

# The Risks of Sharing Your Idea

It's every entrepreneur's worst nightmare: Someone has stolen your idea. How can you really protect yourself?

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I am often asked by clients how to protect their ideas. The best way, of course, is to keep them secret. Any facetiousness aside, it is a sincere recommendation. Often people talk about their ideas to brag, brainstorm and make themselves feel as if they're adding to discussions. But these aren't good enough reasons for disclosing information you need to protect. The next time you feel the desire to talk about your great idea, consider the following guidelines:

- **When to disclose information:** You should disclose information in increasing amounts only as the deal or negotiation progresses. Make sure that the balance of power in the deal remains relatively even in terms of oral commitments or commitments through information disclosure, money or contracts. Be sure to keep careful notes on what, when and where information was disclosed and who else was present at the meetings. These records can be extremely helpful if you ever end up in court.
- **How much to disclose:** Always disclose the minimum necessary to close the deal or gain the investment without being fraudulent or misleading. This allows you to maintain the most control over your product or idea, as well as protect your options in case you need to change the timeline or details later.
- **To whom to disclose:** Consider who you're talking to about your product or information. Is the party a competitor who would greatly benefit from the stealing the idea or product, a customer who will be helped by the idea or product, a partner whose own business would be complemented by your success, or an employee who can gain a promotion by taking the idea as his or her own?

A surprising fact is that the party receiving the information is often taking a greater risk than the party disclosing information. A good example of this risk is a venture capital group. Those seeking an investment are often dismayed to discover that VCs routinely refuse to sign confidentiality agreements and sometimes make the submitter sign an agreement stating that if a VC client later develops something that looks like his or her idea, the submitter agrees not to challenge it.

Consider the VC's perspective. VCs are in the business of hearing ideas and backing the ones they think are winning. If a venture capital firm were to agree to keep a submitter's information confidential, it would be agreeing that if any of its other investments were to come up with a similar product or service, the submitter might be able to claim ownership of it—even if that product or service was developed by people who had never even heard of or seen the submitter's information, or even if that product or service was in development prior to the submitter's disclosure to the VC. As the risk is high for both sides in this

situation, if you're seeking funding, you're usually the less-powerful party and you'll often be forced to assume more risk.

For the disclosing party, the risks can also be great. The disclosing party risks disclosure of such information to its competitors, disclosure of the information to the public and/or use of such information to compete or gain market advantage against the disclosing party.

Deciding how and when to disclose information is your first step in risk assessment for your business. With some thought, care and record-keeping, it can be managed effectively.

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*Judith A. Silver, Esq., is the CEO and founder of Silver Law Inc., a technology and business law practice, and [Coollawyer Inc.](#), a legal publishing company on the Web. Prior to starting her companies, she served as in-house counsel at Adobe Systems and Sabre/Travelocity.com. She holds a bachelor's degree cum laude from Cornell University and her juris doctorate from the University of California, Hastings College of the Law, in San Francisco.*

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