

## Spur and Protect Your Company's Innovations: Making an IPIP Work for You



**There are myriad reasons for companies to implement an intellectual property incentive program (IPIP). More than a paycheck, an IPIP offers rewards and recognition for contributing to the company's IP portfolio. But, be sure to avoid these 10 pitfalls.**

**By Barry Schindler, Lennie Bersh and Corinne LaGosh | [March 5, 2021](#) | [New Jersey Law Journal](#)**

There are myriad reasons for companies to implement an intellectual property incentive program ("IPIP"). More than a paycheck, an IPIP offers rewards and recognition for contributing to the company's intellectual property portfolio. The significant benefits of an IPIP include:

- Facilitating recruitment and retention of the best talent by fostering and promoting a culture of innovation and knowledge;
- Promoting the company's reputation, image, and vision as an innovative company;
- Aligning the speed of innovation with industry trends;
- Protecting investment and competitive edge by generating intellectual property rights such as patents, copyrights, and trade secrets; and

- Generating new revenue streams by monetizing IP rights through licensing or as add-on value.

Below, we highlight how to avoid 10 major pitfalls to make your IPIP successful.

### **Pitfall 1: Failure to Promote from the Top**

Employees have to appreciate that innovation and the IPIP are critically important to the company's culture and success. The IPIP asks employees to spend time and effort documenting their ideas, which frequently involves interacting with lawyers to capture IP rights. The IPIP imposes on all levels of the company's management extra administrative requirements, such as reviewing employees' idea submissions and supervising the work of outside lawyers. Extra time and effort on the part of employees and management may not have an immediate impact on the company's bottom line, which might lead to a loss of interest. The loss of interest in the IPIP may be directly attributable to a failure to promote the IPIP from the very top. Employees may see participation in the IPIP as more of a nuisance and may forgo the monetary incentive and non-monetary recognition.

To spur employees' spirit to innovate and increase participation in the IPIP, the company's president is the best spokesperson for the IPIP. The president may lead an annual innovation gala or personally deliver innovation awards and recognitions. The senior management should continuously participate in activities associated with the IPIP to demonstrate the sustained commitment of the company to the IPIP and the promotion of innovation.

### **Pitfall 2: Failure to Instill Culture of Innovation as Company's 'DNA'**

The IPIP should not be an afterthought. Employees may view participation in the innovation submission process as a hassle or worrisome if they perceive that participation may have unknown effects on their job performance evaluation. The IPIP should instill a culture of innovation as the company's "DNA." A company's commitment to the IPIP can be demonstrated by:

- Allocating a significant budget for IPIP related activities;
- Establishing an IP committee that periodically meets to evaluate submissions, works with inhouse counsel to improve speed and effectiveness of submission lifecycle, and defines business objectives for the IPIP;
- Hosting frequent, multi-level innovation harvesting events, parties, and challenges (e.g., codefest) that celebrate, stimulate, and welcome submissions from all employees;
- Building a network of innovation champions/mentors from peers that can educate and help other employees with innovative thinking and the submission process;
- Developing an educational curriculum around the innovation submission process; and
- Providing examples of how innovations directly impact the company's wellbeing, products, services, and customers.

### **Pitfall 3: Limited Focus on Single IP Right**

The IPIP should not be limited to patents. The title of this article was selected to emphasize that the IPIP should recognize and incentivize innovations that generate—aside from patents—other intellectual property

rights, such as copyrights and trade secrets. While a strong patent portfolio may provide offensive and defensive ammunition in patent litigations, documented trade secrets may prevent noncompetitive talent leakage or also serve as a defense to patent enforcement as commercial prior use. For example, employees may come up with an innovation that, due to its nature, would be difficult to “police” through patent protection due to the secret conduct of a potential infringer or the ease of setting up an infringing operation outside of the patent’s jurisdiction. Such innovation, however, may still provide the company with a critical competitive advantage and, thus, should be protected as a trade secret. Similarly, some innovations, such as creative software code, may be best protected with copyright and may result in valuable licensing opportunities.

To avoid this pitfall, during the submission process, employees should be identified as “contributors” and not as “inventors” to frame the submissions as the IP innovations. Since inventorship is a legal conclusion and based on patent claims that are drafted by lawyers, employees should not make such decisions at the submission stage. Therefore, submissions of all types of IP innovations and from all contributors should be encouraged and incentivized equally.

