Non-disclosure agreements (NDAs), also known as confidentiality agreements, are part of the diet of many in-house lawyers. They require one party to keep confidential certain information that is disclosed in the course of a transaction, and to use that information only for the particular purpose for which it is disclosed. UK lawyers doing deals in other jurisdictions are expected to turn NDAs round without help from local lawyers.

This article identifies key issues for consideration, and helps spot when a specialist should be called on to help when dealing with Germany, France, Italy, Spain and the US (New York, Delaware and California law only).

It is generally the case, across all of the jurisdictions examined in this article, that an express NDA will take precedence over any implied position under the law. However, this will not always be the case if the law imposes a higher standard, or the NDA conflicts with public policy. Equally, in an international deal, an adviser’s choice of governing law may not always prevail.

It is therefore important to understand the legal context in which information is exchanged and in which any NDA will operate.

Non-disclosure agreements

Key issues in international deals

Peter Watts, Philipp Grzimek, Marco Berlirì, Alex Dolmans, Winston Maxwell, Lorig Kalaydjian and Ellie Pszonka of Hogan Lovells International LLP highlight the main areas to watch out for in some key overseas jurisdictions.
Four key questions to consider are:

• Is the disclosure or use of information subject to constraints beyond the control of the person disclosing the information (the discloser)?

• Absent an express agreement, would the law constrain disclosure or use of the information?

• Does the context or manner in which information is shared create an obligation?

• What is the impact of any express agreement?

**EXTERNAL CONSTRAINTS**
A discloser should consider whether it is already under legal duties when it deals with information.

These duties may result from the operation of statute or regulation, such that the information is inherently protected. A specific UK example of this is information covered by the official secrets legislation (see “Additional protections” below). Similarly, information constituting a trade secret is generally protected under US common law and, in California and Delaware, by the Uniform Trade Secrets Act.

**Personal data**
One area of increasing significance is that of data relating specifically to individuals.

The rules in Germany, France, Italy, and Spain, like those in the UK, derive from the Data Protection Directive (95/46/EC) (the Directive), although the Directive is likely to be replaced by a Regulation (see box “EU data protection rules: a summary”).

The views of national regulatory authorities on what is, and is not, acceptable under the Directive frequently diverge. So, while the underlying principles are similar, it should not be assumed that an approach which is acceptable in the UK will necessarily be acceptable to national regulatory authorities in other EU member states.

The Directive applies wherever information being disclosed contains personal data. Common examples include information on employees or customers made available as part of due diligence or delivered on completion.

One approach that can be relevant to disclosures of personal data is where the processing is both:

• Necessary for the legitimate interests pursued by the discloser or the person receiving the information (the recipient).

• Not unwarranted by reason of prejudice to rights, freedoms or legitimate interests of data subjects.

This can, for example, be used to justify providing information in circumstances where the recipient agrees to use the information only to assess the value of a business and to keep the information strictly confidential.

However, this requires care; for example, this approach was only recognised in Spain recently, and the extent of its application there remains uncertain.

In the US, while federal and state statutes and common law provide some protections for personal information, typically the range of information protected is more limited than in the EU.

The focus of the US rules is on information regarding individuals’ health or fi-
nances, children under 13 and students, and information regarding which promises or representations have been made.

Given this significantly lower general level of protection, it is much less likely to be necessary to make specific provision for personal data in an NDA with respect to the US than the EU. In many cases, a general requirement not to use or disclose information in ways that are inconsistent with applicable law will suffice.

NO AGREEMENT
Obligations may arise due to the nature of the information itself, or the circumstances of disclosure, rather than by virtue of an express agreement between the parties.

For example, in the UK, an equitable duty of confidence may arise independently of contract. If the information has the necessary quality of confidence and has been imparted in confidence, then unauthorised use of that information may be actionable, whether or not there is a contract between the parties.

Furthermore, a “trade secret” may be protectable whether or not there is an agreement between the parties (see box “Trade secrets: key practical considerations”).

As a general rule of thumb, confidential business information that has value and is not readily ascertainable by other persons in the same industry or business is capable of being a trade secret.

