

SIGNING AGREEMENTS WITH LARGE COMPANIES

*EVERYTHING YOU WANTED TO KNOW BUT WERE
TOO AFRAID TO ASK!*

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THE “LARGE” PRINT



- ❖ This is an educational course and provides general guidance for educational purpose, and is intended to help you understand basic concepts in order for you to work with your lawyer(s)
- ❖ I am not providing legal advice to you or your company
- ❖ Seek legal counsel from a registered lawyer concerning any legal matters
- Note that I am currently licensed to practice law in Pennsylvania and to practice before the USPTO. Specifically, I am not registered to practice law in Delaware and not providing advice on Delaware law.



OVERVIEW

CONFIDENTIALITY AGREEMENTS

PRIMARY FOCUS TODAY

- ❖ Non-Disclosure or Confidentiality Agreement (NDA or CDA)
- ❖ Non-Analysis Agreement
- ❖ Material Transfer Agreement (MTA)
- ❖ Not Confidential Agreement

QUICK OVERVIEW

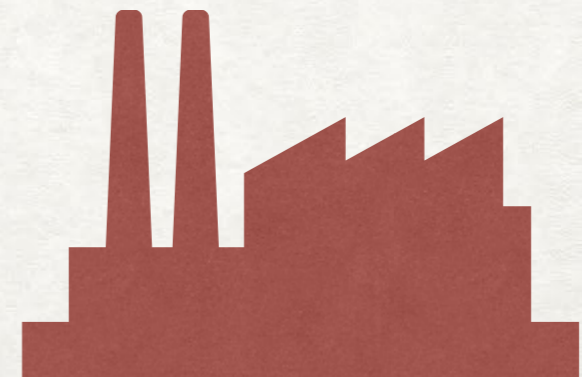
IF TIME PERMITS

- ❖ Plant Visitation Agreements/Forms
- ❖ Consulting Agreements
- ❖ Contract Research Agreements
- ❖ Working at a University/College

COLLABORATION/LICENSE AGREEMENTS

HIGH LEVEL OVERVIEW IN SLIDES

- ❖ Collaboration Agreements/Joint Development Agreements
- ❖ License Agreements
 - These can be the subject of another lunch & learn



OTHER COMMON AGREEMENTS

NOT COVERED

❖ Equity Investments

- ❖ Acquisitions

- ❖ Investments

- ❖ Joint Ventures

❖ Supply Contracts

❖ Everything Else

- If there is interest, we can bring in someone to go over these topics



PURPOSE OF CONFIDENTIALITY AGREEMENTS

PROTECTING INFORMATION AND/OR SAMPLES



- ❖ Prevent recipients of confidential information and/or confidential samples from disclosing the information to others
 - Publication
 - Disclosure to third parties
- ❖ Restrict how the confidential information and/or confidential samples is/are used

TRANSFER OF IP

- ❖ Preventing transfer of IP - Normally parties intend that there be no transfer of IP (other than for evaluation)
- ❖ Transferring IP - In some instances, the owner of the Confidential Information and/or Confidential Samples will only provide access subject to an assignment of any information or products developed using it/them
 - ▶ This protection can appear in any type of agreement, so watch out
- ❖ Watch out for an attempt to grab pre-existing IP

TYING UP A COMPANY

- ❖ Exclusive access or evaluation periods
 - ◆ Samples and/or know-how
 - ◆ May be use or field specific
 - ◆ May include some type of consideration (e.g., money)
 - ◆ Developer may use to entice someone to work with a new or developmental product
- ❖ May or may not permit developer to talk to others
- ❖ Is there genuine interest or just an attempt to delay competition?

LIMITING LIABILITY

Companies may draft agreements in a manner that limits their risk of being sued

Examples:

- ◆ Placing liability for use on the user
- ◆ Avoiding technology contamination (following section)
- ◆ Avoiding employee suits

ENSURING THE RULES ARE CLEAR

- ❖ Making sure that the rules applicable to protection of information are clear
- ❖ Avoiding potential pitfalls of not entering a clear agreement
 - ❖ Prior agreements (that you don't know apply)
 - ❖ Oral contracts
 - ❖ State law(s)



TYPES OF CONFIDENTIALITY AGREEMENTS

WARNING

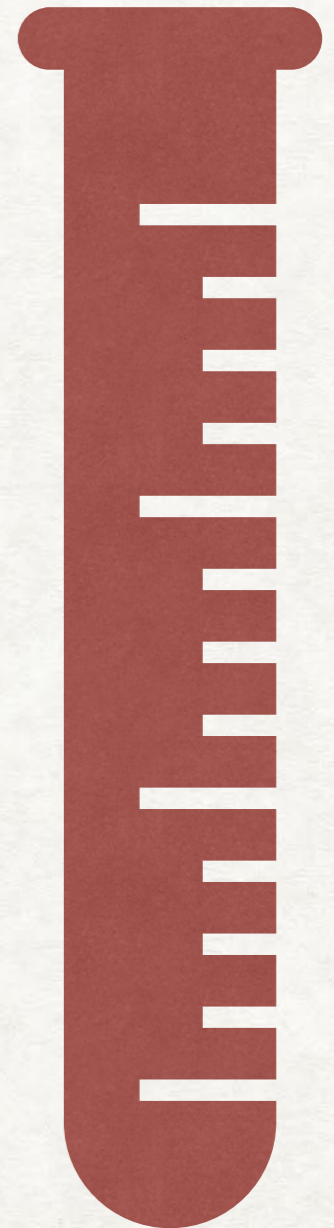
- ❖ The titles given to agreements are:
 - ❖ For illustrative purposes
 - ❖ Based on general usage
- ❖ *Despite the name of an agreement, it may have provisions described for a different type of agreement!!!*
 - ❖ This is based on each company having different approaches and parlance (Generally not sinister behavior)

