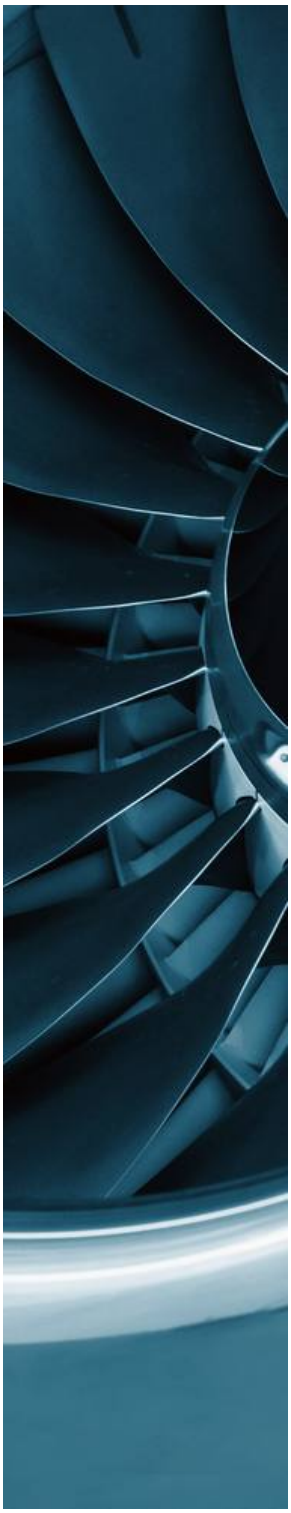


ARTICLE

IP RIGHTS ON SOFTWARE AND INVENTIONS MADE BY INTERNS OR OTHER PERSONS NOT BENEFITING FROM AN EMPLOYMENT CONTRACT OR THE STATUS OF PUBLIC OFFICIAL: AN APPARENT ALIGNMENT WITH THE REGIME FOR EMPLOYEES, ALTHOUGH SOME QUESTIONS REMAIN PENDING

Intellectual Property, Media, and Art Law Patent Law | 19/01/22 | Martin Brion Océane Millon de La Verteville

In application of the law n°2020-1674 on research programming for the years 2021 to 2030 (the "research programming law")[1], the ordinance n°2021-1658 dated December 15, 2021 introduces the articles L.611-7-1 and L. 113—-9 of the Intellectual Property Code (IPC hereinafter), which are likely to align the regime of attribution of intellectual property rights on software and inventions made by third-parties (non employees) hosted within the framework of an agreement by a legal entity carrying out research activities, with the one applicable to employees and public official[2] . Interns, foreign doctoral students, professors or director emeritus and people on International voluntary service in a company (*Volontariat international en entreprise* (VIE)) may be concerned as well.

Nonetheless certain questions remain unanswered, notably knowing what the conditions are for determining the "counterpart" of the software's author and the "financial counterpart" or the "fair price" that the inventor will obtain.

1. The situation prior to the ordinance No. 2021-1658

Before this Ordinance, it was only in cases where the author of the software or the inventor was an employee or a public official that the economic rights on the software and the right to the invention could automatically belong to the employer, under the conditions set out in articles L.113-9 and L.611-7 of the IPC.

Consequently, a natural person not benefiting from an employment contract or the status of public official, remained the owner of the results that he could obtain during the performance of his tasks, in application of the principle of copyright attribution to the creator (art. L.111-1 ICP) as well as the attribution of the right to the patent to the first to-file (art. L.611-6 IPC). This concerned the intern who, unless expressly assigned, remained the owner of the inventions made during his or her training period, as highlighted by the judicial saga Puech v. CNRS[3].

