a share in the benefits of an invention, were enacted as a result of a recommendation of the Swan committee which was constituted to investigate the reform of the then existing patent law. The committee saw it just for the two parties to share the benefits of an arising invention, however soon after the enactment, both the Appeal Court and the House of Lords were called upon to interpret that entitlement in the case of *Patchett*.²⁰

The Lordships in that case alluded that the entitlement to the parties is not shared *per se* but it is a right that is entitled to one party, to the exclusion of the other party.²¹ According to Rattray what the court was saying is that 'once the invention was found to have been made within the scope of the employee's employment, the entire beneficial interest therein belonged to the employer.'²² If this was not the case then, an agreement between the parties was certainly required to set out the rights of the parties in the invention.²³ The court could not interfere with this agreement if its terms were clear.

¹⁶ O Odek 'The Kenyan Patent Law: Promoting local inventiveness or protecting foreign patentees? (1994) 38 *Journal of African Law* at 79-103.

¹⁷ *Ibid*.

¹⁸ See ss 40 -42, UK Patent Act of 1977.

¹⁹ Section 40 of the UK Patent Act of 1977.

²⁰ C G Rattray *Rights of Employers in the Inventions of their Employees* (LLM) (University of Cape Town) (1978) 58-59.

²¹ *Ibid*.

²² Rattray *op cit* (n20) 60.

²³ *Ibid*.

It is therefore clear that, the basic principle to be established in the British law is to determine whether an invention has been made in the course or scope of employment.²⁴ If it is established that the element of course or scope is missing then such an invention shall belong to the employee but where it is established that the invention exists in the course of employment, then the whole of the benefit shall belong to the employer.²⁵

Therefore in applying the British principle to Kenya's IPA, it shall be key to establish whether the invention was made within the course of the employment. Section 32 (2) of the IPA has implied that where the material of the employee have been used, or even where the resulting product relates to the business of the employee then such work shall be considered part of 'course of employment. Also the Act has expressly stated that where the employers material, data or anything that has been made available to him while in employment, is used it shall belong to the employer.

However, a problem may arise in deciding what amount is 'equitable'. Who decides what is equitable? The IPA intimates that such a decision shall be made by both parties in an agreement.²⁶ However commentators of similar position of the law have argued that common law agreements between employers and employees are unfair to the employee because they diminish the employee's right.²⁷ Traditionally the employer as the master had superiority in the employment contract and could determine employment terms in his favour thereby delegating employees to an inferior status.²⁸ The employee had little bargaining power because he was in need of employment.²⁹ As a result the employee would sign of his right to the employer in order to secure his employment.³⁰

This traditional common law concept still holds true in today's circumstances. The employer still holds superior bargaining power over any agreements that he may conclude with the employee. In this regard the IPA seems to be elevating the position of the employer at the employees' detriment. Further, instead of clarifying how equitable compensation will be achieved it quickly directs parties that have been unable to agree, to have the matter determined

²⁴ Ibid.

²⁵ Rattray op cit (n20) 60.

²⁶ Section 32 (4) of the Industrial Property Act 3 of 2001.

²⁷ *Patchett v Sterling Engineering Supra.*

²⁸ Ibid.

²⁹ Ibid

³⁰ Ibid.

by the Industrial Property Tribunal which is the body having judicial mandate to hear and determine such applications.³¹

Thus, sections 32 (1) and (2) have been termed problematic in the context of employee inventions and the employee's right to receive compensation for his inventiveness. It is not clear what an invention of exceptional importance is, and consequently what equitable remuneration an employee shall receive. The law lacks clarity and may consequently end up diminishing the rights of employees over inventions made in the course of their employment. Further, the benefit of the patent system, to incentivise an inventor has not found expression in the employment context. Such a position could be discouraging innovation instead of encouraging it which is the important function of any patent system.³²

Employers have every reason to encourage employees to produce inventions because they too can benefit from the exploitation of such inventions.³³ It is at the employer's hands that such an invention can be exploited to its full potential but the employee will not be willing to part with the said invention if he is not rightfully compensated.³⁴ Further such rigid laws stifle innovation that is much needed in the society and it delays important progress to science and technology.

The IPA tries to cure this conundrum by providing for the issuance of technovation certificates to the employee who goes beyond the call of duty. Under part XIV of the Act the employee is given a right to receive a technovation certificates from the enterprise/employee.³⁵

3.3 The Employee's right to receive a technovation certificates

Kenya's IPA provides for the issuing of technovation certificates to employees who have exercised their inventive faculties and made an innovation in the course of employment that goes beyond the call of duty. A technovation is defined as a solution to a specific problem in the field of technology, proposed by the employee (the technovator) of an enterprise in Kenya for use by

³¹ Section 32 (4) of the Industrial Property Act 3 of 2001

³² See discussions by E C Hettinger 'Justifying Intellectual Property Philosophy & Public Affairs,' (1989)18 *Philosophy & Public Affairs* 31-52.

³³ V A McBride *Patent Ownership Rights to Employee Inventions* (LLM) (UNISA) (1996) 6.

