Open Innovation: Legal Hurdles in the Creation of Contractual Arrangements Governing Idea Competitions?

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Abstract: The phenomenon of Open Innovation has been gaining prominence over the last decade. Idea competitions have been used in a variety of industrial sectors. Nevertheless, the legal issues raised by this topic have not been broadly addressed, yet. These arise from the adverse interests of the actors. The company which organizes an idea competition would usually like to have the opportunity to comprehensively use the solutions, ideas or products submitted by the competition entrants. For the company it is important to obtain all intellectual property rights in the idea, in the product created as a result and, thus, in the rights to be exploited in the future, in particular, patents, utility models, trademarks, copyrights and registered designs as well as other industrial property rights. The participant would like to participate to the greatest extent possible in the success of the submitted solution. This affects, firstly, the question of fair remuneration or further participation in any profits earned as well as, secondly, any personal rights such as being named as inventor or author. The article aims to show the contractual difficulties which have to be addressed tailoring the terms of an idea competition under German law.

Keywords: Open Innovation, General Terms and Conditions of Business, Employee Inventions

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A. Background

Over the last decade, a new phenomenon in innovation management has been developed, known as Open Innovation, a phenomenon which seems to be gaining in prominence. The term Open Innovation, which can be traced back to Chesborough, refers to the opening of a company’s internal innovation processes to external third-party contributors. Open Innovation is seen as a contrasting approach to the traditional closed innovation models in which companies exclusively develop and commercialise ideas which originate from within their own organisation, in particular the in-house research and development (R&D) department. In the Open Innovation model, firms commercialise third-party innovations, in addition to internally generated innovations, whilst also undertaking innovation in cooperation with start-ups, independent research institutes or other organisations. Relevant business literature overwhelmingly concludes that Open Innovation represents a great opportunity for companies to develop products and services more efficiently, more effectively and in a shorter time whilst increasing financial returns. Flop-rates of between 50% and 90% across all new products, the increasingly competitive pressures caused by globalisation as well as ever shorter production cycles coupled with decreasing R&D budgets are cited. Reichwald and Piller point out, in particular, that in-house R&D departments frequently lack the ability to appreciate the “wider picture” and that innovation proposals from within the company are often – unfairly – favoured in the idea evaluation phase.

B. Open Innovation through idea competitions

Today, companies employ a wide variety of Open Innovation techniques. In the so-called outside-in process, ideas, knowledge and know-how from external parties, such as suppliers, customers, other firms from the same or a different industry and research institutes, are integrated into the company’s innovation process. In the so-called inside-out process, knowledge generated in-house is commercialised externally, for instance through an active patent management system with out-licensing of technologies in other markets. In addition, the term coupled process is used to describe mixed forms of the two aforementioned models, which are applied, in particular, in alliances, cooperations and joint ventures.

A typical example of an outside-in model is the idea competition (or “idea contest”, “innovation competition” or “innovation challenge”) under discussion in this paper. In such a competition, a company, non-profit organisation or public body sets the public – either directly or through an intermediary specialised in organising idea competitions – one or more tasks to be solved in the scope of the competition. The best responses or solutions are awarded prizes.

Idea competitions have developed into a popular instrument of open innovation and are used in the most diverse industries, such as the automobile industry, chemical-pharmaceutical industry or in the general consumer goods sector. Audi, Bayer, BMW, Henkel, Lufthansa, VW and Wella are just a few of the companies that have organised idea competitions in the last few years or are currently running them. Examples of intermediaries specialising in organising idea competitions are the Internet portals Innovationskraftwerk and Hyve; the company which is probably best known internationally in this area is InnoCentive.

The spectrum of idea competitions is broad and encompasses continuously available, open platforms and concentrated actions aimed at solving specific problems. The aim of any idea competition is to integrate customers or users into the various phases of the innovation process and thus obtain input from people who were previously unknown to the company concerned. The constituent characteristics of idea competitions are the closed time period for the solution of the task set as well as the awarding of prizes to the entries which are adjudged to be the best by the respective jury or assessment panel. The rewards on offer to the participants of an idea competition can be material prizes but are, in the main, monetary awards which sometimes, in the case of major idea competitions, even exceed €100,000.

