

**ANALYSIS OF THE EFFECTIVENESS OF TECHNOVATION LAW IN KENYA.**

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**DECLARATION**

I, ODETTE NAHABANDI NDARUZI, do hereby declare that this research is my original work and that to the best of my knowledge and belief, it has not been previously, in its entirety or in part, been submitted to any other university for a degree or diploma. Other works cited or referred to are accordingly acknowledged.

Signed: .....

Date: .....

This dissertation has been submitted for examination with my approval as University Supervisor.

Signed:.....

[Supervisor's Name]

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I would like to acknowledge my supervisor, Ms Lilian Makanga for providing me with guidance as I wrote this dissertation.

## **ABSTRACT**

The idea of technovation law is a fairly recent practice in Kenya that has risen from technological advances which influence innovation. This research paper focuses on the implementation of the law in Kenya in comparison to other countries and the recommendations that would be relevant to Kenya.

The objective of this research is to determine how effective the laws in Kenya are as compared to other states having carried out an assessment of the awareness among employees and employers of their rights with regards to technovations. To achieve this, we must understand the idea behind technovation laws through the theories so as to conduct a thorough analysis between the legislation available in Kenya and other countries. In addition, a quantitative research must be conducted to assess the work environment in Kenya and how well it has embraced the law.

The provisions for technovations in the laws of Kenya are quintessential to encourage innovation in the work environment which in turn will lead to improved efficiency and consequently, a positive impact in the economy as a whole. The advancements in technology leave room for further inventive measures which must be protected in the law.

## **LIST OF ABBREVIATIONS**

IP - Intellectual Property.

USA - United States of America.

UK - United Kingdom.

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## **CHAPTER 1: INTRODUCTION**

A technovation is a solution to a specific problem in the field of technology, proposed by an employee of an enterprise in Kenya for the use of that enterprise and which relates to the activities of the enterprise but which, on the date of the proposal, has not been used or actively considered for use by that enterprise<sup>1</sup>.

The employment relationship is the key point of reference for determining the nature and extent of employers' rights and obligations towards their employees<sup>2</sup>.

### ***Research Background.***

Innovation is a key ingredient in sustaining economic growth, development and creating better jobs. It has been estimated that innovation accounts for as much as 80% of economy-wide growth in productivity in high-income countries. Effective IP protection increases research, development and innovation.<sup>3</sup>

It is important to note that material technology for consumer products and manufacturing no longer dominate the innovation paradigm. Innovation now covers modifications of processes and organizational models toward greater efficiency, productivity, and competitiveness.<sup>4</sup>

One of the most popular case studies was brought before the High Court of Nairobi involving the claimant, Samson Ngengi and the defendant ,Kenya Revenue Authority. The case is about the invention of a rental tax mapping and collection system by the claimant; who is fighting for his efforts in developing the system to be recognized and adequately compensated.

Mr Ngengi stated that he developed the software that maps property location, ownership and building details, as well as the tax status of a taxpayer hence providing an effective tool for collecting rental income levy. This invention was a very significant asset for the

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<sup>1</sup> Section 94, Industrial Property Act of Kenya, Cap 509 No.3 (2011).

<sup>2</sup> International Labour Office Geneva, The Employment Relationship, International Labour Conference, 95th Session, 2006, (v), 3, para. 1.

<sup>3</sup> The international chamber of Commerce, Promoting and Protecting Intellectual Property Rights in Kenya, 6.

<sup>4</sup> <http://www.bworldonline.com/content.php?section=Economy&title=Innovation-not-just-for-rich-countries----report&id=42152> accessed on 16<sup>th</sup> March 2016.

company considering the fact that it had never been used nor had it ever been actively considered for use in the company. The invention gave assurance of more precise follow ups and recordings of revenue collection which was useful to KRA due to the massive lose they were incurring. KRA had lost billions in uncollected rental income tax in the past account and were willing to have a lucrative deal with the individual or company who would develop a system to solve this issue which they would adopt.

The KRA commissioner general, Mr. John Njiraini however said that the authority cannot do business with its own employees and asked Mr Ngengi to resign and tender for the provision of the service as an independent developer.

This case is a classic example of a situation where an employee (inventor) is forced to juggle intellectual property considerations and their loyalty towards their employer.<sup>5</sup> Ngengi claimed that he has a right to be awarded a technovation certificate by KRA as it was not part of his job description to create the system.

The right to a technovation certificate is covered under section 95 of the Act, which has certain requirements which must be met, namely:

1. Ngengi must have filed a request and signed it so as to acquire a technovation certificate.
2. Ngengi must prove that his duties as a KRA employee do not comprise the making and proposing of technovations which pertains to the field of activities for which he is employed.
3. Despite of the requirement under point 2, Ngengi can argue he is entitled to a technovation certificate where the degree of the creative contribution inherent in the technovation exceeds that which is normally required of a KRA employee in his position. This can be said to be difficult to prove as there is no objective way to do so and hence may be considered to be disadvantageous to the employee to some extent.

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<sup>5</sup> <http://www.businessdailyafrica.com/KRA-case-highlights-dilemma-facing-employee-innovators-/-/1248928/1632220/-/9wxtqn/-/index.html> on February 29, 2016.

Another remedy can be found under section 99 of the Act which deals with the question of sufficient remuneration for a technovator where the technovation has been exploited by the enterprise. This is dependent on whether the enterprise issues a technovation certificate. In section 97 (2) of the Act , the enterprise can to refuse to issue the certificate if it is satisfied that the requirements of section 95 have not been met<sup>6</sup>. In that case they must notify the employee of the said reasons within three months for the date of the proposal. This makes the awards of the employee to be highly dependent on the discretion of the employer and hence leaves the employee at his mercy.

The case was referred to a tribunal which is still ongoing pursuant to the provision in section 101 of the Industrial property Act<sup>7</sup>.

### *Statement of the problem*

Many employees are not aware of their rights with regards to invention. Those who may be aware, may not feel that the remuneration offered by the law is adequate enough to encourage them to move towards the inventive step during employment. Also the technovation rights currently under the law have not been fully embraced in the employment realm in terms of having defined clauses in the Employment Act in terms of technovation rights and also the inclusion of the clauses in employment contracts and company policies. The focus of this research will be to assess the extent to which employees have been made fully aware of their rights with regards to invention during their employment term, how the laws and companies have incorporated technovations and recommendations of the same and also to weigh the clause provided for in the

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<sup>6</sup> Section 95 ,The Industrial Property Act of Kenya, Cap 506 (2001). This is so when the inventor does not file a request in the appropriate manner or if they cannot prove that the invention is beyond the activity expected for them to carry out in the event that they are employed for the purpose of invention.

<sup>7</sup> Section 101(1) The Industrial Property Act of Kenya, Cap 506 (2001). Any dispute concerning the application of this part shall be submitted by any other interested party to an arbitration board consisting of the three members :one member appointed by the employee or the technovator, one member appointed by the enterprise and a chairman appointed by the two members. The arbitration board shall hear interested parties and thereafter deliver its ruling.

intellectual property act to prove if the remuneration to be awarded is adequate enough to encourage employees to keep inventing.

### *Justification of the study.*

Since technovation rights were introduced to Kenya, we have seen relatively positive progress with regards to the response in the industry. This however is not adequate as many employees are not aware of their rights with regards to innovation while in employment. Another issue is that the provision for technovations has not adequately been provided for in statute, employer contracts and company policies. This research will enable some of these issues to be highlighted and recommendations shall be given on the same based on statistics in Kenya as well as other countries that do not have technovations.

### *Statement of Objectives*

The following are my objectives:

1. To determine how effective technovations are in the workplaces in Kenya and compare with other states that have different laws governing technovations.
2. To assess the awareness among employees of their rights with regards to technovations and the drive of employers to make known to employees these rights as well as make provisions for them in contracts and policies.

### *Research Questions.*

In this research I would like to focus on the following areas<sup>8</sup>:

1. Are technovations a necessary addition in the Kenyan laws in comparison to countries where laws are applying a different approach towards the same?
2. In comparison to other countries, what are the legal provisions that Kenya can

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<sup>8</sup> <https://judychebet.wordpress.com/tag/intellectual-property-kenya-employee-patent-copyright-technovation-employer-employment-creation-innovation-invention/> on February 20, 2014.

- adopt to improve its law on technovations?
3. To what extent are employers and employees in Kenya aware of technovation rights in Kenya?
  4. What are the recommendations that would best improve the implementation of technovation rights in Kenya?
  5. Does the law on technovations in Kenya encourage innovation activity?

### *Literature Review.*

Several writers have made commentaries and recommendations on technovation rights. Innovation is crucial if an organization is focused on staying at the pinnacle of the industry with regards to new products or forward-thinking business models. In whatever department in the organization, innovation plays an integral role in bringing up new and fresh ideas, building new approaches that will make the organization more effective and in setting new business trends<sup>9</sup>.

**Cathy Mpathia** (an advocate with Muthoga Gaturu & Company Advocates and a Patent Agent from KIPi), stated that the law has provided for employees who go beyond their duty to be issued with a certificate and their rights to be established. She goes on to highlight the fact that many people are not aware of this right and many times assume that all the works that they do automatically belong to the employer. This has led to more and more people failing to be recognized for their innovations.

She goes on to say that there is need for human resource practitioners and employers to consider intellectual property issues carefully in their policies and manuals. This is especially in organisations where innovation and invention are required such as health, pharmacy, information technology and advertising sectors, among others. Employment

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<sup>9</sup> <http://www.predictive-advantage.com/importance-hiring-right-people-promote-innovation/> on 22 January 2014.

contracts should also make intellectual property provisions<sup>10</sup>.

**Judy Chebet** (partner at Chebet Mehta Advocates<sup>11</sup>), says that the employment contract should clearly outline the ownership of works created by an employee during the course of employment. She goes on to highlight the need for employers to regularly review job descriptions especially for the jobs where there is frequent changing of roles by the employees so that the obligations of the employee are clearly outlined and there is no confusion between the employer and the employee about the duties to be carried out. Also the employer should look into developing innovation policies which the employees are made fully aware of to dictate the rights of either party in the event that innovations occur at the workplace<sup>12</sup>.

**Cathy Mputhia** mentioned in an article published by the Business Daily that many people fail to get recognition for their inventions in Kenya because they are not aware of the rights that are accorded to them under the Intellectual Property Act which mentions that employees should apply for certificates to claim ownership of their invention while in the course of employment<sup>13</sup>. This leads to a situation whereby the employer always automatically claims the full rights with regards to the invention hence the employee goes at a loss in terms of the effort that was put into taking the inventive step.

**Benjamin Thedieck, Volker Lippitz and Daniel Pfeifer** (Consultants at the Technology and Innovation Consultancy INVENSITY) state that if an employer wants to push employees towards creativity, it will require for the employer to reward the employee

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<sup>10</sup> <http://www.businessdailyafrica.com/Why-companies-need-intellectual-property-policies/-/539444/1508716/-/jm7aj5z/-/index.html> on September 16 2012.

<sup>11</sup> <https://ke.linkedin.com/in/judy-chebet-82733120> accessed on September 2016.

