

JIPA FORUM

Tokyo, Japan • July 14, 2004



*J. Jeffrey Hawley, President
Intellectual Property Owners Association (IPO)
July 2004*

Statutory Scheme

- No Federal statute requires inventor compensation
- No state statute requires inventor compensation
- Relationship between the company and inventor governed by contract
 - Compensation disputes sometimes come up, but only under the provisions of a contract



State Laws

- **Some states have inventor provisions but not relating to compensation**
- **California labor Code Section 2870(a):**

Any agreement to assign “shall not apply to an invention that the employee developed entirely on his or her own time..”



Typical Employment Agreement

“I understand that the Company requires its employees to assign to it all right, title and interest in all inventions, discoveries, improvements and copyrightable subject matter within or arising out of any field of employment with the Company.”



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Typical Employment Agreement

“Therefore, in consideration of my *employment* by the Company and of the *wages and other benefits* to be received by me in connection with such employment, it is understood and agreed as follows:”



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Typical Employment Agreement

“I hereby sell, assign and transfer to the Company all of my right, title and interest in all inventions.... which during my employment and within (X) years following my termination, are made or conceived by me alone or with others...”



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Typical Employment Agreement

“I will fully disclose to the Company as promptly as available all information known or possessed by me concerning the inventions... referred to above, and upon request by the Company *and without further remuneration in any form to me by the Company* will execute all documents necessary to perfect rights to the inventions...”



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Example Inventor Systems

- Recognition?
- Incentive? To do what?
- Compensation?
- Combination of the above?

Must Consider:

“What are we trying to accomplish?”



Quantity-Based Systems

- **Typically tied to the patent system**
Money for filing or issuance of home country patent (Money, stock options, paid holiday etc.)
 - Typically modest amounts, e.g. \$500, \$1000
- **Milestone awards, e.g. 5, 10, 20 etc. patents**
- **Distinguished inventor group qualification**



Quality/Value-Based Systems

- **Sometimes not strictly tied to the patent system**
 - Allows recognition of inventors of trade secrets
- **Based on judged contribution**
- **Examples:**
 - “Inventor of the Year”
 - “Corporate Technical Achievement Award”



Pure Recognition

- Patent plaques or certificates
- Corporate IP wall displays
- Recognition meals – including management
- My Favorites
 - Recognition dinner
 - **INCLUDE SPOUSES**



IPO Inventor Compensation Survey

July 2003

- **38 Responses**
 - 15 - computers and electronics
 - 13 – chemicals
 - 10 - consumer products, machinery, manufacturing

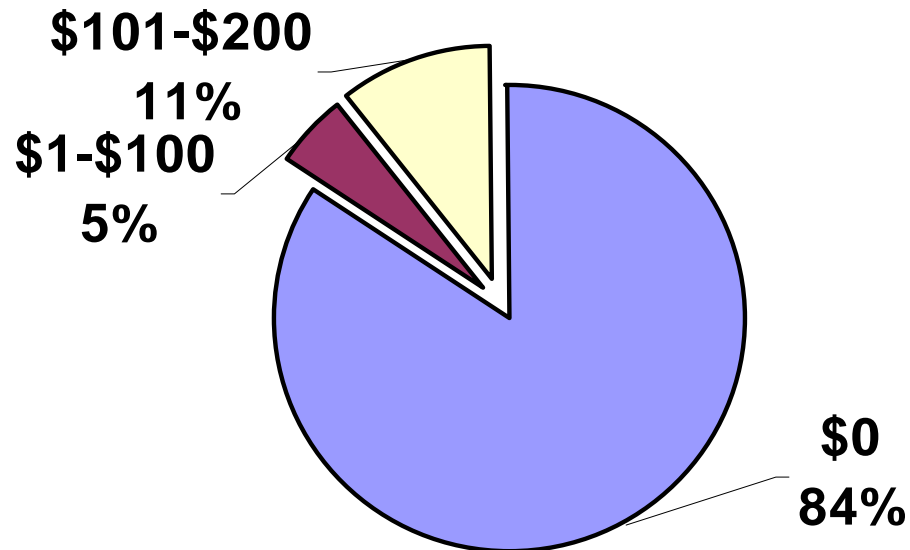
- **Average # of U.S. applications/year: 623**



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Payment for Invention Disclosures

