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Employee inventor rewards survey

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Introduction

We are pleased to present the results of our 2014 employee inventor rewards survey, which closed in April 2014.

Following on from the success of our first online survey of companies' inventor reward policies in Europe, the results of which were released last year, we reviewed and revised our survey before reissuing it at the start of this year.

We have focused the survey on voluntary rewards and given less emphasis to the compulsory reward systems in countries such as Germany. We have also added new questions, including in relation to companies' total annual spend on employee rewards.

In the course of conducting our survey and analysing the results, we have met with a number of in-house patent managers to gather their views on employee inventor rewards. This has been very helpful in enabling us to subsequently analyse and comment on our survey results.

If you would like to discuss this or other related topics with us, our contact information is included at the back of this report. We advise on inventor reward schemes, employee IP policies, and disputes with employees concerning IP.

This year we have almost doubled the number of survey respondents. We would like to thank all those who have contributed data. Do please support our survey project in future years so that we can grow it further.

If you have any suggestions for improvements in the survey next year, please do get in touch – we would very much like to hear from you.

The CMS patents team

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The results – at a glance

48

responses

78%

have a written IP
policy in place

Germany and the UK
remain the most prevalent
countries for R&D in our survey

42% were
companies with
more than
10,000
employees
worldwide

Wide range in
annual spend on
inventor rewards
from €5,000
to €5 million

€500 - €1,000 is the
most common reward
across all stages

82% offer rewards to
employee inventors in Europe

Filing of the patent application
remains the stage at which
most rewards are made

Patent grant is the next most rewarded stage

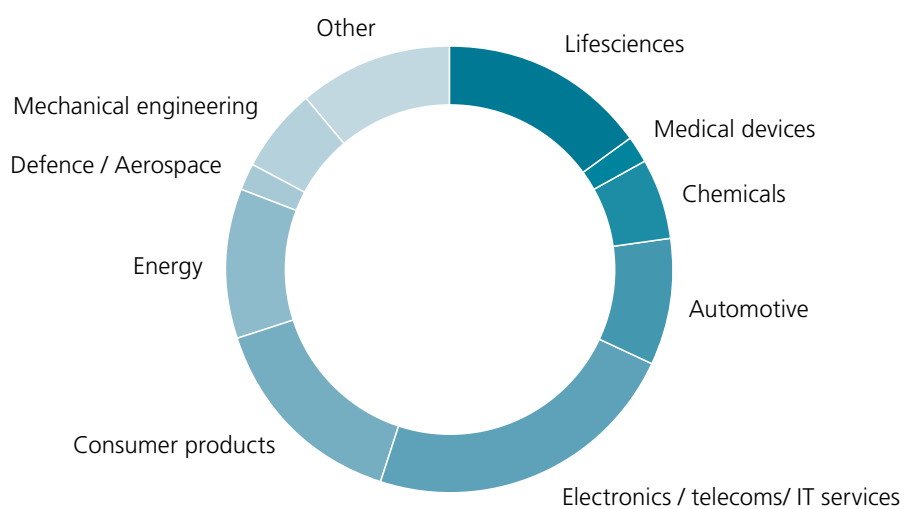
Many companies
also offer
non-monetary
rewards

Survey respondents

Industry sector

The responses to the survey came from a number of different industry sectors where R&D and patent protection is a priority. The largest number of responses came from the electronics / telecoms / IT services sector (23%), followed by the consumer products (15%) and lifesciences (15%) sectors. We have not included universities, but may do so in future surveys.

