Should You Patent Your Invention Or Keep It a Trade Secret?

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In the natural course of your work as a scientist or engineer, you are likely to develop innovations in the processes, methods and technologies you work with every day. Such innovations have value, and your company must decide what to do with them. A company may seek to patent an innovation or it may believe it has a competitive advantage in not disclosing it to the public and keeping it a trade secret. Here we explain how to protect an innovation as either a patent or a trade secret. One can’t, of course, have it both ways.

Patents
A patent is an agreement between an inventor and the government which entitles the inventor to protect the property described in the patent. Why should you patent an invention? In legal terms, in the United States, for example, a patent grants the patentee—the holder of the patent—the right to exclude others from making, using, offering for sale or selling the invention throughout the country. In practical terms, the patent may force competitors to design around the patent, or to obtain a license for the patent. If the company must decide what to do with them. A company may seek to patent an innovation or it may believe it has a competitive advantage in not disclosing it to the public and keeping it a trade secret. Here we explain how to protect an innovation as either a patent or a trade secret. One can’t, of course, have it both ways.

Trade secrets
A trade secret is any information kept secret by the owner/creator in an effort to obtain a competitive advantage. It can be any formula, pattern, device or compilation of information used in a company’s business which gives it a competitive advantage over competitors who do not know or use it.

When should an innovation be protected as a trade secret? One instance is when it is unpatentable. Another is when the expense of potential patent litigation is too high, especially when the validity of the patent would be in doubt.

Unlike patents, trade secrets are not registered through a state or government agency. A trade secret is determined by the actions of the company, and it is the company which has to use reasonable efforts to protect it. The company should, for example, maintain a log, label documents to indicate the confidentiality of the secret and limit access to it. The trade secret should be disclosed to people outside the company only under confidentiality agreements.

If a company believes a trade secret has been misappropriated, it can ultimately seek redress in the courts to stop the misappropriation of the secret and to seek damages. To determine if the information in question is a trade secret, the courts will look at a number of factors, including: the extent to which the information is known outside the claimant’s business; the extent to which it is known by employees and others involved in the business; the extent of the measures taken by the claimant to guard the secrecy of the information; the value of the information to the claimant and its competitors; the amount of effort or financial resources expended by the claimant in developing the information; and the ease or difficulty with which the information could be properly acquired or duplicated by others. In this case as in others, good documentation of the company’s efforts to protect the secret can be invaluable.

Sometimes inventors try to have it both ways. They ask, for example, whether it is possible to have a trade secret contained within another invention for which a patent is obtained. However, if the invention cannot be “practiced” by someone who has read the patent, it may be considered invalid because the inventor has not fulfilled his or her duty of public disclosure.

Should you and your company obtain a patent for your innovation or keep it a trade secret? The answer depends on what competitive advantages are to be gained in either case.

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