**The Plain and Simple Legal Dictionary**

We get questions all the time about what specific provisions mean in contracts or other legal language a person is hearing that they just don’t understand. All those weird words in contracts and business law do not have to be so complicated. Plain and simple is our little legalese dictionary where we break down complex legal terms into an understandable, digestible way.

Unlike other resources, this is a living document so come back often and see new terms added.

**EIN**

Your Employer Identification Number, or EIN, is basically like your business’s social security number. It's a tax I.D. number that will be associated with your business separate from you. If you are the business’s tax responsible party, this makes it nice so you don’t have to put your own personal social security number all over the place. The IRS uses this number regardless of whether you’re taxed as a sole proprietorship, corporation, partnership, non- profit, or another and no matter how many employees you have. You'll use this to put on W-9's and other important tax documents. We recommend getting your EIN after you file for your business with the state so that when you request the EIN number from the IRS you can include the date of business formation and the business’s full legal name.

**INDEMNIFICATION**

Indemnification is a way in which companies or people might agree to take on financial responsibility for a harm or loss. If you agree to indemnify someone you contract with, you’re agreeing to take on their potential damages or legal fees in the event they get sued or suffer other legal consequences related to their work with you. Examples of this are everywhere. A store that sells your product might ask you to cover legal fees associated with the sale of your product if a customer who bought that product takes a legal action against the store. A general home improvement contractor might hire a subcontractor when working on a house, and both could agree to contribute to the other’s legal costs in the event that one party is sued for an injury caused by the work. What is important to understand is that even if parties aren’t the ones who caused the harm – even if a party is completely innocent and did nothing wrong – sometimes an indemnification provision they have to show up to court or respond to a demand letter to make that defense. Unfortunately, even showing up to defend yourself can cost money. Indemnification means that you agree to reimburse the other for doing so.

**JURISDICTION AND VENUE**

Courts can’t just hear cases from anybody that walks into them. There are particular rules about what courts can hear which cases and who can be heard in that kind of court. That’s what jurisdiction and venue are. Venue refers to the actual court where a matter is being heard, and jurisdiction refers to a court’s *ability* to hear certain matters. To have proper jurisdiction, a court has to have the power to 1, hear a case on the particular subject area in question and 2, the parties involved have to have specific connections to that area. However, you can consent to jurisdiction in your contracts. These jurisdiction and venue clauses often show up at the bottom of contracts, as do choice of law sections, where parties might agree to take claims related to the contract to a specific court and agree to use the laws of that court. It’s important when entering into contracts to pay attention to what jurisdiction and venues you’re agreeing to because you don’t want to end up in a court that might either apply the law unfavorably to you or might just be a pain to get to.

**NDAs**

**Non-Disclosure Agreements (or NDAs)** are contracts where parties agree not to tell anyone information covered by the contract. NDAs often show up in the [realm of employment](https://www.trellispgh.com/post/taking-the-nerves-out-of-ndas-and-non-competes-for-employees), where an employee signs an NDA alongside a non-compete agreement because that employee might have learned various trade secrets on the job that a company doesn’t want them to divulge or go use at a direct competitor. NDAs are generally enforceable as long as they are reasonable. NDAs also require consideration, which is anything that is promised by one party in exchange for the promise of another. For example, if an NDA is executed at the time of an employee’s hire, the offer of employment itself can serve as consideration. Another example might be within a confidential financial settlement between an injured party and a company, where a person agrees not to disclose the terms of the settlement – or even the existence of the settlement -- in exchange for payment to compensate them for whatever their injury was.

**Operating Agreement**

Operating agreements are the main governing documents that LLCs use to address how major internal business decisions are made. These can include financial decisions, defining the business purpose, how voting is conducted between members (which is LLC language for owner), and more. The operating agreement helps show that you are truly operating your business separate from yourself by showing there is a protocol for making big decisions separate from the day-to-day operations of individuals. Once the document is signed by the members, it acts a binding contract. Even if you are the only member of your LLC, you should have one to show you operate separately from yourself. If you have an LLC, but don’t have an operating agreement, we definitely recommend getting one – and signing it to make it effective – as soon as you can.

Our template library has downloadable operating agreements for: [single-member LLCs](https://www.trellispgh.com/product-page/single-owner-limited-liability-company-llc); multi-member, [member-managed LLCs](https://www.trellispgh.com/product-page/llc-member-managed-operating-agreement) (when the owners are involved in the management and oversight of the business); and even multi-member, [manager-managed](https://www.trellispgh.com/product-page/llc-manager-managed-operating-agreement) ones (when businesses with more than one owner are overseen by a manager (or team of) that the owners appoint). Each comes with customizations and detailed comment boxes to help you understand the differences between specific options. To learn more, check out our blog post on [Operating Agreements](http://www.trellispgh.com/blog/2019/1/10/new-year-new-operating-agreement) and feel free to reach out if you aren’t sure if you have one.

**“WORK MADE FOR HIRE”**

The art you make and the ideas you have carry specific ownership rights with them called [intellectual property](https://www.trellispgh.com/post/you-down-with-ip-p-yeah-you-know-me) (or, IP). Typically, if you’re just making something as the sole author or artist, then that IP belongs to you. However, if you’re making that art for another – whether it’s a company, an organization, or an individual – it may be considered Work Made for Hire under [US Copyright Law](https://www.copyright.gov/circs/circ09.pdf), and if it is, that means the employer or company you did the work for has the ownership of that IP. If you’re an employee within the meaning of US Copyright law and you created the work within the scope of your employment, that work is almost certainly work for hire and belongs to the company. If you’re an independent contractor, your creation for another may still be considered work made for hire if it falls into specific categories or if you had a written agreement with the company or person you contracted with that it was indeed. That’s why it’s important to have clearly defined language around the intellectual property of your work – whether it’s graphic design, photography, language for an article, even a process used for a consulting service. Your agreement should explain and define the parameters surrounding that work, like maybe they’ll have ownership but still let you show it off with credit as the maker, like in your portfolio. Check out our blog on [Employees vs. Independent Contractors](http://www.trellispgh.com/blog/2018/11/13/to-employee-or-not-to-employee-that-is-the-important-question) for more info.