Whilst idea competitions have received quite a measure of attention in business literature, there have so far only been a few, isolated publications in legal literature which have addressed open innovation generally and idea competitions specifically. This is quite astounding, especially when one considers that the topic raises numerous legal issues. The legal construction of idea competitions is subject to, in particular, intellectual property and contractual law issues, and it is these which will be examined in the following.
C. Legal issues related to contractual arrangements governing idea competitions

I. Interests involved

7 Probably the most pressing questions regarding the organisation of idea competitions relate to the granting of exploitation rights in the solutions created by the participants, the related issues surrounding the possibility of registration of intellectual property rights by the company running the competition and questions on the duty to remunerate the respective participants.

8 The relative interests of the parties involved illustrates the situation: the "idea seeker", namely the company which organises the competition, would usually like to have the opportunity to comprehensively use the solutions, ideas or products submitted by the competition entrants, the "idea providers". For the idea seeker, it is important to obtain all intellectual property rights in the idea, in the product created as a result and thus in the rights to be exploited in the future, in particular, patents, utility models, trade marks, copyrights and registered designs as well as other industrial property rights.

9 In order to be able to utilise fully the competition solutions of the idea providers, the idea seeker will also be keen to obtain the aforementioned rights in exclusive and transferable form. The idea seeker also wants to be entitled – if possible without any involvement of the idea provider and at its own discretion – to apply for protection rights such as trade marks, patents or utility models on the relevant ideas/products and to exploit these without restriction. Finally, it would usually be in the interests of the idea seeker where possible not to have to name the idea provider or pay them remuneration beyond the initial prize money when further exploiting the idea/product in the future.

10 The idea provider for his or her part would like to participate to the greatest extent possible in the success of the submitted solution. This affects, firstly, the question of fair remuneration or further participation in any profits earned as well as, secondly, any personal rights such as being named as inventor or author.

11 In the following, the legal scope for discretion within the respective regulations will be examined as well as their boundaries – in particular in light of the specific legal provisions governing general terms and conditions of business.

II. Inclusion of competition terms and conditions

12 As the respective competition terms and conditions are contractual conditions pre-formulated for a variety of contracts and thus constitute general terms and conditions of business (T&Cs), it is first crucial that the competition terms are effectively included in the contractual relationship between idea provider and idea seeker. T&Cs are fundamentally only a constituent element of a contractual agreement if the user expressly refers the other contracting party to them at the point of conclusion of the agreement and provides the other party with the opportunity to acknowledge their content in a reasonable way and thus to signal their consent to their applying (Sec. 305 (2) German Civil Code, BGB).

13 In the case of purchase contracts concluded in the online retail sector, a reference to the T&Cs above the "order button" (or similar) which is separated from the other details of the order would suffice; alternatively, it is sufficient for the T&Cs to be displayed immediately prior to the order button being clicked or at another point in the order process which every customer must complete.

14 In the same way, the reference to the T&Cs in relation to innovation competitions must be displayed prior to the conclusion of the registration process. It must also be ensured that each participant acknowledges the terms before submitting their binding application.

15 Reasonable acknowledgement as the second requirement of an effective incorporation (as per Sec. 305 (2) No. 2 BGB) is specified in respect of e-commerce transactions in Sec. 312g (1) No. 4 BGB. According to that provision, the participant must have the opportunity to access the terms and conditions at the point the agreement is entered into and to store them in a form which allows for their reproduction. This condition is not satisfied by a simple reference to the T&Cs at the bottom of the screen on the webpage. For the party using T&Cs, it is thus advisable to employ the so-called clickwrap method in which customers can only confirm their consent after they have viewed the terms by clicking on the corresponding link. Using this method, the information requirement is also fulfilled and the consent of the customer with the incorporation of the T&Cs is obtained.

