

Judgment on Determination of Relevance of Service Inventions Made by Departed Employees

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Rule 12 of the Implementing Regulations of the Patent Law, by means of the “within one year” and “relevance” requirements, inherently takes on the role of balancing the interests between the previous entity, the departed employee, and the new entity. While safeguarding the free movement of employees, the provision also effectively prevents the departed employee from engaging in competition of innovations with the previous entity immediately after his departure, as well as protecting the interests of the new entity from unreasonable impairment, thus embodying on the whole the ethical justice of “giving priority to efficiency with due consideration to fairness”. When judging whether the invention made by a departed employee is related to his normal duties or assigned tasks at the previous entity, the standard of relevance of technical fields should be followed, that is, whether the technical subject of the invention made by the departed employee falls within the same or similar technical field that his specific job responsibilities or assigned tasks at the previous entity pertain to. Although other personnel also contribute to the service invention, it should not affect the ownership of service invention patent. The co-ownership model is not conducive to giving full play to the utility of patent right or protecting the interests of the no-fault party. The contributions of other personnel may be guaranteed by means of rewards, compensation, etc.

In accordance with the provision of Rule 12 of the Implementing Regulations of the Patent Law, where an invention is made by a person within one year from his retirement or transfer from the entity to which he previously belonged (hereinafter referred to as “the previous entity”) or termination of labor and personnel relationship with the previous entity, and is related to his normal duties undertaken at the previous entity or tasks assigned to him by the previous entity, the invention shall fall under “the service invention made by a person in execution of the tasks of the entity to which he belongs”, and the patent right shall belong to the previous entity (this provision is hereinafter referred to as “the provision on service invention of a departed employee under the Implementing Regulations of the Patent Law”). Regarding the understanding of this provision, however, there has been substantial disagreement in judicial practice, and the standards for determination of service invention of a de-

parted employee have not been consistent. Nowadays, staff mobility is becoming increasingly common, and against this background, how to precisely define the ownership of the patent for the invention made by a departed employee not only concerns the legitimate rights and interests of relevant enterprises and departed employees, but also affects the realization of the value and function of the service invention system, thus having significant meaning in practical application and institutional regulation.

I. Judicial uncertainties in determination of relevance

An invention made by a departed employee should be deemed as a service invention if the invention meets two requirements, namely, the time requirement of “within one year” and the content requirement of “related to normal du-

ties or assigned tasks”. As the time requirement is relatively objective and unlikely to cause controversy, the difference in views mainly relates to how relevance should be determined and whether contributions by other participants should be taken into account. That is, does the provision on service invention of a departed employee under the Implementing Regulations of the Patent Law merely apply to the situation where the invention is made independently by the departed employee? In case the invention is jointly made by the departed employee and other personnel, even though the invention has been determined as service invention, there is still the question of whether the patent right shall be solely owned by the previous entity or jointly owned by the previous entity and other participants.

1. Controversy over the criteria for determination of relevance

The author has made some searches on service invention-related judgments via China Judgements Online, thereby retrieving 63 pieces of judgments in relation to determination of relevance. After scrutinizing the relevant judgments, the author found that in determining whether an invention made by a departed employee is related to his normal duties or assigned tasks, basically the following judgment standards have been applied in judicial practice: relevance of technical fields (31.75%), access to technical information (15.87%), and identicalness of technical solutions (52.38%). Which standard to apply will directly affect the rationale underlying the adjudication of cases, and may even lead to completely different outcomes.

