IP in Employment (Germany)

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A Practice Note concerning the key legal and commercial issues in relation to Intellectual Property (IP) created by an employee and the considerations when drafting an IP clause for use in an employment contract between an employer and employee in Germany. See also *Standard Clause, Intellectual property clause (employment): International*.

Companies invariably want to ensure that they own any intellectual property (IP) that their employees create, but depending on the position under the applicable laws, the employer may or may not be the first owner of rights in all materials or inventions created during the course of an employee's employment. It is important for employers to include a clause in their employment contracts with their employees globally that deals with ownership of any IP that an employee creates, particularly where the employee is likely to create valuable IP rights in the performance of their duties.

This Note outlines the key aspects in relation to IP in the employment context in Germany. It considers:

- Who is the owner of inventions, copyright, and designs that an employee creates in Germany.
- Who is entitled to register trade marks protecting the employer's brand in Germany.
- Whether IP clauses are commonly included in employment contracts in Germany and any execution formalities if a clause is included.
- The definitions of IP that can be used in an employment contract.
- Whether the employer can include an effective assignment of the IP created by the employee in the employment contract.
- Information regarding moral rights in Germany.
- Whether the employee is entitled to any compensation or remuneration from the employer if the employer registers or exploits, by licensing or assigning to third parties or granting security over, any IP that an employee creates during their employment.
- The validity of an undertaking given by the employee in the IP clause included in their employment contract that they will execute all documents and do anything to assist in vesting the IP rights (IPRs) in the employer, including future rights.

Inventions

Owner of an Employee Invention

In the absence of a specific provision in the employment contract, the employee owns and can patent an invention that the employee creates during the course of their employment.

However, an employee must notify the employer in writing without delay of a job-related invention (*section 5, Employee Invention Act (ArbErfG)*).

Job-related inventions are created during the employment relationship and result from fulfilment of the duties and assignments of the employee's job with the employer, or are based on the employer's experience or work, to a decisive extent (*section 4(2), Employee Invention Act*).

The employer can claim a job-related invention by declaration to the employee, or the claim is deemed to have been declared if the employer does not release the job-related invention by a written declaration to the employee within four months of receipt of the proper notification (section 6, Employee Invention Act).

For independent inventions, see *Inventions Created Outside of Employment*.

Who can Patent an Employee Invention?

In the absence of a specific provision in the employment contract, the employee can patent an invention that the employee creates during the course of their employment. The inventor or the inventor's legal successor can patent the invention (*section 6, Patent Law (Patentgesetz (PatG))*).

However, the employer can claim a job-related invention (see *Owner of an Employee Invention*) and patent it. In this case, the employee is entitled to reasonable compensation (*section 9, Employee Invention Act*) (see *Compensation*).

The employer can choose to release a job-related invention to the employee (*section 8, Employee Invention Act*). In this case, the employee can patent the invention.

Inventions Created Outside of Employment

In the absence of a specific provision in the employment contract, independent inventions are owned and can be patented by the employee.

However, an employee who invents an independent invention during their employment must notify the employer in writing without delay (*section 18, Employee Invention Act*).

An independent invention is an invention made by the employee for purposes other than to fulfil the duties and assignments of the employee's job or to discharge the inventor's contractual obligations (*section 4(3), Employee Invention Act*).

Before the employee exploits an independent invention created during the employment, the employee must offer the employer at least a non-exclusive right to use the invention on reasonable terms if, at the time the offer is made, the invention falls within an existing or planned operational area of the employer (*section 19(1), Employee Invention Act*).

Wording to ensure Employer as Owner of Invention

To ensure that any statutory requirements are met for the employer to be the owner of an invention by the employee, the employer should include a clause to the effect that the employer acquires all the rights to the employee's inventions made during the employment relationship and resulting from the fulfilment of the duties and assignments of the employee's job in the employer's company, or based on that company's experience or work, to a decisive extent.

Dispute over Ownership of Invention

In the event of a dispute over ownership of an invention, in particular whether it was created during the course of employment, the courts will analyse the terms and conditions of the employment contract to determine whether the employer is entitled to the invention.