In the absence of automatic attribution of IP rights, legal entities hosting interns and other persons not benefiting from an employment contract or the status of public official, therefore had to set up a specific contractual framework that constituted *"a heavy administrative burden, without, however, guaranteeing perfect legal certainty to the stakeholders"* as pointed out by *the* impact study on the draft law on research[4] programming also noting that "*the case is particularly problematic when hosting foreign doctoral students, as economic intelligence issues can be added to the legal difficulties."*

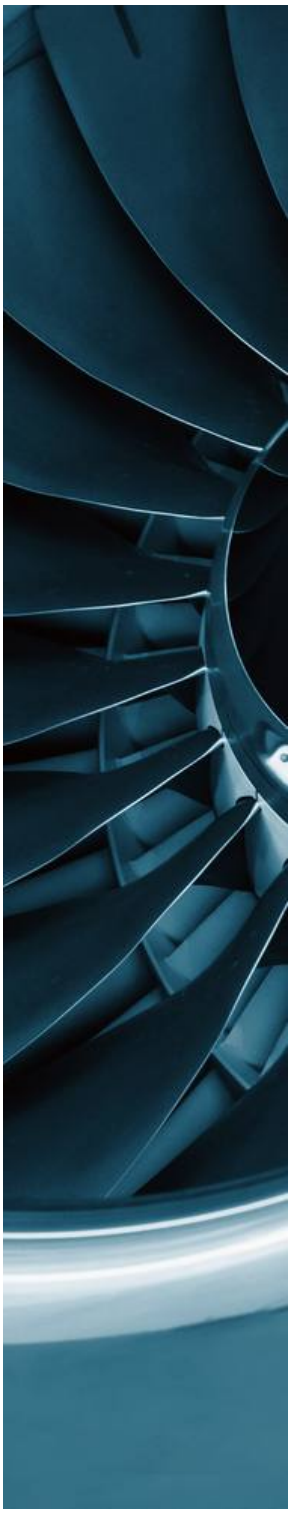
2. The regime provided for by the ordinance n°2021-1658 of December 15, 2021

The regime for the attribution of intellectual property rights provided for by the ordinance No. 2021-1658 is limited to inventions and software and their documentation[5].

The author of the software or the inventor in question must be a natural person who does not fall under the scope of articles L.113-9 and L.611-7 of the ICP, *i.e.* (i) who does not have an employment contract or the status of a public official, and (ii) who is *"hosted under an agreement by a public or private legal entity carrying out research activities".*

2.1. The notion of a person "received under an agreement"

This notion is not explained, but the report to the President of the Republic indicates that it can "*notably*" refer to interns, foreign doctoral students and emeritus[6] professors or directors. These are some examples, and it is conceivable that this notion could cover other situations, especially when it comes to applying the article L. 611-7-1 of the ICP, which, unlike the article L. 113-9-1 of the ICP, does not require for the person received to be "placed under the authority of a person in charge of the hosting structure".



Since the word "agreement" can be given a very broad[7] meaning, and in addition the text does not specify whether the agreement in question must necessarily be concluded directly between the hosted person and the hosting structure, it is questionable whether persons carrying out an international voluntary service in a company (*Volontariat international en entreprise* (VIE)) will be concerned[8].

If the notion of a person "hosted under an agreement" is interpreted broadly, it could even apply to certain self-employed persons who perform services involving the creation of software or inventions for a client by being "hosted" on the client's premises under a contract[9].

Applying this text to corporate officers seems less obvious. The mandate that binds them to the company they represent is indeed an "agreement" but probably not an agreement "within the framework of which" they are "received" by this legal person.

In the absence of case law clarifying the persons subject to these new provisions, it is recommended - in particular for VIEs, self-employed workers and corporate officers - to continue to put in place assignment contracts of rights on inventions and software.

With regard to the non-employee manager, we note a recent decision of the French Supreme Court (la *Cour de cassation*) which considers that a non-employee manager is entitled to file a patent in his personal name as long as he is the sole inventor and that he is not personally bound by the agreement concluded between the company he represents and a third party, providing that the patent has to be filed by the third party[10].

2.2. The notion of "legal person under public or private law carrying out research activities"

In relation to the hosting entity, it must be a "*legal person under public or private law carrying out research activities*". This notion is not specified in the parliamentary works nor on the report to the President. However, the following remarks can be made:

- If such expression is interpreted literally, the fact that the legal person "*carries out*" research should be sufficient, regardless of whether this research activity is a principal or an accessory part of its activity.

- It is likely that the notion of "*legal person carrying out research*" will be more limited in practice when applying the article L.6117-1 IPC than the article L.113-9-1 IPC. Indeed, if, *the* "*invention*" mentioned in article L.6117-1 ICP designates a "*patentable"* invention,[11] it must, to fall within the scope of such article, meet the conditions of patentability and that of industrial application. It will therefore probably be made within a legal entity carrying out scientific or, at the very least, technical research. On the other hand, since the condition of industrial application does not exist in the case of software, the "*legal person carrying out research activities*" of article L. 1139-1 CPI could cover cases of non-technical research.

