Section 4

"Additional Guidance for Potential Applicants"

Chapter 23

What is the difference between Patent Protection and Trade Secret Protection?

How does one decide which mark to apply for to protect their innovation?

Great question. I'll start my answer with some of the legalese language. A patent provides protection against any use of the claimed subject matter, regardless of how the subject matter is obtained, for a limited period of time. A trade secret, on the other hand, provides protection against the use of wrongfully obtained secrets for as long as the trade secret remains a trade secret. A trade secret only protects against wrongful taking of the secret, not against **independent discovery** of the secret.

Patent. I'll unpack that a little bit and get real here: as I've said, the patent is essentially a deal between the government and the innovator.

Remember, when the inventor is drafting his or her patent application, they are required to disclose the entirety of the invention's purpose, plans on how to build it and very explicit

claims about how it can best be of value. Once the application is received by the Office, well, the cat is out of the bag, shall we say.

What I mean by this is that the fate of the inventor's blood, sweat and tears—a truly personal asset—lies with a government office, and that the invention will be built and tested by someone in the inventor's own field. There are many risks inherent in this sort of detailed disclosure. Imagine the possible trepidation of a famous chef who, in order to get a business permit for a new restaurant, had to send his menu, complete with recipes and plating presentation to a government office. Now imagine the person who is to examine the restaurant file is also a chef. His work is completely exposed!

Therefore, the inventor obviously is looking for something in exchange. The trade-off is the twenty year monopoly on the invention, protected by the government. This exchange is the essence of; the main purpose and appeal of the patent.

Trade Secret. Some creators and companies like the idea of keeping that sensitive information in-house only. They want the chance to remain at that competitive edge for longer than twenty years afforded by the patent. The risk with this classification of designation is that of, as I refer back to the legal language I used above, independent discovery.

Let's pretend that there is a company in Seattle that's got the hottest trade secret on how to grow a certain strain of marijuana. In in Portland, Oregon, there is a different company that also grows marijuana. The company in Portland doesn't even know that the company in Seattle with the secret strain exits, however, they have done a lot of research and are testing out new strains. One of these strains just so happens to be the same growth process, the same exact strain, down to the same molecule as the protected trade secret held by the company in Seattle. Though unaware that another grower holds a trade secret on this strain, they too, recognize its desirable properties and begin to sell it.

Through a natural progression of the Portland Company's business practices, the "secret" recipe is no longer a secret. The strain was brought to market by an entity other than the trade secret owner. Unlike a patent owner, a trade secret holder does not retain the right to enforce their propriety. Independent creation is not theft and, while it can be considered unfortunate, it is unenforceable.

In other words, many companies can have the same exact trade secret ingredient. It could actually even be the case that one of the most famous trade secrets, the Coca-Cola recipe, is not a secret at all. It could very well be that RC Cola and Coca-Cola actually have

the same recipe. In other words, the trade secret designation has no requirement for novelty.

In any case, the exchange for non-disclosure with a trade secret protection allows for the potential for companies to keep the best possible competitive edge on sensitive recipes or formulae for longer than the twenty years offered by patent protection. The risk is then of a second or third party developing the same product and eliminating the initial creator's competitive advantage.

Patent Checklist

Below is a quick list of the best reasons to choose a patent over trade secret protection:

- **Strong Protection.** If the strongest possible protection for the design is needed, an inventor might seriously consider the patent. If inventors want the best assurance that they will be equipped to prevent any of their competitors within the state, within the country, or even the globe, from obtaining their assets, the patent is the strongest protection.

- **Simplicity vs. Complexity.** Second on the list of things to consider is the complexity of the innovation. Potentially, how subject is it to being reverse engineered? Just like I was saying in Chapter 1, the Coca-Cola recipe might be tricky (if not

impossible) to decipher how it was made just from the end product, but someone could very feasibly reverse engineer a two or three piece mechanical device in a proverbial heartbeat. Even if the creators kept such a device as a trade secret, someone will eventually pull the thing apart and figure out how to put it back together again—and then it's done. Their secret's out and they've lost that competitive edge.

- **Time Frame.** If the limited duration of protection at twenty years is acceptable to an individual or commercial entity, a patent might also be a good choice in this instance as well. Twenty years may seem like a long time, but for a corporation that could exist many generations, if not over a hundred years, the time limit is an important factor to consider. However, if a company is one that iterates and comes up with new innovations constantly, twenty years may be more practical. To be sure, a small mom and pop shop with one main product may not benefit from the twenty year limit.

Trade Secret Criteria

Back to the Coca-Cola example from above and the first Chapter of Section 1. It would be impossible to merely look at their end product and determine the precise way the formula was heated or

how the carbonation was added. This complexity of formula could very well be why the Coca-Cola Company has held on to their trade secret for nearly ninety years.

Again, if it is the case that the innovation is not easily subject to reverse engineering, and the inventor is willing to accept the risk of independent discovery, filing for trade secret protection may be the best option.

Below are the other main characteristics of a strong trade secret candidate:

- **Independent Value**. In order to actually have an enforceable trade secret, the secret must be immediately valuable not just to the inventor, but to the inventor's competitors. It is the company or individual creator's key proprietary information, rather than, or apart from, general business practices.

- **Internal Proprietary Documentation**. Specific systems to keep the trade secret, well, a secret, must be in place. The filing party must be willing to take steps to identify the trade secrets within their company or entity. This means that the company must make a review of all their documents and the mark the ones considered proprietary. In addition,

companies are required to train employees on what information is restricted and how to manage these confidential records and reports. This requirement is an effort to help a trade secret owner maintain their designation.

- **Misappropriation Protection.** Federally enforced under the Lanham Act, **misappropriation,** or the theft of the information contained as a trade secret, can happen in several ways, mainly**:** physical espionage, breaking and entering or employee theft. Should, without proper permission, an employee share a secret with a third party—whether in exchange for money not is considered misappropriation.

Though federal law protects trade secrets against misappropriation, how the laws will be enforced and what penalties shall be assigned are determined by state laws and each state incorporates different codifications of this enforcement.

These factors, along with all of the other information in this chapter should be carefully considered with the counsel of a Patent Attorney when making the decision between applying for a patent and seeking trade secret protection.