

Securing your investment in innovation

Many companies say that their employees are their greatest asset. Unfortunately, an employee's interests are not always the same as those of his or her employer, particularly if the employee develops or invents a new product of great value. In these circumstances, who owns the rights to that new product?

The principal intellectual property rights (IPRs) arising from industrial R & D are likely to be patents, design rights and confidential information. Patents protect novel inventions capable of industrial application, while design rights protect the visual features of a product. Copyright may also be relevant, as it protects computer software and documentation ancillary to inventions, such as research notebooks and working diagrams. As between employer and employee, the relevant rights are as follows:

Patents

In the absence of any agreement to the contrary, an employer will own the rights in inventions created by its employee where the invention was created in the normal course of the employee's duties. If the invention was created by the employee outside of his/her normal duties, it will still belong to the employer if s/he has been specifically charged with a particular task or duty which results in the invention.

Senior employees owe a special duty to further their employer's interests, so any invention they develop in the course of their duties (whether or not those duties were normal for him/her) will belong to the employer.

However, employers will not own an invention which has been created by an employee outside the scope of his/her employment duties or which the employee might not reasonably have been expected to make in the course of such duties. So, for example, if the tea lady at a motor manufacturer invents a new advanced braking mechanism while waiting for the kettle to boil, the invention will belong to the tea lady.

Copyright & Design Right

The first owner of copyright in a work is generally the author of the work. However, copyright in literary, artistic and other works made by an employee in the course of employment belong to the employer, unless there is any agreement to the contrary.

Equally, the first owner of a design right is the designer of it, unless it was created in the course of the designer's employment in which case the employer owns the rights.

Good Practice

The key battleground in IPR entitlement actions between employer and employee often revolves around what actually constituted the "course of employment" of the employee. It is therefore good practice to ensure that employment contracts which

describe an employee's role are drafted in fairly wide terms, and that duties under a particular project are specifically defined.

It is also good practice to include provision in employment contracts to expressly provide that all IPRs created by the employee are to be the property of the employer. This makes it much more difficult for the employee to show that there was any agreement to the contrary.

It should be noted however that any term in an employment contract providing for the automatic future assignment of *any* inventions created by the employee to an employer will be unenforceable.

Confidential information

Some important aspects of research may not be protectable by IPRs but may nevertheless constitute trade secrets that are protectable as confidential information. It is notoriously difficult to prevent ex-employees using information that an employer may regard as confidential, especially where the employer has made little effort to maintain secrecy.

Creating a culture of confidentiality around R&D can both prevent it leaking out to competitors in the first place, and also help to establish what information was confidential if it is leaked. Some fairly simple but effective steps to take include:

- locking R&D labs when not in use;
- putting up "No photograph" signs;
- putting copyright and confidentiality notices on written materials; and
- (for particularly sensitive projects) restricting lab access to named employees who have accepted written confidentiality obligations.

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