

Preventing insider competition in a down economy

With reduced barriers to entry, key employees are more capable than ever of forming their own companies and competing with former employers. Plus, job mobility is at an all-time high, with senior management and principals taking advantage of new opportunities to advance their careers.

In this context, it is not difficult for confidential and proprietary information to reach an established competitor through a trusted former employee, partner, vendor or sub-contractor. Companies can't afford to risk stockpiling valuable ideas and proprietary knowledge in the minds of a mobile, independent – and sometimes disloyal – workforce.

It is a well-known axiom that employees you trust the most can also steal the most. As such, most businesses have controls in place to monitor and prevent the theft of physical assets of the company.

In today's idea-based economy, it is important to secure ownership rights in intellectual property, including confidential information such as customer and supplier lists, marketing ideas, advertising plans and budgets, and customer buying habits. Although businesses are sensitive to risks and lost opportunities resulting from the actions of their business rivals, few steps are taken to prevent the competitive use or disclosure of information by those considered to be insiders.

The following can help prevent confusion and conflict over ownership of intellectual property rights:

Trade secrets

Trade secrets include formulas, customer or supplier lists, marketing plans, compositions, manufacturing processes or information that provides an advantage over competitors.

Stamp all documents containing valuable information not generally known to your competitors as "confidential" or "trade secret."

Restrict access to confidential information to those having a justifiable need to know.

Require all key employees, vendors and sub-contractors to execute a non-disclosure agreement upon hiring.

When a key employee leaves, conduct a termination interview in which you require the return of all confidential documents and remind the employee of his confidentiality obligations to the company.

Patents

Assuming the company owns what an employee produces may be reasonable when employees are assembling widgets, but the rules of ownership of new ideas are different.

It is important to make sure the company owns any new product ideas or innovative



GUEST COLUMN

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business methods developed. Key employees should be required to sign agreements assigning rights to a new idea to the company.

Evaluate new ideas to ascertain whether filing for patent protection is justified. It may also be prudent to have a search conducted to ensure you are not infringing a third party's intellectual property rights.

Trademarks

For trademark protection, look at how customers identify your products or services. If you use a logo, slogan, business name, domain name, sound, scent, color or product design to identify your product or service, you may have legal rights under trademark law.

Before launching a new business, product or service, it is important to undertake a trademark search and obtain a clearance for your mark. Avoid use of any names that are similar to those used by competitors.

It is common for inexperienced entrepreneurs to invest considerable time and money promoting a new product or business, only to have their efforts made useless because their mark was in use by another company.

Be careful that employees assisting in the registering of domain names for the company do not file as the owner. If an employee files for the domain name in their own name, you may have to wage a legal battle to get it back in the event that they leave and take the name with them.

Copyrights

Do you own a Web site or have sales brochures? How about written product descriptions, advertising, solicitation letters and e-mails, instruction manuals, architectural and engineering drawings, pictures, photographs, paintings, graphical images, Web site designs or computer software? If so, you have valuable rights protected under copyright law.

What many companies don't realize is that unless the work qualifies as a "work for hire," ownership of copyright vests with the author or creator. Whether an employee or contractor's creations constitute a work for hire depends on each case and it is advisable to have an agreement signed in advance.

Every business owns a considerable inventory of intellectual property assets and competitive business information that, if misappropriated by an employee, partner, or other trusted "insider," could result in immediate and sometimes irreparable harm. Along with keeping an eye on the physical assets of a company, it is prudent to prevent the theft or improper use of proprietary or sensitive confidential information by trusted insiders.

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