



IP HEALTHCHECK SERIES

**NON-DISCLOSURE
AGREEMENTS**

This booklet forms part of our IP Healthcheck series, a suite of booklets and online tools for business which have been developed to help you identify your intellectual assets and advise you how best to exploit and protect them.

There are four IP Healthcheck booklets in this series:

Licensing Intellectual Property;

Agreeing a Price for Intellectual Property Rights;

Non-Disclosure Agreements;

Choosing the Right IP Adviser.

The online IP Healthcheck is free for any business to use and takes you through a simple questionnaire which creates a tailored confidential report setting out an action plan.

There are seven online IP Healthchecks:

Trade Marks for branding of goods and services;

Patents for technology in products and processes;

Registered designs for the way products look;

Copyright for literature or artistic work;

Licensing your intellectual property for exploiting your IP;

Confidential information to keep your IP secure;

Protecting trade marks overseas.

The online IP Healthcheck is available at www.ipo.gov.uk/iphealthcheck.

NON-DISCLOSURE AGREEMENTS

ABOUT THIS BOOKLET

This booklet is designed to help you if, for instance, you are an inventor wanting to discuss your invention with someone else, or you are thinking about sharing your ideas about a new product or process or developing a new product or process with someone else, or you want to discuss a new concept with a potential collaborator. It explains why it is important to consider whether you need the protection of a Non-Disclosure Agreement (NDA) before you share your ideas or information. It:

- ▶ contains information about why it may be important to keep information and ideas confidential;
- ▶ provides some points to consider when disclosing confidential information;
- ▶ contains notes on the content of an NDA;
- ▶ provides an example of a One-Way Non-Disclosure Agreement; and
- ▶ provides an example of a Mutual Non-Disclosure Agreement.

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CONFIDENTIALITY

Are you an inventor, wanting to discuss your invention with a potential manufacturer, financial backer or other partner? Or perhaps you are thinking about sharing your ideas about a new product or process you have developed or how existing technology may be used in a new application. Or you may be thinking about developing a new product or process with another business or a university. Or you may be in the creative industries sector and want to discuss a new concept with a potential collaborator.

If you are, have you thought about non-disclosure agreements (NDAs) and how these could help you? Read on...

In the UK, to obtain a patent an invention must be new, in the sense of not having previously been disclosed or made available to anyone anywhere, unless the disclosure was made "in confidence". If you tell even one person about your invention before a patent application has been made, that disclosure may mean that no patent will be granted or it may invalidate any patent granted and leave you with no rights.

Some things (such as business methods and creative concepts) are generally not patentable in the UK. They, along with some forms of technical information (know-how) and what are called trade secrets, may only be protected by keeping them confidential.

Even if you have a patentable invention, the best way to protect it may be to treat it as confidential know-how.

This is why it is important to consider whether you need the protection of an NDA **before** you share your ideas or information.

NDAs are written agreements which record the conditions under which you disclose information or ideas in confidence. You are strongly advised to consider using one if you are going to disclose any information or ideas which you wish to be kept confidential.

A duty to keep information confidential can sometimes arise if you do not have an NDA but, without a written agreement, you may not be able to prove that the person to whom you disclose your ideas or information really does have a duty to keep them confidential.

Often confidentiality provisions will form part of a broader agreement, such as a contract of employment. But, where you do not have a broader agreement with appropriate confidentiality clauses, you should think about putting an NDA in place.

For more information on confidentiality, see the online IP Healthcheck 'Confidential information to keep your IP secure'.

SOME POINTS TO CONSIDER WHEN DISCLOSING CONFIDENTIAL INFORMATION

(Please note that the following is not an exhaustive list.)

