Insights

To Patent or Not To Patent?

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Anytime a potentially commercializable innovation surfaces, the question of whether and how to protect that innovation should be raised, and the factors to consider in answering that question are the same whether you are an individual inventor or a savvy business with extensive R&D operations. The basic options are to keep the innovation as a trade secret, or to do the opposite and disclose it to the world in the form of a patent application in hopes of securing exclusive patent rights.

If the innovation is not something that can be kept secret, the choice is obvious – either apply for a patent or let the cat out of the bag. So, for product features or technologies which can be easily reverse engineered once they are out in the market, the only way to really protect them is to file that patent application, and ideally do so before they are launched.

But if the innovation is something that can be kept secret, such as a new process for manufacturing a widget that cannot be figured out just by examining that widget, then keeping that as a trade secret provides a viable option. Some important things need to be considered, however, before making that decision.

First, are there adequate measures available or already in place to help to maintain the secret? In order to rely on trade secret protection against unlawful misappropriation, the secret holder must employ reasonable measures for maintaining the secrecy. What is reasonable depends on many things, but for a good rule of thumb, if the innovation has a high value to the business, meaning that the potential for commercial exploitation would be severely impacted if the secret is lost, then 'reasonable' likely means something more than saving the details on the hard drive of a laptop, even one that is password protected.

Some best practices include limiting the number of people who are allowed to know or access the secret information; maintaining robust protocols for how the information is accessed, e.g. firewalled servers or secure file rooms; limiting access to spaces where the critical information is kept, including restricting visitors; and instituting a robust program of non-disclosure and confidentiality agreements for all employees as well as any third parties (such as vendors or service providers who are critical to business operations relevant to the secret information) who will need to know the trade secret.

Second, consider how long the protection should be. In theory, trade secret protection can last forever, so long as the information remains a secret. But as soon as it becomes public, whether by accidental revelation, or by someone independently creating or discovering the same information, or by good old-fashioned reverse engineering, then the protection is lost. In contrast, a patent will protect an invention for a term of 20 years from the date the application is filed. Once the patent is granted, those rights remain in place (assuming maintenance fees are fully paid) all the way up to the date of expiration, regardless of whether or how you decide to exploit those rights.

Third, consider whether or not you would be able to detect that someone was infringing your patent. For a process of manufacturing, for example, it may be impossible to tell whether your competitor's widget was made by the process you patented or by some other non-infringing process. In that case, the patent may not really provide you much real protection. But if you will be able to detect telltale signs of unauthorized use, or some other clear indications of infringement, a patent becomes a more attractive idea.

Lastly, consider whether competitors are actively innovating and developing in the same technology fields and product areas. This makes it highly likely that a competitor will independently invent the same thing or something very similar, in which case if you decided to keep it a secret you've not only lost your trade secret protections but also you may be liable for infringing a patent the competitor obtains for that innovation. Alternatively, even if you do not plan to implement the innovation in your own commercial endeavors, a patent presents an obstacle to competitors that they then need to design around, which takes time and investment. The competitors may find it more efficient to license your invention, which could be attractive to your business and allow it to take an asset 'off the shelf' so to speak and make it a revenue contributor. If your business faces tight competition, then patents provide a significant strategic advantage and add a defensive and/or blocking value to your IP portfolio.

As with any decision regarding what form of IP protection to rely on in a given situation, the decisions are nuanced, and the analysis can be complicated. For help with IP decisions such as this or any other IP protection or enforcement concern, please contact Justin Sage, Dan Tychonievich, or a member of our Business, Acquisitions and Securities Practice.
