

Confidence in Employees: Discussing Best Practice in Employment Agreements Regarding IP and Confidential Information

Protecting confidential information is key to any sector with high intellectual outputs and the Life Sciences sector is no exception. Intellectual property and know-how often represent the main assets of businesses, and it is important to properly protect them, particularly in an environment where staff turnover can be fairly high and collaborations involving several different partners are common place. It makes maintaining confidentiality a crucial element of any business strategy.

One Nucleus and Penningtons Manches organised a breakfast discussion on 12 July that provided an overview of best practice in employment contracts in life sciences and discussed the specific provisions required in these agreements to protect confidential information.

Slides can be seen [here](#) and below is a summary of the key points that were raised during the discussion.

Any kind of confidential information is important but each type will have its own level of strategic impact and enforcement will vary from type to type. They include: Intellectual Property, Know-how, trade secrets, commercially sensitive information, people and expertise. The possibility of whistleblowing also needs to be considered.

Different protection action can be taken at each step:

- In the contract of employment it is important to be as detailed as possible on the list of elements that are included in the contract. The job description with a clear duty description is equally important since this is what gets referred to in cases of litigation.

It is also important to ensure the contract evolves with the company. When companies grow or change management, what is expected from an employee changes too and this should be reflected in the contract. It should be seen as an opportunity to anticipate changes with employees.

It is important to ensure, particularly for senior employees, and any employees that are involved in research or otherwise likely to generate IP, that the employment agreement includes express provisions covering ownership of intellectual property (IP). Many types of IP would be owned by an employee's employer if created by the employee during the course of their employment. However, for certain types of IP this is not the case. The types of intellectual property that might be created by an employee, and which should therefore be covered in the employment contract include:

- Patents (inventions, processes)
- Domain names
- Trademarks
- Logos

- Strap lines
- Copyright in written material (records, reports)
- Design rights (shape, decoration, ornamentation)
- Database rights

- During employment

One of the main things to take into consideration is the cultural background of employees. Life sciences is international and practices may differ from one country to another and employees may not be au fait with local practice. More importantly, the understanding of what constitutes confidentiality can often differ between an industrial setting and academia and so changing from one to another can cause misunderstandings.

There is also a big difference between permanent staff and temporary staff in their relationship to the company's IP, trade secret, confidentiality and non-compete clauses. This is why as much detail as possible should be explicitly set out in employment contracts to avoid later dispute.

- After employment

It is possible to ensure continuity in protecting confidential information after an employee leaves especially using restrictive covenants. A detailed document describes them [here](#).

Even if all good practices are followed a crucial element to take into consideration is the enforcement and the consequences of that enforcement.

Life sciences is a well-connected sector with a high level of specialisation that makes the enforcement of 'noncompetition' clauses difficult to apply sometimes. The sector is dominated by small start-ups for whom any long legal battle could be very damaging both for the operation and reputation of the company. It is therefore common for organisations to prefer mediation rather than legal action.

So ultimately it makes more sense to consider the consequences of any situation rather than opting for a formal action. The decision will depend on:

- the seniority of staff

- the type of staff e.g. commercial versus scientific. It may be prudent to include longer non-compete clauses in the contracts of commercial employees than scientists. Commercial staff can be operational quicker, and therefore erode your competitive advantage earlier. A scientist would need a lab and staff and so is de facto not operational straight away

- How many staff it involves. If there is suspicion of poaching it depends on the number of staff involved and the size of company. For example an early stage start-up can't afford to lose two senior scientists in a team of five whereas a larger company would survive it and therefore probably don't need to enter a legal battle. The impact on remaining staff should also be taken into consideration.

Restrictive covenants can be used to cover companies but they need to be managed carefully. If they seem too restrictive in contracts they can put potential employees off. A more subtle way to deal with that is to exercise restrictive covenants only after having used other options such as gardening leave.

The conclusion of the discussion is that it is essential to clear all the details of what is confidential information with employees regardless of their status. It is clearly best to ensure the company's interests are protected as much as possible if anything should go wrong.

The complex nature of the sector makes it important that a case-by-case approach is taken to all situations, assessing the potential consequences of each action in terms of information disclosure but also company operation and image.