Trade secrets can range from customer and supplier lists, to research and development and other technical information, information about methods of doing business, costing and price details, and source code for computer software. However, whether or not a particular piece of information is a “trade secret” would have to be considered on a case-by-case (and country-by-country) basis.

CONTEXT OF DISCLOSURE
The way in which parties deal with one another may give rise to duties which, either directly or indirectly, are relevant to the way confidential information is dealt with.

In the UK, even absent a clear agreement, the manner of dealings can contribute significantly to creating an equitable duty of confidence (see “No agreement” above). This model does not apply in a similar way in the other jurisdictions so, in that regard, the UK is more favourable to a discloser than other jurisdictions.

However, in relation to implied duties to act in good faith, the UK is significantly out of step and disclosers will generally be better off in the other jurisdictions, particularly in continental Europe (see box “Where duties of good faith arise”).

The civil codes in Germany, France, Italy and Spain create a legal duty to negotiate and act towards the other party in good faith (see box “Good faith and confidentiality in European civil law”).

It is not generally possible to contract out of this duty.

Key elements of the duty of good faith in these jurisdictions include responsibilities:

- To apply reasonable diligence in the performance of pre-contractual and contractual obligations.
- To observe moral and ethical standards of behaviour where they are not already implied by local law.
- To inform the other party of relevant important points that the other party could not discover on its own, where it is reasonable to expect to receive such information.
- Not to break off negotiations without reasonable cause in circumstances where the other party may reasonably expect that a binding agreement will be signed.

When dealing with a country in which the duty of good faith applies, it is important to note that the courts may, in line with the Rome I (593/2008/EC) and the Rome II (864/2007/EC) Regulations on the law applicable to non-contractual obligations, apply the duty as a “mandatory rule”.

This means that, even if parties generally contract on the basis of another governing law (for example, English law), the duty may apply.

The remedy for a breach of the duty of good faith is limited to damages that would put the other party in the position it would have been in if the negotiations had not taken place. Injunctive remedies are unlikely.

However, it is possible, in cases where the negotiations are advanced, for damages to extend to loss of profits caused by the breach (that is, loss of opportunity).

In California, Delaware and New York, the differences that a UK lawyer needs to be aware of are less stark than in continental European jurisdictions.
In each of these US states, implied duties of good faith and fair dealing arise only once parties have entered into a contract. In practice, a duty implied at that stage is unlikely in most cases to do more than reinforce express obligations of confidentiality included in the contract.

Equally importantly, there is no general duty in these states to continue negotiations. So, unlike in continental Europe, entering into an NDA will not expose parties to liability if they decide to break off negotiations, even without cause.

The material exception to this general rule is California, where “agreeing to negotiate” (for example, in connection with a letter of intent or NDA) may limit a party from terminating negotiations unilaterally.

**CONTRACTUAL PROVISIONS**

When drafting an NDA, there are some specific issues to bear in mind ([see box “Non-disclosure agreement checklist”]).

**Defining confidential information**

In principle, the approach is similar across all the jurisdictions, although there are some nuances.

A definition will usually identify a category of information (for example, “all information provided by the discloser to the recipient” or “all information in the data room”) and protect those elements of that information which are “confidential”.

If in any doubt, from the perspective of the discloser, it is generally better to draft the basic category relatively widely (for example, “information in the data room” may not catch additional information provided at a management presentation). However, it is important to ensure that the scope is limited to information which is not in the public domain.

Generally, in all the jurisdictions dealt with in this article, information in the public domain cannot be protected (although collections of pieces of publicly available information may be protectable as the law protects the effort involved in producing the collection). It might be argued that the law will do the job for you so the point does not need to be explicitly covered in the NDA.

However, an explicit carve-out for information in the public domain is generally accepted practice across all of our surveyed jurisdictions ([see also box “Information which ceases to be confidential”]).

In many cases, NDAs specify other exceptions to the definition of confidential information, such as information that the recipient has, or knows of, before receiving the confidential information.