Those who support the standard of relevance of technical fields hold that determination of service invention follows a rationale different from the judgment of infringement. When judging the relevance of a disputed invention, the focus should be on whether the disputed invention is identical or similar in terms of technical field to the departed employee’s normal duties or assigned tasks performed by him at the previous entity. If the relevance of technical fields is established, the disputed invention should fall under service invention and in this case comparison of the specific technical solutions is not needed. “When judging whether an invention is a service invention made by a departed employee in execution of the tasks of the entity to which he belongs, the main consideration should be whether the invention in suit and the duties or tasks performed or entrusted at the previous entity fall within relevant technical fields; in other words, what counts is the relevance between the inven-

tion in suit and the duties or tasks at the previous entity. The rationale behind this judging standard is different from that underlying the judgment of invention patent infringement, in that there is no need to compare the patent-pending technology with the technology employed in the duties of the previous entity to decide whether they are of the same technology, not to say to evaluate the identicalness of the two.”¹ In the dispute of *Zhang M. v. Tianjin Nankai University Castor Engineering Science and Technology Co., Ltd.* (hereinafter referred to as “Castor Co.”) over the ownership of the right to apply for a patent, the Supreme People’s Court in the retrial of the case deemed that determination of whether the invention in suit is a service invention mainly involves the judgment of whether the invention in suit is related to the duties or tasks performed by Zhang M. at Castor Co., rather than the comparison between the patent-pending technology in suit and the patent-pending technology of Castor Co. to decide whether the two technologies are the same ... Although the technology in suit is to produce sebacic acid by means of diluent, which is different from the microwave cracking technique adopted by Zhang M. at Castor Co., the two technologies both relate to a clean, phenol-free manufacturing method for extracting sebacic acid from castor oil, and fall under the R&D achievements of the same scientific research topic, they are therefore related inventions ...²

For the supporters of the standard of access to technical information, they hold that if a departed employee has access to the technical information, such as drawings related to a disputed invention, in the course of his normal duties or accepted tasks at the previous entity, it can be determined that the disputed invention is a service invention. In the dispute of *Shanghai Yupin Communication Technology Co., Ltd. v. Shanghai Tuoying Mechanical & Electrical Equipment Co., Ltd. et al.* over the ownership of a utility model patent, the court deemed that there is no need for a one-to-one correspondence between the technical features of the service invention and those of the technical solution that the inventors had access to in the execution of tasks at the previous entity. The three inventors’ job responsibilities show that they have the opportunities to access the drawings and physical components of the optical fiber cable making machines, and some components of the patent in suit are shown in the drawings. Hence, the patent in suit is related to the three inventors’ normal duties undertaken or tasks assigned to the plaintiff.³

As for the followers of the standard of identicalness of

technical solutions, their view is that the judgment of whether relevance exists should not be limited to the assessment of relevance of technical fields; rather, technology comparison should be made between the technical solutions of the disputed invention and those of the previous entity, so as to analyze whether they are related in terms of technical problem, technical means, and technical effects to be achieved. In the dispute of *Shanghai ACL CNC Machine Tool Co., Ltd. v. Shanghai Deratech CNC Machine Tool Co., Ltd.* over the ownership of the right to apply for a patent, the court held that the three persons' normal duties are likely to involve the R&D of relevant technologies. However, both parties agreed that there are structural differences between the patent application in suit and the plaintiff's drawings, and hence feature-by-feature comparison is not possible; moreover, a majority of the components of the patent application in suit, as well as the assembly, connecting and positional relationships between the components, have no corresponding representation in the plaintiff's drawings, and, with the big differences in operating method between the two technical solutions, the functions carried out by the specific components surely are not the same. Although the two technical solutions have the evident similarity of being both related to the mechanical field of shearing machines, it is normal in practical R&D that within the same technical field, different inventions are made to generate diverse technical solutions for solving the same technical problem. As such, the relevance of technical fields should not be the only basis for the conclusion that the technical solution embodied in the patent application in suit is related to that in the plaintiff's drawings.⁴ There is a view that judgment should be made from the perspective of whether substantial difference exists, i.e., whether there is substantial difference between the patent in suit and the design in the plaintiff's drawings from the perspective of creative contribution. After the technology comparison made between the patent in suit and the plaintiff's drawings, it can be determined that there is no substantial difference between the substantive features of the patent in suit and the technical features in the plaintiff's drawings. Hence, the invention of the patent in suit made by Mao is strongly related to his normal duties undertaken at the previous entity or tasks assigned to him by the previous entity.⁵ Another view goes that when judging the ownership of an invention made by an employee after his departure, examination should be conducted on whether the invention is highly related to his previous du-

ties, that is, whether his normal duties or assigned tasks at his previous entity directly encompass or point to the related content of the invention.⁶