<sup>12</sup> <https://judychebet.wordpress.com/tag/intellectual-property-kenya-employee-patent-copyright-technovation-employer-employment-creation-innovation-invention/> on February 20 2014.

<sup>13</sup> <http://www.businessdailyafrica.com/Why-companies-need-intellectual-property-policies/-/539444/1508716/-/jm7aj5z/-/index.html> on 16 September 2012.

adequately and to give incentives which should be handled in extreme care otherwise an employer risks demotivating employees<sup>14</sup>.

### *Theoretical Framework*

In recent years Kenya has worked towards improvement of its Intellectual Property regime, through legal reforms, the establishment of law enforcement bodies and specialized courts as well as through training initiatives to raise the awareness of IP and counterfeiting. While Kenya provides an advanced legal and institutional framework to ensure IP protection, deficient enforcement of the existing IP legislation continues to be a serious challenge<sup>15</sup>.

Technovations stem from the employment relationship hence it is important to look at the laws governing the employment relationship which in turn are relevant to technovations. There are certain minimum requirements of employment that are required as per the Employment Act of Kenya Section 26<sup>16</sup> for the employment relationship to be created. Under this section, it is required that there be a consensual agreement between both parties or otherwise a contract created as per the order of an Industrial Court.

While this is clear, there is no requirement under the Act for an agreement to be made with regards to Intellectual Property rights for inventions created by employees during their course of employment. The Employment Act does not provide for what would happen in the event that technovations were to occur in a company and this in turn leaves the employee at a more vulnerable position when negotiating the contract as the employer already has the upper hand especially if not there were no prior negotiations at the contract level while forming the agreement.

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<sup>14</sup> <http://www.innovationmanagement.se/2013/06/06/the-innovative-employee-traits-knowledge-and-company-culture/> in 2013.

<sup>15</sup> The international chamber of Commerce, Promoting and Protecting Intellectual Property Rights in Kenya, pg 15.

<sup>16</sup> Section 26, The Employment Act of Kenya, Cap 226 No.11 (2007).

In the Copyright Act, the rights of the works automatically vest in the author.<sup>17</sup> The rights of an employee who is an author can only be transferred to an employer if there existed an agreement in the contract between the two parties. This introduces the need for a contractual agreement to be made between the employee and the employer.

This is however addressed by the Intellectual Property Act which in section 32 talks about rights to an invention created by an employee during his employment if it is included in the contract or where the employee has used the office facilities in any way to further his invention.<sup>18</sup> The issue concerning using office facilities to create the invention as a reason to claim the employer author is newly introduced in the Intellectual Property Act. It however provides for a reasonable remuneration either agreed upon by the parties or set by a tribunal in the event that the parties fail to agree.<sup>19</sup>

Employee creators of copyright protected works<sup>20</sup> and patentable inventions have the inherent rights as per the act to be recognized as authors (moral rights) and to be named as inventors (naming right) irrespective of the fact that the economic rights to these works and inventions belong to the employer.<sup>21</sup>

The Employment Act being the most important Act governing employment has failed to adequately address the issue on technovations which is becoming more and more popular at the workplace due to technological advancements. For employers, handling creative employees demands the right kind of motivation to ensure that employees are encouraged to continually come up with new ideas and at the same time outstanding developers do not leave the company to become competitors. Looking at google as an example, it has been noted that motivation does not necessarily have to be in terms of money. At google, software engineers are encouraged to use twenty per cent of their time pursuing their

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<sup>17</sup> Section 22(5),The Copyright Act of Kenya, Cap 130 (2014).

<sup>18</sup> Section 32(1),The Industrial Property Act of Kenya, Cap 506 (2002).

<sup>19</sup> Section 32(4),The Intellectual Property Act of Kenya, Cap 509 (2011).

<sup>20</sup> Section 32,The Copyright Act of Kenya, Cap 130 (2014).

<sup>21</sup> Section 33,The Industrial Property Act of Kenya, Cap 509 (2011).

dream projects and this has led to programmes such as gmail and google news<sup>22</sup>. Taking into account employee inventions and recognizing them for it, benefits the company hence in turn leads to economic growth.

Taking into account the need for improved technovation acknowledgment in companies using the existing laws in Kenya and the recommendation for the Employment act to make provision for the same, it cannot be ignored that there are certain countries which do not recognize technovation rights as separate and distinct from other intellectual property rights. In the United States there are instead clauses that would allow an employee to be the owner of the IP. It is required that for employees, they should<sup>23</sup>:

- a. Double-check whether they have signed a Proprietary Information and Inventions Assignment, or if any of the terms of the employment contract address IP ownership. These should clearly state who owns the inventions you work on in and out of the office.
- b. If they did not sign anything related to IP ownership, inventions made by an employee on a “work for hire” or “hired to invent” basis which will likely be the IP of your company.

For employers:

Instead of relying on a sketchy “shop right” license or legal loophole to secure IP ownership over your employee’s inventions, have everyone sign a Proprietary Information and Inventions Assignment.

In Germany there are procedures for an employee’s innovation to be transferred to the employer. Germany’s Act on Employees’ Inventions (AEI) is based on the concept that inventions made by employees belong to them. Mandatory proceedings have to be followed for the invention to become the property of the employer. The employer and employee cannot agree to an automatic transfer of rights over inventions or technical

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<sup>22</sup> <http://www.businessdailyafrica.com/KRA-case-highlights-dilemma-facing-employee-innovators-/-/1248928/1632220/-/9wxtqn/-/index.html> accessed on 22 February 2016.

<sup>23</sup> <http://www.shakelaw.com/blog/employee-inventions/> accessed on 17 March 2016.

improvements made by the employee during his or her employment. Such an agreement would be invalid under Section 22 of the AEI, which states that the provisions of the Act cannot be modified by contract to the detriment of the employee<sup>24</sup>. It however should be noted that Innovations under the act are divided into two different categories; service inventions and free inventions. Service inventions generally result from the employee's duties under the employment contract, or from participating in the company's research and development. Free inventions on the other hand are those inventions made by the employee that neither result from duties under the employment contract, nor from the company's resources or the research and development carried out. Employers are entitled to claim ownership over a service invention<sup>25</sup>.

From the research from both Germany and the US, it is evident that the countries value the work of the inventor as their own and have put measures to try as much as possible to ensure that the inventor is protected.

Human resource practitioners and employers need to consider intellectual property issues carefully in their policies and manuals because many employees are unaware of their inventive rights while in employment and many of them assume that complete rights to their inventions at work belong to the employer<sup>26</sup>. There is therefore need for technovation policies to be included in employment contracts. It has been found that in most universities where there is a lot of research and development, there is an intellectual property policy setting out from the onset who would own any inventions made and what mode of remuneration should apply in the event that the company uses the invention. However, many organisations do not have intellectual property policies and when a dispute arises it becomes very difficult to manage. The article brings to light the need for employees to be aware of their inventive rights in the course of employment and in the

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<sup>24</sup> Mc.Dermott Will & Emery, Patent Ownership in Germany: Employers vs Employees, July 2013.

<sup>25</sup> Mc.Dermott Will & Emery, Patent Ownership in Germany: Employers vs Employees, July 2013.

<sup>26</sup> <http://www.businessdailyafrica.com/Why-companies-need-intellectual-property-policies/-/539444/1508716/-/jm7aj5z/-/index.html> on February 16, 2016.

event that they make an invention that is not in their job description, they should apply for a technovation certificate from the company which may either be granted or denied based on whether the requirements stipulated in the Industrial Property Act and the technovation policy are met. The requirements are as mentioned in the first case study we looked at. The government should work towards including the clauses with regards to technovations as there are several lines of work which may involve employee inventions as part of their employment but may not be aware of their rights with regards to the same<sup>27</sup>.

### *Methodology*

There are three main categories that shall be consulted in this study, namely: primary sources, secondary sources and case studies.

The **archival sources** will include collecting data from employees and employers in places of work involving product development such as tech firms through carrying a survey.

The **secondary sources** to be employed consist of legislations on Intellectual Property rights, the constitution of Kenya and literary works which tackle technovations.

**Specific case studies** shall also be offered in this study. These studies shall highlight the existing laws governing technovations in various countries including Kenya, the United Kingdom, the United States of America, Germany and Uganda.

### *Chapter Breakdown*

This paper is divided into six chapters.

Chapter One introduces the topic of study, gives a basic background of the research question and discusses the problem statement, hypotheses, literature review and methodology of the research study.

Chapter Two discusses the theories of Intellectual Property in relation to technovation

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<sup>27</sup> <http://www.businessdailyafrica.com/Why-companies-need-intellectual-property-policies/-/539444/1508716/-/jm7aj5z/-/index.html> on September 16, 2012.

rights. This chapter will also tackle the protection of innovation rights in the course of employment in other countries in the world and how the systems have worked efficiently in the different jurisdictions.

Chapter Three tackles the comparative analysis between technovation law in Kenya and other countries such as Uganda, the United Kingdom, the United States of America and Germany. At the end of the chapter we shall tackle a case study using recommendations from the analysis.

Chapter Four gives a rough description of the survey conducted on employers and employees to evaluate the level of awareness of technovation rights in Kenya today.

Chapter Five engages a discussion based on the research questions and the objective of the study from the analysis from the comparative analysis as well as the survey.

Chapter Six offers recommendations which address the topic as well as further research

## **CHAPTER 2: THEORETICAL FRAMEWORK OF THE STUDY.**

### 2.1 Introduction

The literature review will highlight the labour theories that apply to technovation rights and give recommendations that could be applied to better the implementation on the law on technovations. The chapter will then look into other Countries in the world which have legislative provisions for technovations and how the countries have implemented the laws.

### 2.2 The Theories of Intellectual Property.

Intellectual Property in general has gained increasing interest in the past few years. Utilitarian theorists have affirmed that intellectual property rights are a means to encourage innovation within the confines of the limited rights so as to balance the loss of social welfare through monopoly exploitation. The emphasis of non-utilitarian theorists on the other hand focuses more on the creators and their moral rights to control their works. With the growing interest in intellectual property in society as well as the rapid technological advancements, especially digital technology, the theories of intellectual property have attracted much interest. It is therefore quintessential that we refer to the theories to guide our study.<sup>28</sup>

Professor William Fisher of Harvard University affirmed the importance of caring to know about the theories of intellectual property<sup>29</sup>. He provides an informative study on the same and identifies four theories of Intellectual Property. They include<sup>30</sup>:

1. Utilitarian Theory.
2. Lockean Theory.
3. Personality Theory.
4. Social Planning Theory.

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<sup>28</sup> Peter S. Menell, 'Intellectual Property: General Theories,' 1999.

<sup>29</sup> Neil Wilkof, 'Theories of intellectual property: Is it worth the effort?', Journal of Intellectual Property Law & Practice, 2014.

<sup>30</sup> Fisher, William, 'Theories of Intellectual Property', New Essays in the Legal and Political Theory of Property, 2001.

