Inventor Remuneration (Switzerland)

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A Practice Note addressing employer obligations to pay remuneration to employee-inventors beyond their normal salary as a reward and additional compensation (or consideration) for creating patentable inventions.

This Note is part of a global suite of country-specific resources helping in-house lawyers and private practice attorneys to navigate each country's legal framework for employee-inventor remuneration (Inventor Remuneration Toolkit (Global)). This includes the types of inventions that trigger remuneration, eligibility, the amount and form of remuneration, the time window to assert claims for remuneration, and inventor employment status required for an award of remuneration. It also addresses steps an employer can take to manage the risks of a remuneration action, claim, or lawsuit from an employee-inventor.

To view and customise charts comparing the approach of different jurisdictions towards inventor remuneration, see Quick Compare Chart, Inventor Remuneration.

Measures to Reduce the Risks of Claims

Employee-inventor remuneration regimes exist in many global jurisdictions. These provide employee-inventors with additional remuneration beyond their salary if their inventions meet certain criteria. These regimes exist to:

- Incentivise inventive activity.
- Address some of the perceived unfairness of an employer otherwise receiving the full benefit of a lucrative invention.

In some jurisdictions, including Japan and the UK, the remuneration for an employee-inventor can exceed USD1 million. This potential pay-off to an employee can result in remuneration disputes that are costly and lengthy.

These remuneration regimes have arisen independently from one another and are not harmonised, although they do have features in common.

To view and customise charts comparing the approach of different jurisdictions towards inventor remuneration, see *Quick Compare Chart, Inventor Remuneration*.

For more information on the ownership of inventions created by employees during their employment, see *Practice Note, IP in Employment (Switzerland)*.

Legal Framework for Additional Employee-Inventor Remuneration

Under Swiss law, Article 332 of the *Code of Obligations* (CO) is the only statutory provision governing an employee-inventor's right to remuneration alongside their employer's rights over employee inventions. The Swiss employee-inventor regime divides employee inventions into three categories:

- Task inventions (*Aufgabenerfindung*).
- Opportunity inventions (*Gelegenheitserfindung*).
- Free inventions (*freie Erfindung*).

In Switzerland, most inventions in the employment context qualify as task inventions. Therefore, the question of the separate, appropriate remuneration for employee inventions rarely arises in practice. While Swiss courts have addressed the employee-inventor's right to remuneration, there are few decisions addressing the issue of remuneration, so Swiss practice lacks helpful guidance for assessing employee-inventor remuneration.

Task Inventions

Task inventions are inventions that the employee produced both:

- In the course of their work for the employer.

- In performance of their contractual obligations.

(Article 332(1), CO.)

Under case law, an invention also qualifies as a task invention if the employer could, from the circumstances of the employee's employment and the employee's situation in the company, have expected the employee to create an invention, for example, because the employee's work included inventive activity (*Federal Supreme Court, BGE 100 IV 167, 169, 23 April 1974* (BGE 100 IV 167); *Federal Supreme Court, BGE 72 II 270, 273, 2 June 1946* (BGE 72 II 270); *Federal Supreme Court, BGE 57 II 304, 310, 26 May 1931*). The inventive activity does not have to be the employee's primary work obligation. It is enough that the inventive activity is a secondary work obligation. If the employee performed the inventive activity during the employment relationship, it is irrelevant whether the employee performed the inventive activity:

- During contractual working hours.
- At the workplace.

(BGE 72 II 270, 273.)

Unless the employer and employee agree otherwise, task inventions belong to the employer.

The remuneration for task inventions is included in the employee's salary, and the employer is not required to pay any additional remuneration unless the employer and employee agreed otherwise (*Federal Supreme Court, First Civil Chamber, 6 November 2012 (4A_691/2011),* c. 4.1; BGE 100 IV 167, 170*; Federal Administrative Court, 16 April 2018 (A-6511/2016),* c.8 and 9).

Opportunity Inventions

Opportunity inventions are inventions that the employee produced both:

- In the course of their work for the employer.
- Not in performance of their contractual obligations.

(Article 332(2), CO.)

An invention qualifies as an opportunity invention when there is a material relation between the performance of contractual obligations and the invention (BGE 72 II 270, 273). It is irrelevant to classification as an opportunity invention whether the employee performed the inventive activity:

- During contractual working hours.
- At the workplace.

