

Discussion on the Principle of Giving Priority to Agreement on Reward and Remuneration for Service Inventions

Li Huihui and Meng Pu

I. Introduction

On 2 April 2015, the Legal Affairs Office of the State

Council released the Draft Regulations on Service Inventions (Draft for Review) (hereinafter referred to as the Draft Regulations for Review) that were open for public comments, which

were submitted to the State Council for review by the State Intellectual Property Office and the Ministry of Science and Technology of the PRC. As an important measure for encouraging inventors to make technological innovations and meanwhile a primary right to service inventions enjoyed by inventors, provisions for reward and remuneration are set forth in Chapter 4 of the Draft Regulations for Review to serve as a guarantee system that is based on the principle of giving priority to agreement and supplemented by the principle of minimum standards. Similar systems can be found in the revised Law on Promoting the Transformation of Scientific and Technological Achievements (hereinafter referred to as the Transformation Law 2015) that entered into force as of 1 October 2015. This article is attempting to analyze the principle of reward and remuneration for inventors of service inventions and comment on the principle in combination with judicial practices.

II. Legal basis of the principle of giving priority to agreement

Entering an agreement on reward and remuneration for service inventions between an entity and inventors is, in nature, a civil act between equal subjects and therefore such agreement shall be regarded as a civil contract. No matter in the form of regulations or by signing a separate agreement, the entity and inventors, as the two parties of the contract, can reach an agreement on the manner and amount of reward and remuneration at will under the law. Thus, the autonomy of will in the sense of the Civil Law is the legal basis for the principle of giving priority to agreement on reward and remuneration for service inventions.

On the other hand, the entity and inventors are involved in an employer-employee relationship. The agreement on reward and remuneration for service inventions, which is a kind of labour income, has the properties of a labour contract and shall be guided by the legislative intent of the Labour Contract Law of imposing limitations on the subjects and procedures of the labour contract in order to protect the legitimate rights and interests of employees.

For these reasons, the principle of giving priority to agreement on reward and remuneration for service inventions is actually a "priority" in a limited sense. The validity of such an agreement also depends on whether the agreement meets the special requirements substantially and procedurally and whether the inventors' legitimate rights and interests

are impaired.

III. Tracing the origin of the principle of giving priority to agreement

1. The Patent Law and the Implementing Regulations of the Patent Law

As early as 1985, the earliest Patent Law and its Implementing Regulations thereunder set forth relevant provisions relating to the obligation on reward and remuneration for inventors of service inventions and the calculating method thereof¹. Since China was undergoing an embryonic stage of reform and opening-up strategies and the market economy was in its infancy all over the country, there was no principle of giving priority to agreement on reward and remuneration at that time. Nevertheless, it was stipulated in the Implementing Regulations of the Patent Law that "the provisions relating to reward and remuneration of this chapter may be implemented by any other entity under collective ownership and other corporation by making reference thereto".² In other words, although there were no explicit provisions relating to the principle of giving priority to agreement, for non-state-owned entities, entering an agreement with the inventor on reward and remuneration rates for service inventions was not prohibited. Relevant provisions were revised in the Patent Law and the Implementing Regulations thereunder which entered into force in 2001, but the principle of giving priority to agreement was still not explicitly stipulated therein.³

The provisions relating to reward and remuneration for service inventions were revised to a large extent in the current Implementing Regulations of the Patent Law (revised in 2010), wherein the principle of giving priority to agreement was first explicitly specified as that "the entity to which a patent right is granted may regulate in its legitimately enacted company rules or in the contract concluded by the entity with the inventor or the designer the way and amount in which reward and remuneration specified in Article 16 of the Patent Law are provided".⁴ Meanwhile, the distinction between different ownerships was abolished and all the entities on the territory of China are bound by the current Implementing Regulations.

At present, the Patent Law is undergoing the fourth revision. In the Draft Amendments to the Patent Law (Draft for Review) released in December 2015, the ownership of service inventions is redefined. Accordingly, "an invention-creation made by a person mainly using the material and techni-

cal means of an entity to which he belongs” is not naturally deemed as a service invention. Moreover, in Article 16, the entity obligated to pay reward and remuneration is no longer defined as the “the entity to which a patent right is granted”, but changed to that “the entity shall” reward and remunerate “the inventor or designer thereof”; after the patent is exploited, the entity shall reward and remunerate the inventor or designer thereof according to the extent of application and economic benefits obtained through exploitation of the patent.⁵ Once the Draft Amendments to the Patent Law enters into force, the agreement on ownership and reward/remuneration of service inventions will be of more importance for both entities and inventors.