- ▶ If you think you may have a patentable invention, you should consult a patent attorney or solicitor about how to protect your ideas and the risks of disclosing those ideas to someone else **before you disclose them to anyone.**
- ▶ Consult a patent attorney or solicitor about drawing up an NDA and send it to the other party for them to consider and sign.
- ▶ Alternatively, ask the individual or company with whom you want to share your ideas or information if they already have an NDA which serves both your interests and the interests of that individual or company - but read it carefully and consider taking legal advice – it may serve their interests rather better than it serves yours. Always check any NDA which you are given to make sure it doesn't unreasonably restrict your future activities and, if in doubt, take professional advice.
- ▶ Where you are both disclosing confidential information and receiving confidential information, you may use a mutual NDA (which protects each party's information) or you may sign an NDA prepared by the person disclosing information to you, and the person receiving information from you may sign an NDA which you have had prepared.

If you want to do the latter, you might send a short covering letter along the following lines:

“As you will appreciate, it is important that all exchanges of information should, at this stage, be in confidence. I have therefore drafted a non-disclosure agreement (NDA) which I hope you will find acceptable. I enclose a copy.

For my own part, I am willing to sign your form of NDA, if its conditions are broadly equivalent to those in my NDA.”

- ▶ Some large organisations may be concerned that they are already working on a similar idea to yours, and they may insist on evidence of your having applied for a patent or actually having obtained a patent to avoid any argument about the date and the scope of your invention. Some organisations may refuse to discuss any idea unless it has been patented (or a patent has been applied for), and they may even insist that you sign a document agreeing that they will not have a duty to keep your ideas or information confidential. If that is the case, you need to decide whether to risk disclosing your ideas to them.
- ▶ Unless you have no alternative and you have decided to take the risk that others may use your ideas or information without your permission, do not disclose your confidential ideas or information until the intended recipient has signed and returned an NDA to you.
- ▶ Make a record of what was disclosed at meetings or in presentations. In particular, you might ask the recipient of the information to acknowledge receipt of a paper copy of a presentation, or a drawing which describes the technical details of your idea and the date on which you first disclosed it to them. You should also keep a record of what information is disclosed more informally, such as in discussions or conversations, and when and where that disclosure took place.
- ▶ Even with an NDA in place, the law will not enforce an obligation to keep information confidential if that information has ceased to be confidential, for instance if it has become public knowledge. Therefore you need to take steps to protect your own information, for instance by allowing access to it only on a 'need to know' basis by people who have signed an NDA.
- ▶ Try to make sure that the NDA is signed by a director of the recipient company or by an officer of the recipient institution or someone sufficiently senior who has authority to give the undertakings in the NDA.
- ▶ And remember – the best way to keep something confidential is not to disclose it in the first place, even under an NDA.

NOTES ON THE CONTENT OF AN NDA

There is no such thing as a standard NDA, but some issues arise time and time again. The following are some of the most important.

- ▶ Consider whether the NDA should protect only information which is recorded in some form and marked 'confidential' or whether you might disclose information in meetings or presentations (and therefore all information disclosed should be protected). The examples of NDAs in this booklet take the latter approach.
- ▶ A good NDA restricts the use of the ideas and information to a specific permitted purpose – perhaps the evaluation of the idea or the discussion of a joint venture. Specify that purpose in the NDA as precisely as you can. You can always widen the permitted purpose later, but you will not be able to narrow the restriction on the use of your ideas or information later.
- ▶ Be realistic – the recipient of the information may need to disclose it to its employees and/or professional advisers and may need to be able to copy it for the permitted purpose. Stating that no disclosures are to be made and that no rights to copy documents are granted may be impractical, but make sure that any disclosures to employees and professional advisers are made in confidence.
- ▶ Although the examples of NDAs in this booklet contain a clause which obliges the recipient of the information to return it, in the modern world where information is stored electronically and frequently backed up, it is increasingly unrealistic to expect that all copies will actually be returned or destroyed.
- ▶ Think about how long the obligation of confidentiality should last. It's common to see it limited to 3 or 5 years, but bear in mind that after that time the recipient will be able to use and disclose your information. If the information is something like non-patentable know-how, or lists of customers or personal information about the individuals involved in a project, it may be appropriate that it be kept confidential indefinitely, i.e. until the information ceases to be confidential.

