

PRESS RELEASE

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Subject CMS Survey Among Industrial Companies on
Reward Schemes For Employee Inventions

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CMS Survey on Reward Schemes For Employee Inventions

Cultural and legal factors an important consideration when utilising and rewarding employee inventions in Europe

CMS, Europe's largest legal services firm, has released the results of its second annual Employee Inventor Rewards Survey, an analysis of European contractual systems used to utilise and reward employee inventions. Major international and European companies and their legal departments participated in the survey.

A key question raised by the survey addressed the positive and negative consequences of existing contractual reward systems between employers and employed inventors. In some cases, these reward systems do little to encourage staff to engage in independent research and development. A third of the companies surveyed indicated that they had got into disputes with employees regarding rewards for inventions (in comparison to 40% in last year's survey,) indicating that the inventor reward policies in place fail to satisfy the dispute-settling function for which they were created.

As some of the companies surveyed are not subject to legally binding rules for rewarding employee inventions – as opposed to German and Austrian companies for which such reward systems are legally compulsory – voluntary rewards were also considered in the survey. The most significant proportion of those surveyed were multinational enterprises with more than 10,000 employees (42%), followed by small and medium-sized companies in R&D-driven sectors such as technology, lifesciences and consumer products.

Of the companies surveyed, 78% stated that staff inventions were subject to (labour) contract rules, which CMS considers best practice for companies engaged in R&D. Surprisingly, however, the survey indicated that several large multinational companies do not have any staff employee inventor reward schemes in place.

The survey highlights the importance of cultural factors when it comes to how employees are rewarded. Company and regional cultural attitudes can determine whether employees regard monetary or non-monetary awards, for example a commemorative plaque or celebratory dinner, more highly.

Egon Engin-Deniz, partner and head of the intellectual property and media team at CMS in Vienna as well as head of the pan-European CMS IP Group, commented, *“Foreign employers hiring Austrian staff tend to disregard the fact that employers do not have a statutory right to the transfer and use of*

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inventions by employees if no employee inventor rewards contract has been entered into. And even if such contracts exist, disputes can arise if employers misinterpret their employees' invention reports or fail to respond to inventions reported by their staff in a timely manner. Despite contractual agreements, disputes regarding the remuneration for inventions, often linked to the exit of key staff, frequently result in court proceedings. Especially companies with intensive R&D activities are thus well advised to establish an employee invention management system including a specification of contract clauses, which unfortunately are often phrased too vaguely, standardised reviews of employee invention reports and timely utilisation statements."

The majority of respondents moreover offer voluntary employee inventor rewards to incentivise all staff to create innovations for their employer. Most companies also offer non-financial rewards such as inventor plaques and award ceremonies. The most common annual spend on voluntary inventor rewards range between €5,000-€25,000, while 18% of companies spent more than €100,000 for all employees engaging in inventive activities.

The stage at which companies actually transfer inventor rewards to staff varies significantly across Europe. As was found in last year's survey, 92% of companies offer a reward already upon the filing of patent applications, while 68% offer (additional) rewards on the granting of the patent. 16% of respondents offered inventor rewards of over €1,000 at patent filing, a reduction on the 35% of respondents offering this level of reward as concluded in the 2013 CMS survey. €500-€1,000 was the most common monetary reward across all stages.

Of the companies surveyed, 44% offer rewards when the invention is utilised in the business itself. The value of remuneration at this stage can sometimes be tied directly to the percentage of relevant turnover.

A current picture of Egon Engin-Deniz is available for free download at http://sites.cms-rrh.com/downloads/engin-deniz_egon.zip

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