16 The aforementioned requirements must be fulfilled “at the point of entering into the agreement”. Working on the assumption that in the case of innovation competitions, there already exists a binding offer on the part of the idea seeker, the aforementioned requirements must already be
met at the point this offer is made, thus usually at the point the competition is published on the Internet. In any case, the possibility of reasonable acknowledgement must be provided before the customer submits a binding acceptance of an offer which incorporates the T&Cs.\textsuperscript{17}

III. Granting of rights

17 In light of the relative interests laid out above, the idea seeker crucially requires the possibility of acquiring comprehensive rights in all of the work results and input of the idea provider. For the idea seeker, this often means obtaining all rights in any patentable inventions (and/or those which are eligible for a utility model) produced by the idea provider, as well as rights in any development results which qualify for intellectual property rights including in copyrighted works (as well as neighbouring rights). In respect of the required rights acquisition clauses, a distinction must be drawn between industrial protection rights (and know-how) on the one side and copyright exploitation rights (and neighbouring rights) on the other.

18 a) As far as the technical protection rights of patents and utility models are concerned, one must take into account that it is possible to license a right in an invention which does not yet exist. For this to occur, the invention must be sufficiently definable at the time the respective agreement is concluded.\textsuperscript{18} It is certainly conceivable that an idea provider could submit material which is already protected by technical protection rights – held either by the idea provider itself or a third party. These various constellations must be accommodated when constructing the competition terms. If the idea provider includes material for which it holds protection rights itself, it should be stipulated that the idea provider must inform the idea seeker of this. Where such rights already exist, an exclusive license should be granted to the idea seeker in the scope of the rights acquisition clause.

19 However, care should be taken if the idea provider has already granted third parties licenses in the existing protection rights prior to participation in the competition. The competition terms should thus also include a provision requiring the idea provider to disclose the existence of such licenses as well as the possibility of excluding the idea provider from further participation in the competition in the case of such third-party licenses. The aim is to prevent any conflict with third-party licensees during the future exploitation of the idea in question.

20 Furthermore, even a technical teaching for which protection has not yet been sought can be made the object of an exploitation agreement between idea seeker and idea provider.\textsuperscript{19} In cases where an idea provider has not yet filed a patent application for the respective invention, the competition terms should provide for the express entitlement of the idea seeker to file such an application in its own name. In this context, the idea provider should also be obligated to provide all necessary assistance during the application and registration procedure.

21 b) If the contribution of the idea provider includes copyright-protected works, such as written works, computer programs, photographs or illustrations of a scientific or technical nature, the idea seeker will also be interested in obtaining exploitation rights from the idea provider in as comprehensive a form as possible (so-called buy-out agreements). Buy-out agreements are intrinsically designed to grant the exploiter the most rights and greatest degree of flexibility in the exploitation process.\textsuperscript{20}

22 When designing this type of comprehensive rights-granting clause in the terms and conditions, numerous factors – some of which are the subject of much debate in related case law and literature – must be taken into account.

23 aa) The starting point is the principle of purpose-oriented transfer as codified in Sec. 31 (5) sentence 1 German Copyright Act (UrhG).\textsuperscript{21} This stipulates, in essence, that in order to protect authors, the granting of exploitation rights shall only be, in case of doubt, to the extent “absolutely” necessary according to the purpose of the agreement.\textsuperscript{22} This is intended to prevent an excessive surrender of exploitation rights to the exploiter through comprehensive and generally formulated grants of rights by aligning the scope of the license to the specific purpose of the agreement. Sec. 31 (5) UrhG is, however, merely an interpretation rule which no longer applies if a specific agreement is made on the scope of the granting of rights.\textsuperscript{23} In light of the principle of purpose-oriented transfer, if a company – such as the idea seeker – wishes to acquire exploitation rights in the greatest scope possible, it is generally necessary for each individual exploitation right to be expressly listed in precisely formulated clauses.\textsuperscript{24}

