Inventor Remuneration (Italy)

by *Tankred Thiem* and *Simona Lavagnini*, LGV Avvocati

Law stated as of 01 Sep 2022 • Italy

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

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

Legal Framework for Additional Employee-Inventor Remuneration

Service Inventions

Company's Inventions

Occasional Inventions

General

Employee-Inventors Hired as Researchers

Obligation to Remunerate

Criteria for Additional Employee-Inventor Remuneration

Service Invention or Company Invention

Company Invention or Occasional Invention

Criteria: Application of the Remuneration Regime to Independent Contractors

Criteria: Additional Remuneration for Employees Who Are Employed to Invent

Criteria: Geographical Scope of Remuneration Regime

Criteria: Commercial Value of the Invention

Contracting Out of Paying Remuneration

Calculating the Additional Remuneration Amount

Commercial Value of the Invention

Timing of the Assessment of the Value of the Invention

Measuring the Benefit in Practice

Resolving Remuneration Disputes

Forums and Mechanisms for Dispute Resolution
Timeframe for Resolving Disputes
Time Limit for Claiming Remuneration
Frequency of Additional Remuneration Claims
Legal Costs for Employee-Inventor Remuneration Claims
Challenges When Navigating the Inventor Remuneration Regime
Measures to Reduce the Risks of Claims

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

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

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

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

For comparison information on inventor remuneration, see *Inventor Remuneration* by accessing Quick Compare in the Tools menu (access may vary by subscription).

For more information on the ownership of inventions created by employees during their employment, see *Country Q&A, Intellectual Property Transactions in Italy: Overview: Employees and consultants*.

Legal Framework for Additional Employee-Inventor Remuneration

Articles 64 and 65 of Legislative Decree no 30/2005 (IPC) provide for additional employee-inventor remuneration.

The law differentiates between:

- Service inventions (Article 64(1), IPC).
- Company's inventions (Article 64(2), IPC).
- Occasional inventions (Article 64(3), IPC).

Service Inventions

Where the employee's contract requires inventive activity and provides a specific wage for inventiveness, the regime of service inventions applies. This means that the employee is entitled to be recognised as the inventor of an invention, but:

- The employer becomes the owner of the invention.
- The employee-inventor is not entitled to any additional remuneration.

Company's Inventions

Where the employee makes the invention while fulfilling the working relationship but the employer grants no specific wage for inventiveness, the company's invention regime applies. Under this regime:

- The employer becomes the owner of the invention.
- The employer can file a patent application or use the invention under a trade secret regime.
- The employee-inventor is entitled to additional remuneration if:
    - a patent is granted; or
    - the employer uses the invention under a trade secret regime.

Additional remuneration is assessed based on:

- The importance of the invention.
- The tasks performed by the employee-inventor.
- The employee-inventor's normal wages.
- The contribution that the employer's organisation has made to the invention.

Occasional Inventions

Inventions that do not form part of the employee's tasks or the tasks of their department but are still within the employer's scope of activities are called occasional inventions. The employee-inventor is entitled to file a patent application but must notify the employer.

For the three months after receiving notice of the patent application filing, the employer has an option to:

- Make exclusive use of or purchase the patent application.

- Request or obtain patents in other jurisdictions.

If the employer exercises this option, it must first pay the employee an agreed sum for the use or purchase of the patent. The law does not specify the criteria for determining the amount, though commentators often argue that the amount should be the invention's objective market value. Any contribution made by the employer, including infrastructure made available and used for specific research activities, reduces the amount due to the employee. Failure to pay the employee the agreed sum in full within the agreed period results in the expiry of the employer's option.

General

The categories of employee inventions (see *Legal Framework for Additional Employee-Inventor Remuneration*) require that the invention be made during the employment contract. For all three categories of invention, the employee-inventor is deemed to have made an industrial invention during the performance of the employment contract if the employee files a patent application within one year of the employee-inventor leaving their place of employment (Article 64(6), IPC).

If the employee files the patent application after leaving employment but the employer believes the invention was made after the termination of the employment contract, the employer has the burden to show that the invention was made after the contract ended. If the employer meets this burden, then the employee cannot claim remuneration.

If a dispute occurs, a judge decides the applicable category for the invention. However, an arbitration committee is responsible for quantifying any possible additional remuneration. See *Forums and Mechanisms for Dispute Resolution*.

