PATENTS AND TRADE SECRETS: A HAPPY MARRIAGE

Deep–seated misconceptions about the relationship between patents and trade secrets are very prevalent. Trade secrets are treated as the orphan in the IP family, or the black sheep in the IP barnyard. They are maligned as flying in the face of the patent system, the essence of which is disclosure of inventions to the public. Keeping inventions secret is, therefore, supposed to be reprehensible. One noted IP professor went even so far as to say, "Trade secrets are the cesspool of the patent system." And after I gave a talk on the patent and trade secret interface in a South American capital, the local Commissioner of Patents testily commented that it was preposterous to talk up trade secrets ("Trade secrets don't need protection because they are secret") and outright absurd to talk about complementariness of patents and trade secrets.

Nothing could be further from the truth. Trade secrets are the "crown jewels" of corporations. "Forget patents, trademarks and copyrights...trade secrets could be your company's most important and valuable assets" (James Pooley). "Trade secrets are the IP of the new millennium and can no longer be treated as a stepchild," (Mark Halligan). Also patents are but the tips of icebergs in an ocean of trade secrets. Over 90% of all new technology is covered by trade secrets and over 80% of all license and technology transfer agreements cover proprietary know-how, i.e. trade secrets, or constitute hybrid agreements relating to patents and trade secrets. As a practical matter, licenses under patents without access to associated or collateral know-how are often not good enough for commercial use of the patented technology. Bob Sherwood calls trade secrets the "work horse of technology transfer." The quiet role they play in IP protection is thus deceiving. It is interesting to note that Henry Perritt believes that "patent law was developed as a way of protecting trade secrets without requiring them to be kept secret and thereby discouraging wider use of useful information." That makes patents a supplement to trade secrets rather than the other way around.

Trade secrets are the first line defense: they come before patents, go with patents, and follow patents. Patents and trade secrets are not mutually exclusive but actually highly complementary and mutually reinforcing; in fact, they dovetail. Indeed, our Supreme Court has recognized trade secrets as perfectly viable alternatives to patents (*Kewanee Oil v. Bicron* (1974) "the extension of trade secret protection to clearly patentable inventions does not conflict with the patent policy of disclosure" and further strengthened the bases for trade secret reliance in subsequent decisions (*Aronson v. Quick Point Pencil* (1979) and *Bonito Boats v. Thunder Craft Boats* (1989)). Interestingly, in his concurring opinion in the *Kewanee Oil* decision, Justice Marshall was "persuaded" that "Congress, in enacting the patent laws, intended merely to offer inventors a limited monopoly (*sic*) in exchange for disclosure of their inventions (rather than) to exert pressure on inventors to enter into this exchange by withdrawing any alternative possibility of legal protection for their inventions." Thus, it is clear that patents and trade secrets can not only coexist, but are in harmony rather than in conflict with each other. Indeed, they are inextricably intertwined, because the bulk of R & D data and results for any commercially important innovation cannot and need not be included in a patent application but deserve, and require, protection.

In the past — and even today — if trade secret maintenance was contemplated at all, e.g. for manufacturing process technology, which can be secreted unlike gadgets or machinery, which upon sale can be reverse-engineered, the question always was phrased in the alternative. E.g., titles of articles discussing the matter read "Trade Secret vs. Patent Protection", "To patent or not to patent?" "Trade Secret or Patent?" "To Patent or to Padlock?" etc. Anent this choice, the alleged advantages and disadvantages, e.g. in terms of duration and nature and scope of protection, are considered controlling. However, on scrutiny the perceived differences are not there. The patent life may be more than twenty years from filing due to extensions and "evergreeing" via subsequent applications on related aspects and improvements and a garden-variety type of trade secret, far from being perpetual, may last but a few years. Nor is there a difference as regards the scope of protection, with "everything under the sun made by man" (Supreme Court in *Diamond v. Chakrabarty* (1980)), including business methods, being patentable. And while a patent does, and a trade secret does not, protect against independent discovery and reverse-engineering, a patent encourages and leads to efforts to design or invent around and a trade secret, which confers world-wide protection, may withstand attempts to crack it, if properly guarded and secured.

I submit that it is not necessary and, in fact, shortsighted to choose one over the other. To me the question is not so much whether to patent or to padlock but rather what to patent and what to keep a trade secret and whether it is best to patent as well as to padlock, i.e. integrate patents and trade secrets for optimal synergistic protection of innovation.

It is true that patents and trade secrets are at polar extremes on the issue of disclosure. Information that is disclosed in a patent is no longer a trade secret. As pointed out above, however, patents and trade secrets are indeed complementary, especially under the following circumstances.