NON-DISCLOSURE OR CONFIDENTIALITY AGREEMENTS (NDA OR CDA)

- ❖ Protects confidential information provided to someone
- ❖ Usually also protects confidential samples
- ❖ One-way, two-way or multiple party protection
- ❖ Strict or less restrictive

NON-ANALYSIS OR SAMPLING AGREEMENT

- ❖ Focussed on protecting samples
- ❖ Similar protection to NDA or CDA for the samples
- ❖ Terminology frequently used where there is a desire that the samples not be accompanied by exchange of confidential information
- ❖ Usually also restricts publication of results



MATERIAL TRANSFER AGREEMENT (MTA)

- ❖ Used with a new, proprietary sample(s)
- ❖ Party that provides the sample normally is provided ownership of any IP (e.g., products, know-how, data, etc.) developed using the sample (by the recipient of the sample)
 - ◆ The amount of IP the sample recipient has to disclose might be limited
 - ◆ The IP assignee may or may not have restrictions on disclosure and/or use
 - ◆ A party developing IP may not be able to use or disclose it
- ❖ Strong confidentiality provisions - 1-way or 2-way

NOT CONFIDENTIAL AGREEMENT

- ❖ Specifies that information being discussed at a meeting or meetings is not confidential
- ❖ Ensures that a party is not unwittingly tied-up
- ❖ Not frequently used, but can be very important





WHAT IS
“CONFIDENTIAL
INFORMATION”?

TYPES

Technical or Business Information

Usually Samples

Long lists of examples are common

MEDIUM - WRITTEN OR OTHER

- ❖ Tangible or electronic form
- ❖ Written or tangible form
 - ◆ Identified as confidential by an appropriate legend, OR
 - ◆ No need for a legend
- ❖ Electronically, orally or visually
 - ◆ (a) Identified by the disclosing party as confidential at the time of disclosure, and (b) confirmed in writing within thirty 30 days
 - ◆ No such requirement
- ❖ **All other information** that the Receiving Party knew, or reasonably should have known, is the Confidential Information of the Disclosing Party

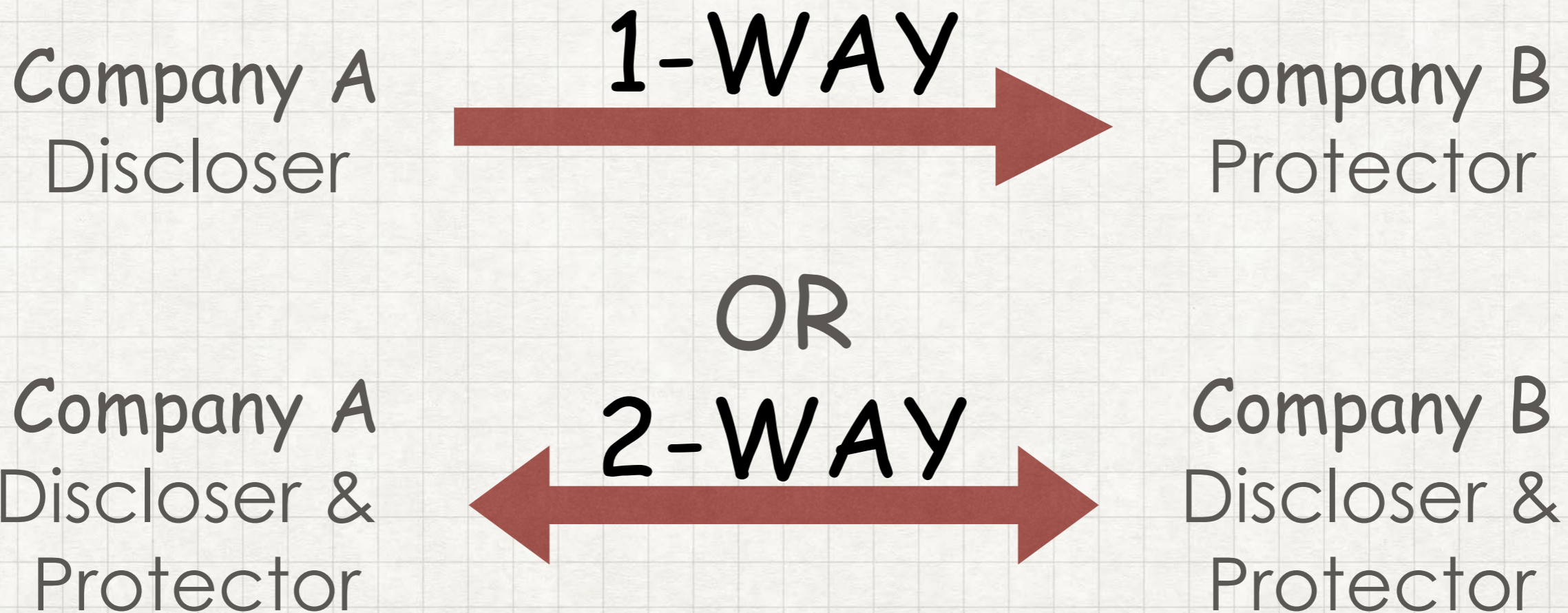
NOT CONFIDENTIAL OR “EXCEPTIONS”

- ❖ Public domain (no breach) - signing or after signing
- ❖ Recipient already has it or receives it from a 3rd party
- ❖ Independently developed
- ❖ Approved for disclosure - truism

CONFIDENTIALITY PROVISIONS



WHEN SHOULD YOU USE 1-WAY VS 2-WAY AGREEMENT?