Employee-Inventors Hired as Researchers

Article 65 of the IPC prescribes a specific regime for university researchers and personnel employed by public authorities with institutional goals of research. The rule is subject of a wide-ranging reform proposal.

Under the current system, the researcher becomes the exclusive owner of the rights deriving from their patentable invention. If there is more than one inventor, then the rights deriving from the invention belong to all inventors in equal parts unless otherwise agreed. Research employee-inventors must notify their employer (that is, the public authority or university) when they file their patent application.

However, the university or public body has the right to determine all contractual aspects of any relationship with third parties regarding the invention, including the maximum licence fee. The university or public body, not the researcher, is entitled to any licence fees from the invention.

Research employee-inventors are entitled to at least 50% of the income or royalties earned from the exploitation of their inventions. If a university or public authority fails to agree the required aspects of a contract with a third party, then the university or public authority's entitlement is reduced to 30% of the revenues or royalties even if the original agreement entitled the university or public body to more. Italian law does not set out a specific timeframe by which the university or public authority must reach agreement with the third party. As a result of this system, universities or public authorities can in practice limit a research employee-inventor's share to 70% of income or royalties.

If the employee-inventor does not engage in industrial exploitation of the invention within five years of the patent grant, then the public authority or university automatically acquires a non-exclusive right to exploit the invention at no cost.

Article 65 of the IPC does not apply to inventions arising from research:

- Financed, in whole or in part, by private entities.
- Carried out as part of specific research projects financed by public entities other than the university, entity, or public authority to which the researcher belongs.

However, the Article 65 regime does extend to utility models, topographies of semiconductor products, biotechnological inventions, and new plant varieties discovered or created by researchers employed by universities or public authorities. For designs, only the rule on service inventions applies (Article 64(1), IPC), unless otherwise agreed (see *Service Inventions*).

Obligation to Remunerate

For company inventions (see *Company's Inventions*), the obligation to remunerate is not automatic. The obligation to remunerate applies only in certain circumstances and even then the employee must request payment.

Employers must remunerate employee-inventors if:

- The employer files a patent application, and the patent is granted.
- The employer uses the invention under a trade secret regime.

There is no time limit for the employer to pay remuneration automatically. The employee must instead request payment:

- After the grant of the patent for an invention protected by a patent application.
- After the initial moment of use for an invention used under as a trade secret.

(Article 64(2), IPC.)

Establishing and agreeing the timing of the initial moment of use can be difficult. If the parties do not agree, then the employee can make a claim before a competent court or arbitration committee.

Parties often, but not always, send a formal lawyer's letter of demand before filing a court action. Unlike in some other jurisdictions, a demand letter is not mandatory before filing suit under Italian procedural law. (See *Forums and Mechanisms for Dispute Resolution*.)

For both service and company inventions (see *Service Inventions* and *Company's Inventions*), employees creating an invention must:

- Inform the employer under the general rules of the **Civil Code** (*Codice civile*), including, in particular, Article 2105.

- Refrain from using and divulging information about the invention. This is a general duty on the employee that avoids jeopardising the novelty of any patent application.

The employee should also send the employer a detailed description of their invention, to make the grant of a patent more likely. The patent must be granted before the employee has a right to remuneration.

Italian law does not prescribe any direct consequence if an employer does not pay additional remuneration immediately after a patent grant or immediately after use of the invention under a trade secret regime. Under general rules of contract law, including, in particular, Articles 1218 and 1223 of the Civil Code, an employee-inventor can request damages for late payment. Usually, an employee hopes that the employer files a patent application immediately, though it is unclear whether the employee can demand that their employer file a patent application within a given time frame.

Criteria for Additional Employee-Inventor Remuneration

The decisive criterion for additional employee-inventor remuneration is the category of invention. The two important distinctions are:

- The difference between a service invention and a company invention.
- The difference between a company invention and occasional invention.

Service Invention or Company Invention

Where inventive activity is a contractual duty and the employment contract contains a specific wage for inventiveness, the invention is deemed to be a service invention and the employee has no right to additional remuneration. The employer bears the burden of proving that the contract included a specific wage clause. According to case law, the court should consider specific contractual clauses as well as the entire contractual framework and the activities carried out by the employee in the specific circumstances (see Court of Milan, Enterprise Section, 28 September 2020).

