

Avoiding IP Litigation: 10 Considerations When Hiring An Employee

Hiring a new employee, especially one working for a competitor, is a common source for claims of trade secret misappropriation and other IP-related claims that can be very expensive to defend and difficult to defeat in the early stages of litigation. There is nothing you can do to absolutely prevent being sued in such cases, but the following considerations can help your company avoid or diminish the most common bases for such claims and position your legal team to resolve any litigation as quickly and inexpensively as possible.

1. Interview Procedure

Be clear when interviewing a potential employee that your company is only interested in hiring the prospective employee for her general knowledge, skill, and experience in the field. Confirm and provide at the interview your written policy that your company will expect any new employee to return all confidential information belonging to her current employer to that employer, and that she bring nothing to her new employment with your company that might be considered confidential by her current employer.

2. Non-competition Agreements

Also during the interview, determine whether the potential new hire has an ongoing non-competition agreement with her employer. Such agreements may be enforceable in Texas and other states, but virtually all such covenants are illegal in California. Thus, if there is a non-competition agreement in place, it is very important to obtain legal advice regarding the enforceability of that specific agreement under the relevant state laws.

3. IP Policy

As part of the first-day training, educate new hires on your company's IP policy, including what constitutes a trade secret (using comprehensive examples), the company's legal requirements to not use competitors' trade secrets, and the ease with which a competitor can hit your company with an expensive lawsuit on the flimsiest of allegations.

4. Search and Return

As part of the first-day training, ask each new hire to perform a complete search of her home computer, electronic devices, and hard-copy files for any confidential material that potentially belongs to a former employer, and confirm in writing that no such information exists.

5. Non-solicitation Agreements

Determine whether the new hire has an ongoing non-solicitation agreement with her prior employer. Non-solicitation covenants relating to co-workers at an old job should be treated as enforceable, despite some uncertainty on that issue. A new hire subject to such a covenant should not solicit or invite former co-workers to seek employment at the company during the term of that covenant.

6. Employment Contract

The new hire's employment contract should contain standard terms requiring that the individual not bring any trade secrets or other intellectual property belonging to a former employer into the company.

7. Independent/Internal Development

For engineers and other technical employees, new hires should be advised to keep careful notebooks or other records of their work, so that the company can prove independent development if challenged in a lawsuit. Even for non-technical employees, especially in sales, new hires must be advised to keep notes and records of the source of any confidential information that they use in the course of their work, such as customer lists. The goal here is to have solid evidence to use in court to quickly defeat a claim that the employee is using information gained from a prior employer. At the end of the day, if your company cannot prove that the information was developed internally without the use of your competitor's information, the jury often assumes the worst.

8. References to Former Employer

Every new hire should be reminded not to talk about his former employer's business, whether verbally or in company email. Such documents are the first thing opposing counsel seeks when pursuing litigation.

9. Invention Assignment Agreements

Invention assignment agreements are especially important for engineers and other creative employees. New hires should be reminded not to make use of any ideas or inventions that were first conceived during past employment, even if the former employer was not interested in pursuing the idea. In addition, certain states have specific language that can be used for invention assignments to be effective, so consult with counsel on the wording.

10. Mass Hiring

In most states (including Texas and California), hiring many employees from one competitor is legal. However, such mass hiring often leads to allegations of trade secret misappropriation from that competitor, and can also make the company look guilty to a jury. Thus, it is advisable to interview candidates from a number of companies, if possible. And, in situations of mass hiring, proof of independent development and the proactive measures detailed above are critical to prevailing at trial.

For more information, please contact:



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