24 bb) The only question is whether and to what extent such far-reaching grants of exploitation rights are subject to a test of reasonableness of contents in respect of the law governing T&Cs as per Sec. 307 et seq. German Civil Code (BGB). Provisions in terms and conditions are effective only if they do not unreasonably disadvantage the contracting partner of the party employing them. An unreasonable disadvantage is to be assumed to exist if a provision within the terms is incompatible with the fundamental principle behind the statutory provision from which it deviates or if essential rights or obligations inherent in the nature of the contract are limited such that the attainment of the purpose of the contract is jeopardised.\textsuperscript{25}
The extent to which the principle of purpose-oriented transfer constitutes a fundamental principle – a legislative guiding principle – as per Sec. 307 (2) No. 1 BGB, has proved a contentious issue in case law and related literature. In an old case, the German Federal Court of Justice (BGH) did not cite the principle of purpose-oriented transfer as a legislative guiding principle for the test of reasonableness of the content of T&Cs because the court was of the opinion that it was a mere interpretation rule. Consequently, Sec. 307 BGB could not be used to counter the practice of many copyright exploiters of using pre-formulated standard contracts to have exploitation rights granted to them in the greatest possible scope, exceeding the purpose of the specific contract being agreed. Since the copyright contract law reform of 2002, there seemed to be convincing arguments to justify the consideration of the principle of purpose-oriented transfer in the test of reasonableness of the content of T&Cs. This is due to the fact that the copyright contract law reform was designed, amongst other things, to protect the author from detrimental grants of rights on the basis of general terms and conditions. Hence, in several most recent decisions by lower courts, the principle of purpose-oriented transfer has been termed an “essential content rule” which can also be cited in the scope of the test of reasonableness of content of T&Cs. Other courts have continued to adhere to the older BGH case law and are of the opinion that the principle of purpose-oriented transfer cannot be applied in the scope of the test of reasonableness of content of T&Cs.

In 2012, however, the BGH clarified the situation: in its Honorarbedingungen Freie Journalisten (“fee conditions for freelance journalists”) decision, the BGH confirmed its earlier decision and declared that the purpose-oriented transfer principle in Sec. 31 (5) German Copyright Act (UrhG) is no basis for a test of reasonableness of content of T&Cs. The BGH stressed that the legislator had left the content and scope of the granting of copyright exploitation rights to the discretion of the contracting parties at the outset; Sec. 31 (5) UrhG thus, from its nature as an interpretation rule, applies only in the absence of an express contractual agreement or if a lack of clarity exists as to the scope of exploitation rights granted.

Thus, the following applies when designing clauses governing the granting of exploitation rights in T&Cs for idea competitions: provided the individual types of use are specified in the rights-granting clause, the clause cannot be deemed invalid as a result of a test of reasonableness of the content of T&Cs. If the idea provider grants the idea seeker more rights than are required according to the purpose of the agreement, this is permitted under personal autonomy (on the question of fair remuneration, see section 4 below).

It is important to consider, however, that the interpretation provision in Sec. 31 (5) German Copyright Act (UrhG) does apply if the types of use are not individually designated. If the terms and conditions of an idea competition only generally grant exploitation rights, without being more specific, this means that the grant of exploitation rights would be limited to the extent required to fulfill the purpose of the agreement. Whether or not this type of granting of exploitation rights ultimately suffices will depend on the individual case and the interpretation of the competition terms as a whole.

In order to obtain as comprehensive a legal position as possible, it is advisable for the idea seeker to have rights in unknown types of use granted by the idea provider (Sec. 31a UrhG). The written form requirement provided for in Sec. 31a (1) sentence 1 UrhG can also be satisfied through general business terms; no separate signature of the author is required. Broader, abstract wording, such as “rights are also granted in types of use unknown at the time of entering into the agreement”, is also considered permissible.