2. Draft Regulations on Service Inventions

The Regulations on Service Inventions that are being formulated are administrative regulations specially made for issues relating to service inventions, wherein reward and remuneration for service inventions are specified in detail substantially and procedurally. The principle of giving priority to agreement has been explicitly written in all the revised versions of the Draft Regulations on Service Inventions.⁶

On the other hand, under the principle of giving priority to agreement, the principle of minimum guarantee is still required to impose limitations on the principle of giving priority to agreement so as to prevent the entity from depriving the inventors of their rights or limiting their rights in disguised form.⁷

Substantially, the Drafts for Comments released on 20 August 2012 and 12 November 2012 both provided that “any agreement and provision that deprive the inventors of their rights or limit their rights according to the Regulations on Service Inventions are regarded to be invalid”; and in the Drafts for Review released on 30 December 2013 and 2 April 2015, the said provision was revised as that “any agreement or provision that deprive the inventors of their rights according to the Regulations on Service Inventions or impose unreasonable conditions for enjoyment and exercise of the rights are regarded to be invalid”. Literally speaking, the terms of agreements that might be deemed as invalid are narrowed down from “depriving” and “limiting” the rights to “depriving” and “imposing unreasonable conditions”. However, the specific circumstances of “unreasonable conditions” are vaguely - worded, such that “unreasonable conditions” become the sword of Damocles for the principle of “giving priority to agreement”, and render that provision of the Regulations on Service Inventions much controversial.

Procedurally, the Draft for Review clearly requires that when establishing a system of reward and remuneration for service inventions, the entity “shall attentively listen to and consider the views and opinions of relevant persons, and render the invention report system and the reward and remuneration system open and transparent to the researchers and other relevant persons”.⁸ Meanwhile, “the opinions of the inventors of service inventions shall be attended to when determining the manner and amount of reward and remuneration awarded to them”.⁹ How to define “listen to and consider” becomes another outstanding point that has an impact on the validity of the agreement.

3. Law on Promoting the Transformation of Scientific and Technological Achievements

The Law on Promoting the Transformation of Scientific and Technological Achievements promulgated and entering into force in 1996 explicitly provides that entities that made scientific and technological achievements are obliged to reward persons who made important contributions to the scientific or technological achievement and its transformation, as well as the lower limit of the amount of reward, without specifying the definitions of “scientific and technological achievements” or “service scientific and technological achievements”, or whether the reward and remuneration could be agreed in any agreement.¹⁰

The Law on Promoting the Transformation of Scientific and Technological Achievements that was effective from the date of 1 October 2015 was revised to a large extent. First of all, the definitions of “scientific and technological achievements” and “service scientific and technological achievements” were clearly defined¹¹. In regard to reward, the revised Law provides that “entities that made scientific and technological achievements can provide for or enter into an agreement with the inventor on the manner, amount and time limit of the reward and remuneration”.¹² And it is further stipulated that “the statutory reward and remuneration standards are applicable only when the entities that made scientific and technological achievements fail to provide for or enter into an agreement with the scientific and technological staff on the manner and amount of the reward and remuneration”.¹³

Agreement is, by no means, absolutely unrestricted when there is a tendency to protect inventors at the time of law making. The Transformation Law 2015 provides that “when an entity establishes the relevant rules, it shall attentively listen to and consider the opinions of scientific and technological staff in that entity, and disclose relevant rules

within the entity.” Moreover, there are substantially statutory limitations imposed on the manner and amount of the reward and remuneration that are provided for by state-owned R&D institutes and higher-education universities or agreed upon with the scientific and technological staff ¹⁴.

IV. The principle of giving priority to agreement in practice

As stated above, the principle of giving priority to agreement is not absolutely effective, and there exist limitations substantially and procedurally that affect the validity thereof. The validity of the agreement on reward and remuneration for service inventions will be discussed in combination with judicial practices.