Unless the employer and employee agree otherwise, opportunity inventions belong to the employee. However, the employer can reserve the right to acquire opportunity inventions by previous written agreement (Article 332(2), CO). Typically, this written

agreement forms part of the employment agreement. If the employer decides to acquire a reserved opportunity invention, the employer must pay the employee appropriate remuneration that is separate from their salary (Article 332(4), CO; A-6511/2016, c. 6.2).

Free Inventions

Free inventions are inventions that the employee produced both:

- Outside of the course of their work for the employer.
- Not in performance of their contractual obligations.

With free inventions, there is no material relation between the contractual scope of activities and the invention. Article 332 of the CO does not specifically regulate the category of free inventions.

Free inventions generally belong to the employee-inventor. By analogy to Article 322(2) of the CO (see *Opportunity Inventions*), the employer can reserve the right to acquire these inventions in an agreement, for example an employment agreement. However, because of the lack of a connection between free inventions and the employee's tasks, this type of agreement is permissible only to the extent that the reservation clause does not result in an excessive restriction of employee's personal rights (Article 27, *Civil Code*). By analogy to Article 332(4) of the CO, the employer must pay the employee separate, appropriate remuneration, if the employer acquires a reserved free invention.

For more information on intellectual property aspects of employment contracts in Switzerland, see *Practice Note, IP in Employment (Switzerland)*.

Obligation to Remunerate

The obligation to remunerate only arises when the following conditions apply cumulatively:

- The invention is either:
  - an opportunity invention (see *Opportunity Inventions*); or
  - a free invention (see *Free Inventions*).
- The employer previously reserved the right to acquire the invention.
- The employer then exercises the acquisition right.

(Article 332(2), CO for opportunity inventions and by analogy for free inventions.)

For the most common group of inventions in the employment context, task inventions, there is no obligation to remunerate (see *Task Inventions*).

The employee-inventor's claim for separate, appropriate remuneration is a direct result of the employer's exercise of the acquisition right. However, to get the remuneration, the employee must notify the employer of the invention in writing. The employer must then inform the employee within six months if the employer wants to either:

- Acquire the invention.
- Release it to the employee.

(Article 332(3), CO.)

Therefore, the employer's obligation to remunerate is not an automatic result of the employee making an invention that meets certain criteria. The employee-inventor and then the employer must also take these additional steps.

If the employer informs the employee that they do not want to acquire the invention or if the deadline expires without the employer having informed the employee, the employer forfeits the right to acquire the invention, and the reserved opportunity (or free) invention is again freely available to the employee.

Article 332(3) of the CO is not a mandatory provision, so the parties can agree in a written agreement, for example in the employment agreement, that it does not apply (a derogation).

In some circumstances, if an employee-inventor makes an invention in the absence of a previous written agreement giving the employer an acquisition right, the employee must still offer the invention to their employer based on the employee's general duty of loyalty (Article 321a, CO). Article 332(4) of the CO then applies by analogy, so the employer must pay the employee-inventor separate, appropriate remuneration.

Criteria for Additional Employee-Inventor Remuneration

As a general rule, employees can only claim a separate remuneration if the invention is qualified as an opportunity or free invention (see the general criteria under *Obligation to Remunerate*). In addition, the following specific aspects must be considered.

Criteria: Application of the Remuneration Regime to Independent Contractors

The remuneration regime of Article 332(4) of the CO applies only to employees and does not apply to independent contractors.

In Switzerland, an employment relationship requires cumulatively that:

- A person be integrated into an external work organization.
- There is a subordination relationship associated with that integration.

These conditions generally do not apply to independent contractors. However, the mere designation of a worker as an independent contractor in an agreement is not decisive. Rather, the question whether a worker is an employee is decided on a case-by-case basis considering the overall circumstances.

For more information regarding independent contractors, see *Practice Note, Consultancy Agreements (Switzerland)*.

Criteria: Additional Remuneration for Employees Who Are Employed to Invent

Employees who are employed to invent, for example R&D employees, have no special right to remuneration unless the employer and employee agree otherwise. Inventions made by these employees (that is, inventions produced by the employees in the course of their work for the employer and in performance of their contractual obligations under Article 332(1) of the CO) are task inventions, which belong to the employer by law (see *Task Inventions*). Under Swiss law, the employee's salary already includes remuneration for any task inventions.