- ▶ If you are disclosing information to a public authority (and for these purposes that includes a university), that authority is under an obligation to make information available to the public in response to a request under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, or the Environmental Information Regulations 2004 (the FOIA). Therefore you need an NDA which obliges the public authority to take advantage of the exceptions to the FOIA (rather than make your information available on request). The examples of NDAs in this booklet do not address this issue and allow disclosure under the FOIA.
- ▶ Consider whether the NDA should be one-way only or whether it should be mutual (i.e. whether only you are disclosing information or whether both parties are disclosing information).
- ▶ If the NDA is one-way only, it may need to be executed as a deed to make it enforceable. This is easy to do, so do not make what should be a one-way agreement into an artificial mutual agreement. (The first example of an NDA in this booklet is a one-way NDA executed as a deed. It does not need to be signed by the person disclosing the confidential information.)
- ▶ If you and the other party to the NDA are not both in England, the NDA will need to state which law governs the agreement and in which courts it can be enforced. It is important that the courts of one country are not given exclusive jurisdiction as you may want to enforce the NDA in a different country if an unauthorised disclosure is made there.
- ▶ There is no 'one size-fits-all' NDA. The following are examples of typical NDAs but they may not be suitable for use in your particular circumstances.

AN EXAMPLE OF A ONE-WAY NON-DISCLOSURE AGREEMENT

Date: 201[]

Parties:

[NAME OF INDIVIDUAL RECEIVING INFORMATION] of [address of individual] OR **[NAME OF COMPANY RECEIVING INFORMATION]**, a company registered in [England] under company number [number on Register of Companies] whose registered office is at [address of office on the Register of Companies] (**the Recipient**) and

[NAME OF INDIVIDUAL DISCLOSING INFORMATION] of [address of individual] OR **[NAME OF COMPANY DISCLOSING INFORMATION]**, a company registered in [England] under company number [number on Register of Companies] whose registered office is at [address of office on the Register of Companies] (**the Discloser**)

1. The Discloser intends to disclose information (**the Confidential Information**) to the Recipient for the purpose of [insert details e.g. discussing the possibility of the Recipient and the Discloser entering into a joint venture] (**the Purpose**).
2. The Recipient undertakes not to use the Confidential Information for any purpose except the Purpose, without first obtaining the written agreement of the Discloser.
3. The Recipient undertakes to keep the Confidential Information secure and not to disclose it to any third party [except to its employees [and professional advisers] who need to know the same for the Purpose, who know they owe a duty of confidence to the Discloser and who are bound by obligations equivalent to those in clause 2 above and this clause 3.
4. The undertakings in clauses 2 and 3 above apply to all of the information disclosed by the Discloser to the Recipient, regardless of the way or form in which it is disclosed or recorded but they do not apply to:

- a) any information which is or in future comes into the public domain (unless as a result of the breach of this Agreement); or
 - b) any information which is already known to the Recipient and which was not subject to any obligation of confidence before it was disclosed to the Recipient by the Discloser.
5. Nothing in this Agreement will prevent the Recipient from making any disclosure of the Confidential Information required by law or by any competent authority.
 6. The Recipient will, on request from the Discloser, return all copies and records of the Confidential Information to the Discloser and will not retain any copies or records of the Confidential Information.
 7. Neither this Agreement nor the supply of any information grants the Recipient any licence, interest or right in respect of any intellectual property rights of the Discloser except the right to copy the Confidential Information solely for the Purpose.
 8. The undertakings in clauses 2 and 3 will continue in force [indefinitely][for [insert number] years from the date of this Agreement].
 9. This Agreement is governed by, and is to be construed in accordance with, English law. The English Courts will have non-exclusive jurisdiction to deal with any dispute which has arisen or may arise out of, or in connection with, this Agreement.

[If the Recipient is an individual]

Signed and Delivered as a Deed by
[name of Recipient] in the
presence of:

.....
Signature

.....
Signature of witness

.....
Name of witness

.....
.....