In some circumstances, there may be specific benefits for the parties in being clear on where they see the borderline between confidential and public information. Examples of information that an adviser may wish explicitly to include to minimise uncertainty are:

- The existence of negotiations or an agreement.
- A compilation of pieces of public information compiled in an innovative way of which no one is aware; this may represent hundreds of hours of painstaking work, conferring genuine competitive advantage.

Finally, there may be a risk in some cases that a failure to limit a restriction to protectable confidential information may bring into question a party’s basic restrictions.

When dealing with any of these jurisdictions, we would therefore recommend an explicit provision dealing with public domain information. In doing this, it is worth bearing in mind that courts across these jurisdictions will generally interpret definitions of confidential information narrowly.

**Restrictions**

Although the central purpose of an NDA is to limit disclosure of information, it is also important for the discloser to consider restrictions on the recipient’s use of that information.

For example, when disclosing information to someone it is thinking of doing business with, the discloser will want the recipient only to use the information to explore that joint opportunity and not, for example, to develop its own business.

In the jurisdictions covered in this article, it is generally possible to restrict use of confidential information by the recipient as well as disclosure.

However, the importance to both parties of drafting this language carefully has been illustrated by a recent Delaware Chancery Court decision (affirmed by the US Supreme Court). The court found that a recipient’s failure to define clearly how it could use confidential information prevented it from pursuing a hostile takeover bid of the discloser while the NDA was in effect ([Martin Marietta Materials, Inc. v Vulcan Materials Co., No. 254, 2012 (Del. July 10, 2012)])

<table>
<thead>
<tr>
<th>Feature</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Spain</th>
<th>UK</th>
<th>California</th>
<th>Delaware</th>
<th>New York</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where duties of good faith arise</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
<td>✓/x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Pre-contractual duties of good faith</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Good faith implied in contracts</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
By their nature, widely-drafted restrictions on use can quite easily evolve into more general restrictions. Breaches of competition and antitrust laws carry potentially significant penalties across all of the jurisdictions.

It is therefore universally important to avoid allowing a restriction on using confidential information in a competitive activity to be drafted as a blanket restriction on competing with the discloser.

**Additional protections**

Where external constraints apply to the information, an NDA may need to go further than prohibiting disclosure and limiting use (see “External constraints above”).

Three typical examples of this are:

**Data protection.** In the majority of cases where information is being disclosed, it is possible that some element of personal data will be included (see “Personal data” above). For example, even the most basic pack of information regarding a business is likely to include names and some details of senior management.

If it is possible that information being made available under an NDA may include a significant amount of personal data (for example, access to lists of employees or individual customers), personal data issues should be considered at the outset.

One solution is to ensure that only “depersonalised” information is provided (that is, that names and addresses are removed so that the individuals cannot be identified but the employees or customers can be profiled). However, this approach may not work in Spain, as there are questions over whether information is truly depersonalised if the discloser can identify the individuals (even if the recipient cannot).

If information is not depersonalised, the discloser should ensure that personal data issues are addressed in the NDA (see box “Sample personal data provision [short form]”).

**Good faith and confidentiality in European civil law**

Even without a non-disclosure agreement (NDA), if a party receiving information fails to maintain the confidentiality of information it might expect to be confidential, this may breach the duty of good faith.

Where an NDA has been signed, the duty of good faith may provide an additional remedy if the recipient misuses confidential information.

The implied obligation to disclose relevant information makes it particularly important to be clear what information is to be disclosed and to protect it in an NDA.

Signing an NDA, of itself, is unlikely to trigger a duty not to break off negotiations without reason but may contribute to such a conclusion.

It is particularly important to limit very clearly the use which a recipient can make of personal data and those with whom it can share that data. In addition, the NDA should require the recipient to recognise explicitly that personal data should be treated with appropriate security.

Given the sensitivity regarding the transfer of personal data from members of the EEA to the US, the risk that this may occur should be explicitly addressed.

One solution is to prohibit transfer outside the EEA without the approval of the discloser. However, when processing in the US is likely, whether because the recipient’s principal operations are in the US or it uses data centres in the US to store its data, more extensive provisions are likely to be required.