2. Whether to consider the contribution of other participants or the new entity

There is a view that the provision on service invention of a departed employee under the Implementing Regulations of the Patent Law is to resolve the dispute over the ownership of an invention between the previous entity and the entity where the departed employee presently works (hereinafter referred to as "the new entity"), and as long as the invention is related to a departed employee's normal duties or entrusted tasks at the previous entity, it belongs to a service invention. In the dispute of *Guangzhou Wondfo Biotech Co., Ltd. et al. (appellants) v. Edan Instruments, Inc. et al. (appellees)* over the ownership of the right to apply for a patent, the court held that "the invention in suit was made by the employee at the new entity within one year after leaving the previous entity, and the dispute over the invention in suit is an occurrence between the previous entity and the new entity, so Rule 12.1 of the Implementing Regulations of the Patent Law is applicable to the determination of the ownership of the invention in suit, and there is no need to examine whether the invention in suit was made in execution of the duties or tasks of the new entity or whether it has made use of the material or technical means of the new entity."⁷

There is, however, an opposite view that the creative contribution made by the new entity or other personnel should be taken into account in the determination of service invention; the provisions of the Implementing Regulations of the Patent Law only address the situation where the invention is made independently by a departed employee, and if the creation of a disputed invention also involves the participation of other personnel at the new entity, the invention should be deemed as co-owned by the previous entity and the new entity. In the dispute of *Zannan SciTech (Shanghai) Co., Ltd. v. Shanghai Keqin Chemical Technology Co., Ltd. and Zhang W.* over the ownership of the right to apply for a patent, the court deemed that part of the technical solution of the patent application in suit is the same as the technical solution created by Zhang W. during his employment with the plaintiff, and thus belongs to service invention, while part of the technical solution sees distinct difference, and for such technical content, it cannot be deemed as service invention of Zhang W. at the plaintiff. As such, the technical

solution of the patent application in suit should be regarded as an achievement jointly made by the plaintiff and the defendant, and thus co-owned by them.⁸ Likewise, in the dispute of *Shanghai MicroPort Medical (Group) Co., Ltd. v. Shanghai NewMed Medical Co., Ltd. et al.* over the ownership of the right to apply for a patent, the court opined that: it can be determined from the evidence of record that the technology of the patent in suit is a service invention by defendant Wang H.S., while at the same time the technical contribution made by defendant Yu Q.F. cannot be denied. Hence, the technical solution of the patent application in suit should be determined as a joint achievement of Wang H.S. and Yu Q.F., and co-owned by the plaintiff and defendant NewMed. The plaintiff and defendant NewMed shall also jointly own the right to apply for the patent.⁹

A compromised view holds that the judgment of service invention should make clear whether the contribution is attributed to the use of the material and technical means provided by the new entity or the task assigned thereby, or whether the contribution is made by other staff of the new entity. In the former case, the disputed invention should be determined as a service invention and owned by the previous entity; in the latter case, the disputed invention should be deemed as co-owned by the previous entity and the new entity. “Even if the new entity has established employment relationship with the researcher through formal labor contract and provided the material and technical means necessary for the service invention, the ownership of the service invention created under such circumstances should still be determined according to the relevant provisions and attributed accordingly to the previous entity. However, if the scientific research achievement is made jointly by the researcher in cooperation with other staff of the new entity, meaning that the staff of the new entity also have contribution to the scientific research achievement, service invention of this type should be owned by both the previous entity and the new entity.”¹⁰