STRICTNESS

- ❖ Length of Confidentiality

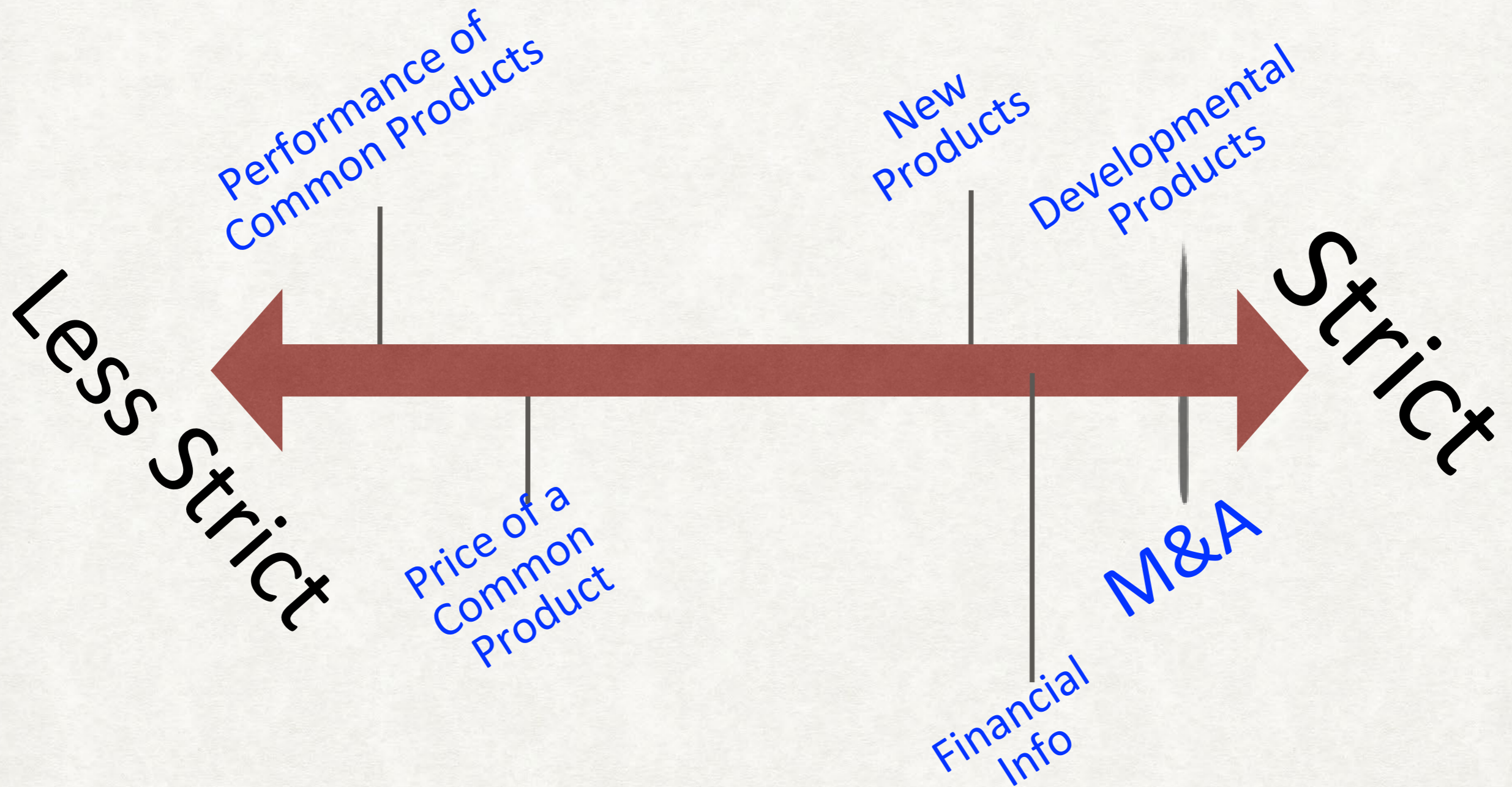
 - 3, 5, 10, 15, 20, 25 years (or longer)