In the critical R& D stage and before any patent applications are filed and also before patents applications are published or patents issue, trade secret law particularly "dovetails" with patent law (see *Bonito Boats*). Provided an invention has been fully described so as to enable a person skilled in the art to make and use it and the best mode for carrying out the invention has been disclosed, as is requisite in a patent application, all associated or collateral know-how not divulged can and should be retained as a trade secret. But the "enablement" and "best mode" requirements apply only to the knowledge of the inventor(s) at the time of filing and only to the claimed invention. All the massive R& D data, including data pertaining to better modes developed after filing, whether or not inventive, can and should also be maintained as trade secrets, to the extent the data are not disclosed in subsequent separate applications.

The enablement and best mode requirements are actually no impediments to maintaining the mountains of related know-how developed after filing as trade secrets. Why? Because patent applications are filed early in the R&D stage to get the earliest possible filing or priority date, the specification normally describes in but a few pages only rudimentary lab experiments or prototypes, with the best mode for commercial

manufacture and use remaining to be developed later. Also, patent claims tend to be narrow for distance from the prior art. Besides, as shown by case law, manufacturing process details are, even if available, not a part of the statutorily-required best mode disclosure of a patent.

And especially with respect to complex technologies consisting of many patentable inventions and volumes of associated know-how, complementary patenting and secreting is tantamount to having the best of both worlds. In this regard GE's industrial diamond process technology comes to mind as an excellent example of the synergistic integration of patents and trade secrets to secure invulnerable exclusivity. The artificial manufacture of diamonds for industrial uses was very big business for GE and GE also had the best proprietary technology for making such diamonds. GE patented much of its technology and some of the patents had already expired, so that much of the technology was in the technical literature and in the public domain. But GE also kept certain distinct inventions and developments secret. The Soviet Union and a Far Eastern country were very interested in obtaining licenses to this technology but GE refused to license anyone. Getting nowhere with GE, the Far Eastern interests resorted to industrial espionage and a trusted fast track star performer at GE, a national of that country, whom nobody would have suspected, was enticed with million dollar payments to spirit away GE's crown jewels. But after a while the GE employee got caught, tried and jailed. This case illustrates so much about the value of the trade secrets and, more importantly, the merits of marrying trade secrets with patents. Indeed, this case shows that GE could "have the cake and eat it." Was GE's policy to rely on trade secrets in this manner or, for that matter, Coca Cola's decision to keep their formula secret rather than to patent it, which could have been done, damnable? Clearly not.

It is now well established that dual or multiple protection for intellectual property is not only possible but essential. Such protection exploits the IP overlap and provides a fall back position. Recent decisions such as, *C& F Packing v. IBP and Pizza Hut* and *Celeritas Technologies v. Rockwell International* demonstrate this. In the *Pizza Hut* case, for instance, Pizza Hut was made to pay $10.9 million to C& F for misappropriation of trade secrets. After many years of research C&F had developed a process for making and freezing a precooked sausage for pizza toppings which had the characteristics of freshly cooked sausage and surpassed other precooked products in price, appearance and taste. C& F had obtained a patent on the equipment to make the sausage and also one on the process itself. It continued to improve the process after submitting its patent applications and kept its new developments as trade secrets.

Pizza Hut agreed to buy C& F's precooked sausage on the condition that C&F divulge its process to several other Pizza Hut suppliers, ostensibly to assure that backup suppliers were available to Pizza Hut. In exchange, Pizza Hut promised to purchase a large amount of precooked sausage from C&F. C&F disclosed the process to several Pizza Hut suppliers, entering into confidentiality agreements with them. Subsequently, Pizza Hut's other suppliers learned how to duplicate C& F's results and at that time Pizza Hut told C& F that it would not purchase any more sausage from it without drastic price reductions.

IBP was one of Pizza Hut's largest suppliers of meat products other than sausage. Pizza Hut furnished IBP with a specification and formulation of the sausage toppings and IBP signed a confidentiality agreement with Pizza Hut concerning this information. IBP also hired a former supervisor in C& F's sausage plant as its own production superintendent but fired this employee five months later after it had implemented its sausage making process and Pizza Hut was buying the precooked sausage from IBP.

C&F then brought suit against IBP and Pizza Hut for patent infringement and misappropriation of trade secrets and the court found, 1) on summary judgment that the patents of C& F were invalid because the inventions had been on sale more than one year before the filing date and 2) after trial that C&F possessed valuable and enforceable trade secrets, which were indeed misappropriated.

