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**Intellectual Property and
Employment Agreements**

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Outline

- Employment Agreements
 - 6 Intellectual Property Sections to Consider
- Exit Interviews
- No Agreement?
 - 8 Other Possibilities
- Questions



Employment Agreements: IP Sections to Consider



Definition of Intellectual Property

- “Intellectual Property”
 - Patents, inventions, trade secrets, trademarks, copyrights, drawings, computer programs, trademarks, trade names, etc.

1) Invention Recordation and Disclosure



- At Beginning of Employment
 - Establish employee’s rights
 - Resolve conflicts with previous employer
- During Employment
 - Agree to keep, maintain, and *promptly* make available to employer written records of IP made by employee *during employment* so that employer can determine its interest in the IP
 - Prompt disclosure and accurate records important for seeking patent protection
 - “during employment” - related to business of Employer
- Implement an Invention Disclosure and Award Program/Committee

2) IP Ownership and Assignment



- All IP developed *during employment* is the sole property of the employer, regardless of whether protection (e.g. patent) is sought
- All IP is assigned to the employer
 - Use language such as “hereby grants and assigns” as opposed to “all rights ... *will be* assigned to Employer”
- Agree to cooperate with IP procurement and enforcement
- Agree to grant a license for any IP relating to the employer's business that is determined to belong to the employee
- Limitation on Employer’s Ownership Rights – RCW 49.44.140

3) Obligations of Confidentiality



- “Confidential/Proprietary Information”
 - Should cover any information related to the business of the employer that is not generally available to the public
 - Ex: trade secrets, drawings, inventions, know-how, training, discoveries, processes, designs, techniques, developments and improvements, know-how, customer lists, business plans, etc.
- Agree to keep confidential all Confidential/Proprietary Information of *Employer* (both during and after employment)
- Agree to keep confidential all Confidential/Proprietary Information of *Prior Employer/Third Party*

4) Non-compete



- Agree to refrain from engaging in activities that compete with any actual or potential business of employer, *during employment*
 - Misuse of confidential/proprietary information for employee's benefit
 - Affiliation with organization that Employer does or plans to do business with
 - Planning any business/activity which competes with Employer
- Agree to refrain from competing with Employer *after employment* in connection with
 - any existing contracts or reasonable extensions thereof
 - any business prospects for which Employer has expended funds or effort
- Enforceability
 - In Washington, will be upheld as valid if it is “reasonable” or modified by court to make reasonable
 - Should be reasonable in scope, duration, and geography

5) Non-solicitation



- Agree not to solicit employees, customers, or suppliers of employer
- Narrower type of Non-compete – also subject to a reasonableness standard

6) Obligations Upon Termination or Upon Request by Employer



- Delivery of documents acquired during employment or that contain any Confidential/Proprietary Information, including copies

Consideration



- What is Employee receiving in exchange for signing the Agreement?
- When employment starts
 - Employment is sufficient consideration
 - Offer letter: “contingent on your signing of our Employment agreement...”
- During Employment
 - A non-compete clause will not be upheld unless it is supported by independent, additional consideration
 - Same may be true for IP Assignment clauses

Exit Interviews



- Provide copies of all relevant agreements and remind employees of their obligations
 - Consider sending agreements to new Employer
- Document acknowledgement
- Identify, inventory, and obtain confidential/proprietary information



No Agreement?

1) Misappropriation of Trade Secrets



“Trade Secret”:

- Derives independent economic value from not being known or ascertainable by other persons
 - Customer lists, special training, technology
- Subject to reasonable efforts to maintain secrecy
 - Implement trade secret protection programs
 - Identify and Classify Confidential Information
 - Improve Physical and Electronic Security
 - Use Employment Agreements and Exit Interviews

1) Misappropriation of Trade Secrets (Cont'd)



“Misappropriation”:

- Acquisition or use of a trade secret by someone who:
 - Knows or has reason to know that the trade secret was acquired by *improper* means; *or*
 - Knows there was an obligation of secrecy
- Can apply to both the employee and employer

2) Hired to Invent Doctrine (Patents)



- Court may imply a contract to assign the invention if the employee was “hired to invent”
- Applies when the employee was either employed to solve a *specific problem* or to exercise his/her “inventive faculties”
- Does not apply if the employee is merely employed to make improvements *in a designated area*

3) Shop Rights (Patents)



- An employee who uses his employer's resources to conceive or make an invention must afford to his employer a license (“shop right”) to make use of the invention
- Characteristics of a “shop right”:
 - Nontransferable - except when the entire business is sold
 - Nonexclusive - normally the employee is free to license to others
 - Duration is until expiration of the patent
 - Scope goes beyond use in the business’ “shop”

4) Work Made for Hire (Copyright)



- The creator (employee) is the “author” of a copyright
- *Exception* ~ The employer, rather than the employee, is the author of a “work made for hire” (unless otherwise in a written agreement)
- A “work made for hire” is a work prepared by an **employee** within **the scope of his or her employment**.
- Best to include a clause in an agreement

5) Unfair Competition



- Federal and State doctrines that declare deceptive trade practices unlawful
 - Trademark Infringement
 - “Passing off” goods or services as associated with another source

6) Tortious Interference with a Prospective Advantage or Business Expectancy



- There is a known, valid contractual relationship or business expectancy
- Defendant intentionally interferes with that expectancy for an improper purpose or using improper means

7) Breach of Fiduciary Duty



- Employee must act solely for the benefit of the employer in all matters connected with the employee's employment
 - Includes not disclosing or using the employer's trade secrets or operating a competing business
- Only for acts done *during employment*

8) Unjust Enrichment



- One party is unjustly enriched at the expense of another
- Example: Employee is unjustly enriched by the use of employer's materials and IP without compensation or a license



Thank You