They will also check whether the invention was actually made during the employment relationship and resulted from the fulfilment of the duties and assignments of the employee's job in the employer's organisation, or is actually based to a decisive extent on that organisation's experience or work.

Copyright

Ownership of Copyright

The employee owns the copyright in any copyright work that the employee produces during their employment.

Only the creator can own copyright in a copyright work. Copyright protection arises automatically on creation of a copyright work. The author is the creator of the work (*section 7, Copyright Law (Urheberrechtsgesetz (UrhG))*).

An employer obtains the right to use a copyright work produced by the employee to fulfil the employment contract (*section 43, Copyright Law*), in accordance with the purpose transfer rule (*section 31(5), Copyright Law*), but only to the extent that the right to use the copyright work is required for the employer's operational or business purposes.

According to the purpose transfer rule, unless some specific uses have been set for the right to use the copyright work, the intent of the contract is decisive for both parties in that respect. The same rule applies to decisions on the right to use the copyright work and whether the right to use is exclusive or non-exclusive.

If the copyright work is produced during the employee's working time using the employer's resources or equipment, the employer generally acquires, by default, a right to use the copyright work.

Who can Register Copyright?

Copyright is not registered in Germany.

Copyright Work Created Outside of Employment

In the absence of any express agreement, copyright works created by an employee outside of working hours and/or using their own premises, resources, and equipment are owned by the employee.

If the copyright work is produced outside the employee's working time but can be associated with the employee's work assignments (for example, through use of specialised knowledge), the employee can be obliged to offer the employer the rights to use the copyright work in return for a reasonable fee (see *Compensation*).

Section 43 of the Copyright Law (see *Ownership of Copyright*) does not apply to copyright works created outside the scope of an employment contract or before the beginning of an employment relationship. The author (the employee) holds all the rights to such copyright works.

Case law acknowledges that the employment contract grants the employer far-reaching and exclusive rights of use that go beyond the employment relationship. For example, the Federal Court of Justice has held that, if an employee creates a deliverable intended to serve the employer's certain purposes, and only the transfer of rights enables the employer to use the deliverable in the way presumed by the contract, the employee is under an obligation to grant the employer these rights. The transfer of rights can generally be assumed where such an obligation is in place (*BGH (Bundesgerichtshof, Federal Court of Justice), 22 February 1974, I ZR 128/72 on "Hummel rights"*).

However, this only applies to IPRs produced by the employee within the employment relationship and in fulfilment of the employee's duties and assignments (*section 43, Copyright Law*).

Design

Ownership of a Design

If a design is created by an employee in the execution of their duties or following the instructions given by their employer, the right in the registered design belongs to the employer, unless otherwise provided by contract (*section 7(2), Act on the Legal Protection of Designs*).

Who can Register a Design?

The employer is entitled to register a design that the employee creates in the course of their employment (*section 7(2), Act on the Legal Protection of Designs*).

Design Created Outside of Employment

In the absence of a specific term in the employee's contract of employment, the employee owns a design created by an employee outside of work hours and/or using their own premises, resources, and equipment. The right in the registered design belongs to the designer or the designer's successor in title (*section 7(1), Act on the Legal Protection of Designs*).

Trade mark

In the absence of a specific provision in the employment contract, the employer has an exclusive right to apply to register any trade mark that the employee creates to fulfil the duties and assignments of the employee's job. The employee as the trade mark creator will only receive remuneration if that remuneration is agreed in the employment contract.

An applicant for and an owner of a registered trade mark can be an individual (a natural person), a legal entity, or a partnership with legal capacity (*section 7, Trade Mark Act (Markengesetz (MarkenG))*).

Intellectual Property Clauses in Employment

An IP clause in relation to job-related intellectual property rights (IPRs) in an employment contract, is usually included in an employment agreement in Germany.

The applicable laws establish general rules concerning ownership of IP created by an employee. However, the parties to an employment contract can agree that other rules will apply.

Execution Formalities

When a standard clause (including an IP clause) is inserted into an employment contract, the clause is subject to the general terms and conditions under sections 305 and following of the Civil Code. Therefore, the employee must be informed about the standard clause. The employee's signature must be obtained to acknowledge the employee's awareness of the standard clause. There are no special regulations for IP clauses.