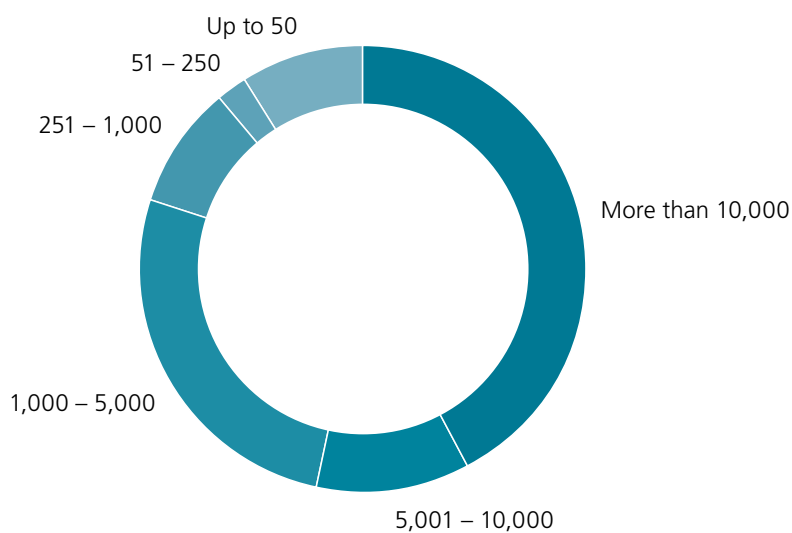
Survey respondents by industry sector



Number of employees

The size of the respondents' businesses varied from large global companies to smaller national entities. However, a large number of respondents (42%) were companies with more than 10,000 employees.

Survey respondents by number of employees worldwide



IP policies and disputes

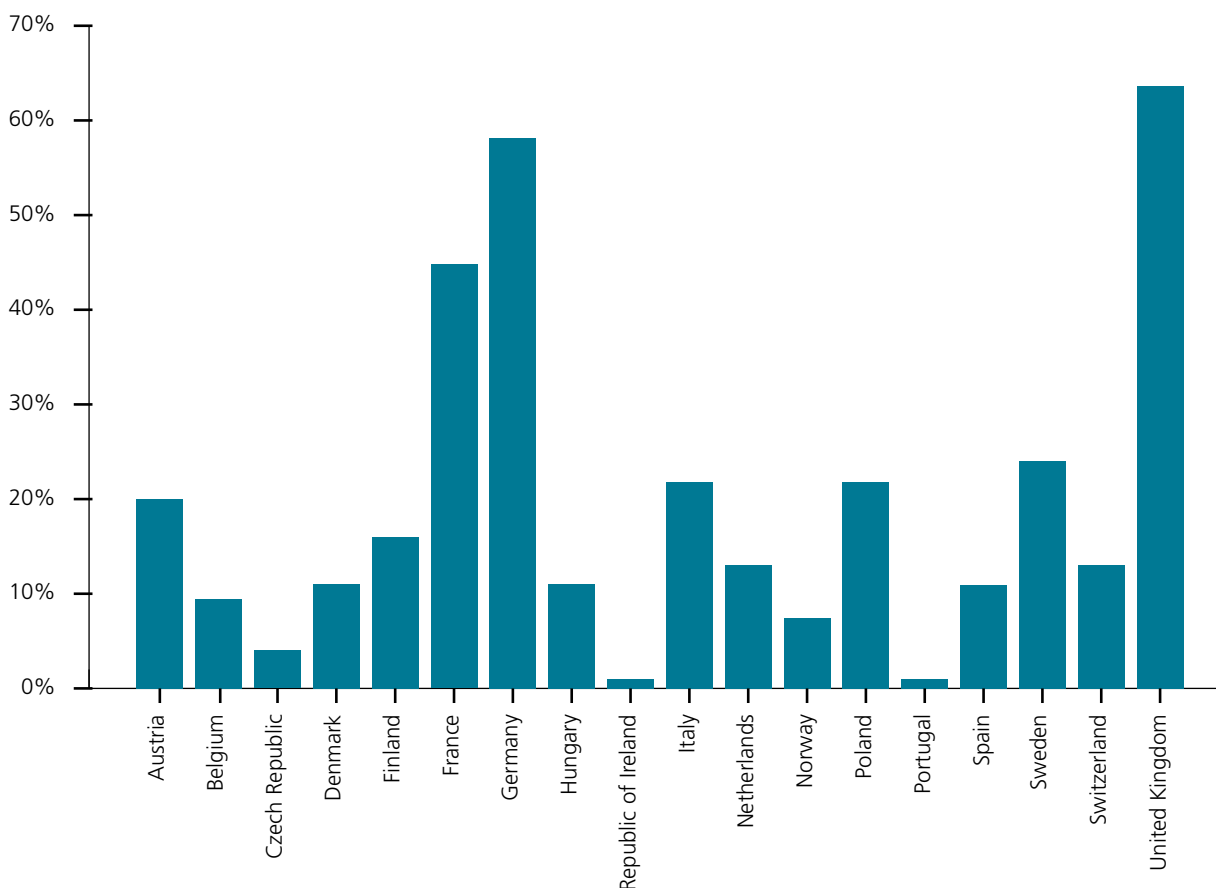
The majority of respondents indicated that they had a written IP policy in place (78%). However, a number of respondents do not, which includes multinational companies, with more than 10,000 employees, that offer rewards to employees. The lack of an IP policy in companies of this size is surprising.