³⁴ Ibid

³⁵ C Mputhia 'Why Companies need Intellectual Property Policies' (2012) *Business Daily Africa* available at <http://www.businessdailyafrica.com/Why-companies-need-intellectual-property-policies/-/539444/1508716/-/jm7aj5z/-/index.html>, accessed on 4 February 2016.

that enterprise.³⁶ It is a requirement that the innovation relates to the core business of the enterprise but which on the date of the proposal has not been used or actively considered for use by that enterprise.³⁷

A technovation certificate is issued to an employee who is thereafter obliged to test, develop and use the technovation on behalf of the enterprise.³⁸ In return the technovator is entitled to remuneration in the event that the enterprise uses the technovation or communicates it to a third party.³⁹ The amount is to be fixed by mutual agreement or by collective bargaining agreement.⁴⁰

There has only been one reported case in Kenya where the provisions of this Act have been invoked by an employee. On or about 2013 it was reported, that an employee of the Kenya Revenue Authority (KRA) was suing the authority for alleged infringement of his IPR over an innovation called ‘GEOCRIS’ (Geo-spatial Revenue Collection Information System)⁴¹ The employee, Mr Samson Ngengi Njuguna allegedly developed technology that would allow his employer KRA to collect property taxes by use of minimal manpower resources.⁴² The solution integrated data from various government agencies to optimally track non-compliant taxpayers and the physical location of the said properties.⁴³ KRA would make use of such a solution by tracking default tax payers and mapping the location of their properties.⁴⁴ Reportedly implementation of the solution would have saved the Authority billions of shillings.⁴⁵

The interesting facts of this case are that the alleged innovator, developed the innovation while he was undergoing training, to become a revenue officer.⁴⁶ Upon the successful

³⁶ Section 94 of the Industrial Property Act 3 of 2001.

³⁷ Ibid.

³⁸ See Ss 97 & 98 of the Industrial Property Act 3 of 2001.

³⁹ See Ss 99 & 98(5) of the Industrial Property Act 3 of 2001.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² KRA Website ‘KRA wins global tax award’ available at <http://www.kra.go.ke/index.php/notices/kra-news/428-tax-award>, accessed 4 February 2016.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ P Wafula ‘KRA loses round one in case against employee’ (2012) available at <http://www.nation.co.ke/business/news/KRA-loses-round-one-in-case-against-employee/-/1006/1628814/-/14ndigx/-/index.html>, accessed February 4, 2016.

⁴⁶ Ibid.

completion of his two year training⁴⁷ KRA hired him as a Revenue Officer and his core responsibility was to register and recruit taxpayers as well as devise new and innovative ways of raising revenue.⁴⁸ The innovator claims that in the period he was a trainee he sought a technovation certificate from his employer which he was never awarded.⁴⁹ In April 2012 KRA was acknowledged for developing GEOCRIS which won a global innovation award in Santiago Chile.⁵⁰

The employee remained persistent with obtaining the technovation certificate, but later to his dismay, KRA advertised bids for a markedly similar system that would be able to perform the same functions that GEOCRIS did.⁵¹ Further, Ngengi was informed that a KRA officer had shared a GEOCRIS system demo with a 3rd party with a view to further develop the same.⁵² This elicited a reaction from Ngengi who alleged that the move by his employer was an attempt to usurp his IPRs.⁵³ He therefore moved to the High Court seeking interim orders to stop KRA from tendering any similar system, or from using GEOCRIS until such a time that a full hearing and determination of his case was convened.⁵⁴

The High Court of Nairobi in this case granted the orders but referred the matter to arbitration under s 101 of the IPA which provides mandatory dispute resolution mechanism which must commence with arbitration.⁵⁵

‘101. (1) Any dispute concerning the application of this part shall be submitted by any interested party to an arbitration board consisting of three members: one member appointed by the employee or technovator, one member appointed by the enterprise, and a chairman appointed by the two members. The arbitration board shall hear interested parties and thereafter deliver its ruling.

⁴⁷ D Moturi ‘Government must support talent and innovation’ (2013) *Capitalfm* available at <http://www.capitalfm.co.ke/eblog/2013/10/16/government-must-support-talent-and-innovation/>, accessed 4 February 2016.

⁴⁸ Ibid.

⁴⁹ Moturi op cit (n47).

⁵⁰ Opinion Kenya ‘KRA should not get away with this please respect your innovators’ (2012) available at <http://opinionkenya.com/public/?mnr=pal&o=209&b=775n>, accessed February 4, 2016.

⁵¹ Ibid.

⁵² Ibid.

⁵³ V Nzomo ‘The Tax Collection Technovation Tussle: A Test Case for Industrial Property in Kenya’ (2012) available at <https://ipkenya.wordpress.com/2012/11/30/the-tax-collection-technovation-tussle-a-test-case-for-industrial-property-in-kenya>, accessed on February 4, 2016.

⁵⁴ Ibid.

⁵⁵ Ibid.

(2) Where the parties fail to agree on the appointment of the chairman, he shall be appointed by the Resident Magistrate's Court having jurisdiction in the place where the enterprise is located.

(3) An aggrieved party may appeal against the decision of the arbitration board to the Tribunal,⁵⁶

Currently the matter is before a three bench arbitration which will have to consider the merits of the case in light of the facts, circumstances and the law. Several legal issues will have to be considered; first, whether the innovation GEOCRIS is a technovation under section 94. This shall be the most important determination, because if GEOCRIS is not a technovation then Ngengi's case has no merit. According to the criteria under the IPA, GEOCRIS must satisfy these conditions:

- (i) Is it as a solution to a specific problem in the field of technology?
- (ii) Was it proposed by an employee of KRA for use by KRA?
- (iii) Is GEOCRIS related to the core business of the enterprise?
- (iv) By the date of proposal had GEOCRIS been used or actively considered for use by KRA? (This date under the meaning of the IPA means the date on which the employee makes a request for a technovation certificate in accordance with section 96).

Secondly was Ngengi the innovator of GEOCRIS? It is possible that GEOCRIS may have had other contributors who were employees and who under the IPA would qualify to make a request for a technovation certificate jointly with Ngengi. Thirdly, when exactly was GEOCRIS created? Fourthly, did the degree of the creative contribution inherent in the technovation exceed that which is normally required of a KRA employee in his position?⁵⁷ Fifthly, was Ngengi's right to receive a technovation certificate infringed?

These questions shall be very useful to the arbitrators when making their determination. Although the determination is yet to be seen, the court of public opinion has spoken and expressed its dismay towards the enterprise and the government.⁵⁸ They have analogized the case as that of *David v Goliath* where the giant is KRA, a big corporation wanting to undermine the small employee innovator, Mr Ngengi.⁵⁹ The arbitration will cost both parties an initial sum of

⁵⁶ Section 101 of the Industrial Property Act 3 of 2001.