1. Substantial requirements of the agreement

The principle of giving priority to agreement was confirmed in the judicial practice. For instance, the Beijing No. 3 Intermediate People's Court ruled in the first-instance judgment ¹⁵ in a Mr. Wang v. a Technological Co., Ltd. (a dispute over reward and remuneration for inventors of service inventions) that “an entity can, according to its own characteristics and needs, enter into an agreement with the inventor or stipulate in its rules or regulations the amount of reward that is greater than the statutory minimum level, but it is the entity's right to do so, rather than an obligation. Especially after the establishment of the principle of giving priority to agreement in the Implementing Regulations of the Patent Law 2010, the statutory minimum level should be understood as stated above. In other words, the amount of reward and remuneration agreed upon between the entity and the inventor can be higher or lower than the statutory minimum level, but the statutory minimum level is directly applicable in the absence of such an agreement”.

In June 2013, the Intellectual Property Tribunal of the Shanghai Higher People's Court formulated and issued Guidelines on Trial of Disputes over Reward and Remuneration for Inventors or Designers of Service Invention-creations, which serve as a guidance document. Article 2 thereof provides for the principle of giving priority to agreement, and Article 4 thereof provides for the contents of the agreement, stipulating that “what can be determined in the agreement includes, but not limited to, the amount and the manner of the reward and remuneration”. To be specific, “pursuant to the principle of giving priority to agreement, the forms of reward and remuneration are of a great variety. In addition to the

monetary award, the reward and remuneration may be awarded in other forms, including shares, options, promotion, salary increment, paid leave, etc, provided that the principle of reasonableness stipulated in the Patent Law is satisfied. Where the agreed remuneration is in monetary form, the agreed amount may be higher or lower than the statutory standard. The entity can, at its discretion, set the corresponding specific standards according to its own industry characteristics, R&D status and demands for intellectual property strategic development”. ¹⁶

Of course, not all the agreements are effective, and the judgement on whether the content mentioned in the agreement is reasonable tends to be the bone of contention between the two parties. What is clear is that if an agreement restricts or exempts the entity's statutory reward obligation, then the agreement will be deemed to be invalid by the court. For instance, in a Mr. Wu v. a Microelectronics Equipment Co., Ltd. ¹⁷ (a dispute over service invention rewards) concluded in 2011, the Microelectronics Equipment Co., Ltd. stipulated in its Method of IP Rewards that an inventor after resignation will not be granted rewards. The first-instance and second-instance courts both decided that payment of rewards for service inventions is an entity's statutory obligation, and the entity must not “restrict or exempt its reward obligation in the Method of Rewards”. Therefore, the relevant agreement was invalid.

Not all the cases are that simple. Especially in the event that the agreed amount is lower than the statutory standard, whether the agreed amount is reasonable and whether the legitimate rights and interests of an inventor are impaired become the key issues in the dispute.

In a Mr. Liang v. a company ¹⁸ (a dispute over service invention rewards), the agreed amount of service invention reward, though being lower than the statutory standard, was still deemed to be valid. The Shanghai No. 2 Intermediate People's Court held that “where there is an agreement on service invention reward concluded between an entity to which a patent right is granted and an inventor or there are provisions in this regard set forth in the rules enacted according to law, the manner and amount of reward stipulated in the agreement or rules shall be given the priority. In the present case, the defendant stipulated in the Method of Reward the provisions related to reward for inventors or designers of service invention-creations, and the plaintiff was also clear about the presence of the Method of Reward. Hence, the provisions of the defendant's Method of Reward shall be given

the priority for use". Evidence produced by the defendant proved that 43 patents for utility model were reviewed in order to determine the specific amount of rewards. The plaintiff failed to submit any counter-evidence to prove that the amount of rewards determined after the review lacked reasonableness. As a result, the court upheld the agreed amount of rewards. This case told us that the statutory minimum standard was not the essential basis for judging whether the agreed amount was reasonable or not. "It shall be first presumed that the amount of rewards agreed between the entity and the inventor is reasonable. The inventor, who claims the agreement unreasonable, shall be liable to produce relevant evidence."¹⁹

