Karen A Mullin, J.D., LL.M, Member of Firm, Outside GC, LLC
David D. King, J.D., Sr. Associate University Counsel, University of Louisville
T109 Session Outline
October 22 9-10AM

• What does the Confidential Information include or exclude?
• What can you use it for?/What rights to use it did you get?
• Yes, Virginia, you have the standard exclusions; but what about “required by law”?
• What about enforcing the NDA and injunctive relief?
• Who signed and what are their responsibilities?
• Why does governing law or jurisdiction matter?
What is the Confidential Information?

- Is what is considered confidential information (CI) clearly defined in the NDA?
- Is there a requirement of marking as confidential?
- How do you know it is confidential information when provided orally?
- Should you have “reasonably known” it was confidential?
- And CI provisions show up in all kinds of agreements – not just NDAs
Why It Matters as to the Information Disclosed

- Protected Health Information
  - HIPAA/BAA
  - Common Rule
  - State health privacy laws
- Personally Identifiable Information (PII/PI)
  - State Identity Theft/Privacy statutes
  - GDPR
  - CA Privacy (Jan 1, 2020)
- Student Records (FERPA)
- Student Financial Aid Data (FASFA/HEA)
- Financial Information (GLB, Red Flag, PCI)
- Export Controlled Information
- DOD Technical Data/DFAR 7000 clause/CUI
- Restricted Use Data Licenses (e.g. IES DOE/NACJD/IDARS)
Special Rules/Limitations

• Ask questions about the type of information being disclosed as you may have increased obligations depending upon the type of information
• Different types of information have different rules for protecting the information
  • Encryption at rest
  • Encryption in transit
  • Limitations on who can have access
    • Need to know
    • Citizenship/Immigration status
  • Limitations on connection to the internet
  • Meeting NIST requirements
    • 14 “Families” of Security Requirements
    • Divided into “Basic” and “Derived”
    • 110 Requirements Total (3.12.4 added with 800-171 Rev 1)
Purpose/Your Rights

• NDA should identify the purpose or allowed uses for the CI being disclosed
• NDA should specify what rights you do or do not get
  • Typically no license (implied or express) is granted other than the uses in the manner authorized by the NDA
  • Typically no intellectual property rights conveyed other than the right to use for the stated purpose
Standard Exclusions

- Was already in the receiving party's possession on a non-confidential basis prior to receipt from the disclosing party;
- Is in the public domain by public use, general knowledge or the like, or after disclosure hereunder, becomes general or public knowledge through no fault of the receiving party;
- Is properly obtained by the receiving party from a third party not under a confidentiality obligation to the disclosing party;
- Is explicitly approved for release by written authorization of the disclosing party;
- Is independently developed by employees or agents of the receiving party who had no knowledge of or access to the Confidential Information as evidenced by the receiving party’s business records
Required by Law

- Permission to disclose the Confidential Information to the extent required pursuant to:
  - Applicable law or regulation
  - Court order
  - Subpoena or other discovery
- Typically a duty to notify the disclosing party in advance so the disclosing party can seek a protective order or otherwise limit the disclosure
- Often a requirement that receiving party verify the disclosure is required and only disclosure of the minimum necessary to meet the legal obligation as determined by counsel
But Open Records/FOIA Requests Don’t Follow the Same Rules

- Open Records statutes vary state by state
  - Common themes for public institutions
    - The public’s business is to be conducted in the open
    - The exclusions/exemptions are to be construed narrowly
    - A limited period for which you have to disclose or deny the request
    - Once determined it has to be released, it is open (i.e. anyone can see it – unlike with a protective order in a court case)
  - Exemptions can be broad, focused on proprietary info/research or public interest balancing
    - New Jersey and Delaware are broad with Delaware exempting all activities of University of Delaware and Delaware State University
    - Virginia and several other states like Ohio and Florida provide an exemption for proprietary materials disclosed or university research
    - Colorado, Illinois and Maryland include a public interest balancing
State Examples

• Kentucky (KORA) KRS 61.870-884 exceptions:
  • Records confidentially disclosed and compiled and maintained for scientific research
  • Records confidentially disclosed, generally recognized as confidential or proprietary, which if openly disclosed would permit unfair commercial advantage to competitors of the disclosing entity

• Indiana Ind. Code 5-14-3-4(a)(6) exception:
  • Information concerning research, including actual research documents, conducted under the auspices of a state educational institution unless access is specifically required by state or federal statute or court order
State Examples  (cont.)