*The Utilitarian theory:*

The utilitarian theory proposes how intellectual property rights can achieve the greatest good for the greatest number. It focuses on wealth maximization looking at how to balance the social costs and the benefits that accrue from giving legal effect to IP laws. The main weakness of this theory is that it has proved to be difficult to create ways to measure inputs, outputs and processes. To develop the utilitarian theory, one must translate the idea of, “the greatest good for the greatest number” into a standard that can be more administrable. For this reason, most writers focus on the “wealth maximization” criterion whereby lawmakers legislate rules which concern welfare which is measured by the will power and ability that consumers have to pay for goods and services<sup>31</sup>. Other writers use the Kaldor Hicks criterion whereby a particular state of affairs is preferred to the other if the person gaining from the transition can compensate the losing party for their utility loss and still be at a better position<sup>32</sup>. The two criteria are different from each other and each can only be applied separately. Although both of them prove to be defective due the outright bias towards the rich, if either one was applied, it can be done in the following ways<sup>33</sup>:

Incentive theory - This approach can be best referred to William Nordhaus’ concern to determine the optimal duration for a patent. According to him, an increase in the patent duration stimulates a boost in inventive activity. Social welfare would then benefit from consumer and producer surplus due to the distribution of intellectual products as their creation has been instigated. On the other hand, social welfare loses due to high administrative costs as well as high prices of intellectual products. In an ideal situation,

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<sup>31</sup> Richard Posner, ‘Economic Analysis of Law,’ 1986, 11-15.

<sup>32</sup> Nicholas Kaldor, ‘Welfare Propositions in Economics and Interpersonal Comparisons of Utility,’ *Economic Journal* 69, 1939, 549-552.

<sup>33</sup> Peter Menell, ‘Intellectual Property: General Theories,’ *Encyclopedia of Law & Economics*, 2000.

the increase in patent duration should therefore seek to create a balance between marginal benefit and marginal cost<sup>34</sup>.

Optimizing patterns of productivity - Harold Demsetz argued that sales and licenses are the signals through which the intellectual property system shows the potential producers of intellectual products what consumers want<sup>35</sup>. Consequent to this, arguments have arisen suggesting that IP protection should be spread across all corners in which people enjoy or derive benefits from artistic or literary work. Fisher argues against this stating that there is economic field whereby an inventor can derive the full value for their innovations. He refers to certain examples such as a school teacher who devises new teaching methods for mathematics stating that the method employed has much greater benefits in society as opposed to the income of the teacher. Enlarging the IP owners entitlements will divert attention from more serious things such as education, primary research and community activism of the same as there would be overinvestment in intellectual products.

Rivalrous invention – this approach basically aims at reducing or completely eliminating the consequences of creating intellectual property rights which allow duplicative or uncoordinated activity. The main difficulty is identified by Fisher to be social wastage at one stage of the inventive process leading to increasing the process in another for example the process of patenting an invention. A number of economists including Yoram Barzel observed how competition between firms causes a complication in the impact of patents on inventive activity<sup>36</sup>.

#### *The Labor theory.*

This theory is similar to John Locke's rational regarding property rights. He asserted that a person has a natural right from the fruits of his labour when he transforms raw materials

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<sup>34</sup> William D. Nordhaus, 'Invention, Growth, and Welfare: A Theoretical Treatment of Technological Change,' 1969.

<sup>35</sup> Harold Demsetz, 'Information and Efficiency: Another Viewpoint,' Journal of Law and Economic, 1969.

<sup>36</sup> Yoram Barzel, 'Optimal Timing of Innovations,' Rev. Econ. & Stat. 50,1968, 348- 55.

held in common such as concepts into a finished product hence enhancing its value<sup>37</sup>. The state in that instance has a duty to enforce the natural rights of the person which are acquired through his labour. The main problem with this theory is that, it is not clear how far one's rights should go in the fruits of his labour. An interesting analogy was quoted by Robert Nozick who referred to tomato juice that has been made by an individual asking whether the juice poured into the ocean would allow the individual to gain rights over the entire ocean. In this regard, this theory can be said to lack analytical certainty.

#### *The personality theory*

This theory only fortifies property rights in so far as they promote human flourishing by protecting the fundamental human interests or needs. Fisher identifies four main needs or interests that should be protected by intellectual property. They include: privacy, identity, benevolence and self-realization. The main problem with this theory is that there is no agreement on how to effectively apply the interests. A good example to expose this problem is the issue of exposing trade secrets. For some, they claim that trade secrets for a corporation should not be exposed as it falls under protecting an individual's privacy. On the other hand, others claim that corporations in themselves do not have personal features hence the interest in privacy as a means to provide human flourishing does not apply to them.

#### *The social planning theory.*

This theory goes further beyond social welfare. It views society as being serviced by intellectual property through the existing IP rights. The main problem with this theory is that there are no set goals which social planning seeks to achieve. The theory instead aims to formulate a just, attractive culture. Fisher expounds on the qualities of an attractive culture as one which includes<sup>38</sup>:

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<sup>37</sup> Jeremy Waldron , 'The Right to Private Property,' Oxford University Press,1988.

<sup>38</sup> Fisher, William, 'Theories of Intellectual Property', New Essays in the Legal and

Consumer welfare. Intellectual Property rules should maximize consumer welfare by creating a balance between creativity and incentives for dissemination and use.

Rich and artistic traditions. The more complex the culture is, the richer it is hence it creates more opportunities which enhance creativity through diversity.

Distributive justice. This is where all persons have access to artistic resources as well as information. The theory seeks to provide wide access of creative material to society.

A semiotic democracy. All persons should be able to participate in the process of making cultural meaning. The public should be allowed to form their own interpretations from the original works to derive their own meaning from what was originally intended by the creator.

Sociability and a respectable culture. Where people relate well with each other and respect each person's right.

The social planning theory should ideally foster the qualities of a just and attractive culture as seen above. In a practical world, this has not been the case. This theory can therefore be said to be limited.

At the end of the day, we see that none of the theories really provide a comprehensive background for intellectual property as they have several flaws. However, Fisher states that these same theories can provide a foundation through which conversations between lawmakers and institutions responsible for shaping the law may engage in to make sufficient IP laws. It also allows scholars to gauge for themselves the merits and demerits of the theories.<sup>39</sup>

### *The relevance of the theories of IP in technovations.*

As we saw earlier, the increasing interest in IP as well as the rapid growth in technology especially in this digital era creates a need for knowledge of the IP theories to create a

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Political Theory of Property ,2001.

<sup>39</sup> Fisher, William, 'Theories of Intellectual Property', New Essays in the Legal and Political Theory of Property ,2001.

background for the study of all forms of IP including technovations.<sup>40</sup>

The four theories can be divided into two categories. The personality theory and the social planning theory can be said to be paternalistic in that they lessen an individual's freedom based on what is "good" for them without their approval. On the other hand, the utilitarian and labour theories set the tone for objectivity, neutrality and determinacy. They can be said to be more neutral minded. This allows them to be used today in court to seek an interpretation for problematic issues concerning statutory interpretation<sup>41</sup>. The two theories can be said to be more relevant in application although in totality, all four theories are quite limited. The application of technovations can be derived from all four theories to a limited extent in so far as application of the rights are concerned.

### *Methodology*

For this study, we need to carry out research based on both the paternalistic perspective as well as the more objective and neutral perspective. For this reason, the research shall be conducted based on the following criteria:

**Primary sources.** This will allow us to derive information from those in the employment industry to understand how technovation rights are being implemented on the field. This will allow for a more personalized approach through conducting a survey.

**Secondary sources and case studies.** This will focus the study towards a more objective perspective based on the existing laws as well as statutory interpretations. The case studies will focus on the current situation in Kenya in comparison to other countries hence allowing for a comparative analysis to give recommendations. Apart from Kenya, the study shall also look at Uganda, The United Kingdom and The United States of America.

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<sup>40</sup> Peter S. Menell, 'Intellectual Property Theories,' 1999.

<sup>41</sup> Fisher, William, "Theories of Intellectual Property" New Essays in the Legal and Political Theory of Property (Cambridge University Press, 2001)

### CHAPTER 3: THE LAW OF TECHNOVATION IN KENYA AS COMPARED TO OTHER COUNTRIES.

This chapter looks at a comparative analysis of technovation laws in Kenya and other different countries such as: Uganda, the United States of America, the United Kingdom and Germany. Afterwards we shall analyse the case Samuel Ngengi vs Kenya Revenue Authority and what the ideal situation for Mr Ngengi should be.

#### 3.1 Technovation Law in Kenya.

A technovation is defined as a solution to a specific problem in the field of technology, proposed by an employee of an enterprise in Kenya for the use of that enterprise and which relates to the activities of the enterprise but which, on the date of the proposal, has not been used or actively considered for use by that enterprise<sup>42</sup>. A technovation certificate on the other hand is defined as a document issued by the enterprise<sup>43</sup> to the employee within three months from the date the proposal is issued.<sup>44</sup>

*When is a technovation certificate issued?*

If an employee makes a proposal to the employer for a certificate, they are entitled to one<sup>45</sup>. This is subject to the job description of the employee. Where the employee's job involves creating and proposing technovations, they are not entitled to a technovation certificate for technovations which relate to their job description unless the level of

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<sup>42</sup> Section 94(a), Industrial Property Act of Kenya, No.3 (2011).

<sup>43</sup> Section 94(d), Industrial Property Act of Kenya, No.3 (2011).

<sup>44</sup> Section 97(1), Industrial Property Act of Kenya, No.3 (2001).

<sup>45</sup> Section 95(1), Industrial Property Act of Kenya, No.3 (2001).

creativity surpasses what would normally be required of the employee while carrying out his duties<sup>46</sup>. Where more than one employee makes a request for a certificate, it shall be issued to the one who filed the request first<sup>47</sup> but where they do so jointly, the certificate shall be issued with joint names<sup>48</sup>.

*What constitutes a valid request?*

For a request to be processed by an employer, the employee must file a written form with the enterprise and sign the same. Once the request is filed, the enterprise must issue the employee with a receipt acknowledging the filed request as well as the filing date<sup>49</sup>. In the event that the employer refuses to issue the certificate, the same must be communicated to the employee within three months stating the reasons for refusal<sup>50</sup>.

*What next after issuance of the certificate?*

After the enterprise issues the employee the certificate, they are required to notify the employee as to whether they intend to use the technovation.<sup>51</sup> Where the enterprise is testing the technovation for use, they may postpone the notice for not more than one year<sup>52</sup>. The technovator<sup>53</sup> shall be required to assist the organization in the use, development or testing of the technovation<sup>54</sup> and should be given adequate opportunity to do so by the enterprise<sup>55</sup>. The technovator should not share their technovation with

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<sup>46</sup> Section 95(2), Industrial Property Act of Kenya, No.3 (2001).

<sup>47</sup> Section 95(3), Industrial Property Act of Kenya, No.3 (2001).

<sup>48</sup> Section 95(4), Industrial Property Act of Kenya, No.3 (2001).

<sup>49</sup> Section 96, Industrial Property Act of Kenya, No.3 (2001).

<sup>50</sup> Section 97(2), Industrial Property Act of Kenya, No.3 (2001).

<sup>51</sup> Section 98(1), Industrial Property Act of Kenya, No.3 (2001).

