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STREET LEGAL

By Norman Brown

ORGANIZATIONAL POLICIES FOR SAFEGUARDING INTELLECTUAL ASSETS

Established technology companies generally spend significant effort safeguarding the Intellectual Property ("IP") assets important to their success. However, many companies underestimate the importance of formalized policies, procedures and agreements for protecting these key technologies.

A good place to start is by understanding that organizations don't create things — only individuals can do that. Any rights an organization obtains in patentable or copyrightable technologies are the

IP rights to which the employee may become entitled as a result of his or her employment. The obligation to assign can be incorporated into an Employment Agreement which the employee signs when beginning employment, or it can be a separate agreement that the employee signs when his or her job responsibilities are changed to encompass creative activity.

LIMITATIONS ON EMPLOYER'S RIGHTS;

CONTRACTUAL LIMITATIONS

Since an employer's rights arise from contracts the employer has with employees or 3rd-party contractors, its rights are limited by the terms in those contracts. If the

contract is not valid if there is no consideration. If the employer is merely continuing to pay the employee the same salary as before, where's the new consideration for the employee's new obligation to assign inventions?

STATUTORY LIMITATIONS

There are limits to how much of an employee's creative efforts an employer can claim. It is normal for an employer to obtain rights in an employee's creative efforts which take place as an integral part of that employee's work-related activity, or which use the employer's resources to achieve the creative result. But what about creative activity which employees perform on their own time and with their own resources? Does an employer have a right to those creative results, too?

In many states, this is an unsettled area of the law. The trend, however, is to say that there are limits — that employers may not claim discoveries which

- Used no resources of the employer,
- Were not developed during working hours paid by the employer, and
- Do not relate to present or clearly anticipated future business interests of the employer.

In some states, these limits have been formalized by statute. The State of Washington, for instance, incorporates these limits in its laws. Furthermore, courts have held that failure of an employee agreement to include specific references to the statutory limitations renders that agreement null. An employer who didn't use these "magic words" in an employee assignment agreement may

Remember that a contract is not valid if there is no consideration.

result of a contract between the company, on the one hand, and its employees (including independent contractors) on the other. A contract can be a specific agreement, or it can be company policies and procedures that create a binding obligation.

The important thing is that without some form of contract, an employee's IP rights belong to the employee, and not to the employer. A prudent company makes sure there are clear obligations in place, and that they are acknowledged by its employees, to cover intellectual assets.

ESTABLISHING THE EMPLOYER'S RIGHTS

Most companies use an Employee Assignment Agreement. This states that the employee agrees to assign to the employer all

employer or its attorneys draft the contracts, then any ambiguities in the agreements are construed in favor of the employees. Therefore, it's important for a company to ensure that the language of its contracts with employees is carefully constructed.

A critical element in any contract is what is called *consideration*. Something of legal value must be provided by each party to the contract for it to be binding. When a person is newly hired, consideration is easily found: the employer promises to pay wages or salary, and the employee promises to perform duties (one of which is to assign discoveries).

It's much less simple, however, later on. If an employer has an employee execute an assignment agreement two years after he or she was hired, is it valid? Remember

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