**Third party data.** Information being disclosed is also likely to contain material in respect of which the discloser owes duties to a third party. For example, a pack of information on the prospects of a business is likely to refer to the status of its relationships with potential suppliers or customers.

By disclosing this information, the discloser may risk breaching its own confidentiality obligations to the third party.

There are three main ways of addressing this:

- Withhold the information in question to avoid the discloser breaching its obligations.
- Obtain the consent of the third party. This may be granted on the basis that the third party requires direct rights to enforce the NDA itself.
- Require the recipient specifically to indemnify the discloser or the third party (see “Remedies” below).

If the discloser wishes to secure direct rights for a third party to enforce the NDA (or benefit from an indemnity in it), it is generally not necessary to state in the NDA itself that the benefit under the NDA can be freely assigned to a third party.

The benefit of a contractual obligation to keep information confidential can usually be assigned unless expressly prohibited in the agreement. Generally, assignment is expressly prohibited without consent.

In Italy, NDAs do not usually include the right to assign the benefit of the agreement, but the benefit can be assigned with the consent of the counterparty. In Germany, assignment of rights is permitted as long as such assignment does not constitute a breach of confidentiality itself. In France, any assignment must be notified by a bailiff to the non-assigning party.

In the UK, the Contracts (Rights of Third Parties) Act 1999 (1999 Act) gives a third...
party the right to enforce a term of an NDA if such enforcement is consistent with the intention of the parties. Parties can choose whether to rely on the 1999 Act or make an express assignment provision.

**Statutory and regulatory constraints.** There may also be further constraints applied to the information by statutory or regulatory authorities in the relevant jurisdiction. These can arise because of the nature of the information itself, or because of the manner in which the information was obtained. Such constraints may need to be specifically addressed in the NDA itself.

An example in the UK is the official secrets legislation which will impose restrictions on the disclosure and use of official information above the provisions of an NDA.

In France, information classified as a military secret, information relating to a criminal investigation or information disclosed to a professional in their professional capacity (such as a doctor or lawyer) cannot be disclosed, regardless of the existence of an NDA. Similar laws apply in Italy to protect state and official secrets and such duties of secrecy are not usually addressed in NDAs and agreements in general.

**Exceptions**

There are circumstances where a recipient will feel it needs to have the right to disclose the confidential information notwithstanding the NDA. Typical examples are where the recipient is required by legislation, regulation or a court order to disclose the information.

In some of the jurisdictions, it is not essential expressly to provide for all of these circumstances as the general law will permit disclosure. For example, in Italy, a prohibition on disclosure will be ineffective in the face of a court order requiring disclosure, even if there is no provision to that effect in the NDA.

As a result, documents generated in some jurisdictions may not cover all the points that parties might expect.

It is therefore sensible to make explicit provision for all permitted disclosures in every NDA even if covered by a legal system where this may be implied. This ensures clarity and minimises unforeseen risks when, for example, the document is used in a different context.

**Related agreements**

It is common for an NDA to form part of a broader pre-contractual agreement. Much of this is likely to be expressed as non-binding heads of terms.

However, alongside the non-disclosure obligations, the two most common elements of such agreements which the parties are likely to wish to be able to rely on are commitments to negotiate exclusively and to allocate the costs of pre-contractual tasks.

In Italy, France and the UK, a commitment to negotiate will not generally be enforceable, whereas an undertaking not to negotiate with anyone else (that is, effectively granting exclusivity) will normally be binding. A commitment as to costs should be enforceable provided that it is sufficiently clear so that the costs involved and the trigger for any payment can be objectively identified.

Similarly, in the US, parties may enter into exclusivity agreements preventing the parties from negotiating with other parties for a specified period of time.

**Duration**

From a discloser’s perspective, there is little justification for placing a time limit on an NDA. After all, if something remains confidential, there is no reason why the simple passage of time should allow it to be disclosed.

However, a recipient will be nervous about an open-ended confidentiality undertaking. This is particularly the case where:

- The undertaking restricts use of the information. The concern here is that an open-ended provision exposes the recipient to the risk that it is permanently responsible for any allegation that a member of its deal team has used something it learnt from the information in the course of another context.