What a great example of trades secrets serving as a fall back position where the patents fail to provide any protection! Indeed a patent is a slender reed in light of the existence of three dozens of invalidity reasons and many other potential patent attrition factors.

In view of the fact that patent and trade secret protection indeed dovetail in the ways described above, the best and most practical approach or policy for protection of any innovation would be the following: To file a patent application as early as possible covering all patentable aspects. Pending patent applications are preserved in secrecy during the pendency period. This is not necessarily a decision in favor of patenting, rather it serves to gain time and keep all options open. There is no need to make a decision as to which way to go until an application is allowed or is to be published or issued. If the decision is made at the outset to keep an innovation a trade secret, it may not be possible to ever patent it. One is stuck with the election. However, by filing an application it is possible to decide later to keep the innovation a trade secret if, for instance, the application is not allowed or even if it is allowed, the decision can then be made in light of the then current circumstances to abandon the application and stay with trade secret protection. If the application is not allowed, the subject matter can naturally be kept a trade secret like any other proprietary know-how.

In conclusion, it bears reiteration that patents and trade secrets are viable alternative modes of protection in the intellectual property field. Hence, it is patents and (not "or") trade secrets, because they can and should be relied upon at the same time and side by side to protect any given invention or innovation. Far from being irreconcilable, they in fact make for a happy marriage as equal partners. Thus a policy and practice of utilizing both routes for optimal protection is rational, practical and profitable.

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FROM THE EDITOR
THE PATENT/TRADE SECRET INTERFACE II

In the last issue, this column attempted to dispel misconceptions about the relationship between patents and trade secrets, by contending that patents are but tips of icebergs in a sea of trade secrets and that patents and trade secrets, far from being mutually exclusive, actually dovetail, as trade secrets are perfectly equal and viable alternatives to patents. In many companies trade secrets are the "crown jewels." Thus, it's not patents "ueber alles", nor patents or trade secrets; rather the best strategy for optimal protection of innovation is to patent as well as padlock.

That discussion obviously left open - for treatment in this column - an analysis of the respective rights of a first inventor who elects to hold and use patentable subject matter as a trade secret (trade secret owner) and the second independent inventor who seeks and obtains a patent thereon (patentee). And my colleague, Professor Field, was quick to remind me of this important issue. Another impetus for writing this sequel is the threat by a noted patent attorney in hearings in the U.S. Patent & Trademark Office earlier this year about bills pending in Congress, that, inasmuch as prior user rights would be "unconstitutional, because they undermine the notion of 'exclusive rights' inherent in the patent grant," he is "prepared to sue to test it." As I will explain below, he won't get a chance to follow up on his threat and, even if he did, wouldn't get to first base. Such a proposition is simply not tenable. This goes also for the common, baldly-stated misconception that the trade secret owner infringes the second-inventor's patent and hence can be enjoined.

First of all, the modifier "exclusive" doesn't mean "exclusive, exclusive". No right is ever totally exclusive and anent patents, there are several areas where something akin or tantamount to a prior user right already exists. Angelo Notaro lists a veritable litany of statutory- or decisionally-created "co-uses", "forced sharing of inventions", "estoppels", "implied licenses", "intervening rights", "judicial recognition of prior user rights", etc. as, for example, shoprights, temporary uses of inventions on vessels or aircrafts, intervening rights in reissue and reexamination cases, co-uses in supplier/customer, manufacturer/distributor, contractor/contractee relationships, public interest situations where injunctive relief if denied, certain uses by government or uses under the Clean Air and Atomic Energy acts, compulsory licenses as a remedy for antitrust violations, etc. (Notaro, Patents and Secret Prior user Rights..., 81 patent and trademark review, 347, 1983.) We also have an experimental use exception and the patent right is a negative right and a patentee may be blocked by a dominant patent.

And as regards the respective rights, I contend that the trade secret owner has a *de facto* prior user right to continue the practice of his trade secret. I do so on the basis of 1) much thoughtful literature, going back to at least 1944 (all referenced in my 1979 **JPOS** article), which postulates such a right, and 2) the fact that it has never happened that a trade secret owner was enjoined by the later patentee.

Such a right, which is very prevalent outside the U.S. and has existed in some countries for over 100 years, has also been posited in the literature as a kind of "*in personam* right", "shopright," "intervening right," "right of co-use," "right of personal possession" and "personal easement on the invention."

In his classic treatise on Trade Secrets, Ellis concluded:
"To give a patent to a subsequent inventor without barring him from suing the first inventor and secret user of the invention, would be to offer, as a reward to anyone who could discover the invention by independent research, the economic scalp of the first inventor and secret user."