We also asked respondents whether they had had any disputes with employees regarding rewards for inventions. Around a third of respondents indicated that they had. However, it was not possible to draw a correlation between companies that had encountered disputes and those that did not have an IP policy in place.

Some respondents referred to long-running disputes, including one in which a European Supreme Court found in favour of the employee. Other respondents indicated that they had received complaints from employees for not paying rewards promptly, but that these had not progressed to litigation.

Locations

Countries in Europe in which your business carries out research and development



The majority of respondents carry out R&D in several countries in Europe, with 29% operating in only one European country.

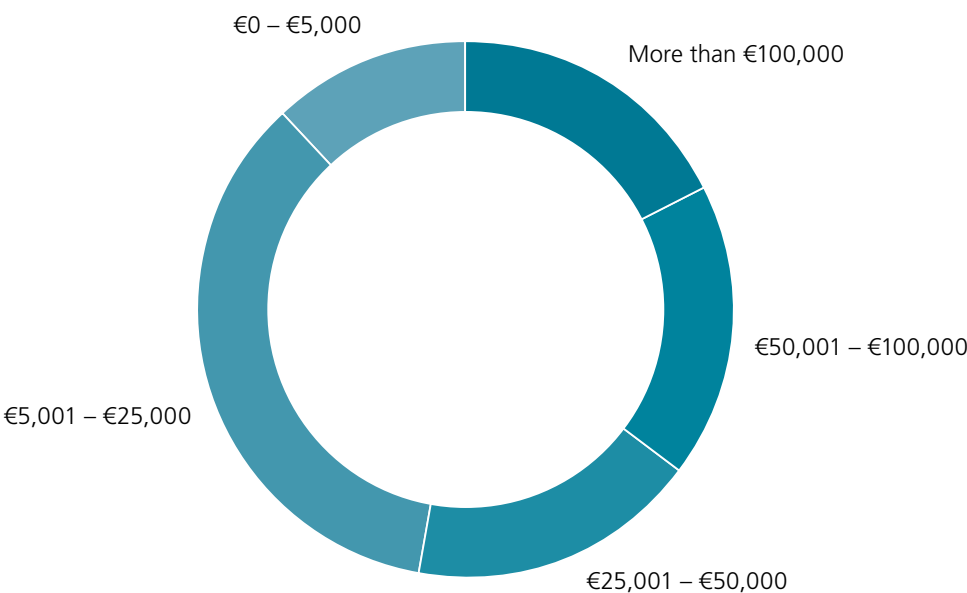
As in the 2013 survey, the most prevalent jurisdictions for R&D among our respondents remain the UK and Germany, although this year the UK was the top jurisdiction rather than Germany.

Rewards for inventors

82% of respondents indicated that they offer rewards to employee inventors in Europe. Of these, 68% offer rewards in every country in Europe where the company carries out R&D. The remaining respondents only offer rewards in certain European countries, but this was not limited to those countries where rewards are required by law. In addition, the vast majority (94%) of respondents that offer rewards in Europe do this for all employees, not only for those who are employed to make inventions.