- ❖ Standards

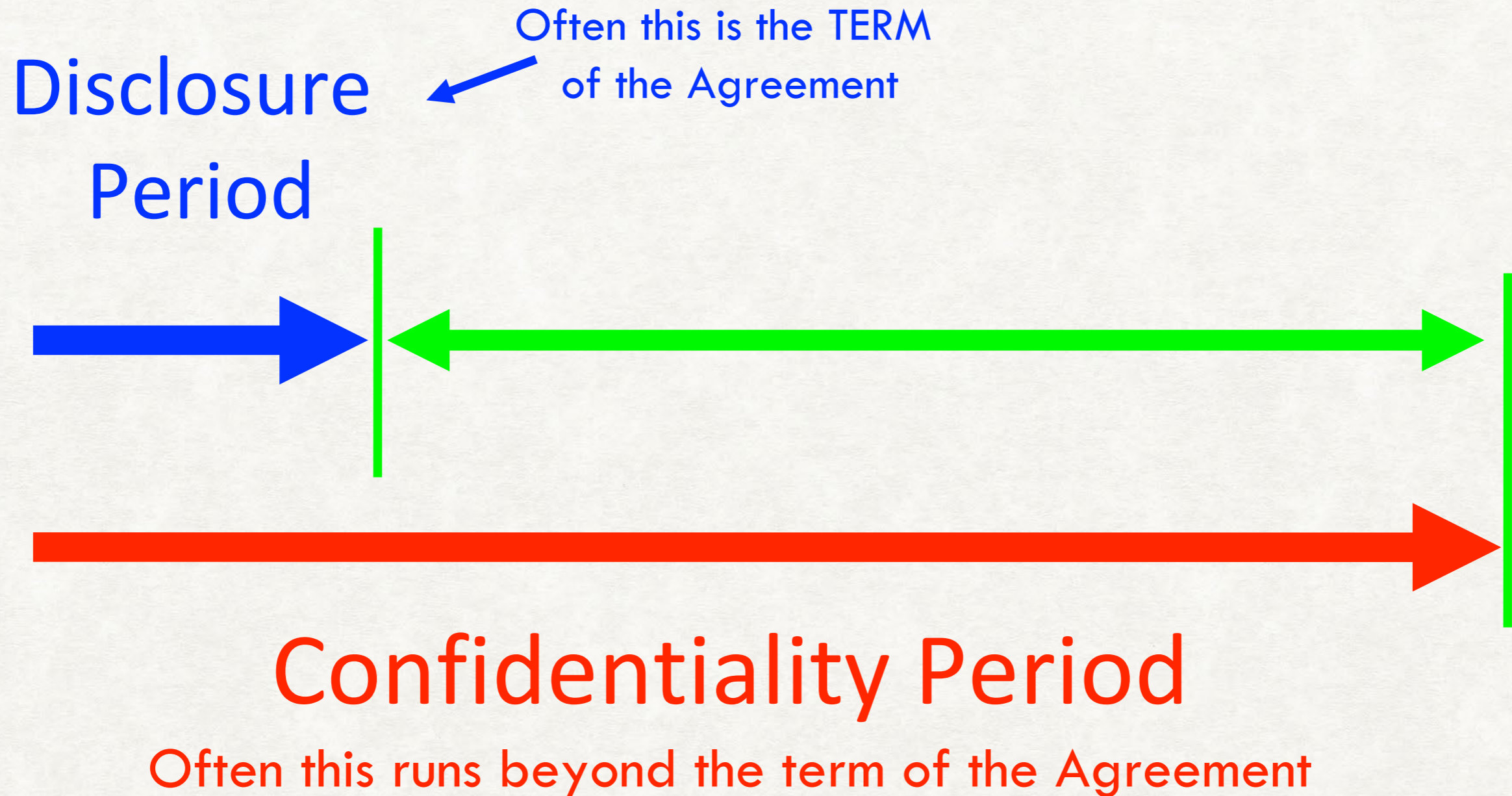
 - ◆ Strictly confidential

 - ◆ Reasonable Care (Same degree of care used to protect your information of a similar nature)

HOW STRICT?

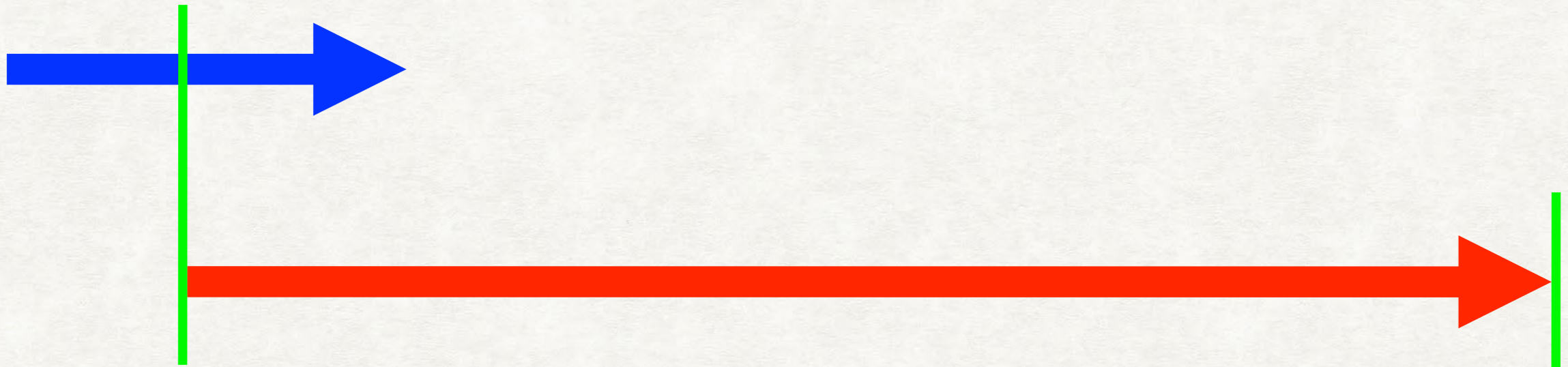


APPROACH 1 - DISCLOSURE & CONFIDENTIALITY



APPROACH 2 - PROTECTION FROM 1ST DISCLOSURE

Term of Agreement



Confidentiality Period

- Runs from the 1st disclosure of information, so need good records
- Often this runs beyond the term of the Agreement

WHO DO YOU WANT TO GET ACCESS?

- ❖ Need to know (almost always)
- ❖ Optional:
 - ❖ Only people who sign addendum
 - ❖ Limited to specific person/people
- ❖ Affiliates/Subsidiaries
- ❖ Advisors (e.g., board, lawyers, accountants)
- ❖ Contractors/Consultants



DEFINING THE INFORMATION BEING EXCHANGED

DESCRIBING WHO PROVIDES WHAT

❖ Important to identify the type of information being provided by each party

- ◆ Helps identify nature of each party's disclosure
- ◆ Particularly important if parties enter more than one confidentiality agreement

Example: “Confidential Information” shall mean any and all technical or business information (including samples) pertaining to Party A's tennis racquets and Party B's tennis balls



USE OF INFORMATION & SAMPLES



USE

DEFINES WHAT EACH
PARTY CAN DO WITH THE
INFORMATION OR
SAMPLES.

