

# WHAT EVERY IN-HOUSE LAWYER SHOULD KNOW ABOUT

## NON-DISCLOSURE AGREEMENTS:

### PROTECTING COMPANY INTELLECTUAL PROPERTY AND STRATEGIC NON-PUBLIC BUSINESS INFORMATION

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## **Introduction**

In-house lawyers are accustomed to the ritual of negotiating agreements to protect disclosure of their company's confidential and proprietary information. Such agreements go by the names "non-disclosure agreements," "confidentiality agreements," "secrecy agreements," and others. In the interests of consistency, the abbreviation "NDA" will be used to refer to these agreements in this paper.

NDA's are typically the first contractual relationship with virtually each new potential business partner. NDA's typically contain two primary restrictions: (1) no unauthorized disclosure of certain information; and (2) no unauthorized use of certain information.

NDA's are intended in many cases to act as an interim measure. If the potential business relationship develops, a definitive purchase, distribution, acquisition, or other agreement may be executed. Such definitive agreement should contain confidentiality and non-disclosure provisions which supersede the NDA.

The purpose of this paper is to explain the purpose of NDA's, to identify key provisions, and to provide practical tips on how in-house counsel can better serve their companies with regard to the drafting and negotiation of these significant agreements.

## **Terms Used in this Paper**

In the interests of clarity, the following terms will be used for convenience:

"Confidential Information" will be used to refer to all that confidential and/or proprietary information which companies seek to protect with NDA's.

"Disclosing Party" will be used to refer to the party disclosing Confidential Information.

"Receiving Party" will be used to refer to the party that receives Confidential Information from the Disclosing Party.

## **What's the Purpose?**

There is probably no agreement which is more widely known or more frequently negotiated by in-house counsel than NDA's. There are three main purposes:

1. to protect intellectual property
2. to demonstrate a commitment to protect company assets; and
3. to protect strategic non-public business information.

These purposes are described more fully below:

## 1. **To Protect Intellectual Property**

Companies make significant investments in personnel and technology. In the fast moving world of business, each day may bring a new invention, a new product or process, new know-how, a new trade secret, or other new proprietary developments from such investments.

Most companies do not register all developed intellectual property with the applicable government authorities. Further, many kinds of intellectual property are not registerable. Finally, prior to the award of an intellectual property registration, secrecy frequently is desired until the latest allowable time. In some countries disclosure of a patentable invention prior to receiving a patent may disqualify patentability.

NDA's are the most accepted method of seeking contractual assurances of non-exploitation and secrecy of such sensitive intellectual property. Further, in many jurisdictions, the use of NDA's gives rise to "trade secret" protection of certain intellectual property under judicial and statutory directives.

## 2. **To Demonstrate A Commitment To Protect Company Assets**

In the context of financing and corporate transactions, a target company's efforts to protect intellectual property may significantly affect company valuations and investor interest. In addition to the actual protection of intellectual property by the execution of NDA's, a practice of regularly executing non-disclosure agreements at the outset of every potential business relationship is an important way for a company to demonstrate a genuine commitment on a systematic basis to protect important company assets.

## 3. **To Protect Strategic Non-Public Business Information**

We are currently in an era of partnership and business cooperation. In order to engage in discussions which may ultimately result in the sale of products, business or technical cooperation, joint ventures, mergers, acquisitions or financing transactions, disclosure of strategic non-public business information, such as business plans, marketing strategies, customer information, pricing, discounts, and product roadmaps is often a necessity. The unauthorized disclosure or exploitation of such information could have far reaching consequences to the Disclosing Party.

NDA's are the best available vehicle to protect a company from unauthorized disclosure and exploitation of this critical information.

## **The "Standard" NDA: Section-by-Section**

The following provisions are usually considered standard in most NDA's.

1. ***Name of Parties.*** This opening paragraph identifies the parties to the NDA. Affiliates, subsidiaries, and controlling parties may also be identified in this section of the NDA. You should consider whether disclosing Confidential Information to

such extended parties will create unacceptable disclosure risks. Carefully analyze the definition of such persons or entities.