⁵⁷ Section 95 (2) of the Industrial Property Act 3 of 2001.

⁵⁸ Moturi op cit (n47).

⁵⁹ Opinion op cit (n50).

Kshs 1 million (approx ZAR 100,000) which cost is to be split 50:50 between the two parties.⁶⁰ An interesting observation is that the Authority, which is the body that collects revenue that funds government's spending can easily afford to pay the required sum but that same sum will be a financial hurdle that Ngengi will have to pay if he is persistent with his believed quest for justice. Ngengi has since appealed to well-wishers to assist him through donations to raise the arbitration fees.⁶¹

Further, reportedly Mr Ngengi who was a revenue officer in Nairobi has since been transferred to Mombasa (some 274 miles) away from the KRA headquarters where the Authority's project office is housed and which technically would administer GEOCRIS.⁶² This action by the employer has been viewed as a tactic to frustrate and delay Mr Ngengi's case.⁶³ All in all this case presents anecdotal evidence of the fact that even where the employee's right exists, it is still one that has to be repeatedly enforced in order for it to be relevant to the affected employees.

Notably, Kenya is one of the few countries that considers sharing of benefit arising out of the course of employment between an employer and employee. However, even with such legislation, the right of the employee cannot be effectively enforced because of the lacuna that exists in the law on employee inventions. In the case of technovation certificates, the enterprise is given a wide discretion which is granting of technovation certificates. This wide discretion is sometimes open to abuse by the enterprise in a way that prejudices the rights of employees.⁶⁴

The enterprise has three months to communicate to the employee whether they will be issuing a technovation certificate to the innovator. This means that the enterprise has the option of rejecting the innovator's application, denying the employee the right granted by statute. The statutory right to receive a technovation certificate is therefore not guaranteed by statute but rather is at the discretion of the employer, thus making the Act one sided. In addition even where the enterprise issues a technovation certificate, the law grants the employer the discretion of not making use of the proposed technovation.

⁶⁰ Opinion op cit (n50).

⁶¹ Ibid.

⁶² Wafula op cit (n45).

⁶³ Ibid.

⁶⁴ See the provisions of Part XIV of the Industrial Property Act 3 of 2001.

3.4 Has the prevailing system recognised the correct person?

The law on employee inventions ought to align itself with the purpose of granting IP rights. At the international level the ICESCR articulates that IP ought to provide incentives for inventiveness and creativity, so that creativity and innovation is disseminated in the IP products, while development of cultural identities, and the preservation of the integrity of scientific, literary and artistic productions for the benefit of a society are realised.

Similarly, TRIPS agreement affirms that IPRs should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare and to a balance of rights and obligations. Thus, laws on employee inventions must first and foremost conform to the standards that have been set by existing legislation.

Secondly, the law on employee inventions must also be balanced in a manner that does not prejudice the interests of either of the parties involved. This thesis has revealed that the position of the employee who invents in the course of employment is prejudiced. The employee's right to receive equitable remuneration, where the invention is of exceptional importance⁶⁵ and the employee's right to receive a technovation certificate when an employee has gone beyond the call of duty⁶⁶ have been seen to not only been vague and uncertain but also difficult to assert. In an optimal system, the rights that laws bestow must ensure that they balance interests of the affected parties.

Thirdly, there is the issue on what exactly is the economic incentive according to the IPA. The difficulty is in determining whether it is the salary or the compensation that is the economic incentive to the employee. The Act intimates that it is the additional compensation. However, the manner in which the compensation is awarded creates certain doubts to the effect that the employee's position seems prejudiced. For instance, in interrogating what will be considered as 'an invention that is of exceptional importance', such decision has been reserved for the employer, creating the notion that the employer has the upper hand and consequently power over the employee. Hence since the law cannot guarantee compensation, an inventive employee may then only be motivated by his salary if he is to carryout inventive activity in the workplace.

⁶⁵ Section 32 of the Industrial Property Act 3 of 2001.

⁶⁶ Section 95 of the Industrial Property Act 3 of 2001.

Fourthly is the right to receive a technovation certificate from the employer. This right is very advantageous to an employee inventor and if its implantation can be secured then the purpose for which IPRs exist will be achieved. It is in the interest of IPR that an inventor receive a benefit from the fruits of his creativity and ingenuity. Securing this right will ensure that should the invention be commercially exploitable, the employees benefit will be valuable and will act as an incentive to further ingenuity.

Fifthly, there is also the position taken by scholars that the law on employee inventions should be based on the principle that the employee who has invented is entitled to the invention he has made. However he can be forced to share his right with the employer depending on how the invention arose, and whether it was in connection with the employer's business or with the duties of the employee.⁶⁷ The formula is pre-determined by legislation and this resolves the ambiguity created by current patent laws.

These concerns suggest that the system is not efficient and should be revisited in order for it to fully accommodate the employee.

3.5 Conclusion

This chapter has highlighted important sections of the IPA that deal with employee inventions arising out of the course of an employee's employment. The chapter has considered whether the current legal framework has sufficiently provided for the rights of the employee within the intentions and principles of the purpose of IP. This thesis has concluded that the prevailing system has attempted to make provision for employee's who invent by granting certain rights. However, this thesis has also noted that these rights may not be effectively enforced and therefore the employee who invents in the course of employment may not be fully protected. The protection of employees in this system is therefore inadequate.

This chapter concludes that if the position of the employee is to be truly put into consideration, then an overhaul on the approach of how employee inventions are dealt with within employment should be made and new legislation enacted so as to ensure that an employee is well encouraged to produce inventions in the work environment.

⁶⁷ Reinholdsson op cit (n14).

CHAPTER FOUR

COMPARATIVE ANALYSIS OF EMPLOYEE –INVENTOR LAWS IN GERMANY AND SWEDEN

4.1 Introductory remarks

This chapter intends to conduct a comparative study of the laws relating to employee inventions in Germany and Sweden. The study will reveal the approaches that these countries have taken towards employee inventions and the lessons that Kenya can learn from these countries experiences.

