

# MANAGING YOUR MOST VALUABLE ASSETS

How to look after your intellectual property





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# Introduction

**E**ffective management of your intellectual property and other intangible assets requires procedures, processes and documentation. It is important to have the tools available to manage common situations efficiently. These will help you ensure that rights are not lost, your company does not run into avoidable disputes, and your day-to-day operations are not adversely affected.

Your employees create most of the new intellectual property (IP) that your company will own. Depending on their roles, they are also likely to acquire knowledge of company-owned trade secrets and other confidential details. It is therefore important that your employees are clear on who owns this IP and similar information, and what their rights and responsibilities are to their employer. This is achieved through a strong agreement between the employee and the company, usually taking the form of including IP provisions within an employment contract.

You may use casual or contract workers and other self-employed people in the normal course of business. If so, you may not own the IP that they create, and will have less control over any knowledge they take away from the company. The same applies to suppliers, including external agencies that create copyright-protected promotional assets such as literature, photographs and websites. Under these circumstances, you may not own the copyright by default (unless you have commissioned photographs, paintings or engravings in Singapore). To be sure you own the rights, they need to be assigned to your company.

It is often necessary and beneficial to work with others, and sometimes this extends to sharing or jointly creating new IP. In such situations, it is important to have the right agreements in place to protect both parties and ensure any IP involved can be optimally protected and defended. To manage risk in these situations, you will need to use non-disclosure agreements, confidentiality undertakings and IP assignment forms.

This guide discusses IP management processes in general. There is another guide—**Making Best Use of All Your Valuable Assets** in this series that covers the management processes required to identify and capture new intellectual property.

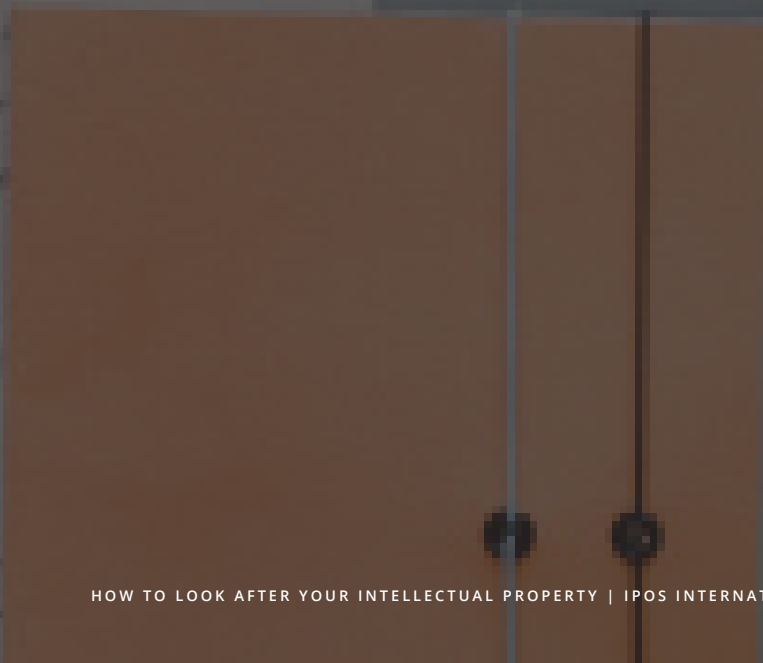
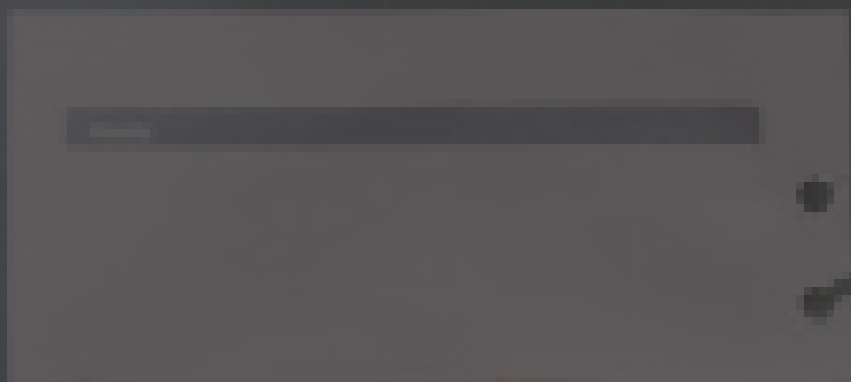
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# Legal documents



01



# 1. Legal documents

## Which legal documents are most commonly used in IP management?

The most common legal tools that can be deployed regularly to assist with IP management are non-disclosure/confidentiality undertakings, copyright assignment forms, commercial agreements and employment contracts.

