



**Intellectual  
Property  
Owners  
Association**

# **EMPLOYEE INVENTOR COMPENSATION PRACTICES SURVEY**

**Report of the IPO Asian Practice Committee  
February 2004**

**Intellectual Property Owners Association  
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## Introduction

The questionnaire was sent to IPO's 89 corporate members in July 2003. Thirty-eight companies responded. Fifteen were in the *computers and electronics* field; thirteen were in *chemicals, pharmaceuticals, and biotech*; and ten were in *consumer products, machinery, and general manufacturing*. The annual revenue of the 38 companies ranged from \$400 million to \$177 billion; average annual revenue was \$30.8 billion. The number of US patent applications filed annually average 623. The number of foreign patent applications filed annually average 867.

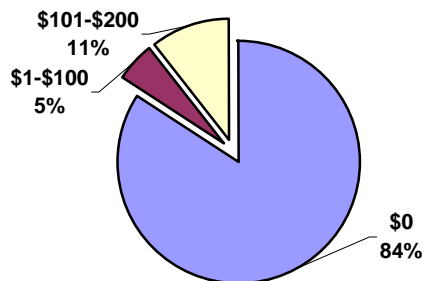
Each company was asked to answer seven questions regarding its employee invention compensation practices. The responses are summarized below.<sup>1</sup>

Two appendices have been added for reference. Appendix A contains the "Employee Invention Compensation Practice Questionnaire," the results of which are summarized in this report. Appendix B summarizes responses to a six-part question from a separate, recent survey, the "2003 Intellectual Property Owners Association Survey on Strategic Management of Intellectual Property."<sup>2</sup>

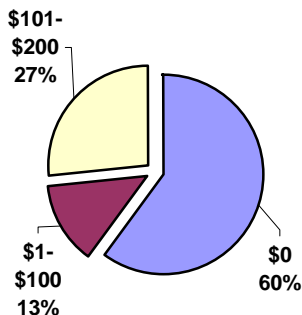
### Question 1: Amount your company pays for an employee invention disclosure

**Responses:** 84% of all respondents reported they make no payments for employee invention disclosures. Those who make such payments pay \$200 or less per disclosure.

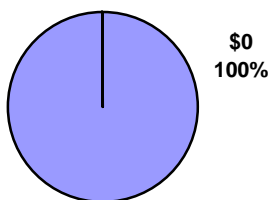
All Respondents (38)



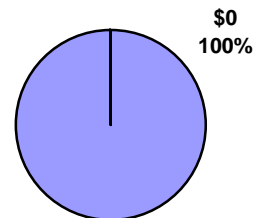
Computers and Electronics



Chemicals, Pharmaceuticals, and Biotechnology



Consumer Products, Machinery, and General Manufacturing

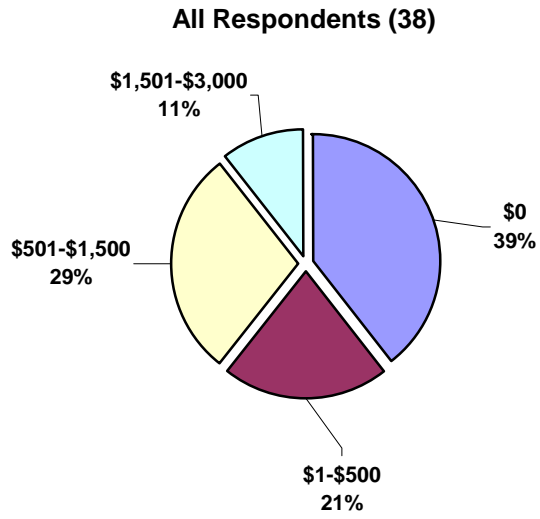


<sup>1</sup> Questions have been renumbered from those in original questionnaire.

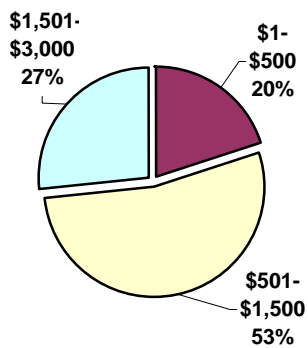
<sup>2</sup> For an earlier report on employee invention compensation practices, including analysis of governing law, see Thomas R. Savitsky, "Management of Employee Inventions," October 1990. Copy available on IPO website at [www.ipo.org/Savitsky](http://www.ipo.org/Savitsky).

