

Confidential Disclosure – Why, What, How

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Overview

- Definitions
- Why and when to have 'confidential disclosure'
- What can be included within confidential disclosure
- The case study exercise

A (small) Disclaimer

- We are not lawyers!
- This presentation comes from the point of view of a technology transfer office and what it wants from confidential disclosure
- When putting a confidential disclosure together, always use a lawyer!

Why Is Confidential Information Important for a TTO?

- May be the only form of protection for our knowledge/ technology
- Allows early stage negotiations of protectable (patentable) material
- A very wide range of commercial and technical information may be protected
 - Inventions, scientific theories, discoveries
 - Business methods (not in the public domain)
 - Financial information
 - Customer lists
 - Business plans and financial information
 - Improvements to products and processes

General Position in Absence of an Agreement

- “Information received in circumstances of confidence cannot be taken unfair advantage of”
- Principle applies if:
 - Information is “confidential”
 - Received in circumstances of confidence
- “Confidential” = deserving of protection
- “Circumstances giving rise to confidentiality”=
 - ‘Reasonable man test’ (*circumstances of disclosure*)
- Also note:
 - Contract
 - Special relationship (e.g. employer/employee)

Requirements for Confidentiality Agreements

- **Confidential nature of the information**
- **Control being exercised over the disclosure of the information**
- Terminology
 - CDA: Confidential Disclosure Agreement
 - NDA: Non Disclosure Agreement
 - Secrecy Agreement
 - Confidentiality Agreement
 - One Way
 - Two Way
 - Three Way or Tri partite

Duration of Protection

- Indefinite (*as long as confidential nature subsists*)

BUT impacted by:

- “Shelf life”
- Contractual time limitation
- Entering public domain through other channels

• NOTE:

- “Commencement Date”
- “Effective Date”

Limits of Protection

- Regulatory Proceedings (e.g. European Commission)
- Court Proceedings (if read in open court)
- Public policy or public interest
- Freedom of Information
- Differences between legal systems

Core Protection Afforded

- Disclosure to others
- Unauthorised use
- Remedies for breach of confidence:
 - monetary compensation
 - Injunction

Core Protection Afforded

Aspects of CDAs (1)

- Who is involved – outline the Parties
- Definition of “Confidential Information”
 - Broad (*cover inadvertent disclosure*)
 - Derivative works
 - “Necessary quality of confidence”
 - Exceptions and cessation of protection
- Exclusions from confidentiality
 - If the recipient had prior knowledge
 - If they gained subsequent knowledge from elsewhere
 - If the materials are generally available elsewhere

Aspects of CDAs (2)

- The term (duration)
 - The time of confidentiality
 - How long the agreement is binding
- Permitted purpose, e.g:
 - Negotiation
 - Evaluation
- Permitted disclosures, circumstances and controls
- Return of confidential information

Correctly Identify the parties to the agreement

Legal Entities	Not Legal Entities
<ul style="list-style-type: none">> Individuals> Company (<i>Ltd, Plc, Inc, AS, GmbH, AG</i>)> Partnership> University> Local Authority> Institution	<ul style="list-style-type: none">> Trading names> Departments> Units> Associates> Unions <p>BUT:</p> <p><< Super Ltd trading as Marvellous>> is OK</p>

Governing Law

- Ideally you want your own governing law
- Acceptable:
 - Your Own Governing Law
 - Swedish, or other Scandinavian
 - German, Swiss and most (Western Europe) but avoid French or Italian
- Generally not acceptable
 - US States, particularly any Southern US State (inc. California, Texas, Louisiana, Florida, Arizona, Alabama, Georgia, Tennessee, South Carolina) – if you have to go US, substitute New York
 - Russian (substitute Swedish)
 - French (substitute Netherlands)
 - Developing countries

Jurisdiction

- The right/power to administer justice and apply laws
- Generally avoid exclusive jurisdiction unless in your own Courts
- Generally non-exclusive is acceptable if there is a logical connection with the choice of governing law

Additional Clauses and Parts of CDAs (1)

- Protect existence of the agreement and the planned negotiations
- Restrict categories of authorised sub-recipients (*e.g. employees and agents*)
- Responsibility for compliance by authorised sub-recipients
- Duty to return information
- Reserve ownership of IP

Additional Clauses and Parts of CDAs (2)

- No duty to collaborate or enter into contract
- No reliance on information disclosed
- Liability and indemnity
- Termination and survival of obligations
- Assignment

Example: what can go wrong with no CDA?

- Four Research Institutes: all over the world
 - Scientists friendly and keen, working together
 - Decide against having a CDA – they all know and trust each other....

Two years later.....

- One Research Institute agrees to manage the IP
 - Patents are filed and paid for
 - But they don't own the IP (owned by other Research Institutes) &
 - The scientists elsewhere have disclosed &
 - The main project coordinator has disclosed to two other parties, one of whom has disclosed to another.....
 - Four sets of lawyers and two patent attorneys engaged
- The Result
 - Probably €150k wasted
 - Relationships and contracts broken
 - A new patent strategy
 - Rushed patenting in the US and Japan
 - A CDA now in place.....

Be Wary of (check with your lawyer):

- Unusual clauses
- Clauses interfering with ownership of information
- Clauses that mention IPR
- Clauses that mention financial terms
- Clauses that mention options

Some Good Habits to get into

- Check need to mark “**Confidential**”
- “Need to know”
- Control access (and track access)
- Keep a contemporaneous written record of developments
- Staggered disclosure?
- Employees bound by confidentiality
- Security
- Common sense (*e.g. discussions in public*)
- Record which employees have had access and for which projects
- Audit security

CDA exercise

- Background reading
- Delegates either TTO representatives or Company representatives
 - 50: 50 split – identified now.
 - Split into few groups of 6, each of which has teams of 3 TTO representatives and 3 company representatives
- Group Review of Background Reading
 - Groups of 3 discuss plan for negotiation.
 - A hint - you want control over the information to be disclosed.
- Negotiations
- Feedback experience and discuss

Any Questions?