4.2 Germany

According to Takenaka and Reboul, Germany has one of the most advanced legal systems providing a detailed set of rules that balances the interests of employers and their employee inventors.¹ Employees who make inventions during the course of employment are subject to the German Act on Employee Inventions (Gesetz über Arbeitnehmererfindungen (ArbnErfG)).² It is a separate Act from the German Patent Act (Patentgesetz of 1983) reflecting the importance of its provisions and of government to make provision for employee inventions.³

Under s 4 of the German Act on Employee Inventions (hereinafter referred to as GAEI), employee inventions can be of two types. First is tied inventions, also known as service inventions and the second is free inventions.⁴ Service inventions have been regarded as those inventions resulting from the obligatory activity of the employee in the company, or are substantially based on experiences or activities of the company.⁵ Employee inventions which cannot be attributed to the company's activities or result from the duties under the employment contract are regarded as 'free inventions'.⁶ They may include inventions made as a result of the knowledge and experience gained during the employment or through the use of company resources.

¹ T Takenaka and Y Reboul 'Employee invention systems: Comparative Law Perspective at 365 in T Takenaka *Intellectual Property in Common Law and Civil Law* (2013) 367.

²ArbnErfG Act of July 25, 1957, as last amended by the Law of June 24, 1994 as read with Simplification and Modernization of Patent Act of July 31, 2009.

³ Takenaka and Reboul op cit (n1) 367.

⁴ See s4 of ArbnErfG Act of July 25, 1957.

⁵ Ibid.

⁶ M D Will & Emery 'Patent ownership in Germany: Employers v Employees' (2013) Para 5.2 available at http://www.mwe.com/files/Uploads/Documents/Pubs/White_Paper_Patent_Ownership_Germany.pdf accessed on 3 February, 2016.

The GAEI entitles an employer to claim ownership over service inventions however, free inventions shall belong to the employee but with an attached duty to offer the employer a non-exclusive license under reasonable conditions if the invention falls within the range of the employer's actual or planned activities.⁷ Thus, the GAEI is based on the concept that rights in the ownership of inventions originally vests in employees who are inventive,⁸ and if an employer wishes to own the employee's invention, he will have to comply with the prescribed requirements provided by the GAEI.⁹

All service inventions, including creative improvements to a previously completed invention as soon as they are created¹⁰ must be brought to the attention of the employer.¹¹ This is done by way of a written notice in a prescribed manner.¹² The aim of this is to inform the employer about the invention so that such an employer can make a decision on whether to claim ownership or release the invention to the employee.¹³ Scholars have suggested that this provision imposes a duty upon the employer to seek patent protection for the invention where he has received a service invention.¹⁴ However if he elects to release the invention the employee will have the right to proceed on his own account appropriate protection for the invention.¹⁵

Section 5(2) of the GAEI gives a requirement about the report. It requires the employee to describe the technical problem, its solution and how he arrived at the service invention. Any existing notes necessary for an understanding of the invention must also be attached.¹⁶ The GAEI requires the employee to include in that report, the nature and extent of the employee's co-workers contribution as well as the contributions that he considers to be his own. From this provision, it seems that the GAEI finds it necessary to focus attention on two items. First is on the technical problem. This is because the employee-inventor is the person who understands the technical aspect of his invention. Thus he is best placed to describe it. Secondly, the contribution

⁷ Will & Emery op cit (n6).

⁸ Toshiko & Reboul op cit (n1) 376.

⁹ Prof. Dr. H Goddar 'Employees Inventions and Model Agreements for Industry-Research Collaboration' (2014) 2 available at https://www.iaea.org/INPRO/9th_Dialogue_Forum/05_BreakoutSession/BOS_Topic2/Goddar-Germany-Employees_Inventions.pdf accessed February 15, 2016.

¹⁰ Ibid.

¹¹ Section 5ArbnErfG Act of July 25, 1957

¹² Section 6 ArbnErfG Act of July 25, 1957.

¹³ Will & Emery op cit (n6).

¹⁴ C G Rattray *Rights of Employers in the inventions of their Employees* (LLM) (University of Cape Town) (1978) 128.

¹⁵ Rattray op cit (n14) 129.

¹⁶ Section 5(2) ArbnErfG Act of July 25, 1957.

made by every employee are important in which case, they will be relevant when determining who shall be named as the inventor, and consequently on compensation determinations.

Upon receipt of the report, the employer has four months to decide whether he will be making a claim of ownership of the service invention.¹⁷ If the employer does not release the said invention within the four months, the GAEI implies that the employer has acquired the invention.¹⁸ The same applies to when the employer has remained silent.¹⁹ Accordingly, this requirement gives employees the freedom to assign the ownership to a third party including even the employer's competitor.²⁰ However, there may be an instance where the employer wishes to claim ownership before the expiry of the four month period.²¹ The GAEI provides that where this is the case, the employer may explicitly claim ownership and he will become the full owner of the invention.²²

All service inventions in respect for which a claim of ownership has been made by the employer results in a variety of obligations.²³ Where an employer acquires an invention then the employee is entitled to compensation.²⁴ According to Toshiko et al, the employee's right to receive compensation is based on the principle of sharing benefits resulting from an exclusive right in the employee invention through a patent grant thus; the patent grant is useless unless a patent application is filed so that an exclusive right is obtained.²⁵

The legislation further gives guidelines to help in determining fair compensation. S 9(2) reads:

‘in assessing compensation, due consideration shall in particular be given to the commercial applicability of the service invention, the duties and positions of the employee in the enterprise and the enterprise's contribution to the invention.’

¹⁷ See s 6(1) and s 5(3) ArbNErfG Act of July 25, 1957.

¹⁸ See s 6 (2) ArbNErfG Act of July 25, 1957.