II. Ethical justice value of service invention system

A service invention system essentially aims at allocating the property rights of an invention made by the employee, and the realization of the ethical justice of property rights allocation is a universal pursuit underlying the service invention systems of various countries. Depending on the

development stages or under different national conditions, service invention systems see the existence of two ethical justice inclinations, namely, pro-employerism and pro-employeeism. “The natural law that an invention should be owned by its inventor began to waver in the wake of independent inventors’ becoming employees of companies. As of the 20th century, companies started setting up in-house laboratories and engaged the formerly independent inventors to work for them. Research and development undertaken by corporate teams gradually became the mainstream in place of individual inventions, and such change has achieved a win-win outcome for both the creators and the capitalists.”¹¹ Adapting to the shift to this new mechanism for creation of inventions, the allocation of property rights to employees’ inventions increasingly manifested the pro-employerism tendency. The China’s Patent Law also provides that an invention made by a person in the execution of tasks of the entity to which he belongs and mainly by making use of the material and technical means provided by the entity shall be deemed as service invention, and the entity is entitled to the patent right. This provision embodies the ethical justice concept of “giving priority to efficiency with due consideration to fairness”. On the one hand, against the background that innovative activities are increasingly in the form of group or team work, although individuals’ creative intellectual labor is still the basic element and first prerequisite of invention, inventors are increasingly dependent on material and technical resources and team collaboration. Gone are the days when many of the innovations could be achieved by individual inventors alone. In order to encourage more investment in material and technical resources and ease investors’ worries, the initial allocation of the property rights of inventions to those who invest in material and technical resources is undoubtedly conducive to the constant emergence of more and better innovations. “Technological achievements developed under the group innovation model are creative outcomes of industrial factors, which would unquestionably see the combination with capital, and hence the manifestation of the profit-seeking nature of capital in the process is inevitable. As a result, the patent system for protection of technological research and development achievements is no longer the cause of creation only, but also the effect of creation and capital in combination. Consequently, the patent system in respect of protection for inventions and technological achievements no longer stayed in the key concern of incentivizing inventors to inno-

vate, but shifted to the overriding attention of safeguarding and maintaining investment interests.”¹² On the other hand, the employees as the inventors are not having nothing to gain in the process. In addition to the fixed income from their salaries, the inventors should have the reward from the entity after grant of the patent right; and if exploiting the patent, the inventors should also be remunerated proportionally. Surely, the inventors also enjoy moral rights such as the right to claim authorship. With the safeguards of moral rights and material rights, the fair value of allocation of rights of service invention is to some extent realized.

While it is easy to understand that attributing to the employer the ownership of an invention made by the employee during his employment is to achieve distributive justice, why then should an invention made within one year after the employee's departure, especially after he has joined the new entity, still be determined as a service invention owned by the previous entity? Does it conform to the basic value of justice when the previous entity has stopped paying salaries to the departed employee, but can still own the patent for the invention made by the departed employee? In respect of this, some explanation goes that “although invention of this type is made (within one year) after the employee has already left the previous entity, it is in fact closely related to the duties of his previous employment and made on the basis of his experience from past duties. The research and design work relating to some of these inventions may have started or may even be near to completion during the employee's previous employment, and hence the invention should be deemed a service invention.”¹³ This view, however, has met with some challenges: “although this mechanism affords protection to the interests of the previous entity, it nevertheless engenders some major queries. First, the cycle for completing an invention is uncertain. If the idea of the invention really takes shape after the inventor's resignation, retirement or transfer from the employer and is made entirely on the basis of the inventor's own intellectual labor and material inputs, it is obviously not so fair that the previous entity shall be vested with the ownership of the patent for the invention. Second, if the inventor at the new entity is also entrusted with the same task as that at the previous entity after his resignation, retirement or transfer from previous employment, it will obviously be not that fair to attribute the ownership of the invention made by the inventor during his new employment entirely to the previous entity, given that there are also inputs from the new entity.”¹⁴