USE EXAMPLE

Confidential Information disclosed by either party to the other hereunder shall be used by the receiving party solely in order to evaluate, discuss, and pursue a possible business relationship with each other.

EXERCISE



Redraft: Confidential Information disclosed by either party to the other hereunder shall be used by the receiving party solely in order to evaluate, discuss, and pursue a possible business relationship with each other.

Party A - Tennis Ball Company (TBC) developing new tennis ball

Party B - Rubber Company (RC) that has recently developed a new rubber for use in tennis balls

Group A - Tennis Ball Company (TBC) developing new tennis ball



- Draft terms (1 or 2 sentences) favorable to TBC
- TBC should not be limited to use of data it develops using RC information & samples with respect to rubber purchased from RC
- Restrict RC to using data developed using TBC's information to TBC tennis balls

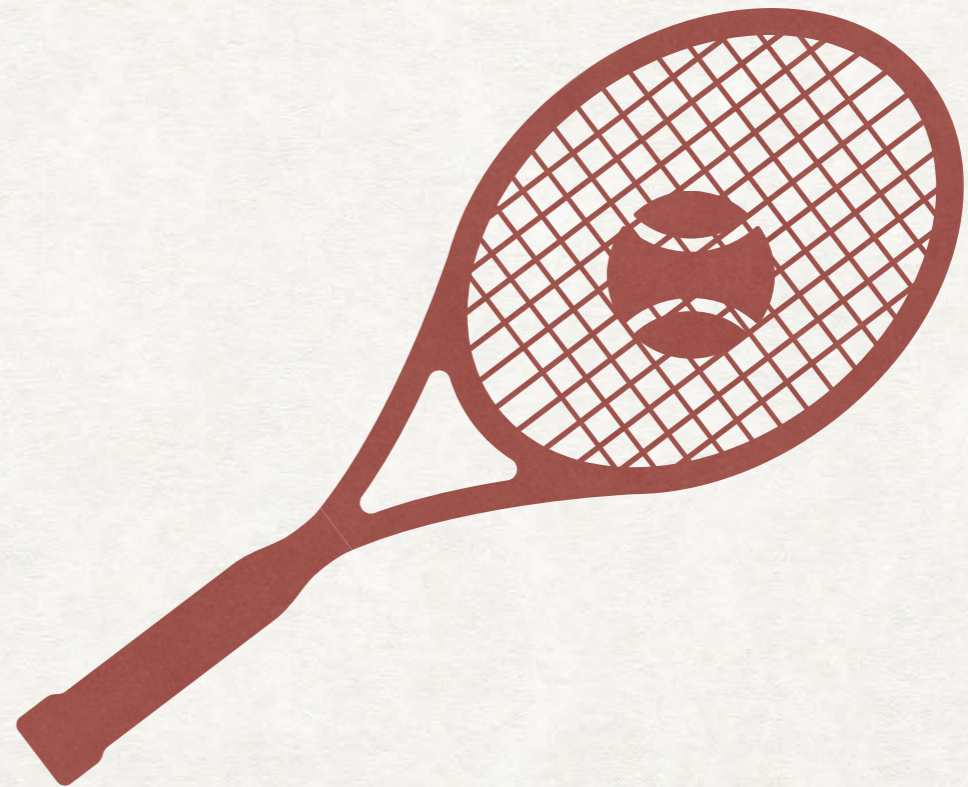
Party B - Rubber Company (RC) that has recently developed a new rubber for use in tennis balls

- Draft terms (1 or 2 sentences) favorable to RC
- RC should not be limited to use of data it develops using TBC information with respect to TBC tennis balls
- Restrict TBC to using data developed using RC's information and samples to tennis balls made with RC's rubber



DISCUSSION

- ✓ Were you able to achieve your goal?
- ✓ What challenges did you face?
- ✓ What did you learn?





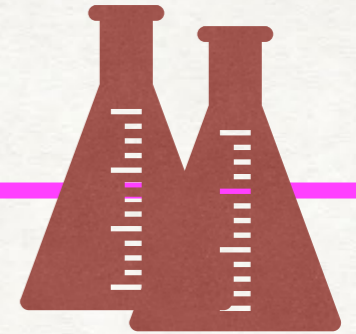
GROUP A EXAMPLE



Confidential Information received by a party under this Agreement shall be used by:

- (a) TBC to develop and sell new tennis balls; and
- (b) RC to support TBC's tennis ball development efforts.

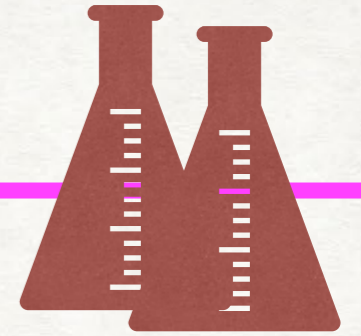
GROUP B QUERY



Did the original language achieve your second goal (restricting TBC's use of RC information)?

Confidential Information disclosed by either party to the other hereunder shall be used by the receiving party solely in order to evaluate, discuss, and pursue a possible business relationship with each other.