“There are certain agreements that you are likely to use on a frequent basis for which it's worthwhile getting a good template in place”

If these basic legal tools are used properly and consistently, it will make the management of your IP more straightforward and efficient under most circumstances. The main applications include:



- **Employment contracts** — to ensure your employees treat your IP as you would like



- **Customer/supplier agreements** — to put them on notice that your rights need to be respected



- **Assignments** — to ensure you gain legal title over all the IP that you need to use and are entitled to have



- **Non-disclosure agreements or confidentiality undertakings (two phrases that basically mean the same thing)** — to ensure external stakeholders do not disclose your secrets or plans, or use your IP without your consent



- **Collaboration/R&D agreements** — so that it is clear who owns what, and who can use what when engaging in joint development with others



- **Licensing agreements** — to gain access to rights you do not own, but need to be allowed to use

The first four of these are dealt with in this guide: the last two are discussed in a separate guide on collaborations—**Partnering for Commercial Advantage**.

The best source for legal documents like these will be your legal advisor. Asking your own IP law firm to draw up agreements you will use repeatedly will enable these documents to be tailored to your specific circumstances.

If you are a member of a professional body or business organisation, legal templates may be available as one of the benefits of membership. Also, a number of government and intergovernmental organisations have produced draft templates that are free to use or provide further help. There are also commercial organisations that, for a fee, will allow you to download a number of legal templates for your use.

Given the possible consequences of inadvertently ending up with an ineffective or unenforceable agreement, professional advice is recommended, where possible, to ensure your business is as well covered as it can be.

## Why are employment contracts important?

*“Your employees will generate much of your IP. Make sure they are aware of their IP-related rights and responsibilities”*

**Y**our employees will create most of the new intellectual property that your company will own, and in many cases, they will be dealing with it on a daily basis. It is therefore important that your employees are clear on who owns this IP and other sensitive or confidential information, and what their rights and responsibilities are to their employer. This is achieved by having an ‘IP aware’ culture—but it needs to be backed by strong and effective IP provisions, typically in an employment contract.

Your employees are often characterised as being a company’s most valuable asset. This is not only because of what they do, but because of the assets they can create.

Depending on your sector and business operations, it’s likely your employees will be inventing new things; writing copyright-protected software code; maintaining and adding to a customer database or other information repository; designing a new product or service; writing documentation for your product or service or striking deals. With this in mind, it is important that the efforts of your employees are owned by your company, and that all staff are clear on what they can and cannot do with such information.

Your employees, however, are entitled to a private life! Accordingly, any IP they create outside work and in a field unrelated to your line of business will generally be owned by your employee and you will have no rights over it.

The situation gets a little more complicated when an employee’s IP generation activities are not part of their normal duties, as may be stipulated in the employment contract. This is because any such IP might still relate to, or be of benefit to your business. It may also have been created using your company’s resources or during work time. For example, if you employ someone to work on a production line packing boxes containing your product, and they invent a machine that would make the packing process faster, this would not be considered part of the employee’s normal duties (as you did not employ him to invent).

Because of this complexity, it is important to include in employment contracts clear provisions regarding IP, as an employee may at any time come up with inventions or ideas for business improvement from which the company would wish to benefit.


# 1. Legal documents

## What should employment contracts contain?

In the interests of all parties, it is important that contracts and service agreements contain clear non-disclosure, non-solicitation and non-compete provisions. It is generally helpful to define the concept of 'inventions' as well as confidential information and

intellectual property, to ensure it is clear how broad the scope of the agreement is.

“There are a number of specific areas your employment contracts should incorporate”

|  | Other clauses that should be present in an employment contract include:   |
|---|---|
| ➤   | Clauses that cover what IP will be owned by the company or by the employee. As mentioned earlier, the default situation is that IP generated during an employee's normal duties is owned by the company, but you may want to make this broader and include clauses about the use of company resources, for example. |
| ➤   | Clauses that make clear what the employee is obliged to keep confidential. Depending on their role you may also specify what (if anything) about their work can be disclosed.   |
| ➤   | Clauses that require the employee to assist the company in obtaining good title to all inventions and IP.   |
| ➤   | Clauses to cover non-compete and non-solicitation (i.e. working for rival organisations and approaching staff and/or customers after an employee has left the business).  |
| ➤   | Clauses that dictate what information employees are allowed and prohibited from using once they have left the company's employment.   |

You should also be aware that in some countries (most notably Germany, but also Austria and Japan for example), inventors of technologies have strong rights over their inventions and can be entitled to compensation should your company, as the owner, not exploit them fully. There are also separate provisions that may impose duties on you to compensate inventors if your company makes an exceptionally large profit from using their inventions. This is covered in more detail in an accompanying guide—**Creating Business Assets from your Ideas.**



## How should IP feature in my supplier, customer and distributor agreements?

It is often necessary or beneficial to work with other companies, even if it is just a matter of sourcing a component from a supplier or selling a product/service to a customer. Whenever a commercial contract is signed, it is important to consider the IP angle—what rights does the other party own, and what access rights do they have?

