

Non-Disclosure Agreements at UAH

As the importance and value of intellectual property increases, it is natural for owners of intellectual property to become more diligent in seeking to protect their property rights. Trade secrets are a recognized form of intellectual property. Unlike patents, copyrights, and trademarks, which are protected under federal law, trade secret protection derives primarily from state law. Alabama's Trade Secret Act is found at § 8-27-1 *et seq. Alabama Code* (1975). The Act's definition of a trade secret states that it constitutes information used in a trade or business that, among other things, is "the subject of *efforts* that are reasonable under the circumstances *to maintain its secrecy*" (emphasis added). The duty of a trade secret owner to take reasonable steps to maintain its confidentiality is, in many ways, the essence of what transforms ordinary information into a legally protected trade secret.

A non-disclosure agreement (NDA) is one "reasonable" means that the owner of a trade secret may adopt to maintain its confidentiality. A NDA is simply a contract under which one party typically agrees not to disclose information access to which is being granted by the other party. A UAH faculty or staff employee, who gains access to a trade secret in the course of carrying out research or other duties, may be presented with an NDA by a party seeking to invoke the protections of state law.

Such a situation raises several issues. The first relates to statutory liability for unauthorized disclosure. The Alabama Trade Secrets Act provides that anyone who "discloses or uses" another's trade secret, in the absence of a "privilege" to do so, is liable for misappropriation of a trade secret. § 8-27-3, *Alabama Code* (1975). Remedies for misappropriation include compensatory damages such as lost profits, punitive damages, and, under certain circumstances, payment of the attorney's fees incurred by the trade secret owner. The allowance of attorney's fees is significant, because the availability of an attorney's fee award (imposing the duty to pay on the other party) usually makes it more likely that claims will be filed and litigated. The trade secret law of another state may well be even more stringent than the Alabama statute.

The presentation of a NDA to a faculty or staff member raises an additional issue. The authority to sign legally binding agreements on behalf of the University is strictly limited. Only persons who have been designated *by name* (at UAH, the President, the several Vice Presidents, and one or two other officials) in a resolution of Board of Trustees of The University of Alabama have the authority to bind the University to a contract or agreement. If a faculty or staff member signs a NDA, there are two results: the University is not contractually bound, but the employee becomes personally liable in the event of any violation.

A faculty or staff employee to whom a NDA is submitted by an external party for execution, incident to research being performed by the employee, should send it to the Office of Sponsored Programs (OSP) for review. OSP will further submit it to the Office of Counsel for legal review and preparation of any necessary modifications or amendments. If the NDA does not relate to research, it should be sent directly to the Office of Counsel. Once the NDA is in the proper format, it will be signed by an authorized University official. By following this

procedure, the University becomes a party to the agreement and the employee avoids unintentionally assuming personal liability under the NDA.

Once the University does sign a NDA, individual faculty and staff members who have access to the trade secret information may be required by the University to sign written commitments to comply with the restrictions in the NDA. Failure to do so may create liability for the University and subject the employee to disciplinary action.