

INTELLECTUAL PROPERTY PROTECTION IN
CONTRACTS WITH EMPLOYEES AND INDEPENDENT
CONTRACTORS

Daniel L. Appelman
dappelman@mh-llp.com

Proprietary Information and Invention Assignment Agreement

- Addresses employer's rights in intellectual property developed by employees and contractors
 - During scope of current engagement
 - Also status of previously-developed ip
- Also contains nondisclosure obligations
- May address competition and solicitation issues

Differences in PIAs for Employees and Contractors

- Statement of employment status
 - Employment form is often more specific about duties
 - Employment form references “at will” status
 - “At will” irrelevant to consulting relationship
- Inventions retained and licensed
 - May be less reasonable to ask contractor to list all prior inventions that would be exempt from deemed company ownership

Differences in PIIAs for Employees and Contractors (cont.)

- Assignment of inventions
 - Both forms attempt to effect present assignment of future-developed ip
 - Employee form references “works made for hire”
 - Employee form references Cal Labor Code § 2870
 - Patents: a special case—must have explicit assignments for both employees and contractors

Differences in PIIAs for Employees and Contractors (cont.)

- Notification to other parties
 - Both forms permit employer to contact third parties
 - Employment form is specific about right to contact new employer

Differences in PIAs for Employees and Contractors (cont.)

- Addressing present and future conflicts
 - Employees have a duty of loyalty not to engage in other work that would present conflicts
 - Contractors have more leeway; so the contractor form gets contractor to disclose conflicts but doesn't prohibit them

Differences in PIIAs for Employees and Contractors (cont)

- Prohibitions on competition
 - Both employees and contractors benefit from §16600 of California's Business and Professions Code
 - “Except as provided in this chapter, every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.”

Differences in PIAs for Employees and Contractors (cont.)

- Limitations on solicitation
 - Can prohibit solicitation of employer's employees and contractors during, and for a limited time following termination of, relationship
 - Can't prohibit solicitation of employer's customers
 - But can prohibit using employer's confidential information to do so
 - Same rules apply to employees and contractors

THANK YOU

Daniel Appelman

Montgomery & Hansen, LLP
525 Middlefield Road, Suite 250
Menlo Park, CA 94025

650.331.7014

dappelman@mh-llp.com

www.mh-llp.com

The information contained in these materials is for informational purposes only and should not be construed as legal advice on any matter.