In *Zhang Weifeng v. 3M Innovation Co., Ltd. and 3M China Co., Ltd.* (hereinafter referred to as "3M case")²⁰ that aroused great attention, the reasonableness of the agreed amount also remained a concern. The first-instance court held that according to the formula for calculating service invention rewards as agreed in the Service Invention Reward Plan of 3M China, the annual sales, rather than the operating profit, are used as the calculation basis, there exists anyway a great gap between the coefficient of 0.01% and that of not less than 2% taken each year from the operating profit earned through exploitation of the invention or utility model as stipulated in Rule 78 of the Implementing Regulations of the Patent Law. It can be seen that the Reward Plan would not be reasonable in some aspects". In fact, different coefficients are not comparable if the calculation bases are different. With no knowledge of the ascertained conversion relationship between the annual sales and the operating profit, the above decision made by the first-instance court seemed to be a little bit coarse. The second-instance court managed to rectify the decision issued by the first-instance court, stating that "the Service Invention Reward Plan of 3M China' is in nature an agreement on the calculation of service invention rewards concluded between 3M China and its employees. It was not illegal, in 'the Service Invention Reward Plan of 3M China', to decide the method of calculating the rewards for service invention made before its release". Nevertheless, since 3M China Co. was unable to justify its calculation bases and process, "it is hard to verify the authenticity and legitimacy of the amount of the service invention rewards".

In the above two cases, the court assigned the burden of proving the reasonableness of rewards to different parties. In the case of Mr. Liang, the court presumed the rewards to

be reasonable. Since the evidence in relation to sales and profit is usually at the hand of the entity, an inventor normally has difficulty in overturning such a presumption. In the 3M case, the entity was liable to prove the reasonableness of rewards. However, due to the factors such as trade secrets, sometimes the entity is reluctant to provide relevant data. Consequently, in such cases concerning rewards given to inventors, the burden of proof affects the final results of lawsuits to a large extent.

2. Procedural requirements of the agreement

In practice, things would get very complicated if an entity signs an agreement on service invention rewards with each inventor alone. Especially for a large-scale company, it makes things easier to formulate rules for rewards and remuneration applicable to the entire employees. It shall be noted that if the agreed service invention rewards are released in the form of rules and regulations, the formulation process thereof must satisfy relevant legal requirements.

In the case of Mr. Liang, the Method of Rewards for Technical Innovations and Improvements formulated by the entity was by nature "rules and regulations enacted according to law" in light of the Patent Law. Although there was no process of discussing rules and regulations in the present case, it was found that the entity convoked a meeting on determination of the amount of rewards pursuant to the pre-set procedures. Thus, "if the review process is justified, the determined amount of rewards is valid". However, "if the specific amount of rewards was determined by an entity before the lawsuit without undergoing the review process, for instance, it was a personal decision of the person in charge of an entity or a department, the amount of rewards shall not be recognized by the court due to lack of a due process".²¹

In the 3M case, the plaintiff, Zhang Weifeng, challenged the legitimacy of the reward formulation process. On the basis of the ascertained facts, the plaintiff, Zhang Weifeng, participated in the formulation of "the Service Invention Reward Plan of 3M China". The defendant, 3M China, convoked a "Dialogue with LOC" meeting for providing a communication channel between the employees and the management level. The plaintiff sent an email to the management level of the defendant, 3M China, suggesting that it would be more reasonable if the contribution ratio can be raised by one order of magnitude. In light of the judgments of the first-instance and second-instance courts, the "Reward Plan" pertained to the rules and regulations on service invention rewards as stipulated in the Implementing Regulations of the Patent Law. 3M

China has negotiated with its employees about the formulation of "Reward Plan". Although the entity neither accepted nor responded to the opinions of the plaintiff, Zhang Weifeng, the process has met the legal requirements on procedures.

3. How to do in the event of unclear agreement on rewards

Although, in some cases, the entity has signed an agreement with inventors, it is unclear whether or not such an agreement is the one on service invention rewards in the sense of the Patent Law. Under the circumstances, the validity of an agreement becomes the focus of disputes.

In a case²² concluded by the Shanghai Higher People's Court in 2013, the plaintiff, a Mr. Qian, signed an Agreement on Patent Exploitation with the defendant, a Technology Co., Ltd., requiring in Item 4 that the defendant "paid to the plaintiff 1% of the product sales as the patent royalties. However, the annual royalties for each patent should be not less than RMB 10,000 and not more than RMB 30,000". As regards the legal nature of the patent royalties as agreed by both parties in the Agreement on Patent Exploitation, the Shanghai Higher People's Court decided that "the agreement was the true will of both parties and therefore legally effective; judging from the full content of the agreement, 'patent royalties' as agreed in the agreement are in fact service invention rewards, and Item 4 of the agreement is the method of calculating the service invention rewards by mutual consent". For this reason, the Shanghai Higher People's Court calculated the service invention rewards according to the effective Agreement on Patent Exploitation and ruled that the defendant should pay the rewards to the plaintiff.

