Non-disclosure agreements (NDAs) may be the most powerful tool in your intellectual property (IP) portfolio. Often NDAs are some of the first steps taken by companies to protect their IP. NDAs are commonly executed in-house, with little or no input from outside counsel. And in many situations, even for companies with a robust portfolio of patents, trademarks, and copyrights, it is the humble NDA that can provide the best protection for your company’s inventions and other confidences. This article explains why NDAs may be key to your company’s IP enforcement, and offers a few practical tips on how to maximize the protective value of your NDAs.

NDAs are valuable when a party with whom you shared confidential information wrongfully discloses or otherwise misuses that information. It is a contractual obligation between you and the recipient of the confidential information. Because NDAs are a creature of contract, you are free to customize the provisions to your own needs, and dial up or dial down the protections they offer.

Consider if your situation calls for bilateral exchange of information, such as partner agreements, where both parties will be subject to the confidentiality restrictions. In such cases, a more neutral agreement with provisions that both parties can live with, is probably most appropriate. For situations where technology is flowing in one direction (like customer agreements), you may want more aggressive provisions.

NDA enforcement can be swift and (relatively) cheap. You can draft NDAs to allow for recovery of attorney fees by the prevailing party. Through forum selection clauses, you can lock in a favorable venue to avoid costly and time-consuming jurisdictional fights (including specifying arbitration if you want to stay out of court and keep your disputes private). By broadly defining what you claim to be your protected confidences, you can streamline what is required to prove a breach. And through relief provisions, you can specify that any harm from breach is likely to be irreparable, thus allowing for injunctive relief to enjoin misconduct.

NDA litigation can avoid many hang-ups of patent disputes. There are no PTAB proceedings (i.e., challenges to the validity of patents at the Patent and Trademark Office). There are no “Markman” hearings
(i.e., specialized hearings in court to determine the scope of a patent claim). The importance of prior art is much lessened, although you will have a burden to show that the materials you are trying to protect were not already publicly known. You can sue to enforce NDAs in state court, which can allow for faster and cheaper relief than federal court proceedings. And you can obtain injunctive relief, which is increasingly difficult through patent enforcement.

Successful NDA enforcement requires more than a signed agreement. Your company needs to act in accordance with the secrecy agreement. Mark your documents confidential that you are sharing. Ideally, number the documents you share and keep a duplicate set, to have a definitive record on what information you provided to the other side. If you share secrets orally, follow up the conversation with an email to memorialize the disclosure. Specify the people authorized to receive your confidences. These guidelines help shore up one of the key proof points in NDA litigation — i.e., proving what you disclosed to the other side. Also, demonstrating discipline over your disclosures conveys to the other side that you are taking your confidences seriously, thus helping avoid a dispute in the first place.

If the other side is attempting to force its NDA onto you, look for red flags that you may have to counteract, such as: non-compete provisions; overly aggressive demands for you to divulge your crown jewels; unduly short restrictions on their obligation to maintain confidentiality; and unduly long restrictions on your ability to use or share information (which can effectively rise to the level of a non-compete).

In most situations you will not want to “lawyer up” for executing an NDA. However, when heading into key meetings with partners where your secrets are most vulnerable to misuse, it is prudent to take a fresh look at your NDA provisions to make sure adequate protections are in place. And read the provisions being demanded by the other side, which may necessitate pulling in legal counsel to ensure you are not overly burdening your company. Navigating these challenges is in the “sweet spot” of what Robins Kaplan offers, and we’d be glad to help.