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Intellectual property law treats creative employees differently, depending on whether their efforts lead to particular outcomes. Two recent decisions illustrate the approach taken by patent law on the one hand where the English Patent Court handed compensation to two employee inventors for the first time; on the other hand, even if an employer benefits from an employee creating a useful copyright work, once the work has been created in the course of employment, there is no scope to give some extra reward to the employee, as reinforced by a court in South Africa.

Tale No. L: Patents and employees

Patent law has long offered compensation to employees whose patent is of outstanding benefit to their employers - but the few disputes that reached the court appeared to make it almost impossible for employees to reach that particular Holy Grail. While s. 39 of the Patents Act 1977 provides that employers may lay claim to ownership of inventions made by employees, s.40 provides an opportunity to claim compensation to employees under certain circumstances. If the employee has made an invention belonging to the employer, and a patent was granted for the invention, the employee may be awarded compensation if the invention was of *outstanding benefit* to the employer. The Patents Act 2004 implemented changes to the effect that it is no longer the patent that has to be of outstanding benefit, but the *invention*.¹ Before the 2004 Act made that change, a small number of disputes reached the courts, but not one of the claimants had to date been successful.² Many commentators have argued that the legislature had set the bar too high in demanding evidence of "outstanding benefit", a threshold clearly higher than the usual IP standard of significant or substantial. This is coupled with the argument that it is more likely for an employee in a small firm to fulfil the threshold than an employee in a large multi-national company - although it may be the large business only may be in a position to be able to afford payment of the compensatory award.³ On the other hand, IP law practitioners claim that while only few disputes have reached the courts, many may have settled out-of-court.⁴

The recent case of *Kelly and Chiu v GE Healthcare Ltd*⁵ therefore rightly deserves the label 'landmark decision'. Since the dispute relates to pre-2004 subject-matter, the old s. 40 formed the legal basis of the claim. The two employees invented a cardiac imaging product that generated revenue to the tune of £1.7 billion up to 2007 to their employer Aversham (now a subsidiary of GE Healthcare Ltd). Mr Justice Floyd had little trouble in finding for the two individuals designated as responsible for the patent had been of outstanding benefit to their employer. The invention had protected the company from generic competition and enabled it to generate interest in and securing of corporate clients. The court noted that without the invention the company would have been in crisis, and that it transformed the company. Arguments by GE that it was the employer who carried the risk of R&D leading to an eventual patent, that the individuals concerned were part of a team and that they had already received fair compensation in the form of salaries and benefits were rejected by Floyd J. Choosing £50 million as the "absolute rock bottom figure" for the benefit of the patent, the court awarded £1 million and £500,000 respectively to the two inventors. Floyd J's judgment makes interesting reading both for inventors, employers, practitioners and academics, in that it shed some light on what a court takes into account in its assessment of such claims. It was held that 'outstanding' had to be interpreted to mean 'something special' or 'out-of-the-ordinary', going well beyond the terms 'substantial' or 'significant'. It had to involve something that goes far beyond the normal duties of the employee concerned. In assessing the value of the contribution, Floyd J considered it useful to compare the position of the business had the patent not been granted to the position if it had. Finally, in determining whether or not it is just and equitable to make an award to the employee, a court may consider whether the employee had suffered loss or made an effort beyond what would normally be expected, without such an effort being obligatory. Unsurprisingly, legal practitioners have called on their clients to re-jig and review their compensation policies in the light of this judgment. It is clear that each company's situation will differ from the next, requiring bespoke policies to deal with subject matter which is far from straightforward.

Tale No.2: Copyright and employees

If an employee's creativity leads to a copyright work, it will be the employer who can lay claim to ownership rights in it if the employee created the work during the course of his employment. The legislator apparently has not foreseen situations where the humble copyright work could be of considerable - if not outstanding - benefit for the employer. The payment of a salary, therefore, seems to be enough in terms of equitable reward. This is so even though works based on technology can attract copyright protection, for example computer programmes. Readers do not require reminding of the many obstacles that lie in the way between a computer programmes and patentability, despite recent cases and review of approach both at European Patent Office and UK IP Office level.

In the UK the default provision concerning copyright works created by employees is found in s. 11.(2) of the Copyright Designs and Patents Act 1988 (CDPA), where it is stated that "[w]here a literary, dramatic, musical or artistic work, or a film, is made by an employee *in the course of his employment*, his employer is the first owner of any copyright in the work subject to any agreement to the contrary." Unsurprisingly, it is the emphasised part of the provision which is of key significance, as the employee's claim will stand or fall with his ability to show that he created the work outside the course of his employment. This may sound straightforward, but this may well not be so easy, as in today's working environment many employees may perform employment duties when not chained to their desks at the employer's place of business: many may enjoy flexible working hours or may benefit from permission to conduct certain duties at home or elsewhere (tele-working). Although this can be a contentious issue, there has been a surprising dearth of decisions. The well-known decision in *Stephenson Jordan and Harrison v Macdonald and Evans*⁶ serves illustrate the point. In that case an accountant was held to be entitled to hold on to the copyright in lectures written and delivered, despite his employers having encouraged him to lecture and paying his expenses - to deliver the lectures may well have been within the remit of his employment duties, but the writing of the material was not, in the opinion of the court.

