INTELLECTUAL PROPERTY

TRADE SECRET OR PATENT PROTECTION, WHICH IS BETTER?

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There are two primary options for protecting an invention or process: obtain a patent and/or keep it a trade secret. Patent and trade secret protection for the same aspect of an invention are mutually exclusive, and that factors into deciding which is most effective for gaining commercial advantage over competitors.

It is possible to obtain patent and trade secret protection for different aspects of an offering. For example, a patent can cover a chemical compound while the process of making the compound can be maintained a trade secret. However, this may not be possible for many offerings.

Deciding on which route to choose (or both) is a business decision. If making, selling or using an offering publicly requires revealing confidential information about the invention in it, then to combat reverse engineering, it may be better to patent the invention than attempt to keep it a trade secret.

Further, to preserve the right to apply for an obtain a patent, it is important to file a patent application before an invention is publicly disclosed, sold or offered for sale (there are some grace period exceptions, but these are full traps for the unwary). One option is to file a provisional patent application (which remains secret), while investigating viability of an offering without publicly disclosing trade secrets. A provisional patent application provides an effective filing date for a later filed nonprovisional patent application within a year, if patent protection is pursued rather than trade secret protection.

If the lifecycle of a product or process embodying an invention is short, then trade secret protection may be a better option because obtaining a patent can take time. However, a patent in hand is a strong indication to competitors that a company is serious about protecting its intellectual property. This also provides investors and others in a business relationship with the company a tangible way of protecting their interests

Patents offer a limited term of about 20 years of protection though, whereas trade secrets can provide indefinite protection so long as maintained secret. To be a trade secret, information need not be innovating as required by patent law, only that: (1) it is kept secret, and (2) the secrecy provides a commercial advantage.

However, establishing and maintaining trade secret protection procedures are expensive and extensive. Case law is replete with courts holding that lapses in a systematic trade secret protection plan waived trade secrecy. These procedures include processes for determining what is a trade secret, security measures to prevent their disclosure, ongoing training of employees, location of the trade secret information, internal security measures, restricted access, logging access, confidentiality policies and training, non-disclosure agreements for third parties, marking trade secret information as confidential, gatekeeping to prevent inadvertent disclosure of trade secrets such as in marketing, regular trade secret audits, etc.

If trade secret protection is not deemed suitable, then it is prudent to obtain patents to protect inventions and business processes. Intellectual property strategy and planning is an extremely important aspect of business operations. An experienced intellectual property attorney can identify your intellectual property, analyze your business objectives, devise a strategy for best protecting and monetizing that intellectual property with a budget. The earlier this is done, the better, but it is almost never too late.