Registration and Other Formalities

There are no registration and other formalities to make a standard clause inserted in an employment contract valid and enforceable, other than the general terms and conditions under sections 305 and following of the Civil Code (see *Execution Formalities*).

Definitions

Employment IPRs

There are no authorities indicating that the following definition of "Employment IPRs" in *Standard clause, Intellectual property clause (employment): International* is not compatible with German law:

> "Employment IPRs: all intellectual property rights (IPRs) created by you or on your behalf in the course of your employment with the company (whether or not during working hours and/or using company premises or resources), and any IPRs otherwise arising in the course of the employee carrying out the employee's duties under this agreement, including without limitation all IPRs subsisting in employment inventions."

It is advisable in Germany to include in the definition of "Employment IPRs" any IPR that may not necessarily come into existence while the employee is carrying out their regular duties but still arises during their employment, although in most cases the employee is obliged to offer the employer the rights to use such an IPR.

Intellectual Property Rights

The following definition of "Intellectual Property Rights" in *Standard clause, Intellectual property clause (employment): International* is valid in Germany:

> "Intellectual property rights (IPRs): patents, rights to inventions, copyright and related rights, trade marks, trade names, rights to use domain names, rights in get-up, goodwill and the right to sue for passing off and unfair competition, rights in designs, rights in computer software, database rights, topography rights, rights to use and preserve the confidentiality of information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection (which subsist or will subsist now or in the future) in any part of the world."

The rights listed in this definition of "Intellectual Property Rights" arise in Germany, except that:

- Rights in get-up and goodwill are not recognised as separate IPRs.
- Domain names are considered to be internet addresses rather than separate IPRs.
- Patent rights also cover the rights to utility models.

Rights to utility models should be included in the definition of "Intellectual Property Rights" in *Standard clause, Intellectual property clause (employment): International*.

It is permissible in Germany to include rights that will subsist in the future in the definition of "Intellectual Property Rights". For example, the parties to an employment relationship can agree that the employer can apply for a patent for any future invention made by the employee. The right to register a patent only arises after the invention has been created and exists until the patent is registered. The right to register a patent is transferable before the patent right is registered.

Assignment of IPR

If a clause such as *Standard clause, Intellectual property clause (employment): International: clause 1.2* is in place between the employer and the employee, where the employee acknowledges that all Employment IPRs, inventions and all documents and materials embodying, recording and/or relating to them shall automatically belong to the employer to the fullest extent permitted by law, there is no need to take any further steps to ensure that the IPRs, inventions, and materials automatically belong to the employer.

Existing and future IPRs can be effectively assigned by an employee to an employer in an employment agreement. However, a general assignment to cover any and all IPRs is not possible under German law, as the exact IPR being assigned must be specified.

A provision such as *Standard clause, Intellectual property clause (employment): International: clause 1.3(a)*, where the employee assigns (and agrees to assign by way of future assignment) to the employer all such Employment IPRs and any related rights and powers that do not otherwise vest automatically in the employer under the IP clause, would not be included and does not grant any additional benefits to the employer. It is better to just use *Standard clause, Intellectual property clause (employment): International: clause 1.2*.

IPR not Automatically Vested in Employer

German law does not recognise the concept of the employee holding any IPRs, inventions, or materials "on trust" for the employer, if they do not automatically vest in the employer, as set out in *Standard clause, Intellectual property clause (employment): International: clause 1.3(b)*.

There is no equivalent wording or concept that could be used in *Standard clause, Intellectual property clause (employment): International: clause 1.3(b)* to increase the protection available to the employer for IPRs, inventions, and materials that have not automatically vested in the employer and that are yet to be assigned to them.

Obligations on Employees

The following obligations set out in *Standard clause, Intellectual property clause (employment): International: clause 1.4(a), (c) and (d)* have been codified in German law and are valid in Germany (*sections 5, 13, and 24, Employee Invention Act*) for an employee:

- To give their employer full written details of all Employment IPRs and inventions immediately upon their creation.
- Not to attempt to register any Employment IPR nor patent any invention anywhere in the world unless requested to do so in writing by the employer.
- To keep confidential the details of all Employment IPRs, including inventions, unless the employer has consented in writing to their disclosure by the employee.