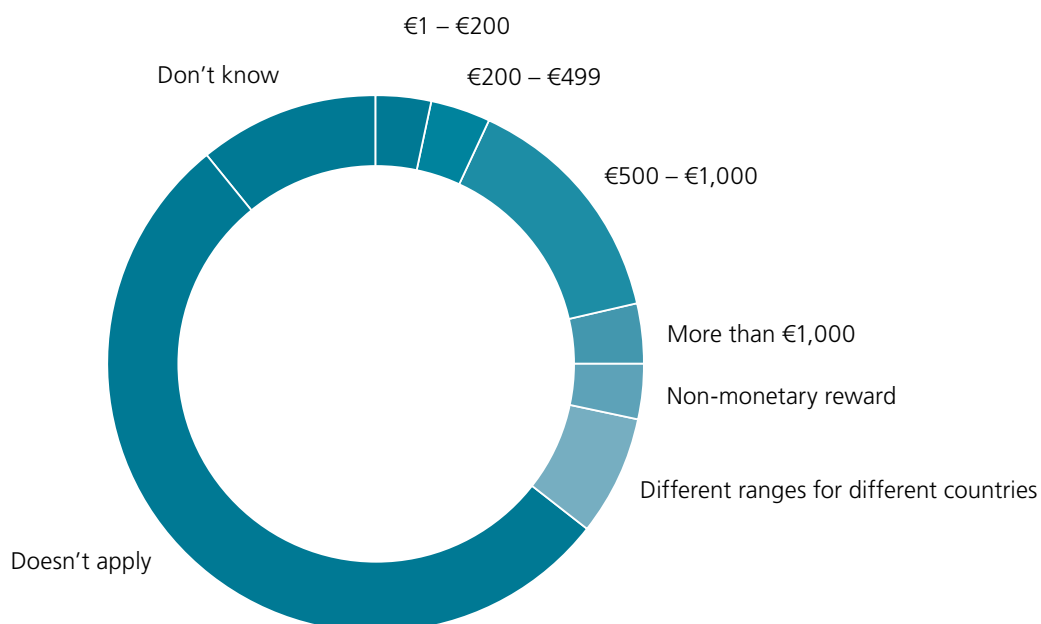
Annual spend on rewards

This year we introduced a new question to gather information on the total annual spend on inventor rewards. The responses to this question varied enormously, from €5,000 to €5 million. The most common annual spend was between €5,001 to €25,000. There was a general correlation between the total annual spend and the size of the business, although this was not always the case.



Rewards upon initial disclosure of inventions

What do your European R&D employees typically receive as invention rewards (before tax) upon initial invention disclosure by the employee?

