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ADDITIONAL REMUNERATION OF EMPLOYEES' INVENTIONS: THE END OF NON-APPLICABILITY OF THE STATUTE OF LIMITATIONS?

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Additional remuneration of employees' inventions:the end of non-applicability of the statute of limitations?

The starting point of the statute of limitations for the additional remuneration owed to employee inventors:application of the provisions of Article 2224 of the French Civil Code resulting from Act no. 2008-561 of June 17, 2008, reforming the statute of limitations in civil matters.

Decision of the Paris Civil Court, 3rd chamber, 2nd section, of March 23, 2018, Docket no. 15/00961[1]

Employees who create an invention in the performance of their duties have the right to additional remuneration (Article L. 611-7 of the French Code of Industrial Property).Before the reform of the statute of limitations of 2008, the French Supreme Court [2] decided that the 5-year statute of limitations period began running as of the date on which the debt was determined [3], and the employee had to have the information necessary for calculating his additional remuneration [4].In most cases, the practical result was to make the additional remuneration debt not subject to the statute of limitations:the inventor employee could always argue that he did not know the details of the exploitation of his invention or the profit his company derived from such exploitation.

The decision of March 23, 2018, applies explicitly, for the first time [5], the statute-of-limitations regime of Article 2224 of the French Civil Code, which sets the starting point for the statute-of-limitations period *as of the date on which the right holder knew or should have known the facts permitting him to exercise such right*.

This decision emphasizes in particular that the statute of limitations of an employee inventor's claim for additional remuneration begins to run when the employer issues and makes easily accessible to the employee clear rules on the additional remuneration system.Subject to confirmation by the Court of Appeal and the French Supreme Court, this decision marks the end of the non-applicability of the statute of limitations that applied in practice prior to the 2008 reform of the statute of limitations.

The facts were as follows.The employee created an invention in 1998, for which a patent application was filed in the United States.The employee left the company in 1999 without receiving any additional remuneration.Fifteen years later, in 2014, an American court ordered one of the employer's competitors to pay several tens of millions of dollars for infringement of the patent.The employee, arguing that he had just then discovered the exploitation of his patent, brought a claim against his employer in 2015, petitioning for payment of additional remuneration for his invention—nearly €18 million—and for production of the documents to enable him to determine the amount of this additional remuneration.

The employer argued that the claim was time-barred, on the ground that the employee could have brought the claim in 1998 because he knew:

- that his duties included inventing, and

- that he had created an invention.

The statute of limitations, according to this theory, begins to run as of the creation of the invention [6]—as the amount of the additional remuneration does not constitute a fact serving as grounds to bring the claim.

The employee disputed this analysis, relying on the French Supreme Court's case law, arguing that the statute of limitations could not begin to run because he did not know the exact amount of the additional remuneration owed to him.

Firstly, the court noted that the dispute is subject to the new statute-of-limitations rule of Article 2224 of the French Civil Code, resulting from the 2008 reform of the statute of limitations.

The court then explicitly ruled out the old case law criterion, according to which the statute of limitations could not begin to run if the employee did not have all the information for calculating the amount of the remuneration:

"[…] one must concretely search for the date on which the employee knew or should have known the facts enabling him to bring his claim for a payment, although it is not necessary to make this starting point subject to knowing all the information for determining the amount of the debt, as the possibility for the employee to exercise his right to additional remuneration should not be confused with the employee's knowledge of the amount of the remuneration owed to him."

Nevertheless, the court did not adopt the theory argued by the employer.It first emphasized that the statute of limitations begins to run when the employer can:

> *"[…] prove that it has placed its employee in the position of being able to bring this claim [for additional remuneration], either by providing for a particular provision in his employment agreement, or by implementing a procedure internal to the company and which is easily accessible to the employee and enables him to be informed in a sufficiently precise manner about the time periods and conditions for application of the benefit of such additional remuneration, where appropriate by referring to the provisions of a collective bargaining agreement […]"*

This encourages employers to issue clear rules and to make them known.According to the court, the employer has the burden of proof regarding the communication of these rules.

If the employer does not publish the additional remuneration rules, the court indicates that:

> "*[…] one should concretely assess, with respect to the facts of this case and in particular the employee's duties in the company or those duties he performed after his departure related or not related to the invention he claims or the employee's access to the information necessary to bring his claim for payment, the date on which he had or should have had knowledge of this information.*"

In this case, the lower court held that the inventor continued to exercise his profession in the same sector, in a company against which, in 2006, a claim was made for infringement of the same patent.Due to this fact, the court pointed out that the inventor:

> *"[…] could not be unaware of, or in any event should have been aware, on this date, of the patent's financial interest […] and so doing he had the information to evaluate, even if summarily, the amount of the additional remuneration debt he could claim."*

Therefore, the court found that the statute-of-limitations period began to run as of 2006 and, therefore, it had expired by the date on which the summons was served.The employee's claim was, therefore, time-barred.

We hope that this decision will put an end to the practice of bringing claims for additional remuneration years or decades after the creation of inventions—all the more so since the statute-of-limitations period is now three years [7].

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[1] In this same case, the court recognized that the employer had the right to use a discovery procedure against the inventor residing in the United States, in accordance with the provisions of Article 1782 of § 103 of the U.S. Code (PIBD 2016, 1062, IIIB-944).

[2] Based on former Article 2277 of the French Civil Code.

[3] French Supreme Court, Comm. Div., Feb. 22, 2005, no. 03-11027.

[4] French Supreme Court, Lab. Div., Jan. 26, 2012, no. 10-13825.

[5]In a recent decision, the Paris Court of Appeal ruled that, "*the starting point of the three-year statute-of-limitations period is the employee's knowledge of the information necessary for calculating his additional remuneration.*" (Paris Court of Appeal, Div. 5, Chamber 2, Mar. 2, 2018, Docket no. 16/23992).If, in its decision, the Court does indeed apply the three-year statute-of-limitations period, on the other hand, it does not apply the new statute-of-limitations regime resulting from the 2008 act.

[6]In a January 31, 2018 decision, the French Supreme Court affirmed, pursuant to Article L. 611-7 of the French Code of Intellectual Property, that the "*employee's right to additional remuneration […] arises on the date on which the patentable invention is created*" (no. 16-13262, published in the *Bulletin*).

[7]Act no. 2013-504 of June 14, 2013, amends Article L. 3245-1 of the French Labor Code and reduces the statute-of-limitations period to three years.In this decision, the statute-of-limitations period was five years due to the interim period of the 2013 act.