A similar sentiment resides in the cogent maxim: "A Constitutional award to one inventor does not mandate a Constitutional penalty to another." (Bennett, The Trade Secret Owner Versus the Patentee..., **JPOS**, 1975)

In the literature, referred to above, it is also emphasized that an *in personam* right or a prior user right:
- is a first inventor's common law right,
- is required by principles of equity and due process and
- not granting it, amounts to taking property without compensation.

The contrary position, espoused by patent advocates, holds that when the choice is made to forego a patent and to rely instead on trade secret protection, the trade secret owner assumes the risk of being enjoined by the patentee. Also clearly an untenable position! How can there be such an assumed risk when the Supreme Court recognized trade secrets as viable and compatible alternatives to patents (*Kewanee Oil*, 1974; *Bonito Boats*, 1989) and when "no court has ever decided a case in which the issue was even raised." (Bennett).

The *Gore v. Garlock* (CAFC, 1983) decision has mistakenly been interpreted as putting an end to this debate by resolving the perceived conflict in favor of the patentee. Far from it! This case held that trade secrets of a third party are not prior art, but such a holding is an entirely different proposition from a holding that the trade secret owner is an infringer vis-a-vis the patentee.

Maintaining secrecy is a *sine qua non* in trade secret law and is not to be equated with "concealment" in patent law, which means in a Sec. 102(g) context only too long a delay in filing a patent application in relation to another applicant, i.e. in a situation where both resort to the patent system. This is to be clearly distinguished from a situation where one party relies on the trade secret system and is outside the patent system altogether.

Thus, it is abundantly clear that the patentee does not have superior rights vis-a-vis the trade secret owner and the reason the

(Continued on page 11)

(Continued from page 10)
later patentee leaves the trade secret owner alone, is the former's concern that putting the patent on the block is risky, knowing he/she was not the first to invent and the patent may be invalid for a number of Sec. 102 and/or Sec. 102/103 grounds due to the activities of the trade secret owner. Consequently, an accommodation between the two serves them best because patent coverage continues and other competition is shut out.

In light of the above argumentation, my advise, when such a respective rights issue came up in my corporate practice - a not infrequent occurrence - was to ignore the patents of the "Johnny-come-lately" inventor. No boomerang ever; after all, we do have a *de facto* prior user right system.

But, you might say, a prior user rights provision, styled "First to Invent Defense," was recently passed as part of H.R. 1907 by the House of Representatives and, if enacted into law, would moot the issue. Unfortunately, this "first-to-invent-defense" provision bears little resemblance to a true prior user right provision, as exists abroad and as was initially introduced as part of the proposed patent reform legislation. The present version is not just narrowed but totally gutted; it has so many exceptions and limitations that it is not just meaningless but dangerous.

Meaningless, because "serious and effective preparation" for commercial use is excluded, and it is this development stage which is crucial; the prior invention concerning which the defense is asserted is now required to have been reduced to practice more than one year before the patentee's filing date, and it is precisely within a year that inventions often are conceived independently by more than one inventor due to outside stimuli; and the defense, which was to apply only to manufacturing processes anyway, rather than across the board, as it should, was further constricted to cover only methods of doing business, newly patentable in the wake to last years' CAFC decision in the State Street Bank case.

The present, completely eviscerated version, if enacted, would also be dangerous, because now we can rely on the existence of a *de facto* prior user right, which might not be possible if there is an enactment of an unduly narrow provision.

What is needed is a true prior user rights provision that would cover commercial use of an invention or effective and serious preparations for such use, prior to the filing date of the later patent, such rights being of limited alienability (personal rights - transferable only with the entire enterprise), limited terriotariality (the territory of the patent), limited scope (continuation of existing prior use) and limited recognition of prior acts (good-faith use without derivation or theft).

As a final credo, it is submitted that such a strong prior user right, which is absolutely essential in a first-to-file system, is equally important in our first-to-invent system, as a better alternative to our archaic, costly and inadequate interference practice and as a better way for protection of trade secrets in view of their transcending importance.

