

**Fourth Study Commission
Public and Social Law
QUESTIONNAIRE 2012**

Aspects of intellectual property and competition law in employment relationship

Introductory remarks: Statutory provisions on intellectual property and competition law are not bound to a certain form of relationship. Nevertheless in employment relationship on the one hand there are many rules to protect employees but on the other hand employment relationship bares certain risks for the employer. The purpose of this Questionnaire is to provide an overview on the provisions governing intellectual property and competition law in employment relationship in the legal systems of the participant countries.

Intellectual property:

1. Who obtains intellectual property rights in case of an invention by an employee?

In Canada, intellectual property is a federal subject matter.

The rights belong to the “inventor” who files the application at the Patent Office. (*Patent Act*, thereafter “PA”, R.S.C., 1985 , c. P-4, art. 27). Therefore, the case of an invention created during the employment is not covered in the law.

However, is it common practice for an employer to require transfer of future patent rights in a contract. There also exists a jurisprudential principle according to which the rights belong to the employer if the invention was created by an employee hired to invent an object of this type, although this presumption is apparently not as reliable as a contractual stipulation.

2. If the employer obtains any rights: What connection between an invention and the employment relationship is necessary? What is the scope of the employer’s rights (ownership of the patent, exclusive use, non-exclusive use...)?

As stated earlier, a jurisprudential principle grants the employer property of the invention in certain cases. This principle comes from the United Kingdom and has hardly changed since the 19th century, except the phrasing which has been updated to today’s tastes (see *Bloxam v. Elsge*, (1825) 1 Car. & P. 558, (1827) 6 B & C 169).

The principle is that the invention belongs exclusively to the employer in cases where “the person was employed for the express purpose of inventing or innovating. [...] The Court should consider the nature and context of the employer-employee relationship, such as:

- (a) whether the employee was hired for the express purpose of inventing;**
 - (b) whether the employee at the time he was hired had previously made inventions;**
 - (c) whether an employer had incentive plans encouraging product development;**
 - (d) whether the conduct of the employee once the invention had been created suggested ownership was held by employer;**
 - (e) whether the invention is the product of a problem the employee was instructed to solve, i.e. whether it was his duty to make inventions;**
 - (f) whether the employee's invention arose following his consultation through normal company channels (i.e. was help sought?);**
 - (g) whether the employee was dealing with highly confidential information or confidential work;**
 - (h) whether it was a term of the employment that the employee could not use the ideas which he developed to his own advantage.”**
- (Comstock Canada v. Electec Ltd., [1991] F.C.J. No. 987)**

3. Are there any boundaries to agreements between the parties of an employment contract on intellectual property rights (compulsory compensation, limitation of the rights that can be transferred)?

There are none concerning patents.

Concerning intellectual property in general, moral rights to an artistic work are non-transferable, i.e. that the right to be declared author of the work (or to remain anonymous) and the right to put an end to the mutilation or degradation of the work cannot be transferred. (Copyright Act, R.S.C., 1985, c. C-42, art. 14.1, 28.2)

4. Are there different provisions applicable to employees who are hired as inventors?

No

Competition:

5. Are there any statutory limitations to the employee's possibilities of additional activities?

In Canada, employment contracts are a provincial matter (almost exclusively).

In Quebec, there are no statutory limitations, but an obligation to act "faithfully and honestly" and not to use confidential information (*Civil Code of Quebec*, thereafter "C.c.Q.", art. 2088). "Unfaithfulness" includes, for example, soliciting the employer's clients or setting up a concurrent business while employed.

2088. The employee is bound not only to carry on his work with prudence and diligence, but also to act faithfully and honestly and not to use any confidential information he may obtain in carrying on or in the course of his work.

These obligations continue for a reasonable time after cessation of the contract, and permanently where the information concerns the reputation and private life of another person.

1991, c. 64, a. 2088.

6. Are there any boundaries to agreements between the parties prohibiting certain activities of the employee while the employment relationship lasts?

The boundaries must be related to the employment and reasonable.

7. What other obligations does an employee have in order to protect the competitiveness of their employer (boundaries of secrecy)?

The employee must not use confidential information obtained in the course of his work during his contract. This obligation persists "for a reasonable time" after the contract and is permanent "where the information concerns the reputation and private life of another person" (C.c.Q., art. 2088). Courts determine a "reasonable time" to be somewhere between a few months to a year, depending on the nature of the work.

8. Once the employment relationship has ended: Are there any remaining limitations of the employee's possibilities to compete with their former employer?

There is the obligation of faithfulness which continues "for a reasonable time" after termination of the contract (C.c.Q., art. 2088).

The parties can also limit this freedom by contract (art. 2089C.c.Q.)

2089. The parties may stipulate in writing and in express terms that, even after the termination of the contract, the employee may neither compete with his employer nor participate in any capacity whatsoever in an enterprise which would then compete with him.

Such a stipulation shall be limited, however, as to time, place and type of employment, to whatever is necessary for the protection of the legitimate interests of the employer.

The burden of proof that the stipulation is valid is on the employer.

9. Are there any boundaries to agreements on such limitations even after the employment relationship is terminated ?

An agreement to limit the right to work is possible, but interpreted restrictively in favor of the employee so as not to restrict unduly his freedom to work. A stipulation considered too restrictive is null and void.

Such a clause must be limited and stipulate three things: the type of work the ex-employer must not accomplish, the duration of the prohibition and its geographical range. In order to be valid, each of these restrictions must be deemed reasonable by the judge (art. 2089 al.2).

The employer may not avail himself of the stipulation of non-competition if he has resiliated the contract without serious reason (C.c.Q., art. 2095).

2095. An employer may not avail himself of a stipulation of non-competition if he has resiliated the contract without a serious reason or if he has himself

given the employee such a reason for resiliating the contract.

Send Your answers before the 1st of August to:

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