Trade Secret and Patents

By David Breiner

THE MARKETPLACE IS FULL OF INVENTIONS. The Coca-Cola Company, for example, invented a "new" soft drink in the 1880s which allowed it to dominate the soft drink industry. Google invented a search algorithm allowing it to become the internet's preeminent search engine. Colonel Sanders founded a restaurant chain based on a "new" combination of herbs and spices. How one can go about protecting their invention may depend on several factors, however, the two most common methods exploit patent and/or trade secret law.

A patent is a right granted to an inventor by the federal government in exchange for the inventor's disclosure of his/her invention to the government. In short, a patent gives the inventor a right to keep others from making, using, selling, offering to sell, or importing the patented technology in the United States. Patents are available to protect such things as machines, processes, manufactures, and compositions of matter, provided they are novel and nonobvious. The purpose of providing patent rights is to encourage innovation by awarding to inventors a monopoly on their technology.

Trade secret protection is available for any information which is generally not known by the public and which may provide a competitive advantage in the marketplace. Unauthorized use of this information is considered an unfair business practice and a violation of trade secret law. Examples of information that may qualify for trade secret protection include: inventions (whether patentable or not), customer lists, manufacturing processes and industrial secrets. In theory, trade secret protection can last as long as the "secret" information is kept a secret.

Trade secrets have certain advantages over patents. First, the duration of trade secret protection is potentially unlimited whereas the duration of patent protection is twenty years. Second, there are no registration costs associated with trade secrets whereas obtaining a patent may be a relatively expensive process. Third, trade secret protection has an immediate effect whereas it may take several years to obtain patent rights. Fourth, trade secret protection does not require compliance with any government regulations whereas disclosing an invention to the government requires filing a patent application which must satisfy several formality requirements.

Trade secrets, however, suffer a major drawback. If an inventor's trade secret is embodied in a commercial product, a competitor may be able to reverse engineer the product to discover the inventor's secret. Such a practice is perfectly legal. Once discovered, the secret may be made public and anyone may access it and use it at will. Patents do not suffer this drawback.

Deciding whether to protect an invention by trade secret or patent may depend on several factors. Thus, it is highly recommended an intellectual property attorney be consulted before such a decision is made. ⁎

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