



IP issues in employment and consultancy contracts

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In practical terms, businesses do not normally create IP – individuals do, such as employees or consultants. But it is crucial for businesses either to own or to have the right to use that IP. Do your employment and consultancy contracts give your business all the rights it needs?

Consultancy agreements

Let's say you have commissioned a developer to write some software for your business, which should give you an advantage over your competitors.

If the contract is silent about the resulting IP, legal title will remain with the developer, who may well be able to earn extra revenue by licensing it to your competitors. At best, you will probably only have a very limited, implied licence to use the software in your business.

Consultancy checklist

- If the consultant is to remain the owner of the IP, ensure that the scope of your licence to use the IP is sufficient for your purposes and consider whether you should benefit from exclusivity.
- If you wish to own the IP, it is crucial to provide for an assignment. This needs to be in writing, signed by the consultant (as assignor).
- Is there an adequate definition of the relevant IP? It may be important to distinguish between "background" IP (which might remain the property of the consultant) and the IP that you wish to use in your business.
- Consider a "further assurance" obligation; this provides that the consultant will provide such assistance as the customer may reasonably require in order to transfer ownership of the IP or deal with any registration issues.
- If you are to own the IP, consider a "waiver of moral rights"; moral rights potentially allow the consultant to insist on being credited as author of copyright works (other than software) and object to "derogatory treatment" of the work.

Employment contracts

In contrast to the position with consultants, many types of IP created in the course of employment will transfer to the employer automatically, without the need for a formal assignment. However, there are some "gaps" in the protection which the law offers employers.



Take the example of domain names. A problem that we often see in practice is that during the domain name registration process, employees provide their own name rather than that of their employer. The domain name is then listed as owned by the employee, not the business. The law does not help here because it does not provide that domain names will automatically belong to the employer.

A well-drafted IP clause in a contract of employment should mean that the employee has agreed to transfer the domain name to the employer.

Further assurance

Employment contracts should also contain a "further assurance" obligation in relation to IP. This is helpful if the employee's assistance is required to:

- facilitate the transfer of IP to the employer;
- secure registration of certain types of IP, such as design rights; or
- defend the IP if it is challenged by a third party.

IP-intensive businesses and R&D

Where the business is IP-intensive and/or the employee is closely involved in activities such as R&D, a longer form IP clause may well be appropriate.

Advice may need to be sought on areas such as patents, which raise certain specific issues in an employee context (for example, employees have a statutory right to compensation if they have contributed to a patent of "outstanding benefit").

Practical issues

Businesses also need to consider what they need, in practical terms, in order to exploit the IP. For example, in the case of software and other technically complex IP, it may be important to have copies of background/explanatory materials; without these, it may be very difficult to utilise the IP or develop it in future, particularly once the individual who originally created it is no longer associated with the business.

“Don't assume that, just because you paid for it, all the relevant IP will belong to your business.”

In such cases, the employment or consultancy contract should impose obligations to provide such materials alongside the actual IP itself – but businesses also need to verify that this has actually been done.

Get it signed!

Last but by no means least, any provisions dealing with the assignment of IP will only be valid if the agreement has actually been signed by the relevant individual. It is therefore essential to ensure that signatures are always obtained on employment and consultancy contracts involving IP.

How we can help

Our IP/IT Team has extensive experience of advising on the exploitation of intellectual property, across both contentious and non-contentious matters.

About the IP/IT Team

All of the firm's lawyers...are consistently of the highest calibre, but particularly in terms of their responsiveness, their depth of understanding of a client's needs and their ability to apply creative solutions to complex challenges.

Legal 500

When [Dan Reavill] speaks people tend to listen. He speaks common sense and doesn't get bogged down in technical language.

Chambers UK

Our Employment Department advises across the full range of employment matters, ranging from contracts with employees and consultants through to disputes and M&A transactions.

About the Employment Team

They're really sound in terms of providing you with a balanced perspective. They don't just quote the law at you, they help you to apply it.

Chambers UK

'Strong' performer Travers Smith LLP is recognised for its 'end-game' strategy and understanding of the client's business.

Legal 500

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