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Patents. Trademarks. Copyrights.

To keep a secret or not, that is the question...

Trade Secrets vs. Patents

A trade secret can be viable alternative to a patent for protecting information. A trade secret is information that (1) derives economic value from not being generally known and not being readily ascertainable by proper means by other persons to whom it might be valuable; and (2) is subject to reasonable efforts to maintain its secrecy. *See*, *e.g.*, Fla. Stat. § 688.001(4). Information that can be protected under trade secret law includes formulas, recipes, patterns, compilations, devices, methods, techniques and customer lists. Trade secrets can fall into one of two categories.

The first category is information that is not suitable for patent protection. This category of information will not be granted patent rights because the information does not meet the patentability criteria. One of the most frequent questions I get asked as a patent attorney is

"Can I patent my invention?" There are several types of patents. Indeed, the patentability of each invention is different. However, the analysis used to determine whether an invention is patentable is the same for every invention. Under U.S. law, for an invention to be patentable it must be new, useful, patentable subject matter and non-obvious. These four requirements are what the examiners in the United States Patent and Trademark Office ("USPTO") use to determine if an invention is patentable.

For an invention to be "useful" it must be usable and provide some sort of benefit. This is an extremely low hurdle. I personally never have seen an invention rejected because it was not useful. In fact, the shelves of the patent office are filled with strange and bizarre patents such as a Kissing Shield, a Banana Protection Device and the Comb Over Patent a.k.a. "Method For Concealing Partial Baldness". In a nutshell, an invention will probably never get rejected based upon this requirement unless it is used for some criminal purpose.

Patentable subject matter is defined as any machine, manufacture, process, composition of matter or any useful combination thereof. It is sometimes easier to define patentable subject matter by what is not patentable subject matter. Laws of nature, physical phenomena, abstract ideas and logic are not patentable subject matter. For instance, gravity, a law of nature, cannot be patented. One of the types of inventions that USPTO examiners typically reject for not being patentable subject matter is software related inventions. That is not to say that software is never patentable. However, a software patent application must be crafted in such a way that it consists of patentable subject matter under the law. The law regarding patentable subject matter is constantly changing and you should seek the help of a registered patent attorney to assist in drafting an application to ensure that you have the greatest probability of overcoming any such rejection.

For an invention to be "new" it must not be known or used by others before the inventor claims to have invented it. When a USPTO examiner is determining if an invention is patentable, the examiner searches various databases to find publications, patent applications, patents and patent publications that disclose elements of the invention seeking to be patented. If the USPTO examiner is able to find a <u>single</u> disclosure that discloses <u>all</u> elements of the invention, then the USPTO examiner will issue a rejection, known as an office action, claiming the invention is not new or novel. It is a patent attorney's job to dispute the examiner's rejection and point out the differences between the invention and the disclosures cited by the examiner.

The most common obstacle to the patentability of an invention is the "non-obvious" requirement. This means that the invention cannot be obvious to a person with average skill in the area of the field of the invention. USPTO examiners may <u>combine</u> <u>multiple</u> disclosures to argue that an invention should not be patented. For example, let's say you were trying to

patent a red toy car. Let's also say that the USPTO examiner did a patent search and found a disclosure revealing a blue toy car and another disclosure revealing a red truck. The examiner could combine the blue toy car disclosure with the red truck disclosure and argue that it would have been obvious to invent a red toy car, and therefore the red toy car is not patentable. As mentioned above, it is the job of the patent attorney to dispute the examiner's rejection and point out the differences between the invention and the disclosures cited by the examiner.

Many times I recommend to my clients that a patent search be conducted before filing a patent application. While not legally necessary, the purpose of a patent search is to find existing patents, patent applications and other documents that could affect the patentability of an invention. These results can be used by a registered patent attorney to determine the probability that an invention will be granted a patent. The results of the search are also helpful in creating a strategy for protecting ideas and inventions.

Many manufacturing companies maintain certain manufacturing processes not capable of patent protection as trade secrets. For example, a manufacturing company may keep its quality control processes, manufacturing assembly processes, customer lists and pricing as trade secrets.

The second category is information that is suitable for patent protection. When information falls into this category, a business is faced with deciding whether to keep an invention as a trade secret or to seek patent protection. Before making this decision, a business should carefully weigh pros and cons of trade secrets.

The advantages of trade secrets include:

- Not being limited in time. Unlike patents, which generally have a term of either 14 -15 years (design patents) or 20 years (utility patents), the benefits and competitive advantage of a trade secret will last as long as the information is not revealed to the public.
- Capable of protecting information not capable of being protected by a patent. Certain information that provides an improvement over existing technology may not be capable of patent protection because it does not meet the criteria for patent protection under the U.S. patent laws. However, the use of such information may not be known in an industry. As a result, keeping that information a trade secret could provide a competitive advantage to the trade secret owner.
- Provides a mystique surrounding the trade secret. An air of secrecy may create an impressive quality when information is kept a secret. As a result, value can be created when information is kept a secret and with sufficient publicity and promotion.
- No registration process. Unlike patents, which require filing a patent application

and examination by a patent attorney at the United States Patent Office, a trade secret is not disclosed to a government office or examined by a government official to determine if the information meets any criteria.

- No government registration. Unlike patents, which require that a patent owner pay fees to the United States Patent Office to obtain and maintain the right to enforce a patent, trade secrets require no government fees. However, trade secrets may have high costs in order to keep the information a secret.

The disadvantages of trade secrets include:

- Capable of being reverse engineered. If a trade secret is contained in an apparatus sold to the public, then a competitor may be able to reverse engineer the device to reveal the secret.
- Destroyed by Disclosure. If a trade secret is disclosed to the public, then the value in the trade secret will be known and the value of the secret is lost.
- Patented by another. If a person or business subsequently obtains, by legitimate means, a patent on a trade secret used by a prior user, then the patent owner could legally force the prior user of the trade secret to stop using the patented trade secret.
- More difficult to enforce that patent rights. Generally, litigating and enforcing trade secrets against another is more difficult than enforcing patent rights. Additionally, there is a risk that the trade secret may be inadvertently disclosed during the litigation.
- Costs to maintain secret. In certain cases, keeping a trade secret may be expensive. The costs to keep a trade secret from not being disclosed may include maintaining additional physical security measures, litigation to enforce employment and non-disclosure agreements, and special procedures and logistics for maintaining the information secret.

The patent attorneys at The Plus IP Firm help businesses and innovators understand what type of intellectual property is best suited for a product, process or an idea. The patent attorneys at The Plus IP Firm have helped numerous clients develop goods and services to increase their market share in highly competitive markets.

"Derek and Jill have exceptional customer service, going above and beyond to meet customer needs. Very professional with very quick turnaround. I would recommend them to anyone looking for the right trademark and patent lawyer." - Anna, a satisfied client.

Derek Fahey is a patent attorney at The Plus IP Firm. The Plus IP Firm, PLLC helps businesses and inventors protect their ideas, concepts and creations with patents, trademarks and copyrights.