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INTELLECTUAL PROPERTY
& IP RIGHTS

IP	IPR
Invention	Patent
Know-how	Trade Secret
Brandname	Trademark
Work of Authorship	Copyright

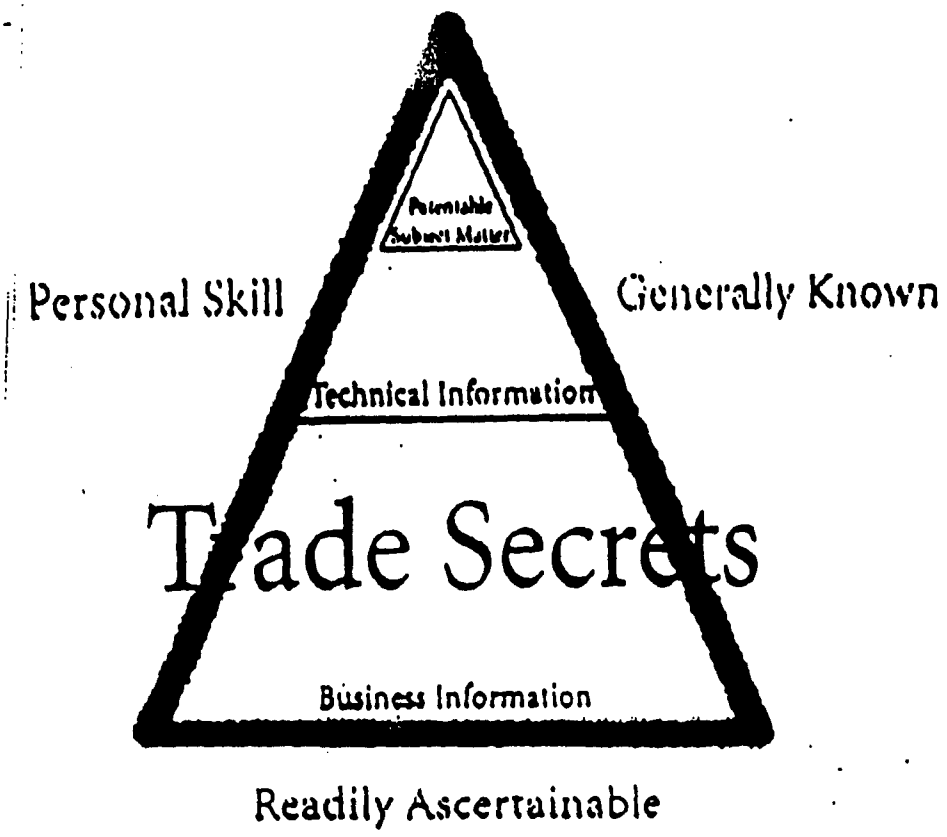
INTELLECTUAL PROPERTY (IP)