**Question 2: Amount your company pays an employee for a filed patent application**

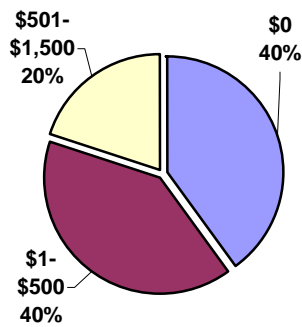
**Responses:** 61% of all respondents make such payments. The most common range for the amount of such payments is \$501 to \$1500.



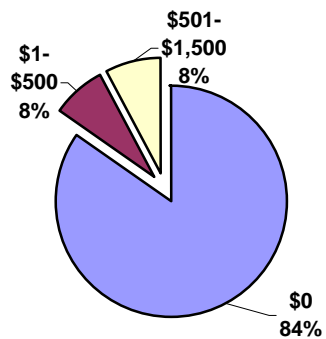
**Computers and Electronics**



**Chemicals, Pharmaceuticals, and Biotechnology**

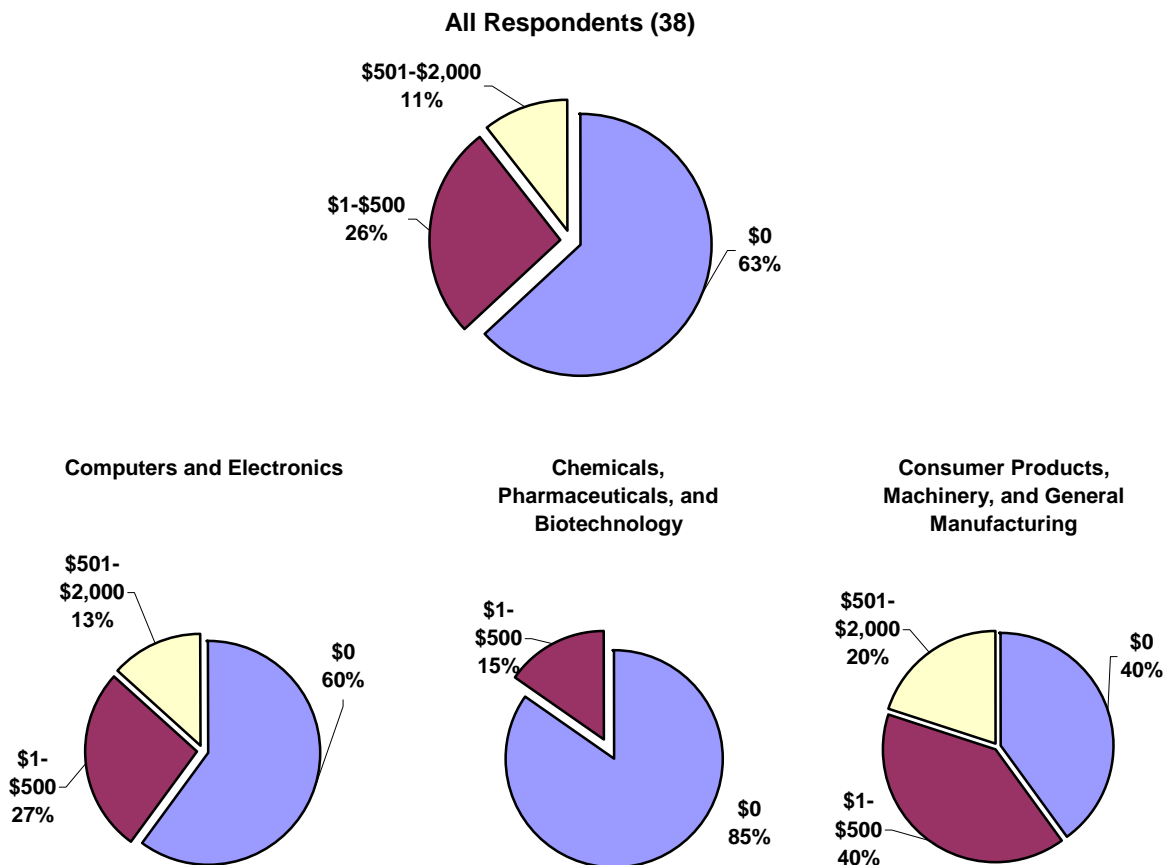


**Consumer Products, Machinery, and General Manufacturing**



**Question 3: Amount your company pays an employee for issuance of a patent**

**Responses:** 37% of all respondents report making such payments. Of those who do make such payments, the most common amount is in the range of \$1 to \$500.



