NDA Snapshot: Where Founders Get Hurt Without Realising It

Johnathan Aloni, Adv. | J.A. Consulting

What the NDA Actually Controls

> • Most NDAs don't fail because they're missing. They fail because they only protect the document, not how the information is actually used.
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> • "Internal business purposes" often means your ideas can be circulated and used inside the other company even if no deal happens.
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> • If exclusions are missing, the NDA can be used to argue that even independently developed work is restricted.
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> • Many NDAs include non-solicitation or business restrictions that have nothing to do with confidentiality.
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> • The real risk is not disclosure. It's what the other side is still allowed to do after you've shared.

What Founders Think vs What Actually Happens

What founders think	What actually happens
"If they misuse my information, I'm protected."	The clause is drafted so that most real-world use falls outside the protection, or inside an exception.

The 3 Places NDAs Actually Break

1. Use Is Not Properly Restricted

If the NDA allows use for vague purposes, the other side may be able to circulate internally, test your ideas, and continue benefiting without a deal.

The risk is not disclosure. It's internal use.

2. Exclusions Are Missing or Weak

Without standard exclusions, the NDA can be stretched to cover things already known, things developed independently, and things that become public.

That turns a protection clause into a future argument.

3. Restrictions Are Hidden Inside the NDA

Watch for clauses that limit hiring, restrict contact with partners, or constrain activity in a space.

At that point, you are not signing an NDA. You are signing a business restriction.

Quick Test Before Signing

1. If the deal dies tomorrow, what are they still allowed to do with what I shared?

2. Does anything in the NDA restrict how I operate, not just what they disclose?

3. Are standard exclusions clearly included?

4. Would this clause create clarity or an argument later?

If any answer is unclear, the document is not as safe as it looks.

Mutual vs One-Way: A Quick Reference

Situation	NDA Type	Why
Partnership or JV discussion	Mutual	Both sides are disclosing material information.
Product demo with operational data shared	Mutual	You are disclosing customer and business data.
Early-stage investor pitch	One-way acceptable	You are typically the only disclosing party.
Vendor onboarding — receiving only	One-way acceptable	You are not disclosing sensitive material.

When This Is Not Enough

Most NDAs look standard. The few that are not will only show it when something goes wrong.

If you're unsure which one you're holding, that's usually the moment to stop and check.

Johnathan Aloni, Adv. | J.A. Consulting | john@jaconsulting.pro | jaconsulting.pro