• Virginia VA. CODE ANN. §2.2-3705.4 exclusion
  • “Information of a proprietary nature produced or collected by or for faculty or staff of public institutions of higher education, other than the institutions’ financial or administrative records, in the conduct of or as a result of study or research on medical, scientific, technical or scholarly issues, whether sponsored by the institution alone or in conjunction with a governmental body or a private concern, where such information has not been publicly released, published, copyrighted or patented.”
State Examples  (cont.)

- Florida FLA. STAT. ANN. § 1004.22 exclusion
  - “[M]aterials that relate to methods of manufacture or production, potential trade secrets, potentially patentable material, actual trade secrets, business transactions, or proprietary information received, generated, ascertained, or discovered during the course of research conducted within the state universities shall be confidential and exempt from the provisions of § 119.07(1), except that a division of sponsored research shall make available upon request the title and description of a research project, the name of the researcher, and the amount and source of funding provided for such project.”
State Examples (cont.)

- Ohio Ohio Rev. Code Ann. § 149.43(A)(5) exclusion
  - “a record, other than a financial or administrative record, that is produced or collected by or for faculty or staff of a state institution of higher learning in the conduct of or as a result of study or research on an educational, commercial, scientific, artistic, technical, or scholarly issue, regardless of whether the study or research was sponsored by the institution alone or in conjunction with a governmental body or private concern, and that has not been publicly released, published, or patented.”
Circular A110 – required federal agencies to ensure all data produced under a federal award would be made available to the public through the procedures of FOIA as long as a FOIA exemption does not prohibit the disclosure.

These provisions incorporated into 2 CFR 200.315(e):
- May charge a reasonable fee
- Research data do not include:
  - Preliminary analysis, scientific paper drafts, plans for future research, peer reviews, communications with colleagues
  - Trade secrets or similar commercial info
  - Personnel or medical information or similar information which would constitute personal privacy invasion
Example Legal Disclosure Language

- Accelerated Clinical Trial Agreement (ACTA)
- 3.3. Institution may disclose Confidential Information to the extent that it is required to be produced pursuant to a requirement of applicable law, regulation, an order by a government agency, IRB, an order of a court of competent jurisdiction, or a facially valid administrative, Congressional, or other subpoena, provided that Institution, subject to the requirement, order, or subpoena, promptly notifies Sponsor. Sponsor may seek to limit the scope of such disclosure and/or seek to obtain a protective order. Institution will disclose only the minimum amount of Confidential Information necessary to comply with law or court order as advised by Institution’s legal counsel.
Planning for When the NDA Ends

- Were copies made?
  - Electronic and/or hard copy
- If electronic, were backup/archival copies made?
- Was the CI sent as an attachment in email?
- Was the CI kept separate or intertwined with your other records?
- Does the NDA permit you to keep a copy(ies) to enable to you to know what was the CI after the NDA ends?
Example Retention Language

The parties acknowledge that Confidential Information communicated and/or stored in electronic form may be routinely backed up for disaster recovery archival purposes such that return or destruction is not practical and/or feasible until such time that the back-up copy expires or is recycled or destroyed, in which case the receiving party will use reasonable efforts to keep such back-up copies secure in accordance with the provisions of this agreement until the back-up media expires or is recycled or destroyed. The obligation of confidentiality of back-up copies will continue after this agreement ends or is terminated until all such back-up copies have expired or been recycled or destroyed.
Injunctive Relief Issues

• Silent or specified?
• Ex-parte permitted?
• Automatic/agreed what qualifies vs. ability to “seek”
• Need to post bond
The parties agree that disclosure of the confidential information [or breach of the confidentiality provisions] constitutes a material breach of the Agreement for which no adequate remedy exists at law, that monetary damages would be difficult or impossible to calculate and would not make the disclosing party whole, and the disclosing party would suffer irreparable harm/injury. Therefore, the disclosing party shall be entitled to injunctive relief to prevent or restrain any such disclosure [breach.]
Injunctive Relief (IR) (cont.)