Criteria: Geographical Scope of Remuneration Regime

Under Article 122(3) of the *Federal Act on Private International Law* (PILA), the law applicable to employee contracts also governs agreements between an employer and an employee regarding rights to intellectual property created by the employee in the course of performing their work, including inventions. Article 122(3) of the PILA is interpreted broadly, so it applies even when there is a minimal connection between the invention and the employment relationship. Therefore, not only task and opportunity inventions that were produced "in the course of employee's work for the employer" under Article 332(1) and (2) of the CO, but also free inventions that are in some way connected to the employment contract fall under Article 121 of the PILA.

Therefore, the Swiss rules on employee inventions apply if Swiss law governs the employment relationship, which is the case when:

- The parties agreed that Swiss law governs the employment contract, which is permissible if:
    - the employee has their habitual residence in Switzerland; or
    - the employer has their establishment, domicile, or habitual residence in Switzerland.

    (Article 121(3), PILA.)
- If there is no governing law clause, the employee habitually performs their work in Switzerland (Article 122(1), PILA).
- If there is no governing law clause and the employee habitually performs their work in several states, the employer's establishment is in Switzerland, or, if the employer has no establishment, the employer's domicile or habitual residence is in Switzerland (Article 121(2) PILA).

If Swiss law applies to the employment relationship, the Swiss rules on employee inventions apply to all patent family members for the invention, that is, the Swiss rules also apply to patents filed in other jurisdictions.

Criteria: Commercial Value of the Invention

The commercial value of the invention is not relevant to whether the employee-inventor is entitled to remuneration, but it may be relevant when calculating the amount of remuneration (see *Calculating the Additional Remuneration Amount*).

Calculating the Additional Remuneration Amount

Courts determine the appropriate amount of remuneration "with due regard to all pertinent circumstances," particularly:

- The invention's economic value.
- The degree to which the employer contributed to the invention.
- The employee's reliance on other staff and on the employer's facilities.
- The expenses incurred by the employee.
- The employee's position in the company.

(Article 332(4), CO.)

According to the doctrine, another circumstance to be considered by courts is the extent of the rights that the employee transfers to the employer, for example whether the employee fully or partially transfers the rights to the employer.

When calculating the amount of remuneration due under Article 332(4) of the CO, the court has judicial discretion in two respects:

- Determining the pertinent circumstances to consider (because the list in Article 332(4) of the CO is exemplary rather than exhaustive).
- Calculating the appropriate amount of remuneration.

However, the court has no discretion regarding **whether** to award remuneration to the employee-inventor.

In Switzerland, most inventions in the employment context qualify as task inventions. Therefore, the question of the separate, appropriate remuneration for employee inventions rarely arises in practice. While Swiss courts have addressed the employee-inventor's right to remuneration, there are few decisions addressing the issue of remuneration, so Swiss practice lacks helpful guidance for assessing employee-inventor remuneration.

Resolving Remuneration Disputes

Forums and Mechanisms for Dispute Resolution

Parties can file employee remuneration disputes at either:

- The Federal Patent Court, which is a specialised court for patent matters with technical and legal judges.
- The local cantonal courts with jurisdiction over employment matters.

(Article 26(2), *Federal Act on the Federal Patent Court*; Federal Supreme Court, 4A_691/2011, c. 2.2.)

These courts have concurrent jurisdiction. An employee cannot waive the mandatory jurisdiction of the courts for employment matters in advance (Article 35(1), *Civil Procedure Code* (CPC)).

The Federal Patent Court has jurisdiction for the whole territory of Switzerland. If the plaintiff choses to commence proceedings in cantonal courts, the court with jurisdiction is the court:

- At the defendant's domicile or registered office.
- Where the employee normally carries out their work.

(Article 34(1), CPC.)

In principle, a party must attempt conciliation using a conciliation authority before filing litigation (Article 197, CPC). As an exception, no attempt at conciliation is required in proceedings before the Federal Patent Court (Article 198, lit. f, CPC; Article 5, CPC).

In practice, parties resolve most employee-inventor remuneration disputes at the conciliation stage or in out-of-court negotiations. If a party does file litigation, the choice of where to file is impacted by several factors. Both the Federal Patent Court and the respective local cantonal courts vary, among other things, regarding the likely length of proceedings, procedural language, and legal costs (see *Legal Costs for Employee-Inventor Remuneration Claims*).

For more information on the Swiss court system, see *Country Q&A, Litigation and enforcement in Switzerland: overview*.

Timeframe for Resolving Disputes

Legal proceedings last approximately 18 months in the first instance. Typically, the parties substantiate their positions regarding remuneration with the help of party expert reports, including accounting experts. The parties may retain technical experts to determine the employee's contribution to an invention if multiple inventors made that invention. If court experts are also necessary, the proceedings last considerably longer. At the Federal Patent Court, no external technical experts are needed as there are technical judges who already have the necessary expertise. However, in other courts, experts likely are needed.