In a Mr. Zhang v. an Automatic Co., Ltd.²³ concluded in 2014 by the Beijing No.2 Intermediate People's Court, the court also took the view that the undetermined reward could offset the service invention reward in the sense of the Patent Law. Although the project reward was not regarded to be the service invention reward in the sense of the Patent Law, the reward was the extra payment in addition to the salary paid by the defendant to the plaintiff for his efforts in project research and development. There was no need for the defendant to pay additional rewards. The remuneration of the service invention reward and remuneration shall be otherwise decided by the court at its own discretion.

In contrast, the Changsha Intermediate People's Court held a different view in a Mr. Yu v. a factory²⁴ (a dispute over reward and remuneration for inventors). In this case, the defendant (the entity) and the plaintiff (the inventor, Mr. Yu) con-

cluded the Bill of Mediation in 2002, reaching an agreement that the inventor would be paid a lump-sum award of RMB 20,000 as a sci-tech invention reward and of RMB 19,653.64 as a new product development reward. The court, however, ruled that "the agreement only showed that the defendant paid the plaintiff during his employment the sci-tech invention reward and the new product development reward. But the sci-tech inventions and newly developed products in a common sense are apparently different from the patented invention-creations in terms of a protection method. Different from a general technology, a patented technology is entitled to sole and exclusive protection. In this case, the sci-tech invention reward and the new product development reward agreed between both parties are in no way equivalent to the service invention reward as stipulated in Article 16 of the Patent Law". The dispute over the ownership of the patent in suit between the plaintiff and the defendant lasted from 2003 to 2009, in other words, only until the Bill of Mediation took into force was the patent in suit assigned from the plaintiff, Mr. Yu, to the defendant. For this reason, the Changsha Intermediate People's Court decided that "the agreement cannot prove that the payment was the reward in the sense of the Patent Law paid to the plaintiff as a patent inventor. Nor did the defendant provide other evidence as a support." Finally, the defendant, a factory located in Hengyang City, shall pay the plaintiff (inventor), Mr. Yu, a service invention reward in the sense of the Patent Law. Similar negative views can also be found in a Mr. Fan v. a Shenzhen company²⁵ (a dispute over service invention rewards).

Generally speaking, there are only a few cases in relation to the validity of agreements on service invention rewards and remuneration, and judicial practices have not been harmonized among different regions. We are looking forward to more cases appearing especially after the Regulations on Service Inventions take into effect, so as to clarify the ambiguities in the current legal provisions.

V. Changes in the principle of minimum guarantee

The principle of minimum guarantee, as a statutory system, had been established in the Chinese patent legislation and sci-tech legislation before the principle of giving priority to agreement. The following table shows the changes in the minimum guarantee standards for service invention rewards.

Comparison of minimum guarantee standards for service invention rewards

	the principle of giving priority to agreement	reward	remuneration
the Implementing Regulations of the Patent Law (1985)	none	stated-owned entities: Invention: not less than RMB 200; utility model or design: not less than RMB 50.	stated-owned entities: exploit: invention or utility model: take each year from the profits after taxation earned from exploitation a percentage of not less than 0.5% to 2%; design: take each year from the profits after taxation earned from exploitation a percentage of not less than 0.05% to 0.2%; or by making reference to the said percentage, award a lump-sum of money to the inventor or creator as remuneration once and for all. license: take from the profits after taxation a percentage of not less than 5% to 10%.
the Implementing Regulations of the Patent Law (1992)	none	ibid	ibid
the Implementing Regulations of the Patent Law (2001)	none	state - owned enterprise or institution shall: invention: not less than RMB 2,000; utility model or design: not less than RMB 500.	state-owned enterprise or institution shall: exploit: invention or utility model: take each year from the profits after taxation earned from exploitation a percentage of not less than 2%; design: take each year from the profits after taxation earned from exploitation a percentage of not less than 0.2%; or by making reference to the said percentage, award a lump-sum of money to the inventor or creator as remuneration once and for all. license: take from the profits after taxation a percentage of not less than 10%
the Implementing Regulations of the Patent Law (2010)	yes. statutory	invention: not less than RMB 3,000; utility model or design: not less than RMB 1,000.	exploit: invention or utility model: take each year from the operating profits earned from exploitation a percentage of not less than 2%; design: take each year from the operating profits earned from exploitation a percentage of not less than 0.2%; or by making reference to the said percentage, award a lump sum of money to the inventor or creator as remuneration once and for all. license: take from the profits a percentage of not less than 10%
the Draft Regulations on Service Inventions (Draft for Review) (2015)	standards are applicable where the reward and remuneration are neither mentioned in the agreement signed with the inventor nor stipulated in the rules or regulations.	invention or right of new varieties of plants: not less than 200% of the monthly average wages of the employees in the entity; other IP rights: not less than the monthly average wages of the employees in the entity.	exploit: (1) invention or right of new varieties of plants: take each year from the operating profits earned from exploitation a percentage of not less than 5%; other IP rights: take each year from the operating profits earned from exploitation a percentage of not less than 3%; or (2) invention or right of new varieties of plants: take each year from the revenue earned from exploitation a percentage of not less than 0.5%; other IP rights: take each year from the revenue earned from exploitation a percentage of not less than 0.3%; or (3) with reference to the amount of items (1) and (2), determine the amount of annual remuneration in accordance with the reasonable multiple of the personal salary of the inventor; or (4) with reference to the reasonable multiple of the amount of items (1) and (2), determine the lump-sum amount of the remuneration to be paid to the inventor. the accumulated amount of remuneration above will be not more than 50% of the accumulated operating profits of exploiting the IP right. assignment or license: not less than 20% from the net revenue