• Contract language vs. Court’s prerogative
  • Technically whether to grant IR is in the court’s discretion
  • How can a contract recital predict the future?
    • Need to assess the nature and consequences of the particular breach at the time of its anticipated occurrence
    • Need sufficient evidence to support the IR at the time of the assessment of the potential injury
Injunctive Relief (IR) (cont.)

- Contract clause can provide evidence of the parties’ intent
  - So court will give weight to the contract clause in deciding whether or not to grant the IR
  - Court may not be willing to estop the breaching party from claiming IR is improper or unwarranted
  - IR contract provision may show parties were aware of the consequences and that they expected a breach would likely be enjoined and thus may not be an undue hardship
- Remember FRCP 65(d)(1) – every injunction must state the reasons why it is issued
Injunctive Relief NDA Clauses

- ‘Were we to affirm the district court’s finding on irreparable harm, we would in essence be ruling that whenever a party enters into a contract containing some form of exclusivity provision, injunctive relief is automatic upon breach of the clause even when the breaching party has refuted every assertion of specific irreparable harm put forth by the opposing party. We are not willing to go that far.’
  - *Dominion Video Satellite, Inc v Echostar Satellite Corp, 269 F3d 1149* (10th Cir 2004)

- “The net result: contract language cannot create a right to injunctive relief when an injunction would otherwise be inappropriate.”

- But contra: “… injunctive relief clauses included in employment and non-compete agreements support an inference of irreparable harm. *Ticor Title Ins. Co. v. Cohen*, 173 F.3d 63, 68 (2nd Cir. 1998) (noting that an injunctive relief clause "might arguably be viewed as an admission ... that plaintiff will suffer irreparable harm ...” .”
Injunctive Relief NDA Clauses (cont.)

• Even with an IR clause the court still analyzed whether or not irreparable harm would occur and denied injunctive relief because the threatened harm was both speculative and compensable by monetary damages.
  • First Health Group Corp v Nat’l Prescription Adm’rs, Inc, 155 F Supp2d 194 (MD Pa 2001)
The Bottom Line? IR Clauses

- Despite what business executives may believe when they sign on the dotted line, an injunction clause does not entitle an aggrieved party to a court order. The decision to grant injunctive relief remains in the judge’s discretion. Nevertheless, an injunction clause can provide some evidence of irreparable harm, estop the other party from challenging the application for an injunction, and weigh in favour of relief when the balance of hardships is considered.

The Value of an IR Clause

• According to Brodie and Smith:
  • The [IR] clause should apply only to those provisions that, if breached, could give rise to irreparable harm.
  • an injunction clause could set forth the parties’ understanding and acknowledgement that “a grant of injunctive relief would be appropriate”.
  • Even with an injunction clause, the moving party still must prove its entitlement to injunctive relief with evidence aside from the contract provision.
Who Signed?

• Individual vs authorized signatory
  • Personal liability vs institutional liability

• Due diligence
  • Who reviewed what was signed?
  • Did it cover more than confidentiality?
  • How do recipients know of their obligations?
  • Do you require NDAs or acknowledgements of obligations for each recipient?
  • Was it appropriately marked?
  • Is it appropriate stored and protected from disclosure?
Other Concerns

• Anticipatory breach concerns
• Duty to notify if standard or other exclusions/exceptions apply
• Duties to notify of breaches of confidentiality
  • Time frame
  • Process
Governing Law

- Silent or specified
- Whose law for interpretation of rules of construction of the NDA
- Limitations of public institutions
- Allowance for injunctive relief and enforcement in any court of competent jurisdiction
- United Nations Convention on Contracts for the International Sale of Goods will not apply
Jurisdiction and Forum

• Silent or specified
  • Consenting to specific jurisdiction
  • Waiving claim of inconvenient forum
• Whose law for Long Arm Statute for jurisdiction
• Limitations of public institutions
Thank You

Karen A. Mullin, JD, LLM
Member of Firm
Outside GC, LLC
501 Boylston Street, 10th Floor
Boston, MA 02116
(617) 872-2079
kmullin@outsidegc.com

David D. King, J.D.
Senior Associate University Counsel
University of Louisville
Louisville, KY 40292
(502) 852-6143
dave.king@Louisville.edu