

## Intellectual Property - Israel

### Committee decision sends warning signal to employers regarding service inventions

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A February 2010 decision rendered by the Israeli Compensation and Royalty Committee, a statutory committee under the Patents Law (5727/1967), sheds light on an employee's right to receive compensation for a service invention in view of the provisions of the Patents Law and the specific agreement between the employee and his or her employer.<sup>(1)</sup>

#### Facts

The decision was an interim decision which was given in an application to strike, *in limine* with no discussion on the merits, an application filed by an employee for determination of the compensation payable to him for a service invention made by him within the framework of his employment.

According to Section 132 of the Patents Law, an invention by an employee arrived at in consequence of his or her service and during the period of his or her service shall, in the absence of an agreement to the contrary, become the property of the employer.

As to the employee's rights to compensation, Section 134 of the Patents Law provides as follows:

*"In the absence of an agreement determining whether, to what extent and on what conditions the employee is entitled to remuneration for a service invention, the matter shall be decided by the Compensation and Royalty Committee under Chapter Six."*

In the case at hand the employee was the inventor of an invention claimed in two provisional applications, as well as in a Patent Cooperation Treaty application. In his employment agreement the employee assigned all his rights in and to any inventions to be made by him to his employer. However, the employee's employment agreement made no mention of his right to compensation, and none was forthcoming. In the circumstances the employee applied to the Compensation and Royalty Committee for determination of the compensation payable to him in respect of the service invention.

In response, the employer applied to dismiss the employee's application, claiming, among other things, that the employee had waived, within the framework of his employment agreement, all his rights in and to the service invention. According to the employer, Section 134 would apply only where no agreement existed. In other words, the employee's waiver of rights in the service invention also encompassed a waiver of his rights to compensation.

#### Decision

The Compensation and Royalty Committee rejected the application. Some of the reasons and statements given by the committee may have an effect that exceeds the scope of the case at hand.

First, the committee raised the question of whether the employee was entitled (or rather able) to waive his right to compensation (ie, whether the compensation right is dispositive), and whether Section 134 would apply only in the absence of an agreement or also where an agreement exists, but its provisions preclude the employee's right to receive compensation or royalties.

In this context the committee decided that the language of Section 134 could lend itself

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to both interpretations. However, according to the committee, it was unnecessary to decide on such issue as even if the employee were able to waive his rights, it should nevertheless be examined, by focusing on the wording of the specific employment agreement, whether the employee had actually waived his rights.

In light of the committee's remark, it remains open whether a waiver included in an employment agreement may, in principle, be valid and enforceable.

The committee also examined the specific provision in the agreement at hand, which stated as follows:

*"I hereby assign and transfer in full all rights I have and will have to any invention and development which the Company will be developing during my employment with the Company."*

The committee decided that the right to compensation is a personal right and therefore cannot be assigned to the employer. Therefore, according to the committee, a general assignment of rights will not suffice as a basis for the waiving of a right to compensation.

The committee further emphasized that should the employer wish its employees to waive their rights to compensation in respect of service inventions, a provision to such effect should be expressly included in the employees' respective employment agreements (eg, by including therein specific reference to Section 134 of the Patents Law). The committee refused to accept the employer's position that the general provision with respect to assignment of rights also included a waiver by the employee of his or her right to compensation.

### Comment

In view of the above, it is recommended that employment agreements expressly include a waiver by the employee of his or her rights to compensation in respect of any service inventions that he or she might devise.

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### Endnotes

(1) *Actelis Networks v Yishai Ilani*, February 3 2010.

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