No company operates in a vacuum and it almost certain that you have or will require agreements with suppliers, distributors, customers, collaborators and other third parties to ensure that your product or service is fit for purpose and reaches the marketplace as efficiently as possible. In each of these cases, it is likely that you will need an agreement or contract. It is in your interests for this agreement to be clear about IP ownership and what you and the other party can and cannot do with any IP that is involved.

*“In your own business, it is necessary to deal with other businesses (suppliers, distributors, partners) and with customers. It is important to think about IP when doing so”*



### Considerations when dealing with suppliers/ subcontractors, customers and/or distributors



You should consider putting in place comprehensive terms and conditions of use relating to IP, and making reference to these terms and conditions in all quotations, and in your contracts with suppliers and sub-contractors. Contract terms with suppliers should be enhanced to incorporate specific clauses relating to ownership, legitimate use and licensing of IP rights.



When dealing with customers, it is common to issue standard terms of sale, which can also include clauses on IP. In the absence of such terms being accepted by a customer, common law will apply, which may be less favourable to your company. Whilst terms cannot legally override the statutory rights of purchasers, they can set out important information regarding relevant IP-related aspects, for example, placing an obligation on the buyer not to disassemble or reverse engineer.



When formulating agreements with distributors, it is important to be clear on their rights and obligations in respect of the IP relating to the product (which could include notification of suspected infringement, rights to use the IP for promotional purposes under licence, and obligations in respect of contributing to the continued development and protection of the IP).

# 1. Legal documents



Since distributors represent your products or services, there is a potentially significant risk that they could ‘step over the line’ and use your trade marks in a way that undermines your preferred brand or marketing identity. They may also purport to have a closer association with your company than is, in fact, the case. One way to regularise this situation, once trade marks are registered, is to license their use to the distributor when appropriate. In these situations, you can stipulate where and how the marks will be used.

If you are considering collaborating with another company or partner that may create some new IP, you may first wish to read the accompanying guide—**Partnering for Commercial Advantage** on this subject.

*“Work performed by agencies should be formally assigned to your company”*

## When would I need to use an IP assignment?

Organisations often use external agencies to create promotional assets such as literature, drawings, photographs and websites. Under these circumstances, you will not own the copyright by default—the

agency will (except for specially commissioned photographs, paintings or engravings). To own the rights, they need to be assigned to your company using an assignment document.

When you commission a piece of work to be done by non-employees, there will be times when you do not own the copyright or other IP in the work. Your agreement with the commissioned agency may be silent on ownership of the work created, or it may state that copyright in the work will be assigned to your company on completion of the work and satisfactory payment.

In either case, it is advisable to make sure that the commissioned agency signs an assignment document, otherwise you may experience difficulties contracting with other agencies in future, or adapting the assets yourself. Such documents should typically contain the following clauses:



### IP assignment document clauses



Agency assigns all economic rights in the work to your company—this means that your company will own the work and you are entitled to copy and use it as you see fit.



Agency waives any moral rights in the work—in copyright law, moral rights (where they exist) belong to the original copyright holder and cannot be transferred/assigned. This clause prevents the rights (such as the right to be attributed as the creator of the work or having the work being used in a way that the creator disapproves of) from being enforced.



Agency indemnifies your company against any infringement action relating to the work. You will want to make sure that even though you own the work, any liability for infringement will still rest with the creator. This clause essentially protects you should your contractor have copied the work of another.

## What are the benefits of using non-disclosure agreements?

*“Use of an NDA leaves little room for doubt that you intend your information to be treated as confidential”*

**N**on-disclosure, or confidentiality agreements (commonly called NDAs) are frequently used legal documents that restrict what a recipient can and cannot do with sensitive information you provide. If you are thinking of applying for a patent or registered design, where prior public disclosure affects novelty, or you need to share a trade secret with entities outside your organisation, then an NDA is very important.