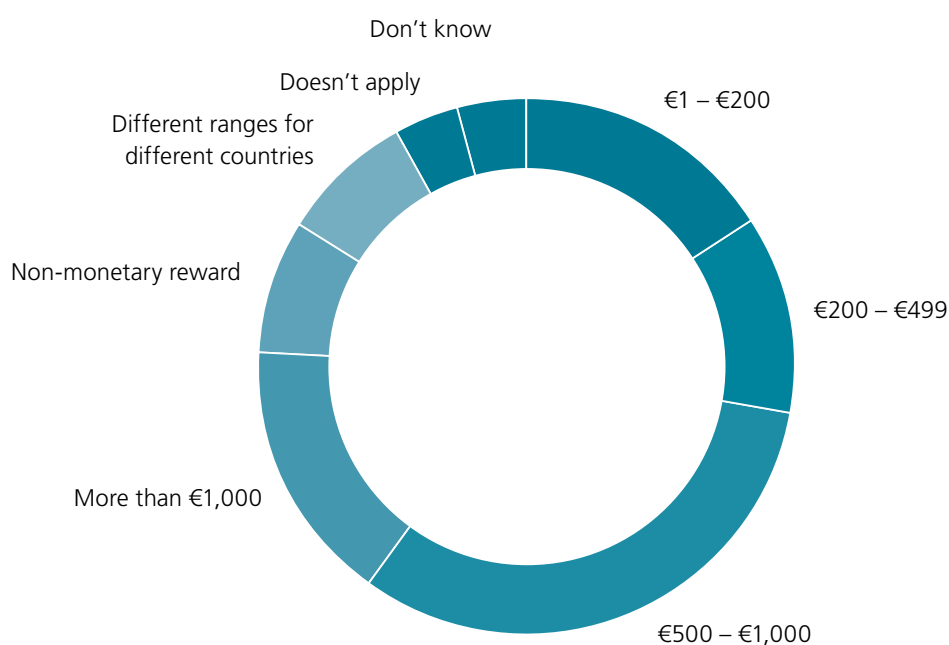


36% of respondents indicated that they offer rewards to inventors upon the initial disclosure of the invention. This was the least popular stage at which to reward inventors. Some may consider that rewarding at this stage will discourage collaboration between engineers. All but one of the respondents who reward at this stage also reward at later stages such as the filing of the patent application. For those companies that offer monetary rewards at this stage, the vast majority give this as a single lump sum payment, rather than in instalments.

Of the respondents that do award at this stage, 20% indicated that the amount awarded depended on the country of employment. The remainder pay the same amount regardless of country.

Rewards upon the filing of patent applications

What do your European R&D employees typically receive as invention rewards (before tax) upon a patent application being filed based on the employee's invention?



In line with the results of last year's survey, the filing of a patent application remains the most popular stage at which a reward is offered. 92% of respondents offer a reward at this stage, with 32% offering between €500 and €1,000. In at least one of our respondent companies, the total amount of the reward depends on the number of inventors. Typically, the more inventors involved in an invention, the less each one receives.

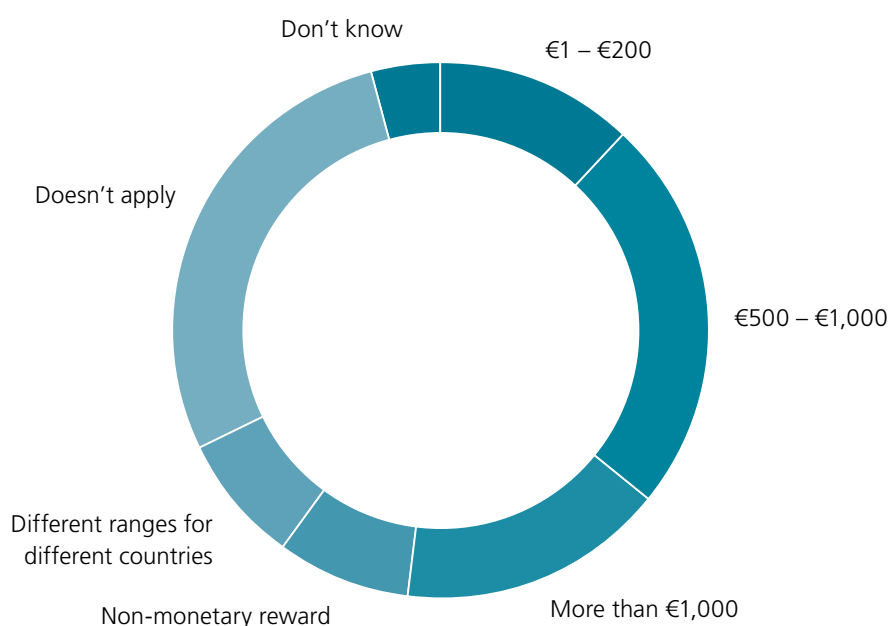
Where the amount of the reward varies by country, respondents cited the cost of living in the country as a relevant factor determining the amount of the reward. For most respondents, the country of employment does not affect the amount of the reward. However, it is known that cultural factors differ from country to country, concerning the willingness of businesses to offer financial rewards to inventors.

The vast majority of respondents pay the monetary reward as a single lump sum. One respondent indicated that the reward is contingent on the inventor assisting with the progress of the invention from filing through to grant.

Some companies offer non-monetary rewards at this stage, such as engraved awards.

Rewards upon patent grant

What do your European R&D employees typically receive as invention rewards (before tax) upon patent grant (regardless of the invention in the business)?