A recent example from South Africa, a jurisdiction which shares a common heritage in copyright principles with the UK, serves as a timely reminder of the approach taken by copyright law. In *King v The South African Weather Service*⁷ Pieter King appealed against the High Court (Pretoria) decision which dismissed his claim to copyright ownership in a computer programme he'd created. Mr King had been employed as meteorological technical officer by the South African Weather Service (SWAS) for many years. In order to make his work easier, he had developed a number of computer programmes. When his employer requested the source code for the software, Mr King would not release them. Arguing that the programmes were not written in the course and scope of his employment or under the employer's supervision and control, he claimed sole authorship and ownership of the programmes. He even wrote to SWAS informing them of the termination of any licence he may have impliedly given to them permitting the use of the programmes. In essence, his arguments were that he created a number of computer programmes between 1980 and 2002, that he wrote them in his own time, at home, to help him in fulfilling his duties as an employee, and that it had not been part of his duties as meteorologist to develop software. Unsurprisingly, SWAS disputed these claims.

The Supreme Court of Appeal reiterated the position of employees who create copyright works, pointing out both the historical links to the CDPA 1988, the difference in approach by the US legislator and the crucial role played by the term 'in the course of employment' in respect of eventual ownership rights in the work. The court usefully stated that the position in copyright is markedly different from the approach taken in patent law: "[Mr King's] submission may have had some merit had the [South African Copyright Act 98 of 1978] provided as s. 39 of the British Patents Act 1977 provides, namely, that the employer is the owner of an invention made 'in the course of the 'normal duties' of the employee."⁸ As a consequence, the absence of the caveat 'normal duties' from the copyright provisions does not furnish employee-creators with much lee-way compared to employee-inventors. Mr King, therefore, could not succeed with an argument that unless the terms of his employment contract explicitly state the creation of copyright works (which it did not) SWAS could not be regarded as owners of the copyright in the software.

The first telling aspect the court reviewed were the actual duties of Mr King, noting that this issue had to be considered broadly and not by merely looking at express activities. Acknowledging that his duties necessarily changed during his long term of employment, and that writing software would not normally be a duty of a meteorologist, the court emphasised that King developed the programmes to collect, collate and transmit data to head office for analysis and storing - and he did so because of his employment with SWAS. In addition, the court expressed that King's quarterly reports to his employer on his performance put great emphasis on his programming activities as major component of his work: "A job evaluation investigation in April 2000 [...] stated that he was

responsible for system development and programming and calibration of [his employer's] automatic weather station network." It was estimated that King spent 50% of his time on system development and programming. This particular fact stood in stark contrast to King's assertion that he had created the computer programmes at home and his own time. Therefore, the court concluded that the decision of the High Court must stand, as

"but for his employment [...], King would not have created these works. There is, accordingly, a close causal connection between his employment and the creation of the programmes. In other words, his employment was the *causa causans* of the programmes. Some of the Programmes were specifically written for other weather stations of [his employer] at their request and for their use. They were not created for external use by others; instead, they were purely work related. Importantly, [his employer] prescribed the format of the programmes and had to approve of them before they could be implemented and used in the system."¹⁰

Changing times, or time for more changes?

Kelly and Chiu and *King* are useful reminders of how intellectual property law treats employees who, within the course of their employment, create IP which is commercially significant to them and their employers. In terms of copyright, employees seem to get a poor deal compared to their more illustrious counter-parts who invent things. Has the time come to review employee-creators and copyright ownership?

Footnotes:

1. See, for example, T Lauterbach "The Patents Act 2004: UK gets on a par with Europe" SLG, 2004, 72(5), 1.43-1.46.
2. Examples are *British Steel plc's patent* [1992] RPC 117; *Memco-med's patent* [1992] RPC 403.
3. See MacQueen, Waelde & Laurie (2008), *Contemporary Intellectual Property – Law and Policy*, OUP at p. 463. See "High Court awards inventors £1.5m for outstanding work", <http://www.out-law.com/page-9797> (accessed 18 March 2009), quoting Pinsent Masons IP expert Deborah Bould.
4. [2009] EWHC 181 (Pat).
5. (1952) 69 RPC 10.
6. [2009] FSR 6.
7. *Ibid*, para 14.
8. *Ibid*, para.21.
9. *Ibid*, para.20.