In the opinions of the author, the provision on service invention of a departed employee under the Implementing Regulations of the Patent Law has on the whole embodied the ethical justice principle of “giving priority to efficiency with due consideration to fairness”, though with a different emphasis. The existing provision, by means of the time limitation of “within one year” and the content limitation of “relevance”, basically achieves the balance between the interests of the previous entity in relation to its innovation-related investments, the free movement of employees, and the interests of the new entity. On the one hand, by stipulating that the relevant invention made by the departed employee within one year from his departure still falls under service invention owned by the previous entity, it helps ensure that the previous entity's investment in the relevant technical field gets a one-year period of technology leadership or knowledge enclosures, and prevent the employee from engaging in competition with the previous entity in innovations in the relevant technical field immediately after his departure. By means of ensuring the previous entity a one-year period of technology leadership in the relevant technical field, the previous entity is incentivized to sustain its investment in such aspects as R&D, innovation, and talent training, thereby giving rise to more innovative achievements. On the other hand, without the mandatory non-compete agreement, the employee will not be denied free mobility owing to his grasp of relevant technical information of the previous entity, technical training received or knowledge and experience accumulated in the relevant field. Furthermore, it is not that the departed employee is not allowed to carry out research in a relevant field after leaving his previous entity, but only that he may not apply for an invention in the relevant field within one year after his departure. He is still at liberty to carry out R&D work, and may also protect relevant innovative achievement by trade secret or other means. For the new entity which hires a departed employee, although the invention made by the employee within one year after leaving his previous entity nevertheless belongs to the previous entity, the new entity still benefits from retaining an employee with work experience and accumulated skills in the relevant field, at no cost incurred by provision of training to him. Besides, the employee is still at liberty to carry out R&D work at the new entity, as long as the work is not related to his normal duties or assigned tasks at the previous entity. Also, despite the clear stipulation in law that the R&D activities of a departed employee will be subject to certain

restriction, the new entity still chooses to make a job offer to the departed employee. This shows that compared with someone without relevant working experience, the departed employee is nonetheless a better choice from the perspective of the new entity. Thus, the provision on service invention of a departed employee under the Implementing Regulations of the Patent Law, by means of the “within one year” and “relevance” requirements, inherently takes on the role of balancing the interests between the previous entity, the departed employee, and the new entity. While safeguarding the free movement of employees, the provision also effectively prevents the departed employee from engaging in competition of innovations with the previous entity immediately after his departure, as well as protecting the interests of the new entity from unreasonable impairment, thus embodying on the whole the ethical justice of “giving priority to efficiency with due consideration to fairness”.

III. The reasonable standards for determination of relevance

Considering that the provision on service invention of a departed employee under the Implementing Regulations of the Patent Law is mainly to prevent the departed employee from engaging in competition in technological innovation with the previous entity immediately after his departure, to thereby ensure that the previous entity benefits from its R&D investment with certain edge in technology leadership, the author opines that when judging whether the invention made by a departed employee is related to his normal duties or assigned tasks at the previous entity, the standard of relevance of technical fields should be followed, that is, whether the technical subject matter of the invention made by the departed employee falls within the same or similar technical field that his specific job responsibilities or assigned tasks at the previous entity pertain to. The standard of identicalness of technical solutions improperly narrows the scope of service invention made by the departed employee, and muddles the relationship between determination of service invention and judgment of infringement, while the standard of access to technical information essentially adopts the adjudication rationale of patent ownership claims against infringement of trade secret. Both the standard of identicalness and that of access to technical information are not conducive to the realization of the legislative purpose and institutional value of the provision on service

invention of a departed employee under the Implementing Regulations of the Patent Law.

