INCONCEIVABLE!

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"I used an NDA." This invocation of a nondisclosure agreement (NDA) is frequently given to the patent attorney in the initial client interview when asked what agreements were in place when a prototype for a new invention was made. It is not a heartening response. Like usage of the word "inconceivable" in The Princess Bride, most NDAs do not do what the innovator thinks they do.

Innovators frequently wish to share, or must share, the details of their innovation with third parties – to investors for possible cash infusion; to friends for emotional support and backslapping; to potential customers to generate and/or gauge interest in sales and marketability; and to independent contractors who are often tasked frequently with turning the innovation into a physical reality. Of course, at this stage, why bother with the cost of a lawyer, so any form provided by a friend of a friend's lawyer, or better yet, downloaded from an authoritative sounding website should do.

This is usually a grievous and tragic error.

The number one mistake patent attorneys see is misuse of nondisclosure agreements. Innovators use the wrong type of NDA for the wrong type of reviewer. Innovators don't execute the NDA correctly. Innovators don't perform under the NDA correctly. Innovators don't read the terms of the NDA they have downloaded or borrowed from a friend of a friend, and agree to terms that no sane person would suggest. But most importantly, an NDA is often not the correct form to use.

First, NDA's should have different descriptions and terms depending on the nature of the third party who will be receiving the information on the invention. The NDA will be worded differently if used with a potential investor than for a potential customer.

Second, a good NDA will impose not only obligations of confidentiality on the receiver, but also duties to extend the NDA obligations to any person the receiver must necessarily share the information with as well.

Third, among many other useful clauses, a good NDA will place venue and jurisdiction for any breaches in the state and city of the inventor, not the receiving third party.

Fourth – and most importantly – if the third party is an independent contractor who will be working on the invention, then the NDA is simply not the right agreement to use at all. For any third party who will be working on, evaluating for feasibility, or otherwise suggesting embodiments, manifestations , improvements or construction (this list is not exhaustive) of the invention, the innovator needs a WORK FOR HIRE Agreement that has both Automatic Assignment and Work Made for Hire Clauses, in addition to a Nondisclosure Clause.

An Automatic Assignment Clause provides that if the third party creates an inventive improvement for the innovation, that invention by the third party is automatically assigned to, and title automatically vests in, the innovator. The Work Made for Hire Clause is the same thing for copyright related creations.

Do not be fooled by the grossly inferior Duty to Assign Clauses. A Duty to Assign Clause leaves ownership and title with the third party and only imposes upon them a duty to assign at some future date. If they don't assign, the innovator will

have to file a lawsuit to compel them to assign. This is very expensive and unnecessary when a simple Automatic Assignment Clause takes care of the issue at inception.

Innovators understandably do not wish the expense of an IP attorney at the beginning of a venture. However, it is only at the beginning that considerably more costly problems can be headed off and avoided effectively. Forget pennies and pounds. To avoid being foolish, the innovator should spend thousands now to avoid tens of thousands or hundreds of thousands later. Any other course is simply inconceivable.

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