the Law of the PRC on Promoting the Transformation of Scientific and Technological Achievements (1996)	none	assignment: take not less than 20% of the net revenue, obtained from assignment. a scientific or technological achievement, that is made through the independent research and development of an enterprise or institution with the collaboration of another unit; take not less than 5% of the added profits for the consecutive 3 to 5 years obtained from adoption of the achievement and successful production.
the Law of the PRC on Promoting the Transformation of Scientific and Technological Achievements (2015)	yes. statutory standards are applicable where the manner and amount of reward and remuneration are neither mentioned in the agreement signed with the scientific researchers nor stipulated in the rules or regulations.	assignment or license: take not less than 50% of the net revenue, obtained from assignment or license. investment: take not less than 50% of the shares or capital contribution invested by scientific and technological achievements. self-exploitation or exploitation through cooperation with others: take not less than 5% of the operating profits obtained from exploiting the achievement each year for the consecutive 3 to 5 years upon successful transfer of the scientific and technological achievements and production thereof. the manner and amount of reward and remuneration of state-owned R&D institutions and higher-education universities agreed by way of internal rules or signing written agreements with their researchers shall comply with abovementioned statutory standards

As the above table shows, the statutory standards of rewards to inventors have been on a gradual rise. The Draft for Review weighs the rewards awarded to inventors according to “the monthly average wages of the employees in the entity”, to make the statutory standards more reasonable and avoid the lagging of the fixed monetary amount behind the economic development. The Transformation Law 2015 greatly raised the statutory standards to a level that the reward percentage is improved from “not less than 20%” to “not less than 50%”; the statutory minimum guarantee limitation is imposed on the principle of giving priority to agreement on the reward and remuneration awarded by national institutions. However, the reward and remuneration are still not clearly distinguished.

Since the laws are at a higher level of the legal hierarchy with respect to the administrative regulations, and inventions can be understood as the narrow concept of scientific and technological achievements, the above provisions of the Transformation Law 2015 shall be taken into account when revising the Implementing Regulations of the Patent Law and formulating the Regulations on Service Inventions, for the purpose of preventing conflicts with the higher-level law and the generic concept. The current Implementing Regulations of the Patent Law impose no statutory minimum guarantee limitation to the service invention rewards awarded by the

state-owned enterprises under the principle of giving priority to agreement. Therefore, as regards service invention patents, the state-owned enterprises and the inventors can still reach an agreement that the remuneration is less than 2% of the operating profit (gained through exploitation of the patents) and less than 10% of the royalties (as a result of license) and the reward not more than RMB 3,000. In light of the Transformation Law 2015, when state-owned R&D institutions or higher-education universities reach an agreement on the reward and remuneration for inventions transferred from scientific and technological achievements, the agreed reward and remuneration shall be not less than 50% of the net revenue as a result of the assignment or license; or not less than 5% of the operating profits each year for the consecutive 3 to 5 years upon successful transfer of the scientific and technological achievements and production thereof. Unavoidably, it is unable to satisfy the requirements of the current Transformation Law and the Implementing Regulations of the Patent Law. In addition, it is worthy of discussion whether the principle of giving priority to agreement shall be limited by the statutory minimum guarantee limitation, when the scientific and technological achievements are made by the state-owned R&D institutions and higher-education universities in cooperation with the enterprises.