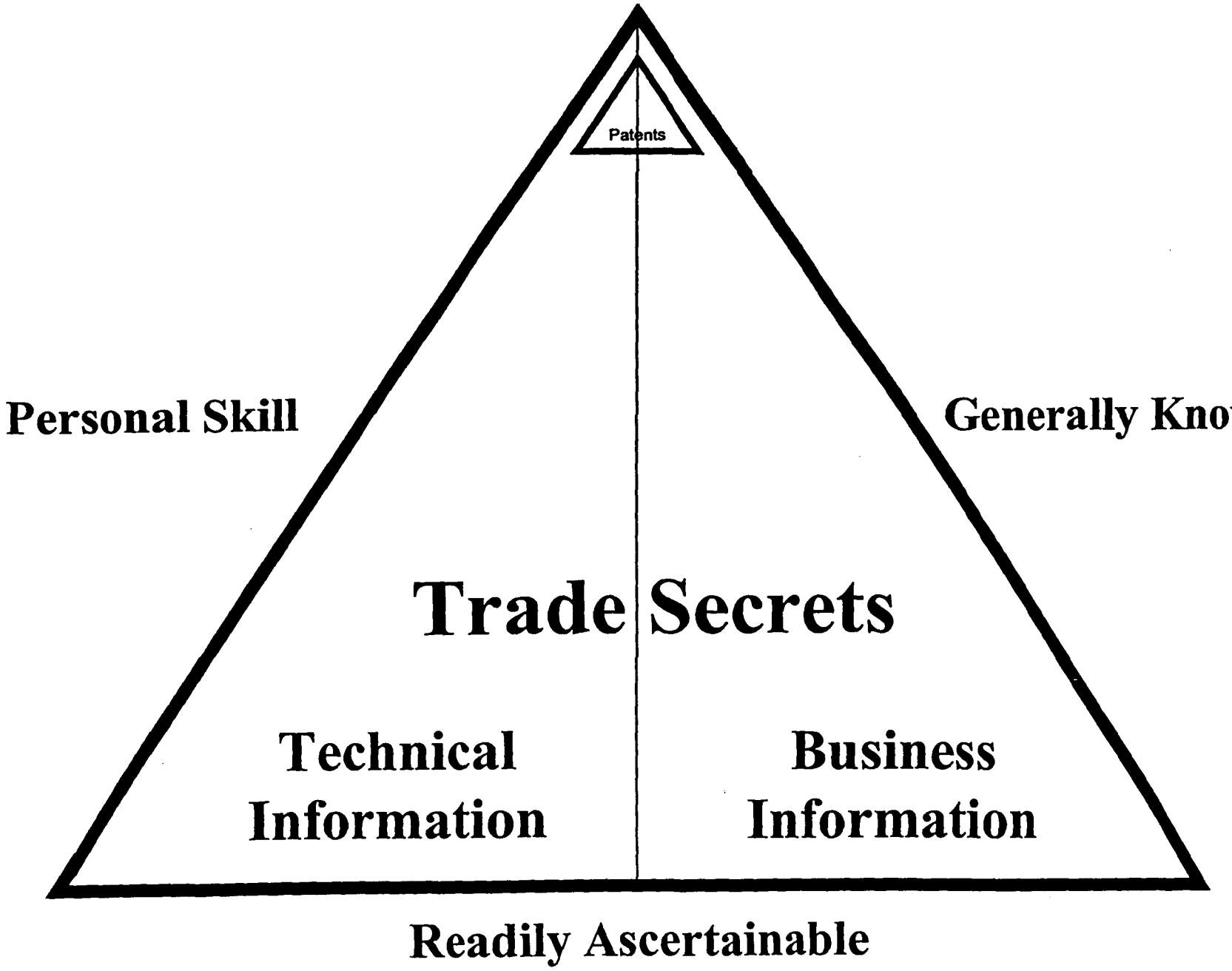
&

INTELLECTUAL PROPERTY RIGHT (IPR)

IP	IPR
Invention	Patent, Trade Secret
Know-how, Invention	Trade Secret
Brandname	Trademark
Work of Authorship	Copyright

TRADE SECRETS




Patents
Personal Skill
Generally Known
Trade Secrets
Technical Information
Business Information
Readily Ascertainable

HISTORY OF TRADE SECRETS

- "Trade Secret law is the oldest form of intellectual property protection, " according to Perritt. (Cave people?!)

- Back in Roman times, the law afforded relief against a person who induced another's employee (slave) to divulge secrets relating to the master's commercial affairs.

- Trade secrecy was practiced extensively in the European guilds in the Middle Ages and beyond.

- Modern law evolved in England in early 19th century — in response to the growing accumulation of technology and know-how and the increased mobility of employees.

- Recognized in U.S. by middle of 19th century, *Peabody v. Norfolk* (1868) held that a secret manufacturing process is property, protectable against misappropriation; secrecy obligation for an employee outlasts term of employment; a trade secret can be disclosed confidentially to others who need to practice it and a recipient can be enjoined from using a misappropriated trade secret.

- By the end of the 19th century the principal features of contemporary law were well established.

- 1939 the Restatement of Torts attempted to "codify" it.

DEFINITION OF "TRADE SECRET"

1. A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.
(Restatement of Torts, § 757 comment b (1939))

2. A trade secret is any information, including a formula, pattern, compilation, device, method, technique, or process, that:
(i) 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, and
(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.
(Unif. Trade Secrets Act § 1(4), 14 U.L.A. 372 (1985 & Supp. 1989)

3. A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.
(Restatement (Third) of Unfair Competition, § 39 (1995))

TRADE SECRETS

The Restatement of Torts adopted and the courts relied on the following criteria for determining whether a trade secret exists:

(1) the extent to which the information is known outside of the business;

(2) the extent to which it is known by employees and others involved in the business;

(3) the extent of measures taken to guard the secrecy of the information;

(4) the value of the information to the business and to competitors;

(5) the amount of effort or money expended in developing the information;

(6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

TRIPS DEFINITION

Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in questions;

(b) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

(TRIPS Agreement, Part II, Sect. 7: Protection of Undisclosed Information, Art. 39, Par. 2, 1994)

TRADE SECRET

ECONOMIC ESPIONAGE ACT (EEA) DEFINITION

The term "trade secret" means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, memorialized physically, electronically, graphically, photographically, or in writing if —

(A) the owner thereof has taken reasonable measures to keep such information secret; and

(B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public.