**Question 4: Amount your company pays an employee for a “highly valuable” patent**

**Responses:** Twenty-nine of the 38 respondents indicated that their companies do not pay for “highly valuable” patents. Of the nine remaining, four companies indicated that inventors of “highly valuable” patents become eligible for achievement awards with varying cash prizes; one company pays a flat fee of \$200; and the last four respondents paid inventors for their “highly valuable” patents, the values ranging from \$300 to \$37,500.

**Question 5: Type and amount paid for other patent-related awards**

**Responses:** Nineteen respondents indicated no payment for other patent-related awards. One company reported a payment of \$500. Four companies reported payments from \$500 to \$750 for trade secrets or other non-patented intellectual property. One company paid \$2,000 for patent usage. Another reported a \$5,000 payment for identifying infringement activities. One company paid \$5,000 annually to the inventor with the most patents. Three companies reported cash awards for milestones (e.g., \$10,000 for an inventor’s 10<sup>th</sup> patent.) One respondent reported payment of a \$15,000 award. Another gave an annual \$25,000 award for an invention, patented or not, that “contributed significantly to the success of the company.”

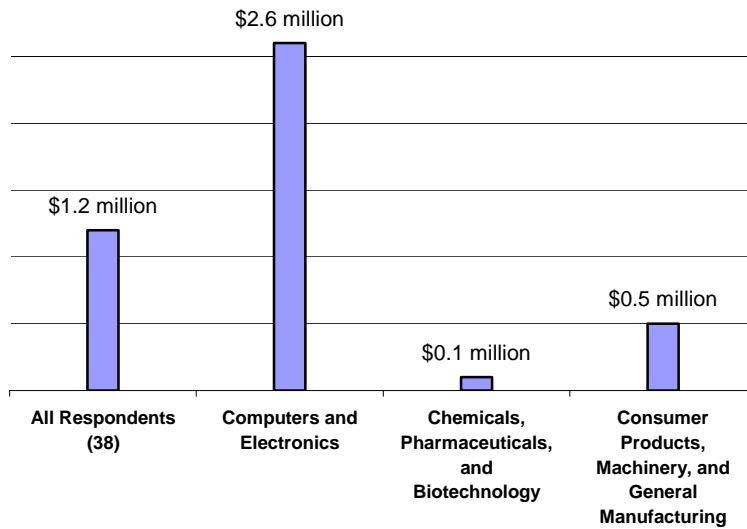
**Question 6: Type of non-cash incentive to inventors other than the above awards**

**Responses:** Twenty-five of the companies present plaques to their inventors. Fifteen host recognition banquets, luncheons, and dinners where inventors are recognized. Three of the companies have some means of promotional consideration, notification to management, or “fellow” appointments for inventors. One company rewards inventors of “highly valuable” inventions with stock options. Seven companies reported no non-cash incentives to inventors.

**Question 7: Total annual amount paid by your company for awards to inventors**

**Responses:** Average annual amount per company is shown on the graph below.

**Annual Amount Paid for Inventor Awards**





## EMPLOYEE INVENTION COMPENSATION PRACTICES QUESTIONNAIRE

### GENERAL QUESTIONS ABOUT YOUR COMPANY

1. Business field(s) of your company (i.e., chemical, biotech, electronics, etc):
2. Approximate annual revenue of your company:
3. Annual number of US patent applications filed by your company:
4. Annual number of foreign patent applications filed by your company:

### QUESTIONS ABOUT YOUR COMPANY'S EMPLOYEE INVENTOR COMPENSATION PRACTICES

(If answer is "none," state "none.")

5. Amount your company pays for an employee invention disclosure:
6. Amount your company pays an employee for a filed patent application:
7. Amount your company pays an employee for issuance of patent:
8. Amount your company pays an employee for a "highly valuable" patent:
9. Type and amount paid for other patent-related awards:
10. Type of non-cash incentive to inventors other than the above awards:
11. Total annual amount paid by your company for awards to inventors:

**INDIVIDUAL RESPONSES WILL BE ACCESIBLE ONLY TO THE IPO STAFF AND WILL BE KEPT STRICTLY CONFIDENTIAL. Results will be reported in consolidated form only. No individual companies will be identified. Send completed questionnaire to [herb2@ipo.org](mailto:herb2@ipo.org) or fax to 202/466-2893 no later than July 22, 2003.**