Remuneration of the idea provider

There are also numerous special factors which have to be observed in respect of the remuneration agreement regulated in the competition terms. It is evident from the practice of idea competitions that in general cash or material prizes are offered in return for the work submitted by the idea provider. In some cases this can amount to considerable five- or six-figure sums; usually, however, the amount involved is quite modest and can possibly be considered unfair in relation to the revenues later earned by the idea seeker. This possible imbalance between work and reward raises the question of whether the idea provider’s work can be “fobbed off” – as is often the case – with an extremely low level of compensation or a small material prize.

From a legal perspective, there also exist special considerations under copyright law. Unlike the area of patent or utility patent law, in copyright law the “principle of fair remuneration” applies.

If it transpires, for example, that compensation agreed in the scope of the granting of exploitation rights is conspicuously disproportionate to the revenues and benefits from the use of the work, the author can demand the contractual agreement be adjusted to include an additional, fair compensation. The author’s aforementioned entitlement to fair remuneration and additional participation are mandatory provisions which cannot be derogated from through contractual agreement. If it turns out that the idea seeker obtains earnings and other benefits from the exploitation
rights granted by the idea provider which are conspicuously disproportionate to the original remuneration paid, the idea provider can assert a right to an amendment to the contractual agreement and additional participation. A conspicuously disproportionate relationship can be assumed if the agreed remuneration is half or less than half of a fair share – that is to say, just half of the fair level of compensation.33

33 The effectiveness of a lump sum and possibly unfair remuneration agreement is not diminished if this is formulated in the general terms and conditions. This is due to the fact that contractual agreements on compensation are, as price determination/prize-setting provisions, not subject to the test of reasonableness of content of T&Cs as per Sec. 307 et seq. German Civil Code (BGB). According to the aforementioned recent decision of the German Federal Court of Justice (BGH), this area remains exclusively governed by the individual assessment of equitability as per Sec. 32, Sec. 32a German Copyright Act (UrhG).34 The BGH has stated that the mere fact that a lump sum remuneration has been agreed between the parties does not necessarily lead to the conclusion that this remuneration unfairly disadvantages the author or originator. Referring to the legislative texts on copyright contract law reform, the BGH stressed that the agreement of lump-sum payments in so-called buy-out agreements is not generally excluded.35

V. Characteristics specific to inventions by employees

34 In many cases, individuals who are in employment will participate in idea competitions.36 If a person who is an employee submits inventions which qualify for patent and/or utility patent protection, conflicts of interest could arise involving the employer concerned. In such cases, the provisions in the German Act on Employee Inventions (ArbnErfG) become relevant.37 As far as service inventions (“tied inventions”) as defined in Sec. 4 (2) ArbnErfG are concerned, the rule is that the employer can claim these inventions as stipulated in Sec. 6 of the Act. In the case of a so-called unlimited claim by the employer, all rights in the service invention are transferred to the employer (Sec. 7 (1) ArbnErfG). However, free inventions of an employee as per Sec. 4 (3) of the Act are also restricted in that they are subject to the duty of notification and the duty to offer towards the employer (Sec. 18, Sec. 19 ArbnErfG).

35 In the terms and conditions of an idea competition, a provision should thus be included which forbids idea providers who are employees from submitting inventions which the employer has a right to as per the provisions of the aforementioned Act or of which the employer must be notified. Furthermore, it is advisable to include a release clause which releases the idea seeker from claims which could be asserted on the basis of legal action instituted by the employer against the idea seeker under Sec. 7 (1) ArbnErfG.

36 Another solution for avoiding the above conflict situations could be to involve the employer in the idea competition. This could be achieved through a declaration of the employer releasing the employee from their obligations under the Employee Inventions Act in respect of the object of the idea competition, in particular from the duty to notify and the possibility of taking legal action. The American Open Innovation platform, InnoCentive, requires, in this context, that the idea provider’s employer submit a release declaration covering all intellectual property rights which could apply in respect of the idea provider’s submissions.38

VI. Are semi-closed innovation competitions prejudicial to novelty?

37 Numerous idea competitions are designed such that the registered participants are able to comment on, evaluate and discuss each others’ submitted ideas.39 If, however, patentable inventions are exchanged amongst competition participants, the question arises as to whether this could hinder a later patent application due to a lack of novelty. A further issue is whether an invention has been made available to the public as per the legal definition in Sec. 3 (1) sentence 2 German Patent Act (PatG), and thus forms part of the prior art.

