

Confidentiality & Non-competition Clauses for Commercial Contracts

Many businesses will find themselves entering into contracts with suppliers or customers who operate in the same business arena as their own. Indeed, there may be overlap between the two businesses. In fact, in some areas the two businesses may be direct competitors of each other.

If you are entering into such an arrangement, you may consider how to protect your business against your suppliers or customers using information learned or products and services acquired from your business to compete with you

Non-competition clauses

A non-competition clause can protect your business. The first step is to ensure that there is a written contract you and the supplier or customer that refers to the trade secrets, confidential information, customer or supplier contracts that may pass between you.

The second step is to make sure that the contract contains legally binding clauses to restrict your potential competitor from competing with your business, soliciting customers or suppliers, dealing with customers or suppliers or enticing away your employees.

Confidential Information

Confidential information may come in the form of trade secrets, a business plan, financial accounts or customer data. One of the biggest threats to keeping this information secret is in making your employees subject to binding clauses in their employment contracts to prevent them from disclosing your confidential information both during their employment and afterwards. But how do you protect yourself when this information is to be passed by you directly to a competitor as part of a negotiation or trading relationship?

Confidentiality Agreement

A confidentiality agreement is also known as a non-disclosure agreement or NDA. It is a legal agreement which is used where the owner of confidential information wishes to disclose information to another party (either an individual or a company) usually in the course of business negotiations, and wishes the information to remain confidential. By signing a confidentiality agreement the recipient undertakes not to disclose the confidential information.