

FACTSHEET

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The first rule of negotiation is 'the first one to talk loses'. When it comes to Intellectual Property Rights' (IPR) negotiation, speaking is inevitable (although silence is the most effective way to protect an idea), but you can avoid losing.

There are legal mechanisms that are very useful in the initial stage of the negotiation, which will protect your Intellectual Property Rights (IPR). These methods can help SMEs to overcome the fear of sharing information, and normally with greater reliability. We refer to **preliminary contracts**.

1. Introduction

Preliminary contracts are agreements generally signed by the parties before concluding definitive agreements. They are an instrument that **helps parties draft, review and finally agree the terms and conditions of a future definitive agreement, such as a license or a partnership agreement**.

They may be of help when an SME needs to share confidential information with a third party in order to carry out trade activities or to verify if a potential partner is seriously interested in entering into an agreement. If conditions are met, the contract could be eventually concluded.

Preliminary contracts help SMEs make sure that definitive agreements, which will eventually be concluded, meet the conditions previously stipulated therein

Needless to say that most of the institutions and enterprises of the Latin America region and Chile operate under this kind of contract. However, as each country has its own peculiarities, national regulations must be cautiously observed.

In the light of the above, it is always important to be properly advised by professionals with expertise in local laws, especially in the field of Intellectual Property (IP), technology transfer agreements and IP exploitation.

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2. Types of preliminary contracts

As indicated above, no common or specific national regulations could be found in this area in Latin America and Chile.

Therefore, the general commercial and civil provisions of each country shall be used as guidelines for SMEs in this venture. The most usual 'preliminary contracts' in the aforesaid countries are the following:

A. Confidentiality agreements

Through these agreements -also called secrecy or non-disclosure agreements (NDA)-, parties commit not to disclose certain information, except under the conditions of the agreement.

WHAT DOES A NON DISCLOSURE AGREEMENT?

- It protects sensitive technical or commercial information from disclosure to others.
- It prevents the forfeiture of valuable patent rights.
- It defines exactly what information can and cannot be disclosed.

Confidentiality agreements are very important as they are normally used to protect Trade Secrets, which include any commercial or industrial information identified as confidential that confers a competitive advantage.

Nonetheless, enterprises may also decide to protect any other sensitive information that they do not wish to be disclosed by means of these contracts, as a business strategy or for any other reasons.

E.g.: An SME which is looking for investors in Brazil may disclose some sensitive information that could jeopardise the patent application.

An NDA is the perfect tool to avoid unexpected surprises.

Confidentiality agreements can be used by SMEs to protect confidential information that may constitute a Trade Secret for the company

Drafting an NDA could be expensive and hard, but it could be even worse if it is not conducted properly. Expert advice is always recommended. In any case, there are some provisions that need to be included in order to ensure an effective protection.



TIPS and WATCH-OUTS

Many **NDA models** could be found with a simple search on the Internet. They may be used as a reference, but do not submit it without **previous legal review**.

IMPORTANT CLAUSES

- **Identification of each party in the agreement.**

For legal persons, it is mandatory to identify a representative.

It may be detailed which people may have access to the information.

- **Definition of 'confidential information'**

(that is, information, data, registrations or opinions). To this extent, it is necessary to include a general and clear summary of the information to be protected, identifying the relevant knowledge. An explanation of the reasons why the confidential information is being shared with the other party is also to be provided (recommended). It is to be noted that this information is crucial as it determines the scope of use of said information and must be correctly indicated.

Accordingly, a list of terms will help to avoid misunderstandings in the interpretation of the contract.

- **Identification of the use of the information that shall be permitted.**

Indication of the obligations of the receiving party and time limits.

- **Establishing exceptions**

If the information is in the public domain, or the other party could prove that he/she had access to it by other means or that he/she knew it before signing the NDA, no penalty should be paid by him/her.

- **Documents**

All the files that may be shared should be destroyed or returned to the owner.

- **Liability**

Establishment of penalties in case a party fails to comply with the obligations.

Penalties are significant for the enforcement of secrecy and non-disclosure obligations, but since regulation and case law may vary significantly from country to country, local legal advice is recommended.



TIPS and WATCH-OUTS

Obviously, a lot of **information** arises during the meeting in an **oral way**. Some clauses should establish what to do in this respect.

A good alternative is to **record it in writing and to attach the resulting document as an annex of the NDA**. Should not be possible to do it immediately, it could be agreed by the parties to do so in the following 15-30 days.



- **Term**

Secrets can be kept forever. However, some national regulations limit the scope and/or the duration of the confidentiality duty once the contract has expired. (i.e in Brazil, Tribunals understand that the duty of confidentiality expires within a reasonable term of time after the NDA termination). If you are interested in knowing if some time limit is applicable to your case please do not hesitate to contact our helpline.

LATIN AMERICA IPR SME HELPDESK OFFERS FREE OF CHARGE, CONFIDENTIAL, FIRST-LINE SUPPORT.

Our experts will be pleased to answer your questions related to Intellectual Property, regardless you are taking the first steps into the Latin American market or you already have years of experience.

For further information visit our website
www.latinamerica-ipr-helpdesk.eu

If parties are from different countries, establishing the applicable law and jurisdiction in case of disputes is highly important.

As to the applicable law, it is recommended that the legislation of your own country or a 'neutral' country is applied. Concerning jurisdiction, Alternative Dispute Resolution System could be introduced. Arbitration and mediation are good (and cheaper) ways to resolve the conflict. On the other hand, parties may bring the case to the Courts of the country of their preference.

