Information on proceedings before the Arbitration Board under the Employee Inventions Act

The German Employee Inventions Act (*Gesetz über Arbeitnehmererfindungen*) specifies the rights and obligations of employees and employers in the event that an employee has made an invention during the legal duration of the employment relationship. In essence, it is about the assignment of the rights to such inventions and the question of whether and to what extent assigning the inventor's rights to the employer entails compensation claims by the employee. The Employee Inventions Act contains a large number of systematically interlocking, clear and unambiguous legal regulations for these questions. However, it also contains vague legal concepts that take account of the fact that business life is subject to ongoing processes of change. This applies in particular to the question of whether an inventor is entitled to inventor compensation and how compensation is to be calculated. When the Employee Inventions Act was introduced, the legislature was aware that this may lead to differences of opinion even if both parties involved were showing goodwill.

The Arbitration Board was established to prevent an unnecessary burden being placed on the employment relationship when such differences of opinion are being settled by the parties in court. Its aim is to enable out-of-court settlements of disputes in the event of a dispute between an employee and an employer over issues regulated in the Employee Inventions Act. Therefore, the Arbitration Board, as a neutral body, is responsible for seeking an amicable settlement after hearing both sides. It thus has a conciliatory function. The purpose of the proceedings before the Arbitration Board is to maintain good employee relations, ensure legal concord and prevent court proceedings. Thus, the Arbitration Board is neither a supervisory authority nor is it allowed to act for one side (e.g. in the sense of an expert).

Aim of the proceedings before the Arbitration Board

The proceedings before the Arbitration Board is governed by Sections 28 et seqq. of the Employee Inventions Act. The Arbitration Board is to a large extent free to decide on the concrete form of the arbitration proceedings in accordance with Section 33(2) of the Employee Inventions Act. At the end of proceedings, the Arbitration Board generally submits a settlement proposal to the parties. In this regard it does not take any binding substantive decisions and does not dispense justice. Its settlement proposals are aimed at an amicable settlement between the parties, which may involve mutual concessions by the parties with regard to their positions, if necessary. The basis of the individual settlement proposal is a neutral legal and technical assessment by the Arbitration Board of the facts presented. It will thus give the parties the opportunity, in the course of the arbitration proceedings, to present all points which they consider necessary for the settlement proposal. However, the Arbitration Board does not have the duty to clarify, in every detail, any further facts of the case that go beyond that.

Upon acceptance of the settlement proposal, a contract under private law is concluded between the parties, which ends the dispute. If a party does not agree with the settlement proposal of the Arbitration Board, that party may object to this proposal within one month from the notification (Sec. 34(3) Employee Inventions Act) and seek to obtain further clarification before the competent courts. Even if the settlement proposal is not accepted, the

parties are still free to reach an out-of-court agreement on the basis of the settlement proposal, which often happens.

Arbitration proceedings are mandatory for existing employment relationships

In the case of an existing employment relationship, it is compulsory to hold arbitration proceedings before an action is brought (Sec. 37(1) Employee Inventions Act). However, this does not apply if the employee has already left the company (Sec. 37(2) no. 3), but arbitration proceedings are nevertheless still possible. The advantage of arbitration proceedings for the parties involved is that the Arbitration Board, which is composed of legally and technically qualified experts, deals with the issue at dispute without charging fees (Sec. 36 Employee Inventions Act). In contrast to proceedings before the patent chambers of the regional courts, the legislature has not prescribed the compulsory representation by a lawyer for arbitration proceedings. If a party wishes to be represented by a third party, e.g. a lawyer or patent attorney, they are free to do so. However, irrespective of the outcome of the arbitration proceedings, that party must always bear the full amount of the costs associated.

Applying for arbitration proceedings

For opening arbitration proceedings, a written request from one of the parties is required. The request can be submitted by the employee or by the employer, but it can also be submitted jointly by both. The content of this proposal must contain a substantiated presentation of the facts that is intelligible in itself and arranged according to specific service inventions. This has to be self-explanatory and must clearly show, without requiring separate study of any attachments, the claims asserted and the basis on which the claims are made in relation to the service invention for which they are made and the issues at dispute, in particular with regard to the respective value of the invention and proportional factor and, if applicable, the payments already made and the legal basis on which they were based.

Copies of corresponding documents and preliminary correspondence must be attached as evidence of the arguments presented. However, the request must be conclusive and comprehensible even without such additional documents. The Arbitration Board does not have the duty to conduct its own investigation of the disputed facts from such attachments or from documents of the German Patent and Trade Mark Office.

The presentation of the facts contained in the request not only determines the subject matter of the proceedings but also enables the other party’s very decision of whether to participate in the arbitration proceedings or not.

Formal requirements

The following formal requirements have to be met for the request:

- letter to the Arbitration Board (no special form required)
- at least font size 11, 1.5 line spacing and printed on one side only
- personally signed
- two copies of all documents submitted
- submission by post (no e-mail, since this would not comply with the legally prescribed written form)

If such a request is received by the Arbitration Board, the Arbitration Board opens the proceedings by service of the request with documents to the other party. Under the act, the respective opponent to the request is free to participate in the proceedings before the Arbitration Board. If the other party does not participate in the proceedings by notifying the Arbitration Board accordingly or by not submitting comments within the prescribed period, proceedings will be terminated without result (Sec. 35(1) nos. 1, 2 Employee Inventions Act).

Course of proceedings

The proceedings will be conducted in writing. The parties involved are required to mutually describe the facts of the case and the differences of opinion existing between the parties involved in response to the other party's presentation, insofar as they do not agree with the latter. It is useful, facilitates the work of the Arbitration Board and shortens proceedings if the written presentations of both sides are focused, clear and without repetition. The parties involved should bear in mind that many facts of the case which are familiar to them from events at the company are unknown to the members of the Arbitration Board and must be described to them in a comprehensible manner. If a party has presented all the essential arguments, it should notify the Arbitration Board accordingly so that the discussion ends and the Arbitration Board can decide on the facts of the case. A hearing of the parties involved before the Arbitration Board will only take place in particular exceptional cases in which the Arbitration Board deems it necessary.

Please note that all written submissions must always be furnished in duplicate and in German, not only when invoking proceedings, but also during proceedings, so that they can be sent to the other party.

Legal basis

You can find the Employee Inventions Act on the DPMA website under the heading "Arbitration Board under the Employee Inventions Act". There you will also find the compensation guidelines (in German) issued by the Federal Minister of Labour and Social Affairs, which, however, are not binding but only constitute a helpful tool and are outdated in some points regarding the permanent decision practice of the Arbitration Board and the case law of the higher courts. Information on the current decision practice of the Arbitration Board is available in the public database on the DPMA website.

For further inquiries and requests for opening arbitration proceedings, please contact:

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