This article first appeared in the **September 2020 issue of Eureka!NEWS**. It is repeated here as an article as we believe the subject matter, while an overview, is an important and complicated one and the article below gives a good general understanding on Confidentiality Agreements.

Confidentiality Agreements

This overview of this very important part of the invention process will answer some questions but the article merely introduces this complex subject. Remember too that the information below is very general and does not offer legal advice. You need to do your own research, and then engage the services of the professionals to help you accordingly. To start though, keep in mind that a Confidentiality Agreement is a serious document and a legally binding contract.

They are not one-size-fits all and will need to be adapted and made fit-for-purpose; after all, every invention is different (!) For instance, the agreement you may sign with a manufacturer will be different from one that you will sign with a co-inventor or potential investor. And then, as your invention matures, you may also sign upgraded agreements with your key parties.

Aka as an NDA (Non Disclosure Agreement), essentially a Confidentiality Agreement enables an inventor to disclose intellectual property without losing rights to that property in normal circumstances. It is the inventor's most basic tool for protecting intellectual property. This can include ideas, designs, prototypes, equations, formulas, software, pictures, music, story ideas, business plans, patents pending, market research and strategy, and more.

However, a Confidentiality Agreement is not always easy to get signed as other parties want to protect themselves too and may have their own they prefer to use. At one end are suppliers, manufacturers and product designers who have little or no issue in signing strong agreements; but at the other end are open innovation companies, corporates or academic institutions (who may also be potential licensees) that are reluctant to sign anything but the most general sorts of agreements. Not useful.

Just getting any old Confidentiality Agreement in place will not be enough if you have a valuable secret you need to disclose, and a bad Confidentiality Agreement could be worse for you than nothing at all. An inventor needs a good agreement with recourse. The trick though is having the right amount of 'bite' because too much 'bite' may chase important or potential partners away. If you decide you are going to use one, make sure that any to be signed are well drafted by an experienced lawyer who knows where the possible loopholes are. Note too that whenever an inventor discloses confidential information he or she risks losing certain patent rights unless the disclosure is properly covered by agreements and law so, again, you will need professional advice from a patent attorney

Do you need one?

The people you will be sharing your information with need to know what you have before they will consider working with you. Some of the information they need to know is information you may want to keep secret or release on a need-to-know only basis, and this may be a problem or cause delays. Consider too that some of the 'best' potential partners (and other third parties) may also be potential competitors. However, a strong Confidentiality Agreement should prevent outside parties from stealing your intellectual property … so yes, you do need one.

What can be included in a Confidentiality Agreement?

To be of any value, a Confidentiality Agreement should include quite a lot more than just demanding secrecy. In the **Introduction,** the inventor and the recipient (the party getting the confidential information) will identify themselves and the reason/s why they are entering into the

agreement. The invention idea itself needs to be identified by general description or by name. Then in the **Terms of disclosure,** each party states what it will do. The inventor/s will agree to disclose the invention idea with supporting documents/prototype etc. and the recipient/s will agree to keep the 'confidential information' secret.

Still, there are limitations to the secrecy, for example, it may include **a time period** for the agreement and set a termination date after which the secrecy will no longer be valid. And then there are **exclusions** added to the agreement which could include information already in the **'public domain**' This has a wide definition and could include patent records, magazine articles, Internet articles, software, games, books, films, songs … in fact everything that has been published (and still be found).

Other specific (to you and your invention idea) exclusions may be added here as well. The **reservation of rights** of the parties clarifies all that is incorporated in the agreement. For instance, the inventor is not giving the recipient any rights to the invention just because he/she is disclosing details (etc.) and then the recipient in turn may reserve the right to use information that isn't confidential or covered by any exclusion in the document. Watchpoints for the inventor can be that some companies reserve the right to use information learnt from the disclosure to develop other products. It might be that your disclosure identifies an attractive market opportunity or engineering concept that the recipient will want to pursue without obligation to you. Software companies for example often reserve the right to reverse engineer product concepts. Caveat emptor.

Implementation or enforcement provisions define and limit the actions the signatories can take in the event of a dispute. Some Confidentiality Agreements do not provide for enforcement but without these provisions, the only recourse in the event of a dispute, may be an expensive lawsuit for the inventor or the risk of losing everything by walking away. **Jurisdiction** is important too as laws vary from country to country. Advice to hand suggests that contracts should have a section that details which specific set of laws will be applied in the event of a legal dispute. This can be important since certain provisions in (or even the entire agreement) may be legal under one set of laws but not under another. Finally, consider **Venue.** If there is a dispute, where will you argue about it? It costs less to argue in your own back yard using legal services you already know than having to foot the bill for expensive travel.

The thing about Confidentiality Agreements is that they are living and adaptable documents – not cut and dried or take off the ready-made shelf right now. Each will be different for obvious reasons (and for some not so obvious) but understanding their uses and importance is paramount to building and keeping good the relationships you establish along the way. Trust will always be a factor.

There is so much to consider and whilst you feel you might be caught between 'a rock and a hard place', **it is best to have a Confidentiality Agreement in place**, provided you have given careful thought about how you want to protect your confidential information and IP.

Inventing can be complicated. Oh really?

Words by Celeste Mulholland