

The Promise and Perils of Non-Disclosure Agreements (NDAs) (NDA Checklist)

1. General Points to Consider

- One-way or mutual
- Defined purpose for which information is being disclosed
- Disclosure required or discretionary

2. Definition of Confidential Information

- Written or electronic (tangible) information
- Oral or visual information
- Trade secrets
- Obligation to mark written/tangible information
- Obligation to identify oral/visual information as confidential at the time of disclosure, and to summarize the information in writing
- Include any unmarked/unidentified information that should reasonably be expected to be treated as confidential
- Include as confidential that the parties are in discussions or have entered into an NDA
- Limit to information only, or include sample materials as well
- List specific information as confidential, or only reference as examples

3. Exclusions from the Definition of Confidential Information

- Information known by the recipient at the time of disclosure
- Information that becomes publicly available through no fault of the recipient
- Information disclosed by a third party to the recipient without an obligation of confidentiality
- Information independently developed by the recipient without use of confidential information, as shown by written records
- No exclusion for information:
 - Embraced by more general public information or information of the recipient
 - Combined from multiple sources, none of which shows the whole combination

4. Obligations Respecting Confidential Information

- Not to disclose the other party's confidential information to unapproved third parties
- To use the other party's confidential information only for permitted purposes
- To use reasonable efforts to safeguard the other party's confidential information from unauthorized use or disclosure
 - No less than the efforts the recipient uses to protect its own comparable information



- To notify the discloser upon learning of any unauthorized use/disclosure, and to take steps to prevent further unauthorized use/disclosure
 - Not to copy the information, or to make limited copies only as needed
 - To construct a firewall to prevent the information from being shared with certain persons/operations within the recipient's organization
 - Where disclosure is required by law, regulation, subpoena, etc.:
 - To provide prior notice to the discloser, if possible
 - To reasonably cooperate with the discloser to limit the information disclosed
 - To seek confidential protection for the information disclosed
5. Additional Obligations Respecting Sample Materials
- To use sample materials at the discloser's facility and not transfer them elsewhere
 - Not to reverse engineer or attempt to determine the structure/components of the sample materials
 - To conduct only limited/approved testing or analysis of the sample materials
 - Consider whether a Material Transfer Agreement (MTA) would be more appropriate for sample materials
6. Treatment of Results Derived from Access/Use of confidential information/sample materials
- Which parties must treat the results as confidential information – the discloser, the recipient, or both parties
 - Specify that no patent filings, publications, etc. can be made with respect to/based on the results without approval
 - Consider invention-specific language, indicating ownership of any patentable inventions relating to the results
7. Third-Party Access to Confidential Information
- Disclosure on a need-to-know basis only
 - Disclosure to specified persons only
 - Disclosure to subsidiaries or affiliates
 - Consider whether they should be listed or defined generally
 - Disclosure to advisors, consultants, contractors and other representatives
 - Consider whether consultants/contractors may be competitors of the discloser, and whether to restrict disclosure to them
 - Ensure that all are bound by similar obligations of confidentiality and restricted use
 - By signing an NDA with similar terms
 - Based on professional standards, such as for attorneys
 - Ensure that the recipient is responsible for third parties breaching these obligations
8. IP-Related Provisions
- Statement that all confidential information is owned by the discloser



- Qualify this as to tangible items only, since ideas, concepts, etc. may not be owned by the discloser
- Statement that the recipient receives no license or implied rights to the confidential information, but only the right to use it for permitted purposes
- Include an acknowledgment that the recipient may be undertaking parallel efforts on its own or with third parties
- Residuals clause – a right of the recipient to use information in unaided memory
 - Limit to use of general knowledge gained through access to the discloser’s confidential information, and exclude specific items
 - Include carveouts for items such as customer data and personally identifiable information
 - Clarify that memory is not considered “unaided” if information is remembered using mnemonic devices, notes or other documents, or if it was intentionally memorized
- Feedback clause – a right of/license to the discloser to use feedback from the recipient
 - Operates as a royalty-free license for the discloser to use whatever ideas, suggestions or feedback the recipient provides

9. Term and Survival of Obligations

- Period of disclosure (term of the NDA)
 - Only information disclosed during a specified period, usually the term of the NDA, must be treated as confidential
 - Consider whether previously disclosed information should also be treated as confidential
- Period of protection (survival of obligations respecting confidential information)
 - Does the period run from the date of disclosure, or from the date of expiration/termination of the NDA
- For trade secrets, does protection continue as long as the information remains a trade secret

10. Obligations to Return/Destroy Confidential Information

- Return or destruction of originals, and destruction of copies, summaries, etc.
- Does the obligation apply automatically on termination, or only on notice from the other party
- Certification of compliance with the obligation
- Retention of a single copy for legal/archive purposes
- Any obligation to delete electronic information, emails, backup copies, archive files
- For information not returned or destroyed, obligations under the NDA should continue to apply

11. Liability and Other Legal Issues

- Disclaimer of warranties – all confidential information provided as-is
- No obligation to enter into further agreements/transactions with the other party

- Compliance with applicable export control laws regarding technical items
- Compliance with applicable laws regarding personal data protection

12. Disputes and Enforcement

- Governing law and jurisdiction for legal action
- Any requirement for arbitration of disputes
- Injunctive relief
 - Preserve the right to seek injunctive relief (temporary or permanent) in any court/tribunal of competent jurisdiction
 - Consider the ability to obtain injunctive relief without posting any bond or other security, and without proof of actual damages
- Any obligation to pay liquidated damages for breach
- Any attorney fee shifting provision

13. NDAs for Licensing or Settlement Discussions

- Consider including a standstill provision for suits and actions, including declaratory judgment actions and IPRs
- Consider referencing Federal Rule of Evidence 408, which prohibits use of certain information (even if not confidential) as evidence to prove the validity/amount of a claim
- State that correspondence and other communications, disclosures, etc. regarding settlement discussions cannot be used for any other purpose