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The dangers of double-dipping: Patent or trade secret?

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A federal court case could affect how some industries hold and sell their innovations, and also alter their entire intellectual property strategies.

Many manufacturers prefer to keep novel processes as trade secrets while later considering seeking patent protection. This is a popular IP strategy for pharmaceutical, chemical and other high-value industries, where the quality of the products is closely dependent on the technical know-how in the novel manufacturing process. This IP strategy could be up for reconsideration depending on the development of a case pending in Federal Circuit court. The most recent oral argument was held on March 4 and the main question for the judges is: *Does the sale of a* *product by the patent applicant prohibits the patentee from later patenting the process used to make the product*?

There is a specific provision in patent law that disqualifies the claimed invention from patentable subject matter if the invention was on sale or offer to sell, more than one year before the effective filing date of the U.S. application and that the claimed invention was ready for patenting, with the narrow exception for if the sale was for experimental purposes. A secret sale or offer to sell under a nondisclosure agreement would not escape the on-sale standard.

The America Invents Act (AIA) and pre-AIA patent statutes both have an "on-sale bar" to prevent an inventor from commercially exploiting a secret invention for several years, but later trying to obtain a patent monopoly. The best practice is to avoid double-dipping between patent and trade secret. The best practice is securing the provisional patent priority date before your idea or product going to the public. When considering patent protection for a confidentially held novel process, consult with a patent professional.

The outcome of this case will have an immediate impact on the IP strategy and management policy for many manufacturing industries, tech startups, and academic research institutes. We will continue to watch this case and see what the impact will be on those industries, but if you have any questions on how you can prepare for either outcome, please contact any member of our Intellectual Property Team.

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