First, the subjects of comparison for the determination of relevance should not be the specific technical solution of the invention made by the departed employee and that recited in the technical information such as drawings of the previous entity. Instead, comparison should be made to decide whether the technical subject matter of the invention falls within the same or similar technical field that the departed employee’s previous job responsibilities or tasks pertain to. Comparison of technical solutions is generally the rationale for adjudication of infringement cases; it is not a necessary step for the judgment of ownership of service invention, and at most a reinforcing or supplementary means for supporting that the disputed service invention is a service invention. Given that technological innovation is often accumulative and successive, it cannot be ruled out that although no technical information or technical solution has yet been formed at the previous entity before the employee’s departure, relevant technological achievements may be accomplished shortly after his departure. If the standard of identicalness of technical solutions is then followed or comparison of technical solutions made, the previous entity will surely lose the case because the employer will be unable to provide relevant technical information or technical solution. But in case the departed employee’s normal duties at the previous entity indeed involve R&D in a relevant technical field, it will obviously be unfair to the previous entity in terms of protection for its interests if the relevant technological achievement is not recognized as a service invention simply because it is impossible to carry out the comparison of technical solutions. In fact, even though the previous entity has certain technology accumulation leading to the formation of some technical information such as technical drawings, the technical solution of the invention made by the departed employee is very likely to have undergone modification or improvement over, or may even be substantially different in technical concept or technical means from, the existing technical solution of the previous entity. This is actually in line with the basic rule of technological innovation; or else it is not worthy the name of an innovation. Therefore, a disputed invention should not be denied recognition of its attribute as service invention merely because there is difference between the technical solutions. In this sense, the comparison of specific technical solutions is unnecessary, nor is it fair to the previous entity.

Second, “technical field” should refer to the one that the departed employee’s normal duties or assigned tasks at the previous entity pertain to. Definition of such a technical field should neither be too general nor too narrow, and should be determined according to the specific responsibilities undertaken by the departed employee at the previous entity. In determining the technical field that the departed employee’s specific responsibilities pertain to, attention should be paid to differentiating the said responsibilities of the departed employee from the technical information that may be accessed by him at the previous entity. Patent ownership dispute claims can be made on the basis of service invention or on the ground of trade secret infringement, and there are differences between the two in the rationale of adjudication. For a service invention claim, examination should be directed to the technical field that the duties or tasks previously undertaken by the departed employee relate to, and the departed employee’s access to or grasp of the technical information of the previous entity is not necessarily required. Where the patent ownership is claimed on the basis of technical secret infringement, it is necessary to clarify the specific content of the technical secret and compare the technical solution of the disputed invention with the content of the technical secret to determine whether the technical solution of the disputed invention has made use of the specific technical secret. As such, the determination of relevance of service inventions and the departed employee’s access to or grasp of the technical information of the previous entity have no casuality. Even though the departed employee had access to or has grasped the technical information of the previous entity, the disputed invention is not a service invention if the normal duties or assigned tasks undertaken by the departed employee and the disputed invention do not fall within relevant technical fields. Where the relevant technical information constitutes non-public technology such as technical secret, the previous entity may claim the patent right to the disputed invention on the basis of trade secret infringement. If the technical information accessed by the departed employee at the previous entity belongs to known technology, even if the disputed invention has made use of the technical information, it is not a service invention.

Third, the relevance of technical fields should be judged on the basis of technological relevance mainly from the perspectives of whether the technologies are competitive, substitutable, complementary or successive etc., not

for identical technical field only, but including similar technical fields as well. Although their technical fields may not be the same, the technical solution of the invention made by the departed employee and his normal duties or assigned tasks at the previous entity should be deemed as falling within relevant technical fields if they are technically related. In this sense, the technical problem to be solved by the disputed invention and the technical concept thereof also have no casuality to whether the disputed invention belongs to a service invention. Although the disputed invention and the departed employee’s normal duties or assigned tasks may be different, or even completely opposite, in terms of technical problem and technical concept, relevance between them should be established as long as they are technically related.

IV. Contribution by other inventors should not affect the determination of service invention

In the case of an invention jointly made by a departed employee and other inventors, if the invention is related to the normal duties or assigned tasks of the departed employee and thus belongs to service invention, consideration should be made regarding such factors as the institutional value of service invention, full use of the patent, and protection of the no-fault party, and accordingly the patent for the service invention should still be determined as vesting in the previous entity, rather than being co-owned by the previous entity and other inventors or the entity to which they belong. Contribution by other inventors should not affect the ownership of the patent, but can be recognized by rewards and remuneration, compensation or other means.

