



# How to use Non-Disclosure Agreements

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# How to use Non-Disclosure Agreements

There are two typical situations in which Non-Disclosure Agreements (“NDAs”) (aka Confidentiality Agreements) are commonly used. The following instructions will help guide new product developers in using NDA agreements to advance their project with a minimum of friction and a maximum of protection.

(1) Everyone should sign a simple NDA before the new product developer gives any information about a new product, to document that the information is Confidential, and that the disclosure is not a public disclosure. A premature public disclosure could jeopardize patent rights and other forms of intellectual property protection, so it is important to get these quick and simple NDAs signed. If everyone, even your mom, signs an NDA, it will be very difficult for others to later argue that the Product was made public because of early discussions (e.g., with friends and family).

The Simple NDA that is included is short and simple, and designed to enable quick review and signature by more trusted Recipients. Explain that they are being asked to sign not because you don’t trust them, but to document that the idea is Confidential.

(2) A more detailed NDA should be used in disclosures of greater sensitivity. A new product developer may want to disclose the idea to potential investors, business partners, and sometimes even to competitors or potential competitors. This form of disclosure is much more sensitive, and a more detailed Agreement is required. The object is to constrain the Recipient much more closely, while still being fair enough so that you can convince the Recipient to sign the Agreement.

The Detailed Nondisclosure (enclosed) is adapted for general use for many situations. It includes several sensitive sections that may require modification and/or negotiation. While you may be able to use a form agreement, I would recommend legal consultation prior to signing such a sensitive document.

Another important document that you may be able to use in early stage product development is a “Work Agreement.” A Work Agreement should be signed by all engineers, manufacturing firms, and other consultants involved in any product design or development. The purpose of a Work Agreement is to make sure any future potential patent rights (e.g., design patent rights, co-inventor rights to improvements, etc.) belong to you. Without such an agreement, they could acquire rights to your future patent applications, if they add any inventive matter that you would like to claim.

Filing a provisional patent application before any disclosures of your invention is often the safest approach. Since a provisional patent application can be filed so quickly and at such reasonable cost, there is no excuse for making potentially damaging disclosures without “patent pending” protection.

Remember, the U.S. is now a “first to file” country, so the first to file the patent application gets priority, not the first to invent the invention.

### Conclusion

File a provisional patent application as soon as practical. Keep a simple NDA handy and get it signed by everyone, to document the confidential nature of the invention. Use a more detailed NDA before any sensitive disclosures, and consider having an attorney review the agreement before signature. And finally, consider the use of additional protective documents, such as Work Agreements, to make sure your invention is fully protected.

Eric Karich founded Karich & Associates in 1998 to help inventors and entrepreneurs with protecting their inventions and launching start-up companies to commercialize their products. Call or email to arrange a free consultation, 800-949-0255, [eric@karich.net](mailto:eric@karich.net).

To receive our free quarterly email newsletter to keep up on recent developments in patent law, send an e-mail to [patent@karich.net](mailto:patent@karich.net) with “newsletter” in the subject line.

# Non-Disclosure Agreement

Name of Disclosing Party/Inventor: \_\_\_\_\_

Inventor's City, State: \_\_\_\_\_

Title Of Invention or Project No.: \_\_\_\_\_

Sole Reason For Disclosure: \_\_\_\_\_

The undersigned indicates by his/her signature to be legally bound to treat all information disclosed by the above inventor as confidential material whereby no part of said information shall be disclosed to third parties or used for any purpose whatsoever outside of the intended purpose shown above, as reason for disclosure. The undersigned will neither use nor cause others to use, nor divulge to third parties, all or any part of said information, in any way, outside of the intended purpose shown above. Furthermore, any improved embodiments that are based upon or arise from the disclosed invention, even if they do not directly incorporate elements of the disclosed invention, shall be considered confidential. However, the undersigned shall not be bound with respect to any of the disclosed information that:

- A. Is, on the effective date below, part of the public domain.
- B. At the time of its receipt from the inventor was already known by the undersigned.
- C. Comes into the possession of the undersigned from a third party having the right to disclose thereto.

If the undersigned wishes to claim exemption under either A or B above, the undersigned will immediately interrupt the disclosure and inform the inventor of the potential exemption. The undersigned will immediately provide documentation of his or her prior knowledge of the subject matter of the invention. Failure to promptly interrupt the disclosure and show documentation of prior knowledge shall waive the right of the undersigned to claim exemption. If the undersigned wishes to claim exemption under C above, the undersigned agrees to promptly inform inventor of the receipt of the information from the third party and show documentation that the third party has a right to disclose the information. If the undersigned is unable to show that the third party has the right to lawfully disclose the information, the undersigned shall continue to be bound to treat the matter as confidential.