¹⁹ Ibid.

²⁰ Toshiko & Reboul op cit (n1) 377.

²¹ Will & Emery op cit (n6).

²² See s 6 ArbNErfG Act of July 25, 1957.

²³ Toshiko & Reboul op cit (n 1) 378.

²⁴ Section 9(1) ArbNErfG Act of July 25, 1957.

²⁵ Ibid note 23.

Some authors have argued that this section brings uncertainty on what is meant by fair compensation.²⁶ However s 10(1) specifies that fair compensation shall only be applicable once the invention has been used and s 11 adds that the Minister of Labour shall be empowered to issue directives for assessing compensation. These provisions thus give further guidance on the fair compensation uncertainty. In addition, procedures for the settlement of compensation are found under section 12. Under s 12(1) the GAEI permits agreements between the employer and the employee on the nature and amount of compensation after the claim to a service contract suggesting that the parties themselves are required to settle the nature and amount of compensation. However, where it is not agreed, the employer is required to fix the amount of compensation and communicate the reasons in writing to the employee.²⁷ Having made such an assessment, the employer is then required to make payment to the employee.²⁸

The amount of compensation assessment may be objected by the employee within two months but if he does not object then the settlement shall be binding on both parties. S 12 (6) allows for a variation in the compensation amount to an employee where a substantial change has occurred in the circumstances that led to the original assessment. The section allows either the employer or the employee to call the variation however a refund of compensation already paid out may not be requested back. According to Rattray, even though compensation that has been paid out cannot be refunded, in the case of a regular royalty the employer may call for a reduction of the royalty rate if the circumstances justify such a step.²⁹ Likewise, if the circumstances warrant such a claim the employee may call for an increase in the royalty rate.³⁰

Section 13 imposes a duty to the employer to seek the appropriate protection in respect of a service invention that has been reported to him without any delay. This is one of the obligations of the employer; he shall be free from this obligation only when the service invention has become free, where the employee wishes that an application should not be filed and where the conditions under section 17 are present. i.e. unless the said invention brings about a legitimate interest of the enterprise to have it protected as a trade secret.³¹

²⁶ Rattray op cit (n14) 127.

²⁷ Section 12 (3) ArbNErfG Act of July 25, 1957.

²⁸ Ibid.

²⁹ Rattray op cit (n14) 128.

³⁰ Ibid.

³¹ Rattray op cit (n14) 129.

The employee too has duties imposed on him. Under s 19 the employee is required to offer his employer a non-exclusive licence in respect of the employee's free invention which has been duly reported to the employer. The employee is required to make the offer to the employer before the employee exploits the free invention and the employer shall have three months to accept or reject the offer. Such a licence is on the basis that reasonable compensation will be payable to the employee and in case that there is a dispute, it may be resolved by the court.

It therefore goes that no agreement between the employer and the employee can contradict the provisions of the Act, to the detriment of an employee.³² However insofar as any such agreements are made they shall be invalid. A proviso is provided to the effect that every party must make out their case in regards to an 'inequitable' claim of the amount of compensation decided under a contract.³³ Further the legislation provides that at any stage parties may seek to resolve their differences by applying to the Arbitration Board established by s 29 and its purpose shall be to bring the parties to an amicable settlement of their dispute.³⁴

It is important to note that the amount of the compensation is governed by a Directive issued by the Federal Minister of Labour.³⁵ This directive provides three methods for calculating the compensation paid to an employee.³⁶ First is License Analogy³⁷, Second is, Benefits to the Employer³⁸ and third is Estimation of the Value of the Invention.³⁹ Accordingly, the method to be used depends on the profits made by the commercialisation of the invention by the employer.⁴⁰ Thus, such an invention must first be exploitable and must have a financial effect allowing the employer some profit.

(a) License Analogy Directive⁴¹

Under this directive, several factors must be taken into consideration when calculating the employee's compensation. The Directive provides that first, a reference base needs to be identified as the basis for applying a reasonable royalty. According to Mc Dermott Will & Emery

³² Section 22 ArbNErfG Act of July 25, 1957.

³³ Section 24 ArbNErfG Act of July 25, 1957.

³⁴ Rattray op cit (n14) 133.

³⁵ Will & Emery op cit (n6) para 5.2.4.2.

³⁶ Ibid at Para 5.2.4.2

³⁷ Will & Emery op cit (n6) Directive No 6-11.

³⁸ Will & Emery op cit (n6) Directive No 12,.

³⁹ Will & Emery op cit (n6) Directive No 13,).

⁴⁰ Will & Emery op cit (n6)Para 5.2.4.2.

⁴¹ Will & Emery op cit (n6)Para 5.2.4.2.2.

if the product as protected by patent is composed of a plurality of components (components of that product that are decisively influenced by the invention) then, German courts will determine the reference value by weighing the problem solved by the patented invention and its relevance for the product concerned. If the invention only influences a part of the product, then it is acceptable to take only a percentage of its value.

Secondly, the Directive provides that Net Sales revenues need to be considered excluding the following costs: packaging, discounts, value added taxes and agent's commissions. Thirdly, the Directive provides that a reasonable royalty rate be considered. Here, previously concluded license agreements by the employer and other third parties are to be considered and where there are none, industry practises must be considered. The fourth consideration is scaling. Under this, employers may apply a sliding scale especially when the manufactured product is sold in very high numbers. This is because, the selling success of a product is not necessarily as a result of the patent but because the employee made use of branding, advertising and the reputation of the company among other items. Thus when applying a sliding scale, the royalty rate will be reduced progressively depending on the turnover achieved with the product.

The last consideration is plurality of patents. Accordingly, if several patented invention apply to a particular products then German courts will decrease the royalty applicable to the different individual inventions.

(b) Benefits to the Employer⁴²

Under this method, the consideration as has been stated is the amount that the invention saves the employer. It has been argued that this method is only used after the license analogy has been used and has not given a meaningful value and where the invention consists of a technical improvement that can only be realised within the company.