## Appendix B

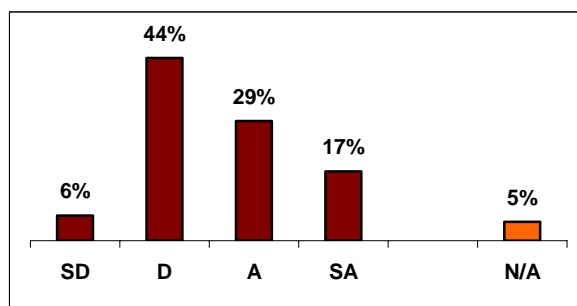
This appendix summarizes responses to a six-part question from a separate IPO survey, the “2003 Intellectual Property Owners Association Survey on Strategic Management of Intellectual Property.” The survey was conducted for IPO by Professor Rebecca Henderson of Massachusetts Institute of Technology and Professor Ian Cockburn of Boston University. This survey was sent out in the late summer of 2002 to the IPO member companies, as well as to a list of senior corporate IP managers maintained by Delphion Inc; 66 usable questionnaires were returned. Results were presented at an IPO-sponsored conference in Washington, DC on November 10, 2003.<sup>3</sup>

Note: For each question below, respondents were asked to respond that they “strongly disagree” (SD), “disagree” (D), “agree” (A), or “strongly agree” (SA).

At my company, scientific and technical personnel are:

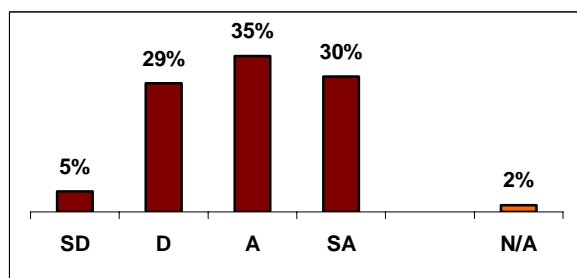
(i) recognized for invention disclosures

Typical reward: plaque, dinner, t-shirt



(ii) recognized for initial patent filing

Typical reward: \$500-\$1000.  
Maximum was \$3000



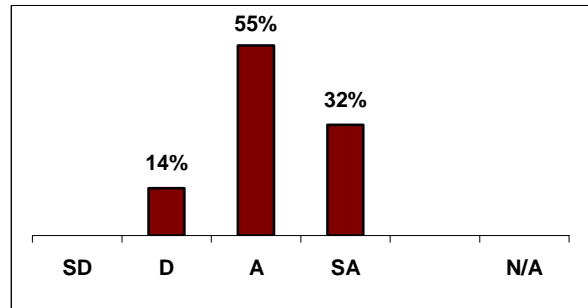
<sup>3</sup> Copies of the report on the complete survey, which contains more than 100 questions, may be obtained from Intellectual Property Owners Association by purchasing conference materials from 2003's Managing Corporate IP Today Conference. Ian M. Cockburn and Rebecca Henderson, "Survey Results From The 2003 Intellectual Property Owners Association Survey on Strategic Management of Intellectual Property," October 2003. Go to [www.ipo.org](http://www.ipo.org) or call 202-466-2396.



(iii) recognized for patent grants

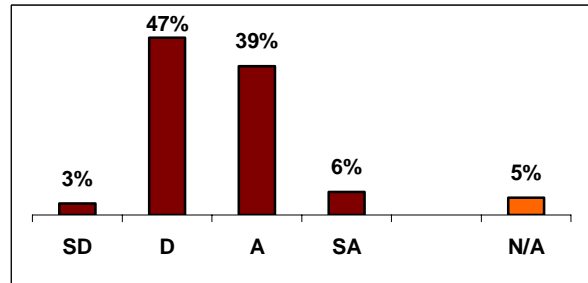
Typical reward \$1000 plus dinner and plaque.

Maximum was \$10million!



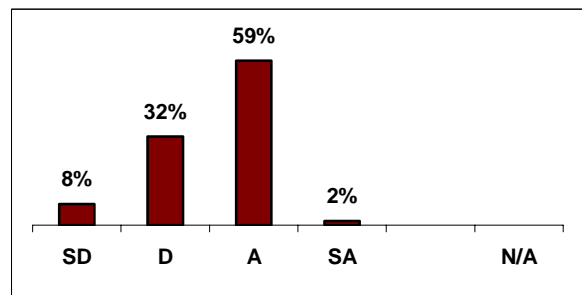
(iv) recognized for generating other IP

If reward is given, it is typically for “trade secret” and is a token amount of money. “Part of the job” was a common comment from respondents.



(v) promoted, at least in part, on their record of generating patents.

The majority of companies do take inventors’ records of generating patents into account in promotion decisions, though very few registered strong agreement and 40% of companies do not appear to use this practice.



(vi) given significant monetary rewards for generating patents.

“Significant” appears to have been an important modifier for this question. The majority of companies do reward inventors, but rarely with substantial amounts of money.

