

Startups, SMEs tardy in protecting patents

Pay The Price When Inventor-Employees Quit

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Mumbai: A startup recently found to its dismay that the patent created by its employee was not owned by it. The founders were unaware that under the Indian Patent Act, 1970, the inventor of the patent is the 'first owner'.

Additional heartburn was caused as the employee was quitting to join a competitor. Fortunately, a counter-offer helped retain him. Patents fetch a higher valuation and now this startup, which is yet to access venture capital funding, is conducting a legal audit and strengthening agreements with its employees.

Under the Indian Copyright Act, 1957, the employer owns the copyright to material created by an employee during his employment (unless otherwise specified in the employment contract). However, the legal position is quite different under the patent laws.

In order to protect and own patents, companies need to ensure that the patents are assigned to the company by the employee (who is the inventor). The terms and conditions of this assignment agreement needs to be detailed, containing all the terms and conditions governing the rights and obligations of the parties involved.

"While every company is aware of the need to protect IPR (intellectual property rights) — such as patents — we still have companies and employees treating this issue lightly. However, the scene is changing and we see legal measures adopted by some companies who include strict clauses in employment contracts. Some companies also provide that an employee can't join a competitor for a certain duration of time," says Suresh Raina, managing partner, Hunt Partners (India), an executive search firm.

Multinationals and large companies are aware of the legal nitty-gritty which needs to be in place to protect their IP. Unfortunately, many fledging entrepreneurs and small- and medium-sized enterprises (SMEs) realize this a bit too late, cite industry watchers.

Anindya Sircar, AVP & head of IP cell at Infosys, says, "For all patents filed with the Indian Patent Office, Infosys is the applicant and the respec-

ments. As part of the process, employees also receive substantial rewards and recognition," explains Inderpreet Sawhney, senior vice-president & general counsel, Wipro.

"In addition, Wipro educates its employees about the spectrum of IP risks through a series of classroom and online trainings and mass mailers. Various automated controls are in place to mitigate IP risks. These include real-time monitoring of all ports for preventing data leak, open source audits, automated backup mechanism, and asset sanitization, to name a few," adds Sawhney.

Vaibhav Parikh, partner at international legal counselors Nishith Desai Associates, says, "A three-layer protection offers adequate safeguards to the company. The employment agreement should provide that all IP created will belong to the company. It should also include a clause that the employee will assign all future IP (created in the course of employment) to the company. Lastly, a power of attorney clause, if built in, enables the company representative to sign all documents on behalf of employee that are required to perfect the assignment of IP."

When it comes to compensating the inventor-employee for assigning the patent, laws differ from country to country. Netherlands provides that compensation should be awarded if the inventor has not already been compensated for the patent in his salary, pecuniary allowance or any other extra remuneration. France, on the other hand, requires that compensation must be awarded for all employee inventions that the employer owns. The UK calls for compensation in exceptional circumstances.

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> Make watertight employment agreements to ensure intellectual property belongs to co



> Assignment of patents by employee-inventor to the employer

> Adequate security measures to prevent leakage and misuse of intellectual property

tive employee is the inventor. Additionally, an 'assignment form' is duly executed between the employee and the company as per the requirements of the Indian Patent Act. Such provisions are built in the application forms that accompany the patent specification during filing. This applies and is followed for both current and ex-employees."

Wipro has a comprehensive framework to protect its IP interests. This framework comprises of two distinct parts comprising of legal agreements and physical controls. "To begin with, all employees assign IP rights of all materials created during the course of employment to Wipro by virtue of their employment agreement. Upon filing of patents, employees are named as inventors but Wipro is named as owner. Patent rights are transferred by the employees through assignment docu-

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