(c) Estimation of the Vale of the Invention⁴³

According to Will & Emery this method is rarely used because it is based on an estimation of the value of the invention. Thus it is used where the value of the patent cannot be measured by a real royalty income.

Directive No. 30 requires that the contributing factor of the employee be determined.⁴⁴ The purpose of such a determination is so that the extent of the contribution of the employer and

⁴² Will & Emery op (cit n41).

⁴³ Ibid.

⁴⁴ Ibid.

the employee in defining the problem that resulted to the invention and in finding the inventive solution are known including the position and duties of the employee within the company.⁴⁵ This ultimately influences the sum to be paid to the employee as compensation.

In totality the approach by the German system presents a legislation that enhances the degree of legal certainty for employees who invent in the work environment.⁴⁶ It is one of the few countries in the world in which monetary compensation for inventors, is not only determined by negotiations between employer and employee but also by precise legal provisions.⁴⁷ Further, empirical analysis has revealed that the German compensation model is the driving factor for innovation in the work environment suggesting that it is a fair model, and that employees are pleased with its provisions.⁴⁸

4.3 Sweden

Just like Germany, Sweden too has an Act on the right to employee inventions known as LATU (lag om rätten till arbetstagares uppfinningar).⁴⁹ The reason behind this legislation is very interesting because the drafters of the law wanted to achieve a certain goal; that of a reasonable balance between the interests of employers and those of the employee but in a way that would not hamper the employees will to invent.⁵⁰ Thus, the legislation takes the approach that the right and title to an invention belongs to the inventor, so that if an employer for instance wishes to acquire the right, he will obtain it by assignment, contract or by law.⁵¹

In return the legislation requires a mandatory reasonable remuneration as compensation for the right transferred.⁵² Interestingly, it provides for three types of invention, first is inventions made within the scope of employment of an employee engaged with the purpose to invent.⁵³ Under the provisions of LATU -

⁴⁴ Ibid.

⁴⁵ Will & Emery op (cit n41).

⁴⁶ R Merges 'The Law and Economics of Employee Inventions (1999) *Berkley Law* 46.

⁴⁷ D Harhoff et al 'Institutionalised Incentives for ingenuity –Patent Value and the German Employees' Inventions Act (2004) *Ludwig–Maximilian University Munich* Abstract.

⁴⁸ Ibid.

⁴⁹ Reinholdsson *Ownership of Employee Inventions –Regulation in Sweden, the United Kingdom and the United State* (LLM) (University of Lund) (2002) 9.

⁵⁰ Reinholdsson op cit (n49) para 2.1

⁵¹ M Robinson, L Svensater, S Wolk 'Employers' Rights to Intellectual Property' *AIPPI*.

⁵² Ibid.

⁵³ Ibid.

‘If the employee is principally employed to do research or invent and the invention has been created essentially as a result of this business or the invention constitutes a solution to a set, closely specified assignment, which falls within the duties of the employee.’⁵⁴

The key aspect here is identifying what the employee has been employed to do. Thus, an employer will have a right to the property in the invention.

The second category relates to an invention that has been made in the course of employment and the invention falls within the operations of the employer but do not form part of the assignment of the employee.⁵⁵ In this category, the employer has a right to utilise the invention in his business and the priority to agree on a more extensive right.⁵⁶ He will therefore have a right to a license. Lastly, the third category refers to an invention made by the employee which utilisation falls within the employer’s operation but has been developed without any connection with the employment.⁵⁷ That is to say that the invention falls within the scope of employer’s business but not the scope of employee’s employment. In such case, the employee is free to do as he pleases with the invention because it does not come within the scope of the employers business.⁵⁸

Notably, the decisive factor for determining whether the employee invention shall belong to the employer is determining whether the invention is connected to the business of the employee. The legislation further provides that an employee who creates an invention falling within the employer’s business is obliged to notify his employer about such invention and without delay. The employer will therefore have the opportunity to decide whether he wishes to acquire the invention and just like Germany, the employer will have 4 months from the date he received the notification, to decide. If the employer’s decision is not to acquire the invention, the employee is free to exploit the invention.

The Act requires the employer to make a plan that presents a strategy for future development and utilisation of the invention, and his aspirations i.e. whether he intends to obtain an exclusive right in the invention among others, in the case where he has opted to acquire the invention. An interesting observation of LATU is the fact that the employee may sell an

⁵⁴ Reinholdsson op cit (n49).

⁵⁵ Reinholdsson op cit (n49) para 2.2.1.

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ Ibid.

invention, to a competing business with that of the employer's business, where the employee first offered the employer the invention but the employer chose not to acquire it. Although the legislation holds such an employee to a duty to act in good faith towards the employer the legislation intimates that the duty is to ensure that an employee does not personally compete with his employer.

Commentators of this legislation have regarded the position as problematic because it creates a conflict. On the one hand, there is the duty of the employee to act in good faith and on the other hand there is the right of the employee to utilize an invention that falls within the operations of the employer but which the employer has not acquired.

Of great importance is the manner in which the legislation directs compensation to an employee inventor. As earlier stated, the employee inventor has a right to be compensated for the right he has forfeited to his employer through assignment of an invention. Art 6 has stated that if the employer takes over the invention wholly or partially, the employee has the right to be reasonably compensated. 'Reasonable compensation' has been discussed and a custom developed. It has been stated that not only is there collected experience on the matter several opinions have been developed by relevant authorities that advise on appropriate ways of determining compensation. An important advantage to employee inventors is that even pre-employment contracts can be adjusted by courts if they appear to be unreasonable.