An obligation for the employee, at the employee's request and in any event on the termination of their employment, to give to the employer all originals and copies of all documents and materials, howsoever created, compiled or stored, which embody, record or relate to any of the Employment IPRs or inventions, such as that set out in *Standard clause, Intellectual property clause (employment): International: clause 1.4(b)* has not been codified in German law but is valid and enforceable.

Confidentiality Obligation

In Germany, the novelty element (inventive step) is essential to patenting inventions. An invention cannot be patented without an inventive step (*section 3, Patent Law*).

The confidentiality obligation in *Standard clause, Intellectual property clause (employment): International: International: clause 1.4(d)* (to keep confidential the details of all employment IPRs including employment inventions unless the company has consented in writing to their disclosure by the employee) is valid and recommended. A breach of it could make an invention unpatentable in Germany.

Moral Rights

German law recognises moral rights (*sections 12 to 14, Copyright Law*).

Types of Moral Rights

In Germany, moral rights are covered by the term "personal copyright". There is no official definition of this term, only a list of these rights.

The author has the right to:

- Make their work public and describe their work in public.
- Be recognised as the author of their work.
- Prohibit any impairment of their work.

(*Sections 12 to 14, Copyright Law.*)

Copyright and moral rights are not registered in Germany.

How Moral Rights Arise

In Germany, moral rights arise automatically on creation of any work subject to copyright. There is no need to assert moral rights for them to take effect.

Waiving Moral Rights

Moral rights (present and future) cannot be waived (as set out in *Standard clause, Intellectual property clause (employment): International: clause 1.5*). The waiver of moral rights (present or future), has no legal effect in Germany and is therefore invalid. Moral rights can only be transferred in fulfilment of an injunction on the rightsholder's death, or to co-heirs by way of an inheritance settlement (*section 29, Copyright Law*).

Licensing or Assignment of Moral Rights

Moral rights can be licensed, in that an author can agree in a licence that their work can be published, or to refrain from being named as its author.

Moral rights cannot be assigned.

In Germany, the author and the copyright owner are always the same person, because moral rights cannot be waived.

There are no typical terms or conditions placed on a third party receiving the benefit of a licence of moral rights because moral rights cannot be waived.

Compensation

Right to Compensation

In relation to copyright, an employee is entitled to compensation from the employer if the employer exploits (by licensing or assigning to third parties, or granting security over) any copyright work created by the employee during their employment (*sections 32, 32a, and 43, Copyright Law*).

In relation to job-related inventions, an employee is entitled to reasonable compensation if the employer claims the employee's invention (*section 9(1), Employee Invention Act*).

Amount of Compensation

In relation to copyright, the amount of compensation can be agreed in the employment contract. If the amount of compensation has not been agreed, an appropriate compensation amount is deemed to have been agreed (*section 32(1) and (2), Copyright Law*).

Associations of copyright holders agree common rules for the appropriateness of compensation with associations of users or individual users of copyright works. The common compensation rules take into account the relevant regulatory environment, and the structure and size of the users (*section 36(1), Copyright Law*).

In relation to job-related inventions, the amount of compensation for the use of the employee's invention by the employer can be determined by agreement between them (*section 12(1), Employee Invention Act*). If the parties fail to agree in a reasonable

time, the employer will decide the amount of compensation and notify the employee in writing with reasons (*section 12(3), Employee Invention Act*).

Within two months, the employee is entitled to make a written objection to the amount of compensation set by the employer (*section 12(4), Employee Invention Act*).

To determine the amount of compensation, the economic value of the invention, the functions and position of the employee in the organisation, and the role of the organisation in the creation of the invention are taken into account (*section 9(2), Employee Invention Act*).

No Right to Remuneration Clause

In Germany, a clause in which the employee acknowledges that, except as provided by law, no further remuneration or compensation other than that provided for in their employment contract is or may become due to the employee in respect of their compliance with the IP clause, as set out in *Standard clause, Intellectual property clause (employment): International: clause 1.6*, can be included in an employment contract. However, in relation to copyright, if the contractual compensation provided for is not appropriate, the employee as creator of the work can demand the employer to amend the contract so that the contractual compensation provided for is appropriate (*section 32(1) and (2), Copyright Law*).