If the contract does not include a specific wage for inventiveness, then the invention is a company invention.

Company Invention or Occasional Invention

If the connection between the invention and the employee's tasks is virtually non-existent and amounts only to a coincidence of timing, but the invention is relevant to the employer's business sector, then the occasional invention regime of applies.

Criteria: Application of the Remuneration Regime to Independent Contractors

The remuneration regime does not apply to independent contractors. While the legal framework for the ownership of an invention made by an independent contractor is still developing, this generally depends on whether the inventive activity is the object of the respective contract.

Article 64(2) of the IPC determines the scope of the remuneration regime, which applies to "a contract or a relationship of work or engagement." This broad wording seemingly includes independent contractors, but the Italian Supreme Court has ruled that contracts with independent contractors lack the "structural weakness" that characterises employee-employer relationships (Italian Supreme Court, Decision no. 1245 (9 March 1989)). In 2017, the Italian Parliament also adopted Law no 81/2017 (also known as the Jobs Act), in which Article 4 states that independent contractors are regarded as the owner of inventions unless the respective contract foresees "inventive activity as the contract's object."

A decision by the District Court of Bologna on 12 May 2020 stated that, if the inventive activity is the object of the service of the self-employed worker, consultant, or professional, then the property rights deriving from the invention are owned directly by the client commissioning the inventive activity unless the worker and employer agree otherwise.

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

Criteria: Additional Remuneration for Employees Who Are Employed to Invent

Employment contracts often specifically define the employee's duty as development of a new product or process. When the worker's duties inherently involve producing inventions (a typical example is a research laboratory manager) or when the worker has received an express inventive assignment, then:

- The invention is categorised as a service invention.
- Additional remuneration is not payable.

(Supreme Court, Decision no 2732/1992).

It is not enough for the employer to prove that the employee-inventor enjoyed a salary higher than the contractual average. The employer must instead prove the contractual clause providing for the surplus salary is specifically justified in view of the inventive activity (Supreme Court, Decision no 1285/2006 (24 January 2006)).

Criteria: Geographical Scope of Remuneration Regime

Under Article 8(2) of *Regulation (EC) 593/2008* (Rome I Regulation), individual employment contracts are governed by the law of the country "in which" the employee habitually carries out their work in performance of their contract. This is normally at the employer's premises. If it is impossible to establish the country **in which** the performance is carried out, then the country **from which** the employee carries out their contractual duties must be determined. If the company has its headquarters or premises in Italy, then Italian courts are likely to apply Italian law (District Court of Rome (20 May 2020)).

However, EU law does not apply to relationships where employees reside in non-EU countries. In Italy, this is particularly relevant to Italian employees living in Switzerland, San Marino and, of less practical consequence, the Vatican.

Criteria: Commercial Value of the Invention

Article 64(2) of the IPC does not confer any discretion to the courts on whether to grant additional remuneration. If an invention is not considered a service invention (see *Service Inventions*) and a patent was granted or the object of the invention was used under a trade secret regime, then the court must grant additional remuneration. However, courts do have some liberty when

assessing if the invention is an occasional invention (that is, inventions not forming part of the employee's tasks or the tasks of their department but falling under the employer's scope of activities). In that case, the employee can request patent protection but is not entitled to request additional remuneration while the employer, in turn, has the option to purchase the patent.

Important factors used to calculate the amount of potential additional employee-inventor remuneration awarded include:

- The commercial value of the invention made by the employee.
- The concrete benefit the invention confers on the employer.
- Reputational or other indirect benefits to the employer (see below).

These factors are not the criteria of **whether** to grant additional remuneration. They instead relate to the calculation of the amount, if awarded.

If an employer does not make direct practical use of an invention, then it can still benefit the employer in practice using a patent limiting the options available to its competitors.

Another factor that becomes relevant when assessing the qualitative degree of inventiveness shown by the employee is that granted patents are often later:

- Revoked by the patent office.
- Declared invalid in court.

If the invalidating decision is based on a lack of novelty or inventive activity, then the employee's right to any additional remuneration is affected. The employee still has the right to additional remuneration for the time before the invalidation during which the employer exploited the invention.

Contracting Out of Paying Remuneration

The rules on additional remuneration are intended to protect the employee whose position, by definition, is characterised by a **structural weakness**. Like other rules that protect employee rights, parties cannot exclude the rules on additional remuneration by contract if doing so disadvantages the employee.

