NONDISCLOSURE/CONFIDENTIALITY AGREEMENTS

Welcome to another edition of Protecting Your Creativity by The Livingston Firm. Each edition of Protecting Your Creativity will discuss various aspects of intellectual property law and related business matters. This edition discusses how nondisclosure and confidentiality agreements, commonly referred to as NDAs, are used to maintain and protect trade secrets and to avoid losing patent rights.

Before disclosing sensitive information regarding an invention or other trade secret to a third party, it is always important to have that third party sign a NDA. In fact, the only time it is unnecessary to have someone sign a NDA before disclosing a trade secret is when you are speaking with an attorney for the purpose of seeking legal advice. In the situation where you are speaking with an attorney to seek legal advice, the law already imposes strict confidentiality requirements.

A NDA is a contract between two or more parties where the subject of the agreement is a promise that information conveyed will be maintained in secrecy. A NDA can be mutual, where both parties are conveying confidential information and both parties are obligated to maintain secrecy, or it can be unilateral, where only one party is turning over confidential information, perhaps to a potential investor or manufacturer and the receiving party becomes obligated to maintain secrecy. People who have such a confidential relationship created through the use of a NDA are legally bound to keep the information a secret.

NDAs are commonly used to maintain and protect trade secrets. A trade secret is defined as information, including a formula, pattern, compilation, program, device, method, technique, or process that derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. A trade secret can be as straightforward as a client list or pricing information, or as complex as system control methods or process technology for manufacturing products. In either case, trade secrets are valuable to a business and reasonable efforts must be made to maintain the secrecy of the trade secret, that is, by only disclosing trade secrets to those who have an absolute need to know and requiring those who are receiving confidential information to sign NDAs.

Many individuals do not know that inventions are also trade secrets and should be maintained and protected as such until the invention is made public. NDAs not only protect an invention as a trade secret but also maintain an inventor's patent rights prior to a patent application being filed. In the United States patent applications must be filed within one year of the first public disclosure of the invention. A public disclosure is any disclosure made on a non-confidential basis. Therefore, it is important to ensure that all discussions about the invention with any third parties are kept confidential through the use of a NDA. Avoiding public disclosures by having third parties sign NDAs is even more important if an inventor wants to secure foreign patent protection. Unlike the United States, which allows a one year grace period after the first public disclosure of an invention in which to file a patent application (often referred to as a statutory bar), most foreign countries require absolute novelty in order to obtain patent protection on an invention. This means that any public disclosure of an invention will bar an inventor from obtaining a patent in most foreign countries.

Even after a patent application has been filed, it is still important to maintain an invention as a trade secret until the invention is on the market or until the patent application is published. Patent applications in the United States are held in secrecy for a period of eighteen months from the date of filing, unless non-publication is requested. Only the inventor and the inventor's patent attorney have access to the patent application during this eighteen month period. After eighteen months, patent applications are published and made public. Once the patent application is published or the invention is on the market and being sold, the invention is no longer a trade secret. However, if a third party breaches a NDA while the invention is still a trade secret, then that third party can be sued and held liable for breach of contract, breach of a fiduciary duty and theft of a trade secret. This is especially important considering an inventor cannot sue for patent infringement until a patent application has issued as a patent.

CONCLUSION

It is important for businesses and individuals to protect their ideas by maintaining confidential relationships with third parties by requiring those third parties to sign NDAs that are individually tailored to the situation at hand and the type of trade secret being protected. Therefore, the drafting of a NDA should be performed by attorneys who understand the value of trade secrets and the laws in place that offer protection for trade secrets.

The Livingston Firm specializes in all areas of intellectual property law including patents, trademarks, copyrights, trade secrets, franchising, litigation and business law. As the largest full-service intellectual property law firm in Southwest Florida with over forty years of combined experience, The Livingston Firm can be there to assist you from beginning to end with protecting your ideas and inventions and getting those ideas and inventions to market.

Thank you for taking the time to read this edition of Protecting Your Creativity. If you are in need of our services then please contact us to schedule an appointment.

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