2. ***Mutuality.*** Are both parties equally protected and obligated? In virtually all situations, the NDAs should provide mutual protection. The confidential disclosures by one party often give rise to the Receiving Party's confidential disclosures in the form of thoughts or evaluations or additional exchanges of Confidential Information by the Receiving Party, even if not initially anticipated.
3. ***Subject Matter.*** Identify the general subject matter of Confidential Information each party may possess. This is important to limit the scope of potential objections or challenges regarding later enforcement of the NDA.
4. ***Purpose of Exchange.*** Identify the limited purpose of the exchange of Confidential Information. For trade secret purposes, the more limited the purpose, the better. The contemplated relationship may require a broader scope to avoid the need to enter a new NDA in the future for a different matter. This can be averted by careful drafting.
5. ***Sources of Confidential Information.*** Define the sources and embodiments of Confidential Information. This section usually contains a laundry list of relevant items which may include:

information in oral, written, graphic, electromagnetic or other form, including but not limited to past, present and future business, financial and commercial information, business concepts, prices and pricing methods, marketing and customer information, financial forecasts and projections, technical data and information, formulae, analyses, trade secrets, ideas, methods, processes, know-how, computer programs, products, equipment, product road maps, prototypes, samples, designs, data sheets, schematics, configurations, specifications, techniques, drawings and any other data or information delivered by either of the parties to the other or to which the other party has acquired by way of inspection or observation.

6. ***Identify Confidential Information.*** After identifying the subject matter, purpose, and sources of Confidential Information, the NDA should provide rules for identifying actual Confidential Information that will be subject to the NDA.

Some NDAs provide that all information disclosed by one party to the other should be confidential, whether or not marked or identified as "confidential". This should be avoided, since it is important for notice, verification and enforcement purposes to be able to identify with some level of certainty information that should be protected.

The better approach is to require that all tangible confidential and/or proprietary information be marked "CONFIDENTIAL" or is otherwise identified as confidential and/or proprietary.

With regard to Confidential Information which is disclosed verbally, there are two main approaches: the first is to require that within a specified period of time, *e.g.*, thirty (30) days of disclosure, the disclosing party must identify the verbal disclosure of Confidential Information in writing, or else such disclosure will not derive the protection of the NDA. Since the actual occurrence of this writing exercise may

happen less than what lawyers hope for, the better approach is for the disclosing party to inform the Receiving Party orally prior to disclosure that the information to be disclosed is confidential. Although this could create evidentiary challenges, such oral “identification” is more reflective of commercial realities.

7. ***Exclusions.*** The NDA should define what information is not subject to the NDA. For example:
  - (a) information already known to the Receiving Party prior to disclosure by the Disclosing Party;
  - (b) information which is independently developed by the Receiving Party, as demonstrated by tangible evidence;
  - (c) information that has appeared in any printed publication or patent or shall have become a part of the public knowledge except as a result of breach of the NDA by the Receiving Party;
  - (d) information received by the Receiving Party from another person or entity having no obligation to the Disclosing Party; or
  - (e) information approved in writing by the Disclosing Party for release by the Receiving Party.
8. ***Authorized Personnel Only.*** The NDA should limit the number of people in the Receiving Party’s business who will have access. For example, the agreement may limit access to individuals designated by name, title or job description, or it may limit access to those employees, representatives, and consultants who have a “need to know” the information for purposes of the NDA. This may include employees, consultants, and representatives of a person or entity controlled, controlling, or under common control with the Receiving Party. All such individuals should be bound by a non-disclosure undertaking at least as restrictive as the NDA. Requiring such individuals to sign another NDA each time the company signs an NDA is not practical and should be avoided. Such obligations should already be an essential part of company employment, consulting, and independent contractor agreements.
9. ***Treatment of Confidential Information.*** NDAs should specify how Confidential Information can be used and treated. Some NDAs provide more instructions than others. The two key provisions are that (i) Confidential Information can be used solely for the purposes specified in the NDA; and (ii) Confidential Information can not be disclosed except as specified in the NDA.

Here are some other examples:

- Confidential Information must be kept in secure location;
- Confidential Information may not be photocopied (sometimes only limited photocopying is permitted); and
- Receiving Party must attach a confidentiality notice on files, binders or envelopes containing the Confidential Information.



