

Keeping Your Secrets Secret

Martindale-Hubbell posed the following question to provide a variety of views on this important topic:

A company's IP may be most at risk from its own employees. What steps ensure the protection of key IP?



William F. Kolakowski III

Member

Dykema Gossett PLLC
wkolakowski@dykema.com



Ronald M. Daignault

Partner

Jenner & Block LLP
rdaignault@jenner.com



Eve C. Munro

Partner

Miller Thomson LLP
emunro@millerthomson.com

Every company should implement several basic practices to protect intellectual property. First, all employees should execute employment agreements that (i) govern the confidentiality of information of the company and third parties and (ii) establish an obligation to assign intellectual property to the company. Second, all companies should have basic safeguards (e.g., access controls) to protect trade secrets and should ensure employees are educated about, and implement, those safeguards. Finally, all companies should establish procedures to assist employees in identifying and documenting new intellectual property assets.

In addition to employee contracts covering IP and other proprietary information, background checks are important. Situations arise where things in an employee's background probably would have raised a red flag if checks had been performed. Bad situations occur with disgruntled employees. But with a positive company culture where everyone treasures and respects intellectual property, hopefully you won't have employees stealing information, running away and using it. Be mindful though of creating a culture of intimidation—it can't be onerous.

A rigorous approach to intellectual property management will assist an organization in protecting its IP relative to third parties, as well as its own employees. Start with an IP audit to identify important IP, and follow through with maintenance of rights documentation, registration and enforcement.

Establish an education program. Provide written materials as well as orientation and update training. When employees leave, review with them their obligations regarding ownership and use of IP and protection of confidential information and trade secrets.

While every company fears its intellectual property may be swiped by hackers or taken by others from the outside, the greatest theft problems can come from people on the payroll. Background checks, contractual agreements and technology safeguards can help limit the odds that employees will try to run off with intellectual assets. Education and good company culture can also help.



Andrew E. Rawlins

Partner

Foley & Lardner LLP
arawlins@foley.com

Companies should use standard protective measures, such as noncompete, nondisclosure, consulting and employment agreements, as well as patent and trade secret protection. These measures can be augmented by making it personally advantageous for employees to protect the company's intellectual property. For example, stock options, a meaningful retirement plan and a compensation structure nimble enough to avoid significant deviations from market value can be used to make loyalty financially advantageous. Also, education on the importance and ownership of intellectual property is critical, as many well-intentioned employees unwittingly give away intellectual property assets.



Paul E. Burns

Attorney

Steptoe & Johnson LLP
pburns@steptoe.com
Peer Review Rated

When employment commences, a company should get the employee's agreement in writing not to use or disclose confidential and proprietary information, to assign all employment-related inventions and to cooperate in the patent application process. Before an employee departs, companies should:

1. Recover all electronically stored and hard-copy confidential and proprietary information;
2. Examine the employee's computer for evidence of unauthorized misappropriation;
3. Remind the employee of obligations in the exit interview and confirm with a letter; and
4. Seek immediate injunctive relief if the employee breaches any of his or her obligations.



Mark S. Hayes

Partner

Blake, Cassels & Graydon LLP
mark.hayes@blakes.com

First, use appropriate hiring practices. Proper screening of potential employees will often disclose potential problems. Second, create clear IP policies and use employment agreements that require employees to assign all IP rights to the employer, even if rights do not automatically belong to the employer under relevant IP statutes. In Canada and other jurisdictions, such agreements require consideration in addition to continued employment. Third, monitor and impose reasonable limits on electronic communications that allow employees to send key IP outside of the company easily.

For more information about these lawyers and their firms, please visit www.martindale.com.

Illustrations by Holly Haugen