DEFINITION OF KNOW-HOW

Know-how. The knowledge and skill required to do something corectly. (Dictionary Definition)

Know-how. Information that enables one to accomplish a particular task or to operate a particular device or process. (*McCarthy's Desk Encylopedia of Intellectual Property*, Second Edition, p.236)

Know-how is knowledge and experience of a technical, commercial, administrative, financial or other nature, which is practically applicable in the operation of an enterprise or the practice of a profession. (AIPPI Resolution — Mexico Congress — 1973)

CHARACTERISTICS OF TRADE SECRETS

- No registration requirement.
- No subject matter or term limitation.
- No tangibility requirement.
- No strict novelty requirement.
- Subject matter must not be generally known or available.
- But secrecy is the most important criterion — a *sine qua non*. There are no exceptions.
- Affirmative measures must be taken to safeguard a trade secret.
- Sufficient economic value or competitive advantage is also a requisite.
- Proper criterion is not "actual use" but "of value to company", i.e. negative results can also give a competitive advantage.

SAFEGUARDING TRADE SECRETS

1. Memorialize the trade secret policy in writing
2. Inform employees of trade secrets
3. Have employees sign Employment Agreements with confidentiality obligations
4. Conduct exit interviews
5. Restrict access to trade secrets (on need-to-know basis)
6. Lock gates and cabinets
7. Label trade secret documents
8. Restrict public accessibility
9. Screen speeches and publications
10. Use contracts in dealing with third parties

MISAPPROPRIATION of TRADE SECRETS

1) Acquisition by improper means
2) Acquisition by accident or mistake
3) Use of or disclosure of a trade secret
    a) acquired improperly
    b) in violation of a duty to maintain confidentiality

"Improper means" includes "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means."

"Proper means" which do not support a claim for misappropriation, include independent discovery, reverse engineering, or discovery from observing what has been allowed to enter the public domain.

MISAPPROPRIATION OF TRADE SECRETS

"Misappropriation" means:

(i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(ii) disclosure or use of a trade secret of another without express or implied consent by a person who

(A) used improper means to acquire knowledge of the trade secret; or

(B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was

(I) derived from or through a person who had utilized improper means to acquire it;

(II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

(C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

Unif. Trade Secrets Act § 1(2), 14 U.L.A. 372 (1985) (Supp. 1989).

"Improper means" includes "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means."

"Proper means" which do not support a claim for misappropriation, include independent discovery, reverse engineering, or discovery from observing what has been allowed to enter the public domain.

CREDOS • INSIGHTS • TRUISMS
on
Intellectual Property Rights and Technology Transfer

- "Trade secret law and patent law have coexisted in this country for over one hundred years....(e)ach has its particular role to play, and the operation of one does not take away from the need for the other... the extension of trade secret protection (even) to clearly patentable inventions does not conflict with the patent policy of disclosure." (U.S. Supreme Court in the *Kewanee Oil* decision);
- patents and trade secrets are actually mutually complementary; they "dovetail" (U.S. Supreme Court in the *Bonito Boats* decision); thus, the question is not whether to patent or to padlock but rather what to patent and what to keep a trade secret and whether it is best to patent and to padlock, i.e. expoit the overlap;

The question presented in this case is whether Congress, in enacting the patent laws, intended merely to offer inventors a limited monopoly in exchange for disclosure of their invention, or instead to exert pressure on inventors to enter into this exchange by withdrawing any alternative possibility of legal protection for their inventions. I am persuaded that the former is the case.

Kewanee Oil Co. v Bicron Corp
181 USPQ 673, 684 (Sp.Ct. 1974)
Justice Marshall' concurrence

Complementariness of Patents and Trade Secrets

1) In the critical R&D state and before any patents issue, trade secret law "dovetails" with patent law.

2) Assuming that a development has been enabled and the best mode described, all associated know-how not disclosed, whether or not inventive, can be retained as a trade secret.

3) All R&D data, including data pertaining to better modes, developed after filing, again whether or not inventive, can also be protected as trade secrets.

4) With respect to technologically complex developments consisting of many patentable inventions and volumes of associated know-how, complementary patenting and secreting is tantamount to having the best of both worlds. E.g. GE's industrial diamond process technology.

The question then is not whether to patent or to padlock but rather what to patent and what to keep a trade secret and whether it is best to patent as well as to padlock.

PATENT/TRADE SECRET INTERFACE

The "*enablement*" and "*best mode*" requirements apply 1) only to the knowledge of the inventor, 2) at the time of filing and 3) only to the claimed invention.

The enablement and best mode requirements are no impediments.

1) Patent applications are filed early in the R&D stage to get the earliest possible filing or priority date.

2) The specification normally describes in but a few pages only rudimentary lab experiments or prototypes.