- The information will be stored on the recipient’s IT systems, as will inevitably be the case. Particularly given the extent and complexity of back-up systems, the recipient will

---

### Non-disclosure agreement checklist

These are the key points to include in a non-disclosure agreement (NDA):

- ✓ Definition of confidential information.
- ✓ Core restrictions on disclosure and/or use.
- ✓ Additional protections for particular information.
- ✓ Exceptions when the restrictions will be disapplied.
- ✓ Related agreements (for example, heads of terms).
- ✓ Duration of the restrictions.
- ✓ Remedies, such as injunctive relief or financial compensation.
- ✓ Formalities to ensure that the NDA is effective.
- ✓ Governing law and jurisdiction.

---

© Practical Law Publishing Limited 2013. Subscriptions +44 (0)20 7202 1200
be exposed to the risk of maintaining security and integrity of data on those systems indefinitely.

In the UK and Germany, generally there are no overriding legal limitations on the duration which can be agreed for confidentiality undertakings.

Similarly, the California and Delaware courts generally uphold NDAs that last indefinitely. This is also broadly the case in New York, although the New York courts may apply an assessment of reasonableness to such an issue.

In France, Italy and Spain, unless the duration of an NDA is specified, there is a risk that either party will be able to terminate it at any time. A provision that the obligations will only endure until the discloser no longer has an interest in keeping the information confidential may obviate this risk, but equally it may create additional uncertainty.

Overall, therefore, a sensible approach which is likely to work across these jurisdictions is to:

- Provide for a fixed duration for an NDA.
- Set that period to provide reasonable and sensible protection for the discloser while not overburdening the recipient. In many cases, this will be between two and five years, but will depend on the nature of the information, the industry sector, and how long the information covered by the NDA will be considered relevant.
- Provide protections for the discloser to ensure that the information will be returned or destroyed before the end of the NDA.

**Remedies**

A discloser’s preferred remedy will generally be injunctive relief: a court order requiring the recipient to honour the terms of an NDA.

Financial redress, such as damages, indemnities, or possibly “penalties”, are often second best when compared with invoking the assistance of the courts to ensure that confidentiality is maintained.

**Injunctive relief.** In all the jurisdictions, injunctive relief is potentially available as a remedy for breach of contract. The contract does not need to provide expressly for an injunction. While the details vary, the courts across the jurisdictions look at similar factors in deciding whether to grant an interim injunction:

- Whether there is a real risk of imminent harm which cannot be adequately compensated financially.
- The likelihood that the discloser will suffer substantial damage if no court restraint is placed on the recipient pending a full trial.
- The potential impact on the recipient of granting an injunction before a full court trial, and whether there should be some form of security from the discloser should the discloser eventually fail to prove its case.

Within these general principles, there are some important differences in emphasis.

In France, courts may issue an injunction preserving (or requiring a return to) the status quo to stop any “manifestly unlawful act” or to stop imminent harm. Such proceedings can be initiated quickly and are extremely effective where the breach of confidentiality is manifest.

The practical barriers to obtaining effective injunctive relief in Spain are difficult. A common requirement is for the party requesting an injunction to post a bond or other financial guarantee. Even when that is done, there is no guarantee of the court granting an injunction.

Spanish court proceedings often take longer than is desirable (and it is necessary to prove the “urgency of the matter” in order to be granted an injunction before proceedings begin), given the practical urgency of cases where a breach rapidly erodes any sense of confidentiality in the information.

In the US and the UK, the courts will consider the “balance of hardships” (“balance of convenience” in the UK) by analysing the merits of the claim and comparing the hardship suffered by the breaching party if an injunction is granted, to the hardship to the party seeking the injunction if it is not granted. (See also box “Reversing the burden of proof”.)

**Financial compensation.** In all the jurisdictions, damages are, in principle, available for loss suffered as a result of the breach of an NDA.
An indemnity; that is, an explicit covenant by the recipient to pay compensation for loss suffered as a result of a breach of the NDA.

