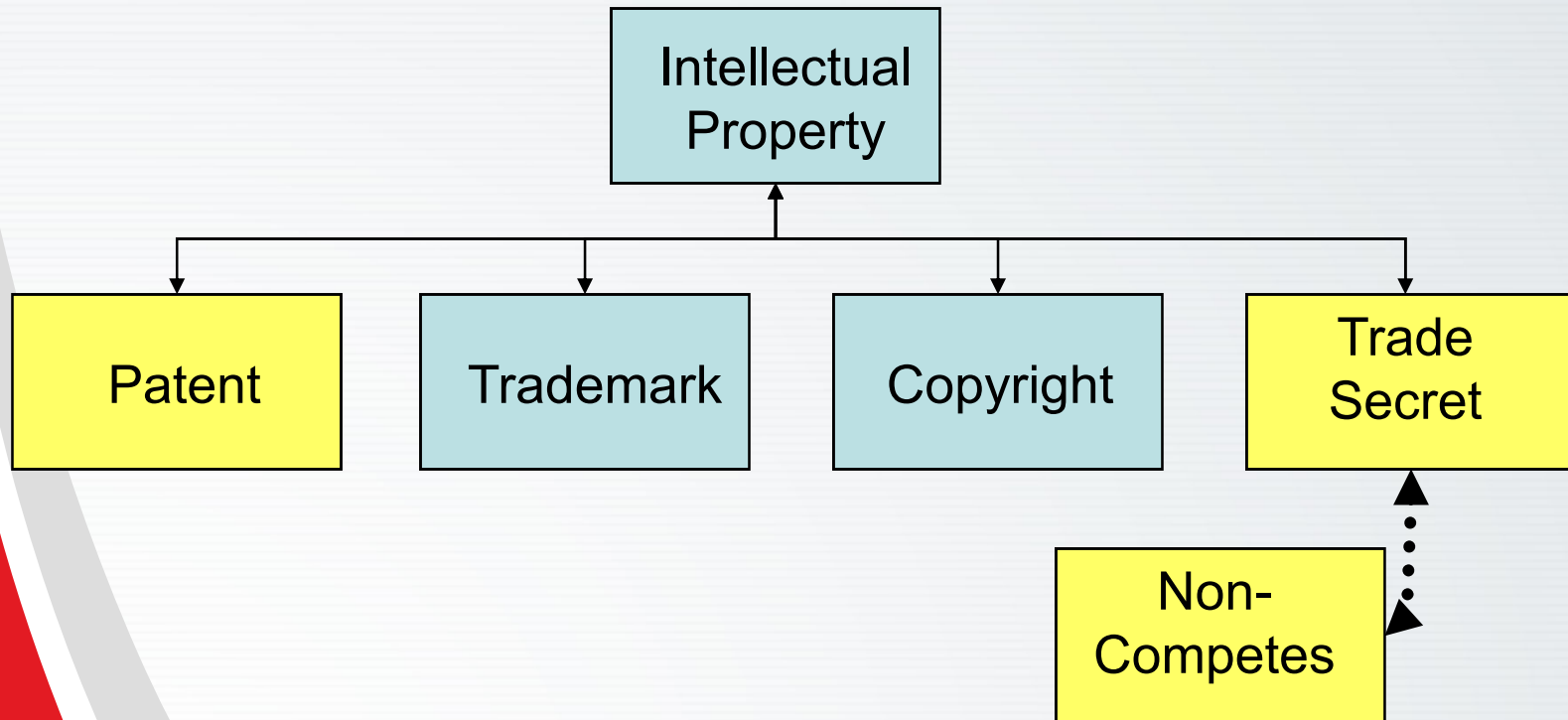




The Intersection of IP and Employment Law

What IP Lawyers Need to Know
Jacqueline R. Rolfs and Becky R. Thorson

Basic Overview



Employment and IP

- Who do you hire?
- How do you hire?
- Inquiries and disclosures prior to hire?
- Agreements with employees
- Agreements with prior employers
- Policies and practices during employment
- Termination policies and practices
- Enforcement

Patent Rights

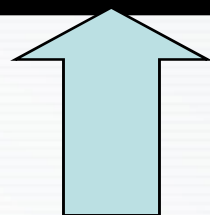
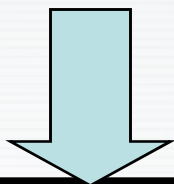


Why Do We Care About Employment Agreements Governing Patent Rights?