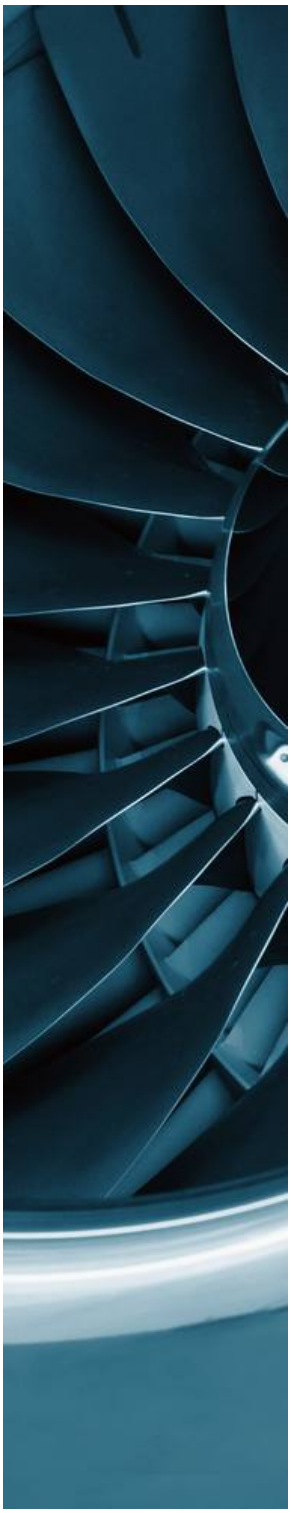
- Last, the text does not seem to be limited to academic research alone. In this respect, and to extrapolate the example given by our colleague Jérôme Tassi in a recent[12] article: if the economic rights on a legal research software used for, realized by an intern in a university laboratory in law, could indeed be vested in the University; the rights on an equivalent software, realized this time by the intern of a startup in LegalTech, could, according to us, also be vested in the hosting entity, i.e. the start-up.

2.3. A nuanced regime constructed in light of articles L.113-9 ICP and L.611-7 ICP

For software, the regime of article L. 113-9-1 ICP is constructed based on article L. 113-9 ICP, but the automatic devolution of economic rights to the hosting entity applies only if (i) the hosted person is "*placed under the authority of a person in charge of the receiving structure*" and (ii) "is, with *respect to that structure, in a situation where he receives a counterparty*". This tricky provision does not require for the counterparty to be paid by the host organization. Therefore, it includes situations in which the hosted person receives a counterparty from a third party, such as a research scholar. It is worth noting that the report to the President of the Republic specifies that the counterpart may be financial and/or material[13].

The regime for inventions by non-employees provided under the article L.611-7-1 ICP is based on the regime applicable to inventions made by employees as defined under the article L.611-7 ICP. Nonetheless some subtle differences are to be mentioned :

- The rights to inventions of mission , which correspond as is the case in the article L.611-7 ICP - to those "*made by the inventor in the execution of either an agreement including an inventive mission that corresponds to his actual missions, or of studies and research explicitly entrusted to him*", automatically



belong to the hosting entity, which must inform the inventor of the filing of an application for an industrial property title for this invention and, if applicable, of the grant of the title.

The inventor must benefit from a financial counterpart, similar to the additional remuneration of the employee[14]. However, whereas the conditions under which the employee benefits from an additional remuneration are determined by collective agreements, company agreements or individual work contracts, article L.611-7-1 4° ICP provides that the conditions under which the non-employee inventor benefits from a financial compensation will be fixed by a decree of the French Administrative Supreme Court alias the Council of State. Hence, it does not seem foreseen that these conditions can be fixed in the hosting agreement as mentioned in paragraph 1er of article L.611-7-1 ICP, except in some potential cases where the agreement fixes more favorable conditions compared to those which will be fixed by decree. The article L.611-7-1 ICP remains applicable "*in the absence of a more favorable stipulation to [the inventor]*"[15]. Moreover, no decree has been issued at this stage.

