TO PATENT AND/OR TO PADLOCK ?!

1. In intellectual property law and practice an important and difficult issue is the choice between patent protection and trade secret maintenance. This issue has become even more pivotal in recent years. On the one hand, it has become impractical to patent every minor improvement and development due to severe personnel shortages and escalating patent office fees and other patent solicitation costs; on the other hand, the 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 basis for trade secret reliance in subsequent decisions (*Aronson v. Quick Point Pencil*, 1979 and *Bonito Boats v. Thunder Craft Boats*, 1989). Consequently, formal internal trade secret policies have been implemented by more and more corporations.

2. The two mentioned routes for protection are, in one respect, essentially *mutually exclusive*: the maintenance of an invention as a trade secret presupposes that no disclosure, by way of a patent or otherwise, will occur and the filing of a patent application with its subsequent disclosure concedes forfeiture of trade secret rights.

Parenthetically, it might be kept in mind that if the trade secret route is embarked upon in a deliberate fashion, foreclosure of the patent route is automatic, but if the patent route is chosen, at least initially, all options are kept open, i.e. taking out a patent, if the claims are held patentable or abandoning the application, whether or not the claims are adjudged patentable and thereby preserving secrecy. However, the practical dictates due to scarce personnel and high patent costs, may not allow for wholesale use of this decision-postponing expediency.

From another point of view, it is important to keep in mind that patents and trade secrets are *mutually complementary*: Firstly, in the critical R&D stage and before any patents issue, trade secret law particularly "dovetails" with patent law

(see *Bonito Boats v. Thunder Craft Boats, supra*).

Secondly, assuming that a development has been enabled and the best mode described, as is requisite in a patent application, all associated know-how not disclosed, whether or not inventive, can be retained as a trade secret.

Thirdly, 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.

Fourthly and especially 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. GE's industrial diamond process technology comes to mind in this regard as an excellent illustration of the integration of patents and trade secrets

The question then 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. correlate and integrate patents and trade secrets for optimal protection of a given development.

3. To systematize the determination as to which route is better, based on the advantages and disadvantages of either form of protection, guidelines or "decision trees" have been worked out and followed in the world of intellectual property. On first blush, it appears that a "decision tree" approach has a great deal of merit because of the apparent binary, yes-no, nature of the election process. On closer scrutiny, the "decision tree" approach has shortcomings. For example:

a.) There is likely to be a least one question in which one possible answer is "patent or trade secret" which means that the ultimate question has not been, and perhaps cannot be, resolved solely by such a system;

b.) Subjective questions are involved which require an element of prediction rather than objective measurement and are not well suited for a binary decision system;

c.) The hierarchy and sequence of questions are critical, i.e. the earlier a question in the sequence, the more significant its role, which poses problems particularly with subjective questions.

Consequently, it appears preferable to use a decisional approach that attempts to arrive at a composite value in which each possibility contributes to the final answer. This approach takes the form of a "questionnaire" where the questions — ten in all — have been arranged not in order of perceived importance but by functions (marketing, technical, legal) with each question to be answered on a scale of 1-10 and with the values, after being totalled, favoring trade secret protection if they are above about 60 and patent protection if they are below about 50.

4. The following comments may be helpful when answering the questions and scoring the answers in the appended New Development Analysis Questionnaire:

Q1) If the development is likely to be commercialized or licensed, patent protection would seem far preferable to trade secret protection. There might be some exceptions (such as the Coca-Cola situation) but presumably these would be limited to situations where the nature of the product could not be easily ascertained by reverse engineering (see Question No. 5). Note that the question pertains to commercialization of the development itself. Thus the mere use of a process to produce a commercial product is not commercialization of the process. The desirability of patenting the process itself would depend on answers to Questions 2-10.

Q2) Question 2 attempts to ascertain whether exclusivity on the development would be meaningful commercially. A development of marginal commercial importance might be better kept as a trade secret. One which provided a significant commercial edge, however, probably should be patented.

Q3) This addresses the reverse problem, namely the defensive value of a patent publication. Hence while the development may be of minimum

commercial advantage to the company, thereby favoring trade secrets, a patent (or publication) should be considered if a competitor's exclusivity would be disadvantageous.

Q4) The ability to "design around" is a function of how basic patent protection would be. If a claim is easily avoided, its value is considerably reduced. The destructive effect of trade secret protection by publication is unchanged. The relative value of the trade secret option thus is increased (as a result of the decrease in the value of patent protection).

Q5) Counterbalancing Question 4 is the consideration of whether, if the trade secret route is chosen, a competitor nevertheless will be able to ascertain the nature of the development from the product. If so, patent protection would be favored.

Q6) This is an often overlooked but important consideration. For example, a required disclosure of a culture collection deposit number could provide competitor's with access to the culture itself which access might greatly outweigh the value of patent protection. A disclosure of an unclaimed process or intermediate on a final product similarly might have a bearing on whether the final product should be patented.

Q7) Evaluating this possibility could be extremely difficult in many cases. If, however, it is known that others are working in the field, it would seem quite probably that they will arrive at the same development, the consequence being possible exclusion if patent protection is not sought.

Q8) Even though patent protection might be indicated for other reasons, this could be counterbalanced by the fact that any coverage eventually obtained would be weak. A weak patent which is ignored by competitors and on which the company is not willing to sue is as good as no patent. In fact, it may be worse since the opportunity for trade secret protection has been irrevocably lost through publication.

Q9) Ideally, the dissemination of information from within the company is controllable. If not, however, a trade secret might be lost. If this risk exists, as for example where numerous employees, visitors, suppliers, etc. have access to the development, patent protection is more attractive. The same question arises with scientific publications.

Q10) This question is related to Question 8 but goes to the issue of inherent enforceability rather than patent strength. If detection of infringement would be extremely difficult, the ultimate value of a patent would be reduced and again that reduced value must be compared to trade secret destruction by the patent publication.

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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	____