



Hot Legal and Tax Topics for Doing Business in the United States in 2016

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Legal Tips for Successful Contract Negotiations with U.S. Customers in 2016

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Topics

- Confidentiality Agreements and Non-Competition Clauses
 - What They Are, When Are They Valid, and Who Should Sign Them?
- Negotiating Software Contracts with the Giants

NDA's

- Common names for the same thing
 - Confidentiality Agreements
 - Non-Disclosure Agreements (“NDA,” “NDA’s”)
 - Secrecy Agreements
- Can be signed separately or as part of a broader transaction
 - Exhibit to Master Agreement
 - Clause/Section of Software Development Agreement

NDA's

- “Disclosing Party:” The party that discloses the information.
- “Receiving Party:” The party that receives the information.
- Specify information that one (**unilateral**) or both (**mutual**) parties to the agreement consider **confidential**.
- Prohibit the other party from disclosing information.

NDA's

- When are they appropriate? **IP, trade secrets, etc**
 - Employment Context – Prior to commencing employment or soon after
 - Independent Contractors – Before allowing access to the confidential information
 - Vendors
 - Server
 - Customers/Clients
 - Potential Acquisition
 - Others? Analyze the situation and make a determination.

NDA's

- Common Clauses
 - Definition of “Confidential Information”
 - General, Specific, Marking
 - Duration of Obligation
 - Duration of the relationship plus X months or years after termination of relationship.
 - No transfer of IP!!
 - Obligation
 - Take “reasonable measures” to protect
 - Limit persons with access
 - Password-protect
 - Keep locked
 - Others

NDA's

- Non-Solicitation
- Governing Law
- Boilerplate
- Permitted Disclosures
- Return of Documents/Delete Information
- Assignability

NDA's

- When are they valid?
- Must be “**reasonable**” to be enforceable
 - Proper **balance** between:
 - Interests of Disclosing Party;
 - Duration of time of secrecy;
 - Burden on Receiving Party; and
 - Public interests.

Non-Competition Clauses

Non-Competition Clauses

- Also called “covenant not to compete.”
- They are post-employment restrictions and prohibit an employee from working for a competitor.
- They serve to protect a company’s proprietary information (trade secrets, customer lists, etc.)
- They **restrain** a person’s ability to make a living, and for that reason they are **disfavored** in most states, and are scrutinized by the courts.
- They are **ancillary** to another agreement

Non-Competition Clauses Analyze!

- Requirements for validity
 - **Narrowly tailored** in length of time, geographic scope, and the activity that is prohibited.
- Courts look for **balance**
 - The employee's interest v. the employer's legitimate right to protect goodwill, customer relations and confidential information.
- The factual circumstances will dictate whether the non-compete is valid
- Must check **state law** to follow state-specific requirements

NDA's and Non-Competes

- Both require “valuable consideration.”
 - “something of value is given in exchange for the promise that the other party is making.”
 - Run it through legal counsel to ensure validity of consideration.
 - Varies by state
- Always review them very carefully, paying attention to the details and taking the entire transaction into consideration.

NDA's and Non-Competes

- In 2015 a company's confidentiality agreement with its employees came under **scrutiny** of the Securities and Exchange Commission.
- California is one of the strictest states for post-employment non-competition agreements: they **void unless** they fall within an exception.
- Florida and Texas non-competes are governed by statute and case law (jurisprudence).

Negotiating with the Giants



Negotiating with the Giants

- The icky moment: “Let’s formalize.”
- Most U.S. companies will have their lawyer review the contract.
 - Protects your customer’s rights, not yours!
 - Follows your customer’s direction, not yours!
- You should make every attempt to seek your own U.S. legal counsel before signing a U.S. contract.
 - U.S. contract law has its own nuances and is not similar to LATAM contract law.

Negotiating with the Giants

- Expect bureaucracy.
 - Senior lawyer; contracts administrators.
- Expect that the customer will insist on providing its own form contract.
- Expect to see several drafts before signing.
- Expect a requirement of compliance with and adherence to customer's policies.

Negotiating with the Giants

- Understand your place in the negotiation
 - New customer v. returning customer
- Negotiate and read in-between the lines
 - Ask for the edits you want
 - Do not make promises you cannot fulfill

Is Texas the new California?

<http://interactives.dallasnews.com/2015/ca-biz-relocation/index.html>

“In 2014, Active Network moved its headquarters from San Diego to downtown Dallas in one of North Texas’ biggest recent deals. The **cloud-based software company** is expected to generate 1,000 jobs and **\$13 million in investment**. After “an extensive search,” it chose Dallas to centralize its operations and to be able to recruit and retain future employees as the company continues to grow, CEO Darko Dejanovic said in a statement. The average salary of its Dallas employees will be \$60,000, according to documents filed with the city of Dallas. The Texas Enterprise Fund offered \$8.6 million in incentives.”

Thank You.

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