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Using Employment Agreements To Safeguard Your Company's IP

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Your small but innovative technology company has just become a crucial contractor on a large government project. In order to handle the tasks under that contract, along with existing commercial work, your company decides to staff up and add two more part-time or contract employees. Until now, your company's only staff has comprised you and two other owners committed unreservedly to the success of the company. The thought of exposing your company's research and innovations — some of which have not yet been brought to market — to new employees leaves you uneasy. There are, however, precautions your company can and should take to minimize unauthorized disclosures by employees.

Your company should implement safeguards to protect hardware, software, and documents to ensure they don't "leave the premises," physically, electronically, or metaphorically, without your knowledge. For employees working off-site, for example, that could include requiring employees to work only from secure networks or cloud spaces, or requiring employees to certify that copies of work materials will be immediately destroyed when assignments are completed.

But innovation and intellectual property often are not easily constrained, and physical limits may not be enough to stop employees from taking your company's ideas. Nevertheless, a carefully crafted employment or work agreement that includes some or all of the following provisions may go a long way in eliminating opportunities for newly-hired workers to "walk off" with a company's ideas.

Disclosures of Employee's IP

Your agreement should require new employees to provide an inventory of all inventions and IP the employees believe they already own and that the employees developed before working for your company. This may head off future arguments from departed employees that inventions they worked on belong to them because they pre-existed employment at your company. Likewise, your agreement should also require employees to notify your company when they develop a new invention on their own time. This will enable your company to assess at the earliest possible moment whether an invention is unrelated to work employees engaged in on the job.

Assignments

Your agreement should ensure that intellectual property and innovations that employees work on at your company belong to your company. This can be accomplished with properly crafted provisions that immediately assign any rights to any invention employees work on during their employment with your company.

Confidentiality

Your agreements with workers should contain confidentiality and non-disclosure provisions that prohibit disclosure of information about your company's trade secrets and proprietary information to outside persons.

Non-Solicitation

Your agreement should also contain enforceable clauses that prevent departed employees from attempting to lure away one of the key sources of your company's innovation - your employees. Another valuable asset is your company's client base. So where appropriate, the agreements should also prohibit employees from selling to your company's existing or potential customers and from working on behalf of your company's competitors. These provisions eliminate incentives for employees to walk away with your company's ideas by closing off avenues for the employees to market them.

Post-Termination Patents

Your agreement should require departed employees to alert your company of any patents they file during some period (e.g., 1 or 2 years) after their termination.

Lastly, the admonitions and restrictions contained in your agreements will be more effective if your employees are alerted to the possible consequences of any breaches of the agreement. Your agreement, therefore, should put employees on notice of, and should preserve, applicable remedies and lawful penalties.

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