- A fixed compensation clause; that is, an undertaking by the recipient to pay a pre-determined amount by way of compensation for a breach of the NDA.

From the discloser’s perspective, by explicitly giving it a right to be paid, an indemnity can potentially simplify the job of recovering loss and enhance the loss which is practically recoverable.

Given the difficulties outlined above of recovering damages for breach of an NDA, this does have the potential to make a material difference in at least some cases (principally those where there are particular heads of potential loss which can be identified in an indemnity).

A recipient will question why it would not be appropriate for the discloser simply to rely on normal rights to recover loss.

In the UK, an indemnity is frequently sought by the discloser, although recipients will often resist them. As mentioned above, an indemnity can be particularly appropriate where it can cover specific items of loss. For example, a discloser may be especially concerned about a specific piece of information falling into particular hands. It is therefore most often, although not exclusively, in this type of situation that an indemnity is agreed.

There is no accepted market practice outcome to this point of negotiation and while many NDAs do eventually include indemnities, many others do not.

In France, Italy and Germany, indemnities are not commonly included in NDAs. Fixed compensation clauses will provide for the discloser to be paid a pre-determined amount (rather than an amount calculated by the actual loss suffered if the recipient breaches the NDA). They are often referred to as a “penalty” or “liquidated damages” clause.

Again, while there are differences in the details, there is a common principle across most of the jurisdictions. In essence, a fixed compensation clause risks being unenforceable if the level of compensation is excessive.

In the UK, this is expressed as a principle that, to be enforceable as a statement of “liquidated damages”, the clause must be a genuine pre-estimate of likely damages. If it cannot be justified on this basis, it will be unenforceable as a “penalty”.

Similarly, in the US, a clause representing an effort by the parties to agree on a reasonable amount of estimated damages will be treated as an enforceable “liquidated damages” clause, whereas a clause providing for an unreasonably high amount or which is viewed as a “penalty” is likely to prove difficult to enforce.

For this reason, and because of the difficulties of estimating damages flowing from a breach of confidentiality, fixed compensation clauses are unusual in these jurisdictions (see box “Prevalence of indemnities or fixed compensation clauses”).
Reversing the burden of proof

It has become increasingly common in recent years for non-disclosure agreements (NDAs) to require the recipient to prove that it has not breached the restrictions (for example, that it has not used the confidential information in deciding to take a particular action or that it independently devised the information).

From the discloser’s perspective, the thinking is that this avoids the considerable practical difficulties in proving a breach (for example, proving the source of a leak).

This approach is far from accepted practice across all our jurisdictions and a discloser putting it forward should expect some resistance.

As a matter of law, in Spain, Germany and the UK, it should generally be possible expressly to reverse the burden of proof (subject to limited exceptions). The position is less clear cut in France.

In France, if the discloser can prove that the information was disclosed to the recipient pursuant to an NDA, the burden will then shift to the recipient to prove that the information was, in fact, not protected by confidentiality obligations.

In Italy, it will be up to the discloser to prove any alleged breach of the pre-contractual “good faith” duty (as such, a claim should follow the same rules provided for claims for tort). By contrast, in the case of a claim for contractual liability, the burden of proof lies on the defendant (that is, the recipient) who will be required to prove any alleged breach of the contract was for reasons beyond his contract.

In California, Delaware and New York, although familiar in practice, the approach has been little tested in the courts. However, there appears no reason to doubt its legal efficacy.

In France, Italy and Germany, fixed compensation clauses are more common and may be referred to as a penalty. However, to be enforceable, the required compensation amount must be reasonable. If it is not, it may be reduced or increased by the court if manifestly excessive or insufficient or, under German law, held to be void for violation of public policy. If the discloser can prove loss in excess of the stated amount, the excess may be recoverable.

In Spain, parties usually provide for a penalty which serves as punitive damages (either in lieu of, or in addition to, the actual loss suffered) to avoid the burden of proving actual loss. In some cases, this may be expressed as indemnification in lieu of damages. However, even here, the courts may reduce punitive damages if they consider them to be disproportionate.