10. ***No Grant of Licenses.*** The NDA should expressly provide that no license to use any intellectual property is granted except as may be specifically required for the purpose of NDA and then only for such purpose.
11. ***No Limits on Independent Development.*** NDAs should not restrict either party from independently developing any kind of product, services, technology, etc.
12. ***No Promises or Commitments.*** Signature of the NDA and/or exchange of Confidential Information should not give rise to any intention, commitment, or obligation to buy or sell or to enter into any kind of business relationship.
13. ***Confidential Information is “AS IS”.*** No warranties or representations are given for Confidential Information. Receiving Party should rely on Confidential Information at its own risk. Confidential Information is provided “as is”.
14. ***Post-Termination Treatment.*** There are two common ways to treat previously disclosed Confidential Information after termination of the NDA: either return of all Confidential Information or destruction of all Confidential Information. It can be useful to maintain an archival copy of Confidential Information in case of litigation, and some NDAs include this as a standard provision.
15. ***Compelled Disclosure.*** The NDA should provide guidance in the event of an order by court, administrative, or other government body to the Receiving Party to disclose Confidential Information. This often consists of an obligation for the Receiving Party to notify the Disclosing Party prior to disclosure in order to give the Disclosing Party an opportunity to seek a protective order, or to waive compliance with the NDA. This may include a limiting instruction that in the event of such disclosure, the Receiving Party will narrowly interpret the request for information.
16. ***Remedies for Breach.*** Frequently, NDAs provide for injunctive relief for threatened or actual “breach” of the NDA in addition to all other remedies available by law. Since injunctive relief is only truly appropriate for actual or threatened unauthorized disclosures or unauthorized uses of Confidential Information, and not all breaches, this provision should be narrowly drafted.
17. ***Governing Law and Forum.*** These provisions are often subject to extensive discussions by in-house counsel. The same considerations for all contracts are relevant for NDAs. However, due to the dearth of case law in most jurisdictions, it is probably equally problematic to litigate NDAs in all courts. While all lawyers usually prefer their home jurisdictions, in the interests of closing the negotiations, a compromise jurisdiction should usually be reached.
18. ***Term of NDA and Non-Disclosure Obligations.*** It should be noted that there are two important time elements in NDAs. The term of the NDA is the period beginning on the effective date during which parties may continue to exchange Confidential Information that will be covered by the NDA. The term of the non-disclosure obligations on the Receiving Party typically extends beyond the term of the NDA. Even after the parties can no longer exchange new Confidential Information after the term of the NDA expires, the non-disclosure and non-

exploitation obligations for Confidential Information disclosed during the term of the NDA survive either indefinitely or for a specified time following termination.

Sometimes, Confidential Information is disclosed prior to execution of the NDA. In such situations, a provision should be inserted explaining that Confidential Information disclosed prior to the effective date of the NDA should be covered by the NDA.

## **Watch Out: These Provisions Could Hurt You**

NDA's should be limited to the non-exploitation and non-disclosure of the disclosing party's Confidential Information. Nevertheless, NDA's often contain subject matter which is not appropriate for the immediate task at hand - - e.g., enabling the potential development of a new business relationship. Such provisions typically increase the negotiating time and time to sign such NDA's. In some cases, lawyers and business people don't truly understand why the provisions are there in the first place, but are reluctant to remove them.

Set forth below are the more commonly observed provisions which should be watched for and avoided.

1. ***Employee Non-Solicitation Provisions.*** Such provisions provide that neither party can solicit or hire employees from the other party for a certain period of time. Such provisions may include time limits and procedures regarding acceptable hiring and soliciting.
2. ***Non-Compete Provisions.*** Such provisions prohibit one or both parties from developing and/or selling products or services which compete with the other party.
3. ***Non-Disclosure of NDA and Existence of Relationship.*** Some NDA's include provisions which seek to impose disclosure restraints on (1) the "existence" of the NDA, or (2) the "existence" of discussions between the parties, or (3) the nature of discussions. Except in unusual situations, and perhaps in a merger, acquisition, or joint venture transaction, items (1) and (2) should be avoided. It is virtually impossible to enforce compliance and such provisions are not necessary to achieve the primary NDA objectives.
4. ***Exclusion of Residuals.*** Such provisions state that "residuals" resulting from a person's access to or work with Confidential Information shall not be subject to the confidentiality obligations contained in the NDA. The term "Residuals" is often defined to mean information in non-tangible form, which may be retained by persons who have had access to the Confidential Information, including ideas, concepts, know-how or techniques contained therein. It may also provide that neither party shall have any obligation to limit or restrict the assignment of such persons or to pay royalties for any work resulting from the use of residuals. This kind of provision effectively undermines the protection of the NDA in that a Receiving Party would be able to use Confidential Information which they remember in their heads. This should be avoided.
5. ***Consent of Judgment.*** Such provisions often impose an excessive monetary penalty on any breach of the NDA.