38 The public as referred to in Sec. 3 (1) PatG is interpreted as an open, unrestricted group of people which has the possibility of gaining knowledge in such a way that a skilled person would be able to perform the technical teaching using his expert knowledge.40 Public disclosure is deemed to have occurred if an unrestricted group of people – therefore including experts in the field – have or have had the possibility to obtain knowledge of a fact or facts which are prejudicial to novelty; it is not necessary for the prejudicial fact to be available to the whole of the public.41 According to the case law of the German Federal Court of Justice, the condition is met if a large number of interested persons, beyond a narrow, select group, have access to the relevant information.42

39 Disclosure is not considered public disclosure as far as a strictly limited group of people is concerned and provided it can be proven that any knowledge cannot leak out beyond that group.43 The group of people can also be limited due to a common purpose
Consequently, it must be ascertained whether the participants of an idea competition constitute an unrestricted or a narrowly limited group of persons and thus not the “public” as per Sec. 3 (1) PatG.

Idea competitions which are organised through the Internet are generally directed at the public. Anyone who wants to attempt a solution to the task set can and – from the perspective of the idea seeker – should participate in the idea competition. An idea competition is thus generally aimed at an unrestricted, large and open group of people. Instinctively, therefore, one would assume that this meets the definition of disclosure to the public. In fact, however, it is the participants who actually register for the respective idea competition – the competition community – who actually make up the relevant group. Only the registered participants have the possibility of obtaining sufficient knowledge of facts prejudicial to novelty. Where certain idea competitions allow discussions between competition participants on the respective proposals or ideas, provided these discussions are for the purposes of debating the advantages and disadvantages of individual solutions, it is likely, according to the case law mentioned above, that this would constitute a common purpose which restricts the extent of public involvement. Thus, it can certainly be argued that the registered competition community constitutes a closed and restricted group of people which does not fall within the definition of the “public” as mentioned in Sec. 3 PatG.

Nevertheless, given that one cannot completely rule out competitions inherently carrying a risk of prejudice to novelty, the question arises whether steps can be taken to eliminate or minimise this risk. According to the case law of the German Federal Court of Justice (BGH), a situation will generally not constitute public disclosure if a non-disclosure obligation has been expressly or implicitly agreed or if such an obligation otherwise arises on a good faith basis from the circumstances of the specific case. In such cases, one would normally be able to expect that whoever were to obtain knowledge of the invention would act in accordance with any contractual agreement and not disclose that knowledge to third parties. All participants in an idea competition should thus be expressly obligated, through a respective clause in the competition terms, to maintain confidentiality in respect of all information which they obtain in the course of the idea competition.

As far as confidentiality clauses within the general terms and conditions of an orderer of goods are concerned, the BGH has clarified that it is valid for this type of non-disclosure obligation to be agreed within general terms and conditions. The BGH stated in this context that this type of clause accommodates the fact that technical know-how which needs to be kept secret will also be kept secret by the contracting partner. The question as to whether non-disclosure clauses can be included within general terms and conditions of idea competitions in which numerous people can participate has not yet – as far as we are aware – been the subject of court rulings. The assessment of the BGH in the aforementioned decision can, in our opinion, also be applied to idea competitions. The idea seeker, who in some cases has to invest considerable sums in the organisation of the competition, has a legitimate interest in securing the patentability of the solutions submitted by idea providers. The non-disclosure obligation imposed upon the competition participants surely does not constitute an unreasonable disadvantage for the idea providers as it ultimately serves the patent-protected exploitation of the invention from which – depending on the design of the remuneration rules – the idea provider could also benefit. In any case, there is no apparent reason to suggest that a loss of patentability could be in the interests of competition participants.