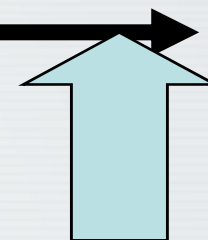
- Standing to sue and enforce patent rights as a defense
- Case could be dismissed
- Damages limited
- Rights of use

Timeline

Plaintiff Files Patent
Infringement Case



Defendant Alleges
No Standing

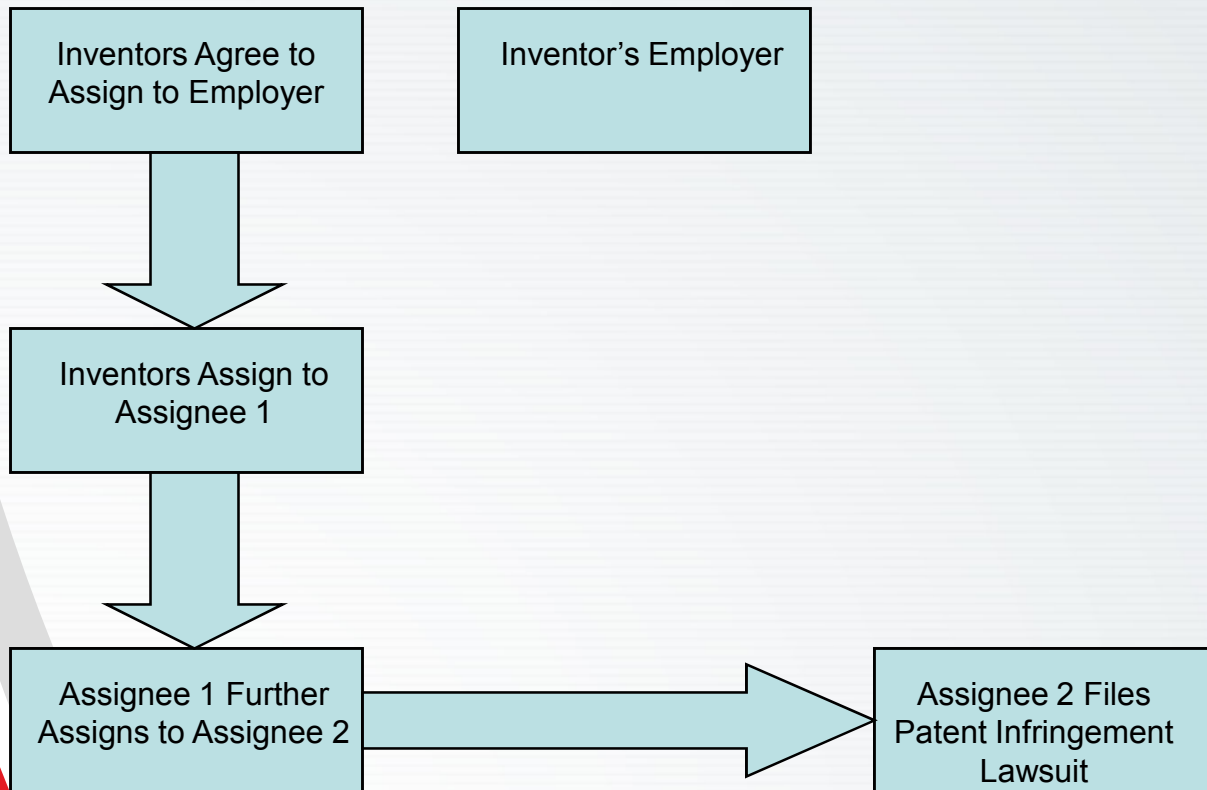