GROUP B EXAMPLE



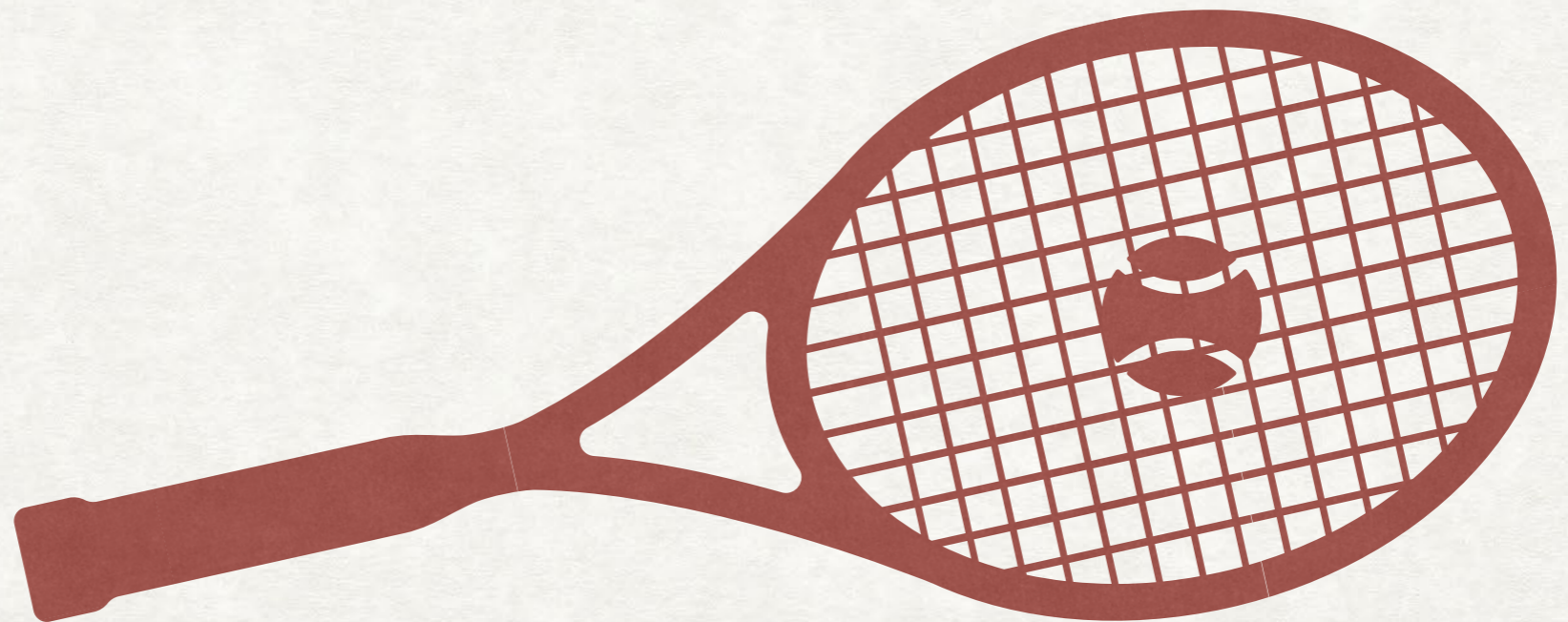
Confidential Information received by a party under this Agreement shall be used by:

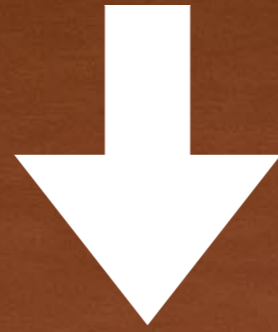
(a) TBC to develop and sell new tennis balls made with RC's rubber; and

(b) RC to develop new types of rubber [~~for use with respect to manufacture of tennis balls~~].

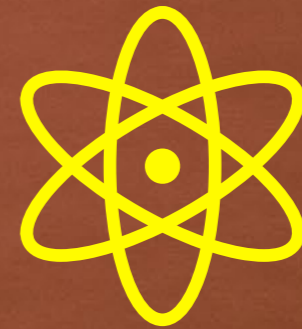
DISCUSSION

- ✓ Do you think you can use this approach to benefit your business?
- ✓ Do you think you can sell the terms to others?





CONTAMINATION RISK



THE RISK - TECHNOLOGY CONTAMINATION

- ❖ Confidentiality & use restrictions normally extend to “*derivative information*”
- ❖ This means that *your* data set developed using someone else’s confidential information and/or confidential samples may not be used without permission until the restrictions expire

BE AWARE!

- Recipient should be careful how it uses the received confidential information/samples to protect its pre-existing, highly sensitive know-how
- If the recipient has assigned IP rights to the discloser (e.g., MTA), this is an even greater concern



INDIVIDUALS

- ❖ Who is receiving the information?
- ❖ Is access to the information going to have an impact on their ability to perform their job?
- ❖ Can you have someone else look at the information to lower risk?



EXPORT CONTROL

EXPORT CONTROL LAWS & REGULATIONS

- ❖ Disclosures to non-US citizens/companies require compliance with export control laws & regulations
 - ◆ Commerce Department
 - ◆ State Department
 - ◆ Other (e.g., Presidential orders)
- ❖ Get legal guidance when making such a disclosure
- ❖ Usually include a general provision when disclosing to a US company
- ❖ Other countries have similar laws & regulations

MORE



OTHER COMMON PROVISIONS

- ❖ Required disclosure (e.g., court order or regulatory)
- ❖ Reducing risk - Information and samples provided without representations or warranties
- ❖ Ability to get a preliminary injunction
- ❖ General provisions, particularly governing law (Do you want to be litigated in North Dakota in January? ... paying for a California law firm?)