However, confidentiality clauses are not able to afford absolute protection against inventions being disclosed to the public and thus damaging their novelty. If the confidentiality obligation is not complied with – even if only by one individual competition participant – public disclosure has already occurred. One must take into account, however, that the mere possibility that a third party could gain knowledge of the invention is not sufficient; rather, there must be certainty that the invention has been disclosed to third parties, despite the existence of a duty of confidentiality.

D. Conclusion

As is clear from the above, it is indeed quite possible to regulate open innovation idea competitions whilst taking into account the particular issues regarding the protection of rights and contract law. In order that the idea seeker is able comprehensively to use and exploit the submitted ideas, particular attention must be paid, especially in light of legal issues peculiar to general terms and conditions, to the form of the respective rights-granting clauses. In respect of copyright-protected works, it is important for organisers of idea competitions to be aware that
not all claims of authors – in particular if the idea can be especially lucratively exploited at a later point – can be settled with a flat-rate compensation agreement. The principle of equitable remuneration which dominates copyright law cannot be negated through provisions within general terms and conditions. There also exist certain patent law issues in relation to employee inventions and questions of detriment to novelty in the case of semi-closed competition models. However, it should be possible to reduce the existing risks to a manageable level through the use of suitable release clauses and non-disclosure obligations.

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2 In contrast to the closed innovation model, on the open innovation model, see Reichwald/Piller, Interaktive Wertschöpfungen, 2nd edition, Wiesbaden 2009, pp. 146 et seq.  

3 See Reichwald/Piller, Interaktive Wertschöpfung, loc. cit., p. 148.  

4 See Enkel/Gassmann, Neue Ideenquellen erschlossen – Die Chancen von Open Innovation, Marketing Review St. Gallen, 2-2009, pp. 6 et seq. with further refs.  

5 See Reichwald/Piller, Interaktive Wertschöpfung loc. cit., p. 147.  


8 See Reichwald/Piller, Interaktive Wertschöpfung, loc. cit., p. 199 with further refs.  

9 See Reichwald/Piller, loc. cit., p. 198.  

10 Reichwald/Piller apparently critical in the sense that both assessment panels and benchmarks are often unsystematic and arbitrary, Interaktive Wertschöpfung, loc. cit., pp. 204 et seq.  

11 See Walcher, Der Ideenwettbewerb als Methode der aktiven Kundenintegration, Wiesbaden 2007; Reichwald/Piller, Interaktive Wertschöpfung, loc. cit., pp. 197 et seq. with further refs.  

12 For example, Söbbing ITRB 2011, 206; Wurzer, MittltschFattAnw 2010, 520, 521.  

13 See District Court Essen NJW-RR 2003, 1207.  


17 Ulmer/Brandner/Hensen/Ulmer/Habersack, AGB-Recht, 11th edition 2011, § 305 BGB, marg. no. 155, 156.  


19 See Bartenbach, Patentlizenz und Know-how-Vertrag, 7th edition, Cologne 2013, marg. no. 193 et seq. with further refs. and references to the competition law limitations of such licensing constructions.  

20 See Fromm/Nordemann/J.B. Nordemann, Urheberrecht, 10th edition, § 34 marg. no. 15.  

21 Sec. 31 (5) sentence 1 UrhG reads: “If the types of use to which the exploitation right extends have not been specifically designated when the right was granted, the types of use covered shall be determined in accordance with the purpose envisaged in making the grant.”  


23 See Fromm/Nordemann/J. B. Nordemann, Urheberrecht, 10th edition, § 31 marg. no. 109 with further refs.  

24 See Dreier/Schulze/Schulze, Urheberrechtsgesetz, 3rd edition, § 32 marg. no. 54.  

25 § 307 (2); this paper will not address the specific prohibited clauses in Sec. 308, 309 German Civil Code as one can assume that the author will usually be a business person as per Sec. 14 German Civil Code so that the test of reasonableness of T&Cs as per Sec. 310 (1) German Civil Code only applies in a limited extent; see Fromm/Nordemann/J. B. Nordemann, loc. cit. before Sec. 31 et seq. UrhG, marg. no. 202.  