For more information on litigation in Switzerland, see *Country Q&A, Litigation and enforcement in Switzerland: overview*.

Time Limit for Claiming Remuneration

An employee-inventor is only entitled to additional remuneration for opportunity and free inventions for which the employer reserved an acquisition right (see *Opportunity Inventions* and *Free Inventions*). Typically, the employer must exercise their acquisition right within six months from notification by the employee that the employee has made a reserved invention. The parties then start negotiating the appropriate amount of remuneration.

In any event, the employee must claim the remuneration within the general prescription period of ten years (Article 127, CO). The shorter prescription period in Article 128, al. 3 of the CO does not apply to a claim for inventor remuneration because this qualifies as special compensation rather than being characterised as salary. The prescription period begins when the claim arises. In

principle, this is when the employer exercises the right to acquire the invention (Article 75, CO), rather than when the invention was made, but at the latest when the employment relationship ends (Articles 130(1), 339(1), and 341(2), CO).

Frequency of Additional Remuneration Claims

Published decisions concerning employee-inventor remuneration are rare for two reasons:

- Claims for remuneration are not common in Switzerland because inventions employees make in the course of their work for their employer and in performance of their contractual obligations belong to the employer without any obligation to pay special remuneration (see *Task Inventions*). Most employee inventions of interest to the employer fall into this category.
- Where the employee is entitled to additional remuneration, the parties mostly resolve disputes amicably, either before even commencing court proceedings or during conciliation proceedings.

Legal Costs for Employee-Inventor Remuneration Claims

In Switzerland, legal costs include:

- Court costs (including the fee for the decision, the costs of taking evidence, and the costs of translation).
- Party costs (including reimbursement of necessary outlays and the costs for professional representation).
- Possible party compensation (that is, the compensation to be paid by the losing party to the other party to cover part of its legal representation costs).

These costs vary considerably from case to case. The main factors impacting costs are:

- The complexity of the matter.
- The value in dispute.
- Whether experts are needed.

In Switzerland, court costs and party compensation are typically calculated based on the value in dispute. Each canton has its own ordinance on court fees and compensation, as does the Federal Patent Court. These costs vary widely among the 26 cantons.

Court costs are not charged in conciliation proceedings or employment disputes involving an amount in dispute up to CHF30,000 (Articles 113 to 116, CPC).

For more information, see *Country Q&A, Litigation and enforcement in Switzerland: overview: Costs*.

Challenges When Navigating the Inventor Remuneration Regime

The Swiss legal framework on employee-inventor remunerations is generic, and there is little to no guidance or court practice regarding the calculation of the appropriate remuneration. Therefore, remuneration awards are hard to predict, especially regarding the amount of remuneration.

Given this background and because of the duration and costs of legal proceedings, many parties aim for an amicable solution instead of litigation. In Switzerland, typical employee inventions are task inventions that belong to the employer by law without special remuneration (see *Task Inventions*). Remuneration questions only arise regarding opportunity and free inventions, and in many cases employers choose not to pursue claims to the right to acquire these inventions if the parties cannot agree on appropriate compensation out of court.

Measures to Reduce the Risks of Claims

As only opportunity and free inventions are subject to mandatory remuneration, the risks for employers are limited under Swiss law. To the extent the employer wants to secure the right to acquire the rights to these inventions, the employer can address aspects of the remuneration in advance, either in the employment agreement or a separate contract. An employee's acceptance of terms regarding employee-inventor remuneration can help avoid later legal proceedings or, at the least, guide the courts regarding the parties' initial intentions.

However, Article 332(4) of the CO, which establishes the remuneration regime, is a mandatory provision of law. This means that the employer cannot derogate from Article 332(4) to the detriment of the employee, either by:

- An individual agreement.
- A standard employment agreement.
- A collective employment agreement.

(Article 361(1), CO.)

Employees cannot waive claims arising from mandatory provisions of law during the employment relationship and for one month after its end (Article 341(1), CO). Therefore, regardless of what an agreement states (for example, if it provides that the employer owes no remuneration or only a certain amount of remuneration), the employee can later claim that the amount of remuneration is not appropriate.

For more information on drafting an intellectual property clause for employment contracts in Switzerland, see *Practice Note, IP in Employment (Switzerland)*.