First, the provision on service invention of a departed employee under the Implementing Regulations of the Patent Law sets forth the relevance requirement only, with no stipulation that contribution by other personnel or the new entity needs to be taken into consideration. As innovations are increasingly outcomes of group or team creation, inventions jointly made by the departed employee and other personnel will be an increasingly common trend. Notwithstanding this, Rule 12 of the Implementing Regulations of the Patent Law has no stipulation that contribution by other personnel should be taken into consideration in the determination of service invention, nor does it state that ownership of the

patent for the service invention shall be shared where other personnel have participated in the creation of the invention. Instead, the provision reads that the invention shall be a service invention and the patent right be owned by the previous entity as long as the invention is related to the departed employee's normal duties or assigned tasks at the previous entity. The situation that applies only to an invention made independently by the departed employee cannot be derived from current provisions. Those who support the view of patent co-ownership may invoke Article 5 of the Interpretation of the Supreme People's Court Concerning Several Issues Relating to Application of Law in Adjudication of Cases on Disputes over Technology Contracts, which reads that where a technological achievement is completed by an individual in execution of his duties or tasks of the legal person or other organization he previously worked for and by mainly making use of the material and technical means of the legal person or other organization he presently works for, the rights and interests related to the technological achievement shall be determined pursuant to the agreement reached between the said legal person or other organization the natural person previously worked for and the one he presently works for. If no agreement can be reached, the rights and interests shall be reasonably shared by both parties on the basis of their level of contribution to the completion of the technological achievement. In the opinions of the author, the above provision is an interpretation relating to the adjudication of disputes over technology contracts, and it should principally be applicable to the situation where the previous entity and the new entity are involved in a technology contractual or cooperation relationship concerning technology transfer, consultancy, services and the like, but not to the employee's application for service invention without consent after leaving the previous entity; moreover, "reasonably shared" does not mean that the rights and interests have to be co-owned by both parties. Correspondingly, in the dispute of *Guangzhou Wondfo Biotech Co., Ltd. et al. (appellants) and Shenzhen Edan Instruments, Inc. (appellee)* over the ownership of the right to apply for a patent, the Supreme People's Court also opined that "Article 5 of the Interpretation of the Supreme People's Court Concerning Several Issues Relating to Application of Law in Adjudication of Cases on Disputes over Technology Contracts is applicable to the situation where an individual completes a technological achievement in execution of his duties or tasks of the previous entity and by mainly making

use of the material and technical means of the new entity, addressing disputes in the course of normal mobility of personnel between the previous entity and the new entity ... it embodies the respect for the autonomy of the parties and the reasonable balance of relevant rights and interests between them, which are not applicable to the circumstances of the present case." ¹⁵

Second, the co-ownership model is not conducive to the effective use of inventions. Article 14 of the Patent Law stipulates that "If the co-owners of the right to apply for a patent or the patent right have an agreement on the exercise of the right, the agreement shall apply. If there is no such agreement, the co-owners may independently exploit or license others to exploit the patent through general licensing; any royalties obtained from licensing others to exploit the patent shall be distributed among the co-owners. Except for the circumstances provided for in the aforesaid provisions, the exercise of the right to apply for a patent or the patent right under joint ownership shall be consented by all co-owners." In practice, however, as the new entity that the departed employee joins is often in a competitive relationship with the previous entity, determining a service invention originally belonging to the previous entity as a co-owned one may affect the effective commercialization and use of the patent or result in excessive negotiation costs for commercialization and use of the patent. In fact, other than the respective exploitation of the patent by the co-owners independently, licensing and transfer of the patent would be extremely difficult. Chances are slim that the previous entity and the new entity in a competitive relationship may reach an agreement in such aspects as whether the patent should be licensed to other parties, how to ascertain the patent royalties, and how to allocate the royalties.