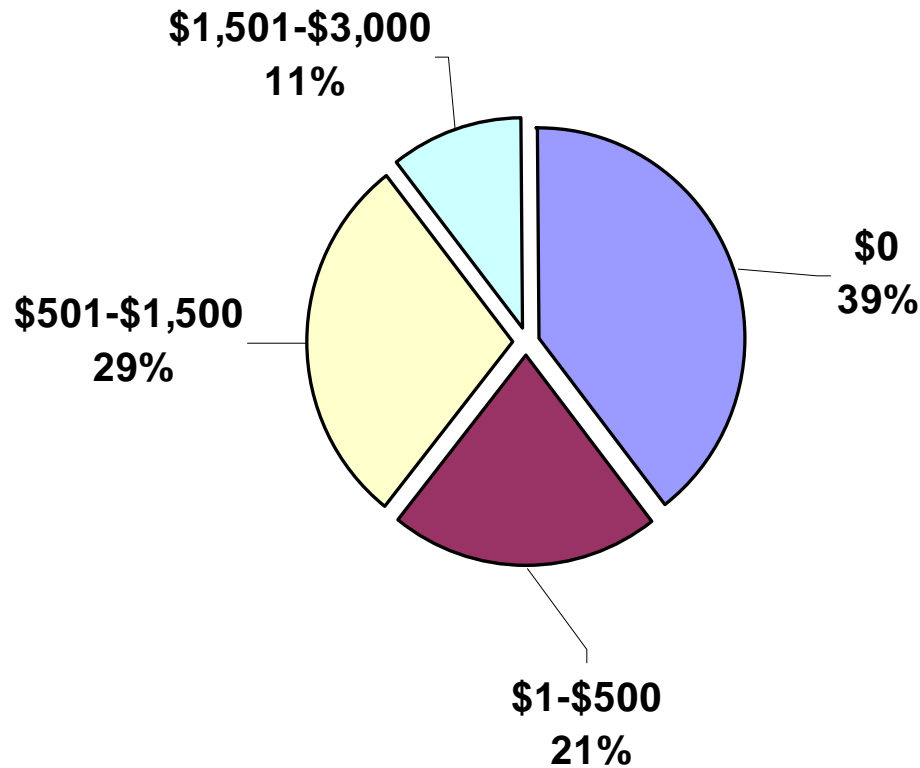
All Respondents (38)



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Payment for Application Filing

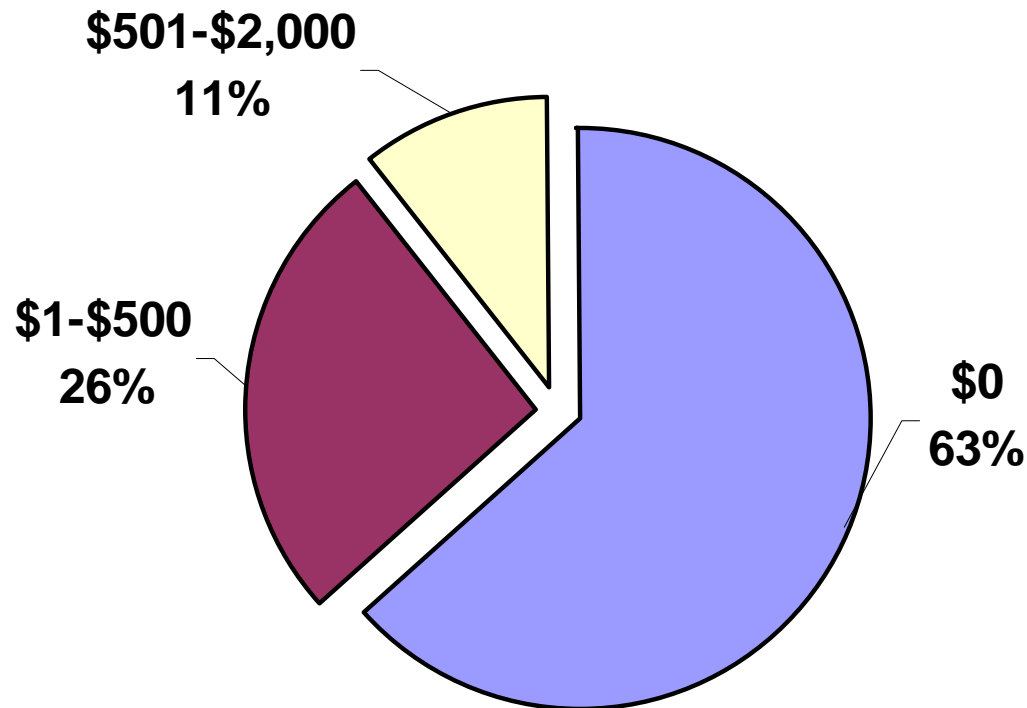
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Payment for Patent Issuance

All Respondents (38)

