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Patents and Trade Secrets – to Disclose or Conceal?

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United States law offers four types of protection for intellectual property, namely patents, trademarks, copyrights, and trade secrets. Only two of these, patents and trade secrets, can grant you the protection of ideas. Besides this superficial similarity, patents and trade secrets are different, both in the kinds of ideas they can protect and in the responsibilities of the owner of the patent or trade secret. If your intended business activities hinge on an idea that gives you or your company an economic advantage, a skilled intellectual property attorney would help you to decide what part of that economic advantage you wish to disclose and patent and what other part you must maintain as a trade secret.

The Price of Exclusion by Patent – Disclosure to the Public

Not every idea that can be commercially beneficial is eligible for a patent. Patents are meant to cover new, useful, and non-obvious inventions (utility patents) and new and non-obvious designs (design patents). The basis for patent protection is that in exchange for the inventor's disclosure of his or her idea/design to the public, the government grants to them a limited right to exclude all others from making, using, offering for sale, selling, or importing that idea.

Additionally, all patents have a limited life span: twenty years from the earliest effective filing date of a utility patent and fifteen years from the issuance of a design patent. Upon expiration, all disclosures in a patent are free to the public to enjoy without any compensation due to its owner. Until that time, those who use patented technology, whether intentionally or not, will owe at least a reasonable royalty (in the case of utility patents) and/or lost profits (utility and design patents) and possibly other damages for infringements of their claims.

The Power of Trade Secrets – Stopping Misappropriation

The Uniform Trade Secrets Act defines a trade secret as "information, including a formula, pattern, compilation, program, device, method, technique, or process that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use…."

As long as you effectively maintain the trade secret as a secret, then you have the ability to pursue theft of the same by illegitimate means by competitors. The trade secret gives its holder the basis to

stop such real-life concerns such as corporate espionage and illegal disclosure of corporate secrets by disgruntled former employees, such as when an employee breaks a prior non-compete or non-disclosure agreement. Trade secrets also have advantages far beyond domestic use and actions against foreign thieves can be maintained whether or not the trade secret is maintained by the owner in the foreign jurisdiction.

The Choice: To Patent the Secret or to Keep the Secret a Secret

An experienced intellectual property attorney with trade secrets and patent experience will be able to help you decide the risks and benefits of choosing patents or trade secrets for a particular subject matter. With regard to the price of obtaining protection, a patent requires preparation by a skilled patent attorney and examination in the United States Patent and Trademark Office while a trade secret requires potentially less-costly non-disclosure agreements and company-wide secrecy protocols and procedures. The ability to obtain protection differs greatly between patents and trade secrets.

Unlike patents, trade secrets are not examined nor do they need to be non-obvious or useful in the technical sense. The trade secret need only provide their owner an economic or business advantage derived from their secrecy (for example, customer lists, internal operating procedures, user information gathered through surveys or other resources, and other non-patentable data). However, trade secrets are not protectable if they can be uncovered by legitimate means, e.g., persons taking apart and discovering how a product or device is made, better known as “reverse engineering.” In contrast, a person who infringes a patent by reverse engineering is not protected by such activity – in fact, reverse engineering could show copying and potentially heightened damages for patent infringement.

Therefore, careful consideration to the practical acquisition and maintenance of a patent or trade secret is among a wealth of considerations one must investigate in deciding whether to conceal or not to conceal advantageous ideas of a company.

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