<sup>52</sup> Section 98(2), Industrial Property Act of Kenya, No.3 (2001).

<sup>53</sup> Section 94(e), Industrial Property Act of Kenya, No.3 (2001). A technovator is defined as the recipient of the technovation certificate.

<sup>54</sup> Section 98(3), Industrial Property Act of Kenya, No.3 (2001).

<sup>55</sup> Section 98(4), Industrial Property Act of Kenya, No.3 (2001).

another enterprise without the approval of the enterprise at which they are employed<sup>56</sup> unless<sup>57</sup>:

1. The employer does not intend to use the technovation.
2. The period of one year has elapsed after testing without the employer communicating intention of use.
3. After having declared to use the invention, the employer does not start using it within six months after the technovation certificate is used.

#### *Remuneration.*

Remuneration can be prescribed by an applicable collective binding agreement between the enterprise and the employee or by a mutual agreement where the initial one does not exist. An employee is entitled to remuneration where an enterprise uses the technovation or communicates it to a third party.<sup>58</sup> Any contractual provisions that are less favorable to the technovator with regards to this section are void<sup>59</sup>.

#### *Disputes.*

All disputes related to technovations shall be solved through arbitration. The arbitration board shall consist of three members namely: one member appointed by the complainant, one member appointed by the accused and a chairperson<sup>60</sup> appointed by both parties failure to which shall be appointed by the Chief Magistrate's Court under which jurisdiction the enterprise is located<sup>61</sup>. In the case that either party is aggravated by the decision made by the arbitration board, they may appeal to the Tribunal<sup>62</sup>.

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<sup>56</sup> Section 98(5), Industrial Property Act of Kenya, No.3 (2001).

<sup>57</sup> Section 98(6), Industrial Property Act of Kenya, No.3 (2001).

<sup>58</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001).

<sup>59</sup> Section 100, Industrial Property Act of Kenya, No.3 (2001).

<sup>60</sup> Section 101(1), Industrial Property Act of Kenya, No.3 (2001).

<sup>61</sup> Section 101(2), Industrial Property Act of Kenya, No.3 (2001).

<sup>62</sup> Section 101(3), Industrial Property Act of Kenya, No.3 (2001).

### 3.2 Technovation Law in Uganda.

#### *Introduction.*

Uganda's parliament passed an updated version of the Industrial Property Bill on 22<sup>nd</sup> August 2013. The Bill was accepted as part of Ugandan law on the 6th January 2014. The Act provided various changes from the previous law on inventions, creations and designs so as to promote development in the private sector and also encourage private investment. One of the changes made was the inclusion of the law on technovations<sup>63</sup>.

Under the Act, technovation is defined as a solution to a specific problem in the field of technology which is proposed by an employee of an organization for use by that organization and which relates to the activities carried out in that organization but had not been previously or actively used by the said organization<sup>64</sup>. A technovation certificate is defined as being the document which is issued by the organization<sup>65</sup> to the employee within three months from the date of proposal<sup>66</sup>.

#### *When is a technovation certificate issued?*

If an employee makes a proposal to the employer for a certificate, they are entitled to one<sup>67</sup>. This is subject however to the job description of the employee. Where the employee's job involves creating and proposing technovations, they are not entitled to a technovation certificate for technovations which relate to their job description unless the level of creativity surpasses what would normally be required of the employee while carrying out his duties<sup>68</sup>. Where more than one employee makes a request for a

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<sup>63</sup> <https://www.ensafrica.com/news/Uganda-Industrial-Property-Bill-signed-into-law-on-January-06-2014?Id=1394&STitle=IP%20ENSight> on 16<sup>th</sup> January 2014.

<sup>64</sup> Section 81, Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>65</sup> Section 81, Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>66</sup> Section 84(1), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>67</sup> Section 82(1), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>68</sup> Section 82(2), Industrial Property Act of Uganda, Supplementary No.2(2014).

certificate, it shall be issued to the one who filed the request first<sup>69</sup> but where they do so jointly, the certificate shall be issued with joint names.<sup>70</sup>

*What constitutes a valid request?*

For a request to be processed by an employer, the employee must file a written form with the enterprise and sign the same<sup>71</sup>. Once the request is filed, the enterprise must issue the employee with a receipt acknowledging the filed request as well as the filing date<sup>72</sup>. In the event that the employer refuses to issue the certificate, the same must be communicated to the employee within three months stating the reasons for refusal clearly<sup>73</sup>.

*What next after issuance of the certificate?*

After the enterprise issues the employee the certificate, they are required to notify the employee as to whether they intend to use the technovation.<sup>74</sup> Where the enterprise is testing the technovation for use, they may postpone the notice for not more than one year<sup>75</sup>. The technovator<sup>76</sup> shall be required to assist the organization in the use, development or testing of the technovation<sup>77</sup> and should be given adequate opportunity to do so by the enterprise<sup>78</sup>. The technovator should not share their technovation with

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<sup>69</sup> Section 82(3), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>70</sup> Section 82(2), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>71</sup> Section 83(1), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>72</sup> Section 83(2), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>73</sup> Section 84(2), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>74</sup> Section 85(1), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>75</sup> Section 85(2), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>76</sup> Section 81, Industrial Property Act of Uganda, Supplementary No.2 (2014) defines a technovator as the recipient of the technovation certificate.

<sup>77</sup> Section 85(3), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>78</sup> Section 85(6), Industrial Property Act of Uganda, Supplementary No.2(2014).

another enterprise without the approval of the enterprise at which they are employed<sup>79</sup> unless<sup>80</sup>:

1. The employer does not intend to use the technovation.
2. The period of one year has elapsed after testing without the employer communicating intention of use.
3. After having declared to use the invention, the employer does not start using it within six months after the technovation certificate is used.

#### *Remuneration.*

Remuneration can be prescribed by an applicable collective binding agreement between the enterprise and the employee or by a mutual agreement where the initial one does not exist. An employee is entitled to remuneration where an enterprise uses the technovation or communicates it to a third party.<sup>81</sup> Any contractual provisions that are less favourable to the technovator with regards to this section are void<sup>82</sup>.

#### *Disputes.*

All disputes related to technovations shall be solved through arbitration. The arbitration board shall consist of three members namely: one member appointed by the complainant, one member appointed by the accused and a chairperson<sup>83</sup> appointed by both parties failure to which shall be appointed by the Chief Magistrate's Court under which jurisdiction the enterprise is located<sup>84</sup>.

### ***3.3 Technovation Law in the United States.***

In the United States, technovations are referred to as employee inventions and the rights

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<sup>79</sup> Section 85(5), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>80</sup> Section 85(6), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>81</sup> Section 86, Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>82</sup> Section 87, Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>83</sup> Section 88(1), Industrial Property Act of Uganda, Supplementary No.2(2014).

<sup>84</sup> Section 88(3), Industrial Property Act of Uganda, Supplementary No.2(2014).

that accrue to the inventions are either copyright or patent rights. The law on employee inventions is governed by the laws within the different states. There are several states which apply similar laws and they include:

- California which applies the California Labor Code
- Delaware which applies the Delaware Code
- Illinois which applies the Illinois Revised Statutes
- Kansas which applies the Kansas Statutes
- Minnesota which applies the Minnesota Statutes
- North Carolina which applies the North Carolina General Statutes
- Utah which applies the Utah Code, and
- Washington which applies the Washington Revised Code

If you work in the following states, state law requires that you are given written notice of your state's restrictions on an employer's right to obtain an assignment of employee inventions<sup>85</sup>. This encourages awareness among employees and prevents manipulation by their employers.

*Ownership by the Inventor.*

Though the laws vary from state to state, a few general principles apply to all the states. If an employee is not hired for the sole purpose of inventing, the ownership of any technovation automatically vests in the employee. Ownership in this case refers to copyright and patent rights<sup>86</sup>. In the case of Banner Metals, Inc. V Lockwood, the Court

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<sup>85</sup> <http://www.nolo.com/legal-encyclopedia/who-owns-patent-rights-employer-inventor.html> accessed on 10th October 2016.

<sup>86</sup> DETERMINING OWNERSHIP OF EMPLOYEE INVENTIONS IN THE U.S. BY: Kenneth J. Rose, Esquire, The Rose Group, San Diego, California\*Originally published in English and Japanese in International Legal Strategy Vol. XI-11 (November 2002)

of appeal held that, where an employee has not been hired to invent, they own the full rights of an invention made during their employment even though the employment may have inspired his idea through the skills or knowledge gained. This is so even though the invention is relevant to the workplace and may be used to improve the output.<sup>87</sup>

*Ownership by the employer.*

Although it is an automatic right for inventors and authors to own copyright and patent to their works, there exist exceptions in the law. These exceptions include:

1. If an employee has been hired for the purpose of inventing, the employee will automatically own the rights to the inventions created by the employee during their course of employment. In the case of *Daniel Orifice Fitting Co. v Whalen*, the Court stated that an employee hired to invent should neither use the results of his work for his personal benefit nor to the detriment of the company<sup>88</sup>. We can further rely on the case of *Speck v. N.C. Dairy* where the Court stated that an employer owns exclusive rights to the invention where an employee is hired to invent or where an employee starts to experiment with an aim to invent and accepts payment for the same from the employer. This applies even where there was no contract agreement.<sup>89</sup>
2. Under federal law the employer owns copyright for creations made by an employee within their employment.
3. Where the company doesn't own the inventive rights but claims a shop right. This is a right which is not exclusive and does not attract a license fee for the invention to be used within the business. It is a nonexclusive, irrevocable and royalty-free license<sup>90</sup>. This right is issued only when an employee comes up with the invention in the scope of his employment and uses the company's provisions to develop the idea.

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<sup>87</sup> *Banner Metals Inc v Lockwood* 178 Cal. App. 2d 643 (1960).

<sup>88</sup> *Daniel Orifice Fitting Co. v. Whalen*, 198 Cal. App. 2d 791 (1962).

<sup>89</sup> *Speck v. N.C. Dairy Found. Inc.*, 319 S.E.2d 139, 143-44 (N.C. 1984)

<sup>90</sup> *Standard Parts Co. v. Peck*, 264 U.S. 52 (1924).

### *Proprietary Information and Invention Assignment*

With the idea of having, “shop rights”, employers have found this method to be highly ineffective as it has proved difficult to identify what invention has been created in the scope of employment. They have resulted to have their employees sign a Proprietary Information and Invention Assignment otherwise known as, PIIA. This document expressly states that an employee has agreed to transfer their intellectual property rights to an employer for an invention resulting from their work period during employment and that relates to the company’s product or service either directly or indirectly. In most cases this document also provides for full rights to an employer for inventions created during the employees time and which relate to their work whether created in the companies premises or elsewhere<sup>91</sup>. The essence of an express agreement is seen in the case of *Solomons v. United States* where the Supreme Court stated that the rights of an employer to an employee’s right is dependent on whether there was an express agreement between the parties<sup>92</sup>. If there is no agreement, the law of the state shall apply. An express agreement can also be binding where an employee’s job involves solving a particular problem in the workplace which may involve invention<sup>93</sup>.