Swedish authorities have also determined methods for calculating the compensation paid to an employee. First, is considering the value of the invention. Secondly, is the scope of the rights acquired by the employer. Thirdly, is the terms of employment and the significance that the employment may have had in the making of the invention. According to Marianne et al, the weaker the connection between the scope of employment and the invention, the stronger the right to remuneration. Further, the right to compensation must be exercised within 10 years from the day the employer was notified by the employee.⁵⁹

In Sweden, compensation is normally paid in a single payment however there are other ways of paying out compensation; royalty and a system called split compensation. According to Karin, single payment system is not desirable even though it is stimulating for the inventor to quickly receive a sum of money. This is because he risks receiving a lesser payment than he

⁵⁹ Robinson et al. op cit (n51).

would have if he received compensation in the form of royalty, since it is problematic to assess the value of the invention before it has reached the market. Further as an employer, there is the risk of paying the inventor and then failing in the exploitation of the invention. The split compensation functions in the following way, an amount is paid after the employer has decided to utilize the invention and thereafter royalty is paid.

Accordingly, Sweden's legislation has made it possible for the employee inventor to benefit from the fruits of his invention and through that motivating him to invent further. This not only benefits the inventor but also an interest to the society is felt in the development of inventions that are promoting technological progress.

4.4 Discussion of the comparative analysis in relation to Kenya

The above comparative analysis has posited the different methods in which Germany and Sweden have allocated rights in employee inventions. Each of these systems is clearly distinguished from that of Kenya especially on the approach used in transferring of ownership and compensation. The Kenyan model, on the one hand assumes the position that an employer is entitled to the invention of his employee and therefore subject to the provisions of the Kenyan Act, the compensation of the employee is decided through a bargain.⁶⁰ The Kenyan system assumes equal bargaining power between an employer and an employee which according to this author is a seriously flawed analogy. There is no such thing as an equal bargain power, what is present is that, during the negotiations, eventually, the weaker party submits to the stronger party and usually, it is not the employee.

On the other hand the German and the Swedish systems assume that there is no equal bargaining power between the employer and the employee and therefore these countries have structured legislation that allow monetary compensation in precise legal provisions.⁶¹ Germany has Directives that guide the formula for compensation whereas Sweden has developed a custom as well as developed guidelines to be considered by courts unlike Kenya, where none of the mentioned variables have been provided. Kenya's inventive employee is disadvantaged because his right to compensation can actually be avoided by the employee through tactful means.⁶²

⁶⁰ See generally the Industrial Property Act 3 of 2001.

⁶¹ Toshiko & Reboul op cit (n1) 380.

⁶² See chapter three.

A further observation of the two foreign systems against Kenya's is on the approach that the right and title to an invention belongs to the inventor, so that if an employer wishes to acquire the right, he will obtain it by assignment, contract or by law.⁶³ The ownership transfer mechanism is different in this sense, if the employer wishes to acquire a legal right; he will have to perform a mandatory act; pay compensation. Thus, transfer of ownership is dependent on the action of payment of the compensation. However under the Kenyan regime, the model is in such a way that the employee must first and foremost present the invention to his employer and without any certainty of when his entitlement will suffice. This presents an ownership battle especially where there is a hold up of communication. The system does not present a smooth transaction.⁶⁴

In an attempt to propose an IP management model that Kenya ought to adopt, this author proposes that the German model system and the Sweden model system be considered. Questions may arise on whether; the consideration will assist Kenya positively or negatively. Some may argue that the two countries and Kenya are too 'unlike' especially because Germany and Sweden are developed countries and have adopted these models based on these countries economic needs to commercialize as many patents as possible in order to receive income at a national level.⁶⁵ However, Kenya as a developing country does not produce that many patents and the innovation and creativity of an African setting such as Kenya's is not the same as that of more developed nations.⁶⁶ This concern surrounds the general debate that African IP scholars are having on why global north solutions should be applied to global south problems.⁶⁷

This author argues that the situation of employee-inventors is unique because of the overlap and interaction of Labour Laws and Intellectual Property Law. This area has not been sufficiently addressed by legislation or policy in the African continent. In South Africa, for example, a country that is considered to have the most advanced set of IP legislation in the African continent, its s 59(2) is the only provision in the Patent Act 57 of 1978 which refers directly to employee inventions. It does so as a requirement to an employee to assign to his employer an invention made by him otherwise than within the course and scope of his

⁶³ Robinson et al op cit (n51). See also Toshiko & Reboul op cit (n1).

⁶⁴ See the case of *Samson Ngengi Njuguna v KRA*, Chapter 3

⁶⁵ Toshiko & Reboul op cit (n1) 366.

⁶⁶ See generally discussions in in Jeremy de Beer et al *Innovation & Intellectual Property Collaborative Dynamics in Africa* (2014).

⁶⁷ Ibid.

employment. Further, s 42(2) protects employees by providing that any provision in the contract of employment which diminishes the right to inventions is unenforceable. Other than s 42(2) being similar to s 59(2) little guidance is to be found in the South African legal principles dealing with employee–inventions. Regard must therefore be made to other legal systems in an attempt to find a solution.⁶⁸

The inventiveness of the people of Kenya is increasing as people strive to transform their lives and become more economically independent.⁶⁹ The country too is increasingly encouraging Kenyan’s to engage in science, technology and innovation which is one of the identified sectors that have the ability to make an impact in achieving economic growth.⁷⁰ The country has a development agenda aimed at transforming Kenya, into a newly industrialising middle–income country.⁷¹ Thus under this development blueprint, supporting innovation and inventiveness even in the context of employment is key to achieving the goals set to make the country progress to middle income status.⁷²

Thus, if Kenya can have legislation that actively encourages innovation then more technology will be developed. Already the country has become a hub of technology and is investing heavily in innovation. The country hosted the very first sixth annual Global Entrepreneurship Summit that saw more than 120 countries attend the summit and including investors from across the globe and the President of the United States (POTUS).⁷³ Thus it is expected that the country will not only leapfrog over old technologies but that they will come up with new and innovative ones.⁷⁴ KIPi will begin to see more inventions being registered, whether by private entities or persons or by the inventive employees or their employers. Currently, the prevailing system does nothing to assure an employee–inventor of his rights and privileges therefore it is the time to consider other approaches and models to encourage inventions in the work place.

