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Patenting, Publishing and Trade Secrets: Strategies for Inventors

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A company independently develops an innovation and they discover later that it has been patented by a competitor. The competitor did not steal or reverse-engineer that innovation – they simply arrived at it independently, and got to the patent office first. What are the issues and strategies for inventors when navigating the different options for intellectual property protection?

There is a risk that if a company neither publishes the innovation, nor files for a patent, a competitor might independently arrive at the innovation and take out a patent. Thus the original innovator could be at risk of becoming unable to use their own innovation.

Likewise, even if the competitor does *not* take out a patent for what they also (later) innovated, but rather themselves use the innovation, then the resulting situation might still be worse for the original innovator's failure to make the improvements known to the entire industry. For example, in situations where the competitor is a strong player and through R&D on the idea has gained a head start over all others, and there is a trade secret element to the idea, there is more of a risk where the strong competitor uses the innovation as a trade secret. In general, where the innovation is "internal" to the equipment or service, and thus is not already out in the public the minute it is in use, this is a more acute problem.

Some organizations prefer to simply publish the innovations in a white paper, trade journal, or other publicly-available forum to avoid this risk. By publishing the innovations, patentability is lost, both for the original innovator and any competitor.

The factors that play into the decision to publish an invention, or file a patent for it, or perhaps do neither, include:

- Is the invention more useful if incorporated into competitors' products or services than if incorporated into the first innovator's (including consideration of respective market shares) which in some cases might favour filing for a patent which may be let languish versus just publishing it?
- If so, will it be used in the invention's present form of development?
- Would the patent likely be broad enough to be useful; i.e. would a patent for the invention bestow a significant degree of exclusivity over the competition?
- How quickly and consistently is the organization developing improvements in the particular area of the invention?
- Would the organization likely obtain the patent with reasonable effort? If more than usual effort is likely required, does the organization have the commitment to provide that?
- Can the organization afford to enforce the patent?
- How long-term is the demand for the product and how quickly are the product deliverables changing; where does the invention fall in terms of long term demand?
- Is the invention more useful if incorporated into competitors' products, but not so much for clients, (including consideration of respective market shares) therefore suggesting publishing it versus patenting it?
- Is the innovation something that, even if used in the product or service, is "internal" and not readily available to the public?

- If the innovation is not readily available to the public, is it something that enjoys the limited protection of confidential information?

- Is the innovation, even if used, so undiscoverable even by technically-trained outsiders, that a decision to patent it can be postponed without risk of the invention becoming the subject of an "enabling disclosure"?

Innovate their Core Products/Services

Assuming the innovation is to a core and financially successful product or service, and that the product or service is being constantly improved, then one strategy is for the organization to simply publish new, inventive ideas without patenting them, because the product's improvements will always cause the product to be ahead of the competition. Allowing the competition to know and use the ongoing ideas behind the product may not be giving much away since it is merely conveying information that is quickly out of date.

However, in practice this is the exception. The prevailing view is that filing a patent for each innovation is a superior strategy. This may be since it is difficult to determine whether the innovation fits the organization's product development strategy to establish a commercial advantage for its product. If it seems not, then still there is the question of whether the innovation is not useful to the competition, in which case better to patent it so to preclude the competition that advantage (versus simply publishing it). (Patents filed to limit the ability of the competition to themselves patent improvements to their product, are sometimes called "picket fence" patents).

Trade secrets

If the innovation can both be used by an organization and maintained a trade secret, then the decision to patent it, publish it, or simply use it, is difficult. Trade secrets can be maintained in many commercial situations where the innovation is within equipment that is merely transported to a site, operated and removed, is installed at a place the public cannot inspect it (where often the Courts will find an implied circumstance of confidentiality), or where the information is simply the details that make a publicly-accessible product work properly.

In an environment of much innovation and questionable product life, simply using an innovation and maintaining a trade secret over it may prove optimal. The risk of a competitor happening on the innovation and patenting a small improvement is there but the effect of such may be reduced if the product has run its life, or the innovation was superseded by other innovations by the time the competitor obtains a patent.

But if an idea is something that might be used for 5-15 or more years, even though it is expected that new ideas will emerge to refine it, then if an organization simply uses it and holds it as a trade secret, it exposes itself to a competitor obtaining a patent. In many situations in which the first innovator that held the idea as a trade secret, they can argue that their use of the idea even though internally, was nonetheless an invalidating enabling disclosure. However, in practice, proving this is difficult and the competitor's patent will always be something at least slightly different than the first innovator's idea.

A Patent Law Aspect to Consider - Novelty

It is not unheard of for the original innovator who might have chosen to shelve an innovation (perhaps after first using the innovation in a limited way), to assert some leverage against a later-in-time innovator who did file for a patent, obtained one, and then seeks to contest the original innovator's product with the patent.

This is since the original innovator (or its ex-employees) might have some proof that their early limited use, or their disclosure of the innovation at the time they reviewed it before shelving it, caused the innovation to become unpatentable – the cardinal rule of patent law being that only new innovations (new anywhere in the world) can form the basis of a valid patent (this is called the "novelty" requirement). If the patent holder puts pressure on the original innovator, then in some cases the original innovator finds itself able to present enough risk of patent invalidity, that the patent holder chooses to refrain from commencing a suit and in some cases the patent holder has agreed to share the benefits of the patent.

Conclusion

These are just some of the scenarios that play out when the engineer enthusiastically descends upon the Chief Technical Officer's office, to present an innovation they have developed. CTO's and IP counsel (or their counterparts in smaller organizations) do not have an easy task in determining how best to reduce the organization's risk or how to capitalize on the potential opportunities in situations like these.

If you want advice on intellectual property law contact Neil Kathol in our Intellectual Property & Technology Group.

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