Therefore, including abstractly defined calculation methods for additional remuneration in an employment contract risks breaching this employee-protection principle. An employee-inventor may challenge these calculation methods in case of a dispute.

Calculating the Additional Remuneration Amount

While the Italian courts are competent to assess the existence of a right to additional remuneration, an arbitration committee is responsible for determining the amount of remuneration.

Commercial Value of the Invention

The amount of remuneration is proportional to the commercial value of the invention. To establish the amount of additional remuneration, an arbitration committee uses the **German formula**. Under this formula, a committee determines the additional remuneration amount by multiplying the value of the invention (V) and the percentage of the contribution made by the employee to the invention (P). That is, additional remuneration equals V times P.

A committee considers three factors to calculate P:

- The effort and skill shown by the employee-inventor in the technical and organisational aspects of the invention. This factor is expressed as a score from one to six, with the lesser the employee's level of autonomy from the employer, the higher the score.
- The resources dedicated by the employer to developing the invention, factoring in both material aspects (for example, facilities) and immaterial aspects (for example, creative input). This factor is expressed as a score from one to six, with the lesser the employer's contribution, the higher the score.
- The normal tasks performed and position occupied by the employee. The factor is expressed from one to eight, with the lower the employer's position on the scale of research within the company, the higher the score.

The three scores are added, generating a sum between 3 and 20 that corresponds to a percentage:

Total Score	**Percentage (P)**
3	2%
4	4%
5	7%
6	10%
7	13%
8	15%
9	18%
10	21%
11	25%
12	32%
13	39%

14	47%
15	55%
16	63%
17	72%
18	81%
19	90%
20	100%

In this chart, the value of P does not increase linearly. Instead, it accelerates on reaching 12.

The available decisions are insufficient to establish typical remuneration awards. Court decisions are generally accessible to the public and provide some guidance, but arbitration committee rulings are rarely published. One exception was the publication of a 2016 arbitration committee award granting EUR67 million in additional remuneration to an employee-inventor. This is the largest award ever made public. However, the Enterprise Section of the Court of Milan later annulled the arbitration award (Decision no 7094, 16 July 2019).

Timing of the Assessment of the Value of the Invention

This benefit can be calculated after the fact, that is, after the invention has been commercially successful. However, from the employee's point of view, this approach can lead to an unfair result because it ignores future revenue. Therefore, a calculation of the benefit usually also considers the potential future commercial success of the invention.

Measuring the Benefit in Practice

In the German formula, the value of the invention (V) is one of the two bases for calculation of additional remuneration (see *Commercial Value of the Invention*), so an accurate assessment is crucial. To assess the value of the invention, the arbitration committee considers the benefit that the invention gives the employer.

Different calculations apply based on how the employer handles the invention:

- The employer transfers the rights to the invention to a third party.
- The employer exploits the invention or licenses the use of the invention.
- The employer does not exploit the invention, or it is impossible to exploit.

Fixed Value

The value of the invention should equal the amount obtained by the employer if it transferred the patent or patentable know-how to a third party.

If the patent (or know-how) remains within the company, then the value V includes both:

- The additional profits gained because of an exclusive market position.
- The amount of royalties accrued because of licensing contracts.

No Value

On the other hand, if the company has not economically exploited the invention and exploitation in the future appears unlikely due to objective shortcomings of the invention that make its implementation unprofitable even though it is patentable, then the value of the invention for the purposes of applying the German formula is zero.

Resolving Remuneration Disputes

Forums and Mechanisms for Dispute Resolution

In Italy, Labour Courts are integrated into the organisation of the general civil court system but apply special procedural rules. Generally, Labour Courts can hear all employee disputes resulting from private employment relationships. However, as an exception, the specialised enterprise sections of the civil courts have authority to hear employee disputes concerning the entitlement to employee remuneration.

Italian law gives arbitration committees authority to quantify the amount of remuneration. Courts do not consider arbitration committees to be an alternative form of dispute resolution in the strictest sense. An arbitration committee is composed of three arbitrators, one appointed by the employer, one appointed by the employee, and the third appointed by the first two arbitrators. If the party-appointed arbitrators cannot agree on the selection of the third arbitrator, then the president of an Italian court can appoint them.