VI. Epilogue and suggestion

In accordance with the legal principle and practice of the principle of giving priority to agreement and the minimum guarantee principle related to the service invention reward and remuneration, the entity and inventors, when concluding an agreement on the service invention reward and remuneration, must pay attention to the disclosure of the process of reaching an agreement and preserve relevant original evidence in connection with the process. As for the agreement or regulations that contain the calculation formula of the service invention reward and remuneration, the entities or inventors shall prove the calculation foundation, basis and process, as well as the authenticity thereof, so as to prevent adverse rulings due to lack of support to their claims. Between the Transformation Law 2015, the Implementing Regulations of the Patent Law 2010 and the Draft Regulations on Service Inventions (Draft for Review) (2015), there exist a series of clauses to be harmonized and interpreted in future revisions to the laws. Meanwhile, with accelerated transfer of scientific and technological achievements and increase in the number of service inventions, it is expected that legal practices in resolving the disputes over service inventions will be enriched, which may in turn affect the legislation and judicial adjudication. ■

The authors: patent attorneys in the Legal Affairs
Department of CPA

¹ Article 16 of the Patent Law (1985); Rules 70 to 72 of the Implementing Regulations of the Patent Law (1985).

² Rule 75 of the Implementing Regulations of the Patent Law (1985).

³ Article 16 of the Patent Law (2001); Rule 77 of the Implementing Regulations of the Patent Law (2001).

⁴ Rule 76 of the Implementing Regulations of the Patent Law (2010).

⁵ Articles 6 and 16 of the Draft Amendments to the Patent Law (Draft for Review) released in December 2015.

⁶ The Draft Regulations on Service Inventions (Draft for Comments) released on 20 August 2012 and 12 November 2012 and the Draft Regulations on Service Inventions (Draft for Review) released on 30 December 2013 and 2 April 2015. Retrieved from <http://www.sipo.gov.cn/ztzl/ywzt/zwfmlzl/tlcayj/>.

⁷ Interpretation on the Draft Regulations on Service Inventions (Draft for Review) released in April 2015. Retrieved from <http://www.chinalaw.gov.cn/article/cazjgg/201504/20150400398828.shtml>.

⁸ Article 6.4 of the Draft Regulations on Service Inventions (Draft for

Review) released on 2 April 2015.

⁹ Article 19 of the Draft Regulations on Service Inventions (Draft for Review) released on 2 April 2015.

¹⁰ Article 29 of the Law on Promoting the Transformation of Scientific and Technological Achievements (1996).

¹¹ Article 2 of the Law on Promoting the Transformation of Scientific and Technological Achievements (2015).

¹² Article 44 of the Law on Promoting the Transformation of Scientific and Technological Achievements (2015).

¹³ Article 45 of the Law on Promoting the Transformation of Scientific and Technological Achievements (2015).

¹⁴ Articles 44 and 45 of the Law on Promoting the Transformation of Scientific and Technological Achievements (2015).

¹⁵ The Judgment No. Sanzhongminchuzi 06031/2014.

¹⁶ Guidelines on Trial of Disputes over Reward and Remuneration for Inventors or Designers of Service Invention-creations released by the Intellectual Property Tribunal of the Shanghai Higher People's Court in June 2013.

¹⁷ The Judgment No. Huyizhongminwu(zhi)zhongzi 144/2011.

¹⁸ The Judgment No. Huerzhongminwu(zhi)chuzi 11/2014.

¹⁹ Ling Zongliang. Judicial treatment in the event of unclear agreement on rewards. People's Court Daily (p7), 18 June 2015.

²⁰ The Judgment No. Hugaominsan(zhi)zhongzi 120/2014 and the Judgment No. Huyizhongminwu(zhi)chuzi 240/2012.

²¹ Judicial Treatment in the Event of Unclear Agreement on Rewards released by the Shanghai Intellectual Property Court on June 18, 2015. Retrieved from <http://shfy.chinacourt.org/article/detail/2015/06/id/1653269.shtml>.

²² The Judgment No. Hugaominsan(zhi)zhongzi 88/2013.

²³ The Judgment No. Erzhongminchuzi 05591/2014.

²⁴ The Judgment No. Changzhongminwuchuzi 0736/2011.

²⁵ The Judgment No. Shenzhongfazhiminchuzi 272/2013.