WATCH OUT

- ❖ Unintended transfer of ownership of IP (compare MTA)
- ❖ License to IP other than for the purpose of the evaluation under the agreement
- ❖ Provisions giving the recipient the right to file patent applications using disclosed information
- ❖ Exclusive periods of evaluation without appropriate consideration
- ❖ Undue length of confidentiality
- ❖ Attempts to block use of your preexisting or independently developed information

SOME PUBLIC FORMS

- <https://research.udel.edu/forms-policies-procedures/>
- <http://www.research.pitt.edu/ccc-confidential-disclosure-agreement-cdanon-disclosure-agreement-nda>
- <http://www.research.pitt.edu/ccc-material-transfer-agreements>

CONSULTING AGREEMENTS



CONSULTING AGREEMENTS

- ❖ Paying consultant (individual(s) or company)
- ❖ Purchaser typically owns IP
- ❖ As a general rule, consultant should be obligated by confidentiality for:
 - ◆ Purchaser's information
 - ◆ Information developed under the Agreement
- ❖ Purchaser needs rights to use preexisting information/technology included within scope of advice or final product
- ❖ Lots of other standard provisions: protection from liability, nature of relationship/independence, ...

UNIVERSITY/COLLEGE INVOLVED

- ❖ Make sure that the University/College doesn't have any claim to:
 - ◆ IP being developed
 - ◆ Underlying IP needed to use the IP being developed
- ❖ If the University/College has rights in IP, you'll need appropriate provisions providing ownership or access
- ❖ Make sure you are dealing with someone having authority to enter the agreement

CONTRACT RESEARCH AGREEMENTS



CONTRACT RESEARCH

- ❖ Payment for research
- ❖ Typical
 - ◆ Hiring company has provision assigning it all resulting IP
 - ◆ Research company subject to confidentiality
- ❖ Research company can negotiate other terms
 - ◆ Example: Retention of ownership or use in a defined field or outside hiring company's field

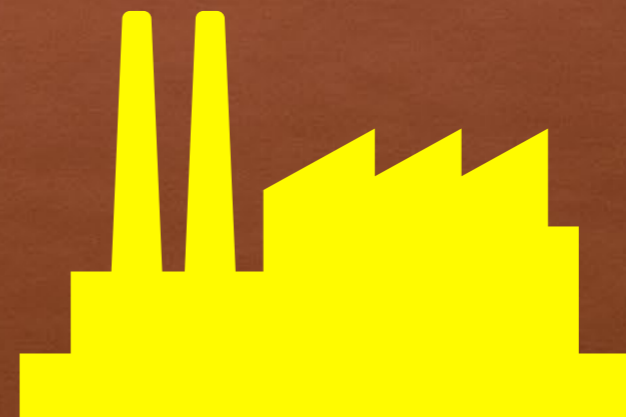
IF YOU HIRE A CONTRACT RESEARCH COMPANY

- ❖ “Consulting agreement” or other agreement covering contract research by companies and individuals
 - ◆ Only a few provisions would be different
 - ◆ Example: Company has to have appropriate IP assignments and confidentiality agreements from its employees
- ❖ Key provisions:
 - ◆ IP assignment
 - ◆ Confidentiality
 - ◆ Liability protection
- ❖ See slide on University/College involvement

YOUR COMPANY PAID FOR RESEARCH

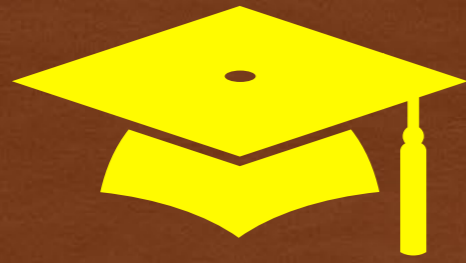
- ❖ Slide assumes that company is being paid for R&D
- ❖ Typical IP/Confidentiality
 - ◆ Hiring company owns all resulting IP
 - ◆ Research company subject to confidentiality
 - ◆ Must carefully define what you are assigning & information you need to protect
- ❖ Liability - You need to protect your company
- ❖ Research company can negotiate other terms
 - ◆ Example 1: Retention of ownership or use in a defined field or outside hiring company's field
 - ◆ Example 2: Ownership of certain fundamental technology
- ❖ This is a custom agreement and you need a lawyer

PLANT VISITATION AGREEMENTS



SIGNING DOCUMENTS WHEN YOU VISIT

- ❖ Many companies ask you to sign documents when you visit a plant (sometimes even an office)
- ❖ Ask before you visit (unless you are protected - see below)
- ❖ Typically include confidentiality provisions and/or IP assignment - THESE WILL BE DIFFERENT THAN THE ONES IN YOUR FORMS
- ❖ Avoid signing them if possible - point to your preexisting agreement
- ❖ CAN PUT A PROVISION IN YOUR CONFIDENTIALITY AND OTHER AGREEMENTS STATING THAT THE TERMS CONTROL OVER ANY PLANT AGREEMENT SIGNED BY AN EMPLOYEE
- ❖ May also want to add plant visitation liability terms your forms



WORKING AT A UNIVERSITY/COLLEGE



IP

- ❖ This isn't the only issue, but is the only one I'm addressing here
- ❖ If you are using University/College facilities or equipment
- ❖ Make sure that your agreement clearly states that your company or you own the IP
- ❖ If the agreement is silent or there isn't an agreement, the University/College may try to claim ownership or rights in the IP
- ❖ See Consulting Agreement slides above