Overall, therefore, the use of fixed compensation clauses is not unknown, particularly in the continental European jurisdictions considered in this article. However, like indemnities, they are far from accepted practice. While they can be used to avoid the need to prove loss, care needs to be taken to avoid seeking disproportionately to “punish” the recipient.

Formalities

There are no particular formalities for NDAs of themselves. Of course, if the confidentiality undertakings are included in, or form part of, another agreement which itself requires special formalities, those formalities will apply.

Generally, even in the UK, there is no requirement to have any monetary consideration for an NDA. The disclosure of information (by the discloser) and the undertaking to keep it confidential (by the recipient) constitute sufficient mutual promises to create a binding agreement. Notwithstanding this, it is not unusual for UK NDAs to be executed as deeds.

As a practical matter, in France, Italy, Spain and Germany, it is advisable to have each party initial the bottom right hand corner of each page as well as signing at the end of the agreement. In addition, in France, an original of the agreement should be made for each party and each original must specify the total number of originals.

Governing law and jurisdiction

In the context of international negotiations, a fundamental consideration will be to ensure that the parties understand the law which will apply to enforcement of an NDA and the location in which enforcement action will need to be taken.

In all of the jurisdictions, a governing law or jurisdiction clause will generally be upheld provided that it is not contrary to public policy. As regards governing law, the principal qualification is that, under the Rome Conventions, a choice of law clause may not automatically override “mandatory” local law considerations (see “Context of disclosure” above).

In the context of NDAs, the main area where this may come into play is in relation to duties of good faith. In certain circumstances a recipient may be able to persuade a court in France, Germany, Italy or Spain that these duties apply, even if a contract is expressed to be governed by English law (see “Context of disclosure” above).

### Prevalence of indemnities or fixed compensation clauses

<table>
<thead>
<tr>
<th>Feature</th>
<th>Indemnity</th>
<th>Fixed loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td>Germany</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td>Italy</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td>Spain</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>UK</td>
<td>Moderate</td>
<td>Low</td>
</tr>
<tr>
<td>US</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

---

© Practical Law Publishing Limited 2013. Subscriptions +44 (0)20 7202 1200
As a general principle, it will be important to the discloser to be able to enforce an NDA quickly, particularly where it seeks to do so by way of an interim injunction.

When providing confidential information to a recipient in another jurisdiction, serious consideration should therefore be given to providing an explicit ability to enforce the NDA in the recipient’s local jurisdiction. It is normally possible to do this in all of the jurisdictions which are the subject of this article.

Particular care should be taken, however, where the NDA is incorporated into a broader agreement. In that case, the parties may, for example, wish to give the English courts exclusive jurisdiction over other aspects of the agreement, with a specific exception to enable enforcement of the recipient’s confidentiality undertakings directly in the courts of the recipient’s jurisdiction.

In certain circumstances, in France, Spain and Germany, courts retain the power to grant interim measures even where the court is not competent in the matter itself. However, French courts will only exercise this power in exceptional circumstances and where there is a connection to France.

The practical point with respect to both governing law and jurisdiction is to consider realistically how close a connection the negotiations have with a particular jurisdiction.

The broad principles applying across the countries analysed are similar. Provided, therefore, that the scope of an NDA is limited to protection of confidential information and the NDA is drafted in a reasonable manner, a UK-based discloser should not generally be overly concerned by the prospect of accepting that the NDA be governed by the laws of any of those jurisdictions.

For a UK-based discloser dealing with a recipient in one of the other jurisdictions, it may be easier to enforce the confidentiality obligations that it cares about under the recipient’s own legal system. This benefit may well outweigh any nervousness it might have about allowing that legal system to govern the NDA.

Peter Watts is a partner in the London office, Philipp Grzimek is a partner in the Frankfurt office, Marco Berliri is a partner in the Rome office, Alex Dolmans is a partner in the Madrid office, Winston Maxwell is a partner in the Paris office, Lorig Kalaydjian is an associate in the Los Angeles office, and Ellie Pszonka is a trainee in the London office, of Hogan Lovells International LLP.