

## LEGAL UPDATE – NOVEMBER 2011

### INTELLECTUAL PROPERTY CREATED BY ISRAELI CONSULTANTS OR EMPLOYEES

The ranks of Israeli academia and government institutions are filled by highly trained individuals who possess unique skills and experience having great value to commercial entities. It is therefore common practice for companies both within Israel and abroad to draw on this knowledge base by hiring experts affiliated with research, academic, health and government institutions as employees or consultants. These individuals often make substantive developmental contributions to the company's technology and products.

Companies engaging such individuals should be aware that provisions of Israeli law, as well as contractual arrangements, may limit the ability of these professionals to assign the results of their work to the engaging company. *While a consultant/employee who is also employed by a third party such as a hospital, research institution or government entity may personally assign to private entities his rights in inventions created in the context of industry consulting/employment arrangements, the intellectual property may in fact be owned by the consultant/employee's (other) employer under Israeli law or contractual arrangement. Where rights in the invention vest a priori in the employer, the assignment of rights in the invention to a third party is null and void.*

Clients are advised to investigate prior to contracting with such parties whether consultants or employees have relationships or obligations to third parties. In addition, entities acquiring Israeli companies or assets should confirm that no title issues exist.

The following may be sources of consultants' or employees' obligations to third parties:

#### Israel Patent Law

Under Israel's Patent Law, inventions that are developed by employees as the result of and during the term of their employment are the property of the employer. For employees of government institutions, ownership of the invention may vest in the Israeli government even if the invention was developed *during the one-year period after* the employee has ceased working for the government-affiliated institution.

#### Government Employees

Employees of government institutions are subject to the Regulations Applicable to Government Employees ("Takshir"). These regulations authorize a government committee to determine whether the government has ownership or use rights in patentable inventions created by the employee. The Takshir applies during the term of government affiliation and for *one year following service*. Employees of government hospitals or health organizations are subject to additional regulations which replace the relevant provisions of the Takshir and apply to inventions created during the term of employment and *18 months following service*.

#### Institutional Policies

Academic and research institutions and hospitals generally have their own internal policies in respect of ownership of inventions by employees. These policies can have the status of a contract between the employer and employee, and vest ownership of inventions in the institution.

#### Employment or IP Agreements

Employees in Israel typically enter into employment or intellectual property agreements with their employers. It is common for these agreements to provide that all intellectual property created during the term of employment is owned by the employer.

Our firm has long advised our clients engaging Israeli employees and consultants to confirm that there is no legal obstacle to the consultant's assignment of inventions to the company. Similarly, entities acquiring Israeli companies or their assets are advised to carefully investigate contributions to target technology made by employees/consultants who are (or were) also affiliated with academic, research or government institutions, State-affiliated hospitals or other third parties. We caution our clients who engage consultants or employees who are also employed by third parties to address IP ownership issues before the technology is developed, if possible, or before the developed assets attain substantial value. A problem that can be solved for a few thousand dollars in the context of a Series A round may have a hundred million dollar price tag a few years later in an acquisition.

If you have additional questions concerning the subject matter of this memorandum, kindly contact Yoheved Novogroder-Shoshan at [Yohevedn@arnon.co.il](mailto:Yohevedn@arnon.co.il) or +972-2-623-9200.