As well as placing an obligation of confidentiality on the recipient, use of an NDA has the additional benefit of allowing you to demonstrate that you did not intend the information to enter the public domain. The reason they are frequently used is that it is often necessary to share sensitive information with a third party.

For example, a contract manufacturing firm or supplier may need to quote to build a prototype for you; a potential partner or collaborator may require some sensitive information to have a meaningful discussion about an opportunity; or a potential investor/funder will need access to sensitive business plans, as may a governmental or regulatory organisation. In these situations, it is common to request that a non-disclosure agreement is signed.

An NDA can be one-way, if only one party has sensitive information it wishes to disclose, or two-way if both parties will be disclosing and receiving confidential material. The key clause in the NDA is that which prevents the party receiving the information except under certain specific conditions. Common conditions when disclosure would be permitted are:

- Time from signing—most NDAs have a time limit after which the information can be disclosed and/or used
- If requested by a court of law
- If the information enters the public domain

# 1. Legal documents

As a minimum, a good NDA should define the list of items shown in Figure 1:

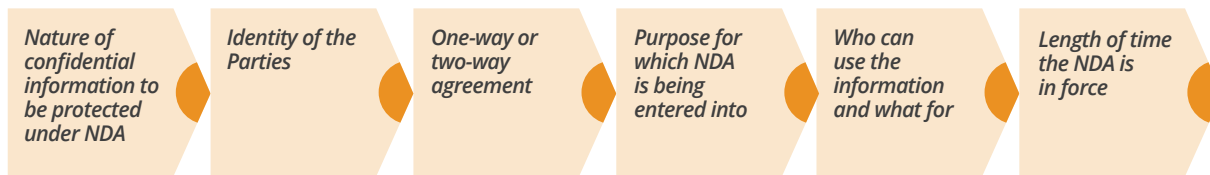


Figure 1. A non-exhaustive list of items usually defined in a typical NDA

It is good practice to identify as specifically as possible the information that will be included within the scope of the NDA—this makes the agreement stronger, as there is then no ambiguity about what is covered. A good NDA will also limit the purposes to which the information can be used; without such a clause, the receiving party can use the information for anything they like, as long as they do not disclose it. Again, the purpose should be as narrow and specific as possible.

## When should I use a non-disclosure agreement?

**E**ven without an NDA, it is against the law in Singapore to disclose confidential information that you receive in confidence. If someone does, you can potentially take them to court and use the law of breach of confidence (as set out in another guide in this series—**Creating Business Assets from**

**your Ideas**) to obtain an injunction preventing further disclosure and preventing the unauthorised recipient from using your information. However, an NDA makes life simpler.

To prove breach of confidence, you have to show **three** things.

1. Information was of a confidential nature.
2. Information was imparted by you under conditions of an obligation of confidence on the original recipient.
3. Unauthorised disclosure of the information to your detriment.

Companies have proven breach of confidence without an NDA being signed, but it is much easier with an NDA as the first two aspects of this test become much more straightforward to demonstrate. With an NDA signed, it may also be possible to use contract law (breach of contract) against the discloser.

It is particularly important to use an NDA if you have to disclose information that may form part of a patent or registered design

*“It is particularly important to insist on the signing of an NDA if the material disclosed may form the basis of a future patent or registered design application”*

application in the future. IP law prevents the granting of a patent for inventions or a design from being registered that are in the public domain, and without an NDA, you run the risk that any disclosure will be interpreted as being a public one, preventing the patent or design from being validly granted or registered, or causing it to be invalidated after grant or registration.

There are some recipients of confidential information who, because of their position, are under an automatic implied obligation of confidence. These recipients do not need to sign an NDA, and disclosure to them is also not considered public disclosure. The most relevant example for these purposes is your legal counsel (including your patent or trade mark agent).

There may be times when you request an NDA to be signed prior to a disclosure and the intended recipient refuses to comply. This is particularly common with large organisations that fear that they are likely already to own and be working on similar confidential information themselves. They may, if they continue to develop the idea, make themselves liable to legal action from yourselves, even though they are only using information they already possess.

It is also common for funding intermediaries to refuse to sign an NDA, as it would be an impossible task to pitch your idea to potential investors if they are not allowed to talk about your idea with them. However, under most other circumstances, an NDA is seen as a reasonable precaution that protects both parties' interests.



## SUMMARY

The following template agreements are likely to repay your investment of time in creating them, as they will prove particularly useful for IP management.

*Employment contracts*

*Customer and supplier agreements*

*IP assignment templates*

*Non-disclosure agreements*



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