

PROTECTING YOUR INTELLECTUAL PROPERTY AND CONFIDENTIAL INFORMATION FROM FORMER EMPLOYEES

With the evolution of technology, it is increasingly common to see former employees attempt to steal intellectual property and confidential information

This may occur where the former employee was privy to trade secrets or sensitive and exclusive information due to the nature of their role.

Equipped with this information, it can be for their own personal benefit or for that of a new employer. There are some important steps which can be taken to ensure that this doesn't occur to your business.

What is intellectual property?

Intellectual property ('IP') includes intangible rights such as copyright, trademarks, brands, designs, patents, circuit layouts, business and domain names, inventions and confidential information.

It is often referred to as the 'creations of the mind'. Any intellectual property held by the employer will not be owned by the employee.

Most contracts of employment contain a clause allowing the employer to own the rights to any designs or inventions made by the employee (as long as they are made during the employee's course of employment).

What is confidential information?

Confidential information (CI) means information in any form (including writing, oral, visual or electronic form or on any magnetic or optical disk or memory wherever located) confidential to the Employer.

CI also includes trade secrets (including methods, procedures, lists of customers/clients, training, presentation material, technical data and know-how) relating to the business of the employer or any of their suppliers, clients, customers, agents, distributors, shareholders or management.

CI also includes any information of a confidential nature that the employee creates, develops, receives or obtains in connection with their employment.

What measures can be put in place to protect your IP and CI?

Most importantly, employment contracts need to outline:

- what is meant by IP and CI;
- that the employer owns all the IP and CI referred to; and
- what must occur upon termination of employment (ie. the employee must not disclose confidential information and must disclose any process, procedure, software etc. that the employee develops during their employment).

Further, a restraint of trade provision in employment contracts should be included to prevent the employee from providing services to one of the employer's customers, suppliers or competitors during a restraint period, in a restraint area. The clauses are effective – as they prevent former employees from misusing IP and CI for their own benefit or the benefit of another business.

It is also recommended that you take proactive action by way of physical security, password protection and so on.

What can you do if you believe a former employee has infringed your IP or CI rights?

The best course of action is prevention. The following actions can prevent risk and ensure your IP and CI rights are protected:



- Take measures to safeguard CI which is of an exclusive or sensitive nature. This can be through adopting password protection for privileged electronic documents, and manually locking away physical documents and marking them with 'confidential.'
- Ensure that your employment contracts are up to date and contain protective clauses to safeguard your CI and IP. This can be an effective measure to ensure the employee is aware of their obligations and ensure you can restrain future instances of unwarranted behaviour.
- Ensure exit-interviews take place and require employees to return all IP and CI. In addition, company equipment and electronic accounts should be handed back to the employer.
- Remind departing employees of their ongoing obligations relating to IP and CI post-employment.

If the employee is still employed within the business, you could consider providing a warning or terminating the employment.

However, it is likely that the employee has left (or is soon to be leaving) the business. In these circumstances, injunctive relief and damages sought through the courts may be the only option. As this option is very costly, it is essential to firstly determine the money lost through the IP or CI infringement and consider whether pursuing this avenue is cost effective.



Need assistance?

Industry Legal Group provides advice on all issues relating to IP and CI and in particular, can assist in amending employment contracts to protect your business against IP and CI theft.

Please contact Industry Legal Group on 1300 369 703 or aaaa@industrylegalgroup.com.au if you require any assistance.