Even with the PIIA, as we saw earlier, laws in different states may vary and may dictate otherwise. For instance, the California Labor Code states that, despite the provision in a contract or a PIIA, the employee shall own the inventive rights for their own invention if it does not relate to the company’s business or if it was not as a result of the work the employee took part in at the company. The Washington Labor Code also provides for the same<sup>94</sup>.

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<sup>91</sup> Kenneth J. Rose, ‘Determining Ownership of Employment Inventions in the U.S’, Vol. XI-11, 2002 .

<sup>92</sup> *Solomons v. United States*, Case 137 (1890), 342.

<sup>93</sup> *Scott System, Inc. v. Scott* 996 P.2d (2000), 775.

<sup>94</sup> <http://www.shakelaw.com/blog/employee-inventions/> on 7<sup>th</sup> October 2015.

### ***Compensation***

Employee inventors are compensated by their employers through the internal reward system established in firms to reward their innovative employees<sup>95</sup>.

### ***Dispute Resolution.***

Every state has established its own legal system through the constitution and statute hence it's difficult to provide for a clause that fits all the states<sup>96</sup>. Jurisdiction is granted to the federal courts through the Constitution and that which is not granted exclusively to the federal courts, remains in the state courts<sup>97</sup>. Sometimes jurisdiction overlaps where a Federal court can hear the matter in a state granted jurisdiction. In that instance, the court can apply state law in its procedure<sup>98</sup>.

### **3.4 Technovation Law in the UK.**

The Patents Act defines an inventor as the divisor of the invention.<sup>99</sup> The employee is defined as a person who works or worked under a contract of employment or under a government department or a servant of the military of the crown.<sup>100</sup> Innovations by independent contractors or any other persons in a particular field that do not fit the description of an employee are not considered as Employee Innovations under the Patents Act. The Act governs inventions made after 1 June 1978<sup>101</sup>.

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<sup>95</sup> Merges, Harv. J.L. & Tech., fall 1999, p. 3.

<sup>96</sup> Bogdan, Michael, 'Komparativ rättskunskap', Stockholm, Norstedts Juridik AB, 1996.

<sup>97</sup> Farnsworth, E. Allan, 'An introduction to the legal system of the United States', Third edition, New York, Oceana Publications, 1996.

<sup>98</sup> Bogdan, Michael, 'Komparativ rättskunskap', Stockholm, Norstedts Juridik AB, 1996.

<sup>99</sup> Section 7(3), Patent Act of the United Kingdom, Cap 37 (2014).

<sup>100</sup> Section 130(1), Patent Act of the United Kingdom, Cap 37 (2014).

<sup>101</sup> Harris' Patent [1985] RPC 19.

### *Ownership*

The ownership of employees inventions is assumed to belong to the employer if the following requirements are met:<sup>102</sup>

1. If the invention is made in the course of the employees normal duties at the workplace.<sup>103</sup> Duties may not only be the ones stipulated in the employment contract but also those that are implied; such as those implied by law<sup>104</sup>.
2. If it is in relation to the contract of employment.
3. In the Case of *Ultraframe UK Ltd v Fielding*<sup>105</sup>, the Court also provided that, the employee must be under the employer and he must have been providing work for the employer from his skill or service at that time.

Any invention by the employee that does not fall under section 39, will be deemed to belong to the employee.<sup>106</sup>

### *Compensation.*

Whereas the rights to an invention automatically vest in the employer, they are not compelled to compensate the employee unless an order is issued by the Court or the Comptroller of Patents where it is deemed that the employer is deriving outstanding benefit from the creation and the employee is deserving of compensation.<sup>107</sup> Application for compensation is made by the employee to the Court or the Comptroller of Patents within one year from the date of the patent being granted or six months within the time of application. The remuneration is valued as to give the employee what is fair to them

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<sup>102</sup> Section 39(1), Patent Act of the United Kingdom, Cap 37 (2014).

<sup>103</sup> *Harris' Patent* [1985] RPC 19.

<sup>104</sup> *LIFFE Administration and Management v Pavel Pinkava* [2007] RPC 30.

<sup>105</sup> *Ultraframe UK Ltd v Fielding* [2004] RPC 24.

<sup>106</sup> Section 39(2), Patent Act of the United Kingdom, Cap 37 (2014).

<sup>107</sup> <http://limegreenip.hoganlovells.com/article/109/patents-law-on-employees-inventions-united-kingdom> accessed on 22<sup>nd</sup> June 2016.

based on the benefit received by the employer from the invention.<sup>108</sup> Fairness is considered alongside the nature of the employees duties, the effort and skill used to make the invention, any assistance given by another employee who is not a joint inventor and the contribution made by the employer.<sup>109</sup>

Since it is difficult to establish whether the invention will fall under the provisions in Section 39(1), it is advisable that for an employee to transfer their rights to the employer especially if there does not exist an employment contract, to form an assignment to transfer the rights before the application for a patent begins. If the application is made in such an ambiguous situation before an assignment is drafted, an assignment drafted afterwards will not be enforceable.

### ***Dispute Resolution***

In most cases, employment disputes are settled internally. Where the claim cannot be settled amicably, the employee can file an application to the Patent Office, the Patents County Court, or the High Court<sup>110</sup>.

## 3.5 The Law on Technovations in Germany.

### *Introduction.*

The Law that governs employee inventions in Germany is the German Act on Employees' Inventions (AEI). It tackles issues on ownership, remuneration as well as duties and rights between employers and employees.<sup>111</sup> The Law applies to all companies that have employees under a contract and must be adhered to where:

There exists an employment contract governed by German Law. The employee should be working under a German company in Germany or abroad.

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<sup>108</sup> Section 41, Patent Act of the United Kingdom, Cap 37 (2014).

<sup>109</sup> Section 41(4), Patent Act of the United Kingdom, Cap 37 (2014).

<sup>110</sup> Irish, Vivian, 'Intellectual Property rights for engineers,' 1994.

<sup>111</sup> <http://limegreenip.hoganlovells.com/article/104/patents-law-on-employees-inventions-germany#sthash.WTvPcrU6.dpuf> accessed on 22<sup>nd</sup> June 2016.

The contract between the employee in Germany and the employer qualifies as an employment contract. The contract should not apply to freelancers.

The invention was created in the course of employment and resulted from the work experience in the company or the tasks carried out by the employee in the company.

An Invention will not be considered an employee invention under the AEI if it is created by a legal representatives such as CEO's or Managing Directors.

Inventions under the act are divided into two different categories; service inventions and free inventions. Service inventions generally result from the employee's duties under the employment contract, or from participating in the company's research and development. Free inventions on the other hand are those inventions made by the employee that neither result from duties under the employment contract, nor from the company's resources or the research and development carried out.<sup>112</sup> Service inventions are the major issue of contention in the employment industry.

When an employee has contributed to a service invention, they are required to write a formal notification of the same to the employer who must confirm receipt of the same through a written notice. Where the employer requires further clarification on the same, they may request the same in their notification<sup>113</sup>.

#### *Ownership of employee Inventions.*

The ownership of service inventions vests with the inventor. However, the invention rights are treated differently. Once the invention is created and the employer is notified, the employer is required to release the inventive rights to the employee within four months upon notification of the invention<sup>114</sup>. Failure to this, the rights automatically transfer to the employer. Within the four months, the employer can claim the invention

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<sup>112</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees', July 2013.

<sup>113</sup> Article 5, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>114</sup> Article 6, Germany's Act on Employee's Inventions "AIE" (1957).

hence obtaining invention rights<sup>115</sup>.

### *Duties of the Employer*

Once the employer gets a notification from the employee, they have a duty to file a patent application without undue delay. The patent can be one of the following<sup>116</sup>:

1. German national patent
2. European patent
3. International patent with Germany as a designated member state

The employer is only relieved of such duty if:

1. He releases the invention to the employee.
2. The employee consents to not filing for a patent.
3. The employer chooses to protect the invention as a trade secret but still confirms with the employee having disclosed that the invention is patentable<sup>117</sup>.
4. He releases the invention to the employee for the purposes of filing the patent in foreign countries<sup>118</sup>.

In the event that employer decides to abandon a patent application without having remunerated the employee, he must duly inform the employee of such and assign the innovation right to the employee<sup>119</sup>. Failure to this, the employee can institute a claim for damages.

### *Remuneration.*

Reasonable remuneration is due to the employee as soon as the employer starts to use of the invention or if he licenses it or sells it whether a patent application has been filed or not. The terms of remuneration are usually determined by a mutual agreement between

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<sup>115</sup> Article 7, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>116</sup> Article 13, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>117</sup> Article 17, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>118</sup> Article 14, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>119</sup> Article 14, Germany's Act on Employee's Inventions "AIE" (1957).

the employer and the employee. As a general rule however, remuneration is calculated by multiplying the value of the invention by the share of the employee's personal contribution to the invention as well as the co-inventor share<sup>120</sup>. The invention value is determined by the net turnover and the anticipated royalty rate. The employee's contribution is taken into account also considering the employer's influence. When determining the same, the act considers who identified the problem to be solved by the invention, who provided the solution as well as the role and duties of the employee in the enterprise. Lastly, the co-inventor share is determined by the contribution of whoever worked towards building the invention<sup>121</sup>.

#### *Contractual agreements.*

Any contractual provisions, made before a notification of an invention is issued, which are not favourable to the technovator with regards to ownership and remuneration are invalid.<sup>122</sup> Agreements made after notification are valid only if they are not entirely disadvantageous to the employee.<sup>123</sup>

#### *Dispute Resolution.*

Any disputing party may file present their case before the Board of Arbitration which is located at the patent office in Munich. The Board of Arbitration will offer a non-binding settlement agreement which can be challenged by any aggrieved party before a civil

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<sup>120</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees', July 2013.

<sup>121</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees,' July 2013. Example: "Take for instance an employer has generated a net turnover of € 1m per year with an invention. On the free market, the license rate for the invention would amount to 2%. The invention value would thus be € 20,000. Considering the rate of share to be the average 18%, the remuneration for this invention would be annual installments of € 3,600. If there were two co-inventors with equal contribution, each inventor would be entitled to a remuneration of € 1,800 on top of their regular salary each year."

<sup>122</sup> Article 22, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>123</sup> Article 23, Germany's Act on Employee's Inventions "AIE" (1957).

court<sup>124</sup>.

### 3.6 A Comparative analysis between Kenya and the other countries.

#### ***Kenya and Uganda***

Technovation laws in Kenya and Uganda have the exact same provisions except for one small difference. In Kenya, any part that is not satisfied with the Board of Arbitration is allowed to appeal to the Arbitration Tribunal. This creates more avenues for justice to be attained<sup>125</sup>. We can see that Uganda is working towards making provisions for technological advancements just as Kenya is doing. The two countries can be said to be heading towards the right direction with regards to making the provisions in their laws in the 21<sup>st</sup> Century.

#### ***Kenya and the United States of America.***

##### *Similarities.*

Although it is an automatic right for inventors and authors to own copyright and patent for their works, there exists exceptions in the law. One of the exceptions is when an employee has been hired for the purpose of inventing. In this case the employer will automatically own the rights to the inventions created by the employee during their course of employment<sup>126</sup>. This is the case that applies in Kenya. An employee is not entitled to a technovation certificate where part of their job description involves inventing<sup>127</sup>.