Subject Matter
Jurisdiction at ANY
time

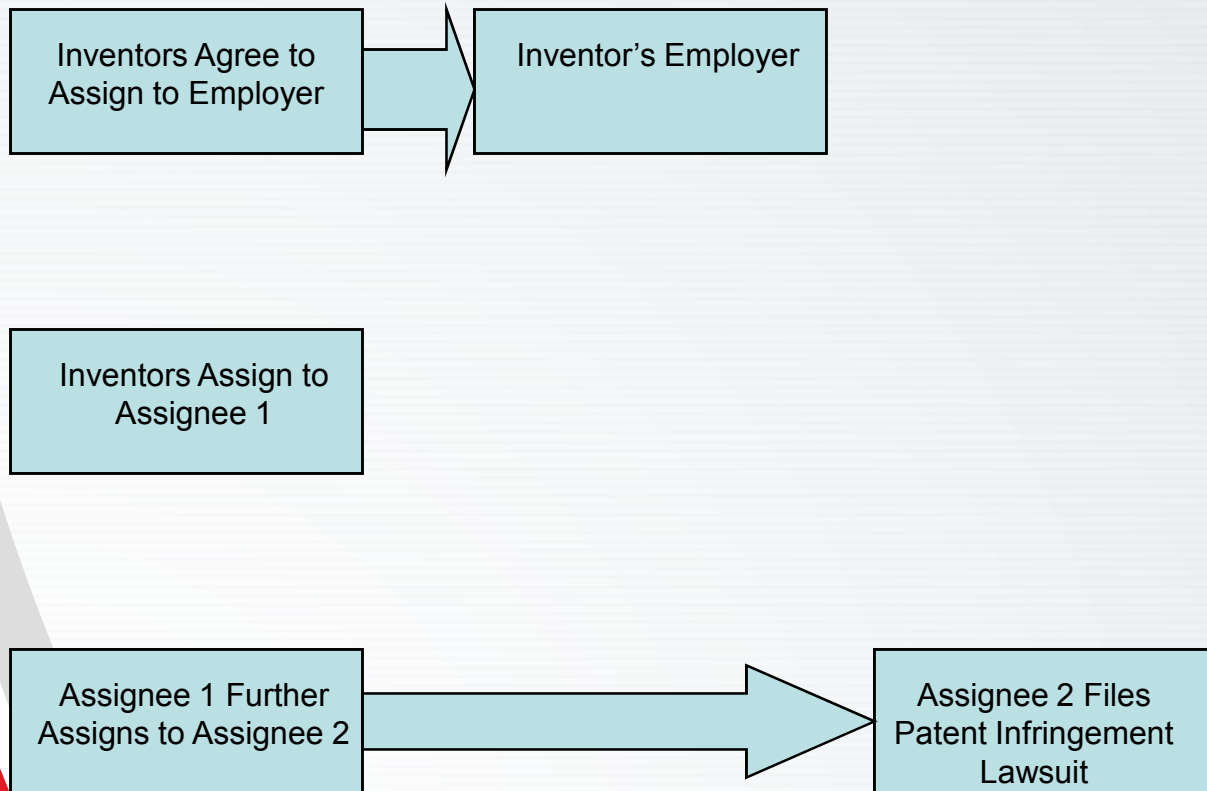
Assignment Language

- Automatic versus promise to assign
- Magic language to include in agreement

“I agree to assign”



“I hereby assign”



Other considerations?

