



Use NDAs to Protect Trade Secrets

Manufacturers and distributors make their livelihoods doing things differently from others. A formula, process, technology or patent is often the key to your competitive edge, so protecting these assets is vital to the success of the company.

Non-disclosure agreements (NDAs) protect these types of corporate assets. An NDA is a legal contract designed to shield the company from harm caused by people sharing its proprietary information.

- **Who should sign?** Consider adding an NDA to the documents signed by new employees and contractors. Depending on your business, it might be appropriate to require the same from certain vendors, suppliers and advisors. Also, companies involved in M&A discussions are almost always asked to sign NDAs.
- **What is included?** NDA basics include an effective date, the nature of prohibited activities and the timeframe of coverage. The document may also discuss compensation in the case of a breach.
- **Is it enforceable?** The answer to this question depends on the state in which you do business and the reasonableness of the contract's covenants. You can't restrain trade, but most courts do take these documents very seriously.

Whether you ever end up in court because of an NDA breach is almost inconsequential. In most cases, the more important point is that you have underscored the significance of your company's trade secrets, and reminded employees and others that you expect them to do their part to protect your competitive edge.

Some believe that asking others to execute an NDA implies mistrust, but most parties are usually happy to sign a reasonable NDA. Because a non-disclosure agreement is a legal document, it should be drafted by an attorney specifically for your company and in a manner that is enforceable in your state.



We are committed to your success and we hope you find this information valuable. If you need assistance with this or any other matter, please do not hesitate to call.



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