**2. The** employee is compensated through an internal agreement in both countries. In America, the internal reward system established in firms is used to reward their

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<sup>124</sup> Article 24, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>125</sup> Section 101(3), Industrial Property Act of Kenya, No.3 (2001).

<sup>126</sup>: Kenneth J. Rose, 'Determining Ownership of Employee Inventions in the U.S,' 2002.

<sup>127</sup> Section 95(2), Industrial Property Act of Kenya, No.3 (2001).

innovative employees.<sup>128</sup>In Kenya, compensation is a binding agreement or a mutual agreement between the employee and the employer<sup>129</sup>.

*Differences in the law.*

The following are the provisions in the laws of America which are not present in Kenyan law:

1. If a person is working in certain states in America, the law requires that they are given written notice of their state's restrictions on an employer's right to obtain an assignment of employee inventions<sup>130</sup>. This encourages awareness among employees and prevents manipulation by their employers.
2. Employers have come up with a Proprietary Information and Invention Assignment otherwise known as, PIIA. This document expressly states that an employee has agreed to transfer their intellectual property rights to an employer for an invention resulting from their work period during employment and that relates to the company's product or service either directly or indirectly. In most cases this document also provides for full rights to an employer for inventions created during the employees time and which relates to their work whether created in the companies premises or elsewhere<sup>131</sup>. This is contrary to Kenyan law which deems a contractual clause void if it is unfavourable to the employee<sup>132</sup>.
3. In the United States, technovations are referred to as employee inventions and the rights that accrue to the inventions are either copyright or patent rights<sup>133</sup>.

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<sup>128</sup> Merges, Harv. J.L. & Tech., fall 1999, p. 3.

<sup>129</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001)

<sup>130</sup> <http://www.nolo.com/legal-encyclopedia/who-owns-patent-rights-employer-inventor.html> accessed on 10th August 2016.

<sup>131</sup> Kenneth J. Rose, 'Determining Ownership of Employee Inventions in the U.S,' 2002.

<sup>132</sup> Section 100, Industrial Property Act of Kenya, No.3 (2001).

<sup>133</sup> <http://www.nolo.com/legal-encyclopedia/who-owns-patent-rights-employer-inventor.html> accessed on 10/08/2016.

## ***Kenya and the United Kingdom.***

### *Similarities in the laws.*

1. The ownership of employees inventions is assumed to belong to the employer if the following requirements are met<sup>134</sup>:
  - a. If the invention is made in the course of the employees normal duties at the workplace<sup>135</sup>. Duties may not only be the ones stipulated in the employment contract but also those that are implied; such as those implied by law<sup>136</sup>.
  - b. If it is in relation to the contract of employment.

The above provision is similar to section 95 of the Industrial Property Act of Kenya whereby the employee is not entitled to a Technovation Certificate if creating the invention was part of his job description<sup>137</sup>.

Employers in the UK are not compelled to compensate the employee when the invention is made in the course of his normal duties unless an order is issued by the Court or the Comptroller of Patents where it is deemed that the employer is deriving outstanding benefit from the creation and the employee is deserving of compensation.<sup>138</sup> In Kenya, an employee who has created a technovation within his required duties may only receive compensation in the event that the creative contribution is proved to have been exceedingly above what is required from their duties<sup>139</sup>. In both cases, the employee may be compensated if the invention is of outstanding benefit.

### *Differences in the law*

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<sup>134</sup> Section 39(1), Patent Act of the United Kingdom, Cap 37 (2014).

<sup>135</sup> Harris' Patent [1985] RPC 19.

<sup>136</sup> LIFFE Administration and Management v Pavel Pinkava [2007] RPC 30.

<sup>137</sup> Section 95(2), Industrial Property Act of Kenya, No.3 (2001).

<sup>138</sup> <http://limegreenip.hoganlovells.com/article/109/patents-law-on-employees-inventions-united-kingdom> accessed on 22<sup>nd</sup> June 2016.

<sup>139</sup> Section 95(2), Industrial Property Act of Kenya, No.3 (2001).

1. In the UK, disputes are settled in through making an application to the patent office, the Patents County Court, or the High Court.<sup>140</sup>In Kenya, parties appear before the Arbitration Board and the Arbitration Tribunal.<sup>141</sup>
2. In the UK employee inventions are considered as patents and not technovations. They are provided for under the Patent Act<sup>142</sup>.
3. Application for compensation in the UK is made by the employee to the Court or the Comptroller of Patents within one year from the date of the patent being granted or six months within the time of application.<sup>143</sup> In Kenya, the Act provides for remuneration which is determined by a binding agreement or a mutual agreement between the employee and the employer<sup>144</sup>.

*Kenya and Germany.*

*Similarities in the Law*

In Germany, remuneration is due to the employee as soon as the employer starts to use of the invention or if he licenses it or sells it. The terms of remuneration are usually determined by a mutual agreement between the employer and the employee<sup>145</sup>. In Kenya, the same concept applies. Remuneration is due to the technovator if the company puts the invention to use<sup>146</sup>.

In Germany, inventions are divided into free inventions, which are completely independent of company influence and service inventions, which result from employees

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<sup>140</sup> Irish, Vivian, 'Intellectual Property rights for engineers,' Exeter, Short Run Press Ltd, 1994.

<sup>141</sup> Section 101, Industrial Property Act of Kenya, No.3 (2001).

<sup>142</sup> Section 130(1), Patent Act of the United Kingdom, Cap 37 (2014).

<sup>143</sup> Section 41, Patent Act of the United Kingdom, Cap 37 (2014).

<sup>144</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001).

<sup>145</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees,' July 2013.

<sup>146</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001).

duties.<sup>147</sup> In Kenya, although the difference is not out rightly distinguished, it is implied in the provision which defines technovation to involve service innovation as it is within the course of employment<sup>148</sup>.

3. Any contractual provisions, made before a notification of an invention is issued, which are not favourable to the technovator with regards to ownership and remuneration are invalid.<sup>149</sup>This is similar to the law in Kenya which provides for nullity of contractual provisions which are less favorable to employees<sup>150</sup>.

4. In both countries, the board of Arbitration is used to settle disputes

*Differences in the law.*

1. In Germany, ownership of service inventions vests with the inventor. However, the invention rights are treated differently. Once the invention is created and the employer is notified, the employer is required to release the inventive rights to the employee within four months upon notification of the invention.<sup>151</sup> Failure to this, the rights automatically transfer to the employee. Within the four months, the employer can claim the invention to gain invention rights.<sup>152</sup>In Kenya, the enterprise has a duty to grant the technovator with a technovation certificate within three months from the date of proposal.<sup>153</sup> In Kenya, the law does not offer a precise recourse for the employee in the event that the employer does not comply within the three months. The only remedy available is through the Board of Arbitration and the tribunal<sup>154</sup>.

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<sup>147</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees,' July 2013.

<sup>148</sup> Section 94(a), Industrial Property Act of Kenya, No.3 (2001).

<sup>149</sup> Article 22, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>150</sup> Section 100, Industrial Property Act of Kenya, No.3 (2001)

<sup>151</sup> Article 6, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>152</sup> Article 7, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>153</sup> Section 97(1), Industrial Property Act of Kenya, No.3 (2001).

<sup>154</sup> Section 101, Industrial Property Act of Kenya, No.3 (2001)

2. In Germany, once the employer gets a notification from the employee of the invention, they have a duty to file a patent application without undue delay.<sup>155</sup> In Kenya, the only document required for a technovation is the technovation certificate<sup>156</sup>.

3. As a general rule however, remuneration is calculated by multiplying the value of the invention by the share of the employee's personal contribution to the invention as well as the co-inventor share.<sup>157</sup> In Kenya, there is no fixed standard for the calculation of remuneration. It is issued according to a collective binding agreement or a mutually binding agreement.<sup>158</sup>

4. Technovation disputes in Germany are presented before the Board of Arbitration which is located at the patent office in Munich. The Board of Arbitration then offers a non-binding settlement agreement<sup>159</sup>. The same case applies to Kenya<sup>160</sup>. The difference comes in when the decision of the Arbitration Board is challenged. In Germany, the decision can be challenged by any aggrieved party before a civil court<sup>161</sup> whereas in Kenya, the decision can be challenged before the Arbitration Tribunal<sup>162</sup>.

### 3.7 The Case of Samson Ngengi vs KRA.

Having analyzed the case in chapter one, we shall attempt to offer further recommendations based on the comparative analysis carried out above.

#### *The Brief Facts of the Case*

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<sup>155</sup> Article 13, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>156</sup> Section 95, Industrial Property Act of Kenya, No.3 (2001).

<sup>157</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees,' July 2013.

<sup>158</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001).

<sup>159</sup> Article 24, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>160</sup> Section 101(1), Industrial Property Act of Kenya, No.3 (2001).

<sup>161</sup> Article 24, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>162</sup> Section 101(3), Industrial Property Act of Kenya, No.3 (2001).

The case involves the invention of a rental tax mapping and collection system by Samson Ngengi. Mr Ngengi states that he developed a software that maps property location, ownership, building details, as well as the tax status of taxpayers, called the Geo-spatial Revenue Collection Information System (GEOCRIS). This was a very effective tool for collecting rental income levy for the company after Kenya Revenue Authority had previously admitted to losing billions in uncollected rental income tax in the past account.

KRA was recognised and awarded for developing the GEOCRIS innovation at the 46th Inter-American Centre of Tax Administrations (CIAT) General Assembly which took place in 2012. Having developed the system, Samson wanted his efforts to be recognized and to be adequately compensated. The KRA commissioner general, Mr. John Njiraini stated that the authority cannot do business with its own employees and then asked Mr Ngengi to resign and tender for the provision of the service as an independent developer.

Later that year, KRA began to a bid for a similar system which Mr Ngengi alleged was a move made by KRA to usurp his IP rights in the system.

Ngengi managed to move the court for interim orders barring KRA from dealing in GEOCRIS or developing any similar system until full hearing and determination of his case for compensation and acquisition of a technovation certificate.

#### *Recommendations.*

According to Kenyan law:

If Ngengi filed a request, for a technovation certificate, KRA was required to issue him with one within three months unless they are of the opinion that Ngengi did not follow the correct procedure while filing the request. This however must have been communicated by KRA within the three months stating their reason<sup>163</sup>. Unfortunately, if the law does not state what should be done if KRA does not communicate the same. This would need to be taken before the Arbitration Board or the Tribunal if the Board's decision is challenged<sup>164</sup>.

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<sup>163</sup> Section 97(2), Industrial Property Act of Kenya, No.3 (2001).

<sup>164</sup> Section 101, Industrial Property Act of Kenya, No.3 (2001).

If part of Ngengi's job description involved invention, then KRA could deny him the technovation certificate<sup>165</sup>.

Ngengi should however be remunerated by KRA because of the use and communication of the system to a third party<sup>166</sup>.