3) The best mode for commercial manufacture and use remains to be developed later.

4) Patent claims tend to be narrow for distance from the prior art.

5) As shown by case law, manufacturing process details are, even if available, not a part of the statutorily-required best mode disclosure of a patent.

PATENTS/TRADE SECRETS

CORPORATE PRACTICES

ONLY TRADE SECRETS — NO PATENTS

ONLY PATENTS — NO TRADE SECRETS

PATENTS (FOR PRODUCTS) OR TRADE SECRETS (FOR MANUFACTURING PROCESSES)

PATENTS AND TRADE SECRETS

PATENTS OR TRADE SECRETS
NEW DEVELOPMENT ANALYSIS QUESTIONNAIRE

		SCORES
1)Is development itself likely to be a commercial product or the subject of licensing?	1 2 3 4 5 6 7 8 9 10 LIKELY UNLIKELY	____
2)How much of a competitive advantage would be provided if the company maximized exclusivity?	1 2 3 4 5 6 7 8 9 10 VERY GREAT VERY LITTLE	____
3)How much of a competitive disadvantage would it be if a competitor obtained exclusivity?	1 2 3 4 5 6 7 8 9 10 VERY GREAT VERY LITTLE	____
4)It is likely one could develop alternatives ("design around")?	1 2 3 4 5 6 7 8 9 10 UNLIKELY LIKELY	____
5)Can nature of development be ascertained from commercial product ("reverse engineered")?	1 2 3 4 5 6 7 8 9 10 LIKELY UNLIKELY	____
6)Would disclosure of this development require or permit access to other, unprotectable information?	1 2 3 4 5 6 7 8 9 10 NO YES	____
7)Is it likely others will independently arrive at same development?	1 2 3 4 5 6 7 8 9 10 LIKELY UNLIKELY	____
8)If a patent were obtained, what are the chances of validity being upheld by a court?	1 2 3 4 5 6 7 8 9 10 HIGH LOW	____
9)Is it likely that dissemination of the development from within the company would be difficult to control?	1 2 3 4 5 6 7 8 9 10 DIFFICULT NOT DIFFICULT	____
10)Would it be difficult to determine if competitors are using the development?	1 2 3 4 5 6 7 8 9 10 NOT DIFFICULT DIFFICULT	____

INTEGRATION

INTEGRATE IP CATEGORIES

EXPLOIT THE OVERLAP

DEVELOP FALL BACK POSITIONS

BUILD IP ESTATE

BUILD A WALL

LAY A MINEFIELD

OVERPROTECT

GET SYNERGISTIC EFFECT

TRADE SECRETS
True or False?

1) Patents and trade secrets are at best only alternative forms for protection of innovation.

2) Trade secrets at best are but supplements to patents.

3) Patents and trade secrets are mutually exclusive and one or the other has to be chosen for protection to the exclusion of the other.

4) Because the patent system requires enabling and best mode disclosures, patents necessarily disclose and hence preempt all the trade secrets that are useful in the practice of the patented invention.

5) Because patents require disclosure of the invention as a quid pro quo for exclusivity, it is reprehensible to rely on trade secrets.

6) The patent specification, which discloses the best mode and otherwise is enabling, as is required, is sufficient to practice the invention or to be licensed.

7) Trade secrets are merely a matter of "contract rights created in trade secret agreements" as per abstract of our "U.S. Patent & Trade Secret Law" course; that is, no contract rights, no trade secrets. Hence, trade secrets are not property per se like patent and copyrights.

8) The fact that the trade secret to be utilized must be disclosed to others under secrecy obligation set forth in a non-disclosure, confidentiality, secrecy or pre-negotiation agreement, makes trade secret protection merely a matter of contract law.

9) Know-how, trade secrets and confidential, proprietary or "undisclosed" information are synonymous terms and can be used interchangeably.

10) There are great differences between patent and trade secrets in terms of duration, scope of protection, kind of protection, degree of exclusivity, and costs.

11) A patentable invention must be patented for protection, while only unpatentable know-how can be protected via trade secrets.

12) A trade secret by definition is "concealed" and "suppressed" under § 102(g), so that a patentee has superior rights, even if he made the invention later in time.

13) "Under current U.S. law the inventor who chooses trade secret protection, accepts the risk that another inventor will seek and obtain patent protection, thereby excluding the original inventor from using his own creation." (Pooley, MIP, Oct. '99, p.68)

14) Trade secrets don't need protection because they are secrets. (So why this course? What's there to talk about?)

15) "Trade Secrets are the cesspool of the patent system." (Professor Kayton)