**I hereby agree to keep the above-described subject matter confidential:**

Signature: \_\_\_\_\_

\_\_\_\_\_ Date

Print Name:

Company:

Title:

# NON-DISCLOSURE AGREEMENT

The following is an Agreement between \_\_\_\_\_, an individual / a company having an address at \_\_\_\_\_ ("Disclosing Party"), and \_\_\_\_\_, an individual / a company having an address at \_\_\_\_\_ ("Recipient").

## 1. Background and Subject of Disclosure:

Disclosing Party has certain "Confidential Information" related to a new product/service, titled: \_\_\_\_\_.

Patent filings have been made as follows:

Patent application number: \_\_\_\_\_, filed \_\_\_\_\_.  
Patent application number: \_\_\_\_\_, filed \_\_\_\_\_.  
Patent application number: \_\_\_\_\_, filed \_\_\_\_\_.

The Confidential Information may include product information and specifications, manufacturing details and methods of manufacture and/or use, marketing opportunities, customer contacts, trade secrets, and any other information that is not generally known and that Disclosing Party wishes to maintain in secret.

In the course of the present relationship, it is anticipated that Disclosing Party may disclose or deliver to Recipient some of this Confidential Information. Disclosing Party and Recipient have entered into this Agreement in order to assure the confidentiality of such trade secrets and confidential or proprietary information in accordance with the terms of this Agreement.

## 2. Reason for Disclosure

Recipient is providing the Disclosure for the following reason(s):

\_\_\_\_\_  
\_\_\_\_\_

## 3. Recipient's Obligations:

Recipient shall maintain any Confidential Information in strict secrecy, and shall not disclose the Information to any other party or parties, except to the extent necessary pursuant to the Reason(s) for Disclosure described above.

Recipient shall take all reasonable steps to protect the Confidential Information provided to it by Disclosing Party hereunder, from disclosure, except as expressly authorized. Any disclosure necessary by Recipient to its employees, agents, or other persons or entities pursuant to the stated Reason(s) for disclosure shall be made only after suitable confidentiality agreements are executed by these parties, and Recipient shall indemnify Disclosing Party for any unauthorized use of the Confidential Information by such parties.

Recipient shall return or destroy any samples, prototypes, products, documents, copies, and any other physical or electronic materials that include Confidential Information, immediately upon the request of Disclosing Party.

**4. Product Marking:**

Disclosing Party and/or Recipient shall mark all appropriate Products, packaging, and/or marketing materials with any necessary notices, such as “patent pending” for products that are patent pending, with a patent number if a patent has been registered, and any trademark notices that are suitable.

**5. Non-Competition:**

Recipient shall not develop, manufacture, sell, or offer for sale, a Product/Service in competition with Disclosing Party utilizing, including, or otherwise based on the Confidential Information for the period of two (2) years from the date of execution of this Agreement, except to the extent Recipient purchases the intellectual rights from the Disclosing Party. Recipient shall also not undertake in any way to profit from the Confidential Information in any unauthorized manner without the express written consent of Disclosing Party, for the same two year period.

**6. Severability:**

The parties hereto consider the restrictions contained herein to be reasonable to protection of business, time and geographic area. If, however, such restrictions are found by any court having jurisdiction to be unreasonable because they are (or any one of them is, as the case may be) too broad, then such restriction will nevertheless remain effective, but shall be considered amended as to protection of business, time or geographic area (or any one of them, as the case may be) in whatever manner is considered reasonable by that court, and as so amended shall be enforced. In the alternative, such provisions shall be severed from this Agreement, and the remainder of the Agreement shall remain valid and enforceable.

**7. Specific Performance:**

The parties hereto agree that if there is a breach by Recipient of any of the covenants contained herein, the damage to Disclosing Party will be substantial, although difficult to quantify, and money damages will not afford Disclosing Party an adequate remedy. Therefore, if any such breach occurs, in addition to any other remedies as may be provided by law, Disclosing Party shall have the right to specific performance of the covenants contained herein by way of temporary or permanent injunctive relief.

The below-signed party represents and warrants that he/she has authority to enter into this Agreement on behalf of his/her Recipient.

DISCLOSING PARTY

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
DATE

RECIPIENT

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
DATE