



Klarquist

Utility Patent Or Trade Secret?

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PATENT

TRADE SECRET

WHICH IS BETTER?

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974)

PATENTS

Chief Justice
Burger (majority):

“Trade secret law provides far weaker protection in many respects than the patent law.”

TRADE SECRETS

Justice Marshall
(concurrence):

“State trade secret law provides substantial protection to the inventor . . . protection which in its unlimited duration is clearly superior to the 17-year monopoly afforded by the patent laws.”

HISTORY

PATENTS

- 1400s in England & Italy
- U.S. Constitution (Art. I, § 8, Cl. 8)
- Federalist No. 43 (Madison)
- 1790 patent act
- Jefferson & Washington signed patents
- Edison, Bell

TRADE SECRETS

- Roman slave law?
- Early 1800s common law
- 1939 Restatement
- 1979 UTSA
- Economic Espionage Act of 1996
- 2016 Defend Trade Secrets Act

HISTORY

**ADVANTAGE =
PATENTS**

PRESTIGE

PATENTS

- Certificate
- \$ Bonus
- CV
- Valuation

TRADE SECRETS

- “Top secret”

PRESTIGE

ADVANTAGE =

PATENTS

PUBLIC PURPOSE

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974)

PATENTS

- “To promote the progress of science and useful arts,…” Art. 1, § 8, Cl. 8
- Encourage innovation by patentees
- Encourage innovation by third party innovators

TRADE SECRETS

- Encourage innovation
- Commercial ethics
- “A most fundamental human right, that of privacy…”

PUBLIC PURPOSE

ADVANTAGE =

BOTH

PROPERTY

PATENTS

- “A patent is property” *U.S. v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933)

TRADE SECRETS

- Dissent (Douglas): “A trade secret, unlike a patent, has no property dimension.” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974)
- “[T]rade-secret property right under Missouri law . . . is protected by the Taking Clause of the Fifth Amendment” *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984)

PROPERTY

ADVANTAGE =

BOTH

SOURCES OF LAW

PATENTS

- Complex
- Federal statute
- CFR; MPEP; USPTO guidance
- Case law: federal courts, PTAB, ITC
- Federal Circuit

TRADE SECRETS

- State law
 - Uniform Trade Secrets Act
 - Other state law
- Federal statute
- Many courts of appeals

SOURCES OF LAW

**ADVANTAGE =
PATENTS**

WHICH LAW PREVAILS?

PATENTS

- Does not preempt trade secrets law
Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974)
- Preempts conflicting state law
Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989)

TRADE SECRETS

- Does not preempt patent law
- § 1838: DTSA does not preempt state law (except whistleblower)
- State trade secret law preempts “conflicting” state law
 - ORS 646.473: preemption
 - ORS 646.461: exception for contract, criminal, public entity

WHICH LAW PREVAILS?

ADVANTAGE =

NEITHER

SECURING RIGHTS

PATENTS

- §§ 111-115
- Average time: 25.3 months
- Cost: \$10K+

TRADE SECRETS

- § 1839(3)(A): reasonable efforts to maintain secrecy
- Alarms, ID badges, firewalls, passwords, fences, contracts, etc.

SECURING RIGHTS

**ADVANTAGE =
TRADE SECRETS**

KEEPING RIGHTS

PATENTS

- § 282: presumption of validity
- PTAB/Federal Court
- Prior art (§§ 102, 103)
 - *Helsinn v. Teva* (Fed. Cir. 2017)
- §§ 101, 112 invalidity
- Maintenance fees
- Expiration

TRADE SECRETS

- Disclosure
 - No NDA
 - Filings
 - Patent application
- Previously known
- No maintenance fees, expiration

KEEPING RIGHTS

ADVANTAGE =

PATENTS

SCOPE

PATENTS

- § 101: “any new and useful process, machine, manufacture, or composition of matter”
- “[I]mplicit exception: Laws of nature, natural phenomena, and abstract ideas” *Alice Corp. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014)

TRADE SECRETS

- § 1839(3): information that “derives independent economic value, actual or potential, from not being generally known...and not being readily ascertainable”
- “all...types of financial, business, scientific, technical, economic, or engineering information, including...”
- DTSA: “whether tangible or intangible”

SCOPE

ADVANTAGE =

NEITHER

DEFINING COVERAGE

PATENTS

- During prosecution
- Claims
- *Markman*

TRADE SECRETS

- No Need
- Licensing
- Litigation
 - Cal. § 2019.210
 - FRCP 26
 - *Iqbal/Twombly*