B.Memorandum of Understanding

Also known as Letter of Intent (LoI), a MoU is a preliminary contract in which the parties declare their intention to sign a definitive contract in the future regarding, for example, an IPR transfer or a license.

A good MoU will offer you a pre-contractual framework to develop the NDA negotiations and will allow you to set how will the negotiations end, regardless the NDA is finally signed or the parties decide no to sign it, as well as to obtain more information about the other party.

Moreover, a MoU is usually perceived as less aggressive than a NDA itself, therefore the signing of such document is understood as a good faith effort between the parties.

They do not grant substantial rights and after the term established a real agreement (detailed license) should be prepared and signed.

As in the NDA, there are some aspects that should be detailed:

- **Parties**
- **Purpose**
- **Scope**
- **Conditions and arrangement**

Regarding sensitive information that could be exchanged, a confidentiality clause should be included.

MoUs may be used by SMEs, for instance, to evaluate the possibility to grant a license on their IP rights.

By this way, SMEs only agree to evaluate the possibilities and conditions to sign a license agreement.



TIPS and WATCH-OUTS

MEMORANDUM OF UNDERSTANDING

'(...) The parties have agreed to hereafter negotiate expeditiously and in good faith and enter into one or more formal agreements (collectively, the "Long Form Agreement") containing the terms and conditions set forth herein and other terms as would be set forth in customary agreements covering transactions of this type. However, until such time as the parties enter into the Long Form Agreement (or this MOU is terminated in accordance with its terms), this MOU on its execution and delivery by each party shall be a binding agreement among the parties and may not be amended or supplemented except in a writing executed by each of the parties.'

Source: [U.S. Security and Exchange Commission](#)

C. Consultancy agreements

They generally relate to the professional services of support and advice provided by a consultant (an individual or an enterprise) in several fields of interest. For example, when planning to acquire technology, designing a new factory plant, launching tenders for the construction of a new building, factory plant or equipment; trying to improve an already existing technology or undertaking other activities that may require some advice by an expert with technical expertise.

*Consultancy Agreements are strategic tools
for SMEs to develop their business plans in
Latin America and Chile*

Consequently, these agreements allow SMEs to obtain appropriate advice for all the operations that they wish to perform, either in the IP sector or in any other area of interest that may require expert consultant's advice, with the security and confidentiality guaranteed.



3. Related links & additional information

Find out more about licensing or Trade Secrets in Chile, Brazil and the rest of the countries of the Mercosur region. Visit the Latin America IPR SME Helpdesk website:
www.latinamerica-ipr-helpdesk.eu

Relevant links and documents related to this matter

WIPO's technology licensing guide.
 Available here: <http://goo.gl/c8CxL2>

INAPI's guidelines to identify, protect, value and commercialize Chilean Intellectual Property Rights.
 Available here: <https://goo.gl/TtIXKR>

WIPO's Non Disclosure Agreement model.
 Available here: <http://goo.gl/FEFX3N>

4. Glossary

These are just some of the terms you can find in our Glossary section. Visit <http://www.latinamerica-ipr-helpdesk.eu> to know more.

Trade Secrets: Any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. Trade secrets encompass manufacturing or industrial secrets and commercial secrets. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret. Depending on

the legal system, the protection of trade secrets forms part of the general concept of protection against unfair competition or is based on specific provisions or case law on the protection of confidential information.

Source: [WIPO](#)

Mediation: It is a procedure, in which a neutral intermediary, the mediator, helps the parties to reach a mutually satisfactory settlement of their dispute. Any settlement is recorded in an enforceable contract. Experience shows that intellectual property litigation often ends in settlement. Mediation is an efficient and cost-effective way of achieving that result while preserving, and at times even enhancing, the relationship of the parties.

It is non-binding, controlled by the parties, confidential and interests-based procedure.

Source: [WIPO](#)

Arbitration: Arbitration is a procedure in which a dispute is submitted, by agreement of the parties, to one or more arbitrators who make a binding decision on the dispute. In choosing arbitration, the parties opt for a private dispute resolution procedure instead of going to court. It is consensual, neutral and confidential. Parties choose the arbitrator and its decision is final and easy to enforce.

Source: [WIPO](#)

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Have you find this Factsheet interesting? please, do not hesitate to ask us for more about this or other IP-related matters or visit our web page www.latinamerica-ipr-helpdesk.eu where you will find more Factsheets on this topic and other IP-related matters in Latin America and Chile.

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www.latinamerica-ipr-helpdesk.eu

MANAGE YOUR INTELLECTUAL PROPERTY IN LATIN AMERICA

ABOUT LATIN AMERICA IPR SME HELPDESK:

The Latin America IPR SME Helpdesk offers free of charge, first-line support on IP and IP rights matters to facilitate the expansion of European SMEs (EU SMEs and SMEs from the Associated countries) already established at, or working with entities in Latin America as well as those potentially interested in establishing commercial and R&D activities and ventures in these countries.

SERVICES

Helpline: Ask our experts any IP related questions in Latin America! We provide professional IP advice – customized, straightforward, and free of charge. Our Experts will answer your question within three working days.

Newsletter: Keep track of the latest news on IP in Latin America relevant to your business.

Multi-lingual Webportal: Browse our multilingual web portal for a broad range of information and training materials on IPR in Latin America in English, Spanish, Portuguese, French and German.

Training: Attend our trainings (online and on-site) and learn more about the key aspects of IPR protection and enforcement issues for doing business in Latin America.

For more information please contact the Helpdesk:
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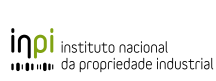
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