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Protecting intellectual property when employees leave

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For many businesses the intellectual property developed over the course of a number of years of trading, ranging from copyright and trademarks through to confidential commercial information such as client contact lists, becomes one of its most valuable assets.

Despite the importance of this asset, however, business owners regularly overlook putting an effective intellectual property protection framework in place, leaving their business at risk.

One common issue which arises is that key staff who have had access to a businesses' confidential information and other intellectual property leave an organisation and in due course either take up employment with an existing competitor or commence their own competing business.

The law sets out certain general fiduciary duties and obligations of confidence which will apply regardless of any express agreement between employer and employee. The primary strategy to protect a businesses' confidential information when an employee leaves however, should be the preparation of an effective employment contract at the commencement of the employment relationship.

There are numerous strategies which a business can use to protect its intellectual property when preparing employment contracts and one size does not fit all. By way of example, a business may wish to consider including clauses which:

- require an employee to treat all confidential information as confidential and to return it to the employer upon ceasing employment;

- contain restrictive covenants prohibiting the unauthorised use or disclosure of such confidential information, both during the period of employment and post-employment; and
- ensure that the employer owns all intellectual property rights in any material created by an employee in the course of his or her employment.

"... if restraint clauses go beyond what is reasonably necessary to protect an employer's legitimate business interests they are unlikely to be enforceable against a former employee."

For a number of reasons it is important that provisions such as those listed above are carefully drafted and are appropriate to the unique circumstances of each business, particularly in regard to restraint clauses as if such clauses go beyond what is reasonably necessary to protect an employer's legitimate business interests they are unlikely to be enforceable against a former employee.

The law relating to intellectual property and employees is complex and legal advice in regard to appropriate protection of this important asset should be sought by all employers before employing staff.

Please note, this Blog is posted in Adelaide, South Australia by Andersons Solicitors. It relates to Australian Federal and South Australian legislation. Andersons Solicitors is a medium sized law firm servicing metropolitan Adelaide and regional South Australia across all areas of law for individuals and businesses.