- For attributable nonmission inventions, the hosting entity may obtain ownership or the right to use of all or part of the rights attached to the patent protecting the invention.

According to the article L.611-7-1 CPI, these are inventions made " a) either in the performance of its missions and activities; or b) in the field of activities entrusted to it by the legal person; or c) through the knowledge or use of techniques or means specific to the legal person, or of data provided by it ". One nuance in the wording should be noted: The article L.611-7 ICP refers to inventions made in the field of activities "**of**" the company, whereas article L.611-7-1 ICP refers to inventions made in the field of activities "**entrusted by**" the legal person (this seems less broad and more difficult to distinguish from inventions of mission).

The claim of attribution, by the host entity, of the ownership or the right to use of the rights attached to the patent protecting the invention of the non-employee person must be made "*during the period of the hosting*" of the individual. This difference with the regime for employees does not seem to be decisive, since article L.611-7 ICP does not provide that the claim of attribution by the employer must be made during the duration of the employment contract. In practice this is most often the case, unless in the event of an employment contract that would end before the end of the four-month period given to the employer to claim attribution of the invention as provided under the article R.611-7 ICP.

As for the rest of the conditions under which the receiving entity can implement such attribution, they will be fixed by decree of Council of State. One can think that this decree will take up the terms of articles R. 611-1 to R. 611-10 ICP.

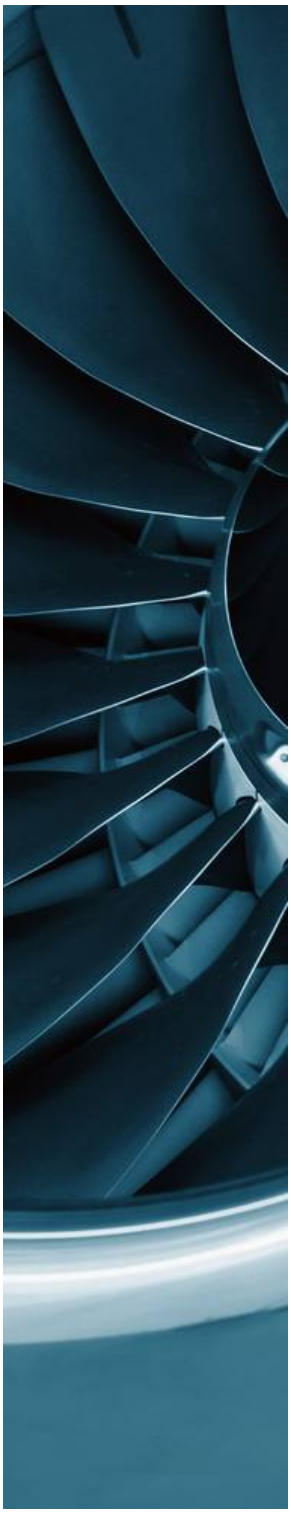
Similar to the regime provided for the inventor under the article L.611-7 2° ICP, the article L.611-7-1 2° ICP provides that the inventor must obtain a fair price, which, in the absence of an agreement between the parties, is set by the National Council for Statistic Information / *Conseil national de l'informatique statistique* (NCSI) or by the court. On the other hand, the article L.611-7-1 2° ICP does not provide any indication for the calculation of this fair price, similar to the final provision of article L.611-7 2° ICP according to which the NCSI and the Judicial Court (*Tribunal judiciaire*) "*shall take into consideration all the elements that may be provided to them, in particular by the employer and by the employee, in order to calculate the fair price, as a function of both the initial contributions of the parties and of the industrial and commercial usefulness of the invention,*" does not appear in article L.611-7-1 ICP. However, it is hard to imagine that these elements will not be considered by the NCSI or the Judicial Court.

- Inventions out of mission belong to the inventor.

- Same as for the employee's additional remuneration, pursuant to article L.6117-1 ICP, any dispute relating to the financial counterpart of the natural person P is submitted to the CNIS or to the judicial court.

As the new mechanism is not of public order (the text expressly reserves the hypothesis of "*contrary stipulations*"), in principle it should not apply to current contracts, but only to contracts entered as of December 17, 2021[16].

