

# qLegal

## The small print for BIG IDEAS

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## qLegal Online Publication

### Protecting your IP when collaborating with others

*This online publication gives an overview of some key considerations a business should take into account in protecting their Intellectual Property (IP) when collaborating with others.*

#### Importance of determining Intellectual Property Right (IPR) ownership in collaborations

Collaboration can help businesses grow, innovate and develop their products and services. There are four key benefits in collaborating with others. Firstly, by collaborating with others, a business can **acquire new knowledge** from someone more experienced. Secondly, collaborating with others, particularly in the field of research and development, allows a business to **share the costs** of developing something new. Closely related to this is the third benefit of collaboration – the ability to **share the risks**. Finally, collaboration can produce **new sources of income**. For example, Dell specialises in computer hardware, Intel's strength lies in processors and Microsoft is a market leader in software. Each of these companies have their strengths in the collaboration, which produces computing technology.

It is crucial to ensure that the collaborating parties are clear on IP ownership – both in terms of the IP they bring into the collaboration, and the IP that is created during the collaboration. **The general rule in the UK is that the creator, author or inventor of a work is also its owner.** However, there are some special groups of people that a business needs to be aware of when dealing with IPRs. These are set out in Table 1.

Determining who owns what at the outset of the collaboration brings commercial and legal certainty to the process. It is also advisable to have a written contract of the agreement, as this makes it easier to refer back to what has been agreed if any issues arise. Clearly establishing ownership of IP at the outset also makes it easier to determine how the parties will commercialise the IP and gain revenue from it.

#### How to assign IPRs

Assignment of IPRs is like selling your house – you let go of an asset belonging to you, and once you have done so, you can no longer benefit from that asset. Assignment can be carried out with all IPRs

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and is usually done in exchange for money. Contracts of assignment should always be in writing and signed, otherwise they are not valid legal documents.

By assigning your IP to someone you lose ownership of the IP. By licensing your IP, you retain ownership of it but

give someone else a permission to use your IP for a particular purpose in exchange for royalty payments.

Table 1: Key IP ownership considerations relating to employees, third parties and joint owners

Who?	Employee	Contractor/third party consultant	Joint owners
Ownership of IP – default position	Employer owns IP created by employee during the normal course of their employment. Can be altered by the employment contract.	Contractor/consultant owns all IP they create, unless otherwise agreed in the contract.	Where two or more people create something together and their contributions cannot be distinguished from each other, the work is jointly created. Ownership of the IP is with all collaborators.
What to take into account	Clearly set out the employee’s obligations and rights in the employment contract to avoid confusion and disputes in the future.	Ensure the contractor/consultant agrees to assign all their IP rights in the work to the business. This can also apply to future IP created. If work is protected by copyright, ensure that they rescind moral rights in the work.	Transfer ownership of the IP to the business and pay the joint owners from the business revenue. This allows for the asset to be used more freely, while providing adequate compensation for the creators.

### How to use non-disclosure agreements (NDAs)

Businesses often deal with sensitive information which can give them a competitive advantage when it is kept secret from others in the market. Such information can include algorithms, recipes or customer lists.

Confidential information and trade secrets are protected by law. However, in order to bring legal, and commercial, certainty into a collaboration, it is useful to create a non-disclosure agreement (NDA) to protect innovations, ideas, and IP that is at the research and development stage.

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An NDA obliges the signing parties not to disclose confidential information that is identified in the Agreement. This type of Agreement can bring certainty and security to the signing parties. An NDA should always contain the following elements, which should be described clearly and precisely:

- Definitions of the protected information.
- Rules on the permitted uses of information and how to keep it secret beyond those circumstances.
- Rules on people who the information can be disclosed to and when this is allowed.
- Rules on what happens to the information if the collaboration does not go ahead.
- How long the NDA lasts.

Note that the definition of the protected information should be broad enough to cover deliberate *and* accidental disclosures of information. The time frame for duration should be realistic – while secrets can technically be kept forever, sometimes they lose their value over time, and the NDA will become redundant.

NDAs are particularly useful when imposed on employees and third-party contractors who interact with confidential information due to the nature of their work. NDAs are also helpful in collaborations, where they can protect mutual exchanges of information. However, NDAs are not useful with investors, whose business model depends on dealing with large numbers of ideas speedily to find the best ones to invest in. For a start-up looking for funding, it is more useful to build meaningful relationships and mutual trust with investors first, and then ask them to sign an NDA if it is necessary. Be aware that the information is not rigorously protected at this stage, and that you should consider carefully whether disclosure of sensitive information is necessary.

Note, however, that NDAs cannot do everything. It is important that the business has taken the necessary practical steps to protect the information, for example, limits it to a small number of people, utilises adequate hardware and software and trains employees, third parties and collaborators on the importance of keeping confidential information (especially IP in development), secret.

### **The importance of IPRs to attract investors/future business opportunities**

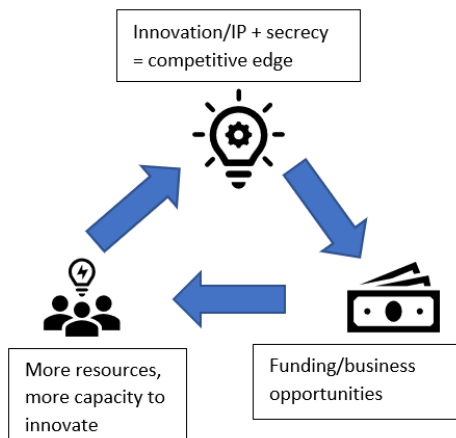
IPRs can generate profit in two main ways. Directly, by way of licensing or sale of the asset, and indirectly as barriers of entry to the market. Investors and other businesses can be

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particularly attracted to the latter, as barriers of entry to the market can generate a strong competitive advantage for a business.

The competitive advantage is strongest when the business owns all relevant IPRs in their own right and can keep confidential information secret. This competitive advantage is not only good for generating profits and growing the business but is also an attractive feature for third parties. Others, be they investors or collaborators, want to profit from the exclusivity such a competitive advantage can create. The ability to not only protect but also to profit from IPRs is therefore crucial for a start-up to secure funding and to stay relevant. When starting out, it is useful to carry out an IP audit – in essence, identifying every possible IPR attached to the business and who owns each right.



The IP market is growing rapidly and globally. Innovation is no longer reserved for those who have the funds to run big research and development departments but can originate from anywhere. The better prepared and more knowledgeable you are about IP when starting your business, the higher the likelihood of success and profits, both in the short and long term.

### *The cycle of innovation and funding*

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