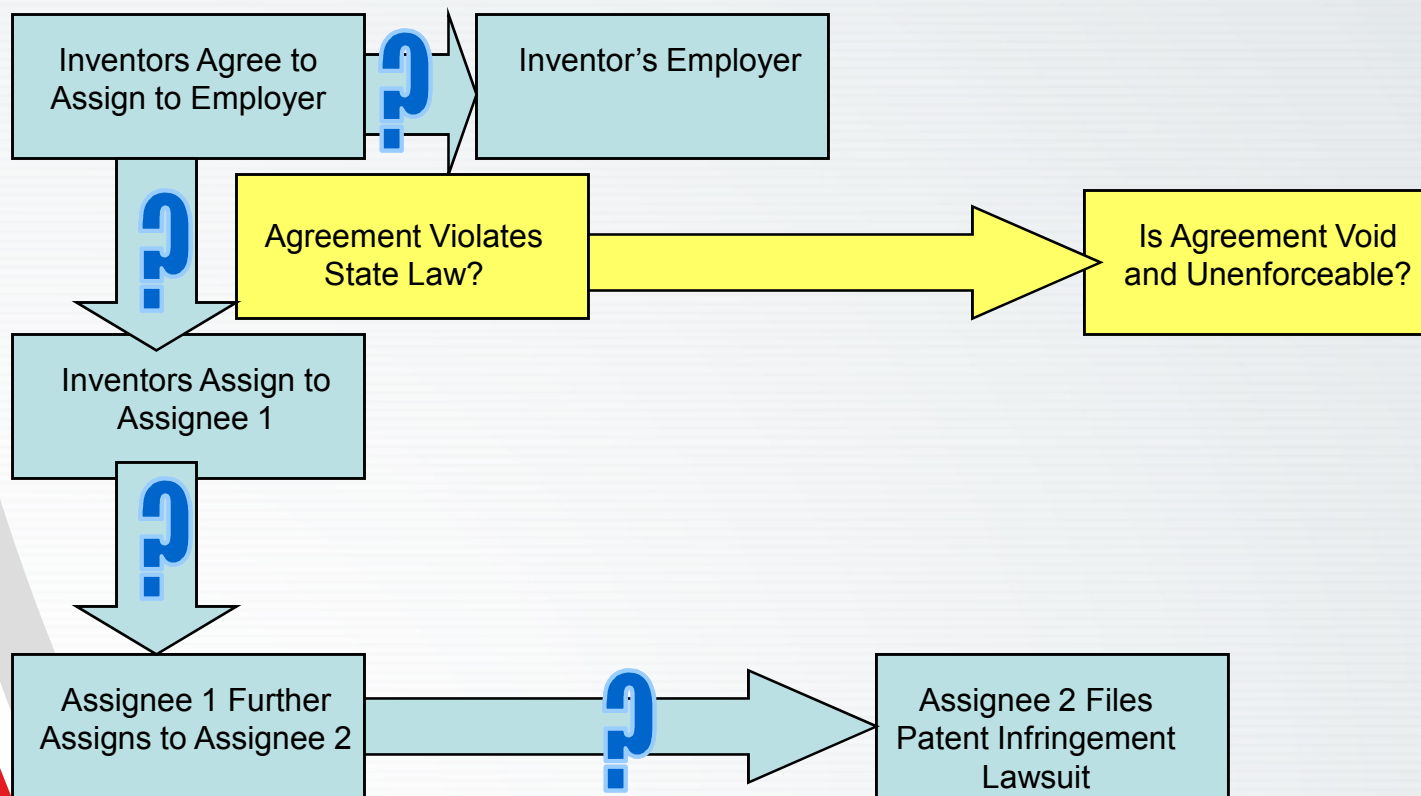
- Clear definitions
- Consistency
- Cooperation agreements
- Obligations after termination
- Consistency with state law

State Law Restrictions on Scope

Minnesota example

- “Any provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee's rights in an invention to the employer shall not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, and
- (1) which does not relate (a) directly to the business of the employer or (b) to the employer's actual or demonstrably anticipated research or development, or
- (2) which does not result from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of this state and is to that extent void and unenforceable.” Minn. Stat. § 181.78, subd. 1 (2010).

“I hereby assign”



Case Law

- *Stanford Univ. v. Roche Molecular Sys., Inc. (2011)*
 - Bayh-Dole Act did not divest individual employee inventors of their common law rights and transfer those rights to their employer whenever their inventive activities were supported by federal funding.

“I agree to assign”

Inventor promises to assign to Stanford

Stanford elects to retain title to the invention

Sues Roche

“I hereby assign”

Inventor assigns to Centus

Centus assigns to Roche

Roche Has Rights to Patent

Interesting Case

- Alzheimer's Inst. of America v. Avid Radiopharmaceuticals (E.D. Pa., 2011)
 - Florida Statute: inventions developed or discovered by an employee in the course of employment with USF are the property of USF
 - Court said employee had nothing to transfer
 - “Declares that the employee does not own the invention in the first instance.”

