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BANNER & WITCOFF, LTD.
INTELLECTUAL PROPERTY LAW

# Inventions: the trade secret or patent protection determination

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Various intellectual property laws protect information with economic and competitive value to businesses, including new inventions. Trade secrets and patents are traditional forms of intellectual property employed to protect inventions, and the decision to use either trade secret or patent protection may produce a lasting effect on the profitability of a business.

A trade secret is information that derives economic value from its secrecy, and requires reasonable efforts to maintain that secrecy. Information qualifying for trade secret status generally includes drawings, customer lists, formulas, patterns, compilations, programs, devices, methods, techniques and processes. A classic example of a trade secret is the formula for Coca-Cola®, which is reportedly locked within a vault and known only to a few employees in order to maintain continued secrecy.

Whereas a trade secret protects an invention through concealment, a patent protects an invention by disclosing the process of making and using the invention to the public. In exchange for a full disclosure of information relating to the invention, which promotes science by sharing information with the public, the U.S. government grants the owner of the patent the right to exclude others from making, selling, and using the invention without permission.

Various practical, legal, and business considerations are relevant to the decision of whether to seek trade secret or patent protection for an invention, including the following:

**Scope of protected information:** Trade secret protection may cover any of the various information types listed above, whereas patent protection is limited to new and useful processes, machines, manufactures or compositions of matter.

**Process for obtaining protection:** A trade secret requires no special forms or applications and is obtained by securing and maintaining secrecy of the invention. A patent is obtained by preparing and filing a patent application with the U.S. Patent and Trademark Office, and then persuading the office that the invention is patentable.

**Expense of securing protection:** The primary expenses associated with trade-secret protection relate to securing and maintaining secrecy. In addition to the expense

of preparing and filing a patent application, indefinite expenses may arise when arguing for the patentability of the invention.

**Time for securing protection:** Trade-secret status may be obtained during development of the invention, whereas the time period for obtaining a patent may range from a year to more than three years.

**Term of protection:** A trade secret has an indefinite term, but is susceptible to unexpected termination through independent development by another inventor, inadvertent or malicious disclosure or reverse engineering. The term of a patent is 20 years from the filing date of an application for patent.

**Geographic limitations**: Trade secret protection may prevent use of the information worldwide, provided the information remains secret. Patent protection is limited to the United States, although corresponding patents may be obtained in many foreign countries.

Trade secrets and patents both have the potential to be valuable forms of intellectual property for the protection of an invention. The value is dependent, however, upon a careful deliberation of the considerations discussed above, in light of the specific invention and business situation. Given the inherent complexity of analyzing the various considerations related to deciding upon trade secret or patent protection, the assistance of an attorney experienced in intellectual property laws and practices is recommended.

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