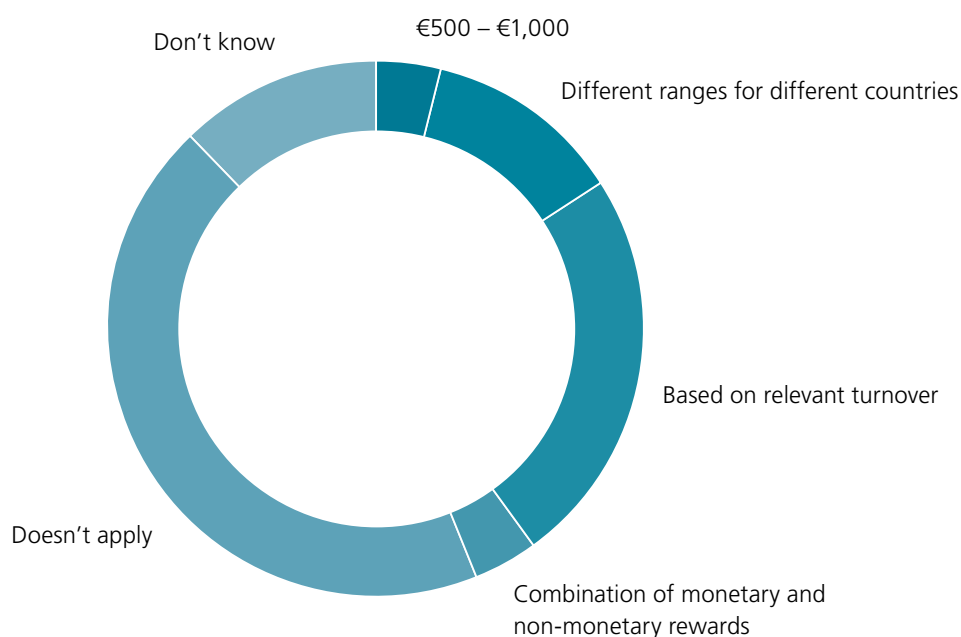
Patent grant is the second most rewarded stage for inventors after patent filing. This is in line with the results of our 2013 survey. 68% of respondents offer a reward of some kind upon the granting of a patent. The majority of these rewards are between €500 - €1,000, although 16% offer over €1,000. One company indicated that the amount of the reward depends on the number of inventors – there is a set amount available for each invention, which does not increase with the number of the inventors, so the more inventors involved in an invention, the less each of them would receive.

Again, the vast majority of the financial rewards offered at this stage are paid in a single lump sum.

Some companies also offer non-monetary rewards at this stage, either in addition to or in place of financial rewards. These include certificates, plaques and celebratory dinners.

Rewards upon the use of inventions by the company

What do your European R&D employees typically receive as invention rewards (before tax) upon use of the patented invention in the business?



44% of respondents offer rewards to inventors when the invention is used in the business. The majority of these award a sum based on a percentage of the relevant turnover, ranging from 0.5 to 1.5%. However, one company stated that it offers a fixed award based on the value of the patent. The value of the patent is estimated by looking at various factors including the relevant turnover and the importance of the patent, with awards generally ranging from around €4,000 up to €100,000 for that particular company.