6. ***Receiving Party Notes Are Confidential Information.*** NDAs may provide that notes, letters, documentation, and other Receiving Party work product which reference or include the Disclosing Party's Confidential Information are to be deemed Confidential Information subject to the NDA. This can be problematic and should be avoided if possible, since such work product will invariably contain Receiving Party confidential thoughts and considerations which the Disclosing Party should not have access to. If the other party does not agree to remove such provision from the NDA, then a solution would be to make such Receiving Party work product subject to the Confidential Information non-disclosure provisions and non-use provisions, but to exclude such work product from any disclosure or "return" to the Disclosing Party.

## **Don't Be a Bottleneck: Advice for In-House Counsel**

In-house lawyers regularly face a dilemma: business people should not engage in discussions of Confidential Information without a signed NDA, yet NDA negotiations may get stuck over one or more "unacceptable" provisions.

As a result, potentially lucrative business can be held hostage to the NDA negotiations. It is here where the skill of in-house lawyers can expedite conclusion of this important document and add value to the company.

Here is what you can do to strike a balance between the interests of protecting your company's Confidential Information and supporting the business objectives by a focused and practical approach to concluding NDA negotiations:

1. Stick to the Basic Objectives: Non-use and Non-disclosure
2. Stick to the "Standard" Terms Addressed Above
3. Don't Waste Time Trying to Force Agreement on Non-Standard Terms
4. Be Ready to Change Your Standard NDA During Negotiations
5. Always Keep the Business Objectives in Mind

## **What Do The Courts Say?**

A survey of courts in 15 countries highlights an intriguing aspect of the NDA practice: despite the high numbers of NDAs signed, claims based on NDA breaches have been addressed by courts in only 5 countries, only in a handful of cases. Several possibilities could explain this:

- Parties to NDAs never breach
- Proving breaches is difficult
- NDA breaches are resolved through mediation or arbitration without published opinions
- NDA breaches are settled prior to final court decision
- NDA cases are not reported

The venues surveyed are (1) Israel; (2) United States; (3) Belgium; (4) Brazil; (5) Denmark; (6) Finland; (7) France; (8) Germany; (9) Hong Kong; (10) Mexico; (11) Russia; (12) Singapore; (13) Sweden; (14) Switzerland; and (15) United Kingdom.

## 1. **Israel.**

In *Elite Israeli Chocolate and Sweets Industries Ltd. v. Serange*, PD 49 (5) 796 C.A. 2600/90, the Israel Supreme Court upheld an NDA where a third party service provider exploited a Disclosing Party's proprietary Turkish coffee manufacturing process to set up a competing business.

The court awarded financial compensation to the plaintiff yet refused to issue an injunction. The court reasoned that since the term of the NDA (after being truncated by the court) had expired and because the manufacturing process for Turkish coffee could be readily learned, an injunction was inappropriate.

In *Krone EG v. Inbar Armoured Plastic*, RCA 2015, 3608/95, PD 51 (3) 548, the Israel Supreme Court recognized that even in the absence of a formal NDA between the parties, if the Confidential Information disclosed by one party to another bears a marking that the information is confidential and that unauthorized disclosure is prohibited, a breach of such unilateral statement would give rise to a breach of a confidentiality understanding.

Lower courts in Israel have recognized an implicit obligation of confidentiality where no NDA is signed, if the parties reveal trade secrets in the course of business negotiations. Courts have also implied that such obligation of confidence may arise from a duty to negotiate in good faith set forth in the Israeli Contracts Law 5733-1973. See *AMT Computing Ltd. v. Bank Hapoalim Investment Company cc* (Tel Aviv) 2/64/90, Motion 13094/90 (unpublished).

## 2. **United States.**

In *Global Telesystems, Inc. v. KPNQwest, N.V.*, 151 F. Supp. 2d 478 (S.D.N.Y. 2001), the district court upheld a non-solicitation provision in an NDA between two potential merger partners based upon the risk of disclosure of confidential information. A former senior financial officer of plaintiff sought to join defendant company following the breakdown of discussions between plaintiff and defendant.