According to law in the United States of America:

1. If Ngengi made his invention at KRA, the employer will automatically own the rights to the invention<sup>167</sup>. If he was not hired for the sole purpose of inventing, the ownership of any technovation automatically vests in him. Ownership in this case refers to copyright and patent rights<sup>168</sup>.

According to the United Kingdom:

1. The ownership of employees inventions is assumed to belong to the employer if it created at the workplace.<sup>169</sup>If inventing was part of Ngengi's duties, he would stand a chance for compensation in the UK when he issues an order to the Patents Court or the Comptroller of Patents and it is deemed that the employer is deriving outstanding benefit from the creation and the employee is deserving of compensation.<sup>170</sup>

According to German Law:

Once the invention is created and the employer is notified, the employer is required to release the inventive rights to the employee within four months upon notification of the

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<sup>165</sup> Section 95(2), Industrial Property Act of Kenya, No.3 (2001).

<sup>166</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001).

<sup>167</sup> Kenneth J. Rose, 'Determining Ownership of Employee Inventions in the U.S,' 2002.

<sup>168</sup>: Kenneth J. Rose, 'Determining Ownership of employee inventions in the US, Vol. XI-11, 2002.

<sup>169</sup> Section 39(1), Patent Act of the United Kingdom, Cap 37 (2014)

<sup>170</sup> <http://limegreenip.hoganlovells.com/article/109/patents-law-on-employees-inventions-united-kingdom> accessed on 22<sup>nd</sup> June 2016.

invention<sup>171</sup>. Failure to this, the rights automatically transfer to the employee. Within the four months, the employer can claim the invention to gain invention rights.<sup>172</sup> Ngengi would therefore own the inventive rights to the invention if the four month period expired without KRA having claimed inventive rights.

As a general rule however, remuneration is calculated by multiplying the value of the invention by the share of the employee's personal contribution to the invention as well as the co-inventor share<sup>173</sup>.

3. Because KRA used the invention, Ngengi would be entitled to remuneration.<sup>174</sup> As a general rule however, remuneration is calculated by multiplying the value of the invention by the share of the employee's personal contribution to the invention as well as the co-inventor share.<sup>175</sup>

In comparison to the other jurisdictions, Kenya does not provide clear remedies for Ngengi as the main source for recourse would lead to appearing before the Arbitration Board. There exists no set standard to determine the consequences of him not being issued with a certificate by KRA or even to determine the remuneration due to him as it is defendant on the two parties yet KRA is not willing to comply. The laws in Kenya are ambiguous and hence prove difficult while trying to solve a case like this. The only recourse for Samson is the Arbitration Board and the Tribunal.

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<sup>171</sup> Article 6, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>172</sup> Article 7, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>173</sup> Mc.Dermott Will & Emery, Patent Ownership in Germany: 'Employers vs Employees,' July 2013.

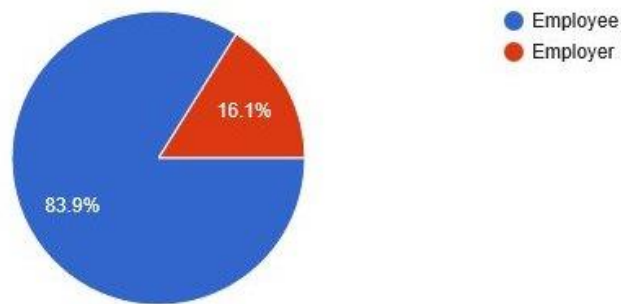
<sup>174</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees,' July 2013.

<sup>175</sup> Mc.Dermott Will & Emery, Patent Ownership in Germany: Employers vs Employees, July 2013.

**CHAPTER 4: RESULTS FROM THE SURVEY CARRIED OUT ON EMPLOYERS AND EMPLOYEES IN NAIROBI TO DETERMINE AWARENESS OF TECHNOVATION RIGHTS IN THE WORK ENVIRONMENT.**

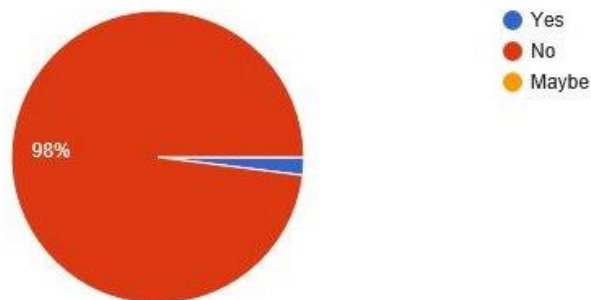
This chapter provides evidence on the implementation of technovation rights at the workplace. It consists of data from employers and employees from different industries in Nairobi which will be used to derive information. The survey is divided into two sections which consist of questions that are relevant to the employer and the questions that are relevant to the employee.

Are you an employee or an employer? (56 responses)



**Questionnaire For Employee**

Have You Heard of Technovation Rights? (51 responses)

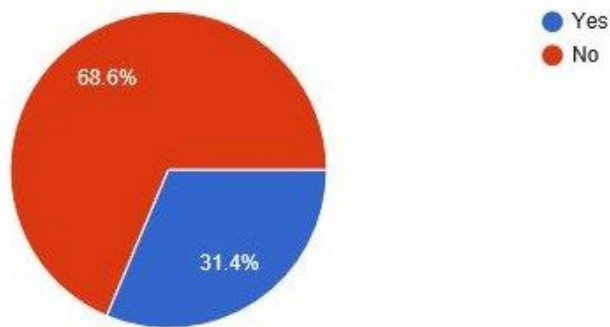


## If You Have Heard of Technovation Rights, Where Did You Hear About Them?

(2 responses)



## Is Invention Part of Your Job Description? (51 responses)



## Does Your Employer Provide Information On Technovation Rights?

(50 responses)



## If Yes, What Information Relating To Technovations Does The Company Provide?

(3 responses)

Ownership, copyright

They have a right to all inventions done during your period of employment

N/A

## What Would You Recommend To Create More Awareness On Technovation Rights?

(26 responses)

Case studies, seminars, workshops

disseminate more information about it on social media

Increase in use of social media platforms.

Events

employers should be educated on its importance and encouraged to educate their employees

Have forums and online plat forms to support the same. Including in social media

Training and more information on the same to be made available

Articles to be written in magazines, blogs and shared widely

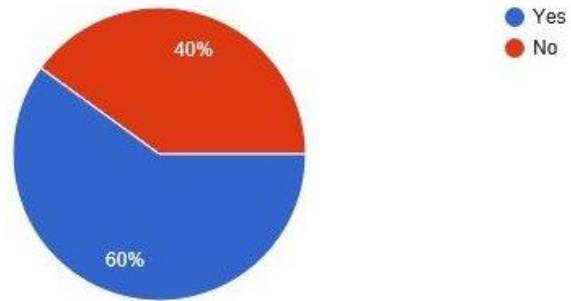
Makin legal the provision of information on the same by employers.

Awareness creation

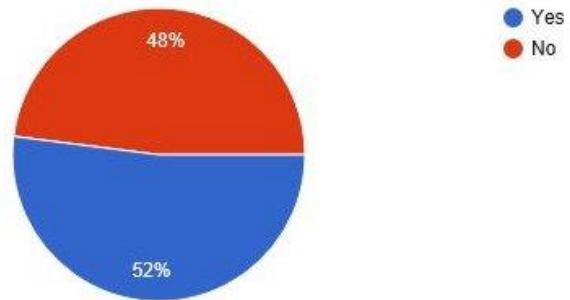
Office workshops

Awareness

Do You Have Access To The Employment Act? (50 responses)

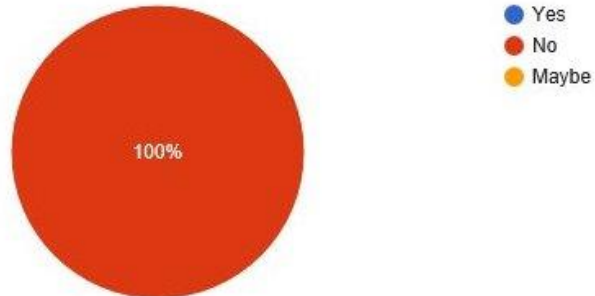


Does The Company Refer To The Employment Act? (50 responses)



## Questionnaire For Employer

Have You Heard of Technovation Rights? (9 responses)



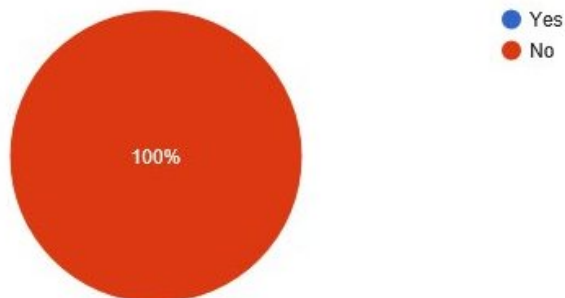
If You Have Heard of Technovation Rights, Where Did You Hear About Them?

(1 response)

N/a

Do You Provide Information On Technovation Rights To Your Employees?

(8 responses)



### If Yes, What Information Relating To Technovations Does The Company Provide?

(1 response)

N/a

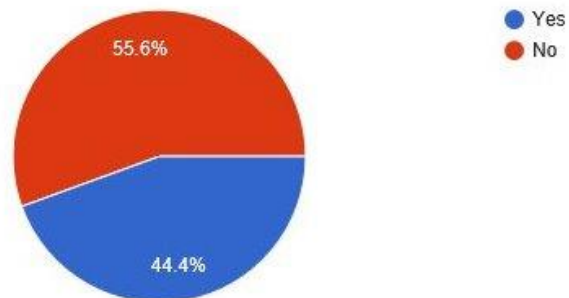
### What Would You Recommend To Create More Awareness On Technovation Rights?

(2 responses)

They should be taught in all courses as a unit because even start-ups should be aware of them. I say this because I have never heard of them and I run a start-up so the education system should integrate them

More media on it from the people advocating for it.

### Do You Refer To The Employment Act? (9 responses)



Having observed the data collected, we can derive the following:

Most employers employees working in Nairobi are not aware of technovation rights. At the very beginning of the questionnaire, I defined what technovation rights are so as to simplify the complexity of the word. Even so, ninety eight percent of the people still had not heard of it before.

For the purposes of a more accurate analysis, the employees have been divided into two. Employees comprise of those who are hired to invent and those who's job description

does not involve invention. All employees should be knowledgeable of technovation rights but most importantly, those who are not hired to invent should be even more knowledgeable as it affects them to a greater extent.

Out of fifty one employees, twenty six of them are interested to know more about technovation rights and most of them recommend that awareness be created on the same.

Sixty percent of the total number of employees have access to the Employment Act and fifty two percent of the total number acknowledge that their employers refer to the act at the workplace.

Out of sixty people, nine of them are employers. One hundred percent of the employers have not heard about technovation rights. Forty four point four percent of the employers refers to the Employment Act at the workplace.

## CHAPTER 5: HOW HAS KENYA ADOPTED TECHNOVATION RIGHTS?

Having carried out a comparative analysis between Kenya and other countries as well as conducting a survey, this chapter will attempt to tackle the research questions from chapter one with the aim of attaining the research objective.