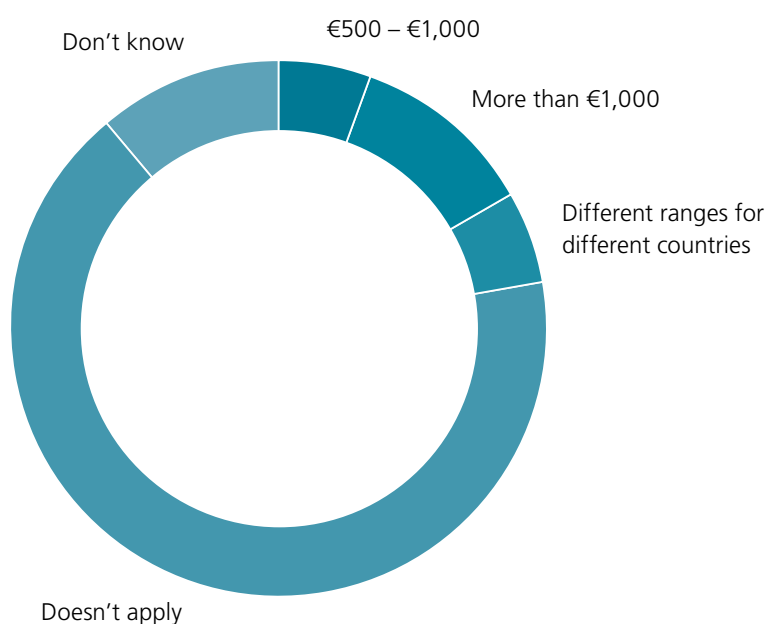
Of the companies that award at this stage, 30% said the amount of the reward varied depending on the country of the employee. For example, one respondent stated that rewards are offered in the UK upon use of the invention based on the relevant turnover whilst in their French division there is no such reward.

Compared to rewards offered at other stages, a lower proportion of respondents offer rewards upon use as a lump sum payment (56%), although this is still the preferred method. A number of respondents pay rewards on a continuing basis, which is logical if the reward is determined by reference to annual turnover.

Some respondents offer non-monetary rewards at this stage, either in combination with or instead of financial rewards. Such rewards include inventor badges, publishing the inventor's name in a "hall of fame", plaques and award ceremonies.

Other rewards

What do your European R&D employees typically receive as invention rewards (before tax) upon other events not listed above?



22% of respondents said that they offered rewards at other stages not referred to in our survey. These include the licensing or assignment of the patent, filing a PCT application, outstanding technical achievement, or when a certain number of patents are granted in one year. These rewards are both monetary and non-monetary.

Rewards – who benefits?

In the course of preparing our survey and analysing our results, we have been fortunate enough to speak to a number of in-house patent managers to gather their views on employee inventor rewards.

It seems that views on employee inventor rewards and their effects are mixed. Some companies have a long-established policy of rewarding inventors, while others have made it their policy not to. A key area of debate is the effect that rewards have on employees and on the business. Do they really promote inventions and innovation? Or do the negatives associated with rewards outweigh their benefits, creating bad feeling and encouraging disputes? Some companies feel that rewards are divisive and unfairly ignore the contributions of other employees. Furthermore, academic studies have shown that the expectation of a regular reward can have a demotivating effect.

Businesses must consider what kinds of inventors to reward. For example, designs can be of equal or greater significance, compared with patents. In addition, businesses may wish also to offer a reward where they choose to maintain the invention as a trade secret. In contrast, employed patent attorneys routinely contribute to inventions or create them around a new product; potentially, these might be viewed as less worthy of a special reward.

If the scheme rewards only the inventor whose name appears on the patent, this can lead to tension among employees. Whilst some employees may feel motivated by being named on the patent, even without a financial reward, this is problematic, for example, in the US where any named inventor may be susceptible to depositions during litigation.

Where rewards are adjusted pro rata depending on the number of inventors, this can discourage inventors from sharing and exploring ideas with one another to avoid having to share any eventual reward. This can in turn hinder innovation within the business. The same applies to rewarding inventors at the disclosure stage, where the availability of a reward may discourage them from sharing ideas.

Another issue is likely to be allocating budget to pay for rewards, as between several divisions and subsidiaries, particularly for companies with a large volume of patents. Less successful teams may have less budget available, but have a greater need to innovate for success.

It is important to consider the cross-border element. It can be impossible for an international company to streamline its reward scheme across a number of jurisdictions, particularly where the company operates in countries where a mandatory statutory reward scheme is in place, such as Hungary or Germany. Cultural issues are also important – whether an employee would prefer a monetary reward or a non-monetary reward such as a plaque or a special dinner can vary depending on cultural differences, as can the attitude of their employer. This also means that cross-border teams, and secondments, present challenges for reward schemes.

We hope that the information revealed in this report will help companies to develop their thinking on employee reward schemes and policies.

Contact us

If you would like to discuss this report please contact a member of the team.



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