The NDA contained the following provision:

You undertake that for a period of eighteen months from the date of this Agreement, neither you nor any of your subsidiaries nor your or their Representatives shall, actively solicit, interfere with, or endeavor to entice away, any person who is at the date of this Agreement, or who is during discussions between [plaintiff] and you, a director, employee, consultant or individual employed by or seconded to work for [plaintiff] or its affiliates, or offer to employ, or assist in, or procure the employment for, any such person, provided that this restriction shall not prevent you from employing such person who responds to a general advertisement for recruitment without any other direct or indirect solicitation or encouragement by you. *Id.* at 480.

The NDA continued:

You further understand, acknowledge and agree that money damages would not be a sufficient remedy for any breach of this Confidentiality Agreement by you or by any of your Representatives and that [plaintiff] will be entitled to specific performance and injunctive relief as remedies for any such breach. Such remedies shall not be deemed exclusive remedies for a breach of this Confidentiality Agreement but shall be in addition to all other remedies available at law or equity. *Id.*

The court granted the injunction against the defendant, leaving the senior officer jobless. On the issue of protecting the confidentiality of information, the court provided compelling reasoning:

Despite protestations by defendant and by [senior officer], it is unclear to me how disclosures, even inadvertent, can be prevented. Although I do not question his integrity, I believe there is a continuing danger that [senior officer] may unintentionally transmit information he gained through his association with [plaintiff] during his day-to-day contact with [defendant]. . . . *I am not satisfied on this record that [senior officer] will be able to effectively screen that part of his brain containing information which he acquired as an officer of [plaintiff].* (emphasis added). *Id.* at 482.

In another case, *Sip-Top, Inc. v. Ekco Group, Inc.*, 86 F.3d 827 (8<sup>th</sup> Cir. 1996), the court refused to presume the unauthorized use of confidential information disclosed under an NDA, without evidence of such unauthorized use.

There, plaintiff was a manufacturer of a unique beverage can top. In contemplation of a possible acquisition, the plaintiff and defendant signed an NDA. After several meetings and touring plaintiff's facility, defendant offered to purchase the plaintiff company. Plaintiff rejected the offer as being too low.

Thereafter, defendant purchased similar beverage can tops from plaintiff's competitor. The plaintiff claimed that the defendant relied on confidential information disclosed under the NDA to evaluate the competitor's products, thus breaching the NDA.

The NDA excluded from the confidentiality limitations "public information, information already known to [defendant], information obtained from a third party, or information independently developed." The NDA also expressly authorized the defendant to use the information provided by plaintiff "to evaluate the desirability of acquiring plaintiff."

In rejecting plaintiff's claim, the court provided the following persuasive reasoning:

The fact that the information provided by [plaintiff] might have made [defendant] more informed in evaluating whether to acquire [plaintiff] or purchase [the competitor's] product does not support an inference that [defendant] violated the Confidentiality Agreement. . . .

To accept [plaintiff's] argument we would need to make the unreasonable inference that every time a company receives confidential information it uses that information if it negotiates with another entity. *Id.* at 10-11.

The court explained that such an inference would lead to one of two equally unacceptable results:

(i) every time a company entered into preliminary negotiations for a possible purchase of another company's assets in which the acquiring company was given limited access to the target's trade secrets, the acquiring party would effectively be precluded from evaluating other potential targets; or (ii) the acquiring company would, as a practical matter, be forced to make a purchase decision without the benefit of examination of the target company's most important assets--its trade secrets. *Id.* at 11-12.

3. **Belgium.** No reported cases.
4. **Brazil.** No reported cases.
5. **Denmark.** No reported cases.
6. **Finland.** No reported cases.
7. **France.**

In *Roumet v. Entreprise Ortal* case, the French Supreme Court<sup>1</sup> held a former manager responsible for violating a non-disclosure provision in his employment contract after he disclosed to politicians confidential corporate information – namely a report regarding his past functions.

Similarly, the Paris Court of Appeals<sup>2</sup> held that a breach of a contractual confidentiality obligation should be interpreted as an event of default, thus terminating any underlying contract. In this matter, a non-disclosure agreement had been signed between a producer and a manufacturer in connection with pharmaceutical and biological products. The company in charge of manufacturing such products hired a sub-contractor without advising the producer, thus breaching the confidentiality obligation.

French Case law provides for non-disclosure obligations even when not explicitly set forth in a contract. French judges often consider that such non-disclosure obligations are implied. In a recent decision of the Paris Court of Appeals<sup>3</sup>, the court ruled against an ex-employee in the amount of €11,433,000 for disclosing his former employer's confidential information and know-how.