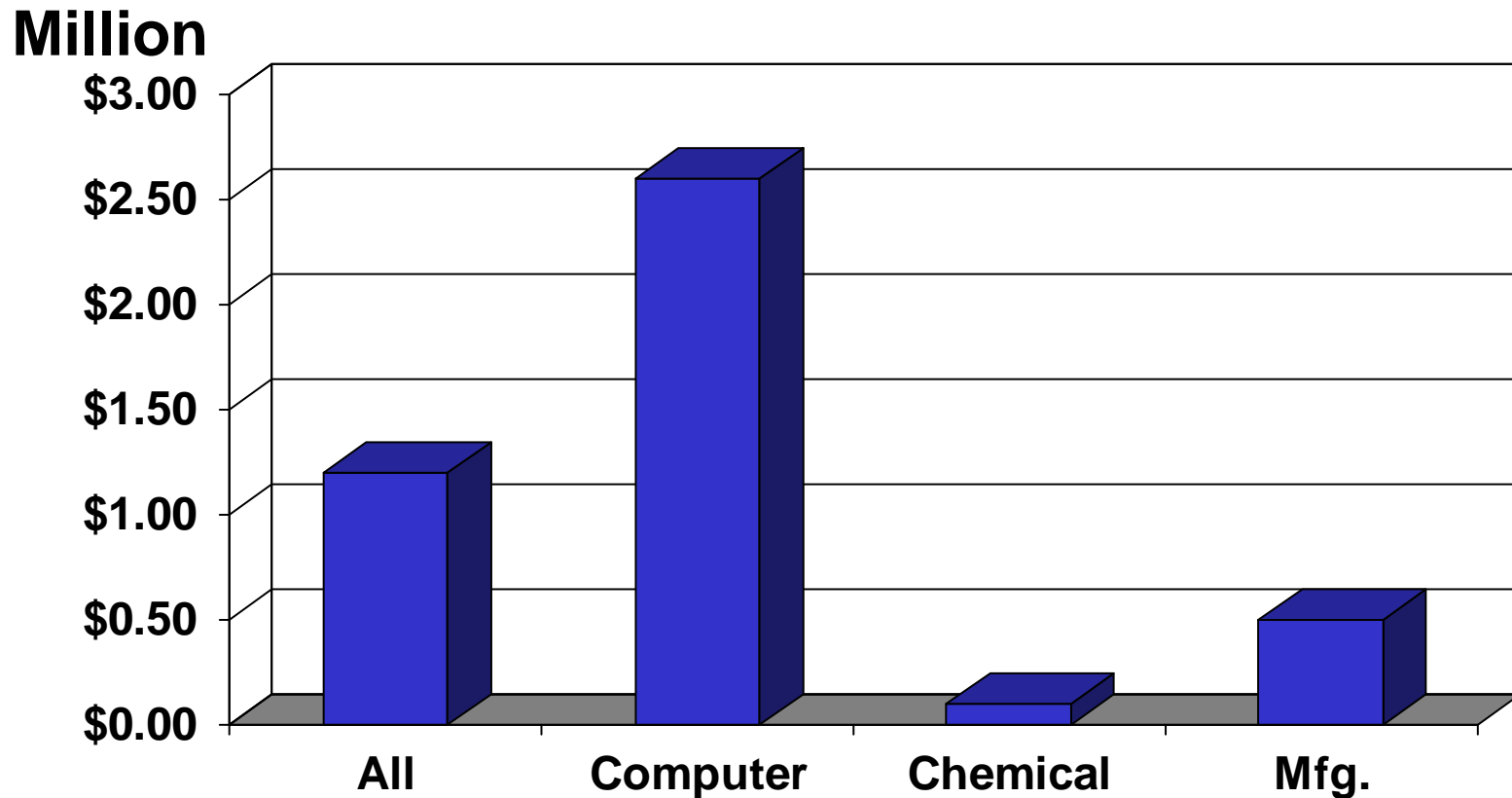


Other Payments

- **What some companies reported:**
 - Trade secret awards: \$500 - \$750
 - Patent “usage” - \$2,000
 - Identification of infringing activity - \$5,000
 - \$5,000 to the inventor with the most patents in any given year
 - \$25,000-invention, patented or not, “contributed significantly to the success of the company”



Average Annual Awards Budget



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Kodak's Awards System

- First Patent
 - Plaque
- 5 Patent Milestone
 - Medallion
 - Recognition lunch
- 10 Patent Milestone
 - Stock options
 - Recognition lunch



Kodak's System II

- 20 Patent Milestone
 - Stock options
 - Inventor's "Wall of Fame"
 - Annual invitation to CEO recognition dinner
- Century Award
 - @ 100 Patent milestone
 - Crystal Sculpture



Kodak's System III

- “Eastman Innovation Award”
 - Patented or not
 - “Contributed significantly to the success of the company”
 - Nominations sought
 - Committee recommendation
 - Management Award (\$25,000)
 - Presented at CEO recognition dinner