LICENSE AGREEMENTS





WARNING

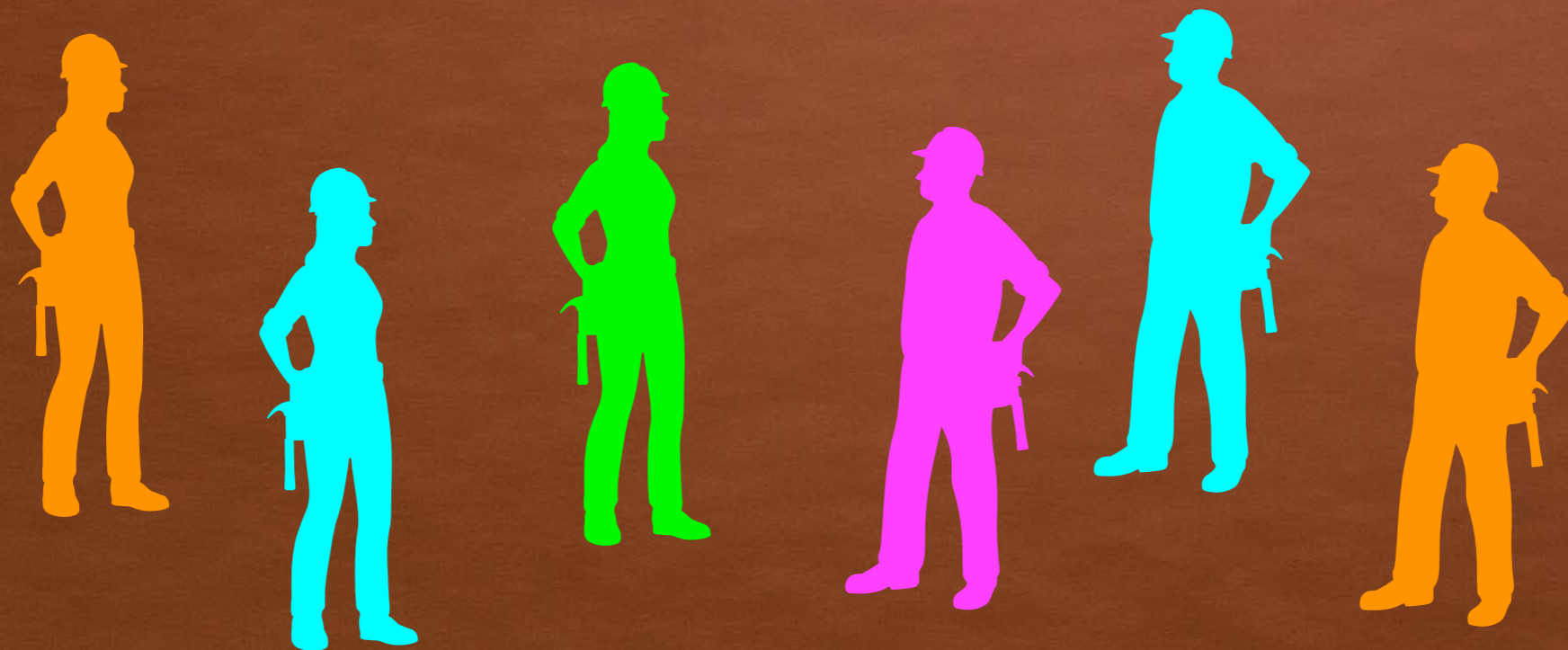
- ❖ These are extremely complex agreements
- ❖ Hire legal counsel with extensive licensing experience or an extremely experienced licensing professional early in the process

SOME KEY PROVISIONS

- ❖ What is being licensed?
 - ❖ Patents
 - ❖ Know-how
 - ❖ Other (e.g., brands, software, etc.)
- ❖ What product(s) can be made?
- ❖ What process(es) can be used?
- ❖ Is there a field restriction?
- ❖ Is there a territorial restriction?
- ❖ Payments - lump sum and/or royalties?
- ❖ Training & technical service (and how will it be paid for)
- ❖ Ownership & licensing of improvements
- ❖ Term & termination, including “Prenuptial” terms



COLLABORATION AGREEMENTS/JOINT DEVELOPMENT AGREEMENTS



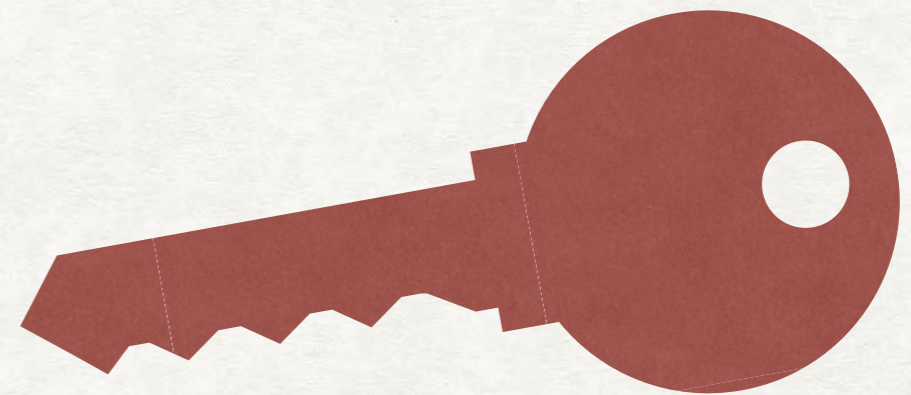


WARNING

- ❖ These are extremely complex agreements
- ❖ Hire legal counsel with extensive collaboration agreement experience, or a professional with appropriate experience, early in the process

SOME KEY PROVISIONS

- ❖ Describing the deliverables
 - ❖ Can they be fully described at initiation? If not, how will they be determined?
- ❖ Managing the relationship, including decision making/control
- ❖ Managing the work - Milestones, worker qualifications, teams, ...
- ❖ IP ownership & licensing
- ❖ Commercialization
- ❖ Breakup - “Prenuptial” terms



LAWYER INVOLVEMENT



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- ❖ You must obtain experienced legal counsel from a registered lawyer concerning any legal matters
- ❖ Some lawyers may be willing to provide you with forms and guidance that you can use for some routine matters
- ❖ More complex agreements require counsel with specialized knowledge

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