Even without a confidentiality agreement (or clause), French courts may award damages to the plaintiff on the grounds that the violation of a secret constitutes a tort, as defined by the Articles 1382 and 1383 of the French Civil Code<sup>4</sup>. Interestingly, in 1971, the French Supreme Court<sup>5</sup> held that where a machine deemed to have been

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<sup>1</sup> *Chambre sociale de la Cour de cassation*), April 26, 1963, *Bulletin des arrêts de la Cour de cassation, 1963, Part V*, p. 286 et seq.

<sup>2</sup> CA Paris, 10 octobre 1997, 5e ch. C, SARL Haléko France c/ Sté PAB, RJDA 2/98 n°136.

<sup>3</sup> CA Paris, 27 septembre 2000, RDPI 200 n°116 p. 2)

<sup>4</sup> see e.g. Paris Court of Appeal, March 1, 1978, *Ann. prop. ind.* 1980.150 ; also Rouen Court of Appeal, January 13, 1981, *D.* 1982.som.233.

<sup>5</sup> Cour de cassation, chambre commerciale et financière, 22 mars 1971, *Bulletin des arrêts de la Cour de cassation, Part IV*, p. 76 et seq.

copied was not protected by any patents in France, an alleged violation would not be interpreted as a tort.

French Case law expressly acknowledges that a confidentiality agreement may be valid for an unlimited duration and without any geographical restrictions, to the extent, however, that this obligation only covers a specific process or know-how, and does not prevent the parties from working in other fields or areas. In *Genthon v. Société Manufrance*, the French Supreme Court<sup>6</sup> confirmed the validity of a non-disclosure agreement for an unlimited duration for a specific metal engraving process.

Confidentiality agreements should be specific, as courts may interpret them restrictively. This was addressed in a 1990 Paris Court of First Instance case<sup>7</sup>. There, an instruction posted in front of a factory notified all employees that certain designated objects and plans were to remain secret. According to the Court, only such named objects and plans were subject to this confidentiality obligation. From a practical standpoint, this requires the parties to specify the information that is deemed confidential, and that all information which is public or considered as included in the “current state of the art” (*état de la technique*) be expressly excluded from the scope of the agreement.

## 8. **Germany.**

In Germany, NDA's traditionally play a significant role with regard to patents and licences. German law is very strict with inventions eligible for patents. If technical information about a new product or process becomes public before the patent is valid, the invention lacks patentability. NDA's are of great value to avoid this risk.

With regard to a confidentiality agreement in an employment contract, the Federal Labor Court (BAG) has explained that NDA's are valid only if the confidential information can be identified. In this case an employee was obliged not to disclose information concerning the business unit he was working in. The confidentiality clause extended the secrecy obligation beyond the termination of employment. The Court explained that it was permitted to bind the employee not to disclose a *special* trade or business secret. However, the obligation not to disclose information about a whole business unit is not detailed enough and has the effect of a non-competition clause. Thus, the NDA should contain a detailed description about the kind of information that must not be disclosed. (BAG v. 19.5.1998 – 9 AZR 394/97).

The Higher Regional Court, Cologne, has explained that a claim based on § 17 of the Unfair Competition Act (UWG) can only be successful if it does not concern matters of common knowledge. The decision emphasizes that information which is already public, can not be subject to trade secret protection. Consequently, the NDA should clearly indicate the kind of information that is not subject to the non-disclosure obligation. (OLG Köln CR 1998, 199).

However, in a particular case, know-how that is already public can be a trade secret in terms of § 17 Unfair Competition Act (UWG) if the fact that a company uses this

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<sup>6</sup> Cour de cassation, chambre commerciale et financière, 2 avril 1978, Gaz. Pal. pan. p.401.

<sup>7</sup> TGI Paris, 16 mai 1990, Dossiers Brevets.

know-how is not known by the general public. In 1992 the Higher Regional Court, Hamm, ruled that a manufacturing process that is common practice can still be a trade secret if it is used for the production of goods that are usually produced differently. The fact that the process is used in connection with a particular product is meriting protection. As a result, a former employee of the manufacturing company who entered into an oral confidentiality agreement, was obliged not to disclose the use of such process. (OLG Hamm, Urteil vom 01.09.1992 – 4 U 107/92).