The competence of a local Italian court to hear a dispute is determined by where the employee usually performs their contractual obligations. Either party can initiate proceedings before an arbitration committee while court proceedings are still pending or, according to some scholars, even before court proceedings are initiated. However, where a conflict arises regarding both the existence of a right to additional remuneration and the amount (if established), the arbitration committee's decision is enforceable only after the court issues a decision determining that the employee is entitled to additional remuneration.

A party can challenge the determination of the additional remuneration amount by the arbitration committee in court on the ground that the amount is erroneous or manifestly unfair. A determination is considered erroneous or unfair if it deviates from settled case law. The party requesting nullification of the arbitration committee's decision must file court proceedings before the competent Enterprise Section, by analogy to Article 808ter, Code of Civil Procedure (*Codice di procedura civile*). (District Court of Milan, Enterprise Section, Decision no 7094 (16 July 2019).)

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

For information regarding Alternative Dispute Resolution in Italy, see *Country Q&A, Mediation Q&A: Italy* and *Practice Note, Settlement Agreements (Employment) (Italy)*.

Timeframe for Resolving Disputes

The typical timeframe for resolving an employee-inventor remuneration dispute is between 36 to 48 months. However, a high percentage of employee-inventor remuneration disputes go through three decision levels, resulting in longer litigation.

Italian law allows the parties to initiate the quantification procedure before the arbitration committee while court proceedings are pending. This speeds up the overall procedure, though it risks unnecessary effort and costs if the court rejects the claim.

Time Limit for Claiming Remuneration

A ten-year statute of limitation applies to additional remuneration claims. The employee-inventor has ten years from either:

- The grant date of the patent.
- The date when the employer first uses the invention privately if the invention is used as part of a trade secret regime.

Frequency of Additional Remuneration Claims

In Italy, employee inventions are fairly frequent, but successful court claims are infrequent. Most employees do not take court action, preferring to negotiate out-of-court settlements.

Legal Costs for Employee-Inventor Remuneration Claims

Legal costs for additional remuneration claims depend mainly on the value of the invention and the length of the proceedings. The typical costs of court proceedings range from EUR50,000 to EUR100,000.

In choosing a forum, plaintiff employees usually bring claims in the district court where the defendant employer has its headquarters. However, employers can act pre-emptively by filing suit and choosing the jurisdiction if, for example, they prefer the court in the district or territory of the employee's residence. An example of a pre-emptive claim filed by an employer is a negative declaratory action.

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

Challenges When Navigating the Inventor Remuneration Regime

With the exception of the system applicable to universities and research institutes (see *Employee-Inventors Hired as Researchers*), the general view is that the remuneration regime in Italy works well from an economic and public policy perspective.

Italian law provides specific guidelines for employers to help them navigate the inventor remuneration regime, including:

- Allowing employers to file patent applications under their own names under the company inventions regime (see *Company's Inventions*).

- Application of the German formula, which provides clear parameters for calculating additional employee-inventor remuneration (see *Commercial Value of the Invention*).

Practitioners should draft detailed contracts and carefully consider possible scenarios, which enables employers to achieve more predictable outcomes, for example, regarding service inventions.

The split of proceedings between the Italian courts and arbitration committees allows for a tailored approach to claims. However, the fact that arbitration decisions are rarely published contributes to difficulties in quantifying additional remuneration amounts.

The system for university inventions and research institutes is the subject of a wide-ranging reform proposal. For example, under the proposed new version of Article 65 of the IPC, the ownership of inventions made in the public research field can no longer be attributed to the individual professor or researcher but to the university or research body. The researcher is the owner only if the university or research body failed to act. Under proposed Article 65bis, university institutions, public research organisations, and institutes for hospitalisation with scientific character can also set up a technology transfer office for the promotion and exploitation of industrial property rights, including by collaborating with companies.

Measures to Reduce the Risks of Claims

An important way for employers to reduce the risks from the employee-inventor remuneration regime is to execute detailed employment contracts, including, where appropriate, specific wages for inventive activity. Timely and clear communication between the employer and employee regarding contractual obligations and the activities carried out by the employee is a crucial aspect of minimising risk. Employers must carefully examine the position of formally independent contractors.

Attempting to contract out of the remuneration regime is not effective. While there is no case law on the point, according to scholars, an agreement between an employer and an employee on a methodology for calculating inventor remuneration is only likely to be effective if it benefits the employee.

