

focus

INTELLECTUAL PROPERTY

Your choice for manufacturing process: Either patent it, keep it secret, or do nothing

By Robert Fergan, Esq.

Traditionally, a new manufacturing method was either patented or kept a trade secret. Many manufacturers choose to forego patenting manufacturing processes, but if a competitor then patents the same process, the manufacturer may be liable for infringement.

While patenting a manufacturing process can provide a 20-year monopoly on the process, it can present some difficulties. First, the cost can be a significant investment. In addition, it can often take two to three years to obtain an issued patent. Then, a lawsuit to enforce a patent can take an additional few years.

In addition, a manufacturing method often can be difficult to identify. The finished article may look the same, even though it is manufactured using different processes.

Trade secrets

Because of such difficulties, many companies keep manufacturing methods as trade secrets. Trade secret law does provide some limited protection; a person who acquires a trade secret may be liable for damages, if he/she knows or has reason to know that the trade secret was acquired by improper means.

For liability to apply, the secret has to be a valid trade secret. The court will look to many factors in identifying a valid trade secret, including whether the secret was known to outside businesses; known to employees; what measures were taken to protect the secret; the value of information; the effort taken to develop information; and the ease of acquisition by others.

If the court finds that a valid trade secret exists, the liable company must have knowingly acquired the trade secret. If the company finds out the secret from a third party, by no fault of their own, the company that acquired the secret may avoid liability.

Finally, the secret must be acquired with knowledge or reason to know that the secret was acquired by improper means; it could arise out of a breach of a duty or an illegality. The duty may be a contractual duty, such as a confidentiality agreement, or a fiduciary duty, such as

through an employment relationship.

Alternatively, liability could be found if the secret is discovered through theft, bribery, or misrepresentation.

It is important to note that simply reverse-engineering the product is not necessarily improper means, as it is not always possible to keep something a trade secret. If the product is publicly available, reverse-engineering the product can reveal the secret without using any improper means.

Although risky, some relief may be available for those who do nothing. In September 2011, the America Invents Act was signed into law, and with it, a broader shield has become available for prior users of patented methods. Previously, congress had carved out a defense for users of business method patents. That defense has now been expanded to cover many other types of patents.

The prior-user defense may provide some relief for manufacturers, but the defense is limited in many ways. The company asserting the defense must show it practiced the claimed method more than one year before the filing date of the patent.

Often, it can be difficult produce sufficient documentation on the manufacturing process to prove that each of the claimed elements was practiced.

If the defense is asserted and later it is found that the defendant could not prove the prior use, the case may be deemed exceptional and attorney's fees could be awarded to the plaintiff, in addition to damages. The defense can be asserted only on patents that issued on or after Sept. 16, 2011.

In addition, the right to assert the prior-user defense is a personal right that cannot be transferred. This means that if your company practiced the method and had a valid defense, that defense would not necessarily extend to your



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vendors, customers, or acquirers.

Further, the claimed method must be continuously practiced, or the right to assert the prior user defense can be lost.

For example, a company that had been practicing the method and then stops using the method may be able to avoid liability for the earlier practicing of the method, but may be liable for infringement if they start using the method again.

Most manufacturers have three options. The most aggressive protection may be acquired by patenting your methods.

Trade secrets may provide some limited protection, if the method can truly be kept secret. Finally, even if the manufacturer does nothing, the expanded prior-user defense may be available to avoid liability.



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