Third, given that other personnel should have the knowledge that an invention made by a departed employee within one year from termination of previous employment can be a service invention, but still collaborate with the departed employee on completion of the invention, they probably should have some anticipation that the technological achievement might become a service invention owned by the previous entity. Since the service invention system is expressly stipulated in the Patent Law and the Implementing Regulations of the Patent Law, enterprises when assigning R&D tasks to a departed employee should be heedful and avoid the relevant invention from being determined as service invention of the previous entity. Otherwise, the new enti-

ty, but not the previous entity which is not at fault, should bear the adverse consequences. Under the co-ownership model, the new entity may use the invention of a departed employee at liberty, which can embolden the new entity to arrange, without due consideration, the departed employee to take part in R&D work related to the previous entity. In this sense, the co-ownership model is unable to effectuate the principle of protecting the interests of the no-fault party, and hence it is no difference from rendering hollow the provision on service invention of a departed employee under the Implementing Regulations of the Patent Law, thus un-conducive to the effective operation of the service invention system.

Additionally, taking no consideration of the contribution made by other personnel does not mean a lack of protection for their interests. The service invention system also provides for reward and remuneration to allow inventors other than the departed employee to be duly rewarded. If, objectively speaking, the new entity has invested considerably in material and technical resources, the previous entity, after obtaining the patent for the service invention, may provide certain compensation to the new entity. After all, co-ownership of patent is not the only way to recognize the contributions of other participants for achieving the balance of interests. ■

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¹ See Civil Judgment No. Suzhiminzhongzi 00288/2015.

² See Civil Ruling No. Minshenzi 1486/2011.

³ See Civil Judgment No. Huyizhongminwu(zhi)chuzi 140/2013; Civil Judgment No. Hugaominsan(zhi)zhongzi 29/2014.

⁴ See Civil Judgment No. Huzhiminchuzi 809/2015.

⁵ See Civil Judgment No. Eminzhong 504/2016.

⁶ See Civil Judgment No. Suzhongzhiminchuzi 0124/2013.

⁷ See Civil Judgment No. Zuigaofazhiminzhong 799/2019.

⁸ See Civil Judgment No. Hu73minchu 383/2016.

⁹ See Civil Judgment No. Hu73minchu 15/2017.

¹⁰ Zheng Yin (2016). On the ownership of service invention by scientific researcher serving a different entity. *Electronics Intellectual Property*, 3, 84.

¹¹ He Yudong (2015). Trend of pro-employerism in service invention systems of the U.S. and Germany and reference thereof. *Intellectual Property*, 11, 115.

¹² Liu Xin (2020). On ethical justice of allocation of patent rights and interests. *Intellectual Property*, 9, 54.

¹³ Shi Min and Zhang Jianhua (editors-in-chief) (2002). *Interpretation of the Implementing Regulations of the Patent Law of the People's Republic of China* (p.35). Law Press • China.

¹⁴ Zheng Qibin (2009). On the improvement of China's service invention determination and benefit distribution systems. *Social Science*, 5, 101.

¹⁵ See supra note 7.

China-EU GI Agreement Begins to Pay Dividends

Recently, the 2022 Roundtable Forum on Chinese and EU Geographical Indications was held in Brussels. The representatives of Chinese and EU political, commercial and educational circles were assembled to have an in-depth research and discussion on a wide range of topics, such as the significance of China-EU Agreement on Cooperation on, and Protection of, Geographical Indications in keeping a closer relationship between China and European Union, and the new opportunities brought by the Agreement. The forum affirmed the important role of the Agreement in the protection of Chinese and EU geographical indications.

The China-EU Agreement on Cooperation and Protec-

tion of Geographical Indications is China's first comprehensive and high-level agreement on geographical indications (GI) negotiated and signed with a foreign party with the coverage of 275 GI products from each side - a landmark achievement of profound cooperation between China and the EU in the IP field. From its entry into force to October 2022, the Agreement has generated mutual protection of a total of 244 GIs from both China and the EU. On 2 December 2022 the China National Intellectual Property Administration (CNIPA) received applications of another 175 EU products like Inländer Rum for GI protection in China.

Source: China IP News