### *Are technovations a necessary addition in the Kenyan laws in comparison to countries where laws are applying a different approach towards the same?*

In chapter three, we were able to identify the fact that countries like USA and the UK cover employee invention under the Patent Act. They do not consider technovations as being distinct from patents and copyright. The only difference that they take into consideration is the fact that they are invented at the workplace. Employee inventions in the UK are found under the Patent Act<sup>176</sup> while in the USA, they are covered under laws on copyright and patent<sup>177</sup>. Germany on the other hand, has a separate law for Employee Inventions which is called the German Act on Employees' Inventions (AEI)<sup>178</sup> while Uganda on the other hand has a similar provision as Kenya which is under the Industrial Property Act as a separate Intellectual Property. Germany being the developed country with a separate statute on the same, it has included very comprehensive provisions without ambiguity and hence, the law on its own is sufficient. The UK and America adequately provide for the inventions under patent and copyright laws without having to consider employee inventions as a separate Intellectual Property. Kenya should expand its laws on technovation as a separate branch of Intellectual Property and include further provisions. Otherwise, the inventions could be tackled under Patent and Copyright laws which have a much broader provision under the statutes. Although the laws in Kenya are similar to that of the mentioned developed countries, there are still several ambiguities which require to be looked into. Some of the ambiguities include:

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<sup>176</sup> Section 7(3), Patent Act of the United Kingdom, Cap 37 (2014).

<sup>177</sup> <http://www.nolo.com/legal-encyclopedia/who-owns-patent-rights-employer-inventor.html> accessed on 10th August 2016.

<sup>178</sup> Mc.Dermott Will & Emery, Patent Ownership in Germany: Employers vs Employees, July 2013.

How remuneration for the employee will be calculated.

What recourse the inventor has if the enterprise does not issue them a technovation certificate within the stipulated time of three months<sup>179</sup>.

*In comparison to other countries, what are some of the legal provisions that Kenya can adopt to improve its law on technovations?*

Kenya can adopt several provisions to enable better implementation of technovation laws in the country:

*From the United States of America:*

If a person is working in certain states in America, the law requires that they are given written notice of their state's restrictions on an employer's right to obtain an assignment of employee inventions<sup>180</sup>. This encourages awareness among employees and prevents manipulation by their employers. This would be a great law for Kenya to adopt as it would even the playing field for employees so as to reduce their chances of being taken advantages of by the employer.

*From the United Kingdom:*

Application for compensation in the UK is made by the employee to the Court or the Comptroller of Patents within one year from the date of the patent being granted or six months within the time of application.<sup>181</sup> In Kenya, the Act provides for remuneration which is determined by a binding agreement or a mutual agreement between the employee and the employer<sup>182</sup>. The problem with the provision in Kenya is when there exists conflict between the employer and the employee like in the case of Samson Ngenji. Remuneration should be determined through a fixed formula or an external body

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<sup>179</sup> Section 97(1), Industrial Property Act of Kenya, No.3 (2001).

<sup>180</sup> <http://www.nolo.com/legal-encyclopedia/who-owns-patent-rights-employer-inventor.html> accessed on 10th August 2016.

<sup>181</sup> Section 41, Patent Act of the United Kingdom, Cap 37 (2014).

<sup>182</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001).

so as to ensure that the interests of the employee are put into consideration.

*From Germany:*

In Germany, ownership of service inventions vests with the inventor. However, the invention rights are treated differently. Once the invention is created and the employer is notified, the employer is required to release the inventive rights to the employee within four months upon notification of the invention.<sup>183</sup> Failure to this, the rights automatically transfer to the employee. Within the four months, the employer can claim the invention to gain invention rights.<sup>184</sup> In Kenya, the enterprise has a duty to grant the technovator with a technovation certificate within three months from the date of proposal.<sup>185</sup> In Kenya, the law does not offer a precise recourse for the employee in the event that the employer does not comply within the three months. The only remedy available is through the Board of Arbitration and the tribunal<sup>186</sup>.

2. Remuneration is calculated by multiplying the value of the invention by the share of the employee's personal contribution to the invention as well as the co-inventor share.<sup>187</sup> In Kenya, there is no fixed standard for the calculation of remuneration. It is issued according to a collective binding agreement or a mutually binding agreement.<sup>188</sup> A fixed method should be taken into consideration by the legislative as it would allow fair remuneration for inventors hence encouraging them to grow their creativity.

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<sup>183</sup> Article 6, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>184</sup> Article 7, Germany's Act on Employee's Inventions "AIE" (1957).

<sup>185</sup> Section 97(1), Industrial Property Act of Kenya, No.3 (2001).

<sup>186</sup> Section 101, Industrial Property Act of Kenya, No.3 (2001)

<sup>187</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees,' July 2013.

<sup>188</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001).

### *To what extent are employers and employees in Kenya aware of technovation rights in Kenya?*

Kenyan employees and employers from the survey can be said to not to be conversant with technovations. 98% of the employees have never heard of technovation while 100% of the employers had never heard of the same. In the survey, the employees are divided those who are hired to create and those who are not. Those who are hired to create can only derive benefits from the technovation if the degree of the creative contribution inherent in the technovation exceeds that which is normally required of an employee having the said duties.<sup>189</sup> On the other hand, those who are not hired to invent are more at risk as they are entitled to compensation which the enterprise may easily deny them if they are not aware of their rights. Most people from the survey suggested that knowledge on the same should be publicized on all avenues. Some of which include social media, seminars, the curriculum among other suggestions. It should be noted however that a majority of these people have access to the Employment Act. It is very likely that such persons are aware of several provisions in the act which would protect their employer or employee status. Seeing that many people are conversant with the statute, it would be wise to say that the provisions on technovations should be included under the Employment Act. This is also majorly because it relates directly to employment and as we saw in chapter one, it has a great influence on the employment relationship. This could be the first step towards creating awareness in Kenya.

From the small employer data, employers should be encouraged to make available and to implement the Employment Act in a more vigorous way. It should be made mandatory for every employer before acquiring a license for business operation to be aware of the provisions of the act as it is quintessential in employment. This especially applies to small, medium enterprises.

### *Does the law on technovations in Kenya encourage innovation activity?*

Currently the lack of awareness is a major issues in itself. Far from that, the available law on the same cannot be said to be sufficient enough to encourage creatives to invent in the

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<sup>189</sup> Section 95(2), Industrial Property Act of Kenya, No.3 (2001).

work environment. A key provision such as remuneration under the Act<sup>190</sup> leaves the employee at the mercy of the employer as the terms are to be mutually agreed upon. This creates a situation whereby the enterprise has much greater power than the individual inventor. This will make the inventor succumb to the pressure of the enterprise and yield to a compensation that is not favorable to them. The recourse offered by the Board of Arbitration should be of last resort after there is failure to abide reformed calculation for remuneration. For technovation to be encouraged in Kenya, this is a key section of the law that needs to be amended.

*The adoption of technovation rights in relation to the Intellectual Property Theories.*

From my analysis, I have identified two key theories that could be used to improve the implementation of technovation rights in Kenya. They include the following:

*The Labour theory.*

In reference to John Locke's theory, a person has a natural right from the fruits of his labour when he transforms raw materials held in common such as concepts into a finished product hence enhancing its value<sup>191</sup>. The state in that instance has a duty to enforce the natural rights of the person which are acquired through his labour. In this case, the inventor should be allowed to enjoy the fruits of his labour either through compensation where the invention is beyond the scope of his employment or through his salary as a fruit of his labour in the case for a work for hire.

*The personality theory*

This theory only fortifies property rights in so far as they promote human flourishing by protecting the fundamental human interests or needs. Fisher identifies four main needs or interests that should be protected by intellectual property. They include: privacy, identity, benevolence and self-realization. My focus for this moment shall be on the self-

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<sup>190</sup> Section 99, Industrial Property Act of Kenya, No.3 (2001).

<sup>191</sup> Jeremy Waldron, 'The Right to Private Property,' Oxford University Press, 1988.

realization interest. A person needs to achieve self-realization for them to be fulfilled. Part of working towards achieving the same is through work. Inventions promote self-realization as they are a form of work. Technovations should be encouraged and promoted to enable self-realization to be pursued.

## **CHAPTER 6: THE RECOMMENDATIONS.**

After carrying out extensive research and several analysis, the following recommendations are ideal to better the implementation of technovation rights in Kenya today.

1. Including technovation provisions in the Employment Act so as to increase awareness among employers and employees.
2. Technovation should be included in the curriculum of most courses in University today. The topic should be taught among the other forms of Intellectual Property which most people are already aware of.
3. The Ministry of Information, Communication and Technology in Kenya should work towards increasing awareness through holding workshops and conferences to make more people aware of the same. The government should take initiative like the USA where the law requires that they are given written notice of their state's restrictions on an employer's right to obtain an assignment of employee inventions<sup>192</sup>
4. The existing law on technovation should provide more information concerning remuneration as well as sanctions for the employer to avoid a situation where all matters are solved in Arbitration where the parties have conflicting interests which is in most cases. Remuneration for example can be calculated using a formula similar to that in Germany where it is calculated by multiplying the value of the invention by the share of the employee's personal contribution to the invention as well as the co-inventor share.<sup>193</sup>
5. After carrying out research on this topic, further research may be conducted on the legal provisions legislate by other countries on employment inventions and what further recommendations could be offered.

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<sup>192</sup> <http://www.nolo.com/legal-encyclopedia/who-owns-patent-rights-employer-inventor.html> accessed on 10th August 2016.

<sup>193</sup> Mc.Dermott Will & Emery, 'Patent Ownership in Germany: Employers vs Employees,' July 2013.

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## Technovations Questionnaire

A technovation is an invention in technology created by an employee which is beneficial to the company which he or she works. It relates to the activities carried out in the organization but has not previously been used or even considered for use by the enterprise.

\* Required

Email address \*

Your email \_\_\_\_\_

Are you an employee or an employer?

- Employee
- Employer

NEXT

## Questionnaire For Employee

Have You Heard of Technovation Rights?

- Yes
- No
- Maybe

If You Have Heard of Technovation Rights, Where Did You Hear  
Did You Hear About Them?

Your answer

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Is Invention Part of Your Job Description?

- Yes
- No

Does Your Employer Provide Information On Technovation Rights?

Yes

No

If Yes, What Information Relating To Technovations Does The Company Provide?

Your answer

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What Would You Recommend To Create More Awareness On Technovation Rights?

Your answer

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Do You Have Access To The Employment Act?

Yes

No

Does The Company Refer To The Employment Act?

Yes

No

## Questionnaire For Employer

Have You Heard of Technovation Rights?

- Yes
- No
- Maybe

If You Have Heard of Technovation Rights, Where Did You Hear  
Did You Hear About Them?

Your answer

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Do You Provide Information On Technovation Rights To Your  
Employees?

- Yes
- No

If Yes, What Information Relating To Technovations Does The Company Provide?

Your answer

---

What Would You Recommend To Create More Awareness On Technovation Rights?

Your answer

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Do You Refer To The Employment Act?

Yes

No

Send me a copy of my responses.

BACK

SUBMIT