In relation to job-related inventions, when setting the level of compensation the circumstances set out in section 9(2) of the Employee Invention Act must be taken into account (see *Amount of Compensation*).

Further Assurance clauses

An undertaking as given in *Standard clause, Intellectual property clause (employment): International: clause 1.7*, is valid and enforceable in Germany, except for the provision concerning the waiver of moral rights, which is not allowed under German law. This clause states:

> "You undertake to use your best endeavours to execute all documents and do all acts both during and after your employment by the Company as may, in the opinion of the [Company OR Board], be necessary or desirable to vest the Employment IPRs in the Company, to register them in the name of the Company and to protect and maintain the Employment IPRs and the Employment Inventions. Such documents may, at the Company's request, include [future assignments of Employment IPRs and] waivers of all and any statutory moral rights or any equivalent or similar rights relating to any copyright works which form part of the Employment IPRs. The Company agrees to reimburse your reasonable expenses of complying with this clause."

In Germany, it is possible but not common practice for the employer to agree to reimburse the employee for expenses incurred in complying with this undertaking.

Future Assignments

It is possible in Germany for future assignments to be included in such an undertaking as set out in *Standard clause, Intellectual property clause (employment): International: clause 1.7*, except in relation to the waiver of moral rights, which, as stated above, is not allowed under German law.

Best Endeavours

The term "best endeavours" as set out in *Standard clause, Intellectual property clause (employment): International: clause 1.7* is understood in Germany, and can be found in contracts and agreements.

Appointing an Employer as Attorney for any Documents Related to IPR

The employee can appoint their employer as their attorney for the purpose of executing any documents that might be required in relation to the IPR. However, a counterparty to a document cannot be appointed as an attorney (*section 181, Civil Code*). Consequently, if a document is to be signed between the employee and the employer, the employee cannot appoint their employer as their attorney for this purpose.

No formal requirements apply to the creation of a power of attorney, even if the contract to be executed requires a certain form (*section 167(2), Civil Code*). However, there are certain unwritten exceptions to this rule (for example, if the contract to be executed contains a legal guarantee).

A power of attorney is created by means of a statement made to the attorney or to a third party (*section 167(1), Civil Code*).

A power of attorney can be executed by the attorney without any further formalities. However, a counterparty can reject a legal transaction if it is a unilateral legal transaction and the attorney is not able to confirm their power of attorney by means of a written document (*section 174, Civil Code*).

Providing Assistance to the Employer

A clause in which the employee agrees to give all necessary assistance to the employer to enable it to enforce its IPRs against third parties, to defend claims for infringement of third party IPRs and to apply for registration of IPRs, where appropriate throughout the world, and for the full term of those rights, as set out in *Standard clause, Intellectual property clause (employment): International: clause 1.8* is permitted by German law.

Some parts of *Standard clause, Intellectual property clause (employment): International: clause 1.8* are difficult to enforce in Germany, due to the lack of any effective legal measures to obtain the required evidence or documents from the employee, particularly after the end of employment. It is better to obtain all the relevant documents and materials from the employee immediately after the IPR is created.

Main Defences to Copyright and Design Right Infringement Claims

Copyright and design right infringement claims in Germany are generally heard in ordinary courts of justice. However, a claim of this type will be considered in the labour courts if the employment contract states the compensation amount (*section 104, Copyright Law*).

Should an infringement claim be brought, the main defence strategy against a copyright and design right infringement claim is to raise defences and make objections in court. Main defences include that:

- The defendant's IPR and the claimant's IPR are not the same, so there is no infringement.
- The defendant's IPR was created separately and without using the claimant's IPR.
- The defendant's IPR was created before the claimant's IPR was created.

- The limitation period has expired (three years, in case of copyright infringements).

The defence that the allegedly infringing work was independently created, and that it is a mere coincidence that it resembles closely the claimant's copyright work or design, is available in Germany.

The defendant can also threaten to challenge the claimant's IPR if the claimant does not withdraw its claim (for example, that it lacks novelty).

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