Hired-to-Invent Doctrine

- Exception to the general rule that an individual owns the patent
- May potentially apply when the employer is hired to solve a particular problem
- Implied contract
- Obligation to assign; however, not automatic assignment
- Employers should not rely on exception

Shop Rights

- May give the inventor's employer a right to use the patented invention
- Fairness and equity
- Factor base analysis
- Employers should not rely upon this

Due Diligence Analysis

- Inventor/inventors
- Employment agreements
- Assignment language
- Invention included or included within scope of the agreement
- Is the scope of the assignment valid under applicable state law?
- Assignment history?
- Were the assignments recorded?
- Comment on international workplace

Trade Secrets and Proprietary

State Law Governs
Presentation Relies on Minnesota
Law to Illustrate Points

Protecting Trade Secrets

- State law governs and most states have adopted the UTSA (presentation and materials focus on MN)
- Minnesota:
 - Not generally known or readily ascertainable
 - Has value as a result of secrecy
 - Is the subject of reasonable efforts under the circumstances to protect its secrecy

Intersection with employment practices and policies


- It is a secret
- It has value
- Demonstration of all the efforts to keep it secret

Third Party Misappropriation

- Third parties can be held liable for “misappropriation” if they acquire, disclose, or use trade secret information under circumstances in which they knew or had reason to know that it was acquired by improper means, or knew or had reason to know that it was acquired under circumstances giving rise to a duty to maintain its secrecy. See Minn. Stat. § 325C.01, subd. 3 (2010).

Avoiding liability for third party trade secret misappropriation

- How to avoid acquiring in the first place?
- What to do if that happens?



An overview of employment policies, practices, and agreements that help protect trade secrets

Employment Practice and Policies

- Have a policy that governs protection of confidential information and trade secrets
- Policy should bar an employee from giving employer a third party's trade secrets
- Employee receipt and acknowledgement
- Ongoing training and communications

Hiring Practice Tips

- Screening procedures
 - Screen applicants on possible possession of third party trade secrets
 - Confirm should not reveal a third party's trade secrets in the interview process
 - Ask about and get copies of any agreements employee has with third parties regarding trade secrets and confidential information

Hiring Practice Tips

- Offer letters:
 - Include prohibitions on disclosing trade secrets in offer letters
 - Discuss employer's policy on handling confidential information and trade secrets
 - Make clear in offer letter that the employer's company prohibits employees from disclosing another's trade secrets

Hiring Practice Tips

- Orientation
 - Review policies
 - Require written acknowledgement and agreement with policies

Intellectual Property Agreement Provisions

- Define what confidential, proprietary and trade secret information is
- Define who owns the information and who has rights to it
- Define an employee's rights and obligations on access and handling
- State policies of non-disclosure
- Include obligations during and after employment
- Require disclosure of any claimed pre-employment inventions

Good Practices During Course of Employment

- Orientation and training
- Reminders and follow up training
- Managerial training, oversight and enforcement
- Control
- Storage (computer)
- Marking
- Restrictions on access, copying, distribution
- Retention consistent with document retention policies and legal retention obligations

Employee Departure

- Exit interviews
- Separation audits (computer review)
- Employee acknowledgement with separation agreement
- Consider appropriate employee releases

Non-Compete Agreements

State Law Governs

Our Presentation Focuses on
Minnesota Law

Minnesota Non-Compete

- Disfavored
- Is there a reasonable balance between the employer's legitimate business interests and the employees right to work?
 - Consideration
 - Reasonable scope?
- Blue pencil doctrine

Drafting Considerations

- Know the states and countries that may be applicable to have a proper agreement
- Venue and jurisdiction
- Injunctive relief
- Liquidated damages
- Notice to new employer
- Attorney fees

Enforcement: Legal Options

- Contract claims
- Interference with contract claims
- Trade secret misappropriation
 - Inevitable disclosure doctrine
- Other
 - Computer Fraud and Abuse Act? “. . . Most employee disloyalty cases can be plead as CFAA cases because a disloyal employee has forfeited his right to access his employer’s computer.” Dental Health Prods. V. Ringo (E.D. Wis. Aug. 25, 2011)

Enforcement: Internal Considerations Before Litigation

- Is there a non-compete?
- If not, then what trade secrets are at issue?
- What leverage?
- How important? Talk to internal people
- What solutions/compromise/limitations may be acceptable?