.....
Address of witness

[If the Recipient is a company]

Executed and Delivered as a Deed by
[name of Recipient] acting by
[name of director], a director,
in the presence of:

.....
Signature of Director

.....
Signature of witness

.....
Name of witness

.....
.....

.....
Address of witness

AN EXAMPLE OF A MUTUAL NON-DISCLOSURE AGREEMENT

Date: 201[]

Parties:

[NAME OF INDIVIDUAL] of [address of individual] OR **[NAME OF COMPANY]**, a company registered in [England] under company number [number on Register of Companies] whose registered office is at [address of office on the Register of Companies] and

[NAME OF INDIVIDUAL] of [address of individual] OR **[NAME OF COMPANY]**, a company registered in [England] under company number [number on Register of Companies] whose registered office is at [address of office on the Register of Companies]

1. Each of the parties to this Agreement intends to disclose information **(the Confidential Information)** to the other party for the purpose of [insert details e.g. discussing the possibility of the parties entering into a joint venture] **(the Purpose)**.
2. Each party to this Agreement is referred to as 'the Recipient' when it receives or uses the Confidential Information disclosed by the other party.
3. The Recipient undertakes not to use the Confidential Information disclosed by the other party for any purpose except the Purpose, without first obtaining the written agreement of the other party.
4. The Recipient undertakes to keep the Confidential Information disclosed by the other party secure and not to disclose it to any third party [except to its employees [and professional advisers] who need to know the same for the Purpose, who know they owe a duty of confidence to the other party and who are bound by obligations equivalent to those in clause 3 above and this clause 4.

5. The undertakings in clauses 3 and 4 above apply to all of the information disclosed by each of the parties to the other, regardless of the way or form in which it is disclosed or recorded but they do not apply to:
 - a) any information which is or in future comes into the public domain (unless as a result of the breach of this Agreement); or
 - b) any information which is already known to the Recipient and which was not subject to any obligation of confidence before it was disclosed to the Recipient by the other party.
6. Nothing in this Agreement will prevent the Recipient from making any disclosure of the Confidential Information required by law or by any competent authority.
7. The Recipient will, on request from the other party, return all copies and records of the Confidential Information disclosed by the other party to the Recipient and will not retain any copies or records of the Confidential Information disclosed by the other party.
8. Neither this Agreement nor the supply of any information grants the Recipient any licence, interest or right in respect of any intellectual property rights of the other party except the right to copy the Confidential Information disclosed by the other party solely for the Purpose.
9. The undertakings in clauses 3 and 4 will continue in force [indefinitely][for [insert number] years from the date of this Agreement].
10. This Agreement is governed by, and is to be construed in accordance with, English law. The English Courts will have non-exclusive jurisdiction to deal with any dispute which has arisen or may arise out of, or in connection with, this Agreement.

Signed [by [insert name]] OR [on behalf of][insert name] by its duly authorised representative]:

.....
Signature

.....
Name

.....
Position

Signed [by [insert name]] OR [on behalf of][insert name] by its duly authorised representative]:

.....
Signature

.....
Name

.....
Position

We do not take any responsibility for any events that arise from your use of either of the example NDAs in this booklet or any of the information in this booklet. We advise you to take independent professional advice before disclosing any confidential information or entering into any NDA.

HISTORY AND ACKNOWLEDGEMENTS

A Review of Intellectual Property for Her Majesty's Treasury by Andrew Gowers recommended that the Intellectual Property Office should develop resources to assist small businesses in conducting Business-to-Business IP licensing. To develop this project the Intellectual Property Office set up a working group of external stakeholders with experience of, or an involvement in, IP licensing. We would like to express our sincere thanks to representatives of the following organizations for participating in this work.

Anderson & Co

Animus

British Design Innovation

CBI

Ceres Power Ltd

Fairoaks IP

Highbury Ltd

Ideas 21

Intellectual Assets Centre, Scotland

IP Value Added

Licensing Executives Society

London Business School

NESTA

Northwood Reid

Procter and Gamble

We welcome your feedback on this booklet.

If you would like to send us your comments or require any further information please email us on:
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