#### **Pitfall 4: Failure to Establish User-Friendly Submission Process**

Employees should not devote significant time to submitting their ideas. The company should establish a brief, online questionnaire containing a few fundamental questions requesting employees to provide a brief description and any supporting documentation already generated. Such an online questionnaire should be devoid of legal terminology, such as the term “inventor.” The online questionnaire should be readily accessible and prominently displayed on the company’s main intranet page.

#### **Pitfall 5: Failure to Enable Friendly Searching of Idea Submissions and Company’s IP**

Employees should not have to guess about prior relevant employee submissions. The company should establish an easy-to-search database containing all relevant submissions to date and the company’s existing IP so employees can quickly test their ideas—subject to permissioned access for previous trade secret submissions. Having such a database increases the quality of submissions, minimizes duplicate submissions, and allows employees to further develop an idea based on the relevant submissions of others.

#### **Pitfall 6: Failure to Establish Transparent Submission Tracking Process**

The status of submissions should not be hidden from employees. They should be able to quickly access the status of their submission. One approach to accomplish this is to establish an internal portal allowing employees to track the status of each submission over time. Transparency keeps employees invested in the IPIP and also minimizes the time that inhouse counsel spends responding to employees’ status inquiries.

#### **Pitfall 7: Failure to Periodically Reevaluate Incentives Based on Historical Metrics and/or the Company’s Needs**

The IPIP should not be stagnant. Incentives should be continuously gauged against various quantitative and qualitative metrics and adjusted as needed. For example, when the company receives only a few submissions during a tracking period, the company may increase the incentive amount to encourage more submissions based on the company’s current needs. In the case of incentivizing for patents, historical metrics may indicate that employees procrastinate in responding to outside counsel or take an unreasonably long time to review drafted applications.

One way to encourage prompt attention from employees is for the company to increase the amount of additional incentive upon the filing of the patent application. Another way to avoid delays is to recognize employees' IP related efforts periodically, through internal award luncheons or dinners, company-wide emails for issued patents, etc. The company may also consider awarding small tokens of appreciation, e.g., dinners, program-branded clothing, an inventor's plaque, or a monetary award at various stages of the patent application process or patent issuance.

### **Pitfall 8: Reducing Monetary Incentives Based on Number of Contributors in a Submission**

The IPIP should not discourage, but encourage, collaboration. Reducing the monetary incentive by splitting the incentive amount across contributors or lowering the incentive amount when more than one contributor is listed on the submission may discourage employees from collaboration and instead may foster innovation "silos."

### **Pitfall 9: Tying Patent Monetary Incentives to Filing of Application, Issuance of Patent, or Being Named Inventor**

Most patent related submissions may not result in the filing of a patent application and even fewer may result in issuance of a patent. The process from the submission to filing the patent application may span months, and the approval of the patent can take years. Hence, tying patent monetary incentives to the filing of the application or the issuance of the patent may discourage employees due to extended time periods passing before such milestones occur.

Further, the company may decide to keep the submission as a trade secret due to, for example, a small likelihood of detecting patent infringement from public activity of a potential infringer. Also, as discussed above, the inventorship is based on patent claims that are drafted by lawyers and typically change drastically from the filing of the application to the issuance of the patent, to the point that the employee's contribution is no longer recited in the patent claims. In such cases, although the innovation may produce a significant financial benefit to the company, an employee would never receive a monetary award that would be tied to the filing of the application or to the issuance of the patent, since no patent application was filed or the employee was dropped from being listed as the "inventor."

Hence, the company should provide significant monetary incentives for the submission itself, which would promote the collaboration among employees and, as detailed above, relieves employees from making legal decisions on the inventorship at the submission.

### **Pitfall 10: Having Discretionary Incentives Without Defined Metrics**

The IPIP should not evoke suspicion of management favoritism in awards and recognitions. Having discretionary incentives that are not based on clearly defined metrics may discourage general participation.

While we discuss 10 major pitfalls, implementing the IPIP and instilling a culture of innovation as the company's "DNA" requires a collaboration between numerous stakeholders, including the company's senior management, as well as inhouse and outside counsel.

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