⁶⁸ V A McBride *Patent Ownership rights to employee inventions* LLM (UNISA) (1996) 21.

⁶⁹ See *Kenya Vision 2030* (2007) Government of Kenya.

⁷⁰ McBride op cit (n68)8.

⁷¹ Ibid.

⁷² McBride op cit (268)1.

⁷³ The White House Office of the Press Secretary ‘Remarks by President Obama at the Global Entrepreneurship Summit’ 2015 available at <https://www.whitehouse.gov/the-press-office/2015/07/25/remarks-president-obama-global-entrepreneurship-summit>, accessed on March 11, 2016.

⁷⁴ Ibid.

The proposal is that, Kenya should amend the IPA so that under the new set of legislation, an employer will not claim any rights or benefits in an invention without adequately compensating the employee. Further the provisions should ensure that in certain circumstances the employee will derive compensation in respect of his patented invention without affecting in any way the rights of the parties in such an invention. Also, a clause should be added that prevents an employer from seeking to acquire more than he is entitled to. It is submitted that the two models presented by the comparative analysis may be considered by Kenya as they present a more equitable distribution of rights in an employee's invention.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS FOR KENYA

5.1 Conclusion

In the course of these chapters the thesis has considered employee inventions arising out of an employee's employment. From this thesis, it is apparent that inventions emanating from the employment relationship require special consideration because of the following parameters:

(a) The rights of the employer and the rights of the employee

The relevant legislation dealing with IP in Kenya, allocates ownership of IP developed during the course of employment to the employer. It does so because the employer is an integral part of the invention process. The employee has either been hired to come up with inventions or he may have used the employer's resources, data, means, materials, installations or equipment.

The employee has several rights namely, the rights to receive compensation where an invention is of exceptional importance, the right to own any IP made in the course of employment but which has no relation to the employment or service contract and has not been made by use of the employer's resources, data, means, materials, installations or equipment and the right to a technovation certificate. This discourse has noted that some of the employee rights are difficult to enforce or assert therefore the employee who invents in the course of employment may not be fully protected under the current dispensation.

(b) Justification of the Patent system

The current patent system is based on a utilitarian approach which seeks to stimulate innovation by providing creators with incentives and exclusive rights. The inventors therefore remain happy with the reward and are encouraged to invent further. However this thesis has noted that the patent system is flawed, and does not fulfil its intent and purpose. The patent system is not encouraging innovation and has in some instances been seen to discourage it.

Corporations have been seen to take advantage of their innovative employees and therefore discouraging their inventiveness, among others. Thus, it has been seen prudent to reconceptualise and reorganise the justifications of patent system.

(c) Allocation of ownership and consequent exploitation of the resulting IP

The law of different countries have interpreted the scope and nature of employee inventions differently. The practise in Kenya is that employee inventions are principally owned by the employers with a right of compensation to the employee if the invention is of exceptional

importance.⁷⁵ The principle in Germany and Sweden is that employee inventions are principally owned by the inventors, but with a right to an employer if the invention is made in the normal working hours within employment or in the course of employment on specifically assigned tasks.⁷⁶

The review of the different principles and practises of allocation of ownership in these countries have led the author to believe that the German and Swedish model are a much better model because the benefit of a patent system has found expression in the legislation on employee inventions. What this means is that the IPR vests in the creator such that if he is to part with the ownership and exploitation of his invention then he must be adequately compensated.

(d) Employee compensation

This thesis has also noted that employees are entitled to compensation from their employers where there is exploitation of the resulting IP by the employer. While the Kenyan law has provided compensation the circumstances under which successful claims are possible are extremely narrow because the law demands more than just inventiveness. If a claim is to be made the invention must be one of exceptional importance. The only reported case demonstrates the difficulties that employee inventors face in being awarded compensation under these provisions and thus the submission that the application of the Kenyan law may not result in a fair resolution or balancing of the interests between the employer and the employee. A re-overhaul of the whole system concerning the law on employee inventions is therefore necessary.

5.2 Recommendations

The following are some of the recommendations that this thesis proposes:

First, to amend the current law to include a provision preventing an agreement from diminishing any right of an employee that has been expressly provided by legislation. This means adding a clause that stipulates that no agreement between the employer and the employee can contradict the provisions of the Act, to the detriment of the employee.

Secondly, to reduce ambiguity of the problematic terminology ‘invention of exceptional importance.’ Here the legislator should clearly define when an invention may be considered as being one of exceptional importance or consider introducing subsidiary legislation which may

⁷⁵ Section 31 of the industrial Property Act of 2001.

⁷⁶ See chapter 4.

then contain, in detail the circumstances or rules that guides an investigation on ‘inventions of exceptional importance’.

Thirdly, to consider having guidelines produced in consultation with the Ministry of Labour, Social Security and Services that advise on appropriate ways of assessing compensation. These guidelines will provide further guidance on reaching fair compensation and effectively reducing any uncertainty employee–inventors may have. These guidelines will equally prompt the drafting of appropriate sections on for example, when determinations of fair compensation may begin (only in instances where the invention is in use) or allow for these determinations to be made by the parties themselves avoiding tedious court proceedings altogether.

Fourthly, loopholes on the right to a technovation certificate should be investigated and consequently covered. This includes ensuring that reasons such as lapse of time shall not adversely affect the right of the employee to receive adequate compensation. This will go a long way in protecting the proprietary interests of the employees and consequently on the attitudes of innovating and inventing generally in the work environment.

In conclusion, these recommendations present a model that provides for the protection and compensation of an employee who invents in Kenya. These recommendations seek to remedy the existing lacuna allowing employers to utilise employee inventions without adequately compensating them. This thesis argues that this approach will equip Kenyan employees with the necessary motivation to engage in science innovation and technology to produce inventions and promote development.

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