26 BGH GRUR 1984, 45, 49 – Honorarverständigungen.  

27 See comprehensive explanation in Fromm/Nordemann/J. B. Nordemann, loc. cit., § 31 par. 180 et seq.  

28 See Grounds Regl: UrV-G – BT-Drucksache 14/6433, p. 11.  

29 See Court of Appeal Hamburg, AFG 2011, 385; based on that ruling; District Court Braunschweig ZUM 2012, 66, 72, see also Giallei/v. Ohlenhusen ZUM 2012, 389.  

30 See KG ZUM 2010, 799, Court of Appeal Munich GRUR-RR 2011, 401, 403.  

31 BGH, judgement of 31 May 2012, IZR 73/10 – Honorarverständigungen Freie Journalisten.  

32 Now also referred to by the BGH as the “purpose-oriented transfer principle” (“Übertragungszwecklehre”) instead of “Zweckübertragungszwecklehre”; see BGH loc. cit. part. no. 15 – Honorarverständigungen Freie Journalisten.  

33 See German Federal Court of Justice, loc. cit. part. no. 17 – Honorarverständigungen Freie Journalisten; for in-depth analysis on this decision, J.B. Nordemann NJW 2012, 3121.  

34 See Fromm/Nordemann/J. B. Nordemann, loc. cit., § 31a marg. no. 53, with further refs.  

35 Through the reform of copyright contract law in 2002, the legislator added a second sentence to the provision of Sec. 11, according to which the copyright “shall also serve to ensure equitable remuneration for the exploitation of the work”. This principle has been reflected in numerous regulations (in particular Sec. 32, Sec. 32a German Copyright Act).  

36 “Fairness compensation”, Sec. 32a (1) sentence 1 German Copyright Act.
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37 See Dreier/Schulze/Schulze, Urheberrechtsgesetz, § 32a, marg. no. 37 with further refs.
38 German Federal Court of Justice, loc. cit., part. no. 29 - Honorarbedingungen Freie Journalisten.
39 German Federal Court of Justice, loc. cit., part. no. 31 - Honorarbedingungen Freie Journalisten.
40 A provision should also be included in the T&Cs which stipulates that only natural persons of full age may participate; it is also advisable to exclude employees or other staff of the idea seeker from participating.
41 German Act on Employee Inventions (ArbnErfG) of 25 July 1957, last amended by Art. 7 G of 31 July 2009.
42 See www.innocentive.com/faq/seeker.
43 See, for example, the idea competition of Evonik Industries "Wie sehen die Werkstoffe der Zukunft aus und welche neuen Anwendungswelten eröffnen sie?" ("What will the composites of the future look like and what new worlds of applications will they open?"); www.innovationskraftwerk.de.
44 See BPatG GRUR 1994, 107 - Tauchcomputer II; Mes, PatG, loc. cit., § 3 PatG marg. no. 17 with further refs.
45 See Münch in Fitzner/Lutz/Bodewig, Patentrechtskommentar, 4th edition, § 3 PatG marg. no. 35.
47 See only BGH GRUR 1993, 466, 468 - Preprint-Versendung; see only Münch in Fitzner/Lutz/Bodewig, loc. cit., § 3 PatG marg. no. 38.
48 See BGH GRUR 1993, 466, 469 - Preprint-Versendung.
49 See Münch in Fitzner/Lutz/Bodewig, loc. cit., § 3 PatG marg. no. 38 with the comment that the risk of an explicitly or implicitly defined purpose not being adhered to increases, the larger the group of people is.
51 BGH, loc. cit.
53 See Mes, PatG, loc. cit., § 3 marg. no. 18.