9. **Hong Kong.** No reported cases.
10. **Mexico.** No reported cases.
11. **Russia.** No reported cases.
12. **Singapore.** No reported cases.
13. **Sweden.** No reported cases.
14. **Switzerland.** No reported cases.
15. **United Kingdom.**

In *Bowyer v Times Newspapers*, [2000] QBD TLQ/00/1281, the court found that a defendant newspaper, the Sunday Times, breached an NDA in the context of a book publishing relationship, by advance publication of confidential information subject to the NDA.

In this case, the plaintiff was the author of a book entitled “Delia Smith, The Biography”. The book included information relating to famous English cook Delia Smith’s “first love,” which had not previously been disclosed to the public. In an alleged breach of that agreement, the Sunday Times published an article about Delia Smith and her first love. The court held that the value of the confidential information was in the identity of Delia Smith’s first love.

Interestingly, the court conceded the defendant’s argument that the information published was independently obtained and was not taken from the confidential information disclosed under the NDA. Nevertheless, the court reasoned that “it is clear that the obligation on the Sunday Times was inter alia not to publish information contained in the book that was confidential.” Moreover, the court explained that such an interpretation would defeat the commercial purpose of the NDA.

In another case, *London Regional Transport & Another v The Mayor of London & Another*, [2001] EWCA Civ 1491, the plaintiffs sought to use the existence of an NDA in order to block the public release of report prepared under the supervision of the Mayor of London and the Commissioner of Transport for London which was critical of a public improvement project for the London Underground.

Just prior to the release of the report, the plaintiffs, the London Regional Transport and the London Underground Ltd., obtained an interim injunction restricting the defendants from



releasing the report on the basis that it contained confidential information. This injunction was subsequently discharged after a judicial finding that all confidential information had been redacted from the report and because there was a strong public interest in the contents of the report.

In NDA matters before the English courts, an interesting body of law is often reviewed as a complement to applicable contract law which governs NDAs: the European Convention of Human Rights, Article 10, which provides:

*Freedom of Expression*

1. Everyone has the right to freedom of expression. This right shall include the freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. This article shall not prevent States from requiring the licensing of broadcasting, television or cinema enterprises.

2. The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation of rights of others, ***for preventing the disclosure of information received in confidence***, or for maintaining the authority and impartiality of the judiciary. (emphasis added).

*See also Naomi Campbell v Vanessa Frisbee*, [2002] EWHC 328 (“In the case of contracts for services, there can be no conceivable factual basis for the suggestion that a repudiatory breach by the client entitled the independent contractor to a release from obligations of confidentiality. It is plain beyond question that the obligation of confidence of e.g. a lawyer, doctor or security consultant survives acceptance by the service provider of the repudiation of his contract by the client.”)

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## Faculty Biography

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Mitchell C. Shelowitz is General Counsel and Corporate Secretary for Ceragon Networks Ltd. (NASDAQ: CRNT) in Tel Aviv, Israel. He is the chief legal officer with responsibility for providing legal support to Ceragon Networks and its global subsidiaries in Europe, North America, Latin America, and Asia. Ceragon Networks designs, develops, and manufactures high capacity point-to-point wireless telecommunications equipment used as an alternative to fiber optic cable for the cellular backhaul, metropolitan and enterprise infrastructure markets.

Prior to joining Ceragon Networks, Mr. Shelowitz was Legal Counsel for Gilat Satellite Networks Ltd. (NASDAQ: GILTF) in Petah Tikva, Israel, a leading provider of telecommunications solutions based on Very Small Aperture Terminal (VSAT) satellite network technology. At Gilat, he supported the research & development, operations, and sales departments covering Europe, Latin America, and Central Asia.

Prior to joining the in-house bar, Mr. Shelowitz was associated with the Tel Aviv law firm of Goldfarb, Levy, Eran & Co. where he represented telecommunications and technology companies in commercial and corporate transactions. Before relocating to Israel in 1997, Mr. Shelowitz was associated with the New York law firms Nixon Peabody LLP in Garden City, New York and Proskauer Rose LLP in New York City. In New York, he represented clients in antitrust and commercial litigation.

Mr. Shelowitz is the President and founder of the Israel Chapter of the American Corporate Counsel Association. He received a J.D. from Touro College, Jacob D. Fuchsberg Law Center in New York and received a B.A. in biology and business from the State University of New York at Albany.