DEFINING COVERAGE

**ADVANTAGE =
TRADE SECRETS**

DURATION

PATENTS

- Expires 20 years from filing

TRADE SECRETS

- Indefinite
(until disclosure)

DURATION

**ADVANTAGE =
TRADE SECRETS**

EXCLUSIVITY

PATENTS

- Exceptions: License, dueling patents

TRADE SECRETS

- Not exclusive
- ORS 646.461/§ 1839(5)
 - Reverse engineer
 - Independent development

EXCLUSIVITY

ADVANTAGE =

PATENTS

GEOGRAPHIC REACH

PATENTS

- § 271(a): “makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States”
- § 271(f): exporting components
- § 271(g): importing product by process
- PCT; foreign patents

TRADE SECRETS

- State law – in state harm
- Federal law
 - § 1836 permits suit regarding a trade secret “related to a product or service used in, or intended for use in, interstate or foreign commerce”
 - § 1837 applies to conduct outside U.S. if (a) U.S. party or (b) act in furtherance in U.S.

GEOGRAPHIC REACH

ADVANTAGE =

TRADE SECRETS

LITIGATION COST

PATENTS

- <\$1m at risk: \$873k
- \$1m-\$10m at risk: \$2.2m
- \$10-\$25m at risk: \$3.5m
- >\$25m at risk: \$6.3m

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TRADE SECRETS

- <\$1m at risk: \$516k
- \$1m-\$10m at risk: \$1.2m
- \$10-\$25m at risk: \$1.9m
- >\$25m at risk: \$4m

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LITIGATION COST

**ADVANTAGE =
TRADE SECRETS**

VENUE

PATENTS

- Federal court only
 - “No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents...” § 1338
- § 1400(b) venue limitation. *TC Heartland LLC v. Kraft Food Brands LLC* (2017)
- Federal Circuit only. § 1295

TRADE SECRETS

- Federal court: federal and/or state claims (supplemental or diversity jurisdiction)
- Broad § 1391(b) venue
- State court: state and federal claims

VENUE

**ADVANTAGE =
TRADE SECRETS**

WHO CAN SUE?

PATENTS

- **Constitutional standing: only owner and exclusive licensee**
- **“Prudential standing”:** must join all potential plaintiffs

TRADE SECRETS

- **§ 1836(b)(1): “owner”**
- **§ 1839(4): “the person or entity in whom or in which rightful legal or equitable title to, or license in, the trade secret is reposed”**
- **State law: “possession of the secret, not the possession of some abstract or academic legal right of ownership in the secret”**

WHO CAN SUE?

ADVANTAGE =

?

STATUTE OF LIMITATIONS

PATENTS

- § 286: 6 years damages
- No “true” statute of limitations
- Laches rare. *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC* (2017)

TRADE SECRETS

- § 1836(d) & ORS 646.471: 3 years from discovery or reasonably should have discovered
- “continuing misappropriation constitutes a single claim”
- Laches rare

STATUTE OF LIMITATIONS

ADVANTAGE =

PATENTS

PROVING LIABILITY

PATENTS

- **Infringement**
 - § 271: make, use, sell, offer to sell, import, certain exports
 - All elements/DOE
 - Strict liability
- **Inducing & contributory**

TRADE SECRETS

- **Misappropriation**
 - Acquiring, disclosing, using through improper means (theft, bribery, misrepresentation, breach duty/contract, espionage)
- **Scienter: knowledge or reason to know**

PROVING LIABILITY

ADVANTAGE =

PATENTS

REMEDIES

PATENTS

- Damages
- Enhanced damages
- Injunction
- Attorneys' fees

TRADE SECRETS

- Damages
- Enhanced damages
- Injunction
- Attorneys' fees
- Seizure

REMEDIES

ADVANTAGE =
TRADE SECRETS

DAMAGES

PATENTS

- **§ 284**
 - “in no event less than a reasonable royalty”
 - “damages adequate to compensate for the infringement” (lost profits)
- **Trebling (willful)**
- **§ 287: marking hurdle**

TRADE SECRETS

- **ORS 646.467:**
 - “not be less than a reasonable royalty”
 - “damages adequate to compensate for misappropriation” (lost profits)
- **+ Punitives 2x (willful/malicious)**
- **Unjust enrichment**

DAMAGES

**ADVANTAGE =
TRADE SECRETS**

OVERALL

PATENTS

- Prestige/History
- Reverse engineering protections
- Exclusivity
- No scierer requirement

TRADE SECRETS

- Cheap/easy to secure rights
- Non-patentable subject matter
- Indefinite duration
- Litigation advantages: cost, venue, remedies

OVERALL

**ADVANTAGE =
IT DEPENDS**

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