This legislative reform is commendable in that it puts an end to the previous issues in which the hosting entities were obliged to sign transfer of rights agreements with the hosted persons. It may be thought that, by eliminating the transfer of rights step, the measure will accelerate the transfer of results to the socio-economic world, as envisaged in the impact study[17].



On the other hand, in the absence of further details in relation to the conditions for determining financial counterparty and fair price, the second objective stated in the impact study, i.e. strengthening legal certainty for all stakeholders by clarifying, in particular, the right of individuals to profit-sharing in the event of exploitation does not seem to have been achieved at this stage. One can only hope that the decree will clarify this point.

[1] 1° of the I of article 44 of the law n°2020-1674 of December 24, 2020 on research programming for the years 2021 to 2030 and on various provisions relating to research and higher education: https://www.legifrance.gouv.fr/loda/article_lc/LEGIARTI000042750317/

[2] Ordinance n°2021-1658 of December 15, 2021: https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000044501327

[3] TGI Paris, Apr. 2, 2002, 2000/12782; CA Paris, Sept. 10, 2004, 2002/12276; Cass. com, Apr. 25, 2006, n° 04-19.482; CA Paris, Sept. 12, 2007, 2006/15211; TA Paris, July 11, 2008, 2007/17692; CE, Feb. 22, 2010, 320319; CA Paris, May 29, 2013, n° 11/03021

[4] p. 162 and the 163 Impact Study: https://www.legifrance.gouv.fr/contenu/Media/Files/autour-de-la-loi/legislatif-et-reglementaire/etudes-d-impact-des-lois/ei_art_39_2020/ei_esrr2013879l_cm_22.07.2020.pdf

[5] The following are not covered: other creations protectable by copyright, designs and models and "valued works" within the meaning of art. 2 of decree n°96-858 of October 2, 1996, for which civil servants and public agents benefit from a profit-sharing scheme, as pointed out by our colleague J. Tassi in his article "Intellectual property and trainees: what's new with the ordinance of December 15, 2021": https://www.linkedin.com/pulse/propri%C3%A9t%C3%A9-intellectuelle-et-stagiaires-du-nouveau-avec-j%C3%A9r%C3%B4me-tassi/?trk=pulse-article_more-articles_related-content-card&originalSubdomain=fr

[6] https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000044501320

[7] It is a "generic name given - within legal acts - to any agreement of will between two or more persons intended to produce any legal effect" (G. Cornu, Vocabulaire Juridique).

[8] The subject of the VIE is complex because it does not give rise to any direct contractual link between the host company and the volunteer.

[9] A contract is only a "kind of agreement" (G. Cornu, Vocabulaire Juridique).

[10] Cass. Com. Dec. 1, 2021, Appeal 19-25905, Mr. X v. Unither, unpublished

[11] following the interpretation made by the jurisprudence of the notion of "invention" of art. L. 611-7 CPI, see in particular: Cass. Com. 31 Jan. 2018, n°16-13262 and TJ Paris 3.3, M. X c. Sté des anciens Etablissement Lucien Geismar RG 18/08302

[12] https://www.linkedin.com/pulse/propri%C3%A9t%C3%A9-intellectuelle-et-stagiaires-du-nouveau-avec-j%C3%A9r%C3%B4me-tassi/?trk=pulse-article_more-articles_related-content-card&originalSubdomain=fr

[13] https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000044501320

[14] Contrary to what is provided for in art. L1-9-113 for software, art. L. 611-7-1 does indeed provide that the consideration is "financial" and does not provide that the hosted person must necessarily be "placed under the authority of a person in charge of the host structure". The Report to the President of the Republic is therefore erroneous when it states *"It is provided that, in order to fall within the scope of this article L. 611-7-1, these personnel must be hosted within the framework of an agreement, placed under the authority of a person in charge within the research structure, and receive financial and/or material compensation.*

[15] article L. 611-7-1, paragraph 1 er

[16] Civil Code, art. 2: "*The law is only for the future; it has no retroactive effect.*

[17] p. 162 and 163 of the Impact Study: https://www.legifrance.gouv.fr/contenu/Media/Files/autour-de-la-loi/legislatif-et-reglementaire/etudes-d-impact-des-lois/ei_art_39_2020/ei_esrr2013879l_cm_22.07.2020.pdf